



## RESEARCH NOTE

Thursday, June 10, 2021

### Still Buying the Central Banks' Line, Quick Take, Calendar

Today's highly anticipated US CPI was once again above estimates at +0.6% (versus an 0.4% estimate) headline and core at +0.7% (versus an 0.4% estimate.) As expected, that was right into Madame Lagarde's also still very accommodative post-ECB rate decision press conference (<https://youtu.be/ChuPTLUT1YQ> actually beginning about 10:00 into the video.)

Right from the opening Monetary Policy Statement (<https://bit.ly/354Klrh>) she was clear that the monthly bond purchases would continue at €20 billion "as long as necessary", along with various bank support programs, until the ECB sees the economy is nearing the point where it is strong enough to consider raising its base rate from the current 0.0%.

This is of course right in line with the Fed's extended inflation forbearance in the context of still weak employment at the lower end of the labor market. The ECB is also even allowing several months of slight increase in core inflation (ex-food and energy), yet saying due to weak wage growth that would likely end by early 2022.

All in all the more accommodative FOMC and ECB (versus the slightly less so BoE and especially Bank of Canada) are asking the public and the markets to allow for some near-term inflation that they assure will wane in 2022. And the market responses today are indeed 'buying the central banks' line in that regard, as opposed to the sharp concerns a month ago on the initial round of the US CPI overshoot (at +0.8% headline and +0.9% core.) As we assume everyone recalls, concerns over central bank lassitude fomented a major US EQUITIES selloff.

Yet as we also noted at that time and subsequent, as long as the inflation is seen to be 'supply disruption' driven (due to reopening pressures and dislocations) rather than the more pernicious 'demand-pull' excessive wage demand form, the central banks can assert it will be transitory.

While there are some clear wage pressures in the US and elsewhere, at least so far they are also being attributed to the reopening pressures: folks who have moved into other roles leaving a lack of lower end employees (especially in food service, hospitality, travel, etc.), and those who have younger children in schools that have not fully reopened.

On current form (into the end of the ECB press conference at 09:30 EDT) the US EQUITIES are higher, instead of under pressure like a month ago. That said, JUNE S&P 500 FUTURE (front month until the end of next week) was only modestly above the early May 4,238.25 all-time high. Yet that is also in the context of bears not being able to foment anything more than modest selloffs this week after two weeks of retests of the important 4,193-75 area. While not as forceful as previous rallies at this point, it is possible an extended phase of a bull trend can churn.

Rather than the explosive 'Roman Candle' style activity seen from mid-2020 into earlier this year (as recently as after the early April UP Runaway Gap), the FRONT MONTH S&P 500 FUTURE might act more like toothpaste being squeezed out of the top of the last several week's constrained trading tube.

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That would be at least until it possibly shows more sustained activity above the 4,238.25 all-time high, at which point it might develop more momentum toward the 4,316 higher Objective of the early April weekly UP Runaway Gap (see the annotated chart link below.) The only hurdle will be the higher weekly Oscillator rising to 4,260 next week.

There are also the other 'risk-on' psychology indications that are conforming to "buying the central banks' line", like the EMERGING CURRENCIES regaining their bid after some nervous (pre-US CPI?) downside reactions on Wednesday. There is also some pressure returning to the GLOBAL GOVVIES that have rallied so nicely over the past several weeks. Yet that is in the context of recoveries from major selloffs out of February into early April (and even May in the case of the EUROPEAN GOVVIES.)

The one other aspect Madame Lagarde raised as a possible risk factor is the newly resurgent COVID-19 with the Delta variant. As noted in Wednesday's 'OECD CLI versus COVID-19' research note (repeated below for your ease of access), this is likely the concern that created the recent 'bifurcated' psychology: US EQUITIES and EMERGING CURRENCIES up, yet GLOBAL GOVVIES getting an extended bid.

As she rightly noted, COVID-19 uncertainties are especially regarding travel and tourism along with domestic activity. Yet at least for now, that is not a major influence... ..however with our repeated admonition to especially keep an eye on China.

### **Courtesy Repeat of Wednesday's 'OECD CLI versus COVID-19' research note**

This month's Organization for Economic Cooperation and Development (OECD) Composite Leading Indicators (<https://bit.ly/3csVDtx> for our mildly marked-up version highlighting some key factors) are as upbeat as we suspected. After all, why would they have weakened in the global economic reopening environment coming out of the full year of COVID-19 pandemic lockdowns and restrictions? Just as a reminder, this is a four month forward view: a six month projection released on a two month delay to ensure veracity of the economic indications.

Beyond headline indications, the breadth of global recovery is striking. As noted, "*The CLIs have continued to increase steadily in the United States, Japan, Canada and in the euro area as a whole, including Germany and Italy. Although remaining below trend, the CLIs for the United Kingdom and France now also signal a steady expansion.*" Only COVID-19 plagued India and Brazil seem to lag.

And as has been the case for months, as the earliest to heavily clamp down on the early COVID-19 outbreak which originated there, China has seen the most impressive sustained recovery (as is obvious in the graphics.) In this way it is important for the global recovery, with lower than expected Chinese exports reported on Monday, yet stronger imports. While it is hard for us to admit, leading the way out of global cyclical contractions used to be the US role compared to the always weaker recoveries in Europe and Japan. Now it seems to be China.

Of course, that is in part due to China's top-down control society, where the extent of the early COVID-19 quarantines were on a level that is just not possible in the open Western countries. Just to be clear, this is not a criticism of China, but rather an observation on COVID-19 pandemic response. It is also in part due to the command economy's ability to overproduce key goods. That was especially the case for critical PPE for medical purposes during the pandemic.

We will leave whether this is evidence of Chinese 'conspiracy' to political pundits and security specialists, as it makes no difference to markets. What is becoming more relevant once again is the arrival of the COVID-19 'Delta' variant in China.

According to a well-rounded CNBC article (<https://cnb.cx/3v6O7Lh>), this is a more infectious variant first identified in India as the B.1.617.2 mutation. No surprises that a mostly unvaccinated open economy of 1.36 billion would be the source of COVID-19 variants. The virologists are right on the need for global vaccination. (On the other hand, we are still big fans of ramping up therapeutics production.)

The problem for the global economy as this more highly infectious and possibly vaccine resistant variant has also spread to other countries. Might the economic reopening be at least partially derailed? From a straight market perspective, it is of note that even as US EQUITIES quietly churn up to the FRONT MONTH S&P 500 FUTURE 4,238.25 early-May all-time, the GLOBAL GOVVIES have recently shown some relentless strength of their own. That is typically a sign of trouble to come, even if their rallies are in the context of previous heavy February into April pressure that was the end of previous inflation concerns prior to mid-May.

The further sign of a 'bifurcated' psychology is the continued strength of many EMERGING CURRENCIES against the US DOLLAR. While this has been in fits and starts of late on the leadership rotation, the overall strength has been impressive since some downside reactions on the mid-May US EQUITIES weakness. As such, while we remain bullish US EQUITIES, we will be monitoring the COVID-19 Delta variant progression, and especially near-term market reactions. That will be even over and above the obvious impact of Thursday's early US CPI (recall last month's volatility) and the ECB announcement and press conference (08:30 EDT.)

### **Courtesy Repeat of Previous Quick Take**

On previous form, the MARCH S&P 500 FUTURE stalled into its old all-time high, and then US equities struggled to sustain activity above the 3,959.25 previous all-time high by more than \$10 (both a natural rule of thumb and key weekly Oscillator level) through all of that week.

That is clear on the FRONT MONTH S&P 500 FUTURE weekly chart (<https://bit.ly/3wcAk7r> updated through Friday.) There was even atypical weakness into the mid-March FOMC announcements and Chair Powell's press conference.

Even a MARCH S&P 500 FUTURE push back above the old 3,960 area high, saw various factors conspire to drop it back to 3,960 area. JUNE S&P 500 FUTURE (front month since March 19th) also fell sharply below the previous week's 3,942 weekly Close.

That was important insofar as it established a 3,942 weekly DOWN Closing Price Reversal (CPR), nominally a real top. Of note that had a Tolerance at the previous week's high, most interestingly 3,958.50, right near 3,960 again.

However, after overrunning that the previous Friday, a strong US Employment report pushed it up into higher 4,010 and 4,035 resistances. The following Monday there was a 4,015-21 UP Runaway Gap, where the Objectives are 4,193 with a higher one not until 4,316. As such, whether a push generally above 4,200 can be maintained is a key indication on that front.

It is also the case there is an early-April weekly Oscillator threshold into 4,230 on the back of a \$25/week rise in weekly MA-41. It appears the market anticipated this previous by leaving a 4,211 new all-time trading high the previous week (when that was going to be the Oscillator threshold into early April.) This made that level that much more critical a technical threshold on any attempt to extend the rally, and it was overrun despite the weak April Employment report.

A really interesting part of the overall equation is whether generally overrunning the 4,200 area (including that lower 4,193 Objective), just means a likely test of the higher (weekly Chart) 4,316 Runaway Gap Objective? Yet on the recent sharp selloff it revolved around the degree to which the JUNE S&P 500 FUTURE could hold the 4,100 Tolerance of the 4,120-10 support, or needed more of a correction.

Much below the 4,100 area the overall up trend corrected back near the early April 4,021-15 weekly UP Runaway Gap, as expected. While that was a significant further slide, it was actually reasonable based on the straight up surge from the gap to the upper-4,100 area prior to stalling in mid-April. Yet inflation concerns which triggered the mid-April selloffs have been addressed.

As such, JUNE S&P 500 FUTURE pushing back above the previously tested lower early April UP Runaway Gap 4,193 (daily chart) Objective would seem to speak of it maybe being ready to extend the rally to a higher 4,316 (weekly chart) Objective. Yet that push above the 4,193 (daily chart) Objective at this point is also in line with this week's 4,215-4,240 weekly Oscillator thresholds (MA-41 rising \$20/week.) 4,193 down to 4,175 should still be viewed as important near-term congestion support.

Repeatedly respecting that support still leaves the door open to exceeding the early May 4,238.25 all-time high. This is in the context of the higher Oscillator levels set up at the highest weekly Closes back in December rising to the (wait for it) ...4,310 and 4,340 levels this week.

It is also therefore a Friday Closing indication which is now fully in line with that higher 4,316 (weekly chart) Objective. As is often the case, after a significant reaction a market can extend to higher levels that would have seemed near-term overdone in the context of an earlier strong trend surge.

### ***Evolutionary Trend View***

Moving on now to a critical market assessment in the wake of the US EQUITIES pushing up from previous retests of the 3,200-30 range and their old February FRONT MONTH S&P 500 FUTURE 3,397.50 all-time high in early September. Even though the rally to previous all-time highs was significantly reversed in early September (see above), after holding that 3,200-30 range again on that 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 most recent new US EQUITIES all-time high near the 4,000 area, which was a sustained major influence back into 'risk on' psychology spreading into FOREIGN EXCHANGE as most tellingly reflected in EMERGING CURRENCIES.

The prospect of further US government stimulus/relief has created a psychology where the GLOBAL GOVVIES had reverted to overall weakness to a greater degree than seen during anything previous since the last bear market, yet are now recovering to some degree on the central bank assurances that any inflation will be transitory.

This was consistent with the overall strength of US EQUITIES until the previous yield escalation turned the positive economic data, central bank accommodation and prospect of more stimulus/relief on top of all that into inflation anticipation worries.

While the March US NFP release along with other 'good' news turned out to actually be supportive of US EQUITIES, the weaker April NFP and other data along with higher inflation was not playing well after the US EQUITIES test of higher resistance. However, the JUNE S&P 500 FUTURE recovery back above the 4,100-20 area after nearing the early April UP Runaway Gap in the 4,021-15 range was a positive sign. The question then as now (after the substantial mid-May correction) is whether it can also overrun the 4,238 all-time high on the way to a new high that will likely be above 4,300?.

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/3x7yjtj>.) 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 2020.

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 reinforced the NEGATION of that mid-March 138-00/-16 DOWN CPR, which indicated a move to higher ground that stalled into the upper 139-00 area. The resistance was at near-term congestion in the 139-00 area it had churned above prior to repeated mild selloffs back in May to test 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 was 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 strong 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 left 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 into mid-January that was reversed on the following week's ratchet back above 136-16, yet with the market back down testing those areas last week. Violating it from the opening last week opened the door to a test of major 135-00/134-16 historic support.

That is reinforced by the broader price history showing mid-low 135-00 congestion around the mid-2012 previous all-time high in addition to the more recent 134-16 area. While that was significantly violated last week, it never got very near the next historic support in the mid-low 132-00 area prior to rebounding.

Failing back up to the mid 134-00 area on recent rallies leaves that as resistance on a sign they were likely headed lower. While March contract had not really challenged the mid-low 132-00 area support, the discounted JUNE T-NOTE FUTURE was only back to trading somewhat above it. The next key decision into mid-low 132-00 area was the March contract expiration last week Monday after the JUNE T-NOTE FUTURE failure on the rally into that area.

Even as it recovered then, the bounce back above that area had failed again, with the lower support still down into the interim 130-00 area, and major support not until 128-00 area (2019-2020 congestion.) Yet the recent sanguine Fed attitude seems to be supporting the JUNE T-NOTE FUTURE in its recovery back above 132-00 for now.

That has opened the door to a retest of the historically prominent 134-00 area once again. Yet it must be noted that recent congestion left interim resistance into the low 133-08/-16 area it has now exceeded. All of those levels remain key technical trend thresholds.

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/3wWQOQO>.) Much above that next resistance was not until 178.50 congestion from back then it hit prior to the June contract expiration.

That was 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 2020 BUND FUTURE became front month in March it also dropped below 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 prior to expiration.

The early June 'risk-on' psychology saw 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 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 would 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 that Monday's research note we also briefly reviewed 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 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 was of course well back above the 175.00-.50 range, possibly based on what is still a challenged COVID-19 outlook and the previous 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. It also immediately pushed above the key Tolerance of that range at the key early August 178.01 9-month trading high. This was of course on the back of that far more problematic European outlook, as reinforced by all of Madame Lagarde's press conferences.

However, it had fallen back quite a bit from the 178.01 area, with the push at that time for much more Euro-zone stimulus leaving it below the 177.50-.00 support once again. It had been violated several times since mid-January, with the market back below it despite previous temporary recoveries. With it recently below next major support at the 175.00-.50 congestion, it also vigorously retested the 173.00-172.50 congestion last week prior to rebounding.

While the MARCH BUND FUTURE remained above it, as expected it was a bit demoralizing that the JUNE BUND FUTURE was so far below the 173.00-172.50 congestion when it became front month future. That left it more so poised to retest the 170.50-169.75 area congestion that had reached to top of prior to the current recovery rally, with the far more major lower recent and historic congestion in the 168.86-.00 area from the summer 2016 previous all-time high.

However, it was more important on the recent recovery whether it could once again sustain activity back above the 173.00-172.50 congestion. Yet after only rallying into the lower end of that area on the recent general GLOBAL GOVVIES recovery, this current weak sister had been back under pressure toward 170.50-169.75 area congestion on stronger European inflation indications despite rallies on central banker assurances regarding inflation.

Even its recent recovery from temporary slippage below 170.50 left it only up into the low 171.00 area, and recently slipping back into and now below the 170.50-169.75 area. Next interim support is the 169.00 area it has also recently slipped below, with major support not until the 168.00-167.50 range it did not quite reach on the recent selloff prior to it rallying back only into the low end of the 169.75-170.50 range since late last week.

Yet the seemingly stubborn weakness also posed a dilemma for the bears into and after Tuesday's typically early quarterly front month future expiration: the SEPTEMBER BUND FUTURE was trading back up in the mid-171.00 area... well back above the recently tested 170.50-169.75 area. The lack of heavy weakness into early this week naturally set a more buoyant tone for the BUND FUTURE, even if the higher 173.00-172.50 congestion remains formidable resistance that is currently being tested.

The **JUNE 2020 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 '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 temporarily back up above the 138.00 area.

Next support in the 136.00 area was previously 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 had left the 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 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 remained 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.

That left a potential to retest 133.50 area that has also been violated on the way to a retest of the mid-low 132.00 area. However, inflation expectations have seen it drop below that support now as well, with the next lower support is not until the prominent historic 130.50-.00 range it is already nearing at present.

That would also be into the historic weekly Oscillator threshold at MA-41 minus 6.00-6.50 not seen since the 106.00 area Closes at the bottom of the last bear phase in late 2013. With the major 130.50-.00 range congestion (also 22-month trading lows) violated, the next interim support is in the 128.00 area it did not really near at that time. And as recent reaction rally only neared that 130.50-.00 range, we remained negative on the GILT.

And the downside leader MARCH GILT FUTURE (possibly on the inflationary implications of the Brexit break with the EU) already failing somewhat below that major congestion is also with the typical full point discount in the JUNE GILT FUTURE. That left next support into the mid-low 128.00 area it was recently below prior to rebounding. Even though back above it once again, it remains vulnerable along with the rest of the GLOBAL GOVVIES. If it should slide further, the next major supports are not until the 126.50 and 125.50-.00 areas.

Yet central banker assurances inflation will be transitory had it recently rallying back into the upper 128.00 area of late. While the prominent resistance remains in that 130.50-.00 range congestion (violated previous 22-month trading lows), weekly chart congestion, MA-13 and the gap down from the March contract expiration all point to resistance in the low-mid 129.00 area. And after recently stalling just below that and slipping back below 128.00 again, it has squeezed back above 128.00 area again for now.

However, even though it is weeks away, the GILT FUTURE expiration sees the opposite picture from the premium in the SEPTEMBER BUND FUTURE. The SEPTEMBER GILT FUTURE is actually at a typical full point discount to the JUNE GILT, back down into the 128.00 area at present. We would ascribe this to the economic differential between the fully reopened UK economy versus some residual drags in Europe.

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 2020, 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 that 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 was a continued down trend even though it had already tested lower support and temporarily rebounded into early February.

However, the recent yield escalation creating more of a 'risk off' psychology has restored the bid to the greenback. Whether that is merely a 'haven' bid or a reflection of a better US economy driving anticipation of premium US interest rates is moot.

For now the sheer sustained US DOLLAR INDEX strength above the 91.00-.23 resistance pointed to higher levels, which had seen it overrun the more major 92.00-.30 area and even the higher 92.75-.85 area that it has now fully weakened back below along with 92.30-.00.

In fact, DEVELOPED CURRENCIES exhibiting more strength have the US DOLLAR INDEX failing the 91.70 Tolerance of the 92.30-.00 range, and dropping below the 91.00-90.50 congestion. Even though it was back up into the low end of it on the previous weakening of the 'risk-on' psychology, it has churned below it again in recent trading.

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 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 (weekly chart through Friday <https://bit.ly/3v2kivc>.)

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 had 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 had a Tolerance to the early December 91.23 trading high.

Strength above the 91.00-.23 resistance pointed to higher levels, yet with it stalling into the violated September 92.30 UP Closing Price Reversal that had held until late-November. The recent selloff from the 92.50 trading high created a fresh DOWN Closing Price Reversal from the previous week's 91.98 Close (Tolerance of that week's 92.19 high.)

That had been Negated by the rally to the new high for that rally. US DOLLAR INDEX strength above 92.75-.85 (also weekly MA-41) left the next resistance not until loosely in the 94.00 area (93.80-94.20), with 94.60-.75 above that (the key September 2020 eight-month trading high.)

Yet the subsequent slide back below 92.85-.75 on DEVELOPED CURRENCIES exhibiting more strength have the US DOLLAR INDEX failing the 91.70 Tolerance of the 92.30-.00 range, and dropping into the 91.00-90.50 congestion prior to recovering temporarily up above the top of that range this week prior to slight slippage once again.

After it has failed to remain out above the 91.00-.23 range in recent trading, next lower support in the 9.100-90.50 area was violated prior to the recent squeeze back up to that area which ultimately failed again. That still leaves the historically important 89.50-.00 area tested during December through February and just missed in late May as the lower support.

European currencies had been under pressure again versus the US DOLLAR. **EUR/USD** was under pressure previous early last 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 remained into the low end of the major 1.2000-1.2100 range that had been recently marginally violated prior to the subsequent recoveries.

Yet with EUR/USD below 1.2000 again, there seems to be more of a 'risk off' psychology which is now independent of the strength of the EMERGING CURRENCIES. Lower supports are back down into those 1.1815 and 1.1700 areas. That said, the subsequent higher weekly Close created a fresh UP Closing Price Reversal from the previous week's 1.1908 Close (Tolerance of that week's 1.1894 low.) As such, the recent Close below it and subsequent softness are seeming to Negate that basing attempt.

That reinforced the potential for more US DOLLAR strength. The next lower EUR/USD support into 1.1815 had been violated with next support into the 1.1700 area it subsequently tested prior its subsequent push back above the 1.1800 area.

That was extended as EUR/USD rallied above 1.2000 again, and even churned above the top of the 1.2000-1.2100 range prior to temporary slippage back below the top end of that range. The next significant resistance above is back into the recently tested 1.2200-50 area at the bottom of the early 2018 major range, with next resistances above into the 1.2400 area interim 2018 congestion, and 1.2550 top of that 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 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 remained 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.

Next interim resistance was as nearby as the 1.3750-1.3800 area it loosely held on the recent selloff. While this might be in part due to the higher UK interest rates, it is interesting to see how it has evolved in the context of recent US DOLLAR weakness assisting in pushing it above the major 1.4000 area congestion, which it maintained despite any minor US DOLLAR bounces.

The next resistances are not until the interim low-1.4200 area it recently tested prior to slipping somewhat back below it, and the more major 1.4350-76 congestion that includes the April 2018 nearly five year trading high.

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. That was then into US DOLLAR secular strength, with the recent AUD/USD surge back above .7200, .7350-.7400 congestion as well as interim .7500 area is coming to a close after the push above more major higher .7650-.7700 resistance has fizzled for now.

The next interim resistance was as nearby as the recently exceeded .7800 area it was churning around prior to the recent weakness, with lower supports back into the interim .7500 area, .7350-.7400 congestion and the .7200 area once again.

Yet the current rally leaves it once again above the .7650-.7700 resistance with next resistance in that low-mid .7800 area it has recently tested, and includes the late February .7868 weekly DOWN Closing Price Reversal (CPR) with a .7877 Tolerance. Above that is the .7950 interim 2017-2018 congestion, with the more major .8125-35 six-year trading highs congestion from that period above.

**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.

While previous it had been churning below 105.00-104.50, recovering above both it and the 106.00 area of late and even 108.00 despite US DOLLAR strength is in line with the strength of other DEVELOPED CURRENCIES, and is thereby another 'risk-on' indication. The bid leaving the other 'haven' currency reinforces the secular US DOLLAR weakness on the violation of higher USD/JPY resistance into 110.00 once again prior to the recent weakening back down to the 108.00 area and stabilizing in between.

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 subsequent trading, it was back a bit again on the recent weakening of the 'risk on' psychology and the evolving sentiment focused on the recent GLOBAL GOVVIES yield escalation.

However, even as the GLOBAL GOVVIES weakened again in March trading prior to their April recovery, EMERGING CURRENCIES resilience spoke of some degree of global 'risk appetite' being maintained, and will continue to be a key indication. This was apparent during the sharp mid-May US EQUITIES downside reaction, where the EMERGING CURRENCIES managed to only react a bit in their overall bull trends, and have strengthened again of late (outside of the challenged TURKISH LIRA.)

The **SA RAND** has seen **USD/ZAR** overrun 15.40-.50 and even the 15.69 September 2018 high prior to pulling back previous. Even though it sagged all the way to 15.20 in early March 2020, 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 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 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 was more major support into the 14.50-.45 area it had tested and held back then. While the subsequent US DOLLAR rally had seen USD/ZAR ratchet back above the 15.00 area to vigorously test the 15.40-.50 range again, it ultimately reverted to weakness.

USD/ZAR had once again failed back below 15.00. That left 14.70 area (in the overall major range from late-2018 through early-2020) next support that had been violated for the first time since late last year back in February, and finally more completely in late March. While that also opened the door for a test of more major support into 14.50-.45 area seen in both December and February, only on the mid-April weakness was that area violated on a weekly Close.

Back below the important 14.50-.45 area again overall has left USD/ZAR nearer to the 14.00 area, and the more prominent historic congestion into the upper 13.00s (including the 13.81 July 2019 26-month trading low.) And at least so far the recent rally back only temporarily hit the high end of 14.40-.50 once again prior to recently slipping back below the 14.00 area toward the 13.80 area even if that is on recent churning of the 'risk-on' psychology on US EQUITIES weakness leaving it struggling to drop back below 14.00 until last week's Close back below it.

That has set a new round of weakness in motion to a new 27-month trading low below the July 2019 13.81 trading low. That left the next interim support at 13.55-.50 which was temporarily overrun, and the 13.23 February 2019 33-month trading low as the next major level. While there is interim support below that into 13.10-.05 and 12.75 areas, the next major support is not until the 2017-2018 congestion in the 12.65-.55 area.

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 subsequent left the bigger resistance not until 69.00-70.00. And historically there was not much resistance again until the 75.00 area (early 2016 congestion.)

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 73.00-72.50 support this side of the more major 70.50-.00, the previous US DOLLAR strength had seen it squeeze back above 75.00 prior to current slippage back below it. That is likely on the sustained CRUDE OIL strength, which is supporting a more robust bid in the RUBLE as evidenced by USD/RUB dropping back down into the low end of 73.00-72.50 prior to rebounding on recent CRUDE OIL weakening.

While the RUBLE had been the outlier strong sister on the back of CRUDE OIL, with USD/RUB back below 75.00 once again even defied the impact of the most recent US sanctions on the sustained CRUDE OIL strength above its 66.50 area March topping activity. Now below the 73.00-72.50 area, it is already into the next 72.00-71.75 interim support (albeit at a 10-minth trading low) with the next major support still into the 71.00-70.00 area.

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 recently tested 19.65-.50 area.

The overall bottom of the very 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 into the 19.00-18.90 range. That said, the current rally back above 19.80 was more critical even after the previous failure as nearby as the 20.25 area.

Trading back above that historic and near-term (since early December) congestion was critical again in driving the next test of the 20.55-.65 area (seen in late December.) However, that failed yet again to below the interim 20.30 area. That highlighted the psychological importance of the 20.00 'big penny' (along with weekly MA-9 and MA-13 right in that area.)

It was back to churning around last week prior to the current resurgence, as well as the importance of the more definitive historic congestion back into the 19.80 area. The recent push back above the 20.55-.65 area recent congestion (both December and January) was also a 20.50 area Inverse Head & Shoulders Bottom UP Break which had failed across time.

That had a 21.57 upside Objective, which was achieved at the highs of that rally prior to the flop back down well below 21.90-22.00 area congestion. Right back down below the 20.50 area Head & Shoulders Bottom UP Break left it critical again yet with lower support into 20.30 area.

Having temporarily held, it was back up toward 20.50 and 20.60 again prior to the subsequent slippage back below 20.30 that led to weakness below the 20.00 'big penny' toward the more definitive historic congestion back into the 19.80 area.

Next support below that is January's 19.54 slightly more than 2-year trading low, which is also significant historic congestion, even as it has rallied back above the 20.00 area prior to the current slippage back below it. That leaves the 19.80 area key support on the return of a stronger 'risk-on' psychology, and it was a bit of a puzzle why it has not slipped further on the recent CRUDE OIL strength. Yet that has been resolved with the extended strength there, with USD/MXN back below 1980 for the first time since January, and that period's 19.5450 trading low as the next support this side of the interim 19.30-.25 area and far more major 19.00 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.

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 was already well above it with the next extended weekly Oscillator threshold is 7.90-7.95 at that time based on recent activity.

Finishing 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 previous push above them signaling a renewed UP 'runaway'. That LIRA weakness came as the other EMERGING CURRENCIES benefited from US DOLLAR weakness, reinforcing secular nature LIRA weakness.

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 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 below the 7.80 area with 7.40 next support it has slipped below again. 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 pointed to the interim congestion in the 7.10 area it had recently slipped below, with more prominent 6.90 recent congestion reinforced by being tested again of late as a more critical overall trend indication.

And having survived that test it is now well back above 7.10 into the 7.40 area. And that is also right into the 7.43 weekly MA-41 above which it ranged above as well as the next interim level at 7.55 to test the more major resistance back into 7.75-7.80. That was prior to settling back down into the 7.50 area last week into early this week. That left the 7.40 and 7.10 support areas important again prior to the central bank change disruption to the LIRA that left it surging back up toward the November 2020 8.5764 all-time high.

Even after cooling off since the previous week's surge closer to that old high, it did not sustain weakness back below 7.80 area congestion, it pushed sharply back above the key higher congestion just above 8.00. That has left it topping out right near last week's 8.4551 trading high, which was also interestingly also right around the 8.4406 low end of the gap lower weekly opening last November from the all-time high 8.5146 weekly Close.

That area is now the macro-technical resistance on the concerns over the recent central bank changes even as USD/TRY remains strong on the reaction since early April holding around the important 8.00 area on all recent selloffs despite return of 'risk-on' psychology in other EMERGING CURRENCIES.

That left the LIRA as the outlier weak sister, with the inability of USD/TRY to drop below 8.00 turning into another bout of strength back above recent 8.20-8.23 short term congestion. While it was slightly below that two weeks ago, it could not even trade below it late last week into early this week. The most recent weaker indication was a late April daily DOWN Closing Price Reversal from 8.3750, which left 8.40 as a general Tolerance to be watched for the current trend. It was above that again in line with the other EMERGING CURRENCIES weakening on the temporarily diminished 'risk-on' psychology that has now reversed into strength once again.

While that left the door open to a full retest of last November's 8.5146 all-time high weekly Close, with only the 8.5765 coincident all-time high above that. While the LIRA seemed to firm on the mid-May return of the 'risk-on' psychology, that did not even bring a USD/TRY drop back to the 8.23-8.20 range.

As of last week it had put in the new trading high of 8.7424 and new all-time high 8.6622 weekly Close. That has seen some weakening this week to the 8.60 area. Yet it will likely take at least a weekly Close back below November's 8.5146 all-time high weekly Close to indicate any sustainable weakness. It is back a bit below this week's 8.61-8.68 weekly Oscillator threshold at present, which rises to 8.64-8.71 next week (on weekly MA-41 rising 0.030 per week.)

Any Close above that this week would point to a more accelerated rally to the next interim Oscillator threshold, which is not until the 8.83-8.90 area next week with the extended Summer 2018 and November 2020 thresholds at much higher levels.

### **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.

After all of the communication of the past several weeks, this week might reasonably be called 'The Silence of the Central Bankers' on the lack of most usual ad hoc pronouncements. Yet it is still an important week into central bank meetings, quite a few important government economic releases, and NGO activity. Monday starts with the bang of Chinese trade data along with important European indications, even if not much from the US.

Tuesday is a big day of both Asian and European data that includes Euro-zone GDP and ZEW Surveys into an even bigger Wednesday that brings Chinese inflation data, OECD Composite Leading Indicators, and the Bank of Canada Rate Decision and Statement, followed by US Wholesale Inventories and the often more important Wholesale Trade Sales.

Thursday is another very robust day that starts off with lighter data in both Asia and Europe that is followed nonetheless OECD Quarterly National Accounts - G20 GDP Growth, and the ECB rate decisions and press conference right into the US CPI data that was so disruptive last month. Friday is a bit lighter, yet still includes UK GDP and associated figures into not much in the US as the G7 Meeting begins in Carbis Bay, Cornwall, UK (through Sunday.)

We also want to inform you that along with that lighter Friday reporting schedule we have scheduled some travel which means we will be out that day, returning on Monday June 14th.

And even with the improvement in the US COVID-19 pandemic indications, much of the rest of the world is not nearly as upbeat in the wake of pernicious new variants creating additional problems, especially in Asia. As such, we maintain our recent advice despite the relative quietude of last week's price activity: Keep those seat belts firmly fastened.

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