



RESEARCH NOTE

Thursday, October 22, 2020

Political Dynamic Likely Impacting Markets, Quick Take, Calendar

Various factors are continuing to favor VP Biden's Presidential ambitions, which now also includes ex-President Obama's scathing attack on President Trump in his first public speech in years on Wednesday. While many questioned why Obama did not come out with a public endorsement of his VP sooner, the tactical wisdom of keeping this 'big gun' in reserve until late in the campaign is now apparent. And once again, this is more so a *realpolitik* overview than any partisan political statement on our part.

Timing Obama's strong statements (<https://cnn.it/37vszzD>) on Biden's attractions and Trump's failures until just prior to the election seems to be working. And now that he is back in the public eye, expect more. The Biden advisors reasonably suspect that Obama can motivate the minority vote to come out for Biden in a way they did not in 2016 or 2018.

Yet the degree to which multiple Obama speeches are even necessary will be based on how his speech affected President Trump. The question is whether the aggressive criticism from an Obama who has been virtually silent since the 2016 election has piqued the President?

Will Trump feel it is necessary to defend himself in his debate with Biden tonight? If so, it could drag his performance into a tit-for-tat criticism session, which includes his recent resurrection of charges that Biden and his son Hunter are extremely corrupt.

Of course, this is exactly what his advisors desperately want him to avoid, and rather focus on his pre-pandemic economic success. After Trump's attempt to rattle Biden with interruptions in the first debate failed, his advisors hope he has learned to be a bit less aggressive.

However, if Biden can pique Trump by bringing up his failures on various fronts, it is more likely that Trump will once again launch into aggressive retorts and counter-criticisms rather than focus on how he plans to assist Americans in a second term.

All of which will suit the Democrats just fine. And there is that other factor of the still delayed US government COVID-19 stimulus/relief package, with negotiations critical into next week.

As reviewed in Wednesday's 'Like a Stradivarius' research note, the criticism that House Democrats' stubborn resistance to a compromise which looks so close at hand is "*holding the practical hostage to the perfect*" is just not so. It is more so virtuoso Pelosi indeed playing the other side 'like a Stradivarius'.

Yet the question is what all of this means for markets where it appears some of the classical intermarket tendencies seem to have become unhinged? With US EQUITIES weakness signaling potential for more 'risk off' psychology, why have the GLOBAL GOVVIES been under more pressure than might have been expected?

This review of economic and technical trend factors is strictly for educational purposes. Information is provided without consideration of portfolio requirements, suitability for financial risk, or psychological state of any recipient. Any use of this information to implement actual trades or investments is the sole responsibility of the individual or entity authorizing that decision. This waives your right to claim of explicit or incidental liability for financial loss or forgone profit against Rohr International, Inc. or any of its informational contributors under all circumstances. Information contained herein may have already been disseminated to others who may have acted upon it, including principals or employees of the advisor. By review of this analysis you agree in whole with these stipulations.

A service of ROHR INTERNATIONAL, Inc.

© 2020 All international rights reserved. Redistribution strictly prohibited without written consent

And in the context of that tacit US EQUITIES 'risk off' indication, why are both the DEVELOPED CURRENCIES and EMERGING CURRENCIES gaining markedly against a US DOLLAR that might normally be attracting a 'haven' bid? Good questions, which seem to have only one unified answer: Fear of a major Democratic sweep in the US general election a week from Tuesday is the only 'neat' explanation.

Concerns over accelerated profligacy is a psychology that explains both the weakness of the GLOBAL GOVVIES as well as the GREENBACK. The dichotomy between current Democratic and Republican stimulus/relief package size and application seems to have been taken as a sign of what to expect in the case of a Democratic sweep of the White House and Congress.

Is this appropriate into a still extremely problematic Senate result? Probably not, yet something markets must discount. "*The market (which is to say equities) is a creature of expectations*" is one of those old axioms we always stress in assessing why markets are moving despite some of the current economic data.

That is certainly true today on the continued US EQUITIES weakness in the face of much better than expected US Weekly Initial and Continuing Unemployment Claims. That said, it is relatively minor and also 'rearview mirror' data into what may be a major sea change.

There is also the degree to which Speaker Pelosi plays her hand as expertly as we suspect into next week, as already reviewed in detail in Wednesday's research note That would mean more US EQUITIES angst late this week into early next, yet with the potential for a sharp bear squeeze once a definitive agreement is announced.

While we cannot know how much farther any near-term US EQUITIES selloff might proceed in the near-term. Yet, the more it drops the more we suspect President Trump will push Secretary Mnuchin to further increase their proposed spending level in order to reach agreement at any cost with Speaker Pelosi and the Democrats.

There is also the degree to which we suspect Speaker Pelosi will accept whatever agreement is on the table into the early-mid part of next week in order to '*set the cat loose amongst the (Republican) canaries*'. Given the wide gap between the Mnuchin-Trump-Pelosi position and far more parsimonious Senate Republicans, that will be the trigger for an internal Republican battle on the eve of the election.

And the general impression will then shift from why are the Democrats "*holding the practical hostage to the perfect*" to why the Senate Republicans cannot bring themselves to support more generous public support? That is in the face of what is a worsening pandemic and its major economic consequences for so many Americans already... with more suffering in store. Even the central bank is now just about demanding (<https://reut.rs/31uD8zb>.)

Contingent on tonight's Trump and Biden debate performances as well, if that US stimulus/relief package scenario works out as we expect it will further enhance the potential for Democratic success on November 3rd. Therein lays the current market angst driving the seemingly atypical intermarket tendencies. We suggest a read of Wednesday's research note for anyone who has not done so already.

Courtesy Repeat of Wednesday's Quick Take

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 (as is clear on the weekly chart <https://bit.ly/31IF3pG> updated through Friday.) Yet it also pushed above that out of late July.

This opened the door to a retest of the February's 3,397.50 front month future all-time high. And after such a major rally back from the February-March debacle, it was hard to imagine the old February all-time high could prevent the FRONT MONTH S&P 500 FUTURE from at least taking a look above 3,397.50; and that transpired on the late August push above it into the low 3,500 area prior to the major early September trend reversal.

Aside from the sheer magnitude of the selloff in the first week of September, it was important as 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 major DOWN Closing Price Reversal (CPR) with a 3,510 Tolerance. Along with the 3,540 topping line, that is now key resistance after a recent sizable recovery from lower support.

The next significant support after it traded below the February 3,397.50 previous all-time high looked like the 3,230-00 range we had previous highlighted as rally resistance into early June. On the recent attempt to stabilize at no worse than the 3,300 area, the market exhibited a couple of less than credible pattern bottoms with key failures in the 3,400 area (see our September 18th research note for a full discussion and Evolutionary Trend View fully annotated chart analysis.) Yet it held that 3,230-00 area.

And now finally surging back above the 3,400-30 area leaves a burden of proof on the bears to get the market to fail back below that area. In the meantime, whether the DECEMBER S&P 500 FUTURE can post serial weekly Closes above first 3,505-10 and ultimately the 3,540 area will decide if it is indeed again 'Risk On' Forever. The only nominal resistance above that is the early September 3,587 FRONT MONTH S&P 500 FUTURE all-time trading high. And the key lower level is 3,475 near-term congestion below the low-3,500 area.

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. Even though the rally to new all-time highs was significantly reversed (see above), they held that 3,200-30 range on the reaction and are back up into the 3,400 area once again on a renewed 'risk on' psychology. Whether that continues will be a key influence on the other asset classes as well.

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 a week ago Friday <https://bit.ly/3o8Va3X>.) 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 DOWNSIDE 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, subsequent less upbeat economic indications from the OECD, Fed and the IMF had 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.

The FRONT MONTH T-NOTE FUTURE has slipped back below previously violated 139-20/-24 heavy congestion from the previous four months. However, the NEGATED DOWNSIDE Closing Price Reversal top from early March was in the 138-16/-00 range not revisited in recent trading. While the key weekly Moving Averages are still in the mid 139-00 area, only a failure back below that 138-16/-00 range would reinstate any aggressive downside momentum.

139-20/-24 heavy congestion is reinstated as the next key higher resistance once again. While the SEPTEMBER T-NOTE FUTURE was right back up in that area prior to expiration, the DECEMBER T-NOTE FUTURE at an 8/32nds discount. As such, there was upside ground it needed to make up, and had done so on the rally up to the 139-20/-24 area prior to the recently renewed pressure on the US EQUITIES 'risk on' revival.

Even though it had dropped down from that higher resistance, it is only now down to the top of that important previous mid-March 138-00/-16 DOWNSIDE CPR that remains critical. While the recent rally from only nominal pressure indicated that GLOBAL GOVVIES were defying any 'risk on' US EQUITIES sentiment by maintaining their bid, that could be changing due to the latest US election calculus.

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/3kmbYLZ>.) Much above that next resistance was not until 178.50 congestion from back then it hit prior to the June contract expiration, with a DOWNSIDE 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 DOWNSIDE 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 Tuesday'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, we had already noted quite a bit would likely depend on the overall path of the US EQUITIES. And the BUND had responded well to the previous US EQUITIES weakness, with the DECEMBER BUND FUTURE inclined to push up for another rally near the 175.00-.50 area in that context prior to coming back under pressure.

Yet it was also nowhere near lower interim 172.50 congestion, leaving the US EQUITIES decision seemingly less of a key driver for the influence here on the expectation of more negative COVID-19 news that will restrain any economic data strength. In fact, its bid had once again carried it up above the 175.00-.50 congestion, as GLOBAL GOVVIES seemed to be defying any 'risk on' US EQUITIES sentiment by maintaining their bid. Yet it failed short of the 177.00-.50 range resistance, possibly on a US election psychology.

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 down in the 135.00-134.50 area, it had squeezed above the 137.00 area again (with the 138.00 and more important 139.00 areas above) prior to the recent return of weakness back below it.

While the September contract remains FRONT MONTH until the 28th, it is important to note that the DECEMBER GILT FUTURE at a classical almost full point discount to the FRONT MONTH FUTURE had still pushed up toward the 137.00 area again of late prior to the recent selloff back below the 136.00 area. That left it into the interim 135.00 area support (including the late August 135.26 temporary selloff low) this side of the next support in the 133.00 area.

Yet at present it is pushing up from the 135.00 area once again, as GLOBAL GOVVIES seem to be defying any 'risk on' US EQUITIES sentiment by maintaining their bid. The recent rally extension back above the 136.00 area left the 137.00 area the next level again prior to slipping back below 136.00 again at present. Much like the other GLOBAL GOVVIES, that may be on the US election psychology favoring the ostensibly more profligate Democrats.

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**.)

The problems in the US COVID-19 response had left it under sustained pressure. 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 on its push back above the key 94.00-.25 area. While this was previously likely also at least partially tied to the US EQUITIES renewed 'risk on' psychology, there is also the degree to which the US has a more troubling COVID-19 pandemic problem that the rest of much of the world and the sustained Democratic election poll lead foments fiscal concerns.

While the volatility in this area was also historically extreme prior to spring 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 over 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 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 violated in August (as seen in the weekly chart updated through Friday <https://bit.ly/3jhNtVn>.) There was 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, its previous 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 prior to a previous the late week recovery.

That said, DOWN Acceleration had been reversed on the push above the 94.25 Tolerance of the 94.00 area resistance, also the area of weekly MA-13. That left the door open for a test of at least the 94.65-95.00 next resistance and higher resistances into the 96.00 area and higher prior to the current slippage back below 94.00.

The next lower important interim support is not until the 92.50-.24 area (including the early September UP CPR), with the more major supports not until down in the 91.00-90.50 area and 89.00 area (with due respect for the 90.00 'big penny' only being psychological at this time.) Which made the recent rally back up toward the 94.00 area critical on the consideration of whether the US EQUITIES 'risk on' rally shakes off recent weakness. However, at this point it seems the Democratic Party poll leads into the election is creating some uncertainty as well on fiscal grounds that are leaving it back down toward that 92.50-.24 range.

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 had 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 EURO also 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 pushed above the 18-month 1.1570 high in late July. The next interim resistance was at the 1.1815 September 2018 high it recently pushed somewhat above prior to slipping back below it again after churning heavily around it in recent trading. Lower interim support reverts to 1.1700 area recent trading lows, which is also the key weekly MA-13 trend indication at present.

While the recent failure below that pointed to a test of at least the 1.1500 area with more major 1.1400 below, the current sustained recovery back above 1.1700 was reinstating it as support with next resistance once again not until the 1.1815 September 2018 high and the 1.2000-1.2100 range last tested into early September. As such, the recent dip back into the 1.1700 area remains a critical near-term consideration.

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.

That was previous despite the mid-April very temporary blip above it. Recent strength above that area had 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 previously strengthened above 1.2500 again, next interim resistance above the 1.2650 area was 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 weakening closer to 1.2200 on the early Summer 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 was recently trading above the major 1.2800-1.3000 range. Yet it had slipped well back into it on the concerns about Johnson government assertions it might choose to exit the European Union without a full Brexit agreement in place by the early part of 2021.

And as it was also below it again on the UK COVID-19 pandemic infection rate surge and renewed restrictions, the potential for a selloff to the lower supports like 1.2500 and below is a distinct possibility if it should weaken below 1.3000-1.2800 again after its recent rally back into that range on US DOLLAR weakness.

While recently back into it again on UK and European COVID-19 concerns, the current secular US DOLLAR weakness is assisting a push above 1.3000 toward the interim 1.3200 congestion once again. Higher resistance remains in the 1.3500 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 and now the .7000 area once again as well.

Next higher congestion reverts back that .7200 area heavy historic resistance it had recently traded below once again. It is now squeezing back up toward it after dropping toward another test of the .7000 area that was seen as recently as late September. Current strength is likely on the comparative strength in the Chinese economic performance as well as US DOLLAR concerns, with higher resistance back to the .7300-50 area last seen in early September.

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.

The higher resistances remain in the 112.00-.50 and 114.00-.50 areas. Yet after sagging back below the 108.00 area also left it weakening below 106.00, it has been weak once again below that level since early June. Below 106.00 that it was previously churning back above leaves next lower support reverts back to the historic 105.00-104.50 area it traded below both in late July and again in mid-September, and was also temporarily massively violated back in March. Should that be more fully violated again, 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 over the Summer, they were back under pressure on the 'macro' view deteriorating into 'risk off' once again until the 'risk on' revival of the past couple of weeks.

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 previous 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.

That left the lower interim support into 16.50 (including weekly MA-41) it had slipped back below prior to the recent US DOLLAR recovery. That left the next lower supports into the heavy congestion in the 16.30 area it only neared over the past couple of weeks, with the next lower congestion into the 16.00 area it neared in mid-September. At present back below the 16.50 area and 16.30 leaves 16.00 as the next decision once again.

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) likely on the weaker CRUDE OIL activity. More major higher resistance was up in the 77.00 area it has also violated of late, with not much above until 80.00 area it stalled into recently prior to the sharp drop slightly back below 77.00. After failing on the churn back into that range once again, the 75.00 area might see another retest.

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.

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 failed below the 22.00 area once again. Below that was the June 21.50 area UP Closing Price Reversal as the next interim support it has also failed below, on the way to retesting the top end of the 21.00-20.60 area. Much below that broad berth the next support is not until the 20.25 area, including an important 20.30-.10 weekly chart gap from on the way up in March of this year.

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.)

As that Oscillator moved up to the 7.60 area this week, it is already above it with the next extended weekly Oscillator threshold is 7.85-7.90 this week based on recent activity, and rises to 7.90-.95 next week. As we have noted for several weeks, the risk to the LIRA is that the extreme mid-2018 Oscillator thresholds are not until the 8.60 area and higher this week into next week. As such, the key weekly Oscillator threshold is very critical for USD/TRY in the context of last week's USD/TRY 7.95 area trading high as the key area the LIRA must defend to avoid becoming a downside runaway.

That said, the secular weakness of the US DOLLAR is so pervasive, even the struggling LIRA has seen USD/TRY drop back below the 7.80 area at present, even if it will need to Close at least below last week's 7.78 area trading low to exhibit any sustained weakness.

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 once again this week.

While Monday was a generally lighter reporting day, it was the lead-in from the conclusion of the three-day IMF Meeting in Washington DC and still brought some very important mixed Chinese economic data (weaker-than-expected GDP yet better Retail Sales.).

There was also the Bundesbank Monthly Report and a significant amount of central bank-speak that continues throughout the week. Tuesday begins with the RBA Meeting Minutes and PBOC rate decision leading into problematic US Housing Starts prior to today day's mixed UK (weak) and Canadian (stronger) inflation data and weakish Canadian Retail Sales prior to the release of the Fed's Beige Book this afternoon.

Thursday is a very important day that begins with important Asian and European data into now more critical US Weekly Initial and Continuing Unemployment Claims and that evening's final Trump-Biden US Presidential debate. Friday maintains the intense influences with Japanese inflation indications and UK Retail Sales, yet even more so with the global Advance PMIs.

ROHR RESEARCH NOTE Thursday, October 22, 2020

And due to the vagaries of the COVID-19 volatility now intensified into the coming week's macro psychology, we obviously maintain our recent classic advice that was fully vindicated again over the past few weeks: Keep those seat belts firmly fastened.

The Rohr-Blog Research Team
info@rohr-blog.com