Research Note

Monday, December 21, 2020

Relief Rally… Or What?, Quick Take, Calendar

Hoorraaaaay… the US Congress is going to pass that long-delayed COVID-19 stimulus/relief package!! Wait. What? The US EQUITIES are down over 1.5% as measured by the broad based **S&P 500 Index**? How could this be? Well, as usual (and as we have articulated many times) any selloff in the US EQUITIES needs multiple drivers to see more than very temporary weakness, and this time is no different.

While we will return to that momentarily, we also remind everyone that this is the last research note this year before our annual holiday until January 4th. We wish you all a Very Merry Christmas holiday season and the Best for a Happy, Healthy and Prosperous New Year for You and Yours. We have also expanded Evolutionary Trend View technical assessments to account for aggressive price movement.

Of course, the current selloff has the compounding factor of the discovery of a new, more contagious strain of the COVID-19 virus. While that seems to be most prominent in the UK, they have noted this is in part due to their extensive testing, and it may be part of a general spread of the new virus variant elsewhere as well.

However, in any event, with the pandemic already rampant in many countries (especially the US) the idea of a more contagious variant afoot in the land is an especially troubling development. It goes back to the old adage, "*The market* (which is to say the equities) *dislikes nothing quite so much as uncertainty*."

As such, a new virus variant represents a new very troubling unknown, despite the fact that the pharmaceutical community has so far downplayed the idea that might make it resistant to the encouraging current vaccines. The concerns are reasonable even without that very scary proposition. The new variant has caused additional disruption to an already troubled global economic landscape.

The UK is the most heavily affected at present, yet with spreading concerns the already quarantine- and lockdown-stressed global economy did not need. As is noted in this morning's Reuters article (**https://reut.rs/3rhh8TO**), the spread of travel restrictions requests is global, with even the worst hotspot US calling for restrictions on travelers from elsewhere.

While that may seem a bit ironic, what is more compelling is the degree to which the global economy will suffer from the additional pressure on still weak international trade. The UK is already hearing warnings from officials about shortages of products it receives from the EU.

Therefore, even though the new more contagious COVID-19 variant will be an additional stressor, the situation was already deteriorating. That has fomented further lockdowns in many countries, even those which had seemed to defeat the COVID-19 spread previous.

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Everywhere from the Pacific Rim across to Europe and the UK as well as the US was seeing accelerated lockdowns driven by a key factor: The pressure on overburdened hospital systems. As such, the idea the new COVID-19 variant was more contagious is a particular stressor.

And beyond all of that, the fresh US COVID-19 stimulus/relief package has its own weaknesses, which make it less effective than it might have been had it passed several months ago (with equal political blame apportioned to both sides.) It is a litany of mistakes, some repeated from the relief package earlier this year. Prior to launching into our aspersions, please see this morning's excellent Reuters article (**https://reut.rs/3hdvCzy**) for a full description of the contents of the package.

And as a precursor to discussion of the package specifics, we note the CNBC interview this morning (**http://cnb.cx/3auFxPE**) with Senator Pat Toomey (R-PA.) To his credit, deficit hawk Toomey has always been skeptical of overextending US government largesse. He also notes that the special Fed facilities passed with the original CARES Act back in March were to guarantee normal functioning of the lending markets when they might have been under threat, and always had an expiration date of December 31st.

Yet the other factor is highly specious now: Why would he make the repeal of those Fed facilities a requirement of passing the current desperately needed COVID-19 relief package? After pretty much all else had been agreed, he re-raised that issue as a requirement for the package to pass in the Senate.

Hard to believe, except for one factor: Republicans flexing pure political power into those critical Georgia Senate seat runoff elections. As a bit of US *realpolitik*, anyone who thinks Toomey raised this issue without the blessing of Majority Leader McConnell doesn't know how things work over here.

Regarding the COVID-19 relief spending, Sen. Toomey said we are not in the same situation as back in March, as the economy is getting better. It is another case of Republicans (much like Leader McConnell's overall perspective of recent months) looking at general trends of the economy, and ignoring extreme stress in certain important industries. That is especially true for employers (dining, hospitality, local retail, etc.) who are suffering, who are the key for so much US employment.

It seems to ignore the degree to which there are significant winners and losers, where large corporations have done well, and that is what is boosting EQUITIES. That is versus a real crisis at the more local level.

While the markets and some economic data, at least until the recent slippage, have been sources of comfort to the optimists, the reality is that over 10 million of those who lost jobs in the initial pandemic crunch are still out of work. Just witness the burgeoning demands on food banks in recent days. A very prominent one says their volumes are up 60%.

This all gets back to what's wrong with the current US COVID-19 stimulus/relief bill that everyone seems so glad to watch finally (at long last) pass the Congress, with an assurance President Trump will sign it. As noted in the Reuters article, "*The bill includes $166 billion in new direct payments of up to $600 per adult and child, for individuals making up to $75,000 a year and $1,200 for couples making up to $150,000 a year*."

As such, quite a lot of money is being sent once again to folks who are still employed in successful industries rather than more payments to the unemployed. It was a wonder, and was a passing cause for more extended hope after the original March relief spending that the US savings rate spiked.

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Yet what that really meant was there was a lot of money paid to folks who did not necessarily need it… and here we go again. Along with that, there is "...*additional $300 per week for some unemployment recipients*…", which is far less than the $600 additional benefit in the original recent bipartisan proposal. That was the amount added to the original March relief package, which some in the GOP griped was a 'disincentive to return to work' …hardly an issue now that the renewed lockdowns are eliminating the potential for work in the near term

Which brings us to another problem with the current COVID-19 stimulus/relief package: the degree to which it returns something akin to the previous PPP (Paycheck Protection Program.) There is :...*$284 billion for government payroll loans, including expanded eligibility for nonprofits and newspaper and TV and radio broadcasters, $15 billion for live venues, independent movie theaters, and cultural institutions*…" Breathtaking. As long-time students of the US political process, we are accustomed to seeing repeated mistakes across many years.

Yet avoiding this one doesn't require much institutional memory, which the US Congress often seems to totally lack. (Once again, this is not a political criticism of either party in particular; and more so another expression of the *realpolitik*.) One of the most telling criticisms from general observers and especially businesses who were availed of the previous PPP loans (cum grants if they met the program's hiring requirements) was that this was into extensive lockdowns.

All of those businesses who were required to hire back any employees laid off in the initial COVID-19 crunch, pointed out that they didn't have any duties for the employees to perform with there being 'no business' during those lockdowns. And here we are into a fresh round of equal or greater lockdowns (to defend against a hospital system collapse), and here comes Congress again with a program requiring hiring.

This puts us in mind of an ancient Bob Dylan lyric ("Stuck Inside of Mobile with the Memphis Blues Again" from the Blonde on Blonde album, 1966) we have cited many times on repeated mistakes by the US government and others (like Housing & Credit Bubble investors):

"*An' here I sit so patiently, Waiting to find out what price, You have to pay to get out of going through all these things twice*." It is the eternal question of how can we elect a US government that can recognize its own mistakes, as to avoid making them again? Wishful thinking.

It is the case, in our humble opinion, that far more should have been spent on the most burdened among the unemployed. That also has a more direct economic benefit from the degree to which they need to spend it right away. If that meant far less being spent on everyone who is still working who might well not spend it (note Spring savings rate surge), then so be it.

In the context of the extreme delay in passing any relief package, there is little doubt where the real need exists. Despite joy that 'something' might finally be passed, under the combined lack of enlightened direction in the US government relief package and fears of the new variant of the COVID-19 virus, the 'risk on' psychology that was recently renewed on the positive vaccine developments and waning US election concerns seems to be in full retreat.

The US EQUITIES are seeing the FRONT MONTH S&P 500 FUTURE slip back below not just the recent 3,700 DOWN signal (see below), but also the early November previous 3,668 all-time high it had been above since late November.

The shift away from 'risk on' is also more obvious in the renewed aggressive bid in the GLOBAL GOVVIES, which had been maintaining their 'bifurcated' overall rally despite the recent US EQUITIES gains. There is now also a return to more US DOLLAR strength against both DEVELOPED CURRENCIES and especially some of the EMERGING CURRENCIES than seen in recent trading. In fact, it is all a bit of 'risk off' for now.

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Market Quick Take
Aside from the sheer magnitude of the selloff in the first week of September, it was also a technical pattern top. That is clear on the FRONT MONTH S&P 500 FUTURE weekly chart **https://bit.ly/3nBUa7L** updated through Friday. Such a significant rally above the previous week's 3,504.50 Close and drop well below it established a major DOWN Closing Price Reversal (CPR) with a 3,510 Tolerance.

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. After that held once again, the recent surge back above the 3,400-30 area left a burden of proof on the bears to get the market to fail back below that area.

Yet instead the DECEMBER S&P 500 FUTURE posting weekly Closes above first 3,505-10 and ultimately the 3,550 area looks like it is indeed again 'Risk On' Forever. This is confirmation of our estimation the US election would be a win-win for US equities, with the key accelerated bullish influence from the serial positive vaccine announcements since early November.

The near-term question was whether it could hold support at the early-September 3,587 trading high and 3,582 early November Close, with a Tolerance to the 3,575 congestion? Even though it slid below them in early-mid November on US election concerns, those issues clearing up reinstated the 'risk on' psychology.

Above that range since late November left minor congestion resistance in the 3,625-35 range. Also above that pointed to the recent 3,668 all-time high that was exceeded into the beginning of December with a 3,700 new all-time high. While it traded slightly above that two weeks ago, the following Wednesday saw a selloff back below that area into the area of that previous 3,668 all-time high. That left a minor (based on only a very nominal 3,714.75 new all-time high) DOWN Closing Price Reversal. The rule of thumb on 'nominal' DOWN signals in a sustained bull trend is that they tend to be violated after only a brief reaction.

Whether that would be the case here was the next question. What we know for now is that there has been erratic activity on the obvious 'binary risk appetite' regarding the fortunes of the US COVID-19 pandemic relief package. That previous 3,668 all-time high has a Tolerance of the more recent 3,655 congestion, which it slipped below and then recovered above in recent trading. Yet early last week it held into the additional interim support in the 3,625-35 range congestion that it had slipped below in today's early aggressive selling.

As long as those hold, the 'risk on' rally extension psychology above early September's major 3,505-10 DOWN CPR (which remains the major lower support) will maintain. If it can once again exceed the 3,700 area, the 3,750-3,800 area remains the higher resistance before it is 'overextended' and more likely to react again in a more major way.

Evolutionary Trend View
Moving on now to a critical market assessment in the wake of the US EQUITIES pushing up from recent retests of the 3,200-30 range and their previous February FRONT MONTH S&P 500 FUTURE 3,397.50 all-time high in early September. Even though the rally to the previous all-time highs was significantly reversed in early September (see above), after holding that 3,200-30 range on the reaction they were back up above the 3,400 area once again and finally above that 3,505-10 DOWN Closing Price Reversal from early September.

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That fostered a renewed 'risk on' psychology into the new US EQUITIES all-time high, which is as expected a sustained major influence back into the foreign exchange market. However, the prospect of such pronounced near-term weakness has created a 'bifurcated' psychology where the GLOBAL GOVVIES are rallying once again despite the strength of the US EQUITIES that were also benefitting from a strong seasonal tendency.

The **MARCH 2020 T-NOTE FUTURE** surging into a new all-time high into mid-March (i.e. shortly prior to its expiration) above the 134-00/-08 summer 2016 previous high was understandable (weekly chart through Friday **https://bit.ly/34zgfft**.) As we had based our future expectation on its historic weekly Oscillator activity likely extending its rally at least into the major 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 more recently pushed back above it despite US EQUITIES strength. This reinforces the NEGATION of that mid-March 138-00/-16 DOWN CPR, which still indicates 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 slipped back below previously violated 139-20/-24 heavy congestion from the previous four months in early October. However, the NEGATED DOWN Closing Price Reversal top from early March was in the 138-16/-00 range not revisited until recent trading. While the key weekly Moving Averages are still in the mid 139-00 area, only the failure back below that 138-16/-00 range reinstated the downside momentum.

That had changed on the early November response to the Pfizer-BioNTech announcement of the extreme efficacy of their COVID-19 vaccine. In last our Monday November 9th research note we also briefly reviewed the importance of the first ever mRNA vaccine.

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The more upbeat longer term US economic outlook leaves the next minor support below the 138-16/-00 range into the upper 136-00 area gap, yet more significant support is down into the 135-00/134-16 area. And after the recent rally it remains necessary for the bears to defend that resistance in the 138-16/-00 range once again, which they seem to have done so far despite some bouts of near-term weakness of US EQUITIES.

Similarly, the previous strong sister **BUND FUTURE** had seen the MARCH 2020 CONTRACT rally back to fully test and exceed its 177.00-.50 resistance from last summer (weekly chart updated through Friday **https://bit.ly/2KmLOCt**.) 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.

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 below 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 in early 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 ley 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.

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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 the previous US election psychology. While that left it retesting the low end of that 175.00-.50 congestion critical support in the near term, it had been sharply reversed on the prominent COVID-19 resurgence.

That all changed on the early November response to the Pfizer-BioNTech announcement of the extreme efficacy of their COVID-19 vaccine. In Monday's research note we also briefly review the importance of the first ever mRNA vaccine. The more upbeat longer term economic outlook leaves next interim support below the 175.00-.50 congestion into the 173.00-172.50 area, yet more significant support not until down into the 170.50-.00 area once again.

The recent rally back into the 175.00-.50 congestion was a critical test of the near-term down trend that had been stubbornly defended. Yet there was a problem for the BUND bears on last Tuesday's typically early DECEMBER BUND FUTURE expiration: the typical wide second month differential in this case saw the MARCH BUND FUTURE at a 2.30 premium.

That is of course well back above the 175.00-.50 range, possibly based on what is still a very challenged COVID-19 outlook and looming potential miss on the critical Brexit negotiations deadline. Yet the real GLOBAL GOVVIES story on further near-term economic weakness is in Europe as the MARCH BUND FUTURE at a 2.30 premium to the DECEMBER BUND FUTURE on that typically early Tuesday expiration.

It was therefore above important 177.00-.50 congestion as well as the early-March DOWN Closing Price Reversal, and also immediately pushed above the key Tolerance of that range at the early August 178.01 9-month trading high.

This is of course on the back of that far more problematic European economic outlook, as reinforced by Madame Lagarde's most recent press conference. While now back below 178.01, the next resistance is not until the 179.30 area combined March congestion and early September 2019 trading high. Ultimate resistance is the September 2019 179.67 all-time high.

The **JUNE GILT FUTURE** was 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 a major rebound above 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 back in mid-August.

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Next support in the 136.00 area was recently churned around as the 135.00-134.50 area became the more telling recent support. Rallis back near the 137.00 area have failed since mid-October prior to the early November failure below that 135.00 area. That was of course in response to the Pfizer-BioNTech announcement of the efficacy of their COVID-19 vaccine, followed by other recent COVID-19 vaccine announcements.

That has left the recent squeezes back above the 135.00 area stalling at no better than 135.50 prior to the return of pressure on the extended 'risk on' economic psychology. Next interim support below is the 133.00-132.50 range, yet with more significant support not until down into the 130.50-.00 area.

The current rally back into the low-135.00 area was a key test of the down trend psychology, yet with the opposite indication previous relative to the MARCH BUND FUTURE: even though the expiration is not until the late part of the month, the JUNE GILT FUTURE was trading at its typical 0.80 discount to the December contract, reinforcing the bear case until just recently. Even though it has slipped back below the 135.00 on the back of the more problematic European economic outlook, higher resistance remains the 136.00 and 137.00 areas.

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 US DOLLAR INDEX stall on its late September temporary push above the key 94.00-.30 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 fomenting fiscal concerns.

However, even the Democrats 'Blue Wave' dissipating into the middle of the week after the US election only saw the US DOLLAR INDEX rally back to the top of the 94.00-.30 range prior to dropping repeatedly back to the 92.50-24 range once again. As that is now violated, the Evolutionary Trend View for the greenback is a continued down trend even though it has already tested lower support and at least temporarily rebounded.

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 and slipping below it in late May.

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.

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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/3pegSD0.) 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. There was interim support below as nearby as 92.50-.24 (26-month trading low) that held on a series of August-November tests.

Yet its inability to sustain activity back above the low 94.00 area top of the recently violated congestion has seen it drop below 92.50-.24 in late November. The more major supports were down in the 91.00-90.50 area already tested since early December. With due respect for the 90.00 'big penny' only being psychological at this time, after 91.00-90.50 was violated the next lower support is not until the 89.50-.00 area with the 88.25 6-year low below that.

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'.

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.

As EUR/USD had strengthened from 1.1200 area again on US DOLLAR weakness, it also tested and held there on late June resurgent COVID-19 concerns. However, the degree to which those are more prominent in the US had EUR/USD back up above 1.1400 area and 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 above prior to slipping back below it again after churning heavily around it. Lower interim support reverts to 1.1700 area recent trading lows, with further support into the 1.1600 area held on tests in both September and early November.

Recent sustained recovery back above the 1.1700 reinstated it as a key consideration once again. Next resistance was around the 1.1815 September 2018 high violated since late November, with the recent 'risk on' psychology extension above the more major 1.2000-1.2100 range since the middle of last week (even more upbeat than the early September highs.) That left next resistance into the 1.2200-50 range at the bottom of the early 2018 major range that it had been trading above of late, with next resistance not until the 1.2400-50 area.

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.

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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 tin late-April and even the interim 1.2200 area and previous major 1.2000-1.1960 September 2019 3.5 year low.

Thankfully, it rebounded back above the 1.2200 area, even if only stalling back into the 1.2500-1.2450 area. That was previous resistance despite the mid-April very temporary blip above it. July strength above that area had created a new interim resistance at the 1.2650 area highs, which would act as support on selloffs even once it pushed back above the 1.2700-50 range, with the more prominent resistance still into that broad range of the 1.2800-1.3000 area.

While temporarily back below it again on late Summer UK and European COVID-19 concerns, the subsequent secular US DOLLAR weakness was assisting a push above 1.3000 and even the interim 1.3200 congestion that it retested on its recent Brexit deadline worries. The 1.3500 area remains the next resistance which was tested into early December prior to the Brexit negotiation concerns temporarily weakening it once again, yet with next resistance not until the 1.3600-50 range.

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.

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 previously slipped back from much nearer the .6800 area.

Now above it, the next higher congestion reverted back the .7200 area heavy historic resistance it had previously traded below once again. Yet back above it now after dropping toward another test of the .7000 area that was seen as recently as late September sees current US DOLLAR secular weakness create an AUD/USD surge back above .7200 once again. That has also exceeded the .7350-.7400 congestion once again as well as interim .7500 area. That leaves the more major higher resistance not until the recently neared .7650-.7700 range, next the with interim resistance as nearby as the .7800 area.

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.

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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 had slipped back into again prior to a recent recovery... one of the few areas of US DOLLAR strength.

That is after previously trading below it both in late July and again in mid-September, and after it was also temporarily massively violated back in March. As that was recently violated once again, there is interim support into 102.50 it neared on its early November selloff. Yet for the past month it had been churning not too far below 105.00-104.50 prior to slipping closer to that next 102.50 support. That said, if that should be violated, the next major historic congestion support not until the 100.00-99.07 area 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 the COVID-19 'risk off' once again until the recent 'risk on' revival on better data abetted by the secular US DOLLAR weakness. While that was except for the TURKISH LIRA, even that has recovered to a goodly degree on current renewed global 'risk on' psychology creating secular US DOLLAR weakness.

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 January 2016 17.94 all-time high it set back markedly from in the wake of the US rescue package.

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.

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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 recently recovered back above 16.30 on the more prominent COVID-19 ‘risk off’ psychology.

Yet secular US DOLLAR weakness has left it below 16.00, as well as the heavier support in the 15.70 and the 15.50-.40 areas, where it failed on recent temporary recovery rallies. That leaves the next support into the heavy 15.10-.00 area congestion which it had slipped below previous prior to recently temporarily squeezing back above it. Yet failing again at present on the renewed ‘risk on’ psychology has seen it also violate the next interim support in the 14.70 area (part of the major range from late-2018 through early-2020), even if there is more major support into the 14.50-.45 area it has recently tested with next major support not until the 14.00 area into the upper 13.00s.

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.

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And while failing temporarily on the recent churn back into that range, the resurgent COVID-19 impact on Russia along with weak energy prices had seen it push above 80.00 once again.

Yet the next resistance into 81.30 was never quite reached prior to sagging back below 80.00 and recently even the 77.00 area. That left next support in the 75.00 area that has been violated as well (likely on the sustained energy market recovery), with 73.00-72.70 support this side of the more major 70.50-.00.

Even the previously more resilient MEXICAN PESO saw **USD/MXN** surge above the 20.25 resistance in early March leading to an explosive rally. Here as well PESO weakness continued on the COVID-19 North American impact, with next resistances at 20.50 and 20.65 sharply overrun into mid-March on the way to also violating the 20.96 June 2018 high (also congestion) on the way to surging above the 22.03 January 2017 all-time high as well.

And the return of the economic stresses and weak Crude Oil prices had seen it surge to a new 24.62 all-time high out of mid-March, which had been exceeded on the US rescue package worries leading to another new 25.44 all-time high in late March prior to setting back around the mid-low 23.00 area. That left a weekly DOWN CPR from 24.40 (Tolerance 24.62) as new near-term resistance, yet which was NEGATED on last week's push higher (and Closing above it.)

There was also another round of USD/MXN weakening from the early April 25.76 new all-time high. That left yet another weekly DOWN CPR from 24.96 (Tolerance 25.04) the critical elevated near-term topping signal key resistance after it pushed above that mid-24.00 area.

Much like USD/ZAR stalling from its 19.00 retest, USD/MXN falling back from the 25.00 area critical resistance below the low-24.00 area was a positive PESO sign. Lower support was the recent congestion in the low 23.00 area it neared in early April and had violated by a big margin.

And the recent return of a 'risk on' psychology had it slipping to and even temporarily below the recent 22.30 lower interim congestion since early last month, which it was violating for a test of the 22.00 more prominent lower support area (old January 2017 major high) which remains the key lower threshold it has slipped below at present.

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 that saw it back up toward 21.50 has fizzled on a drop back below 21.00 and even the 20.60 low end of that support range. There is now more major support into the 20.00-19.80 significant multiyear congestion not seen since early March that had temporarily failed at the end of last week.

It recently recovered back to the top of that range, even temporarily ranging above it. However, after that failed once again, the additional significant historic congestion (2018-2019) below 19.80 is also as nearby as the 19.65-.50 area.

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.

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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 had 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, rising to 8.70-.75 next 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 the push above them two weeks ago signaling a renewed UP 'runaway' phase. That LIRA weakness came even as the other EMERGING CURRENCIES benefited from US DOLLAR weakness, reinforcing the secular nature of that LIRA weakness that was therefore more likely to continue.

While it appeared the renewed global 'risk on' psychology was assisting even the LIRA, after USD/TRY had dropped back below the 8.00-7.95 area and even 7.80 area congestion to near the next support at 7.40, it was recently back up into that 8.00-7.95 area prior to coming under moderate pressure once again. Those areas remain important technical trend thresholds, even allowing that compared to the sustained strength of the other EMERGING CURRENCIES the LIRA remains a secular weak sister. However, even that weak sister has managed to recover on the USD/TRY drop back below the 7.80 area with 7.40 next support. And the more major support back into the 7.27-7.20 area (old May 2020 all-time high violated in August.)

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, regularly scheduled releases are obviously less relevant in the face of the COVID-19 'macro' factors and the importance of the recently more stable US election progression. That said, in addition to any further COVID-19 infection updates and pharmaceutical company announcements, there is still the critical US Congressional negotiations on its long-delayed COVID-19 Stimulus/relief package.

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This week is once again intensified by the further extension of holiday season data-forward tendencies, with more economic releases brought forward to allow for them being released prior to the Christmas through New Year's week. And the reason for the two-week calendar is our being out on holiday after Monday's US Close until Monday, January 4th.

We wish you all a Very Merry Christmas holiday season and the Best for a Happy, Healthy and Prosperous New Year for You and Yours. That said, as always we caution that the listings and especially any data estimates for the second week (Monday, December 28th through the Friday, January 1st international New Year's Day holiday) are more problematic. Please accept those with our apologies for that.

Monday is a lighter day, yet includes the final central bank meeting of the year: the likely once again steady at 3.85% PBoC Interest Rate Decision. Tuesday also sees a limited amount of data, including the UK and UD GDP updates. Wednesday is the most data-laden day of the next two weeks, also bringing the BoJ Monetary Policy Meeting Minutes and SNB Quarterly Bulletin in addition to the Japanese Leading Economic Index and recently more interestingly elevated US Weekly Initial Jobless Claims and Continuing Claims.

Thursday goes mostly quiet with some outright Christmas Eve holidays and other early market Closes along with US Durable Goods Orders into Friday's extensive Christmas Day holiday. Yet it also sees an extensive array of Japanese economic data. The following Monday (December 28th) brings the BoJ Summary of Opinions followed by a bit of important Euro-zone data and the US Dallas Fed Manufacturing Business Index. Wednesday (December 29th) brings quite a bit of important Euro-zone data prior to things getting much quieter on Thursday's New Year's Eve observations outside of Chinese PMIs.

Of course, the tragic near-term vagaries of the COVID-19 pandemic into vaccine hopes volatility continue into whatever transpires on the now seemingly more stabilized US election front and totally erratic US government stimulus/relief negotiations. As such, you will not be at all surprised that we obviously maintain our recent classic advice that has been fully vindicated again in so many ways of late: Keep those seat belts firmly fastened.

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