



## RESEARCH NOTE

Tuesday, June 23, 2020

### **Sustainable Strength or More 'Normalcy Bias'? Quick Take, Calendar**

As noted in Friday's "Normalcy Bias' Fosters Return of Bifurcation" research note, there is a tendency to ignore looming negative news in the context of current bright spots in the data. And this morning has indeed brought a bit more joy in the form of improved global Advance PMIs. While Japan is lagging, the rest are up toward or into the 50.0 balance point. In the US PMIs were a bit weaker than estimates yet still up near that 50.0 balance point while both the Richmond Fed and New Home Sales came in waaaaay better than expected. Very upbeat.

And in response to this as well as Trump administration Trade Advisor Navarro walking back comments on problems with the US-China trade deal (which had knocked the US EQUITIES briefly overnight), the SEPTEMBER S&P 500 FUTURE is back above the interim 3,100-30 range. This is important due to FRONT MONTH S&P 500 FUTURE (June contract last week prior to Friday's expiration) having pushed above it multiple times last week without posting a daily Close above it.

That makes it a very interesting level to watch this week. Even if it escapes, bigger resistance remains into the 3,200-30 December-February congestion where the June contract stalled two weeks ago despite a very strong US Employment report the prior week.

What we know is that for a brief while three weeks ago there was a true 'risk on' psychology across all asset classes. The US EQUITIES surged along with strength in EMERGING CURRENCIES and even the DEVELOPED CURRENCIES against the US DOLLAR.

That also saw the first real weakness in a while hit GLOBAL GOVVIES. It seemed to dissipate late in the week two weeks ago on renewed COVID-19 infection fears hitting Latin America as well as select US states committed to reopening.

Yet as we have noted, the cross currents on various fronts are becoming more complex, including especially the COVID-19 fears in the US. What the researchers are finding is that much of the increased infection rate is among the younger population, with little critical illness. While there are some states on alert for the impact of hospitalizations, in general there is less fear of the virus at this time.

However, in the future is the consideration of whether the US government will be providing more relief to economically hard-hit individuals and sectors. It is the case the highly partisan nature of the US political divide makes that problematic.

However much the Democrats continue to point out the looming problems, many Republicans are averse to more spending on top of the roughly \$3.0 trillion the US Congress has already approved. Sen. Toomey (R-PA) has repeatedly been on various media outlets voicing the more parsimonious GOP view of late.

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In our cynical centrist view, the Democrats will continue to push this extended government spending agenda for three reasons. In the first instance, there are instances where it actually makes a lot of sense (more below.) Secondly, they have now bought into a variation of Modern Monetary Theory (MMT) proposing no limit on government spending due to the ability to control inflation (even if that is a specious proposition.) Thirdly, they see political advantage in casting the GOP as unwilling to support segments suffering under COVID-19 economic pressure.

The Dems view this as a win-win in either being able to take credit for additional spending in the face of GOP resistance, or being able to thrash the Republicans into November's election if worst case impacts hit the US economy; especially for lower income brackets heavily affected by the closures in key industries (dining, travel, hospitality, personal health and beauty, etc.) spilling over into housing.

In his semiannual Senate testimony Fed Chair Powell was very supportive of all manner of continued COVID-19 relief to offset the pandemic economic disruption. No surprises there, and you can view his full Senate testimony and extended Q&A from a week ago at <https://bit.ly/3e8WDBG>. Senator Doug Jones (D-AL) from 1:53:00 is especially pointed on the ways in which this affects the black community in the current context of anti-discrimination and fair policing efforts.

Aside from the heavier burden of unemployment and business closures on the minority community, there is a telling housing impact that could turn into a real crisis this summer. Especially note what Powell has to say on this from 1:57:30 right after his additional warning on the problems of many more black businesses closing than their white counterparts. According to a weekend Reuters article (<https://reut.rs/2AJJ6Cm>) US evictions are likely to soar once moratoriums expire.

New York state's expired on Friday, even if (likely many) residents who can show COVID-19 impacting their ability to pay will be granted an additional two-month grace period. So what? 'Forbearance' programs never implied there was 'forgiveness', and with more months of back rent or mortgage payments due, what are the chances those occupants will be able to maintain their residences? Yet this is a deferred crisis, as the federal moratorium runs through August.

We first questioned the impact of the 'forbearance' efforts right after they were announced (see our March 27th 'Think Implementation...' research note) The issue was and remains what does this mean in the chain of financial responsibility?

As we specified back then, *"'Forbearance' is a term the US government has bandied about quite a bit in recent suggestions on how we can all get through the crisis. Fair enough. Sounds very comforting and optimistic. But will it withstand the test of commercial reality?"* That regards, *"'Forbearance' has a legal definition: refraining from exercising a legal right, especially enforcing payment of a debt."*

Further, *"Might the landlord want to show 'forbearance'? Sure. But does that landlord own the building, or does it have a mortgage? Chances are good it is the latter in most cases; and it likely counts on rents to make monthly mortgage payments. So now we move on to whether the lender will show 'forbearance'."*

And on it goes into what needs to be addressed on multiple commercial fronts (ultimately government support for banks to allow mortgage forgiveness) that will have little chance of serious review (much less bipartisan legislation) in highly partisan US election year politics. While the Dems might feel they'd like to help, on a cynical *realpolitik* level they will as likely see advantage watching the COVID-19 health crisis turn into a lower income individual residency and business crisis.

To be clear, this is neither partisan criticism of Democrats nor the Republicans... we are always an equal opportunity critic from a fully centrist POV (point of view.) For the uninitiated, ALWAYS expect the worst kind of partisan foolery in US general elections years, exacerbated of late by the generally partisan atmosphere.

The key point here is the looming if still deferred problems likely to flow from the COVID-19 economic impacts which are not yet being anywhere nearly addressed by the US political class; other than Democrats raising the issues without much actual legislative action. We have repeatedly noted the degree to which the 'stabilized' level of economic activity as the 'reopening' of the US economy will already be below the early 2020 expectations based on the growth prior to the COVID-19 pandemic. This will mean lower economic and business turnover.

If our (along with others') concerns come to fruition, then the further drags on the US economy short of any additional expansive government relief programs will be even worse than currently anticipated. The impact of 'at risk' populations like more well-to-do older folks rightfully not fully participating in the reopening was already going to restrain top line growth.

If that is intensified by a late-summer housing crisis in the lower income community spreading to affecting the landlords and the banks, it will also only be that much more of a drag from the key lower income folks that can usually be counted on to spend 100% of their disposable income.

It will fully confirm that the current upbeat economic and market psychology is classical 'Normalcy Bias' as opposed to heralding any sustained economic and US EQUITIES strength. Just to be clear, much like the 2007- 2008 Housing and Credit Bubble, this is a deferred impact which will need to be monitored. Yet wouldn't it be ironic if the US were back in a partial Housing and Mortgage crunch (in the poorer neighborhoods) after the government thought it had done all that was necessary to offset the COVID-19 impact? Sad but ultimately typical.

[For more on 'Normalcy Bias', see that chapter in David McRaney's 'You Are Not So Smart', 2011 Copyright Gotham Books, Penguin Group, New York, New York.]

### **Market Quick Take**

COVID-19 virus spread caused US EQUITIES intermediate-term bull psychology to 'crack'. FRONT MONTH S&P 500 FUTURE was already below critical congestion around the mid-2019 3,030-00 previous all-time high congestion. That was below support from the push above the multi-year topping line at 3,070 as well, and left a late-February intermediate-term up channel 2,970 DOWN Break.

The subsequent DOWN Break below the FRONT MONTH S&P 500 FUTURE 2,600 area major up channel seemed to indicate more of a near-term failure. That was from the early 2016 low (<https://bit.ly/31fEdeO> updated through Friday.) That was the key higher resistance it had violated on its mid-April push above its 2,675 trading high Tolerance from prior to the DOWN Break (including monthly MA-48.)

As such, it is reasonable the FRONT MONTH S&P 500 FUTURE will now treat the low 2,600 area (with a Tolerance to the mid-2,500 area) as support, with interim levels at 2,850 and 2,750 that were important in the recent up trend. And the FRONT MONTH S&P 500 FUTURE pushed out of the broad higher range top in the 3,030-2,970 area three weeks ago and sustained it, with the 3,200 area the next higher meaningful resistance that has a 3,230 Tolerance. That is obviously what the market knew once it exceeded the 3,030 area, as it rallied directly to 3,200 into Early June.

It then stalled all three early the following week right up against that 3,230 Tolerance with no sign it was going to push further. After the following Wednesday's friendly Fed communication yet with no additional stimulus announcement into a still weak economic situation (see that Thursday's research note), the US EQUITIES were extremely disappointed. In the context of recent hypervolatility, this opened the potential to retest that more prominent confluence of technical factors in the 2,970-3,030 range, which it vigorously tested into early last week.

That congestion is reinforced by the manner in which the market churned up against the low end of it into May. It is now churning in the interim 3,100-30 middle of those two major ranges pending clarification of the future 'macro' factor psychology.

### ***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 low, and the key 2,970-3,030 as well to test the 3,200-30 range.

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. And the recent US EQUITIES strength was finally reinstating much more pressure for than previous on what was a more upbeat economic outlook even if there is still little expectation there will be any inflation anytime soon. Yet the OECD and the Fed have pulled that punch bowl for now, with the GLOBAL GOVVIES returning to strength and EMERGING CURENCIES weakening.

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 Friday <https://bit.ly/3er5m2t>.) 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, the 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 the JUNE T-NOTE FUTURE 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 several weeks prior to recent repeated mild selloffs back to test the 138-00/-16 area. And that didn't last very long before the recent next push back above the 139-00 area. Beyond that next resistance is the 140-24 mid-March all-time trading high.

Even though the recent drop back below the 138-00/-16 area left the door open to a test of the overrun mid-2012 previous 135-16/-00 area all-time high, the recent less upbeat economic indications from the OECD and the Fed have seen it rebound fully back above the 139-00 area. In that regard the additional fact to consider is the JUNE T-NOTE FUTURE expiration last Friday, with (as noted above) the September contract trading a typical three-eighths of a point lower than the June. However, in the wake of its recent recovery, that still left the SEPTEMBER T-NOTE FUTURE above the key 138-16/-00 range as lower support.

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 updated through Friday <https://bit.ly/2YpcqQ0>.) 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. 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 was a clear sign of how concerned the BUND was 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. As such, the JUNE BUND FUTURE back above the 173.00-.50 range then dropped back slightly below the more major 170.50-.00 congestion next lower support shortly prior to its expiration last Monday.

The biggest recent news in Europe has been German agreement to participate in a very major pan-European COVID-19 relief fund. At €750 billion it far outstrips any individual country rescue package to date. As such, the secular weight on the BUND is more so from what appears to be a change in the draw on the German treasury from a broader European spending program. This is the sort of thing resisted for years, along with any deficit spending fiscal stimulus.

That additional pressure on the German treasury goes some way to explaining why the JUNE BUND FUTURE failed below key 173.50-.00 support while the others held equivalent levels. Yet there was a key 'technical' event looming into last Monday: the early quarterly expiration of the front month BUND FUTURE. And these have seen serial major premiums and discounts in the second month which are far beyond what is experienced in the other long-dated bond futures. In this case SEPTEMBER BUND FUTURE was trading at a 3.00 premium to the June.

The recent 'risk-on' psychology had seen JUNE BUND FUTURE drop slightly below the low 170.50-.00 area again. Even with the 3.00 SEPTEMBER BUND FUTURE premium, it was also just a bit below the 173.50-.00 area on Friday's Close two weeks ago. Yet the less than encouraging economic data and outlook from both the OECD and the Fed last Wednesday saw it surge back above the 173.50-.00 area to retest the low end of 173.00-.50 resistance again. Continued areas of concern even saw it ramp up into and above the 175.00-.50 last week that it has maintained throughout so far.

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 had boosted it back above 137.00 area congestion that had held on recent tests, with 139.00 area above that restraining the recent rally prior to the dip back into the 138.00 area. Even though recently back below the 137.00 area, the recent 'macro' perspectives from the OECD and the Fed have seen it push back above it and 138.00 toward the 139.00 area once again. Yet the concern over BoE expanded QE has led it back down from there, with the September contract around the 137.00 area it is managing to maintain at present.

In **FOREIGN EXCHANGE** the **DEVELOPED CURRENCIES** had also seen massive shifts over the past three months prior to quieting down once again. 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 stalling around the 100.00 area and dropping once again into and now even below the 98.00 area. While there is some interim congestion in the 97.00 area, the next major congestion is in the 96.00 area; reinforced by the weekly UP Closing Price Reversal from back during the wild early-March selloff and recovery. That said, the return of a nominal 'risk off' psychology in the wake of the OECD and the Fed had it strengthening again.

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 previous 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 after a late April retest of the 99.00 interim congestion area it has now slipped below once again along with the 98.00 area on the current selloff.

As noted above, there is some interim congestion in the 97.00 area, yet with the next major congestion in the 96.00 area it was recently testing. That is reinforced by the weekly UP Closing Price Reversal from back during the wild early-March selloff and recovery. Even though recent resurgent COVID-19 concerns were weighing on other DEVELOPED CURRENCIES once again with the US DOLLAR INDEX back above the 97.00 area, it is weakening again now.

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 swings between the 1.0800 and 1.1000 areas with it now pushing above the higher end of that range and even the higher 1.1200-50 resistance. Next higher interim resistance is in the 1.1400 area it recently tested and stalled, yet with the major historic congestion resistance not until the 1.1500 area and EUR/USD now weakening back to 1.1200 again on the reinstated 'risk off' psychology..

Of course, the also EURO seemed to be benefitting from the German agreement to participate in that major pan-European COVID-19 relief fund. At €750 billion it far outstrips any individual country rescue package to date. This is the sort of thing they had previously resisted for years, along with the thought of any deficit spending fiscal stimulus. Yet as noted previous, the current spending pact concerns of Chancellor Merkel are likely part of recent pressure on the EURO, even if EUR/USD has strengthened from 1.1200 area gain at present.

**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 in late-April and even the interim 1.2200 area and previous major 1.2000-1.1960 September 2019 3.5 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 had rebounded back above the 1.2200 area, 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, yet with it weakening again on the BoE expanded accommodation decision. Even as it is strengthening above 1.2500 again, next interim resistance above the 1.2650 area is as nearby as the 1.2700-50 range, with the more prominent resistance still into that broad range of the 1.2800-1.3000 area.

And despite the previous US-China rapprochement on the Phase I trade and tariffs agreement not encouraging much **AUD/USD** strength, it is recovering now on the heavier diminished East Asian COVID-19 impact. That is only as expected, yet it is still from well below the .7000 area held in early-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 was 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.

Recently trading only somewhat above the .6500 area after previous slippage below it, the current rally has extended well above it and the hefty .6690-77 congestion. That left the next congestion resistance into the .7000-50 range it is most interesting it only challenged in the wake of strength in the other DEVELOPED CURRENCIES, and had recently slipped back from much nearer the .6800 area. This is possibly the fallout from the continued confrontation between China and US (and clearly allies like Australia) as well as the resurgent COVID-19 infections in China.



**USD/JPY** 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 prior to the recent recovery back above the key historic and recent 108.00 congestion area. Yet it is back below it once again on the current reversal of the 'risk on' psychology in the wake of the recent OECD and Fed communication.

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 caused it to exceed the major January 2016 17.94 all-time high it set back markedly from in the wake of the US rescue package. The recent improved sentiment on US EQUITIES had it back below that Oscillator threshold area into the middle of April.

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 in late-April, 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 US EQUITIES previous near-term slide, yet with USD/ZAR finally dropping well back below the 18.00-17.80 area into mid-May after it had previously tested it and held.

This is a further sign of how much central bank and government supports have encouraged a more upbeat outlook, whether that proves to be the case across time. The recent drop below the 17.75 weekly MA-13 left the next short-term congestion support back into the 17.55-.50 range it had recently also slipped below, along with more prominent historic congestion into 17.15-16.90 range from the USD/ZAR early 2016 spike higher.

While recently below that as well, it is of note that it barely reached the next historic interim congestion into the 16.30 area prior to the current rebound (i.e. not nearing heavier support in the 16.00 and 15.70-.60 areas.) It is important to watch how it does after recently crossing back above that prominent historic 17.15-16.90 congestion and only dipping into it and holding of late.

Next short-term congestion remains back into the 17.55-.50 area it has recently retested prior to slipping back toward the 17.15-16.90 congestion. However, should it strengthen through that 17.55-.50 area, the next more prominent resistance is back into the 17.80-18.00 area (including weekly MA-9 & MA-13.)

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 below it on the Crude Oil stabilization and rally. Next interim support was previous congestion and recent trading lows into the 73.00-72.70 area it has violated.

The more major support was still into the 71.00-70.00 area it had recently dropped below along with the next interim congestion into the 68.00 area. Now back above that key lower area left 71.00-70.00 the key higher area it failed into once again last week.

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 was a positive PESO sign. Lower support was the recent congestion in the low 23.00 area it neared in early April and had violated by a big margin on the recent selloff.

That also overran weekly the Oscillator threshold (MA-41 plus 2.30) that is up into the 22.85, leaving it more critical into overrun historic 22.00 area January 2017 previous 37-month all-time high. While recently back below that support with the next lower interim congestion in the 21.00 area, the recovery above 22.00 has been explosive on a push back up toward the interim 22.90 area with the bigger congestion back into the 23.30 and 23.60 areas including MA-9 & MA-13.) However, possibly due to Crude Oil strength, it has waned again into the mid-22.00 area.

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.

That put it up above the high end of some key weekly Oscillator resistance (MA-41 plus 75-85) at 6.90-7.00 this week, with the decision now more critical since it recently traded above that previous 7.10 area all-time high prior to the current slide back below the Oscillator projections. Now weakening further below that Oscillator range looks good for the LIRA.

If it should push up strongly again, the 2018 thresholds are not until much higher: 7.85 and 8.35 (MA-41 plus 1.70 and 2.20.) However, at least so far it has loosely defended the Oscillator resistance up to near that 7.10 area previous 2018 crisis all-time high.

Next lower support is into that old 6.72 area already tested over the past several weeks which it is now firming above, with weekly MA-13 into that area and next support into that September 2018 6.45-6.55 congestion. However, it is of note that it is only back up slightly above the 6.83 area now... doing better than the other EMERGING CURRENCIES once again.

### ***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) should be available later today via the [www.rohr-blog.com](http://www.rohr-blog.com) sidebar. It has been delayed by our internet connectivity problem. We apologize for that, yet have provided the current salient data in the opening comment above.

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.

After a relatively quiet Monday that featured a PBoC no change at 3.85% along with the Chicago Fed National Activity Index and weakish Existing Home Sales, today was much more interesting on those firm global Advance PMIs noted above along with very strong US New Home Sales. Wednesday sees Japanese Leading and Coincident Economic Indices along with German IFO Surveys and little from the US.

Thursday brings the German Gfk Consumer Confidence Survey along with the ECB Monetary Policy Meeting Accounts and key late month US data (GDP, etc.) and the still important Weekly Initial Jobless Claims and Continuing Claims. Friday is a bit light elsewhere into more typical late month US data like Personal Income and Spending and their other attendant data.

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

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