



RESEARCH NOTE

Monday, June 29, 2020

Curiously Creaky in a Constructive Environment, Quick Take, Calendar

US EQUITIES struggled to hold gains on what was overall positive economic data. Stalling since early the previous week (on Closings) at no better than the middle of the recent significant range (more below) was a curious development.

Yet as noted from the age-old market axiom once again many times of late, "*The market* (which is to say the equities) *is a creature of expectations.*" And on that front there was much to be concerned about in the overall US COVID-19 situation.

This is why Friday's 'Bank Stress Test Joy' research note title was a tongue-in-cheek acknowledgement that Thursday's late release of this unmitigated good news was not going to make any difference to the overall economic concerns. As noted on Friday morning, it was very similar to the first early March emergency 50 basis point rate cut, which we deemed as 'meaningless' in the context of the broader early COVID-19 pandemic contagion.

And expansion of the COVID-19 infection rates at present is a renewed concern into the attempted US economic reopening. The question now is whether the 'creaky' weakening in the face of that otherwise positive economic data turns into more of a full-blown 'crack' in the recent heavy 'Normalcy Bias' psychology (for more on that please see our various analyses since last Tuesday's "Sustainable Strength or More 'Normalcy Bias'?" research note.)

And as we often suggest, the best resource for that answer is the market itself based on whether the SEPTEMBER S&P 500 FUTURE either holds or cracks the lower support at the historically critical 3,030-2,970 area it has held on recent pullbacks.

That said, in the context of last week's positive fundamental news, the price weakness is a bit of a case of "Curiouser and Curiouser." (Thanks to Lewis Carroll for that.) That included everything from Tuesday's firm global Advance PMIs to Wednesday's German IFO to Thursday's undershoot on US Initial Weekly Jobless Claims and firm KC Fed into those healthy bank stress test results and Friday's firm US numbers (even if a bit weaker than expected.)

Yet the various knee-jerk responses to this good news did not see the SEPTEMBER S&P 500 FUTURE hold rallies above the interim 3,100-30 congestion (in the middle of the major ranges.) And as much as the market "*is a creature of expectations*", there is the Rohr axiom regarding successful traders needing to figure out what expectations the markets will need to 'discount' next: "*Successful traders (and analysts and investors) are creatures of anticipation.*"

So what's next? Well, it appears that the optimists who were promoting the upbeat outlook on which the recent 'Normalcy Bias' was based are being refuted by the numbers on the recent surge of COVID-19 infections, and more importantly hospitalizations.

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Whether this is an extension of the coronavirus Wave I or the much-dreaded Wave II is moot. The extent of the spread in areas which were previously far less affected actually supports the Wave I extension advocates. Yet it is bad enough to cause a reversion to more restrictive commercial constraints on key entertainment, dining and hospitality businesses, which is a key concern for the economic revival.

While we will have more to say on this soon, we have been strong advocates of looking past the current levels of consumer spending and confidence to what the 'stabilized' situation will look like once the recent government support programs lapse at the end of July. The estimable Mohamed El Erian (chief economic adviser at Allianz who warned of the COVID-19 threat at the end of January) said two interesting things of late.

The first was his comment on the northeast states' travel restrictions, which effectively place an extra burden on their businesses. Yet just this morning he had another, possibly even more telling, observation on those government support efforts.

In a CNBC interview (<https://cnb.cx/3gcJZ5t>) he notes that the US EQUITIES have already seen three main rally drivers lapse. From 00:30 he summarizes this and points to the importance of 'policy' as the only driver left which might be able to resurrect a bullish psychology. He goes on to note more largesse from the Fed is going to be 'hard to by', and (from 01:40) the big question is whether Congress can wake up to the pressing need.

However in that regard he notes just what we have been highlighting for some time: the reticence by Republican lawmakers to push more spending despite a still troubling outlook.

To wit, *"One of the problems with the good jobs report that covered May is that it created complacency, it divided Congress, and suddenly we see very little momentum; and a lot of the relief measures are going to run out in the next few weeks. So my hope is ...that our lawmakers get the message that this economy is still facing considerable headwinds, and we can't face another downward trend. We don't want to lose the Q3 GDP bounce.* Well said.

To put a personal face on what is being repeated in millions of cases across the US, we found this morning's Reuters 'cash cliff' article (<https://reut.rs/2BOuba9>) as compelling economically as it was personally depressing. It is about the fate of workers who have benefitted quite a bit from the expanded US government unemployment benefits, yet are going to be in dire straits once they terminate at the end of July.

Some analysts have made a big deal out of how high the savings rate has gone despite the pandemic's economic impact. Yet as the article points out, in many cases this is by folks who are scared about what comes next.

As we have been highlighting for a couple of months, the temporary assistance provided by those higher benefits and the Paycheck Protection Program and others cannot be sustained indefinitely. As such, even if the 'extended pandemic Wave I' folks are correct, it isn't going to mean much to all of the people who will be laid off from business reductions and closures later this summer. Even major airlines who have received significant federal support are pre-signaling (as required by law) major layoffs, and offering early retirement to employees.

So we return to the 'sustainable' level of business later this summer (let alone the more troubling potential into later this year), and the problems overall economic activity will suffer. That was amply highlighted in our review of what the OECD and Fed had to say three weeks ago, reinforced by the IMF World Economic Outlook (<https://bit.ly/2ViyCRc>) last Wednesday along with COVID-19 spread information in that very good Vox article (<https://bit.ly/2VhjPpT>) on how few US states actually are meeting White House reopening guidelines.

Therefore, 'anticipation' of the next market 'expectations' leaves the US EQUITIES recovering a bit this morning from last week's ostensible COVID-19 pressure. It is likely the case that there are some upbeat thoughts on what Treasury Secretary Mnuchin and Chair Powell might say in their Congressional testimony tomorrow.

That takes on extra significance due to what El Erian had to say about 'policy' being the only bullish driver left for the US EQUITIES. So will there be new policy initiatives announced, and will the Senate Republicans show any affinity for pursuing them? If so, US EQUITIES might find new life after last week's creaky performance on otherwise positive economic data and sentiment indications.

However, if not, then any pronouncements by Mnuchin that only cover what has been done, and commitments by Powell to act on some newly expanded programs only if things get worse, may be met with the same sort of disappointment to those same sorts of indications after Powell's June 10th FOMC press conference.

And it must be allowed that Powell has repeatedly been very specific that more fiscal action is what is needed (i.e. not just Fed balance sheet expansion.) As El Erian noted, this leaves the ball squarely back in Congress' court. We shall see later this week.

In the meantime, the GLOBAL GOVVIES reflected the return of a renewed 'risk off' psychology last week with nominal gains on top of their recent rallies. Those have not been reversed by the partial US EQUITIES bounce this morning.

And the EMERGING CURRENCIES remain under overall pressure since they peaked three weeks ago on the disappointing communication from the Fed in the wake of the OECD's downbeat economic view. They are also remaining weak this morning despite the US EQUITIES bounce.

As a reference for just how far they rallied on the previous 'risk on' psychology (from late May) and scope of the current reversal, see the weekly chart of USD/ZAR (<https://bit.ly/3dGawGE> through last Friday's Close; inverse indication of overall SA rand strength.) It's going to be interesting to see how that risk appetite bellwether evolves from here.

Market Quick Take

COVID-19 virus spread caused US EQUITIES intermediate-term bull psychology to 'crack'. Early March already saw FRONT MONTH S&P 500 FUTURE back below key 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/2Vt5QxD> updated through last 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 in early June 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 also rallied directly to 3,200 in early June.

It stalled all three days early the following week 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 led to the retest that more prominent confluence of technical factors in the 2,970-3,030 range, which it vigorously tested early week into mid-June.

That congestion is reinforced by the manner in which the market churned up against the low end into May. It was recently churning into the 3,100-30 middle of those major ranges pending clarification of the future 'macro' factor psychology. As that was remaining weak on COVID-19 concerns, it dropped back once again.

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 three weeks ago and the IMF last week 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/3eKvXHI>.) 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, Fed and the IMF have seen it rebound fully back above the 139-00 area. In that regard the additional factor to consider was the JUNE T-NOTE FUTURE expiration, with (as noted previous) 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 SEPTEMBER T-NOTE FUTURE above the key 138-16/-00 range as lower support with it now pushing back above the 139-00 area.

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/38cGp8y>.) 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 its weekly Close in early June.

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 175.00-.50 area that it has maintained as support, with next resistance in the 177.50 area it is pushing back up toward on the current resurgent COVID-19 concerns.

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, Fed and the IMF have seen it push back above it and 138.00 toward the 139.00 area once again. Yet the concern over BoE expanded QE led it back down from there. However, even the 0.85 discounted SEPTEMBER GILT FUTURE rallied from below the 137.00 area into last Friday's June contract expiration.

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, Fed and IMF has 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.

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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. Previous and now resurgent COVID-19 concerns are weighing on other DEVELOPED CURRENCIES once again, which has the US DOLLAR INDEX back above the 97.00 area once 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. Yet just as EUR/USD had strengthened from 1.1200 area again on US DOLLAR weakness, it is back under pressure into the 1.1200 area at present on the resurgent COVID-19 concerns.

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 recently strengthened 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. Yet at present it is also weakening back below it closer to 1.2200 on the resurgent COVID-19 concerns.

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 even as it has pushed above the .6800 area again now.

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, Fed and IMF 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 to hold the top of the 17.15-16.90 congestion on recent dips. Yet, 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 is failing into once again of late. Will that continue if a renewed 'risk off' psychology takes hold?

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.)

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 above the interim 22.90 area with the bigger congestion back into the 23.30 and 23.60 areas including MA-9 & MA-13.)

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. Weakening further below that Oscillator range looked good for the LIRA.

Next lower support is into that old 6.72 area recently held and which it is now firming above, 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 with weekly MA-13 into the 6.87 area... and as such 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) 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.

In fact, this typically heavy combined old-month into new-month week turns into an influence tsunami of governmental hearings and holidays and central bank impacts, even though there are no rate decision meetings. In addition to all of the typical late month data on Monday and Tuesday, the BoE is co-hosting a macro-finance conference on tail risk... quite a topic in the current environment. Tuesday is jammed with central bank speeches and events, including US lunchtime Secretary Mnuchin and Chair Powell testimony on the US coronavirus relief actions.

Wednesday sees the global Manufacturing PMIs and other key data, yet also the next UK Parliament serial hearing on the coronavirus' economic impact, which importantly features the Chief Economists of the OECD and IMF after their recent very downbeat outlooks. That is prior to the afternoon release of the FOMC June 9-10 meeting minutes. Thursday sees more BoE influence in the form of its UK CEO's Decision Maker Panel data along with Canadian Manufacturing PMI, which was delayed by Wednesday's Canada Day holiday.

Yet any of that might be overshadowed by the US and Canadian Employment reports after last month's major overshoot on US Nonfarm Payrolls. Even though Friday brings the global Services and Composite global PMIs, that is outside of the holiday-delayed US and Canadian figures with the US closed in observance of its Saturday Independence Day July 4th holiday.

ROHR RESEARCH NOTE Monday, June 29, 2020

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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