US ELECTION 2016: ROLLING AND TUMBLING

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Muddy Waters' blues song "Rollin' and Tumblin'" declares:
"Well, I rolled and I tumbled, cried the whole night long
Well, I woke up this mornin', didn't know right from wrong"

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OVERVIEW

Who will or should be the next American President? Will the Democrat camp, the Republican crew, or neither party, capture both the Senate and the House of Representatives? In the aftermath of 2016's fevered campaign, will the apparently defeated Presidential candidate seriously complain of rigging or request recounts?

In any case, America's Election Day 11/8/16 results probably will not repair, remedy, or resolve the nation's severe political and other cultural divisions. In contrast to such ideological and practical splits, marketplace preachers generally agree the Presidential (especially) and Senate/House voting outcomes probably will have important price consequences for American (and related) stock and interest rate arenas as well as the United States dollar and many commodities. Yet financial wizards (as do politicians) differ in their perspectives and gospels. Thus assorted monetary apostles and their devoted partisans nevertheless heatedly debate what the near term and long run financial and other economic repercussions of US Election 2016 will be for America and around the globe.

Despite the uncertainty of US 11/8/16 political outcomes and the variety of competing viewpoints and rhetoric regarding related economic (commercial, financial) implications, why not offer an opinion regarding important price levels to watch in several key marketplaces? That price framework offers subjective guidance for monitoring, assessing, and dealing with intertwined political and economic results, trends, and risks.

MARKETPLACE SUPPORT AND RESISTANCE

"Well, the joint started rocking
Going round and round,
Yeah, reeling and a-rocking,
What a crazy sound". "'Round and 'Round", by Chuck Berry

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In the following table, the broad real trade-weighted US dollar ("TWD") is from the Federal Reserve Board (H.10; monthly average, March 1973=100). Players also should note key levels for the nominal real TWD. The MSCI Emerging Stock Markets Index ("MXEF"; from Morgan Stanley) represents emerging stock marketplaces ("MXEF"). UST 10 Year is the United States ten year government note yield. NYMEX crude oil is the nearest futures continuation contract. Various cross rates against the US dollar are widely watched. The second table offers a snapshot of three "especially political" crosses relevant to the current financial battlefield: the Mexican Peso, Japanese Yen, and Chinese renminbi.

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	Broad Real TWD	S+P 500	MXEF	UST 10 YEAR (pc)	NYMEX CRUDE OIL
Resistance	105.9	2305	1104	3.05	$62.60/$61.50
	101.9/100.9		1030	2.50	
		2194	930		$52.00
		2135		2.00	$46.75
Support	96.7/95.9	2085	885		$41.15/$37.80
		2040		1.60	
		1990/1975	835	1.32	$35.25/$32.40
	90.8		745		
		1810/1755	708/687		

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The broad real trade-weighted dollar's peak in January 2016 peak was 100.9. A five percent fall from 100.9 gives 95.9. Though the TWD tripped 4.8pc lower to 96.1 in April 2016, it ascended to 98.9 in October 2016. In the current context, don't overlook the broad real TWD's March 2009 pinnacle during the global financial disaster at 96.7 (S+P 500 major bottom at 667 on 3/6/09). A ten pc fall from January 2016's height is about 90.8. A one percent venture over January 2016's elevation gives 101.9, with a five percent rally through that ceiling 105.9.

What are the larger present-day percentage weights for various countries within the broad real TWD? China has a 21.9 percent share in the TWD. The Euro FX represents 17.1pc (United Kingdom 3.7pc), Mexico grabs a 12.6 percent amount, more than Canada's 12.0 pc and Japan's 6.3pc.

The nominal broad trade-weighted TWD, unlike the broad real TWD, has daily data. The nominal broad TWD made its high on 1/20/16 at 126.0. A five percent decline gives 119.7; the nominal TWD toppled 6.3pc following its January 2016 summit to 118.1 on 5/2/16. The high since the May 2016 low (data available through 10/28/16) is 10/27/16's 123.7.

The nominal TWD's 5/15/15 interim low at 112.8 shortly preceded the 5/20/15 S+P 500 peak at 2135. A ten percent collapse from the 1Q16 height equals 113.4. A one pc rally above 126.0 gives 127.3, a five pc advance beyond it makes 132.3.

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The record high for the S+P 500 is 8/15/16's 2194 (a 20pc rally from 2/11/16's bottom at 1810 is 2172; 1/20/16 low 1812). A five percent rally over this is about 2304. The important 5/20/15 high was 2135. A five percent fall from 8/15/16's plateau is 2084 (note 11/4/16's close at 2085); 2082 was 12/19/15's notable drop-off point. A 10pc retreat from the August 2016 summit gives 1975 (1992 was the 6/27/16 low; the UK held its Brexit referendum on 6/23/16), and a 20pc dive 1755. Note the price gap around 2040 (6/28/16 to 6/29/16). Support also may emerge around 1870 (8/24/15 low 1867; 9/29/15 trough 1872).

The shocking Brexit "Leave" result did not merely reflect populist gains. The S+P 500 responded with a sharp (although brief) 5.7pc breakdown (6/23/16 at 2113 to 6/27/16's low).

If the S+P 500 sustains a slump of around 10 percent from its August 2016 high, the Federal Reserve and its trusty allies may engage in easing rhetoric. A 20pc tumble increases the chance of more dramatic central bank talk and action. The next Fed meeting is 12/13-14/16.

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The high for the MXEF in its rally from 1/21/16's low at 687 is 9/7/16's 930; 1104 was the 9/4/14 high. Around 1030 is a fifty percent jump from 1/21/16's bottom. A five pc fall from 930 is about 884 (reached around 880 last week; compare the S+P 500's recent level relative to a five pc stumble from its August 2016 elevation), 10pc is 837, 20pc 744. The MXEF's second low in 1Q16 occurred 2/12/16 at 708.

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The UST 10 year note's recent high was 3/16/16 at 2.00pc; this is about a 50pc yield rally from 7/6/16's bottom (1.32pc*1.5). Remember 7/25/12's major trough at 1.38pc. The 12/18/18 worldwide economic disaster low occurred 12/18/08 at 2.04pc. Several interim lows scatter around 1.60pc (1.67pc on 9/23/11, 1.61pc on 5/1/13, and 1.64pc on 1/30/15). The 6/11/15 top was 2.50pc. Above that stands 1/2/14's 3.05pc peak.

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For NYMEX crude oil (nearest futures continuation), crucial resistance hovers around $51.00 to $52.00. A 100 percent move from $26.05 (the 2/11/16 bottom) gives $52.10. In addition to 6/9/16's $51.67 interim top, see the earlier significant high at $50.92 on 10/9/15. The high to date in the rally commencing in first quarter 2016 is 10/19/16's $51.93. A ten percent fall from $51.93 is just under $46.75.

Important signposts for the broad Goldman Sachs Commodity Index can intertwine with key levels in the petroleum complex. A 50 percent rally from 1/20/16's 268 is 402 (381 is half the 4/2/11 and 5/2/11 major tops at 762). The noteworthy 6/9/16 GSCI high was 392. Half the 673 high on 6/23/14 is 337.

OPEC oil ministers gather 11/30/16. Will that group formally agree upon and actually implement specific crude oil production cuts? To what extent will key non-OPEC players such as Russia agree to reduce, or at least freeze, production?

Suppose NYMEX crude oil prices roll further downhill. Monitor the $37.80 (the 9/20/00 peak) to $41.15 (10/10/90's Gulf War pinnacle) range. A fifty percent spike from $26.05 is $39.08. Recall 8/25/15's low at $38.16 and 8/3/16's $39.19 trough.

Watch $32.40 (12/19/08's major low during the global economic crisis; $33.75 on 2/12/09 was the take-off point for the bull move) to $35.25 (a 33 percent rally from $26.05 is $34.72; $34.82 was the 1/28/16 high, $35.24 the 4/5/16 low).

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Currency Crosses Against the US Dollar

	Mexican Peso	**Japanese Yen**	**Chinese Renminbi**
Resistance	14.60		
	15.93/15.59	Y99/Y100	6.43/6.33
	17.92		6.64
Support	18.92		
	20.00/19.92	Y106	6.90/6.82
	21.00	Y112	

The Mexican peso attained a minor cross rate low against the US dollar on 2/12/16 around 19.44, far beneath 3/9/09's 15.59 floor during the mournful worldwide economic disaster. However, the peso plummeted violently to around 19.92 versus the dollar on 9/26/16, a cross rate about equal to twice the peso's 9.86 peak on 8/4/08. Some of the recent peso depreciation against the dollar reflected the improving fortunes of Trump and his rhetoric. A key low against the dollar several years ago was 6/1/12's 14.60. A five percent rally in the Mexican peso relative to late September 2016's 19.92 depth is about 18.92. A ten percent bounce in the Mexican peso relative to 19.92 gives 17.92, a 20pc appreciation about 15.94. A one pc step above 19.92 is 20.11, a five pc climb 20.92.

Recall the Mexican peso crisis and devaluation of two decades ago. Is Mexico relatively (merely) peripheral to the United States and the global economy? The appearance and consequences of the crisis on the European "periphery" (recall Greece, Portugal, and other nations) surprised many marketplace mavens and political pundits.

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The Japanese Yen attained a major high in its cross rate relationship against the US dollar around Y75.4 on 10/31/11. The Yen's trough against the dollar since then was 6/5/15's Y125.9, a 67.0pc collapse versus its October 2011peak. The Yen tested the Y100 level in recent months (high Y99.0 on 6/24/16; Y99.5 on 8/16/16) but has not smashed decisively through it. Noteworthy near term Yen lows against the US dollar include 4/25/16's Y111.9 and 7/21/16's Y105.8.

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The Chinese renminbi began a major appreciation against the US dollar roughly around its 9/2/10 low around 6.82. Compare the recent low, 10/28/16's 6.79. A one percent move over 6.82 is 6.89, a five pc climb 7.16.

The renminbi peaked against the dollar on 1/14/14 around 6.04. A five percent renminbi depreciation from that level makes the cross 6.34. After China's August 2015 devaluation (8/10/15 close 6.21, 8/11/15 settlement 6.33), it quickly traveled to an intraday low around 6.43 on 8/26/15. Compare the important low close to 6.40 on 7/25/12. After around mid-December 2015, the renminbi depreciated further against the dollar. A ten percent fall from 6.04 gives about 6.64.

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For further marketplace analysis, see essays such as "Running for Cover: Foreign Official Holdings of US Treasury Securities" (10/13/16); "Adventures in Wonderland: Commodity Currencies" (9/26/16); "Games People Play: American Real Estate" (8/28/16); "Ticking Clocks: US Financial Marketplaces" (8/8/16); "Playing in the Band: OPEC and Oil Prices" (10/25/16); "'Populism' and Central Banks" (7/12/16).

PARTING SHOTS

"Here once the embattled farmers stood,
And fired the shot heard round the world." Ralph Waldo Emerson's "Concord Hymn" (1837), referring to the first shot of the American Revolutionary War

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Though America's official Thanksgiving Day arrives 11/24/16, many Americans and others will be thankful with the departure of Election Day 11/8/16.

Suppose Clinton wins the Presidency. Her campaign proposals include increasing taxation on the top-earning "haves" and a more burdensome capital gains tax regime. Suppose Trump triumphs. Most experts believe his tax and spending proposals, if enacted, will result in massive budget deficits. And whoever prevails, a substantial potential for ongoing sectarian conflict and legislative gridlock remains.

Most cultural observers would characterize Clinton's victory as one for the "establishment" congregation. Some would deem a Trump win revolutionary (or reactionary). In any case, the widespread support for Trump and Sanders indicates that American "populist" viewpoints, whether within the so-called right wing/conservative domain or the left wing/liberal realm, probably will not lose much of their attractiveness or fervor anytime soon.

Besides, significant populist movements (whether rightist, leftist, or some other label) exist in Europe and elsewhere. Therefore populist enthusiasm probably will continue to cause some nervous days and sleepless nights for much of the international economic and political establishment (elite). Political and economic divisions, turmoil, and fears will continue to produce occasional dramas within entangled stock, interest rate, currency, and commodity (and real estate) marketplaces.

Suppose persuasive populist parties campaigning on a platform of "Change" win overall national power (or at least substantial practical influence) in one or more key countries. To what extent would such success encourage or confirm a dramatic shift in long run patterns for many marketplaces?

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