



RESEARCH NOTE

Friday, May 8, 2020

Bifurcated... Again, Quick Take, Calendar

Once again, "The market (which is to say equities) is a creature of expectations." As noted repeatedly on the US EQUITIES rally, they are already 'discounting' the bad news and expecting better things to come. Will the improved conditions materialize timely to the degree necessary to support the market? We shall see.

Yet what we know for now is that the current abysmal data seems to have been 'priced in' to current US EQUITIES trading levels. And that data is dire even beyond today's US Employment report showing April had a Nonfarm Payrolls reduction of 20.5 million... a truly astounding figure. That was after other even weaker than expected abysmal global data, like Japanese Consumer Spending, UK Consumer Confidence, the German Trade Balance and Spanish Industrial Output. Yes indeed, it is a global implosion, and was capped off by a 5.7% drop in US Wholesale Sales (and that was for March.)

However, as it is a 'nature-driven' economic and market crisis, government and central bank financial moves are stopgaps along the way to hopeful anticipation of a 'cure'. As we have noted on therapeutic developments for Gilead Sciences' remdesivir and more importantly on accelerated Moderna Therapeutics very rapid FDA approval for Phase 2 human trials of its COVID-19 vaccine, there is the hope for the economy and US EQUITIES being reflected in their ability to shake off recent news. See Thursday's 'BoE and FDA' research note for more on central bank moves and FDA/Moderna.

Ergo, the US EQUITIES bid back above the JUNE S&P 500 FUTURE 2,550 resistance Tolerance at 2,880 at the same time as the GLOBAL GOVVIES are also maintaining their bid. While the latter have backed off a bit from their Thursday anticipation of this morning's additional dire data, they have all pushed back up from their tests of key lower supports (overrun resistances) earlier this week. That said, EMERGING CURRENCIES are also assisted by continued constructive US EQUITIES psychology despite the obvious economic weakness communicated by the dire data.

This is especially true for weak sisters like the SA RAND and MEXICAN PESO that had been down against critical recent support prior to recoveries since last week. Will the US EQUITIES and emerging currencies prove correct in their constructive anticipation? Or will the global govies once again prove they are the US EQUITIES 'smarter older brother? We will likely find out over the next month or so which asset classes succeed out of this trend bifurcation..

Market Quick Take

COVID-19 virus spread caused US EQUITIES intermediate-term bull psychology to 'crack'. FRONT MONTH S&P 500 FUTURE was already back below key congestion around mid-2019 3,030-00 previous all-time high congestion (see February 27th 'Crunch Time' research note.)

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That was also below support from the push above the multi-year topping line at 3,070 as well and left the late-February 2,970 DOWN Break below the intermediate-term up channel (from the late 2018 low.)

Did this signal reversal into a bear trend? Maybe not, but the subsequent fresh DOWN Break below FRONT MONTH S&P 500 FUTURE 2,600 area major up channel seemed to indicate it was. That's from the early 2016 low (<https://bit.ly/35vNBvi> updated as of last Friday's Close.) That was the recent key higher resistance it has just exceeded on the violation of its Tolerance: that was the 2,675 trading high of the week ending March 20th (including monthly MA-48.)

As such, it is reasonable that the JUNE S&P 500 FUTURE will now treat the low 2,600 area (with a Tolerance to the mid-2,500 area) as support. This leaves FRONT MONTH S&P 500 FUTURE up into a broad higher range, with the top back into the 3,000 area. The key levels along the way are previously violated support at 2,850 area and the 2,750 area, both of which have now been exceeded. It held below the latter in late-April without ever nearing the 2,675 Negated Tolerance of the 2,600 area DOWN Break.

This leaves open the potential to retest that more prominent 2,970-3,030 range, with its prominence as the key resistance. That was further reinforced by the manner in which it failed badly from near its low end last Thursday despite very positive fundamental influences; such as the central bank support all week and the COVID-19 therapeutic developments noted previous. Yet recovery from below the 2,850 area has pushed above it once again after not even seriously testing the 2,750 support. That points to another possible test of the 2,970-3,030 resistance.

For more on the overall Evolutionary Trend View on the 'long arc', please see last Wednesday's TrendView Video (<https://bit.ly/2SkZz5p>) on the JUNE S&P 500 FUTURE developments prior to the most recent test of that higher resistance and current downdraft. However, all of the more major trend dynamics remain the same now as discussed in the middle of last week.

Evolutionary Trend View

Moving on now to a critical market assessment in the wake of the US EQUITIES recovering back above the 2,600 channel DOWN Break from the early-2016 FRONT MONTH S&P 500 FUTURE 1,800 area lows (projected from (from the 2,313 late 2018 low.) GLOBAL GOVVIES strength into early March was temporarily significantly reversed on the prospect of the major global fiscal stimulus likely weighing on those markets as well, Yet the current US EQUITIES strength is not reinstating that pressure for previously explored economic reasons that encourage the expectation there will also be little inflation anytime soon.

The **MARCH T-NOTE FUTURE** surging into a new all-time high into mid-March (i.e. shortly prior to its expiration) above the 134-00/-08 summer 2016 previous high was understandable (weekly chart through last Friday's Close <https://bit.ly/2SykRN0>.)

As we had based our future expectation on its historic weekly Oscillator activity likely extending its rally at least into the 135-16/136-00 area (MA-41 plus 06-00/-16), which was violated in early March. Sustained activity above that zone pointed to the next Oscillator resistance into the 138-00/-16 area (MA-41 plus 08-00/-16) it was already testing back then into its parabolic extension to the weekly Oscillator resistance in the 139-16/140-00 area (MA-41 plus 09-16/10-00) into mid-March prior to its sharp setback.

In fact, that sharp selloff later that week created a DOWN Closing Price Reversal (CPR) back below the 138-00 area (Tolerance the previous week's 138-16 high.) That is now resistance which has been repeatedly tested on the initial push above it and again in recent recoveries. 140-08/-24 area was next Oscillator resistance this side of the mid-March 140-24 all-time high (and trading high of that recent DOWN CPR.)

Even though it had been under pressure back below that 138-00/-16 area into early April, it is currently pushing back above it despite US EQUITIES strength. This reinforces the NEGATION of that mid-March 138-00/-16 DOWN CPR, which should indicate higher ground to come.

The next resistance is at near-term congestion in the 139-00 area it has churned around for the past couple of weeks prior to This week's drop back to test the 138-00/-16 area. And that didn't last very long before the current next push back above the 139-00 area.

Beyond that is the 140-24 mid-March all-time trading high with important extended Oscillator resistance above that into the 141-24/142-08 (MA-41 plus 09-16/10-00) above into next week.

Similarly, the previous strong sister **BUND FUTURE** had seen the MARCH CONTRACT rally back to fully test and exceed its 177.00-.50 resistance from last summer (weekly chart through last Friday's Close <https://bit.ly/3b2i19B>.)

Much above that next resistance was not until 178.50 congestion from back then it hit prior to a week ago Friday's expiration, with a DOWN CPR at 179.20 (Tolerance at 179.67 all-time high) above. Yet there was a twist here on the typical very early expiration of the MARCH CONTRACT that Friday with the JUNE BUND FUTURE trading almost 3.00 lower.

While there was a chance it would be back into or below the 175.60-.00 area, in the event the strength of the uptrend extension in the MARCH BUND FUTURE to test that mid-179.00 resistance left the JUNE BUND FUTURE trading above 175.60-.00. That implied instead of weakening, it was more likely to trend up into the 177.00-.50 resistance and above.

Yet once the JUNE BUND FUTURE became front month in March it also dropped below the next lower 173.25-.00 support, and even back below the previously staunch 170.50-.00 NEGATED early November DOWN Break support that had been tested extensively over the winter. It is a clear sign of how concerned the BUND is about the necessary fresh fiscal largesse necessary to counter the heavy European COVID-19 impact.

Next lower support was not until back in the major 168.58-.00 area from during the summer 2016 previous all-time high congestion that it held on the sharp selloff into mid-March prior to the bounce back above the 170.50-.00 area.

The extended weak economic psychology had recently boosted it back up into the important 173.00-.50 range once again prior to renewed weakness into mid-April. Yet the current disappointment with the lack of an ECB 'Euro-bond' announcement to fund the COVID-19 pandemic rescue effort first created weaker economic expectations, yet then raised concerns over the ECB BUND buying program.

As such, after first boosting the JUNE BUND FUTURE back above 173.00-.50 it dropped back for another test of that area. However, continued weak economic expectations have it pushing up from that area once again, with next higher resistance remaining in the 175.00-.60 range.

As far the MARCH **GILT FUTURE** was concerned, also at new all-time highs like the T-NOTE saw it overrun the September 2019 135.26 weekly DOWN Closing Price Reversal (Tolerance to 135.87) back in early March. That also overran some historic weekly Oscillator resistance at 137.00-.50 (MA-41 plus 4.00-.50.)

This left the next weekly Oscillator resistance at 139.00-.50 (MA-41 plus 6.00-.50) it had already tested and overran temporarily in early March. And much like the T-NOTE, its selloff into mid-March left a DOWN CPR from the previous week's 139.00 area Close.

The Tolerance of that DOWN CPR is right there as well due to that Close being at the high of the week. Not only did the MARCH GILT FUTURE fall back down into the 137.00 area, but the full point discount in the JUNE GILT FUTURE left it back below the 135.26 violated weekly DOWN Closing Price Reversal support.

That also saw the JUNE GILT FUTURE below the 130.00-.50 FRONT MONTH GILT FUTURE support into next historic low-128.00 congestion it hit temporarily on its sharp mid-March dislocation prior to the major rebound above the mid-low 135.00 area which held as support back into early April. The recent weaker economic expectations have boosted it back above 137.00 area congestion once again, with 139.00 area above and mid-low 135.00 area below.

In **FOREIGN EXCHANGE** the **DEVELOPED CURRENCIES** have also seen massive shifts over the past three months. As noted previous, even though the **US DOLLAR INDEX** had a 'haven' bid as into mid-February, it then came under extensive pressure against the other **DEVELOPED CURRENCIES** (including the recent atypical depression of the other 'haven' **JAPANESE YEN**.)

Yet the recent concerns about how poorly the other countries might fare under the extended COVID-19 impact had seen a partial 'haven' bid return to the greenback until the recent **US DOLLAR INDEX** slippage. Yet it has recovered of late to retest key higher resistance. Dome of the future trend for the greenback might rest with the US partial economic reopening.

While the volatility in this area was also historically extreme prior to current stabilization, previous **US DOLLAR INDEX** weakness was not a surprise with COVID-19 is spreading in the previously 'safe' United States. Yet that was reversed on worse impacts elsewhere leading to a wild rally to 103.00 prior to settling back into the 99.00 area.

Firmer US economic data had assisted the **US DOLLAR INDEX** last summer in finally fully overrunning the mid-upper 97.00 resistance. That inspired the push above the April-May 98.37 area trading highs early last August prior to lapsing back into near-term weakness. Next levels were the interim 99.00 area, yet with the more prominent area not until the 99.50-100.00 'big penny' historic congestion.

After weakening in the end of February it failed back below 98.37-.00 (also important cluster of weekly MAs in the upper 97.00 area) on its way to also cracking the 96.50-.00 well-established congestion range support held at the end of last year.

With the previous COVID-19 flight to US safety reversed, it was retesting the longer-term congestion in the 96.00-95.84 area (12-month trading low.) Much below that is the interim congestion into the recently tested 95.00 area it held into mid-March, with the more major 94.00-93.70 area below.

Yet the recent return of more pointed concerns elsewhere had seen it surge back above the 98.37-.00 area, and even above previously tested (February high) 99.50-100.00 and interim 101.30 into the mid-March retest of the more significant 102.00-.25 (late-2016/early-2017) congestion. Yet it then settled back temporarily below 100.00-99.50. Even though there was a late-March retest of 98.37-.00, it had been back up retesting 100.00-99.50 and slightly higher levels of late with a temporary retest of the 99.00 interim congestion area along the way.

European currencies had been under pressure again versus the US DOLLAR. **EUR/USD** was under pressure previous early this year due to its still weak economy, the initial response to the COVID-19 spread there took it to 33-month lows below last October's 1.0878 trading low prior to the subsequent sharp recovery.

The EURO was then strengthening very much against the temporarily weak US DOLLAR due to previous 'greenback avoidance'. The US DOLLAR losing its haven bid had seen EUR/USD surge back above 1.0800 and even the more prominent 1.1000 area as well as the heavy 1.1250-00 area. That was the next lower support, yet with the greenback surging once again it was readily violated.

It then failed back below it as well as the interim 1.1100 area and even the more prominent 1.1000-1.0950 area. It was also back below last October's 1.0878 trading low once again. It also weakened below the more prominent historic and recent congestion in the 1.0800 area with a buffer to the weekly chart gap higher from a mid-April 2017 1.0722 weekly Close it weakened below prior to a recent recovery to the 1.1000 area. Since early April it has seen serial swing between the 1.0800 and 1.1000 areas.

Yet if it should come back under pressure, that is just part of an entire broader range with interim congestion at 1.0500, a low end into the January 2017 1.0340 more than 17-year trading low (i.e. from the time of the EUR/USD recovery back above 1.0000 after several years of travails following its 1999 inception.)

GBP/USD had already held up much better against the US DOLLAR than other DEVELOPED CURRENCIES in the wake of the Brexit vote finally confirming its exit from the EU. While failing from 1.3500 again in December as well as back below the interim 1.3200 congestion, it only worked its way gradually into the historically important 1.3000-1.2800 range. Even on the late February US DOLLAR surge, GBP/USD only dropped to a Close near the bottom of that range.

However, the BoE leading the emergency rate cut efforts spooked the POUND bulls, leaving it back below 1.2800. Since then it Closed below 1.2500-1.2450 three weeks ago and even the interim 1.2200 area and major 1.2000-1.1960 September 2019 three-and-a-half year low.

It was recently even below the October 2016 post-Brexit political crisis 1.1711 35-year trading low prior to the current rebound above it near the 1.2500-1.2450. While it sounds like a long way down, due to the nature of the aggressive 1984-1985 selloff and recovery, next support is not until the 1.1000 area.

Yet even that is also relatively minor congestion from that 1984-1985 swing down into and recovery from the 1.0345 February 1985 all-time low. Thankfully it has rebounded back above the 1.2200 area for now, even if only stalling back into the 1.2500-1.2450 area previous despite the mid-April very temporary blip above it.

Recent strength above that area has created a new interim resistance at the recent 1.2650 area highs, with next interim resistance into the 1.2700-50 range and more prominent resistance still into that broad 1.2800-1.3000 range. It is now back below 1.2500-1.2450, which leaves the interim 1.2200 area as next support.

And despite US-China rapprochement on the Phase I trade and tariffs agreement, **AUD/USD** remains depressed on the heavier East Asian COVID-19 impact. That is only as expected, even as there has finally been a bounce on the lower Asian COVID-19 impact. Yet that is still from well below the .7000 area held in mid-May of last year.

Minor squeezes temporarily back above the .7000 area were only a prelude to slipping more definitively below it last July. Next lower major support was the .6825 area early-2016 10-year trading lows it also slipped below around the same time.

That is important after it slipped below next interim support at .6690-77 in early February on COVID-19 driven weak Chinese economic concerns. The .6500 area was the next support it slipped below along with violating the .6250 area next support. That was the last interim congestion this side of the now also violated .6000 area October 2008 17-year trading low.

The 'good' news here is that there is somewhat substantial 1998-2003 congestions at .5720, even if it washed out below temporarily in mid-March (trading low .5510) prior to the recovery back above the .6000 area it is holding back above at present and even exceeding that .6250 area violated support.

While it is now trading slightly above the .6500 area, if it should weaken again the .6250 and the .6000 area remain next lower supports. More major lower supports remain at .5325-15 and near .5000 this side of the major April 2001 .4793 all-time trading low. Higher resistance remains in the .6690-77 area it slipped below in early February.

In light of the recent more radical swings we resurrected our analysis of the **USD/JPY**. This was the prima facie example of the extreme mid-February 'haven' bid in the US DOLLAR, as the typical fellow 'haven' currency YEN came under heavy pressure on the USD/JPY surge above 110.00 for the first time since May 2019, leading to an immediate rally to the prominent 112.00-.50 area into the end of that week.

Yet here as well, once the US DOLLAR came under pressure on its loss of 'haven' status due to the COVID-19 spread in the previously safe US, at the end of February it 'crashed' back below the 110.00 area to Close into 108.00 again. Yet that did not hold since early March began on weakness that carried below the interim 106.00 area and once again below the very prominent 105.00-104.50 range (39-month trading low with major tests in March 2018, January 2018 and August 2019.)

Next lower congestion was not until the interim 102.50 area that USD/JPY traded below recently prior to and recovering back above the low 105.00 area as well as 108.00 and recently even the 110.00 area once again prior to the current weakness. Higher resistances remain in the 112.00-.50 and 114.00-.50 areas even if it sagged back below the 108.00 area of late toward 106.00.

And **EMERGING CURRENCIES** that had been under pressure had been recovering to some degree in February prior to coming back under pressure. The **SA RAND** has seen **USD/ZAR** overrun 15.40-.50 and even the 15.69 September 2018 high prior to pulling back previous.

Even though it sagged all the way to 15.20 in early March, it was back above 15.40-.50 and the 15.69 resistance a week later. Then it surged above the 16.00 and 16.30 next higher congestion resistances all the way into violating the 16.95 resistance in mid-March.

The weak economic outlook has caused it to now exceed the major January 2016 17.94 all-time high it had set back a bit from in the wake of the US rescue package last week. Yet it is important to note the next extreme weekly Oscillator thresholds (from 2008 and 2016) into next week are 18.80 and 19.00 areas (weekly MA-41 plus 3.20 and 3.40), moving up by 0.10 per week. The recent improved sentiment on US EQUITIES had it back below that Oscillator threshold area into the middle of last month.

Yet it then surged well above them, setting up a potential RAND failure after the sharp early April USD/ZAR 19.00 DOWN Closing Price Reversal (CPR) with a Tolerance to the 19.08 high of the previous week. After vigorously testing that resistance last week, it is even more critical going forward. There is also the 19.33 all-time high of that DOWN CPR week.

It is also of note that the recent sharp slide of USD/ZAR from that 19.00 area only sagged to the very top of the near-term 18.00-17.80 recent congestion support prior to getting the bid back. As such, the near-term aggressive up trend was not in any way threatened. There was also the recent sharp upsurge in the wake of the US EQUITIES substantial near-term slide, which has reversed to some degree on the subsequent US EQUITIES rally.

Along with the Oscillator indications, the 19.00 area remains hyper-critical for USD/ZAR. That is because Closing above those higher levels would create a critical failure on the SA RAND, potentially being subject to the sort of downside runaway activity the MEXICAN PESO experienced when USD/MXN overran 21.60 in early March.

If USD/ZAR strengthens beyond them, the next discernable resistances (updated for May) are not again until the 20.80 'return' (i.e. topping) line of the broad up channel (from the 6.5274 May 2011 major cycle low), and 21.00 area straight topping line across the 2008 and 2016 highs.

The RUSSIAN RUBLE had seen **USD/RUB** push above 66.50-67.00 on weak Crude Oil as well (economic weakness driven) prior to dropping back on short-term EQUITIES and CRUDE OIL recovery. Back out above it last week left the bigger resistance not until 69.00-70.00 it began this week pushing sharply above.

And historically there is not much resistance again until the 75.00 area (early 2016 congestion) which it tested into early March prior to pulling back nearer to the interim 71.00 area. Yet here as well the return of economic stresses had seen it rally back up above 75.00 of late on the previous hope for the global economy and (at long last) some reasonably significant Crude Oil improvement on the Russo-Saudi pumping truce.

That said, after recent USD/RUB strength again back above the 75.00 area, it has recently slipped somewhat back below it on the Crude Oil stabilization and rally. Next interim support is previous congestion and recent trading lows into the 73.00-72.70 area, with the more major support still into the 71.00-70.00 area. Higher interim resistance if it manages to rally back above 75.00 remains in the 77.00-.50 area, with 80.00 above that.

In that regard, even the previously more resilient MEXICAN PESO saw **USD/MXN** surge above the 20.25 resistance in early March leading to an explosive rally. Here as well PESO weakness continued on the COVID-19 North American impact, with next resistances at 20.50 and 20.65 sharply overrun into mid-March on the way to also violating the 20.96 June 2018 high (also congestion) on the way to surging above the 22.03 January 2017 all-time high as well.

And the return of the economic stresses and weak Crude Oil prices had seen it surge to a new 24.62 all-time high out of mid-March, which had been exceeded on the US rescue package worries leading to another new 25.44 all-time high in late March prior to setting back around the mid-low 23.00 area. That left a weekly DOWN CPR from 24.40 (Tolerance 24.62) as new near-term resistance, yet which was NEGATED on last week's push higher (and Closing above it.)

Despite the Russo-Saudi pumping truce not fomenting a Crude Oil rally, there was also another round of USD/MXN weakening from the early April 25.76 new all-time high. That left yet another weekly DOWN CPR from 24.96 (Tolerance 25.04) the critical elevated near-term topping signal key resistance now after it pushed above that mid-24.00 area. Much like USD/ZAR stalling from its 19.00 retest, USD/MXN falling back from the 25.00 area critical resistance below the low-24.00 area is a positive PESO sign, even if back above it at present.

Lower support is the recent congestion in the low 23.00 area it neared in early April yet has not neared on the current selloff. There is also the overrun weekly Oscillator resistance (MA-41 plus 2.30) that is up into the 22.65 area next week (also right around weekly MA-13.)

Of note, the USD/MXN strength since early March has also been significantly above previous prominent weekly Oscillator resistance that should have kicked in around 21.60 in early March. The churn into that 25.00 DOWN CPR and other swings into that area have set a fresh extended weekly Oscillator threshold at weekly MA-41 plus 5.00-5.30.

The TURKISH LIRA had been relatively steady through all of the EMERGING CURRENCY turmoil elsewhere. Yet it has been under pressure since **USD/TRY** held key 5.50-5.45 support and pushed back above 5.65-.60 range along with last July's 5.7871 high from after the central bank governor dismissal. Key resistance at 5.90-5.93 was also exceeded again in January.

USD/TRY even strengthened above the 6.00 area that seemed to point to a retest of interim 6.15 area that was also exceeded on the way to a test of the May 2019 crisis 6.25 area 17-month trading high. Compared to the weakness of other EMERGING CURRENCIES this previously left the LIRA a bastion of stability.

Yet above the 6.25 area since mid-March left the door open to a test of the higher September 2018 6.45-6.55 congestion it had exceeded again prior to the temporary subsequent setback into that area later on in March. Since mid-April it has rallied above extended higher resistances at 6.72 and 6.83. That left the 7.10 area previous 2018 crisis all-time high it has now exceeded.

Yet that only puts it up into the high end of some key weekly Oscillator resistance (MA-41 plus 75-85) at 7.08-7.18, with the decision now more critical slightly above that previous 7.10 area all-time high. If it should be violated, based on the 2018 activity the next Oscillator thresholds are not until much higher: 7.75 and 2.25 (MA-41 plus 1.70 and 2.20.) However, at least so far it is loosely defending the Oscillator resistance up to slightly above that 7.10 area previous 2018 crisis all-time high.

Reports & Events

While still obviously less relevant (as we have been noting for some time and is most glaringly apparent again at present) on the standard report releases in the midst of more major global trade and political cross currents, the Weekly Report & Event Calendar (accessible for Sterling and higher level subscribers) is available via the www.rohr-blog.com sidebar.

As we have been noting for some time in our research notes, regularly scheduled releases are obviously less relevant in the face of the COVID-19 'macro' factors. That said, there are still some very important economic releases and central bank influences again this week.

That is in part due to this being a week that catches up after Chinese and European Labour Day holidays last Friday. That includes their Manufacturing PMIs today followed by the other countries Services and Composite figures Tuesday and their equivalents Wednesday, which all came in still very weak even if some were no worse than estimated.

It is also still a big week due to US and Canadian Employment reports Friday, with the latter coming in not quite as weak as expected at roughly a mere 2.0 million job losses compared to the as expected roughly 20 million in the US. Along the way in addition to important data were Tuesday's RBA steady rate decision, EC Economic Growth Forecasts and the Fed's Senior Loan Officer Survey (possibly more important now that the Fed and Treasury are trying to utilize the banks to distribute major COVID-19 rescue funds.)

As discussed in Thursday's research note, the BoE rate (non-)decision held steady at 0.10% and attendant reports highlighted the weakness. It was no surprise that Governor Bailey's press conference committed to the same sort of open-ended support highlighted by other central bank, with his "*determination to take further action*" statement.

Of note, the US and Canadian Employment reports today have been released right into the European VE Day Holiday along with the UK Early May Bank Holiday.

And due to the vagaries of the COVID-19 volatility, we still maintain our recent classic advice that was fully vindicated late last week: Keep those seat belts firmly fastened.

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