



## RESEARCH NOTE

Tuesday, July 6, 2021

### **US Equities Bull Grind Continues, Quick Take, Calendar**

It is much as we noted in Friday's 'Goldilocks Meets TINA' research note, as the continued largesse flowing from central banks is reinforced by the mixed economic numbers. While that means there are some disappointing economic releases along the way, it also reinforces the ability of central banks to maintain maximum levels of accommodation in the near term. While the US in particular is coming under more scrutiny due to the seeming acceleration of economic growth and employment, the Fed still has a near term window to continue maximum QE.

To cut to the chase on the one possible prominent global headwind that is even in the US, there is also less chance the more transmissible COVID-19 Delta variant will create any major problem there. As noted previous, there will more likely be regional surges, and those will even be sub-regional in some of the more rural areas in the US South and Southeast.

Sadly, this vaccination aversion tracks very closely with certain US political tendencies, which is a sign of the degree to which COVID-19 and vaccination has been politicized in the US.

It is once again as noted in Friday's 'Goldilocks Meets TINA' research note (repeated below for your ease of review) on the nature of the vaccination success against even the Delta variant that the major vaccinated areas in the US are unlikely to experience any major economic drag from quarantines and lockdowns.

As the major portion of the US outside the South and Southeast is also where the bulk of the economic activity occurs, this means the US is likely to continue to have a more robust economic reopening than much of the world... with the TINA factor.

That's the 'There Is No Alternative' on economic and market investing for now (see below.) That relative level of immunity was something ex-FDA chief and Pfizer board member Dr. Andrew Gottlieb noted in a CNBC interview as far back as two weeks ago (<https://cnb.cx/2TGBvh5>.)

As a further irritant for the more susceptible environs, their government aversion to the sort of contact tracing which some Northeastern states have pursued means they are disadvantaged in not being able to isolate the source of their more aggressive Delta variant spread.

All of that said, the US can be subject to external Delta variant effects, like any shutdown in China affecting the export of products which feed the US penchant for imported goods from there. This is in the context of there already being a shipping container shortage for China exports, especially to the US.

Even as CNBC noted in an extensive article several weeks ago (<https://cnb.cx/3wk6ZqN>) prior to the latest surge in Delta variant cases, this has the ability to affect the US.

And yet, the US EQUITIES are still grinding higher in the form of the September S&P 500 future feeding off of last Friday's beautifully mixed Employment report to push above key levels for the 4,342.75 weekly Close.

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Those are the higher 4,316 Objective of the early April 4,021-15 weekly UP Runaway Gap in the wake of the also positive Good Friday US Employment report (yes, it took it three months of previous churn to get there), and the current 4,330 weekly Oscillator threshold we previewed late last week. This creates some real trend tension once again.

Having overrun those areas late last week, will the SEPTEMBER S&P 500 FUTURE be able to sustain the rally above them overall this week, or will it fail to do so? However much the early week selloff may look suspicious, after pushing up so smartly above the previous sustained range into the mid-4,200 area it must be allowed this is a reasonable reaction.

The bigger question as this week evolves through key 'macro' indications will likely be whether it holds lower support. In the first instance that will be whether this week's Close continues out over that 4,316 Objective.

As important for the Evolutionary Trend View will be whether it can maintain the 4,300 lower end of this week's Oscillator thresholds, which is also a 'big penny'. While those are often of no technical significance, this week it is, especially in the context of that lower violated congestion support not being until the mid-4,200 area. That's quite a ways down from current levels.

Another reason to consider the US EQUITIES are benefitting from the TINA factor is the lack of clear 'risk-on' indications elsewhere. The GLOBAL GOVVIES are fully bid once again, likely on the Delta variant implications yet also on some significantly weak economic data this morning. Those include quite weak German Factory Orders as well as its ZEW Economic Sentiment.

US Services PMI and especially the Employment Index were also very weak. Not much 'risk-on' there. This is also manifesting itself in a stronger 'haven' bid in the US DOLLAR against the other DEVELOPED CURRENCIES, even if not exactly an upside runaway. Yet the EMERGING CURRENCIES are also weaker, with even the CRUDE OIL assisted MEXICAN PESO and RUSSIAN RUBLE coming under pressure on the current OPEC squabble.

### **Courtesy Repeat of Friday's 'Goldilocks Meets TINA' research note**

Much as we reported after the June 4th US Employment report, today's numbers were another 'Goldilocks' release... not too hot and not too cold. While today's addition of 850,000 jobs to US Nonfarm Payrolls (NFP) was quite a bit higher than the expected 690,000, the slightly lower Average Weekly Hours, modest 0.3% rise in Hourly Earnings and slight uptick to a 5.9% Unemployment Rate buffered that.

The little secret on the latter is that the higher Unemployment Rate can actually be a good sign due to additional folks seeking work who might have been on the sidelines. Yet a headline increase adds to other mixed economic releases (see Thursday's 'Modest Manufacturing' research note for more), which are allowing the central banks to maintain fully accommodative policies that might otherwise be under scrutiny for being too stimulative or inflationary.

We had reported since the FOMC meeting into the temporary September S&P 500 future weakness below 4,175 that the subsequent push back above the previous 4,238 all-time high was likely. It was clear to us at the time (and many others subsequent) that the US EQUITIES selloff was not acting like a "central bank accommodation withdrawal" selloff.

That was due to the strength of the tech centric NASDAQ 100 making a new all-time high on the Thursday after the FOMC announcements and Fed Chair Powell's press conference, while at the same time DJIA set a new 2-month trading low. It was just not consistent with a central bank withdrawal of liquidity.

However, it was consistent with the tech stocks getting a bid back on potential reversion to economic restrictions to facilitate the suppression of a resurgent COVID-19 spread due to the more Delta variant. That was also in the context of the US political cross currents around the 'classical' infrastructure spending proposal calming down after a bit of disruption, adding to the positive implications of mixed data allowing for continued central bank accommodation. (See last Tuesday's 'Delta Disruption' research note for very much more on that.)

Ultimately the spread of the Delta variant in the rest of the world does not seem so challenging for the US EQUITIES, even as other 'risk-on' indications are showing some stress on a worsening pandemic situation elsewhere. This gets back to the 'Goldilocks' implications of relatively strong yet still somewhat mixed US data meeting the TINA ('There Is No Alternative') implications of there not being many other places in the world where investors can feel comfortable chasing yield.

And it may be much better in the US, even as there are current warnings the Delta variant is becoming more prevalent here on a general rise in new cases. That is due to the relatively high US partial and full vaccination rates. The full vaccination rate is nearing 50.0% with single doses running at 55.0%. Yet that total masks the degree to which the coasts and upper Midwest are well above that, with significant vaccination rate weakness in the rural South and West. On MSNBC this morning, ex-FDA chief and Pfizer board member Dr. Andrew Gottlieb noted the US may be in for "regionalized" COVID-19 Delta outbreaks based on that uneven vaccination profile. He noted this is especially in the context of the existing Pfizer and Moderna vaccines having a very high efficacy against that variant while the unvaccinated are going to be more prone to get the disease from the more transmissible Delta variant. It is also seemingly the case that the nature of the infection from the Delta variant is far more aggressive.

This is of course sad for the folks who (for whatever reason) are choosing to not be vaccinated. Yet it is also another reason why the TINA psychology might be driving the US EQUITIES higher while other 'risk-on' indications are waning (also obvious in a recent sustained GLOBAL GOVVIES bid.) Even if the Delta variant becomes more prominent in the US, there may be more impact in rural areas, and less need to impose restrictions on the coastal and upper tier economy. That is a hope for the overall US economy to continue to reopen, even if in the fits and starts which have already been the case. That is a positive overall expectation.

The test of that proposition will likely come next week in the wake of the latest 'Goldilocks' economic influence from today's US Employment report. This is because the September S&P 500 future has already rallied into the rising weekly Oscillator thresholds for next week at 4,305 and 4,330. That also includes a much delayed move slightly above the important 4,316 early April (post-Good Friday Employment report) 4,021-15 UP Runaway Gap Objective... that's right, the heavily churning nature of the rally means it took three months to move up \$300 since then.

There is more on that and the extended technical levels to watch below. Yet the combination of Oscillator levels advancing in conjunction with a key Objective will make next week a particularly critical Evolutionary Trend View horizon.

### **Courtesy Repeat of Friday's Quick Take (with updated chart)**

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/3xpdZ7c> 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 the weekly Oscillator thresholds are 4,275 and 4,300 this week, yet moving up to 4,305 and 4,330 next week. They are now roughly around the 4,316 higher Runaway Gap Objective. Those will be important for this week's Close, as any push above them in the wake of Friday's US Employment report will set up a possible up 'runaway' next week. Current extended Oscillator thresholds (from December) are 4,370 and 4,400, and move up to 4,400 and 4.430 next week.

***Courtesy Repeat of Previous Evolutionary Trend View  
[To be updated Wednesday morning along with annotated charts]***

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 Dread'. Yet that FOMC influenced selloff vigorously tested the proposition of this remaining a 'risk-on' psychology into lower supports, and it survived. That was substantially reinforced by both the subsequent Chair Powell pandemic response testimony, and (as noted) the more mixed yet still positive nature of recent economic releases.

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, June 28<sup>th</sup> <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 9<sup>th</sup> research note we also briefly reviewed the importance of the first ever mRNA vaccine. The more upbeat longer term US economic outlook left the next minor support below the 138-16/-00 range into the 136-24 weekly area gap, 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 seemed to be supporting 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 recent quarterly expiration saw 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 was also a risk they could rally to retest the 134-00 area if they did not remain below 132-00; which they have not done in the context of the recent COVID-19 Delta variant spread.

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, June 28<sup>th</sup> <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 was only somewhat back below that 173.00-172.50 congestion. And that lack of any downside momentum leaves it hanging around the low end of that 173.00-172.50 congestion for now, likely also under the influence of the recent COVID-19 Delta variant spread.

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** was actually a typical full point below the June contract which expired on Monday. While it was recently back down below the 128.00 area, we ascribed this to the economic differential between the previously fully reopened UK economy versus some residual drags in Europe. Yet it is now modestly back above the 128.00 area, and we suspect that is under the influence of recent UK COVID-19 Delta variant spread.

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 had 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 weakening of the 'risk-on' psychology, it has now pushed back above that 92.00-.30 area with higher interim resistances in the 92.60 and 93.30-.40 areas.

**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, June 28<sup>th</sup> <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 91.00-90.50 area was violated prior to the recent squeeze back up above that area. That still left 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 (including weekly MA-41) that it could not weaken back below over the past week, with higher interim resistances into the 92.60 and 93.30-.40 areas.

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 interim support and 1.1700 area still more major lower support.

**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 that has been recently tested and held.

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 previously dipped modestly below, .7350-.7400 congestion and the .7200 area once again. Yet the current Delta variant concerns hitting Australia have it rallying back to just below the .7500.

**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. While other 'risk-on' indications have weakened of late, USD/JPY remaining strong above 110.00 up nearer 112.00-.50 signals a lack of full 'haven' status.

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' again until a previous 'risk on' revival on US DOLLAR weakness that then reversed.

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? As noted of late, it seems the more telling issue is just how damaging the rapidly spreading 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 14.50-.45 area again overall left USD/ZAR nearer to the 14.00 area, and the 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 was 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 influence is now likely further COVID-19 Delta concerns. Next resistance into 14.40-.50 is currently being tested again, with higher resistance into the 14.70 and 15.00 areas.

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 prior to the recent recovery back above it.

That recent break was despite US sanctions and the weakness of other EMERGING CURRENCIES in the wake of the recent FOMC announcements and Chair Powell's press conference prior to recovering last 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. Now slightly back above 20.00 leaves that as the near-term consideration on a weakening 'risk-on' psychology despite what seems to be some support from sustained CRUDE OIL strength.

Higher hefty congestion is the 20.30 area, yet higher 20.65 congestion it traded very temporarily above prior to weakening below 20.00 again the next resistance. While next higher resistance is the 20.90 congestion, the focus will now be more so 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 recently did drop back near that lower interim congestion last week, it was then surging back up to somewhat above the late-May 8.7424 all-time high.

Weekly Oscillator indications suggested that would be a critical threshold for recent weekly Closes, and higher Oscillator resistances are not until the 8.90 area and well above that on the extended rally indications from 2018 and late 2020. However, there has been a contrarian LIRA rally this week on USD/TRY slipping back slightly below the late-May 8.7424 all-time high. That said, the more important near-term lower support is now the recent 8.52-8.45 area congestion and weekly MA-13 in that same area.

***Reports & Events (updated for the current week)***

While still obviously less relevant (as we have been noting for some time and is most glaringly apparent again at present) on the standard report releases in the midst of more major global trade and political cross currents, the Weekly Report & Event Calendar (accessible for Sterling and higher level subscribers) is available via the [www.rohr-blog.com](http://www.rohr-blog.com) sidebar.

While the volume of economic releases and even central bank-speak is more subdued this week, there are still no small number of key influences. Monday began with the global Services PMIs outside of the US along with Australian Retail Sales and a couple of important Bank of Canada Surveys. Tuesday brings the typical early month RBA rate decision and statement, quite a bit of key European economic data and those deferred US Services PMIs.

Wednesday sees further key European indications as well as EC Economic Forecasts into release of the June 15-16 FOMC Meeting Minutes. Thursday sees a limited amount of key Asian and European data into the release of the ECB June 9-10 Governing Council policy meeting account, followed by the US Jobless Claims. Friday wraps it up with Chinese inflation data, a UK GDP update and associated economic data, the Canadian Employment report and US Wholesale Trade Sales and Inventories.

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 the new Delta variant spreading as rapidly as some health authorities had feared. As such, you will likely not be surprised that we are maintaining our recent strong advice that has been fully vindicated again of late: Keep those seat belts firmly fastened.

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