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Dear Subscribers,

We are coming to you quite a bit earlier than usual with Labor Day holiday wishes for our US readers and a cautionary word: Based on current trade developments, there are probably too many variables into the long US holiday weekend to make any firm near-term trend assumptions. One aspect is whether Canada will be able to commit to a renegotiated NAFTA based on the US-Mexico trade agreement? There are still concerns over a limited number of issues including agriculture.

And even if that transpires by today's self-imposed deadline, will it come timely during market hours or later in the day (as would be more typical.) Even if the result there is positive, there is another looming threat to near-term US EQUITIES psychology: the ongoing meltdown in EMERGING CURRENCIES. While that is due to domestic factors in many cases, it is also in part because of the heightened US tariffs threat to China as a negative influence on emerging economy psychology.

There are still many reasons to feel the US EQUITIES bull run can continue, and we refer you back to Tuesday's and Wednesday's emailed notes for more details. Yet at present there are enough risk factors into a long US holiday weekend to suggest a more neutral stance, with a chance that US EQUITIES will provide a retest of lower supports (more below.) Right now it seems the glaring US EQUITIES bull trend continuation

psychology is also in a glaring "discretion is the better part of valor" phase.

Market Quick Take

SEPTEMBER S&P 500 FUTURE 2,800-10 area resistance was modestly exceeded into mid-July. Subsequent concerns left only very modest slippage back below that area until the more positive sentiment returned into late July. Higher resistances remained in the 2,840-50 area, reinforced by the late July downside reaction from that area, and seemingly reinstated on the mid-August drop back below it.

Yet not for long, even if subsequent initial recoveries stalling into the low end of that range confirmed its prominence. However, it was exceeded once again on the mid-August surge from the still key 2,810-00 support. It was also higher again early last week despite USD/TRY strength (see last Monday's and this Thursday's ALERT!! for more), and held the 2,840-50 range on the politically-driven reaction last Wednesday morning (see that morning's ALERT!! for full analysis.)

Higher resistance at the 2,878.50 January all-time high was exceeded this Monday morning, with the next classical weekly Oscillator resistance into 2,895-2,900 also overrun by Wednesday afternoon. While we often discount the technical importance of the 'big penny' level, in this case it is meaningful. That is also now as the next lower support that is being retested into an unsure situation as well (see above.) Next classical Oscillator resistance is the 2,925-30 area, with supports back into that overrun 2,878.50 January high and 2,850-40.

The balance of views on the GOVVIES and DEVELOPED ECONOMY CURRENCIES remain much the same as Tuesday's Extended Market Take that was repeated in Wednesday emailed note. The real changes are of course in the EMERGING CURRENCIES. To begin with the most extreme, the TURKISH LIRA has now been trashed again on the USD/TRY pushing not just back above the two weeks ago Wednesday's 6.00 hyper-aggressive channel DOWN Break; it is also in the process of Negating the 6.40-6.50 DOWN Closing Price Reversal (CPR) from two weeks ago. This is quite a feat, as the formal Tolerance of that DOWN signal was all the way up at the 6.6448 trading high three weeks ago (prior to the following Monday's extreme 7.10 area ultimate trading high as part of DOWN CPR pattern.)

Even though back below that at present, only weakness back below the 6.50-6.40 range will signal any potential for sustained weakness.

If not it points to a likelihood 7.0984 (reinforced by an extended weekly Oscillator projection) will not end up being the end of the USD/TRY push higher. The further extended Oscillator projections are into the 7.30 and 7.45 into next week on the 0.07 major acceleration of a normally more gradual increase in the longer-term weekly MA-41. What we also know for now is that even if there is any weakness below 6.50-6.40, the Negation of the 6.00 hyper-aggressive channel DOWN Break leaves that as trend support on any setback.

USD/ZAR had also ratcheted back above 13.40-.50 to fully above both June's 14.00 high and the 14.50-.60 area not seen since November 2017. Yet recent spikes above that area and its 14.75 August 2016 high Tolerance were temporary, weakening off back below 14.50-.60 area until Thursday. As such, some of that must be attributed to contagion out of the LIRA.

USD/BRL that had for some reason been the EMERGING CURRENCIES relative tower of strength in only squeezing back up from the mid-3.00 area into the upper-3.00 area finally pushed to a new high above its June-July 3.95 area trading highs. Yet as noted previous, there was 4.06-4.07 congestion with the extended resistance into the 4.16 January 2016 high it has more or less respected so far.

USD/MXN has also ratcheted up from 18.40-.50 to above 19.00 once again, yet with next resistances in the 19.30-.40 range (including weekly MA-13) restraining that rally well short of the 19.90-20.00 area next major resistance. Recently below 19.00 (also weekly MA-9 and MA-41) opened the door to a test of mid-18.00 area prior to Thursday's push back above 19.00.

The other really weak sister in addition to the TURKISH LIRA based in part on US sanctions is the RUSSIAN RUBLE. Of course that is also exacerbated by the extended weakness of CRUDE OIL. USD/RUB finally also pushed well back above its 4-month sustained 64.00-62.00 trading range (with temporary aberrations) early this month. Well above the 65.00 area April high since that time has seen it push above resistance in the 66.50-67.00 area as well. Next resistance is not until the 68.50-69.00 area tested at the height of the previous TURKISH LIRA debacle two weeks ago

and again last Thursday, yet not currently retested at present.

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