



RESEARCH NOTE

Tuesday, September 8, 2020

Got the Blowoff Exhaustion Blues, Quick Take, Calendar

The problem in assessing every hyperbolic rally is the question over whether it remains a runaway bull or is ready to reverse. That is due to the definitive answer not being clear until the reversal actually occurs. However, the degree to which a market might be into critical ground for that trend decision is readily discernible from its extended technical projections... as in US EQUITIES last week.

As apparent from the title of last Monday's "Surging Into 'The Crunch'" research note, even from the US EQUITIES Close two weeks ago it was clear they were up into extended levels where they were either going to exhibit further upside explosion, or were likely ready for a significant reversal of the impressive up trend.

It is clear in hindsight the FRONT MONTH S&P 500 FUTURE attempting to escape the 3,525 area (more below) could have meant rallying another several hundred dollars or more. Yet the Rohr axiomatic perspective on market activity is that there is an 'anticipation' question on the technical indications which must be answered: Is the market ready to provide the further trend activity (whether up or down) that any particular signal implies?

As last week's early rally above 3,525 overran all of the 'adjusted Oscillator resistance as well as that long-term 10-year weekly topping line (see weekly chart link below), it suggested the market could rally that additional several hundred dollars (or more) mentioned above. If the market was not ready to achieve it, it could be the blowoff prior to the reversal... which is what we saw late last week.

A complete discussion of specifics of that DOWN Closing Price Reversal (CPR) is in the market analysis below. Yet, as we noted from early week and extended into Thursday morning's 'A Curious Sort of Runaway Bull' research note, the many weeks of extreme bifurcation between the US EQUITIES rally and the broad underlying economic indications (even allowing for some positive data along the way) was reaching a crunch point. The fact is that not just in the stronger US but also more so in the rest of the world, the COVID-19 pandemic recovery is quite weak.

More support for our sustained views in that regard arrived this morning in the form of the Organization of Economic Cooperation and Development's monthly Composite Leading Indicators (<https://bit.ly/3m0bEdj> mildly marked-up version.) While there certainly were strong rebounds after the March-April implosion, the upside economic momentum is slowing.

This gets back to what OECD warned initially back in March (<http://bit.ly/3cqTKeY>), and even more relevantly after the COVID-19 pandemic had progressed into June its more extensive Global Outlook (<https://bit.ly/3hg8mAz>.) That included an excellent active graphic on the degree to which there would not be a full recovery (<https://bit.ly/3h7zem2>.)

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Regardless of the significant US EQUITIES recovery, that remains the case on the resurgence of the COVID-19 pandemic, even in some places which had seemed to have it tamed. We are not meaning to imply it will be as bad as the initial terrible wave of global infections and economic reactions. Yet any bona fide vaccine and especially its full distribution through the global population is many months away.

Therefore, as we noted Thursday, *"...the practical implication is that various COVID-19 suppression protocols will remain in place long after any successful vaccines are approved and in broad use. As such, expect some restrictions in businesses that have already been suffering, like dining, hospitality, travel, entertainment, etc."*

"Expectations many political and cultural and business partisans have expressed that cash flow and profits in the affected industries will be booming again soon, contributing to a major 'V' chapped recovery, are just plain misguided. It is going to be a long slog, with quite a few headwinds along the way. Estimable Mohamed El-Erian was interviewed on CNBC this morning (<https://cnb.cx/32SFfT>.) And the man who coined the phrase 'the new normal' after the 2008 Crisis has a new one."

"He points out when banks realized the other banks were risky, they pulled back from trading with them. That was the 'financial counterparty risk' hitting the entire trading and bank liquidity arenas. He notes reticence of people to go out and engage with other people in the COVID-19 era is an equivalent yet even more pernicious in its way 'personal counterparty risk'."

"Much as the extensive toxic, unassessable blended mortgage backed securities (MBS) were a problem into and after 2008, the current lack of effective US testing and tracking are leaving not just those with vulnerabilities hesitant to venture in the crowd. On that basis El-Erian is not expecting any sort of a full 'V' shaped recovery. He suspects it will be more of a 'square root' (V) recovery. After the very sharp rebound, it is more likely to plateau for a long time. That would seem more consistent with economic headwinds than a full 'V' shaped recovery."

The other compounding factor is the continued deadlock in the US Congress on the next (Phase IV) COVID-19 relief package. While there is more hope now, with Congress just back from its Summer break and still very far apart on specifics, the 'received wisdom' is that there will not be any package passed until the end of this month. That is in the context of other relief packages having expired at the end of July, with much more suffering out there at a grass roots level now.

There is also the Republican aversion to support for beleaguered states and municipalities that have had their sales tax receipts shattered by the previous quarantines and sustained COVID-19 suppression protocols. As their payrolls just do not exist, expect many layoffs soon among their workers; including essential folks like police, fire, medical workers, etc.

And while still several weeks away, the airlines will be free to pursue layoffs of tens of thousands of employees that were proscribed until October 1st by their previous major COVID-19 relief packages.

It would seem that without far more timely and extensive action by Congress on COVID-19 relief very soon, the US economy's impressive rebound might show greater signs of stalling. That is also linked to the idea noted in last Friday's 'A Curious Sort of Friendly Jobs Report' research note on the nature of the data in each month's US Employment report: it is not really reflective of that full month.

To wit, *"The little secret of the monthly US Employment report is that it cuts off around the 18th day of the previous month. As such, the 'August' report is actually the 'second half of July through the first half of August' report. As an aside, this is most interesting on a political level."*

The 'September' US jobs report will be at risk of showing the impact of the drop off in supplemental Unemployment Insurance." And...

"With Congress only likely to pass renewed relief (including the resumption of the supplemental weekly payments that ended on July 31st) late this month, any benefit to the economy and employment will not show up in September; only the impact of the previous lapse in supplemental payments. Ergo, the lack of a more bullish US EQUITIES response to today's number, based on future 'expectations'."

As such, last week's attempted 'runaway bull' turning into an exhaustion blowoff instead seems another manifestation of the old axiom, "*The market* (which is to say equities) *is a creature of expectations*" at work. After very recent endless permutations of the degree to which a select number of tech leaders could mean "It's different this time" (shades of 2000 and 2007), and they could take the otherwise lagging general stock performance to new highs without bounds, reality seems to have set in.

As such, it looks like US EQUITIES have topped for now, and the question becomes where they might find support for at least a temporary sizable rally back to test the newly established higher resistances? And what of the other asset classes?

The GLOBAL GOVVIES are taking a bid again in the wake of the US EQUITIES near-term meltdown. That said, they are not rallying all that far, as they had already rallied on weak global economic indications right into the last phase of the US rally. And that reversal of the US EQUITIES 'risk on' psychology is also (unsurprisingly) weighing on the EMERGING CURRENCIES at the same time, including a Turkish lira that already had secular problems.

Market Quick Take

COVID-19 virus spread caused US EQUITIES into a DOWN Break below the FRONT MONTH S&P 500 FUTURE 2,600 area major up channel in early March. That seemed to indicate more of a near-term failure. That was from the early 2016 low (as is clear on the weekly chart <https://bit.ly/2DDzpGZ> 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.) Ergo, the rally could be sustained. The FRONT MONTH S&P 500 FUTURE pushing out of the broad higher range top in the 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 previously on the rally into early June.

Yet pushing above it in late July opened the door to a retest of the February's 3,397.50 front month future all-time high. Yet after such a major rally back from the February-March debacle, it was hard to imagine it could prevent the FRONT MONTH S&P 500 FUTURE from at least taking a look above 3,397.50; and that has now transpired on a push above it two weeks ago into the low 3,500 area.

That was also above extended 'adjusted' weekly Oscillator range in the 3,425-30 area last week, now rising \$10 per week on the MA-41 rise. That was the same threshold where it stalled in February, which we already knew from the Oscillator 'adjustment' we made after the market strength into early 2017. And the rally has called for another 'adjustment' based on the 2,875 early 2018 high Close and the subsequent 3,381 February high Close prior to the COVID-19 pandemic debacle.

That new 'extended' weekly Oscillator threshold is MA-41 plus 395-400, which was 3,485-90 last week and rises to 3,495-3,500 this week. Yet the extended key to any 'runaway' bull was a longer term topping line projected across the February 3,397.50 trading high from the April 2010 first major high after the major cyclical 2009 low. That topping line was at 3,525 last week, rising to 3,535 this week.

Aside from the sheer magnitude of last week's selloff, it was important for the establishment of a technical pattern top. With such a significant rally above the previous week's 3,504.50 Close, the drop well below it established a DOWN Closing Price Reversal (CPR) of some magnitude. Along with the topping line, that is now the key higher resistance on any sizable recovery from lower support.

The next significant support now that it is back below the February 3,397.50 previous all-time high looks like the 3,230-00 range we had previously highlighted as the rally resistance into early June, which was subsequently overrun on the rally extension into early August. That newly established 3,504.50 DOWN CPR has a Tolerance to the previous week's 3,509.50 high (on a weekly Closing basis.)

Evolutionary Trend View

Moving on now to a critical market assessment in the wake of the US EQUITIES pushing further above the 3,200-30 range and recently their old February FRONT MONTH S&P 500 FUTURE 3,397.50 all-time high. Yet that had still not bothered GLOBAL GOVVIES as significantly as some might have expected, even if they were under more pressure prior to the recent rebound. That will become more critical after the SEPTEMBER BUND FUTURE expiration today (Tuesday.)

While EMERGING CURRENCIES were sustaining strong rebounds until late July, that was in part 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 recently it seemed the US EQUITIES strength was generating a bit more 'risk on' psychology, and it was going to be interesting to see how far that went. That is especially with the broader global economic outlook remaining stressed despite the previous upbeat US EQUITIES rally that has failed at a critical juncture.

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/3jY7OQq>.) 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), 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 finally also above 139-24 recent heavy congestion. Oscillator resistance (weekly MA-41 plus) was up around the 140-24 all-time high last week, extending to 141-04/-20 this week.

And while sometimes the PPI surge is not reflected in the CPI, last week it was. Yet the real question remains whether this is a full trend reversal, or a partial give back of bull trend gains with the further decision to come? We believe it is the latter.

In the case of the FRONT MONTH T-NOTE FUTURE (September), it has slipped back below previously violated 139-20/-24 heavy congestion from the previous four months. However, the NEGATED DOWN Closing Price Reversal top from early March was in the 138-16/-00 range. While the key weekly Moving Averages are up in the mid 139-00 area, only a failure back below 138-00 would reinstate any aggressive downside momentum. 139-20/-24 heavy congestion is reinstated as the next key higher resistance once again, which it is nearing again on the current sharp US EQUITIES selloff.

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/3h6tVSH>.) Much above that next resistance was not until 178.50 congestion from back then it hit prior to the June contract expiration, with a DOWN CPR at 179.20 (Tolerance at 179.67 all-time high.)

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.

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 was in the 177.00-.50 area it neared on recent rallies, and temporarily traded above in late July. Yet it fell back below the key 177.00-.50 congestion (which it never managed to post a weekly Close above its early August rally extension.) Yet the lower key area it has been above for the full past two months is the low end of 175.50-.00 range, which remains the key lower support with a Tolerance to the heavy interim 174.50 area congestion.

Yet that is in no way secure into next Tuesday's SEPTEMBER BUND FUTURE expiration, as the typically large differential of second month pricing is to the downside this month. As the DECEMBER BUND FUTURE was trading at almost a 3.00 discount to the September contract into today's expiration, the DECEMBER BUND as the FRONT MONTH below 175.00 looks at risk of a further selloff.

Yet while that would point to another likely retest of the 170.50-.00 support with minor interim congestion in the 172.50 area, much will likely depend on the overall path of the US EQUITIES and the BUND response.

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 previous recent setbacks in the face of the US EQUITIES renewed 'risk on' influence, also pushing back up above the 138.00 area that it fell below two weeks ago. Next support in the 136.00 area was recently violated along with the 135.84 weekly MA-41 it has squeezed back above in recent trading.

While next support would have been in the 135.00-134.50 area, it is well back above the 137.00 area, with the 138.00 and more important 139.00 areas above..

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 then even below the 98.00 area. While there was some interim congestion in the 97.00 area, it is now below the next major congestions in the 96.00 area and set a new 2-year low below the March 94.65 low and even falling below the low-94.00 to 93.70 lower congestion onto DOWN Acceleration below the 93.50 area. The latter reinforced the likelihood of further weakness prior to the recent rally, with a fresh minor weekly 92.30 UP Closing Price last week now reinforcing the importance of 92.50.

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 was 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 its early June selloff.

As noted previous, there was some interim congestion in the 97.00 area, yet with the next major congestion in the 96.00 area it failed below in early July. That was reinforced by a weekly UP Closing Price Reversal from back during the wild early-March selloff and recovery. Next lower support was the 95.00 area congestion with a Tolerance to the 94.65 early March trading low.

It is likely that concerns over the US COVID-19 problems left it below that key March 94.65 trading low. While there was lower key support nearby as the 94.00-93.71 2-year trading low, that was also recently violated (as seen in the weekly chart updated through Friday <https://bit.ly/2ZhnuGg>.) 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 was very reasonable to ask whether the US DOLLAR INDEX might be 'oversold' in the near-term, any full channel escape below 93.50 level in the direction of the trend (Acceleration) out a channel can overrun short-term indications. While there was interim support below as nearby as 92.50-.24 (26-month trading low) that had held on a couple of tests, the inability to sustain activity back above the low 94.00 area top of the recently violated congestion had seen it drop below 92.50 again last week prior to a previous the late week recovery.

That said, DOWN Acceleration remains the case, as it once again dropped below reinstated interim support at 92.50 earlier this week prior to the next recovery rally. If it should come under more sustained pressure once again, the next major support not until the 91.00-90.50 range (September 2017 through February 2018) with the 'big penny' psychology into the 90.00 area. That said, there was a fresh minor weekly 92.30 UP Closing Price last week now reinforcing the importance of 92.50.

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 also recently pushed above the 18-month 1.1570 high with next interim resistance at the 1.1815 September 2018 high it had recently pushed somewhat above prior to slipping modestly back below it again, and churning around it in recent trading until recent rallies above it. Even though it is back below that area now, if it should strengthen again there is nothing above it until the historically prominent 1.2000 area. That means initially at the 1.1877 one-off June 2010 trading low already exceeded temporarily on the rally prior to the recent setback, with the more prominent resistance not until 1.2050-1.2100 congestion 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 above the major 1.2800-1.3000 range. As that maintains, next resistance reverts to the interim 1.3200 area it had been churning around in recent trading, with more major resistance not until 1.3450-1.3500 it was beginning to test earlier this week. Yet for now it is back toward the top of the 1.3000-1.2800 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 even as it has pushed above the .6800 area again now the .7000 area once again as well. Next higher congestion reverts back that .7200 area heavy historic resistance it has pushed above at present. Next interim resistance was in the .7300-50 area it is presently squeezing above, with heavier resistances into .7500 and .7600-50.

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 previous 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 to US EQUITIES, likely due to COVID-19 secular weakness of the US DOLLAR left it back below 106.00 that it is back up churning around at present.

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. While stronger now, many of them have been exhibiting quite a bit more volatility on their recent rallies. 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 previous 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 in late July prior to the next rebound (i.e. not nearing heavier support in the 16.00 and 15.70-.60 areas.) It was important to watch how it did after recently crossing back above that prominent historic 17.15-16.90 congestion and failing back below it last week. That leaves the lower interim support into 16.30 once again with the 16.00 and also 15.70-.60 areas below with 17.15 the key higher level.

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 had previously violated prior to the recent recovery.

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 it has nominally exceeded once again, with next resistance reverting to the 75.00 area it has fully recovered above of late (including 75.80) toward the 77.00 area with not much above until 80.00.

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.

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 last month, which it was violating for a test of the 22.00 more prominent lower support area (old January 2017 major high) which remains the key lower threshold it has slipped below at present.

Below that is the June 21.50 area UP Closing Price Reversal as the next interim support this side of 21.00-20.60. And on current weakness the 22.30 area is reinstated as resistance, with the higher level into the 22.60 area once again even as it has recently failed below the 22.00 area once again.

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 was into that old 6.72 area recently held and which it has now firmed well back 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 prior to recently pushing well back above it.

The push above the 7.00 area reinforced the EMERGING CURRENCIES global economic concerns, with the current rally back above its 7.10 area important historic August 2018 previous all-time high and May 2020 congestion has led to the current new 7.2945 all-time high this morning. This is consistent with concerns about how the previous relatively better LIRA performance was driven by government intervention which could not be indefinitely sustained.

Based on the weekly topping line (across the August 2018 and May 2020 highs), there was some weekly topping line resistance into the 7.30 area that was also reinforced by historic weekly Oscillator resistance from 2018 (MA-41 plus 0.8655.) While that moves up to the 7.43 area this week, it has been consistently above it of late. The next extended weekly Oscillator threshold based on recent activity is the 7.60-7.64 area this week (rising 0.04 per week.)

While recently Closing back below 7.35 seemed constructive for the LIRA, reversing that up to above the 7.37 area early last week and extending it into this week even as other emerging currencies had strengthened is a sign of secular LIRA weakness. As noted previous, any sustained reversal of recent LIRA weakness likely requires USD/TRY to fail back below recent weekly trading lows in the 7.19 area.

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.

It is a bit of a typically lighter post-US Employment report week, yet still with some very key reports and events. After better-than-expected Chinese trade numbers and Japanese Leading Index this morning, German Industrial Production disappointed. Today saw major Asian and European data that was mixed at best into the next round of OECD Composite Leading Indicators discussed at length in today's opening observations. There was not much all in the US or Canada. Wednesday is a bit more subdued, yet sees the next Bank of Canada rate non-decision that will likely leave its base rate at 0.25%.

Thursday sees relatively little Asian or European data, yet includes the ECB rate decision and Madame Lagarde presiding over her post-rate (non-)decision press conference into US data that includes the now always interesting US Weekly Initial and Continuing Jobless Claims, PPI, and the very interesting Wholesale Inventories and Wholesale Trade Sales. It all wraps up on Friday with French and German inflation data into quite a bit of UK data with CPI from the US.

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

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