



## RESEARCH NOTE

Wednesday, January 27, 2021

### Waitin' on Mr. Powell, Quick Take, Calendar

As noted in Tuesday's 'Another Round of 'Friendly Fed Anticipation'?' research note, there is a question over whether the FOMC announcement followed by Chair Powell's press conference today was at least a partial driver for the better US EQUITIES performance early this week? While that has classically been the case, the other influence which is of course prominent at present is the noted 'Friendly Biden Anticipation' on the major efforts of the new administration.

However, as also noted Tuesday, there is the consideration that (along with the other central banks) the Fed is already 'all in' on its full tilt monetary and lending program accommodation. As such, there is not anything more that they can announce in the way of 'new' programs at present. That has been a soft point for the US EQUITIES and EMERGING CURRENCIES, weakening the 'risk on' psychology at times. That was explored at length in Tuesday's analysis, and we repeat that below as a courtesy for anyone who might have missed it.

There is also the consideration of just how much of the Biden agenda, especially the pending ARP stimulus/relief proposal, will timely pass Congress and be implemented. The operative term there is 'timely' in the context of the Trump impeachment trial pending as quickly as February 8<sup>th</sup>. Yet there are some other aspects which raise issues over the near-term progress of the Biden program.

That is on a seemingly non-economic development in the immigrations area. While Biden was successful in rescinding the Trump-era "zero tolerance" policy that resulted in thousands of family separations at the US-Mexico border, in a separate US federal court action a judge blocked his 100-day moratorium on deportations that the judge said was illegal. While this is not a major economic influence, it points up the degree to which Biden does not have *carte blanche*.

With the FOMC meeting pending this afternoon, it is also important to recall that this is the late month economic data release period that intensifies over the next couple of days. That said, the signs today on the data into recent expanded COVID-19 pandemic restrictions is not propitious. Just about all of the data today out of Asia through US Durable Goods Orders has been weaker than expected.

With the Biden legislative agenda on a tight timeline of just the next 11 days prior to the beginning of Trump impeachment trial and current data weakening even more than expected, there is more pressure on the Fed this afternoon. As noted on Tuesday, that is with a history of market disappointment in the wake of the completion of Fed Chair press conferences.

Can Chair Powell at least pull a rhetorical flourish out of a hat today to impress the assembled reporters and members of the fifth estate and the markets? Or does it end with yet another instance of 'Friendly Fed Anticipation' (with the associated 'Friendly Biden Anticipation') fizzling into another round of US EQUITIES weakness after Powell's press conference? Stay tuned after 15:30 EST (the approximate end) for the answer.

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### **Courtesy Repeat of Tuesday's Research Note**

As we have noted on the runup to many previous FOMC meetings across many years, there tends to be a 'Friendly Fed Anticipation' function which buoys US EQUITIES into those announcements and press conferences. And we are bringing you this in plenty of time prior to Wednesday afternoon's (14:00 EST) FOMC rate (non-)decision, policy statement followed by Chair Powell's press conference.

Yet it is also often the case that this is in anticipation of the expansion of Fed largesse (QE), or even some new exotic Fed program (i.e. like direct equities purchases) that almost always fail to occur in practice. As such, especially in the wake of the Fed already being 'all in' on aggressive monetary accommodation, there has indeed been disappointment after no new program announcements following recent meetings.

Note how the US EQUITIES either rallied, or held up near the top of an immediately preceding rally during various recent phases into the FOMC announcement and Powell press conferences (which was also the case for his predecessors Yellen and Bernanke.) Even as US EQUITIES were recovering strongly overall after the major March 2020 COVID-19 pandemic implosion bottom, in late April the FRONT MONTH S&P 500 FUTURE stalled slightly back below the important technical trend and psychological 3,000 area. That lasted for the next several weeks.

After the rally above 3,000 carried up to the 3,200-30 next resistance, it stalled into that area during Powell's presser on June 10th, and then dropped quickly back into multiple tests of the 3,000 area over the next several weeks. It was a bit different into mid-September, yet much the same in general form,

Having rallied back from the sharp early September selloff that established a 3,505 weekly DOWN Closing Price Reversal, it had rallied back to the 3,400 area (old February all-time high) and held up into it during all of Powell's September 16th press conference. Yet almost immediately upon its completion (literally within minutes) it began another sustained slide.

That carried down into multiple near-term tests of the significant 3,230-00 area. In addition to the many additional historic examples, that confirms the degree to which that tendency has been sustained during the recent more volatile US EQUITIES trend. Yet in the context of the recent volatility, there is also a question over whether the Fed is indeed a primary driver, or does that emanate from elsewhere, like twists emanating from the US political weeds?

As noted in the title and analysis of our 'Friendly Biden Anticipation' research note a week ago today, there seems to be a sense that the incoming administration is focused on more bipartisan cooperation while still proposing aggressive stimulus and relief was heartening to the US EQUITIES. Yet the degree to which the attempt at those efforts is less than realistic in the face of Republican resistance, and even some concerns by moderate Democrats. This is as we had warned since just after the Democrats success in the dual Georgia Senate runoff elections.

And now we can see where Democratic Senator Manchin as well as Independent Senator Angus King (who generally caucuses with the Democrats) are questioning the size of the proposed relief checks in Biden's ARP proposal. As confirmed in Sunday's POLITICO article (<http://politi.co/39hrg7V>), this is as expected over a sense these payments need to be 'means tested' in some manner to make sure they are going to the most needy, and not those who don't need the money.

While we had noted the problems with the checks going to well-off folks earlier last year, our most recent pointed assessment was in our December 21st 'Relief Rally... Or What?' research note [Rather than have you hunt around for that, here is a short-link: <https://bit.ly/3bGpO0H>.]

As just a simple highlight, note the graph on what happened to the previously low US Savings Rate after the original March CARES Program checks hit into April (<https://bit.ly/2LWyB4d>.)

That is a selective last three years portion of St. Louis Fed Economic Research department (FRED) longer-term graph. If you are interested, you can also access a full (mid-1959 through late-2020) interactive graph (<https://bit.ly/3o2YxrK>) with cursor hover specific data readings, and the active slider to adjust the time frame.

While the Biden administration and many others who sense the more pressing need of those who are suffering under the pandemic economic stresses will of course not want to wait, it will be interesting to see how that indication evolves in the wake of the December stimulus/relief package \$600/person direct payments. However, in the near-term there will more likely be some form of modest compromise on the Biden ARP package proposal of an additional \$1,400 person in order to not impede the other important aspects of the current sorely needed stimulus/relief.

As noted in Monday's 'That's a Bit More Like It' research note, the mutually agreed delay of the actual Trump impeachment trial until February 8th despite the single 'Incitement of Insurrection' Article of Impeachment being delivered by the House on Monday was a real relief. That will obviously allow time for more Biden cabinet confirmations, and of course for the possible completion and passage of the ARP program legislation prior to the Senate being tied up with the impeachment trial.

There was also another bit of 'friendly Biden' activity on Monday evening, as new Senate Minority Leader McConnell decided to remove his objections to some Democratic Party Senate operational procedures. That clears the way for new Senate Majority Leader Schumer to take control, including installing the key Senate committee chairpersons that were previously stalled. Once again, apologies for dropping down into the US political weeds, but that is a big deal.

It is what allows all manner of the Biden-Harris agenda items to progress through a very friendly Senate committee process, as against those items possibly being tied up in committee if the Democrats had not achieved full control. Of course, in the first instance that has to do with the prospects for the ARP proposal, with all of the attendant vaccine program acceleration, aid to cities and states, assistance to schools for reopenings that are so vital to the economy getting back on track (after such extended home-schooling), help for the small businesses in the 'gathering' culture (dining, small retail, etc.) that are significantly suffering, and more.

As such, the operative question on the current recovery of US EQUITIES is whether this morning's trading up into a 3,862.25 FRONT MONTH S&P 500 FUTURE modest new all-time high is 'friendly Biden anticipation' or 'friendly Fed anticipation'? It is likely we will not know until after Wednesday's FOMC announcement and Powell's press conference. It is of note that GLOBAL GOVVIES are maintaining their recent bid despite the US EQUITIES resurgence.

Yet the EMERGING CURRENCIES are firming a bit again after giving back recent gains. So we are back to a 'bifurcated' psychology, where they and the US EQUITIES are seeming to signal a potential return to a more definitive 'risk on' psychology, yet not the GOVVIES.

### **Courtesy Repeat of Monday's 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/3iHKJ4U> (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 previously 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 into early December, the lack of a Trump signature on the COVID-19 relief package sent it back down to a very temporary late-December test of the 3,600 area. Finally more fully out above the low 3,700 area on a belated 'Santa Claus Rally' saw it up near the 3,750-3,800 resistance.

However, based on recent weekly Closes, there are elevated weekly Oscillator historic indications. Those December thresholds are the weekly MA-41 plus 520 and plus 550, and based on weekly MA-41 now rising an impressive 25 points per week, those are up to 3,880 and 3,910 this week. And as is often the case at a new extended all-time high, those are presently the only quantifiable resistances, and they are still rising \$25/week based on the accelerated rise of weekly MA-41.

After the MARCH S&P 500 FUTURE recovered above 3,775 area minor recent congestion, last week left it pushing up to that next new 3,860 all-time high (right into last week's lower weekly Oscillator resistance.) However, if there is pressure on the 'risk on' psychology from a stalled Biden relief package, more important psychological and technical support below the 3,800 area remains down in the 3,740 area it barely neared three weeks ago prior to rebounding.

That is congestion level seen on misplaced fears of the policy mix with a Democratic-controlled Senate three weeks ago Tuesday. That was held despite the more far prominent lower support being the 3,700-20 area it had been trading below early that week. Those are key near-term supports, including weekly MA-9 and MA-13.

### ***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.

That fostered a renewed 'risk on' psychology into the new US EQUITIES all-time high, which is a sustained major influence back into the FOREIGN EXCHANGE. And the prospect of further US government stimulus/relief has created a psychology where the GLOBAL GOVVIES have reverted to weakness overall despite their recent recovery. This is consistent with the overall strength of US EQUITIES despite their recent reaction, yet will be subject to whether additional US stimulus/relief legislation can be enacted timely or gets bogged down in the Senate.

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 last Friday <https://bit.ly/2NxkjYa>.) 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 9<sup>th</sup> research note we also briefly reviewed the importance of the first ever mRNA vaccine.

The more upbeat longer term US economic outlook leaves the next minor support below the 138-16/-00 range into the 136-24 weekly area gap, yet with more significant support down into the 135-00/134-16 area. While the 136-16 classical quarter point Tolerance of that 136-24 weekly area gap seemed to be violated on the weakness early week two weeks ago prior to that Wednesday's ratchet back above 136-16 left the market stabilized for now.

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 last Friday <https://bit.ly/39bQ8xR>.) 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 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 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 the recent 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. That said, the recent weakness on the US election outcomes only left the 177.50-.00 support back in play. While it was violated on the weakness two weeks ago and again on the ECB suggestion of further fiscal stimulus last Thursday, it recovered and is now pushing back above that range.

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 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 back in mid-August.

Next support in the 136.00 area was recently churned around as the 135.00-134.50 area became the more telling recent support. Rallies 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 recent 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 as the MARCH GILT FUTURE was trading at its typical 0.80 discount to the December contract; reinforcing the bear case until just recently.

Slipping back below the 135.00-134.50 area on the back of the US fiscal stimulus expectations opened the door to the next test of the 133.50 area seen during the early November response to the Pfizer/BioNTech vaccine announcement. While having held that again earlier last week, the MARCH GILT FUTURE remains the weak sister on recent rallies stalling at no better than the 135.00-134.50 area since the drop below it at the beginning of the year..

In **FOREIGN EXCHANGE** the **DEVELOPED CURRENCIES** had also seen massive shifts in the Spring of 2020 prior to quieting down once again. As noted extensively throughout the year, even though the **US DOLLAR INDEX** had a 'haven' bid into mid-February, it then came under extensive pressure against the other DEVELOPED CURRENCIES.

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 than the rest of much of the world, and the Democratic presidential election victory fomenting fiscal concerns.

It is of note that even the Democrats 'Blue Wave' psychology dissipating into the middle of the week after the US election only saw 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 was violated in late November, the Evolutionary Trend View for the greenback is a continued down trend even though it has already tested lower support and temporarily rebounded in the wake of the higher interest rates likely on the more profligate stance of a full US Democratic regime.

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.

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 last Friday <https://bit.ly/3oeS0dK>.) 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 of 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 had seen it drop below 92.50-.24 in late November. The more major supports were down in the 91.00-90.50 area tested since early December. As the 90.00 'big penny' is only psychological at this time, after 91.00-90.50 was violated the next lower support was not until the 89.50-.00 area already being tested in recent trading with the 88.25 6-year low below that.

That said, the recent recovery back above 89.50-.00 area has carried up into the high end of the 91.00-90.50 area. That said, the December rally failures back up at the top of that area have a Tolerance to the early December 91.23 trading high.

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 until reacting back below it at present. Any sustained activity back above it would suggest an extension to the next resistance in the 1.2400-50 area, while the next support remains into the low end of the major 1.2000-1.2100 range.

**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.

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 interim 1.3200 congestion 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 it had rallied to in the wake of the Brexit agreement prior to reacting back down toward the 1.3500 area. While the next interim resistance was as nearby as the 1.3750-1.3800 area, the more major resistance is not until the 1.4250-1.4350 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, that it had recently squeezed above prior to the current minor slippage back below. The next interim resistance is as nearby as the recently tested .7800 area, with more major resistance not until the .7950-.8000 area. The next major resistance above that is up near the .8135 January 2018 5-year trading high, yet with the interim .7500 area important again on the current slippage, with the .7350-.7400 congestion below that.

**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 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 below 105.00-104.50 and has slipped closer to that next 102.50 support prior to rebounding a bit. 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 last 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 US DOLLAR weakness that has reversed for now.

While that was previously except for the TURKISH LIRA, even that had recovered to a goodly degree on recent renewed global 'risk on' psychology creating secular US DOLLAR weakness, even if that has reversed a bit on higher US yields of late.

That contrarian US DOLLAR rally in the wake of the ostensibly more profligate Democratic regime expectations had left all of the EMERGING CURRENCIES back under some pressure into the early part of the year. While that had substantially reversed over recent trading, it is back a bit again on the weakening of the 'risk on' psychology into this week.

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.

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 subsequently 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.

Recently failing on the renewed 'risk on' psychology had 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 and held. If those had been violated, the next significantly major support (heavy historic congestion) is not until the 14.00 area into the upper 13.00s (13.81 July 2019 almost 2-year trading low.)

While the recent US DOLLAR rally had seen USD/ZAR ratchet back above the 15.00 area to vigorously test the 15.40-.50 range again prior to reverting to weakness, USD/ZAR has once again failed back below 15.00. That left 14.70 area (in the overall major range from late-2018 through early-2020) with possibly more major support into 14.50-.45 area in play. However, the current shift to less of a 'risk on' psychology has left it back above 15.00 at present.

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 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 had been recently violated as well (likely on the sustained energy market recovery), with the US DOLLAR strength putting it back up near that area prior to slipping once again. While the lower support remains into recently retested 73.00-72.70 support this side of the more major 70.50-.00, current US DOLLAR strength has seen it squeeze slightly back above 75.00.

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 late September weakness the 22.30 area was reinstated as resistance, with the higher level into the 22.60 area it tested right before that and subsequently 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 also failed below, even if it 'kicked' temporarily above it on a late October rally.

The subsequent selloff left quickly violating the 21.00-20.60 area with the broad berth 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 that was also violated.

It recently temporarily recovered back above the top of that range, yet failed once again into a retest of the additional significant historic congestion (2018-2019) in the 19.80 area, with the next hefty historic congestion as nearby as the 19.65-.50 area tested earlier this week prior to the US DOLLAR rally. While the overall bottom of the significant late-2018 through early-2020 range is not until the 18.50-.40 range, even allowing there are interesting interim supports at 19.30 and in the 19.00-18.90 range.

That said, the current rally back above 19.80 was more critical even after the failure as nearby as the 20.25 area. Trading back into that both historic and near-term (since early December) congestion was critical again after the failure of that temporary early week squeeze above 20.00 failing as soon as 20.25. Lower supports remain as noted just above, with the current recovery back above 20.00 likely forestalling any immediate retest of the 19.65-.50 area or lower levels.

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 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 late last year. 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 mid-December USD/TRY drop back below the 7.80 area with 7.40 next support it has slipped below again of late. And the more major support remains back into the recently retested 7.27-7.20 area prior to the US DOLLAR rally. That includes the previous May 2020 all-time high violated in August as well as some prominent recent congestion and weekly MA-41. Below that is some interim congestion in the 7.10 area, with more prominent 6.90 recent congestion below.

### **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](http://www.rohr-blog.com) sidebar.

As we have been noting for some time, regularly scheduled releases are in general obviously less relevant in the face of the COVID-19 'macro' factors and the importance of the change of administration and control of the Senate in the US. Those will hopefully remain more orderly after the Biden-Harris inauguration last week Wednesday. This week also sees a return to somewhat more importance of economic data in the heavy last week of the month.

While Monday is a bit of a lighter day prior to the late month data tsunami, after nothing from Asia it includes German IFO Surveys into the beginning of a week-long 'Davos-lite' virtual meeting... and of course the US House delivering the single 'Incitement of Insurrection' Impeachment Article against former president Donald Trump.

Tuesday is similarly light on the Australia Day national holiday, yet with the BoJ Minutes and ECB Monthly Bulletin into UK Employment data and US Consumer Confidence. Wednesday picks up with Australian and Japanese Leading Indexes and an array of confidence number out of Europe into US Durable Goods and the FOMC meeting and press conference.

Thursday begins the intense late week data flow with Japanese Retail Trade into quite a bit of Euro-zone sentiment and inflation indications. Yet the centerpiece will be major late month US data that includes GDP, along with the recently more important Weekly Jobless Claims.

Friday is also very big, beginning with Asian inflation indications and Japanese Employment figures along with more from Europe (including German, French and Spanish GDP.) It wraps up with the extended US data (including Michigan Sentiment) and Canadian GDP.

Of course, tragic near-term vagaries of the COVID-19 pandemic into recently disappointing US vaccination program results (hopefully to be addressed by the Biden administration) will continue into whatever transpires on the US political front. As such, you will likely not be at all surprised that we obviously maintain our recent advice that has been fully vindicated again in so many ways of late: Keep those seat belts firmly fastened.

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