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**ROHR ALERT!! Uncertainty Abounds and Tech Issues**

1 message

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**Dear Subscribers,**

**While we are coming to you earlier than usual, that is in part due to the glitches at our data source's charting function. That only allowed us to create the weekly front month S&P 500 future chart, and we will be recreating the other charts later today as those problems clear up. We apologize for this delay in providing the fully annotated charts, and will discuss them in this opening exposition.**

**What we know right now that informs our view of US equities sudden reversion to weakness is that a goodly degree of the 'risk on' psychology reinforced by last week's events overall is coming back into question. As discussed in Friday's 'TW3' ALERT!! (the acronym for the 1960s satirical television comedy program 'That Was the Week That Was'), things were tumultuous on many fronts last week. Not the least of those was the temporary disruption of the US joint Congressional session to formally 'read-in' the individual states' Electoral College votes.**

**For anyone who has not already read it, we suggest a review of that assessment which included our Tuesday review of the degree to which US equities knee-jerk downside reaction to the prospect of a Democratic Party Senate majority was misguided based on the likely sequence of Biden administration and Democratic Party actions: more stimulus/relief first, even if tax hikes likely come later.**

**We also highlighted the degree to which the idea that control of the Senate along with the White House and House of Representatives would leave the Democratic Party in a major Socialist/profligate direction was at least somewhat misguided. As reviewed in Thursday's 'Democratic Sweep NOT a Blue Wave' ALERT!!, the slim nature of the Democratic legislative majority is compounded by the large number of party moderates who won in 'purple' districts (closely split between 'red' and 'blue' constituents) that allowed them to take the House in 2018 .**

***As also noted on Thursday, "...the hoped for Blue Wave has diminished into a more likely Blue Tide. Many moderate Democrats like West Virginia Senator Joe Manchin have already been gaining more prominence in the House leadership, which is only likely to increase under a Biden administration that is looking to heal the partisanship of the Trump era. Of note, Manchin was a key leader of The Problem Solvers Caucus that brought the two sides together for the ultimate late year stimulus/relief deal. And he is at odds with the Left again at present.***

**Regarding the idea that there needs to be another round of \$2,000 stimulus/relief checks, Manchin sounds quite a bit more like the Republicans who objected to the recent \$600 payments going to every family member of a couple making less than \$150,000/year. He has said that the next round of relief checks cannot be *carte blanche*. It makes sense to us that the relief spending should be higher amounts focused on the folks who really need it. Yet**

**Senator Sanders is casting further \$2,000 payments as “...a promise that must be kept.” Maybe. Maybe not.**

**The issues the US equities are dealing with in their less positive activity this morning likely includes a good deal of uncertainty over just what will be done. And as we have returned to citing so many times, the old adage still holds, “*The markets (which is to say equities) dislike nothing quite so much as uncertainty.*”**

**The dilemma for US equities that seemed to be counting on a major further blast of stimulus/relief on the since confirmed anticipation the Democrats would take control of the Senate is that this does not necessarily mean all of those things attached to a totally profligate Left-Progressive agenda. In addition to anything the Republicans can do to influence things, Democratic moderates as the key.**

**There are also other factors at present, some meaningful and some less than important despite the press making quite a bit of them. Staying in the political lane for the moment, there is the likely historic second House impeachment of President Trump. While impeaching any President a second time is heretofore unheard of, many feel that Trump engaging in ‘incitement of insurrection’ (the actual single article of impeachment this time) was beyond the pale. It is the case this time (unlike last year) that quite a few independent Republicans agree.**

**The additional concern for the market that any impeach likely successfully voted in the House will call for a highly distracting Senate trial right at the beginning of the Biden-Harris administration when there is so much else to do. This is wrong.**

**One of the perennially ‘smartest guys in the room’ on political issues is South Carolina US Representative James Clyburn. He also happens to be the House Majority Whip, and was the individual whose endorsement just prior to his state’s primary as part of the early-March Super Tuesday Democratic multi-state primaries where Biden fared very well, sealing his nomination as its presidential candidate.**

**We saw him tell Jake Tapper on CNN’s Sunday morning ‘State of the Union’ show House Democrats might wait until after President-elect Joe Biden’s first 100 days in office to send articles of impeachment against President Donald Trump to the Senate. You can hear him say it for yourself in the CNN clip (<http://cnn.it/35ukutq>.) Even as keen observers of the US political scene, this was news to us, and gets to the real point of the impeachment... obviously beyond timely removal of Trump from office.**

**While the simple majority to impeach leaves that likely in the House, the degree to which Trump will be convicted in the Senate remains as problematic as last year. Even allowing some Republicans will very likely break with their party and vote to convict on the evidence of what everyone saw last week, that will still fall well short of the 66 Senators necessary to convict. Yet the twist is that even though Trump is being tried after leaving office, there can also still be a vote to bar him from ever holding federal elective office in the future. And that only requires a simple majority.**

**With so little time left prior to his departure from the office of President, that would seem to be the real motive behind the fresh impeachment drive. As such, not a drag at all on any Biden legislative agenda, yet a guarantee Trump could not run again even though he has only served one term (of a two term statutory limit.) Will that (along with his recent banishment from social media) blunt his influence on the Republican Party? Only time will tell. Yet many there as well will be glad of it.**

However, there are also other uncertainties, especially on the COVID-19 front. Those include the emergence of more than one highly infectious variant of the disease. That brings with it greater incentives for governments to maintain or expand economically damaging lockdowns and quarantines. That said, it is possible the new Biden administration will go beyond straight stimulus/relief spending into more targeted major relief for key businesses. Some of that has already proposed for some time, like specific support for dining and hospitality, travel, and other 'people' businesses.

There is also the unseemly disjointed US vaccination program. After the Trump administration promised they 'would vaccinate' 20 million Americans by the end of 2020, the actual number fell far short of that. They are now saying that they 'meant' they would create the vaccine doses, but the actual implementation was up to the individual states and municipalities. Of course (without being political at all about it), there was typically little or no support for those programs. That includes the lack of funding while Republicans dragged their feet on relief spending late last year.

This is very important to both the US economy and the markets. The very positive vaccine efficacy announcements in early-mid November were a tonic for US equities, as they represented the ultimate light at the end of the tunnel. However, the current lack of effective vaccination implementation suggests it might take years instead of months for the US to achieve 'herd immunity'. As such, the light at the end of the tunnel has become a bit dimmer of late. Can and will the Biden administration find a way to accelerate this critical process? The received wisdom is that it is so deficient at present, that will take some doing, and the markets are right to be concerned.

As far as actual market activity, even the misplaced fears of a Democratic-controlled Senate last Tuesday only fomented a March S&P 500 future reaction back down to 3,740 area recent congestion, and not even down to the more prominent 3,700-20 area it had been trading below last Monday into Tuesday. Those are likely now the key near term supports. Also as noted last week, elevated weekly Oscillator historic indications are weekly MA-41 plus 520 and plus 550, and based on weekly MA-41 now rising an impressive 30 points per week. As those are up to 3,830 and 3,860 this week, there is plenty of 'headroom' if the market holds support.

As far as the other asset classes, the most bothered by what will be some form of greater stimulus/relief spending is of course the global govies, especially the US. March T-note future is already sagging below the key 136-24 gap from back in the wild swings during the March COVID-19 response. As such a major interim support, we are giving that a full 8/32 Tolerance, meaning only Closes below 136-16 would represent a significant failure. However, should that occur, based on March volatility and previous historic highs the next support is not until 135-00/134-16.

This has also had near-term implications for foreign exchange, where the suddenly sharply higher US interest rates not quite matched elsewhere have bolstered the previously vexed US dollar. While other currencies are holding around lower supports overall, the US Dollar Index has ratcheted back up from trading below the low end of the key 89.50-.00 range early last week. While only back up to the low end of the higher 90.50-91.00 area, that at least avoids the critical test of the lower significant 88.25 February 2018 six year low.

Courtesy Repeat of Thursday's critical consideration  
[With updated front month S&P 500 future weekly chart]

Aside from the sheer magnitude of the selloff in the first week of September, it was also a technical pattern top. That is clear on the front month S&P 500 future weekly chart <https://bit.ly/39pEsqa> (updated through Friday January 8.) Such a significant rally above the

previous week's 3,504.50 Close and drop well below it established a major DOWN Closing Price Reversal (CPR) with a 3,510 Tolerance.

The next significant support after it traded below the February 3,397.50 previous all-time high looked like the 3,230-00 range we had previous highlighted as rally resistance into early June. After that held once again, the recent surge back above the 3,400-30 area left a burden of proof on the bears to get the market to fail back below that area. Yet instead the December S&P 500 future posting weekly Closes above first 3,505-10 and ultimately the 3,550 area looks like it is indeed again 'Risk On' Forever. This is confirmation of our estimation the US election would be a win-win for US equities, with the key accelerated bullish influence from the serial positive vaccine announcements since early November.

The near-term question was whether it could hold support at the early-September 3,587 trading high and 3,582 early November Close, with a Tolerance to the 3,575 congestion? Even though it slid below them in early-mid November on US election concerns, those issues clearing up reinstated the 'risk on' psychology.

Above that range since late November left minor congestion resistance in the 3,625-35 range. Also above that pointed to the recent 3,668 all-time high that was exceeded into the beginning of December with a 3,700 new all-time high. While it traded slightly above that into early December, the lack of a Trump signature on the COVID-19 relief package sent it back down to a very temporary late-December test of the 3,600 area. Finally more fully out above the low 3,700 area on a belated 'Santa Claus Rally' late last week, saw it up near the 3,750-3,800 resistance.

However, based on recent weekly Closes, there are elevated weekly Oscillator historic indications. Those December thresholds are the weekly MA-41 plus 520 and plus 550, and based on weekly MA-41 now rising an impressive 30 points per week, those are up to 3,800 and 3,830 this week. And as is often the case at a new extended all-time high, those are presently the only quantifiable resistances, and they are rising over \$30/week based on the accelerated rise of weekly MA-41.

And following up on our previous observations, Monday's drop from a new all-time high above the end of December 3,749 weekly Close left a potential for a weekly DOWN Closing Price Reversal. However, this week's recovery from early week jitters has negated that potential, with higher resistances more prominent.

Thanks for your interest.

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