



RESEARCH NOTE

Thursday, June 24, 2021

Stress Test Day, Quick Take, Calendar

Our Wednesday 'Risk-On Revival' research note title said it all in terms of the US EQUITIES ability to fully shake off the latest round of central bank inflation reaction fears, much as occurred in a more major way back into and after mid-May. It is another example of market participants 'getting out over the tips of their skis', leaning into accommodative psychology that is not likely to change for a while.

As noted again recently, the consideration the Fed is going to tighten because the early phase of economic recovery is creating some inflation is misguided most of the time. This was a lesson that for us goes back to the economic and US EQUITIES and economic recovery out of the 1974 recession, driven by the original October 1973 OPEC Oil Embargo.

During that more volatile time, inflation was up into double digits into early 1975 with a huge recovery of the US EQUITIES. Yet the Fed cut rates markedly (from 13.0% in 1974 to 5.25% into April 1975) after it realized previous hawkish policy was not curing inflation and was stifling any chance for growth.

On a more subdued level, given the Powell precept of current inflation being 'supply-disruption' driven, it is reasonable that the Fed will continue to pursue an accommodative policy until there is further progress on its recently reset full employment mandate. For much more on the major difference between 'supply-disruption' inflation and the more pernicious 'demand-pull' variety, please Wednesday's 'Risk-On Revival' research note, which segues into how this supports Fed Chair Powell's patient approach to current inflation he considers temporary.

As such, the classic "*Don't fight the Fed*" psychology is back as a key part of the overall 'risk-on' psychology along with other factors. One of those is the Fed's annual Bank Stress Tests to be released this afternoon (16:30 EDT), which are again not expected to show any lack of capital at major financial institutions.

It is now a point of faith that for all the negative aspects of Dodd-Frank regulations for the economy coming out of the 2008-2009 recession, stronger financial institution balance sheet requirements were a plus; especially during the 2020 pandemic.

Along with the accommodative Fed, there is now a better chance that the most recent compromise US infrastructure proposal may actually have a chance of becoming law. That will be the case if President Biden endorses the latest \$1.2 billion 8-year spending plan from the G-21 group of Senators he is meeting with this afternoon.

According to a very good Reuters article (<https://reut.rs/3dbtyY2>), while it doesn't include some of the advanced 'infrastructure' demands of the Progressive Left, it would provide Biden a legislative 'win'. It is very important that he show some real progress in an area where many previous administrations have failed despite major promises in an area in dire need of spending.

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This is also a major political prerogative for him to wean some of the working class folks who have shifted away from long-term Democratic Party support in recent years away to the more socially conservative Republicans. His promise to govern in a bipartisan manner means much more than compromise with (at least at present) a recalcitrant Republican Party. It is also about delivering on his promise to assist the American middle class stem its multi-year slide.

Presuming no surprises in this afternoon's Stress Test release (admittedly a hostage to fortune), with all of that seemingly reinforcing the 'Risk-On Revival' psychology that has assisted the US EQUITIES recover from temporary slippage below key support late last week on the misplaced 'Fed Dread', what is there to worry about? Well, there is still that pesky COVID-19 pandemic which everyone would like to believe we've seen the back of after last year's problems.

Yet the Delta variant is creating some problems even in the well-vaccinated countries of the world, and even more so in places which have ignored the vaccinations or cannot afford them. In another very good Reuters article (<https://reut.rs/3zX4CNM>) this morning it is apparent that even countries with a stellar track record on previous social measures to contain the pandemic are worried once again... like Australia.

Russia is experiencing a major outbreak with record deaths in some areas, and as noted previous the UK is experiencing delays in its much desired reopening due to the Delta variant. This is in addition to the exposure in the US south, where vaccination rates are way too low (<https://bit.ly/35P5fLc> for single shots), a risk factor for later this Summer.

And this dichotomy of the US being mostly better versus the hotspots in the rest of the world is seemingly showing up in the intermarket tendencies. SEPTEMBER S&P 500 FUTURE that was down below the area of the 4,175 Tolerance of the 4,200 area quickly recovered this week, and is now overrunning last week's 4,246 weekly DOWN Closing Price Reversal (Tolerance at previous week's 4,249 high.)

Above that is last week's new 4,267.50 all-time high it has not yet breached, and the question remains whether it can fully Negate last week's 4,246 weekly DOWN CPR by Closing this week above its 4,249 Tolerance. That decision may be driven by today's Stress Test indications, or Friday's additional US late month data.

Yet also inconsistent with major Fed accommodation withdrawal (as discussed previous) is DJIA being under pressure into a new 2-month trading low late last week while the NASDAQ 100 set a new all-time high last Thursday. That was even after damaging comments from St. Louis Fed President Bullard.

That remains the case on the DJIA still struggling only somewhat above its key 33,700-800 congestion, yet with the NASDAQ 100 pushing up into more new highs, belying the idea the Fed is about to embark on any withdrawal of liquidity. This feels more so like some looming problem with the global and US economic reopening that assists tech and weighs on the more mainstream companies.

It is also of note that the recently buoyant GLOBAL GOVVIES are coming back under pressure (i.e. higher yields) in another sign the 'risk-on' psychology is attempting to rescue itself after last week's post-FOMC damage. That is especially interesting on SEPTEMBER T-NOTE FUTURE (front month as of Monday with a full point discount to the expiring June contract) dropping back nearer to the major 132-00 area. That it has held so far is a sign of the global pressures the US seems to be avoiding.

In the context of 'risk-on' psychology which was led by EMERGING CURRENCIES at some recent points while the US EQUITIES stalled, it is the reverse now. While the EMERGING CURRENCIES are seeing some recoveries, that is more sporadic than previous and in no way leading the overall trend. The same is true for DEVELOPED CURRENCIES that were not as strong as emergings of late and have now reacted. While the developed currencies have seen the US DOLLAR INDEX is fading back from its recent test of the higher 92.00-.30 congestion after pushing above the lower 90.50-91.00 area, they still have higher resistances at recently violated support like EUR/USD 1.2100-1.2000 area, and GBP/USD in the 1.4000 area.

Courtesy Repeat of Wednesday's Quick Take

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/2SjDKGG> 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 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 key near-term congestion support.

The question on the downside reaction was whether SEPTEMBER S&P 500 FUTURE (front month as of last Friday morning) at its \$10 discount to the June contract can re-establish upside momentum back above the 4,200 area from its weakness below the 4,175 Tolerance late last week. It was necessary to make sure that Powell provided comfort on inflation and planned Fed action on Tuesday, and that is exactly what transpired (see above.)

That leaves the 4,200 area support once again if there is any setback from around the old mid-May 4,238 all-time high the market is challenging again. Immediate higher resistance is last week's 4,246 weekly DOWN Closing Price Reversal (Tolerance at previous week's 4,249 high), and the new 4,267.50 all-time high from early last week prior to the 'Fed Dread'.

Courtesy Repeat of Wednesday's Evolutionary Trend View

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 had recently transpired prior to the return of a bout of 'Fed Cread'. Yet that FOMC influenced selloff vigorously tested the proposition of this remaining a 'risk-on' psychology into lower supports, and it has seemed to survive.

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/2TNSKgh>.) 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, with significant support in 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, this Monday's quarterly expiration sees the SEPTEMBER T-NOTE at a typical full point discount, even if it recovered nicely from recent activity back below the 132-00 area once again on the FOMC fears. While that should provide comfort to the bears, it is also a risk they can rally at some point to retest the 134-00 area if they do not remain below 132-00.

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/3d5BcTw>.) 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, even after fading from the contrarian FOMC bounce it is only somewhat back below that 173.00-172.50 congestion at present.

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

It is of note that even the Democrats 'Blue Wave' psychology dissipating into the middle of the week after the US election only saw **US DOLLAR INDEX** rally back to the top of the 94.00-.30 range prior to dropping repeatedly back to the 92.50-24 range once again. As that was violated in late November, the Evolutionary Trend View for the greenback 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 failed back up into the low end of it on the previous weakening of the 'risk-on' psychology, it has now pushed back above it to retest that 92.00-.30 area from which it is currently fading once again.

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 evident on the weekly chart from Friday <https://bit.ly/3hamGel>.)

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 91.00-90.50 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. Yet in the wake of FOMC moving to a seemingly more aggressive tightening, it was back into 92.30-.00 area once again, from which it is currently fading once again. That puts the focus back on the 91.00-.50 area with higher resistances quite a bit above 92.30-.00 (see the weekly chart.)

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. Yet in the wake of FOMC moving to a seemingly more aggressive tightening (now refuted), it was back below 1.2000-1.2100 range with 1.1900 area interim support briefly violated late last week prior to recovering. Yet that was without ever testing the 1.1815 and 1.1700 area still more major lower supports.

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. Yet in the wake of FOMC moving to a seemingly more aggressive tightening (now refuted), it is back below the 1.4000 area congestion with 1.3750-1.3800 area next support tested and held late last week.

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 it dipped modestly below last week, .7350-.7400 congestion and the .7200 area once again.

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 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 it 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 reinforced the previous 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 well above the 110.00 area, which runs counter to any shift to a 'risk-off' psychology on the lack of a 'haven' bid in the alternate 'haven' currency.

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 had strengthened again prior to the latest FOMC shift to a possibly more aggressive stance.

Yet the question must be whether that is on the sheer interest rate differential back into the US DOLLAR, or is it over concerns the global 'risk-on' reopening is threatened by any early shift to a less accommodative Fed policy? There is also the issue of just how damaging the recently discovered COVID-19 Delta variant might be within the cross currents.

SA RAND had seen **USD/ZAR** failing in early April on renewed 'risk on' psychology violating 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 in December through February. While the previous US DOLLAR rallies 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.

That left 14.70 area (in the overall major range from late-2018 through early-2020) next support that had been violated 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 left USD/ZAR nearer to the 14.00 area, and the more prominent historic congestion into the upper 13.00s (including the very important 13.81 July 2019 26-month trading low.)

A new round of weakness in late April set 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 into early June, and the 13.23 February 2019 33-month trading low as the next major level that was not quite reached. Yet in the wake of FOMC moving to a seemingly more aggressive tightening, it is back above the 13.80 and 14.00 areas, with next interim resistance into recent 14.20 congestion it is also now above. Yet more major resistance was not until 14.40-.50 it neared early this week prior to weakening back below 14.20 again for now.

Even when other EMERGING CURRENCIES have reacted to the downside of late, the **RUSSIAN RUBLE** had seen **USD/RUB** weaken on the back of sustained CRUDE OIL strength. The recent USD/RUB drop back below 75.00 since late April has seen it even slip below the 73.00-72.50 area, it is back into the low end if after a recent mild squeeze above it on the FOMC influence. That is despite US sanctions and the weakness of other EMERGING CURRENCIES in the wake of Wednesday's FOMC announcements and Chair Powell's press conference prior to recovering into this week. Lower support is the 72.00-71.75 interim area (albeit still at a 10-month trading low) with the next major support still into the 71.00-70.00 area.

The **MEXICAN PESO** saw **USD/MXN** selloff after the early-mid March surge quickly violated the lower interim 20.90 congestion, with the interim 20.65 congestion also violated on the way to the broad berth next support in the 20.25 area. That included an important 20.30-.10 weekly chart gap from on the way up in March of last year that had already been violated last November.

It then 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 very vigorously 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 -.30 area.

Yet in the wake of FOMC moving to a seemingly more aggressive tightening, it is back above the 19.80 and 20.00 areas, and even the hefty 20.30 congestion. Yet on the recent rally it temporarily pushed somewhat above the higher 20.65 congestion prior to weakening a bit at present. While the higher resistance is the 20.90 congestion once again, the focus will now be on that 20.30 congestion once again.

The **TURKISH LIRA** had been back under pressure since **USD/TRY** pushed back above the 8.00 hefty late 2020 congestion back in March. 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 until mid-April, the recent weaker indication was a late April daily DOWN Closing Price Reversal from 8.3750, which left 8.40 as a general Tolerance that needed to be watched into May. Above that again in line with the other EMERGING CURRENCIES weakening on the temporarily diminished 'risk-on' psychology into mid-May reversed into USD/TRY 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. And while it did drop back near that lower interim congestion last week, it is now surging back up near the recent 8.7424 all-time high.

Weekly Oscillator indications into this week suggest that will be a critical threshold for the weekly Close, especially after it was respected on last week's Close. The higher Oscillator resistances are not until the 8.90 area and well above that on the extended rally indications from 2018 and late 2020.

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.

Even though we are only nearing the late month economic release window, there is quite a bit of that US data into late this week. There are also quite a few pointed developments from the Fed that go beyond the normal mid-late month output. After a slow Monday that still included the as expected PBoC 3.85% 'no change' rate decision into Tuesday morning's US Existing Home Sales, there will still be Fed Chair Powell's 'The Federal Reserve's Response to the Coronavirus Pandemic' House testimony and Q&A this afternoon (14:00 EDT.)

That leads into a robust Wednesday featuring the global Advance PMIs along with quite a bit of central bank-speak. Thursday continues the central bank focus with the ECB Monthly Bulletin into German IFO Surveys, followed by the BoE Rate Decision, Minutes and Monetary Policy Summary. Yet that is all the prelude to that significant raft of US economic data along with the typical Thursday Initial and Continuing Jobless Claims, and (wait for it)...

The Federal Reserve's release of both sets of the annual Bank Stress Tests. Friday wraps up with limited yet still important Asian and European economic data into more of that seemingly earlier than usual US late month economic data.

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

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