



## RESEARCH NOTE

Friday, July 16, 2021

### Resiliently Risk-On, Quick Take, Calendar

While there have been modest setbacks this week to US EQUITIES and the general 'risk-on' psychology, the damage was limited and seems to be reversing. That is evident in the renewed, if modest, US EQUITIES bid as well as the firming of EMERGING CURRENCIES. This while DEVELOPED CURRENCIES remain weakish against the greenback on the US DOLLAR INDEX maintaining its rally above 92.00-.30.

With all of the macro background consistent with Thursday's 'Chinese Economy Losing Steam?' research note (with the emphasis on the question mark), it would seem the most useful perspective would be from the market activity in its own right.

And that is a bit of an Evolutionary Trend View quandary, even if within an overall US EQUITIES bull market. SEPTEMBER S&P 500 FUTURE has held up into this week's higher near-term Oscillator threshold at 4,355. If that strength is generally sustained into today's Close, it leaves it well above the lower Oscillator level, and more importantly the overrun 4,316 early April UP Runaway Gap Objective. That would still indicate further upside potential despite this week's narrowly defined churn.

However, the lower Oscillator threshold moves up to 4,355 next week, and the higher near-term level is up to 4,380 (as noted previous.) It is therefore very interesting the Tuesday-Wednesday topping activity this week was up around that 4,380 area on Wednesday's 4,384.50 new front month S&P 500 future all-time high trade. Of note on a very short-term view, after setting that high the market left a 'micro' DOWN Closing Price Reversal from the previous hour's 4,378.50, with a Tolerance of 4,380.50... and this is where the 'micro' meets the 'macro'.

Therefore, later today and all of next week it will be interesting to see whether the SEPTEMBER S&P 500 FUTURE can push above the 4,355 area on a more sustained basis, and especially whether it can also sustain activity above 4,380. If so, the higher weekly Oscillator thresholds also rise by \$25 into next week (again on the back of rising weekly MA-41) to 4,450 and 4,480 (based on December's highs.)

However, if it continues to stall into that 4,355 area, then a retest of the area around that 4,316 overrun Objective is likely. That would include the recent congestion into the 4,300 area, and even have a 'failsafe' level of the 4,280 area lows seen on last week Thursday's sharp yet very temporary selloff.

While as noted above DEVELOPED CURRENCIES remain a bit challenged at present, they still have some residual support at lower levels. And the return of just a bit of a bid to EMERGING CURRENCIES speaks of quite a bit of relief for the previously stressed 'risk-on' psychology. Even the COVID-19 plagued and recently political violence-stressed SOUTH AFRICAN RAND has recovered on the USD/ZAR temporary trading back below the 14.50-.40 range, even if stabilized in that area now.

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Why the more upbeat psychology now? Well, as we had noted since early this week, central bank communication all week was likely to reinforce expectations of continued accommodation. And that is what has transpired everywhere from the PBoC and BoJ in the East through Europe and North America, with Fed Chair Powell's Wednesday-Thursday Congressional testimony sticking with the script.

In addition, economic data has been friendly on balance. The 'Chinese Economy Losing Steam?' title of Thursday research note (repeated below for ease of access) was once again meant to question that sentiment. The remainder of its data outside of a slight miss on headline GDP was very constructive. Of course, that now goes for the last major economic indication of the week, in the form of US Retail Sales well above estimates. It must be allowed that these are 'rearview mirror' indications in the face of renewed COVID-19 fears on the Delta variant.

Yet for now it would seem that 'good news is good news', pending what the markets signal into next week's lighter, yet still very important macro influences. Those include Tuesday's PBoC interest rate decision and statement (and possibly further indications on RRR), Thursday's ECB rate decision and press conference, and Friday's global Advance PMIs. It is once again going to be very interesting.

#### **Courtesy Repeat of Thursday's 'Chinese Economy Losing Steam?' research note**

The latest concerns about the global economy seem to have evolved even beyond the obvious predations of the rapid spread of the more contagious COVID-19 Delta variant. It is still part of it in a meaningful way, as it impacts global trade as it relates to operations at Chinese ports (as previously noted.) Yet there are now murmurs of the Chinese economy itself slowing somewhat.

This is covered in Wednesday's Reuters article (<https://reut.rs/3Bfs1KW> updated this morning), yet with the caveats that this is mostly on a minor miss on its GDP indications that did not show up in other data. Of note are still strong other data of late, like its Trade Balance, Industrial Production and Retail Sales. It seems the case that the fears of that Chinese slowdown are mostly based on inferences which are also impacting the US and others, especially on input cost inflation.

Of course, the current modest weakening of US EQUITIES might also be on the back of a weaker than expected US Philly Fed Survey and Industrial Production. That is in addition to the continued concerns over US and other countries' inflation as well. Wednesday's 'Friendly Fed Keeps on Rolling' research note (repeated below for your ease of access) was clear that Fed Chair Powell has reinforced the degree to which the FOMC will allow for quite a bit of 'transitory' inflation on the way to its full employment goal; including for those in the lower economic tiers.

And based on that Reuters article it appears that the Chinese central bank is also committed to delivering sustained accommodation if there is any clear near-term slowing of its economy. As National Bureau of Statistics official Liu Aihua noted at today's press conference, "*The domestic economic recovery is uneven.*" (Sound familiar?) And, "*We must also see that the global epidemic continues to evolve, and there are many external instabilities and uncertain factors.*"

This sounds quite a bit like the concerns for the US economy, where the possible return from upbeat full reopening to pandemic restrictions weighing on demand would also likely reinforce certain supply disruption impacts driving the inflation. That is in addition to the US Senate passing a restrictive bill regarding Chinese exports from Xinjiang on assumptions about forced labor among repressed Uyghur (and other Muslim) populations. That includes an onerous burden of proof on importers. Much more on that from Reuters at <https://reut.rs/3yZnN89>.

As such, this is the ultimate faceoff between the US and China on the latter's ostensibly more authoritarian system. To be clear, this is not an overt criticism of China, as its political system is its concern, and has always been more of a unified national thrust than the West... even well before the instituting of a communist government after WWII.

Yet it is also the case that this is now a new economic 'cold war', with extensive implications due to it being between the world's two largest economies. That should rightfully concern the markets in addition to the inflation concerns that have been reinforced by Fed Chair Powell's still sanguine 'transitory' inflation views.

Those have been reinforced by Chair Powell's still sanguine 'transitory' inflation views. To this can be added the likely PBoC further accommodation after last Friday's easing of RRR (bank reserve requirements) as well as ECB largesse. These combined factors are seemingly what is now restraining the US EQUITIES from what might have been more of an upside acceleration we had noted early this week. That said, the SEPTEMBER S&P 500 FUTURE is only back to the 4,355 higher of the near-term Oscillator thresholds.

The problem for the bulls (as noted previous) is that this rises to the 4,380 area next week on the back of the still strongly rising weekly MA-41. As such, for all that the market is resilient, there is a bit more of a burden of proof on bulls to get the rally into a higher gear either later this week or early next week to institute greater upside momentum. Yet at least so far it has also not seen weakness back below the key overrun 4,316 upside Objective... also an important level.

That said, the other global indications are back to a bit of 'risk-off' this morning, as outside of the inflation plagued GILTS the GLOBAL GOVVIES are maintaining their recent bid (i.e. lower yields) up closer to prominent higher resistances.

And the DEVELOPED CURRENCIES are weakening to some degree, with the US DOLLAR INDEX once again above the key 92.00-.30 area. EMERGING CURRENCIES are also suffering a bit again, even if that is not very pronounced after their recent minor recovery... outside of the recently political violence-plagued SOUTH AFRICAN RAND.

### **Courtesy Repeat of Wednesday's 'Friendly Fed Keeps on Rolling' research note**

Some would say that 'rolling' is the Fed regarding the dice roll on whether the now glaringly apparent US inflation is indeed temporary. Tuesday's CPI and today's PPI being well above estimate (along with UK CPI and RPI this morning) are leading some respected observers to posit that the inflation is more sticky.

However, the FOMC shift to a more employment-centric model is leaving it in a position to allow higher near-term inflation while the lower end of the US labor market catches up with the strong overall post-pandemic (or at least we should hope despite the Delta variant predations) economic recovery. While his formal semi-annual House testimony and Q&A (followed by an earlier Senate session tomorrow) is not scheduled until 12:00 EDT, Powell's formal opening remarks (<https://bit.ly/3khwqH3> our marked up version) were released at 08:30 EDT.

His expectation that the admittedly hotter than expected inflation will cool is still based on the considerable impact of bottlenecks on reopening industries. To wit, he specifically notes... *"Inflation is being temporarily boosted by base effects, as the sharp pandemic-related price declines from last spring drop out of the 12-month calculation. In addition, strong demand in sectors where production bottlenecks or other supply constraints have limited production has led to especially rapid price increases for some goods and services, which should partially reverse as the effects of the bottlenecks unwind."* That is the crux of how he can justify allowing near-term inflation while lower labor market tiers catch up.

There is also of course also the renewed COVID-19 concern based on the more contagious Delta variant spread. While amidst a more dire global situation there are only some regions of the US (South and Southeast) which are being affected, the return of some pandemic restrictions is a modest negative impact. Yet it is the case that any more extensive spread in the US would be a problem on one hand: the potential return of more commercial restrictions after then hopeful reopening.

Yet on the other hand, it will also once again affect those 'gathering' industries (small retail, dining, hospitality, etc.) that would also mean a sustained impact on those lower employment market tiers; which would foster the continued Fed accommodation to which Powell already committed in today's remarks. That is also a factor in money chasing returns with many vehicles outside of US EQUITIES remaining burdened by a Delta variant impact. This is the previously discussed US EQUITIES TINA (There Is No Alternative) psychology compared to others.

Both DEVELOPED CURRENCIES and EMERGING CURRENCIES are a bit buoyed today by still accommodative Fed communication. Yet that is only after recent weakness on their greater vulnerability to the Delta variant. And while GLOBAL GOVVIES are mixed (with UK GILT lower on the UK inflation numbers impact), the SEPTEMBER T-NOTE FUTURE is nicely higher. That this is after serial higher inflation indications is a testament to the confidence in the Fed's ability and desire to continue its bond buying program (both Treasuries and mortgage-backed.)

That all continues to reinforce our sentiment from Monday's extensive 'On the Cusp of Upside Acceleration' research note (repeated below for your ease of access.) That was based in part on the SEPTEMBER S&P 500 FUTURE pushing above the 4,355 higher Oscillator resistance from the end of last week.

So far this week it only reacted back down to around it during the early part of this week, not even nearing the now overrun early-April UP Runaway Gap higher 4,316 Objective. See Monday's assessment for much more on the classical, "*When is a ceiling a floor?*"

Any lack of weakness back below 4,355 this week (and even more so 4,316) leaves the higher Oscillator thresholds into 4,425 and 4,455 this week, and they are still rising \$25 per week on the back of weekly MA-41. Of note, that will also leave the near-term Oscillator thresholds up to 4,355 and 4,380 into next week. That is going to make for a very interesting finish to this week as well after SEPTEMBER S&P 500 FUTURE has challenged 4,380 into this point this week.

### **Courtesy Repeat of Monday'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/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 JUNE S&P 500 FUTURE pushing back above the previously tested lower early April UP Runaway Gap 4,193 (daily chart) Objective seemed to speak of it being ready to extend the rally to the higher 4,316 (weekly chart) Objective.

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 in mid-June for another new all-time high clearly Negated that topping signal.

It is now the case that the weekly Oscillator thresholds are 4,330 and 4,355 this week, which were Closed above at the end of last week. Even though there was a reaction last week below back to the lower of those two thresholds as well as the 4,316 higher weekly Runaway Gap Objective, the recovery to Close back above them is a resilient sign. Those will once again be important for this week's Close, as any push above them will point to the potential to extend the bull trend to the higher Oscillator thresholds (from December) at 4,425 and 4.455 this week.

### ***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 had 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, which now continues into this week along with the more mixed yet still positive nature of recent economic releases. It will now be interesting to see if the US EQUITIES into new all-time highs can restore any general 'risk-on' psychology, or the bifurcated trend psychology will continue on problems elsewhere.

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/3i8BvPk>.) 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. That recovery has transpired in the context of the recent COVID-19 Delta variant spread, with a rally nearer 134-00. It is also now likely abetted by the consistent FOMC commitment to continued bond purchases.

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/3rauwcS>.) 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 left it hanging around the low end of that 173.00-172.50 congestion of late, with a recovery back above 174.00 at present looking more so like a retest of the 175.00-.50 area is possible 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. While recently only modestly back above the 128.00 area, the current rally under the influence of recent UK COVID-19 Delta variant spread has it back up closer to the 130.50-.00 range prior to backing off of late. If the Delta variant continues to impact the UK and global economy, another test of that resistance is likely.

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 <https://bit.ly/3B28GMW>.)

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, which it has recently overrun. While the recent focus was back on 91.00-.50 area (including weekly MA-41) that it could not weaken back below of late, the higher interim resistances above the 92.00-.30 range are into the already violated 92.60 and the next congestion in the 93.30-.40 area (including the March 93.43 8-month trading high.)

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 being violated overall on the way to the current weakness below the 1.1815 interim support. That leaves the 1.1700 area more major lower support, which correlates well with the US DOLLAR INDEX 93.30-.40 area. Much below that the next more major support is in the 1.1600 area.

**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. That has a Tolerance down to the hefty March-April 1.3700-1.3670 area 5-month pullback lows congestion.

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.

That left lower supports back into the interim .7500 area it previously dipped modestly below and then sagged further below again. The key lower supports are the recently neared congestion in the .7350-.7400 area and the .7200 area once again. Yet recent stability has left it back up near .7500 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.

While other 'risk-on' indications have weakened of late, USD/JPY had remained strong above 110.00 up nearer 112.00-.50. That signaled a lack of full 'haven' status, yet with USD/JPY now weakening back into a churn around 110.00 in a sign that may be reversing in under the influence of the COVID-19 Delta variant global spread outside the US.

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 seemed the more telling issue is just how damaging the rapidly spreading COVID-19 Delta variant might be within the cross currents, and that is now clearly the more telling influence in the context of consistent Fed messaging on its desire to NOT withdraw any accommodation just yet.

**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 also pushed above prior to the recent retest.

Yet more major influence is now likely further COVID-19 Delta concerns. After its inability to sustain weakness back below the 14.20, next resistance was into 14.40-.50 area. That was vigorously tested again of late, and has finally been exceeded on South African political violence adding to its already substantial COVID-19 woes. The higher interim resistance is into the 14.70 area (with weekly MA-41 at 14.80), yet with the more prominent recent and historic congestion into the 15.00-.10 area.

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. However, on the recent OPEC disruption USD/RUB has rallied back above 73.00-72.50 area to nearer the 75.00 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.

That was 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.

While higher hefty congestion is the 20.30 area, there is also the higher 20.65 congestion it traded very temporarily above in mid-June prior to weakening below 20.00 again. While next higher resistance is the 20.90 congestion, the focus shifts more so to the 20.00 and 20.30 congestion areas once again after its recent inability to fail on serial tests of the 19.80 area. However, even with the recent CRUDE OIL slippage back into the 75.00-74.00 area it has managed to see USD/MXN weaken back below 20.00.

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.

However, there has been a contrarian LIRA rally last week into 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 it has not managed to even test on the downside reactions over the past several weeks with weekly MA-13 in that same area.

And the weekly Oscillator indications suggest that the critical thresholds (reinforced by recent topping into the minor new highs) are into a very minor new high at 8.73 and then 8.86 and then 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](http://www.rohr-blog.com) sidebar.

Even though midmonth can be a quieter time, not this particular week. While Monday's economic releases are rather limited, it also sees this month's OECD Composite Leading Indicators along with some of the central bank influences that are rife throughout the week. This is important because it will be a further window into the lack of any central bank withdrawal of accommodation even without any Fed or ECB rate decision.

Tuesday is significant for its major Asian influences like Chinese trade figures, and a BoE Financial Stability Report, quite a lot of European influence and US CPI. Wednesday sees and early RBNZ rate decision and statement into Japanese Industrial Production followed by UK and US inflation indications right into a BoC Interest Rate Decision and Statement and Monetary Policy Report followed by the post-rate decision press conference, Fed Chair Powell's 'Semiannual Monetary Policy Report to the Congress' before the House Financial Services Committee, and wrapping up with the Fed's Beige Book in the early afternoon.

Thursday is another big day beginning with Australian Employment into major Chinese numbers and an NBS Press Conference. That is followed by UK Employment, US Weekly Claims, much other US data, and the Canadian ADP Employment Change, wrapping up with Fed Chair Powell's further 'Semiannual Monetary Policy Report to the Congress' before the Senate Banking Committee. While Friday is a bit lighter, it still holds the BoJ Interest Rate Decision and Policy Statement followed by Mr. Kuroda's press conference, Euro-zone CPI and quite a bit of US data, including Retail Sales.

Of course, as good as the revived 'risk-on' psychology may appear, the troubling spread of the COVID-19 Delta variant moving more rapidly than some health authorities had expected, especially in unvaccinated areas (even in the US.) As such, you will likely not be 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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