RESEARCH NOTE

Tuesday, July 27, 2021

Bifurcation on Steroids, Quick Take, Calendar

While it might reverse at any time, the disparate 'risk appetite' activity in the other asset classes compared to the US EQUITIES has only become more pronounced. While the US EQUITIES are reacting this morning, the recent SEPTEMBER S&P 500 FUTURE rally had exceeded key near-term weekly Oscillator thresholds (at both 4,375 and 4,400) since the end of last week. This continued the recent pattern of late week strength (other than on the quickly reversed downside reaction two weeks ago.)

That creates a dilemma for bears of needing to create more extensive weakness than was the case into early last week. This is because the extended temporary selloff into early last week held very close to the aggressive weekly UP Channel in the low 4,200 area. That is now the same for this week, reinforced by the 4,224 trading low from last week, and prominent weekly chart May-June congestion.

It seems that is a long way down from even the current downside correction into the upper 4,300 area. This is no worse for now than the 4,375 weekly Oscillator threshold, and still well above the 4,316 higher of the two early April Runaway Gap upside Objectives. Those are key lower levels which are of more near-term interest this side of the major consideration of that aggressive up Channel support in the low 4,200 area (see chart link below for a look at that.)

Yet the resilience and extension of the US EQUITIES bull trend is still in the context of broader global trends which speak of a 'risk-off' psychology. That includes the continued rally (even if a bit more incremental now) of the GLOBAL GOVVIES. It is the case that while the SEPTEMBER T-NOTE FUTURE has fallen back a bit, it has not been able to sustain any selloff back below the low end of the ley 134-16/-00 area; and is now back up into the high end of that range. This is a 'risk-off' indication.

Similarly, the SEPTEMBER BUND FUTURE inability to recently even slip back below the high end of its prominent 175.50-.00 range, which it had not sustained activity above since the failure in late-February. Its current new high for the rally since its mid-April low is now actually getting closer to next higher 177.00-.50 prominent congestion, which it has also not been above since February. While weak sister SEPTEMBER GILT FUTURE has not as yet sustained activity back above its important 130.00 area, it has sustained its recovery from the 128.00 it struggles to hold in April-June.

While the DEVELOPED CURRENCIES are holding in a bit better of late, as indicated by the US DOLLAR INDEX slipping back toward the 92.30-.00 area, EMERGING CURRENCIES are still weak overall. And that is typically a sign of the lack of any broader global economic strength, even if the RUSSIAN RUBLE and MEXICAN PESO are rallying back on the recovery of the Crude Oil from below its 70.00-71.00 area.

The question over why we are leading with such extensive market views instead of our typical 'macro' background can be answered in two ways. In the first instance, we're catching up with Monday's inability to provide analysis due to technical difficulties. In addition, we always note that markets get the final say on trends, and they still seem to be mostly reinforcing the highly bifurcated US EQUITIES versus the world psychology we have noted again for some time.

The market activity may be an indication of the unequal recoveries due to very different international levels of vaccinations. This might explain some of the GILT relative weakness versus the T-NOTE and the BUND, due to the very much more successful UK vaccination program (especially as compared to the US.)

Yet if there are going to be greater problems among the countries suffering with the lowest vaccination levels (as already seems the case), then it is a good reason why the US EQUITIES may be benefitting. In that case, it will be more so a matter of whether any global slowdown will heavily affect the US, or it will remain economically immune despite the impact of import shortages and other factors.

On the other hand, there is the issue of money chasing yields. That has been the case on the sustained massive central bank accommodation, which now has less chance of abating in the face of the Delta variant predations. That was apparent in the ECB communication and press conference with Q&A (see repeat of Friday's 'Doin' the Bifurcation Boogie' research note below for much more in all of that.)

And the next round of just how accommodative the central banks are going to remain and for how long is looming in Wednesday afternoon's FOMC rate decision (14:00 EDT) and even more so Fed Chair Powell's press conference (beginning at 14:30.) While Powell will undoubtedly be pressed once again with questions on what seems more stubborn inflation than the Fed had expected, there is every chance he will reconfirm the commitment to monetary largesse.

At that point it will be important to note whether the US EQUITIES are functioning on the 'TINA' principle once again: whether all of the excess liquidity flowing from the central banks finds investors chasing yield considering alternatives, and deciding relative to other asset classes 'There Is No Alternative' to US EQUITIES. That is going to be the most important for the overall performance of the elevated US EQUITIES valuations, and also how the alternatives perform.

With the 'rearview mirror' economic indications continuing to weaken (as we had noted previous), the US EQUITIES performance after 'Fed Wednesday' will be particularly important even as the balance of the heavy late month economic releases hit in late week.

Courtesy Repeat of Friday's 'Doin' the Bifurcation Boogie' research note

The various asset classes are dancing along to different tunes at present. That is clear from the US EQUITIES rebound into a sustained bid after the early week mini-debacle… yet with the other asset classes still reflecting the recent COVID-19 Delta variant pressures. This means that the answer to Thursday's opening question "Will 'Friendly ECB Anticipation' Stick?" research note title is, "Yes, if you happen to be US EQUITIES." … and no, if you are other asset classes.

While they were not posted timely to include in Thursday's assessment, the key ECB indications can be easily accessed online, at: the Policy Decision Press Release **https://bit.ly/2TvXO9m**; Monetary Policy Statement **https://bit.ly/2W9lIbI**; and President Lagarde's Press conference video: **https://youtu.be/hbRjSC32IGM**. It all boiled down to confirmation of the already very accommodative stance, with mention of the degree to which the Delta variant remains a negative contingency.

That last bit has been reviewed at length of late, and we refer you back to our latest update from Thursday's "Will 'Friendly ECB Anticipation' Stick?" research note (repeated below for your ease of access.) That is for the indications on the degree to which the vaccinated are still at risk (including a lack of any US clarity on whether the vaccinated can spread the virus), and especially the still major risk for the unvaccinated.

There is also the recently noted weakening of even previously strong 'rearview mirror' economic data releases. This was highlighted in Wednesday's 'Much the Same on Delta Variant' research note, and continued into Thursday's limited data releases around the ECB meeting.

Today has seen weakening global Advance PMIs outside of Germany as well, even in the previously strong US. That all makes the current US EQUITIES rally back above last week's FRONT MONTH S&P 500 FUTURE weekly 4,360 DOWN Closing Price Reversal and its Tolerance to the previous week's 4,364 trading high that much more incongruous.

Again, this is in the context of other asset classes still reflecting a 'risk-off' psychology, which represents a clear overall trend psychology bifurcation. The shift back to major sustained central bank accommodation on weakening global economic indications leaving the US EQUITIES strong gets back to the recently noted 'TINA' psychology (There Is No Alternative.) It seems that can continue for now.

If the SEPTEMBER S&P 500 FUTURE maintains that strength into this week's Close above the 4,360-64 weekly DOWN CPR, the next resistance will be into the still rising (a bit more subdued $20 per week now) weekly Oscillator thresholds at 4,370 and 4,395 next week. Those will obviously be very critical if overrunning the DOWN CPR leaves the market challenging them above last week's 4,384.50, which is very near at hand. The extended thresholds from December up into 4,465 and 4,495 next week.

Yet the continued overall strength of GLOBAL GOVVIES and weakness of the DEVELOPED CURRENCIES against a 'haven' bid in the US DOLLAR INDEX up closer to the 93.30-.40 historic congestion speaks of 'risk-off'. That is also on the EMERGING CURRENCIES remaining under pressure, recently below key supports that had been respected on previous serial tests. It's all "doin' the bifurcation boogie" for now.

Market Quick Take

A really interesting part of the overall equation was whether overrunning the 4,200 area (including that lower 4,193 Objective), just meant a likely test of the higher (weekly Chart) 4,316 Runaway Gap Objective? That is clear on the FRONT MONTH S&P 500 FUTURE weekly chart (**https://bit.ly/2UZokbC** updated through Monday.) 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 a higher 4,316 (weekly chart) Objective.

The question on the previous downside reaction was whether the 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. That was necessary to make sure the market felt Powell provided enough comfort on inflation and planned Fed action in his testimony at that time.

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

After the downside reaction into early last week, last Tuesday morning's recovery back above the 4,300 area violated support left the higher resistance into the previous week's 4,360 DOWN Closing Price Reversal with a Tolerance to 4,364. And it is of note that the SEPTEMBER S&P 500 FUTURE had managed to retest that area right into the ECB press conference prior to weakening once again Thursday morning. That was the critical resistance which it was successful in exceeding late last week. (See above for the higher resistance discussion.)

That sums up the near-term contingencies, even if with prominent support lower. The more major lower support is also the low 4,200 area based on the aggressive weekly UP Channel from the March 2020 pandemic-driven major cycle low (see the chart.) Of note based on previous form, there is not much below that until the 4,120-00 area. In addition to that being clear congestion, that support vacuum is also reinforced by the nature of the May and June holding actions and selloffs.

That said, if the SEPTEMBER S&P 500 FUTURE can sustain activity later this week above the 4,375 and 4,400 weekly Oscillator thresholds, those will rise another $25 into next week (as has been the case for a while.) That also means that by next week the higher Oscillator indications will rise from 4,470-4,500 this week to 4,495 and 4,525 next week.

Courtesy Repeat of Previous Evolutionary Trend View (much the same; updated charts) [To be updated after Wednesday's FOMC announcement and press conference]

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 continued into last week prior to the resurgent COVID-19 Delta variant concerns. It will now be interesting to see if the US EQUITIES falling back from the next new all-time highs can restore any general 'risk-on' psychology by rebounding as quickly as on their most limited recent reactions; or is something more extensive on the downside in store due to the Delta variant?

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/3y8yGVc**.) 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 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.

That it is also still likely abetted by the consistent FOMC commitment to continued bond purchases, which has led to the push above the 134-00/-16 congestion from March 2020, with the next resistance as nearby as the 135-00 area weekly MA-41 currently being tested. Yet the more major DOWN Channel resistance (from the 140-235 March 2020 all-time high) is not until the 137-00 area (see the chart.)

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/3iScWGP**.) 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 important 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. And even that resistance has been exceeded on the extended Delta variant influence, with next congestion back in the 177.50-.00 congestion area.

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 saw the opposite picture from the premium in SEPTEMBER BUND FUTURE. The **SEPTEMBER GILT FUTURE** was actually a typical full point below the June contract when it expired. 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. It is interesting that even as the Delta variant continues to impact the UK and global economy, the GOLT has not rallied any further than a retest of the high end of the 130.50-.00 area, which it has sagged back a bit below.

In **FOREIGN EXCHANGE** the **DEVELOPED CURRENCIES** had also seen massive shifts in the Spring of 2020 prior to quieting down once again. As noted extensively throughout the year, even though the **US DOLLAR INDEX** had a 'haven' bid into mid-February 2020, it then came under extensive pressure against the other DEVELOPED CURRENCIES.

The problems in the US COVID-19 response had left it under sustained pressure. Yet the concerns about how poorly the other countries might fare under the extended COVID-19 impact had seen a partial 'haven' bid return to the greenback until the US DOLLAR INDEX stall on its late September temporary push above the key 94.00-.30 area.

While this was previously likely also at least partially tied to the US EQUITIES renewed 'risk on' psychology, there is also the degree to which the US has a more troubling COVID-19 pandemic problem that the rest of much of the world, and the Democratic presidential election victory fomenting fiscal concerns.

It is of note that even the Democrats 'Blue Wave' psychology dissipating into the middle of the week after the US election only saw US DOLLAR INDEX rally back to the top of the 94.00-.30 range prior to dropping repeatedly back to the 92.50-24 range once again. As that was violated in late November, the Evolutionary Trend View for the greenback was a continued down trend even though it had already tested lower support and temporarily rebounded into early February.

However, the subsequent yield escalation created more of a 'risk off' psychology had restored the bid to the greenback. Whether that was 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 as well as higher interim resistance in the 92.60, with 93.30-.40 area the next key area.

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 through Friday **https://bit.ly/2TDfCiN**.)

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 not until 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 now also been violated after recently being tested and holding.

That had a Tolerance down to the hefty March-April 1.3700-1.3670 area 5-month pullback lows congestion (including weekly MA-41) which have also been violated. The next interim support is 135.00 area, yet with the more major congestion not until the 1.3300 area.

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. While recent stability had left it back up near .7500 once again, the COVID-19 Delta variant impact has it back down below .7350-.7400 area, with next interim support back into the .7200 but with the major support not until the .7000 area once again (as back in the Fall of 2020.)

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 recent 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. The current nominal weakness back below 110.00 would seem to suggest a return of the YEN 'haven' bid.

And **EMERGING CURRENCIES** that had been under pressure had been recovering to some degree in February 2020 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 CURRENICES 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? 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 was finally exceeded on South African pollical violence adding to its already substantial COVID-19 woes. Even though the violence has abated, the RAND remains weak after a vigorous test of higher interim resistance is into the 14.70 area (with weekly MA-41 at 14.76.) However, 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 combined COVID-19 Delta variant pressure and the recent OPEC agreement on more production weighing on CRUDE OIL has put it back up near 75.00.

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.

Despite the recent CRUDE OIL slippage back below the 75.00-74.00 area leaving USD/MXN weakening back below 20.00, the extended CRUDE OIL weakness below even 71.00-70.00 nearer to 65.00 support prior has left USD/MXN back up above 20.00 area to nearer 20.25-.30.

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 finally managed to 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 8.75 and then 8.88 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** sidebar.

On one hand, it was a typical last week of the month quiet start on a Monday with mostly German IFO and US New Home Sales, and little other data on Tuesday into US Durable Goods Orders, the Richmond Fed Manufacturing Survey and Consumer Confidence.

And that is the end of any quietude this week, as Wednesday opens with key Asian data and the BoJ Summary of Opinions followed by important European confidence surveys, with Canadian inflation after that into the FOMC announcement and the Fed's Powell presiding over the post-rate decision press conference. Thursday continues the onslaught, even if with limited Asian influences prior to major European inflation and sentiment indications, the US Weekly Jobless Claims (which were more elevated than expected last week), and the first look at US Q2 GDP along with all of the key attendant economic data.

It all wraps up on a very expansive Friday, beginning with Japanese employment, retail trade and housing starts into a first look at German, Italian and Euro-zone Q2 GDP with attendant numbers, and quite a bit more European data. The US brings Personal Income and Spending with attendant figures and other key indications, as well as Canadian GDP.

Of course, as good as the revived 'risk-on' psychology may appear in US equities, the lack of confirmation from the other asset classes on the troubling spread of the COVID-19 Delta variant moving more rapidly than some health authorities had expected creates some important trend psychology dislocations. As such, you will 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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