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Dear Subscribers,

It is quite a day on the important international front, in line with our expectation that would be more important than the short-term economic data. Wednesday's Fed Beige Book showed a modest slip in economic outlook due to business fears on the international trade situation. The same was part of the BoE and ECB holding steady, especially in a UK that had stronger recent employment and wages. ECB remains more dovish due to pockets of Euro-zone weakness.

Yet the factor likely assisting the US EQUITIES and others today is the TURKISH CENTRAL BANK finally raising rates. And what a much delayed hike it was: from 17.75% to 24.00%!! Not surprisingly this has brought a sharp spike higher to the TURKISH LIRA, whose weakness was a big part of the recent EMERGING CURRENCY contagion that spilled over into a temporary effect on DEVELOPED MARKETS early last month. Without getting into all of the technical trend background, USD/TRY below 6.50-6.40 Wednesday (i.e. LIRA strengthening) immediately dropped to the next critical 6.00 area today before recovering a bit.

Whether it can now sustain weakness below that area will be critical to the LIRA's potential further strength, possibly signaling the end of the EMERGING CURRENCY debacle. Yet there are still worrying signs as

well on the degree to which Turkey remains a one man President Erdogan show: just yesterday he fired the entire Turkish wealth fund staff and installed himself as lead portfolio manager. So along with a still fraught US-China trade relationship that leaves the US-Canada negotiations critical at present, and we will need to wait and see.

Extended Market 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 still key 2,810-00 support. It was also higher again despite sharp mid-August TURKISH LIRA weakness, and held 2,840-50 on the politically driven drop into Wednesday August 15th (see that morning's emailed note for more.)

Higher resistance at the 2,878.50 January all-time high was exceeded early two weeks ago, with the next classical weekly Oscillator resistance into 2,895-2,900 also overrun. While we often discount the technical importance of the 'big penny' level, in this case it is meaningful. SEPTEMBER S&P 500 FUTURE slipping below 2,895-2,900 congestion left it resistance the market was back above this morning. And the 5.00 premium DECEMBER S&P 500 FUTURE looks that much better as we near September contract expiration at the end of next week.

The other DEVELOPED ECONOMY EQUITIES have been concerned enough to slip nominally below supports, like DAX 12,100 with interim support at 11,750 and more major congestion into the 11,500-400 range. FTSE is below the 7,500 area, with next supports into 7,250 and the 7,100-7,000 area. Even stronger sister NIKKEI was backing off from recent tests of the more major 23,000 back into the confluence of weekly MAs in the

22,500 area, with 21,800 the key lower support. That is even as the SHANGHAI COMPOSITE continued to reflect the weakness of the Chinese economy into recent rallies elsewhere and dropping near its major 2,638 area early 2016 lows three weeks ago and again this week.

And not surprisingly GOVVIES that had recovered above lower congestion ranges to near higher resistances, weakened on the recent US EQUITIES surge as well as the recent stronger data. Now expired (last week Thursday) strong sister SEPTEMBER BUND FUTURE above the 162.00-.50 range only traded closer to 164.00-.50 resistance than during July prior to slipping again. However, even more important for the BUND is the September contract expiration last Thursday with a typical big spread in the DECEMBER BUND FUTURE pricing: a discount of 2.50 in the December contract. As such, the 'continuation' price was displaced into the low 160.00 area. Yet that is not yet a tragedy, as 160.00-159.50 has been consistent 'front month' congestion resistance and support ever since the BUND rally stalled there in early 2015. It also has a loose Tolerance down to the 159.00-158.73 March 2017 trading low, even if it has dipped below it several times earlier this year.

The lagging SEPTEMBER T-NOTE FUTURE is stuck in the 120-00 area, and has still not tested the more important low 121-00 area (now including weekly MA-41) with 119-00 lower support. The latter becomes more important into next week Wednesday's September contract expiration, with a 6 point discount in the DECEMBER T-NOTE FUTURE leaving it close to the 119-00 area.

And the SEPTEMBER GILT FUTURE had pushed nicely back above its 122.50-.00 congestion to the low end of its 124.00-.50 congestion resistance prior to softening back toward the lower range. While it is not relevant until two weeks from today, the full point discount in DECEMBER GILT FUTURE leaves it below 122.50-.00 with next support into the 120.50-.00 range.

The DEVELOPED CURRENCY assessment had shifted to the US DOLLAR INDEX push above its 95.00-.50 congestion on a 'haven' bid due

to Turkish problems back in August. Yet it could not quite test higher resistance in the mid-upper 97.00 area prior to slipping back quietly below the low end of 95.00-.50 (reinforced by weekly MAs.) Its recent slippage below it might possibly once again be due to sentiment on the international trade situation firming, which would remove the 'haven' bid even if the US economy remains strong sister. Lower interim support is the 93.50 area with 92.50-.00 (including weekly MA-41) below.

And its passing strength was consistent with EUR/USD dropping into and somewhat below its more major 1.1500-1.1400 range without really nearing next support in the 1.1200-1.1100 area prior to pushing back up with next resistance at 1.1750 being tested two weeks ago, GBP/USD dropping below the major 1.3000-1.2800 range without nearing lower support in the 1.2500 area prior to pushing back above it, and AUD/USD drop below .7350 into a test of the top of next support in the .7200-.7100 range. As the retest of .7350 failed, it remains weaker than the others… likely on China concerns. And fellow 'haven' JAPANESE YEN has remained firm against the greenback, even if nearer to USD/JPY 112.00 next resistance now.

The real changes are of course in the EMERGING CURRENCIES even as they firm a bit from recent extended weakness. To begin with the most extreme, the TURKISH LIRA had been trashed again on the USD/TRY pushing not just back above the mid-August 6.00 hyper-aggressive daily up channel DOWN Break; it is also in the process of Negating the also mid-August 6.40-6.50 DOWN Closing Price Reversal (CPR.) This is quite a feat, as the formal Tolerance of that DOWN signal was all the way up at the early August 6.6448 trading high (prior to the following Monday's extreme 7.10 area ultimate trading high as part of DOWN CPR pattern. Even though recently back below 6.65, only weakness back below the 6.50-6.40 range it is beginning to signal now might signal any potential for sustained weakness.

If not, it points to a likelihood the mid-August 7.0984 high (now reinforced by extended weekly Oscillator projections) will not end up being the end of the USD/TRY rally. The further extended Oscillator projections are into the 7.35 and 7.50 areas this week on the 0.06 major rise in a normally more

gradual longer-term weekly MA-41. What we also know for now is that even the current weakness below 6.50-6.40 has only tested the Negated 6.00 hyper-aggressive up channel DOWN Break (also from that same mid-August week) as well-anticipated near-term support. As noted above, only a USD/TRY drop below that area would signal a more sustained trend reversal in the LIRA.

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. Previous recent spikes above that area and its 14.75 August 2016 high Tolerance were temporary, weakening off back below 14.50-.60 area until late August. Pushing above 14.75 again opened the door to a test of the mid-August trading high at 15.33 and even the more prominent historic congestion in the 15.50; both were vigorously tested on last week's Tuesday-Wednesday extension of the rally. Slipping back from that now leaves 14.75-.65 important once again on both recent and historic congestion.

Interestingly enough, USD/BRL that for some reason had the BRAZILIAN REAL as 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 out of mid-August. 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.

However, a new DOWN signal was set up on the two weeks ago lower Close: a weekly DOWN Closing Price Reversal from the previous Friday's 4.1030 Close, with a Tolerance to that week's 4.1268 high. As such, those previous trading highs are reinforced as resistance, yet with the REAL as weak sister now compared to the RAND and TURKISH LIRA. Any weekly Close above 4.1268 would be an additional bullish USD/BRL sign. As above the 4.16 January 2016 high is only the 4.2341 September 2015 all-time high, any sustained violation of that would require reversion to historic weekly Oscillator projection extended thresholds into 4.30 and 4.40.

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 back in mid-August) restraining that rally well short of the 19.90-20.20 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 the two weeks ago Thursday push back above 19.00. The recent trading high at 19.37 was temporarily exceeded, and on the current selloff the low 19.00 area became more important once again as weekly MA-13 has slipped to join weekly MA-9 in that area. Below it today speaks of a positive PESO momentum, yet likely with the US-Canada negotiations still a key influence on whether USD/MXN will slide all the way back to 18.40-.50 or lower levels.

The other previous 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 prior to the current Hurricane Florence threat to the southeastern US. As such, USD/RUB finally also pushed well back above its 4-month sustained 64.00-62.00 trading range (with temporary aberrations) early last 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 in the 68.50-69.00 area was also exceeded last week on a push somewhat near the 71.00-.50 area prior to weakening again into the 68.50-69.00 area again on recent CRUDE OIL strength.

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