



## RESEARCH NOTE

Monday, November 2, 2020

### Volatility and Technical Issues, Quick Take, Calendar

We are sorry to say that over this weekend we experienced technical issues that are just clearing up this morning, and have limited our ability to provide a more robust macro-technical picture into this morning. That said, we have more thoughts than shared below on the US election we will provide tomorrow prior to the impact of any of the important results.

For our international readers we also remind that US and European time zones are back to their typical alignment after last week's temporary displacement due to a US lag in going back onto Standard Time. US Eastern Standard Time is now once again GMT -5.

And in deference to not having much more to say about the 'macro' beyond our recent extensive focus on COVID-19 pandemic resurgence economic pressure, we will revisit a bit of that tomorrow along with our US 'election reflection' views.

So to cut directly to the market chase, it is likely some of the near-term data along with forward expectations are creating another short-term critical trend dynamic in the US EQUITIES as well as other asset classes. After it seemed for a while that Friday's 'Parked for Now?' research note title could have been misguided, US EQUITIES pulled off an impressive recovery from the pressure throughout the earlier part of the day right into lunchtime.

As with the Wednesday DECEMBER S&P 500 FUTURE sharp failure from the top end of the 3,330-00 range, Friday's upside reversal from 3,230-00 was impressive. That higher congestion remains a key near-term area.

Yet it also leaves the major capital markets trading more so like the old fashioned commodity markets, like the dear departed Pork Bellies. Once again we share a story that might be useful into likely continued volatility into this significant US election and central bank decision week (RBA, BoE and FOMC.)

The kind of whipsaws seen last week will need to be managed by knowing your technical levels within a meaningful Evolutionary Trend View... the whips are here to stay. Once the COVID-19 volatility took hold, especially into and after the initial FOMC 50 basis point emergency rate cut, we shared this perception from the good (or bad depending on your view) pit trading 'old days'.

This might be useful insight on how to view markets at present, and why participants should wait for their levels to be reached... from our March 5<sup>th</sup> 'C'mon in and Ride the Whip' research note:

*"Back in prehistoric times (literally before electronic quote screens) when we were runners on the old-old Chicago Mercantile Exchange trading floor, the place to learn about volatility was the dear departed Pork Belly futures pit.*

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*When the 'Bellies' were in very active market phases they were known for extreme intraday and day-to-day price swings. Depending on the news flow at the time, multiple limit up or limit down (1.50¢/lb.) moves were a regular occurrence.*

*"The exchange floor was also populated with no small number of aggressive traders who were also capable of wit and wisdom. During one of those very active phases there were a couple of 'newbie' exchange members observing from the side of the Belly pit as the market raced up and down. One of the more successful and sarcastic CME trading legends stepped out of the pit to update his trading cards (yes... recording trades manually) to turn into the clearing house.*

*"Noticing the awed expressions and somewhat scared look in the eyes of the newbies (who were surely aware of the sizable sums that were rapidly changing hands), he quipped, 'This is fun fellas... C'mon in and ride the whip.'*

*"Rather than just a random reminiscence and history lesson, there are a couple of points for current markets. Early volatile market analysis prior to the existence of any financial futures at all turned out to be extremely useful training, first for the foreign exchange futures and then once the US debt futures began trading.*

*"Consider the US Treasury-bond previously unheard-of volatility from the late 1970s through the 1980s. The reason that the Bellies (the agricultural term for what was processed into bacon or rashers) were so volatile is that they are basically half a pound of fat. During the initial unrestrained ballooning of US deficits during the Carter administration, this was a great metaphor for how the US debt market was viewed by global participants."*

And through most of last Friday the DECEMBER S&P 500 FUTURE looked like it was going to Close the week well below the 3,280 Tolerance of the interim support in the 3,330-00 range, only to recover to Close up near it. That late bear squeeze was a cautionary signal that it might not be quite so bad in the near term. And here we are this morning, with a rally back up near the top of the 3,330-00 range again.

What could have precipitated such a phoenix-like revival at the end of the worst week for US EQUITIES in months? Well, to begin with, 'expectations' that near term 'macro' influences would at least temporarily overshadow recent COVID-19 pandemic gloom.

Lo and behold, this morning brought even better than previous 'advance' numbers for all global Manufacturing PMIs. In the broader 'macro' view there is also the consideration of the less than dire election expectations.

Previous concerns over the potential major future personal and corporate tax increases under a Biden-Harris regime (not to mention if Democrats also get control of the Senate) are being pushed into the background. That is due to rightful expectation that the first order of business would more likely be the sort of massive pandemic stimulus/relief package the Democrats have been requesting since May.

It is also the case that any Left Progressive regulatory and taxation plans will be tempered by the realpolitik of how many moderate Democrats won in 2018 to give House control back to the Democrats after eight years in Republicans hands. They will be very hesitant to enact policies which will cause voter backlash into the 2022 election. While there may be some concerns over more aggressive pandemic suppression, that will be addressed by a Brobdingnagian pandemic stimulus/relief package request. Remember that \$3.2 trillion request? Given the ensuing damage, we believe that could rise to as high as \$5.0 trillion more or less.

Recall all of the areas the Republicans refused to even consider, like help for renters and property owners (more critical with a looming eviction tsunami pending for right after January 1st), much more small business relief (especially local retail and dining), more spending on support for COVID-19 mitigation for primary and secondary schools, and in one of the surely more enlightened overall spending requests, massive testing and tracing efforts.

Once again, this is not a political comment on our part, merely our next effort to provide the realpolitik of the macro conditions affecting the markets. One of the key elements it is now accepted the US and Europe have failed to enforce (versus a more effective effort in the now better off Pacific Rim) is the use of more extensive 'right kind' (rapid reading) of COVID-19 tests, and aggressive contact tracing and individual quarantine to control the broader spread.

As such, the US election is less of a near-term market choice between a weaker economy under a draconian Democratic tax and regulation regime, and more of a win-win. That is because rightful perception is a Trump administration would maintain his low-tax rate regime. Even though the COVID-19 fear might still weigh on quite a few businesses, larger companies which comprise a major portion of the US stock indices would be seen as benefiting from that.

Yet the current bout of US EQUITIES strength is part of a renewed 'bifurcation' of international market psychology. In the context of their rally since Friday, the GLOBAL GOVVIES are also rallying nicely, especially Europe. And while the return of a 'risk on' psychology accompanying any US EQUITIES rally had contributed to that, it had naturally also seen the US DOLLAR suffer on the greater hopes for both other DEVELOPED CURRENCIES and especially EMERGING CURRENCIES. Yet both of those are under some pressure at present, with the US DOLLAR INDEX back up into its key low-94.00 area (Tolerance 94.30) after recently holding a test of 92.50-.25 support.

As such, all of this will be more critical into Tuesday's US election and what will obviously be extended results announcements at least into Wednesday, and possibly beyond that. In that context, isn't it interesting the next FOMC rate decision and statement are Thursday afternoon? While there will not be additional projection revisions this time, Fed Chair Powell will be holding a press conference after the announcement and statement. It is going to remain interesting.

### **Another Courtesy Repeat of Thursday's Quick Take**

***[To be updated after our systems are fully restored later today]***

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/3iOJRKD> updated through Friday, October 30.) 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.

Yet for now it has violated the key lower 3,380 Tolerance of the 3,400 area (now including weekly MA-9 & MA-13. While it is now dealing with the 3,280 Tolerance of the interim 3,330-00 range, the far more major supports remain 3,230-00 area heavy congestion and the 3,000 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 above the 3,400 area once again on a renewed 'risk on' psychology. Whether that continues will be an influence on the other asset classes as well, even if distorted by US election anticipation (more below.)

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/3oo9eXe>.) 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, 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 DOWN 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 has only been down into the important previous mid-March 138-00/-16 DOWN 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, and even after the latest selloff likely on what was the US election calculus they are now recovering due to prominent COVID-19 resurgence.

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 a week ago Friday <https://bit.ly/2FVyVwS>.) 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 a bit below the 173.50-.00 area on its early June weekly Close.

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 had been above for the previous two months is the low end of the 175.50-.00 range, which was the key lower support with a Tolerance to the heavy interim 174.50 area congestion. Yet that was not secure into the SEPTEMBER BUND FUTURE expiration, as the typically large differential of second month pricing was to the downside. As the DECEMBER BUND FUTURE was trading at almost a 3.00 discount to the September contract into expiration, the DECEMBER BUND as the FRONT MONTH below 175.00 saw 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. While that left it retesting the low end of that 175.00-.50 congestion critical support in the near term, it has been sharply reversed on the prominent COVID-19 resurgence.

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 26<sup>th</sup> 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 28<sup>th</sup>, 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 of late toward 135.00 area again. Much like other GLOBAL GOVVIES, that may have been on the US election psychology favoring the ostensibly more profligate Democrats that has been reversed on the prominent COVID-19 resurgence.

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 a week ago Friday <https://bit.ly/37DcEzI>.) 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 saw it retest the top end of that 92.50-.24 range. However, that has been sharply reversed on the prominent COVID-19 resurgence.



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 below the 1.1700 area is a critical near-term consideration, with next support into 1.1500 and 1.1400 once again.

**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 even as it has weakened back below 1.3000 of late. The 1.2800 low end of the range therefore becomes more important once again as well.

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.

## **ROHR RESEARCH NOTE** Monday, November 2, 2020

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. Recent strength was likely on the comparative strength in the Chinese economic performance as well as US DOLLAR concerns, yet with current global COVID-19 economic concerns weighing it down back near .7000 once again.

**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 has now slipped back into once again. That is after trading below it both in late July and again in mid-September, and after it 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 until this week, which has put them back under pressure, especially for the beleaguered TURKISH LIRA.

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 had slipped below again of late, with the next lower congestion into the 16.00 area it neared in mid-September and from which it has now recovered back above 16.30 on the more prominent COVID-19 'risk off' psychology this week.

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. And while failing temporarily on the recent churn back into that range, the resurgent COVID-19 impact on Russia has seen it push back up closer to 80.00 once again.

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 it has now slipped into again. 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. However, the COVID-19 influence has it back up toward 21.50 at present.

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.

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 of late. It is already well above it with the next extended weekly Oscillator threshold is 7.90-7.95 this week based on recent activity, and finishing last week above it sets a more accelerated rally in motion. As we have noted for several weeks, the risk to the LIRA is that the extreme mid-2018 Oscillator thresholds are not until the 8.65-8.70 area this week. As such, the key weekly Oscillator threshold was very critical for USD/TRY in the context of the previous several week's 7.95 area trading highs, with this week's push above them signaling a renewed UP 'runaway' phase.

### ***Reports & Events (updated for the current week)***

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](http://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 there will be several important central bank rate decisions and press conferences (in order of appearance RBA, BoE and the Fed), outside of that this week is extremely notable for 'The Silence of the Central Bankers'. While there are some comments from various ECB members, those are mostly not expected to be in forums that are particularly influential.

Of course, there is much economic data to consider in a typically major full first week of the month, not to mention the rolling impact of Tuesday's US general election that will not likely provide clear indications until well after the polls close that evening. There are Monday's and Wednesday's global PMIs, Wednesday's EC Economic Growth Forecasts, key Trade and Retail Sales numbers, and of course the still quite important Thursday US Weekly Initial and Continuing Unemployment Benefits Claims. It wraps up on Friday with the US and Canadian Employment Reports.

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.

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