RESEARCH NOTE

Wednesday, June 16, 2021

Waitin' on the Fed… Again, Quick Take, Calendar

As we noted since Monday, that research note's 'Grinding Higher into the FOMC' title said it all on the US EQUITIES (and general 'risk-on' psychology) needing to wait until this afternoon's (14:00 EDT) FOMC statement, revised economic projections, and Chair Powell's press conference 30 minutes later for any resolution of the overall trend dynamic.

While that has been bullish overall, there is the issue of the various markets only grinding higher rather than acting fully bullish for the past several weeks. That includes the US EQUITIES and EMERGING CURRENCIES, with counterpoint from the disconcertingly sustained rally in GLOBAL GOVVIES. The latter is likely on the recently noted spread of the more threatening COVID-19 Delta variant when everyone thought it might be OK to return to 'normal'.

This is already affecting the return to a fully reopened UK economy. It is also considered a threat by the US CDC, even if only closely watched so far. Yet with so many US states 'declaring victory' and fully reopening, the near-term threat is real.

While that may be somewhat responsible for the sluggish nature of the rallies in the 'risk-on' instruments, the most prominent influence in the very near-term will be this afternoon's FOMC announcements and Chair Powell's press conference today. To sum it up as succinctly as possible, the Fed and Powell must signal they are watching inflation closely while not signaling any imminent plan to taper their Quantitative Easing program monthly bond purchases.

While much of the financial press and certain analysts are looking for 'new news' from today's meeting, we doubt it. The release of minutes from the FOMC April 28-29 meeting on May 19th (covered in our May 20th research note marked up version **https://bit.ly/3oyED9P**) showed that while Powell had demurred during that meeting's press conference, it was indeed the case that the FOMC had already begun "talking about talking about" a future taper within the context of evolving economic conditions.

To wit (from page 10), "*A number of participants suggested that if the economy continued to make rapid progress toward the Committee's goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases*."

As such, while the financial press is saying any mention of 'taper' discussions might be a problem for the US EQUITIES and 'risk-on' psychology, they miss a key point. That is after the May 19th release of the April 28-29 meeting minutes the US EQUITIES commenced the sustained rally back from the sharp mid-May selloffs into last week's new all-time high.

In our mind it is less a matter of whether the Fed is considering a taper at some point, and willing to allow it is looking at that contingency. More important is that the Fed is indeed paying attention to inflation.

And the financial press fixation on the FOMC communication and Powell's press conference mirrors the geopolitical press fixation on 'tangible' results from the Biden-Putin summit in Geneva today. Isn't it a major pre-signaling on the likely lack of agreement on big issues that there will NOT be a joint press conference?

More likely that Biden will signal his dissatisfaction with Russia on issues like US election meddling, and especially the cyber warfare (ransomware operatives in Russia, etc.) that will come with at least tacit threats of the sort of retaliation which had been decidedly absent during the acquiescent Trump administration. There is also the likely warning on adventurism in Eastern Europe, especially on the still evolving irritant of Russia's actions in Ukraine. That is in part a sign of US support for a Europe with which it wants to show solidarity once again.

Part of that came in the form of US cooperation with Germany on not blocking the Nord Stream 2 pipeline out of Russia, which many US political operatives and observers consider a huge European mistake (on becoming more dependent on a still aggressive Russia.) Yet other forms of renewed US-EU cooperation out of the G7 summit have also been impressive, especially regarding international trade.

The biggest headline is of course agreement to suspend 17-years of the aircraft tariffs dispute for five years. There are other Biden administration developments that have reversed the cost and animus of the heavy handed Trump era tariffs. While the steel and aluminum tariffs continue for now, according to Tuesday's Reuters article (**https://reut.rs/3gBzgmW**) aircraft tariff waivers come in the wake of earlier agreements to drop tariffs on various foodstuffs, tobacco and spirits.

This is also bringing a forward signal that additional planned tariffs or duties increases are being waived as well. Considering the importance of international trade between the US and EU, this is an unqualified benefit on two fronts. It is obviously of benefit to both sides' exporters, and also allows both sides to get back to acting on the threat from China. Tariff competition between the US and EU has been a big distraction from a very prominent and critical Chinese challenge. This was a failure of a Trump administration that said it wanted to counter the Chinese threat, yet immediately demotivated traditional trade allies with tariffs.

On balance, the situation still appears 'risk-on' overall, and it is going to be interesting to see how markets respond to the likely mention from the FOMC and Chair Powell that the Fed is indeed "talking about talking about" a future taper. However, as much as the financial press wants to characterize that as a big deal, it is merely a continuation of what we know since the May 19th minutes release. While much more so background news, the overall international developments are the likely key to the US EQUITIES and overall 'risk-on' psychology from here.

It is important that the SEPTEMBER S&P 500 FUTURE (officially front month as of Friday morning) is trading at a typical $10 discount to the JUNE S&P 500 FUTURE. That leaves it marginally back below the mid-May 4,238.25 previous all-time high. As such, there is just a bit of a renewed 'burden of proof' back on the recently successful bulls to actually have US EQUITIES respond well to the Fed influence.

However, the quarterly expiration (Monday June 21st) sees the SEPTEMBER T-NOTE future at a typical full point discount, closer to that 132-00 area again. That should provide some comfort to the bears, yet is also a risk they can rally at some point to retest the 134-00 area if not quickly back below the 132-00 area.

The DEVELOPED CURRENCIES are 'parked' awaiting the Fed influence, as evidenced by the US DOLLAR INDEX hanging around the low end of the 91.00-90.50 area which it had ranged slightly above of late. However, despite EMERGING CURRENCIES being under some pressure of late, those are only reactions after recent strong activity.

Market Quick Take (Fully Consolidated for more recent activity)
[For extended historic Evolutionary Trend View see June 15th analysis]

Overrunning the previous 3,960 area JUNE S&P 500 FUTURE (front month since March 19th) resistance into the very beginning of April on the Good Friday strong US Employment report pushed it up into higher 4,010 and 4,035 resistances. The following Monday there was a key 4,015-21 UP Runaway Gap (as annotated on the weekly chart (**https://bit.ly/2RTca2F** updated through Friday), where the Objectives are 4,193 with a higher one not until 4,316. As such, whether a push generally above 4,200 could be maintained was 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 mid-May 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, and have obviously become much less of a concern.

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 maintaining that push above the 4,193 (daily chart) Objective was also contingent upon 4,193 down to 4,175 being respected as important near-term congestion support.

Repeatedly holding that support left the door open to exceeding the early May 4,238.25 all-time high, as has now transpired. This is in the context of the higher Oscillator levels set up at the strong weekly Closes back in December rising to the (wait for it) ...4,235 and 4,260 this week. The extended levels set up at the highest weekly Closes back in December rise to the 4,330 and 4,360 levels this week with both still rising $20 per week.)

Evolutionary Trend View (Fully consolidated for more recent activity)
[For extended historic ETV see June 15th Research Note]

There was a renewed ‘risk-on’ psychology into the previous US EQUITIES early April 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 they are now recovering to a goodly degree on the central bank assurances that any inflation will be transitory and possibly over the COVID-19 Delta variant concerns.

While the March US NFP release along with other 'good' news turned out to actually be supportive of US EQUITIES (rather than a drover for any Fed tightening), 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 (after the substantial mid-May correction) was whether it could also overrun the 4,238 all-time high, as has now transpired.

The **FRONT MONTH T-NOTE FUTURE** slipped back below previously violated 139-20/-24 heavy congestion from the previous four months in early October (as apparent on the weekly chart through Friday **https://bit.ly/3xmUtYw**.) However, the NEGATED DOWN Closing Price Reversal top from early March was in the 138-16/-00 range not revisited until recent trading. While the key weekly Moving Averages are still in the mid 139-00 area, only the failure back below that 138-16/-00 range reinstated the downside momentum.

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

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 along with COVID-19 Delta variant concerns seems to be supporting the JUNE T-NOTE FUTURE in its recovery back above 132-00. That opened the door to the retest of the historically prominent 134-00 area seen of late.

However, the looming quarterly expiration (Monday June 21st) sees the SEPTEMBER T-NOTE at a typical full point discount, closer to the 132-00 area once again. That should provide some comfort to the bears, yet is also a risk they can rally at some point to retest the 134-00 area if not quickly back below the 132-00 area.

Similarly, the previous strong sister **BUND FUTURE** has reversed into the weak sister for quite some time. This is likely due to its yield coming up from negative ground, despite the fact that the US economic data has been that much stronger. With as accommodative a central bank as the Fed, there is also matter of the inflation concerns being that much greater if it turns out to be less transitory than the central banks are currently hoping.

Looking back, the GLOBAL GOVVIES story on further near-term late-2020 economic weakness was reflected in Europe as the MARCH BUND FUTURE 2.30 premium to DECEMBER BUND FUTURE on a typically early expiration. That left it temporarily back above the very prominent 177.00-.50 congestion full year high (as seen in the weekly chart updated through Friday **https://bit.ly/3cKyItH**.) Yet that was the 'last hurrah' of the bull trend prior to the COVID-19 situation improving, and the attendant better economic expectations.

After that it fell back quite a bit from above 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. Then below next major support at the 175.00-.50 congestion, it also vigorously retested the 173.00-172.50 congestion into early March.

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 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 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 existing 173.00-172.50 congestion once again. While that leaves a long way back down to the key recently tested 170.50-169.75 area, note that the next interim support below that 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 mid-May selloff prior to it rallying back.

As the co-downside leader the **MARCH GILT FUTURE** (possibly on the inflationary implications of the Brexit break with the EU) was already failing somewhat below major 130-00 congestion. That was 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 remained 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 into which it has indeed stalled.

And the GILT FUTURE expiration sees the opposite picture from the premium in 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 ascribe this to the economic differential between the fully reopened UK economy versus some residual drags in Europe, and in any event the typically late expiration is not until June 28th.

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 subsequent yield escalation created more of a 'risk off' psychology had 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.

In the event the 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 fully weakened from 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 with the 89.50-.00 range the next prominent lower support it barely brushed to top of back in late May.

US DOLLAR INDEX inability to sustain activity back above the low 94.00 area top of the violated historic 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 and held since early December prior to being violated (as in evident on the weekly chart through Friday **https://bit.ly/3iH033E**.)

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 barely being tested again (after the January test) in recent trading with the 88.25 6-year low below that.

That said, the recovery from the 89.50-.00 area had carried up in February 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 selloff at that time 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 into early April. Yet the subsequent slide back below 92.85-.75 on DEVELOPED CURRENCIES exhibiting more strength had 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 over recent weeks. That still leaves historic 89.50-.00 area support tested during December through February and just missed in late May as the lower support.

With **EUR/USD** below 1.2000 again, there seemed to be more of a 'risk off' psychology again into early March, which was then independent of the strength of EMERGING CURRENCIES. Lower supports were back down into those 1.1815 and 1.1700 areas. That reinforced the potential for more US DOLLAR strength. The next lower EUR/USD support into 1.1815 had been violated in late March, with next support into the 1.1700 area subsequently tested prior its subsequent rapid 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 in recent trading. 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 early December, once it recovered the next resistance was 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 in January.

Next interim resistance was as nearby as the 1.3750-1.3800 area it exceeded into early February, and loosely held on the subsequent 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 major 1.4000 area congestion since mid-May. That has held despite any minor US DOLLAR bounces, also now including weekly MA-9 and MA-13 trend supports.

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.

The **AUD/USD** early-November through December surge back above .7200, .7350-.7400 congestion as well as interim .7500 area was a strong sigh that led to temporary strength even above the .7650-.7700 resistance the subsequently fizzled. The next interim resistance was as nearby as the recently exceeded .7800 area it was churning around prior to the resumption of 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 into the .7650-.7700 resistance with next resistance in that low-mid .7800 area it had 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 2020 '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.)

On recent form it had been previously churning below 105.00-104.50 as recently as January prior to pushing aggressively back above both 106.00 and 108.00 into early March. That is was above both 106.00 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 being temporarily violated into early April prior to weakening back down to hold a test of the 108.00 area. Yet that lack of any 'haven' bid is once again reflected in USD/JPY stabilizing back up near the 110.00 area.

EMERGING CURRENCIES Repeat of Previous Analysis
[To be updated after the FOMC influence is apparent into Thursday morning]

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 CURRENICES 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 previous churn back into that range, a 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** sidebar.

Many times after an early month onslaught, there is a mid-month lull in economic releases and general macro influences. Well, not this week, which has some of the heaviest data and central bank impacts we have seen in a while. In fact, it is so packed that we are only going to offer a brief overview and encourage you to review the full calendar for yourself.

Monday is actually the lightest day of the week, yet still might include any spillover from the weekend G7 meeting into Japanese and Euro-zone Industrial Production. Tuesday is a big day of (among other items) quite a bit of inflation data into US Retail Sales. Wednesday is another big data day beginning in Asia through UK inflation figures and US Housing Starts into the FOMC announcement, updated projections and Chair Powell's press conference.

Does it let up on Thursday? Not a chance! After significant Asian data that includes Australian employment there is the SNB rate decision and press conference, Euro-zone CPI and US Initial Jobless Claims. It all wraps up with a more limited yet still important Friday BoJ rate decision and press conference, UK Retail Sales and Consumer Inflation Expectations, and German PPI, even as there is nothing scheduled in the US.

Of course, the troubling emergence on the near-term vagaries of the COVID-19 pandemic now includes news of the new Delta virus variant lurking in the background. As such, you will likely not be at all surprised that we obviously maintain our recent advice that has been fully vindicated again of late: Keep those seat belts firmly fastened.

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