



RESEARCH NOTE

Wednesday, June 30, 2021

Calendar Considerations, Quick Take, Calendar

As you might suspect, by the time we are focusing on the calendar we do not have much new to say at this juncture. That said, it is the last day of the month, quarter and half. That could easily foment various rote portfolio adjustments which have little to do with the relevant market influences despite today's last day of the month data tsunami.

Of note, the data right out of Asia through Europe (stronger activity with slightly lower inflation) and into the US ADP Employment report was constructive. As such, it makes it more interesting that US EQUITIES are struggling a bit. So are other 'risk-on' psychology barometers, like the DEVELOPED CURRENCIES against the US DOLLAR, even as EMERGING CURRENCIES turn more resilient after recent weakness.

Yet there are the calendar cross currents, and we suspect we will know that much more tomorrow on the first day of the new month releases. Those include global Manufacturing PMIs as well as an OPEC meeting and US Jobless Claims along with the Vehicle Sales reports. In the meantime, we still see the mixed economic data as continuing to empower central banks' continued accommodation plans.

US political pressures are making further stimulus in the form of infrastructure spending likely, yet not assured. There is still the issue of the Progressive Left influence causing Senate Majority Leader Schumer and Speaker Pelosi to say the bipartisan \$1.2 trillion 'classical' infrastructure plan must be linked to their much larger 'social' infrastructure proposals. That is even though President Biden has reversed himself to deny any linkage is necessary on a bipartisan bill.

That still leaves the COVID-19 Delta variant as the likely global culprit behind any pressure on the 'risk-on' psychology indications, and the grudging nature of the continued US EQUITIES bull trend. As we have covered all of that at length in our previous two assessments (and have highlighted the global spread of the Delta variant as the more likely problem behind post-FOMC US EQUITIES and 'risk-on' psychology weakness since then), we repeat those below for your ease of review.

Courtesy Repeat of Tuesday's 'Delta Disruption' research note

As noted in Monday's 'Churning Risk-On Still Rules' research note (repeated below for your ease of access), pandemic, economic and political factors are the likely factors responsible for the grudging nature of the US EQUITIES rally. Yet it is also the current case that many of the other 'risk-on' psychology indications are reversing to a degree that is worrying... however, maybe less so for the US (at least for now.)

Considering the US political disarray on President Biden's flip flops on the future of the bipartisan \$1.2 trillion 'classical' infrastructure proposal (now including broadband access expansion) has straightened out, that is not likely the culprit.

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Economic data coming in a bit mixed on another lighter economic reporting day (European sentiment and inflation) prior to a data deluge Wednesday through Friday means the central banks are not under any further tightening pressure.

That leaves the pandemic factor in the form of the COVID-19 Delta variant as the likely driver for the weakening of the 'risk-on' psychology outside of US EQUITIES. As noted previous, that is not any sort of surprise with that pressure mostly falling outside of the US, from the UK around to much of East Asia, which is seeing selective lockdowns in Australia and Indonesia among many other places. Is the US vulnerable to this wheeling around to affect it as well? Of course, yet mostly in the under-vaccinated Southeast (see the recent vax map <https://bit.ly/35P5fLc>.)

That said, the other factors are the central banks 'sea of liquidity' along with still moderately positive economic data and the prospect for more US stimulus in the form of infrastructure spending. That creates a 'funnel' effect driving investment into US EQUITIES even as the global picture is deteriorating to some degree. It is a 'TINA' US EQUITIES market right now: 'There Is No Alternative' to achieve a return.

That leaves the US EQUITIES trend into a new high based on the SEPTEMBER S&P 500 FUTURE pushing above the immediate higher resistance at the recent 4,246 weekly DOWN Closing Price Reversal (CPR with 4,249 Tolerance.) The mid-June 4,267.50 all-time high (part of the DOWN CPR) being exceeded last week for another new 4,276.75 all-time high clearly Negated that topping signal.

And it is continuing to churn above last week's high in the early part of this week, with the NASDAQ 100 leading a much weaker DJIA, refuting any central bank tightening..

Yet the GLOBAL GOVVIES are maintaining their recent recovery rallies overall, and the DEVELOPED CURRENCIES and EMERGING CURRENCIES continue to sag against the US DOLLAR in what looks like the return of a 'haven' bid to the latter.

It is looking more so like a clear 'Delta Disruption'.

Courtesy Repeat of Monday's 'Churning Risk-On Still Rules' research note

However grudging the US EQUITIES rally (and general 'risk-on' psychology) may be, the overall context remains bullish for those instruments. That grudging nature of the bullish activity is readily explained by the whole series of influences which bring it into question, yet cannot seem to foment a full reversal at present.

The entire situation seems to be a classic variation of the old "*market* (which is to say EQUITIES) *climbing the 'wall of worry'.*" At the fringes, and even in core drivers, there are indeed worries. Those include pandemic, economic and political factors. Yet for the 'risk-on' psychology these are still not prominent enough to either derail the global reopening economic expansion or trigger a negative impact on premature central bank removal of accommodation.

On the last point, a major consideration is the mixed nature of economic data that seems less than encouraging for the economic outlook. Yet it is also encouraging the overall continuation of central bank accommodation. For markets that are floating higher on a 'sea of liquidity' that is a positive. It is as noted during the last bout of inflation worries weighing on 'risk-on' psychology in the wake of the FOMC meeting and subsequent Fed minions views on sustained inflation.

It was inconsistent with the major overly anticipated removal of central bank accommodation which would have hurt the tech sector that the NASDAQ 100 made a new all-time high on Thursday, June 18th (the day after the FOMC meeting and Powell press conference.)

And that was while the DJIA made a new 2-month trading low... completely counterintuitive for withdrawal of liquidity in the context of a stronger reopening that could have hit the tech stocks. Instead, that looked like more of the COVID-19 Delta variant was becoming more of a problem globally (clearly now the case) and in the US (also becoming more of a problem.) In other words, the tech heavy NASDAQ 100 was behaving more so like a return to more restrictions after the recent 'back to normal' happy talk... and the same was true for the DJIA.

So that is one of the key areas of concern in the near-term, as is the US political scene as it relates to much anticipated further stimulus based on infrastructure spending in the wake of a very hopeful bipartisan agreement. Yet the positive US politics late last week turned into what we can only describe as '*political cleanup in aisle infrastructure*'. In what is the hubris which turns off moderates on both sides of the political divide, after what was a hard-fought negotiation to forge a \$1.2 trillion bipartisan deal, the Progressive Left made a new demand...

...that the Biden administration not sign the bipartisan deal unless a much larger (fully by a factor of 5) solely Democratic 'social infrastructure' package was presented to Biden at the same time. And Biden seemingly bought into that in a statement shortly after the bipartisan deal announcement, specifically saying (as recounted in a Reuters article on the entire matter updated on Sunday <https://reut.rs/3y1D1ZE>), "*If this is the only thing that comes to me, I'm not signing it.*" This was at least incongruous.

Yet in an unusual Saturday pronouncement Biden said he wanted to correct any 'misimpression', with his statement, including that his comments, "... *created the impression that I was issuing a veto threat on the very plan I had just agreed to, which was certainly not my intent.*" We do not know how his very explicit Thursday statement could have been just an 'impression'. Yet at present that bipartisan \$1.2 trillion deal seems back on track. However, this is the sort of thing the markets have to worry about on any expectation of future US stimulus.

So the '*wall of worry*' versus anything more overtly bullish on the drivers for the current 'risk-on' psychology seems to be the case. As such, the current US EQUITIES churn higher rather a more explosive rally will need to be tolerated, with the recent propensity for sharp short-term reactions still likely (more below.)

The same seems to be true in FOREIGN EXCHANGE, where DEVELOPED CURRENCIES are slow to regain their recently lost bid against the US DOLLAR. That could also be in part a COVID-19 Delta valiant differential based on the situation elsewhere being worse at present than in the US. EMERGING CURRENCIES are also losing some of the ground they regained after somewhat substantial recent downside reactions. It is also of note GLOBAL GOVVIES have a bid back again, which is often a harbinger of some form of global stresses emerging... like a partial pandemic resurgence.

Courtesy Repeat of Monday's Market 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/2SiDKGG> 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 recent downside reaction was whether SEPTEMBER S&P 500 FUTURE (\$10 discount to expiring June contract) could re-establish upside momentum back above the 4,200 area from its weakness below the 4,175 Tolerance two weeks ago. It was necessary to make sure Powell provided comfort on inflation and Fed action in his testimony last Tuesday.

That is exactly what transpired. That left the 4,200 area support once again if there was any setback from around the old mid-May 4,238 all-time high. Yet instead it churned above the Immediate higher resistance at the previous week's 4,246 weekly DOWN Closing Price Reversal (CPR with 4,249 Tolerance.) The new mid-June 4,267.50 all-time high (part of the DOWN CPR) being exceeded last week for another new 4,276.75 all-time high clearly Negated that topping signal.

It is now the case that weekly Oscillator thresholds are 4,275 and 4,300 this week. The higher one is near the 4,316 higher Runaway Gap Objective, and the extended Oscillator thresholds (from December) are not until 4,370 and 4,400.

Courtesy Repeat of Evolutionary Trend View (Updated Charts)
[Analysis much the same: update after Thursday major PMI releases]

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/35UMC8S>.) 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/3joslLw>.) 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/3jrwPpZ>.)

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.

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 91.00-.50 area with higher resistances quite a bit above 92.30-.00 (see 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 FMOC 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.

This is another very big week on the shift from the old month into the new early July data ahead of the long US holiday weekend into Monday's Independence Day holiday. A quiet Monday leads into quite a bit more economic data Tuesday, including Japanese Retail Sales into the same from Spain, the major late month Euro-zone confidence indicators, German CPI and US Consumer Confidence.

There is even more of a data deluge on Wednesday's Chinese PMIs, the UK GDP and associated numbers, significant Euro-zone inflation data, and US ADP Employment. Thursday is of course the global Manufacturing PMIs interspersed with the Euro-zone Unemployment Rate along with an OPEC meeting prior to US Initial and Continuing Jobless Claims and Construction Spending. It all wraps up Friday with limited other data into the US Employment report before a long US holiday weekend with Monday's Independence Day.

Of course, as good as the revived 'risk-on' psychology may appear, the troubling emergence on the near-term vagaries of the COVID-19 pandemic now includes news of the new Delta virus variant spreading as rapidly as some health authorities had feared. 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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