



RESEARCH NOTE

Friday, July 31, 2020

Liquidity Bifurcation, Quick Take, Calendar

The market responses in the context of recent data and Fed indications leave only one conclusion: We are seeing 'liquidity bifurcation'. US EQUITIES pushing above a key level once again (more below) while the GLOBAL GOVVIES renew their recently stalled rise along with extended pressure on the US dollar against other developed currencies can be attributed to two key factors. The first is the Fed's massive accommodation, yet with little chance that will rescue the US economy.

In the first instance, on Wednesday the Fed confirmed both its downbeat view of a US economy burdened with the continued spread of the COVID-19 pandemic, and the degree to which it is committed to almost endless accommodation in the form of liquidity provision and major extension of its low base rate regime. It is as Chair Powell said in his press conference response to a reporter's question about any consideration of when the Fed might be raising rates, when he noted it...

"...*had not even thought about thinking about thinking about...*" potential future rate increases. At first it was easy to consider he may have misspoke; on reflection it seemed more so his form of extreme emphasis that no such thing is possible. The full FOMC Statement (<https://bit.ly/30a5vT0>) and Chair Powell's press conference video (<https://bit.ly/2BNKCE0>) are available for your direct review.

The important implication is that there will NOT be any traditional 'risk free' yield available anytime soon through the classical vehicle of the debt markets. THAT is driving at least some measure of the US EQUITIES (and others) strength. Folks who cannot earn any return in the bond markets are biting the bullet, and shifting into chasing profits as capital gains in the seemingly 'Teflon' stock markets.

Yet as we also noted again in Thursday's research note, "*The bond market is the equities smarter older brother.*" That is because the GLOBAL GOVVIES tend to trade off of the baseline economic expectations, while US EQUITIES (among others) can trade off all sorts of extended forward expectations. GLOBAL GOVVIES were pushing above recent resistances on Thursday in the context of even weaker than expected global economic indications that have spilled over into today... especially Europe.

This means that on a forward economic view the GLOBAL GOVVIES are not expecting any recovery strong enough to trigger any inflation. What we learned in the 1980s is that the bond market trades on a spread between their 'real yield' and inflation.

In an environment where inflation continues to wane due to economic weakness, GLOBAL GOVVIES can rally based on that dynamic; regardless of the size of the debt offerings from governments or the major liquidity infusion by central banks.

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As a brief aside, note the most recent release in conjunction with the expected nasty implosion of US Q2 GDP of the long-term graph of the 'Velocity' (<https://bit.ly/2XeMQ6W> our lightly marked-up version courtesy StLouisFed.org data with graph by DavidPaulLaipple) of the US Monetary Base. As an aside, note the lack of 'velocity' back into 2015-2016, even as the Yellen Fed was warning of an uptick in inflation based on economic growth.

Along with Congress' lack of lowering corporate taxes and regulation, this is when we noted the Fed 'normalcy bias' as it sought to justify the extended QE programs under Chair Bernanke.

The lack of business confidence and investment/hiring meant that no matter how much liquidity the Fed provided the money was not being recirculated (i.e. the actual 'velocity' driver) in a manner that would deliver greater growth. It is little wonder that under the Obama administration the received wisdom was that it was not possible under their 'new normal' to ever achieve annual US GDP growth above 2.0 % again.

Further note that even under major Trump administration moves on taxes and regulatory reform, 'velocity' only recovered to slightly above the all-time low from back in the early 1940s. This was likely in some major measure due to the improved tax and regulatory environment being offset by Trump administration heavy tariff actions in trade policies, depressing corporate confidence.

And now? It has slumped into another new all-time low. This is not necessarily a big surprise in the context of most businesses not having any incentive to invest and hire in the current and near-term future environment. The exception is of course those who are bringing on more staff for shifting businesses to adjust for the continuation of the COVID-19 pandemic; like restaurants shifting to more carry-out volume while restricting their inside seating capacity. Yet that does not bode well for many businesses which are burdened by the extended problems.

That leaves quite a bit of near-term future (i.e. pre-vaccine) activity dependent on whether US consumers remain confident, and have the wherewithal to continue their recent strong spending. Yet the Consumer Confidence number this week was softer than an already weaker estimate, the Weekly Jobless Claims were not encouraging.

And while this morning we saw US Personal Spending come in at the expected 5.6% rise, Personal Income was almost twice as weak as expected at -1.1%, and there is one more point to keep in mind: these are June data, with the expectation they will weaken as the extended July COVID-19 problems are reflected next month.

This is why Thursday's research note was titled 'It's Up to Congress Now'. We suggest a read of that for anyone desiring more details. Yet the key is that there is still a wide chasm between the Republican and Democratic positions on many features. Those include the supplemental unemployment benefits level with the current \$600/week expiring today. There is also relief for states and municipalities that is an anathema for Republicans, yet is a nonnegotiable item for the Democrats.

Which is why we were a bit surprised by the US EQUITIES rally after the Fed was obviously sympathetic, yet had nothing new to offer. The liquidity-based 'yield chasing' is the only explanation we can offer.

And that 'risk on' psychology typically only lasts until such time as the worst case scenario becomes more glaringly apparent. As another sign that the 'risk on' psychology is suspect at present, while the US dollar has suffered against other developed currencies, the emerging currencies are suffering a bit once again at the same time. The latter is typically a sign they are worried about the future path of the global economy.

As such, the 'It's Up to Congress Now' psychology still abides, with real concerns about how far they will distend the current negotiations that will impact the lower and lower-middle income consumer psychology. Without being at all political about it, the Republicans coming to the table so late with their proposal was already a problem for timely agreement. For more on all of that please see the Monday and Tuesday 'Rocky Relief Show' and 'When a Good Idea is Bad'.

Suffice to say for now that the Republicans are still pushing their view of the supplemental unemployment benefits going to "70% of previous wages" (as calibrated with October 2019 levels.) In addition to much more in Thursday's assessment and more to the point we have raised previous, can the individual state unemployment agencies even implement at all timely such a complex program? After initial problems for some states in just sending out the original additional \$600 supplement, we remain very skeptical this can be done timely.

As such, it is not a surprise as the House COVID-19 pandemic inquiry with the administration disease experts is proceeding this morning the SEPTEMBER S&P 500 FUTURE has sunk back from challenging higher 3,272 resistance (from last week's top), and is now nominally back below the key 3,230 area. It is going to be interesting to see how it finishes the week.

Along with that the GLOBAL GOVVIES are mostly holding their bids up into or slightly above key resistances. And while the US DOLLAR has recovered a bit, its overall downward momentum remains intact.

Is this the beginning of US EQUITIES versus GLOBAL GOVVIES 'liquidity bifurcation' reverting back to a more realistic response by US EQUITIES to the still weak likely path of the US and global economy? Or will they continue to reflect the excess liquidity chasing yield which ignores the likely economic progression? Whatever that decision may be, it is likely the US DOLLAR will continue to suffer from both extensive US liquidity growth and seeming US COVID-19 disarray.

Courtesy Repeat of Thursday's 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/3fOhpY4> updated through Friday.) That was then the key higher resistance subsequently violated on its mid-April push above its 2,675 trading high Tolerance from prior to the DOWN Break (also monthly MA-48.)

The FRONT MONTH S&P 500 FUTURE pushing out of the broad higher range top in the important 3,030-2,970 area in early June was the key to it surging to the 3,200 area. That was the next meaningful higher resistance with a 3,230 Tolerance at which it failed previous on the current rally. That is also where it stalled all three days after the early June US Employment surge with no sign it was going to push further after the June 10th negative OECD indications and disappointment with the FOMC.

And it remains a very prominent technical area, which it has just pushed above. After churning recently around the 3,100-30 interim congestion in the middle of the 3,030-2,970 and 3,200-30 ranges rallying above 3,230 despite the expanding US COVID-19 concerns was a strong indication. However, sinking back below 3,230 late last week is a cautionary sign, as the weekly Close above that level was necessary to fully signal that UP Break. Back below 3,200 (and

especially its Tolerance at the 3,187 previous DOWN CPR signal) would indicate a 'false' UP Break, which could signal an important near-term top... it's on the cusp.

If it does manage to press higher, next resistance is the February 24th major gap down from the February 21st 3,339.25 weekly Close. That is also another key congestion as higher resistance, even if the gap begins at the 3,312 high of the following week (established Monday of that collapse week.) The only nominal resistance above that is February's 3,397.50 FRONT MONTH FUTURE all-time high.

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 early June 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 in early June and subsequent IMF indications have pulled that punch bowl for now, with the GLOBAL GOVVIES returning to some sustained strength over recent weeks. That said, while EMERGING CURENCIES were sustaining recent rebounds, likely due to the extent of the COVID-19 impact on the US preventing the US DOLLAR from attracting the typical crisis 'haven' bid, yet more recently seem worried about the overall global economic impact of the US problems once again.

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 <https://bit.ly/39xdBrW> through Friday.) 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 still indicate higher ground to come despite the recent stall into the upper 139-00 area.

The next resistance is at near-term congestion in the 139-00 area it had churned above prior to repeated mild selloffs back in May 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 early June 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 had seen it rebound back above the 139-00 area.

In the wake of its mid-June recovery, the SEPTEMBER T-NOTE FUTURE was above the key 138-16/-00 range as lower support again, with it recently pushing back above the 139-00 area and now finally pushing above 139-24 recent heavy congestion. Oscillator resistance (weekly MA-41 plus) is right up around the 140-24 all-time high to 141-08, rising 8/64ths 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 <https://bit.ly/3f2nAXp> updated through Friday.) 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 boosted it back up into the important 173.00-.50 range once again in mid-June 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 was more so from what appeared 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 in late May while others held equivalent levels. Yet there was a key 'technical' event looming into the first Monday in June: 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 early June '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 earlier in June saw it surge back above the 173.50-.00 area to retest the low end of 173.00-.50 resistance again. Continued concerns even saw it ramp up into and above 175.00-.50 area that

it has maintained as support on all recent selloffs, reinforced by more recent IMF indications. The next resistance is in the 177.00-.50 area it neared on recent rallies, and is squeezing above today. Next weekly Oscillator resistance is the upper 178.00 area, which also includes the 178.90 Tolerance of the major early March DOWN Closing Price Reversal signal.

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 weaker May 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 back below the 137.00 area into early June (like weakness elsewhere), the recent 'macro' perspectives from the OECD, Fed and the IMF had seen it push back above it and 138.00 toward the 139.00 area into mid-June,

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 the June 26th June contract expiration, and held it on all recent setbacks in the face of the **US EQUITIES** renewed 'risk on' influence, pushing back up above the 138.00 area of late. The early March 139.00 area weekly DOWN Closing Price Reversal is the next resistance, reinforced by the failed test of that area in mid-May.

In **FOREIGN EXCHANGE** the **DEVELOPED CURRENCIES** had also seen massive shifts in the Spring prior to quieting down once again. As noted previous, even though the **US DOLLAR INDEX** had a 'haven' bid into mid-February, it then came under extensive pressure against the other **DEVELOPED CURRENCIES** (including an atypical depression of the other major 'haven' currency **JAPANESE YEN**.)

Yet the 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** stall around the 100.00 area and dropping once again into and now even below the 98.00 area. While there was some interim congestion in the 97.00 area, it is now below the next major congestion in the 96.00 area and setting a new 2-year low below the March 94.65 low. That is likely due the US now fully being a major center of the COVID-19 problem, and very much less attractive as a haven than during external global crises.

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 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 is churning around at present. That is reinforced by a weekly UP Closing Price Reversal from back during the wild early-March selloff and recovery. Next lower support is the 95.00 area congestion with a Tolerance to the 94.65 early March trading low.

Previous and now resurgent COVID-19 concerns were weighing on other DEVELOPED CURRENCIES once again which had the US DOLLAR INDEX back above the 97.00 area until a recent 'risk on' influence from the US EQUITIES rally had it weakening again. However, that weakness has now maintained, likely on concerns over the US COVID-19 problems leaving it below that key March 94.65 trading low.

While there was lower support nearby as the 94.00-93.71 2-year trading low, that is currently being violated. There is also the downside Acceleration out of the bottom of the aggressive DOWN Channel since the 102.99 sharp mid-March rally high. While it is reasonable to ask whether the US DOLLAR INDEX might be 'oversold' in the near-term, any full channel escape below the 93.50 level in the direction of the trend (Acceleration) out a channel can typically overrun short-term indications.

While there is interim support below as nearby as 92.50-.24 (26-month trading low), the next major support is not until the 91.50-.00 range (September 2017 through February 2018.).

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 above 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 recent 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 also tested and held there on recent resurgent COVID-19 concerns. However, the degree to which those are more prominent in the US has EUR/USD back up above 1.1400 area and now even the more prominent 1.1500 area.

It is also just now pushing above the 18-month 1.1570 high with next interim resistance at the 1.1815 September 2018 high. Much above that there is nothing until the historically very prominent 1.2000 area (specifically initially 1.1870 with 1.2050-1.2100 above.)

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.

While recently weakening closer to 1.2200 on the resurgent COVID-19 concerns, those being more prominent in the US had it back up above the 1.2500-1.2450 area since early July. And it is now trading slightly above the major 1.2800-1.3000 range. If that maintains, next resistance reverts to the interim 1.3200 area, with more major resistance not until 1.3450-1.3500.

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 the .7000 area once again as well. Next higher resistance reverts back that .7200 area heavy historic resistance, with interim .7300-50 above.

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 despite the recent nominal return of a 'risk on' psychology, likely due to COVID-19 secular weakness of the US DOLLAR that has now left it back below 106.00 as well on a YEN 'haven' bid.

Next lower support reverts back to the historic 105.00-104.50 area, even if it was temporarily violated back in March. Should that be violated, while there is interim support into 102.50, the next major support is not until the 100.00-99.07 including the major June 2016 6.5 year low.

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 in 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 prior to falling to reinstate it.

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 was finally pushing above again after stalling near it on the previous recent rallies. That has led to a recovery back above 73.00-72.70 area, with next resistance reverting to the 75.00 area.

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 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) into which it recently stalled.

And the recent return of a 'risk on' psychology had it slipping to and even temporarily below the recent 22.30 lower interim congestion since early this month, which it is now violating for a test of the 22.00 more prominent lower support area (old January 2017 major high) which remains the key near-term support. Below that is the June 21.50 area UP Closing Price Reversal as the next interim support this side of 21.00-20.60.

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.

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. It is of note that it had remained stuck only slightly above the 6.83 area for the previous month, right around weekly MA-9 and also MA-13 into the 6.85 area. Weakening back toward 7.00 at present reinforces the global economic concerns for the EMERGING CURRENCIES, with its 7.10 area important 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 were still some very important economic releases and central bank influences again this week.

Influences early this week are limited once again at the beginning of the typical end of month data tsunami, even if the German IFO and US Advance Durable Goods Orders were strong. Tuesday continued fairly light, even if we saw a weaker than expected US Consumer Confidence. Even Wednesday continued with somewhat limited data, yet also the FOMC Interest Rate Decision and Monetary Policy Statement (yet no revised projections) followed by Chair Powell's post-rate decision press conference discussed at length above.

Thursday and Friday bring classical last two days of the month massive data flow, including major indications from all three continents. That provides the first look at Q2 GDP for (in order of appearance) Germany and the US today, with Spain, Italy, the Euro-zone and Canada Friday.

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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