



RESEARCH NOTE

Friday, July 30, 2021

The Reversal, Quick Take, Calendar

As noted by the title of Thursday's 'Grudging Inspiration' research note (repeated below for your ease of review), the delayed acquiescence to the accommodative messaging from the Fed was a sign that central bank largesse alone would not be enough to fuel any significant extension of the US EQUITIES rally. After another new SEPTEMBER S&P 500 FUTURE 4,422.50 all-time high into midday Thursday, even from shortly after Thursday's 4,411.75 daily Close it was back below the 4,400 Oscillator threshold (more below from Thursday's research note)

That was not just a reversal of the previous strength, but also a drop back to lower on the week. This means that after the new all-time high this week the further trading into today's Close will determine whether there is at least a nominal DOWN Closing Price Reversal (CPR) from last week's 4.403 Close. Considering the current recovery back up near that level, it would seem any DOWN CPR will likely be nominal, and possibly subject to being Negated (i.e. overrun) sometime next week. Yet any lack of strength also creates a weekly Oscillator issue...

While the end of last week brought a surge above this week's higher near-term Oscillator threshold at 4,400, as noted previous that is still moving up \$25/week. That means it will be up to 4,425 next week, with the lower near-term Oscillator threshold also moving up to the 4,400 level into next week. The bottom line on the market activity is the SEPTEMBER S&P 500 FUTURE struggling a bit more at present than at any time since the mid-May and Mid-June stall-outs prior to selloffs.

It is also of note that the softening of US EQUITIES comes along with a minor return to more 'risk-off' activity in other asset classes after minor recent improvement. The SEPTEMBER T-NOTE FUTURE is pushing up again despite the generally good US and international 'rearview mirror' data during the past two days heavy late month data dump (outside of a miss on Thursday's first look US GDP.) While the GILT and BUND are more subdued, they also remain near-term bullish for now.

FOREIGN EXCHANGE is also seeing a bit of US DOLLAR INDEX improvement, even if only back up near its failed 92.30-.00 congestion for now. Yet it is telling that some EMERGING CURRENCIES are also back under a bit of pressure after Thursday strength, even if not the RUSSIAN RUBLE and MEXICAN PESO which are bolstered by the continued CRUDE OIL strength back above its 70.00-71.00 toward 74.00-75.00.

The question in the wake of more of that on balance better 'rearview mirror' data is "What else might have changed?" That would be the perceptions around the Delta variant spread, which we had noted some folks felt would not be that much of an impediment to economic growth despite the human suffering. Yet in a US CDC report that was sadly leaked by the Washington Post instead of being formally released with a press conference, the Delta variant calculus changed.

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According to Thursday afternoon's WAPO article (<https://wapo.st/377cW0b>), the Delta variant infection is as contagious as Chicken Pox (i.e. highly transmissible.) That means even the vaccinated experiencing few symptoms, or even when fully asymptomatic, can readily spread the virus.

As they may not become either very ill or die, this might seem like a modest shift in the CDC assessment. Yet it also means that the fully vaccinated can spread the disease to the unvaccinated or those who are immunocompromised. This may be an economic game changer.

The reason is that this will then affect people's perception of whether it is safe to go back to in person work if they have elderly relatives at home, and especially if they have younger children. At least so far the latter have not had any vaccine available even if parents would have them take it. There is also consideration of the Delta variant having more of an impact on younger people than previous.

The WAPO article cites his opinion in an email from Columbia University epidemiologist Jeffrey Shaman after reviewing the CDC study slideshow, *"I think the central issue is that vaccinated people are probably involved to a substantial extent in the transmission of delta. In some sense, vaccination is now about personal protection — protecting oneself against severe disease. Herd immunity is not relevant as we are seeing ...evidence of repeat and breakthrough infections."*

There was also much more discussion of this in this morning's CNBC interview (<https://cnb.cx/3ydRiHl>) of the former FDA chief and current Pfizer board member Dr. Scott Gottlieb. In addition to the aspects noted above, the "Gottlieb: Wouldn't be surprised if we were infecting 1 million people a day" title of the video touches on the degree to which the lack of effective testing in the US may well mean the more upbeat CDC assessments have been based on faulty data. He notes the WAPO article is consistent with Israeli and other countries' findings.

The bottom line for epidemiology as well as the markets is that the Delta variant may have morphed the COVID-19 pandemic into being endemic; except in its case on a global level instead of among a particular population. How will that affect the overall global economy?

Well, that will depend on the degree to which the current assessment leads to greater vaccination levels among the skeptics (already the case to a minor degree), and how the folks with vulnerable populations at home react to the news of higher transmissibility and disease.

Yet in any event, this is 'reversal' of the CDC's previous upbeat assessment of the lack of need for the vaccinated to mask indoors. We have a sneaking suspicion the updated Delta science was previously leaked to the White House. There are coincidences in life and in politics.

Yet the timing of President Biden's directives on US government employees needing to be vaccinated or wear masks does not seem to be one of them. After declaring 'independence' from the virus on the US Independence Day holiday (less than 4 weeks ago), his reversal into mandating aggressive testing for the unvaccinated and indoor masks seems more than that.

With the now still modest 'risk-off' indication seemingly back in sync, the US EQUITIES may once again be a fair risk appetite barometer for other asset classes as well. Which means that the DOWN CPR from the 4,422.50 all-time high into midday Thursday may only be nominal even on a Close below last week's 4,403 Close.

However, it is also that dent in the 'risk-on' armor. And that plays right into the 4,400 area Oscillator indications this week into next. We shall see.

Courtesy Repeat of Thursday's 'Grudging Inspiration' research note

That contrarian phrase is the market reaction to Wednesday afternoon's FOMC Statement (<https://bit.ly/3i7hNoi>) and Fed Chair Powell's press conference into this morning's first wave of the end of month data tsunami. As the answer to Wednesday morning's 'Can the Fed Inspire US Equities?' research note title inquiry, it follows that in his own right Jay Powell was not that inspirational for US EQUITIES.

Note the SEPTEMBER S&P 500 FUTURE weakening after an attempted push above the 4,400 weekly Oscillator threshold in the wake of Chair Powell's press conference. That was a sign that despite his commitment to full accommodation in the face of COVID-19 Delta variant impact, nobody at the meeting talking about tapering the Fed's bond purchases, and that any actual rate hike is a long way in the future, the ability of the Fed to inspire the US EQUITIES bull trend is limited at this point.

Yet any further weakening of already softening 'rearview mirror' economic data that was already occurring might foster a 'bad news is good news' psychology. What else can one infer from this morning's SEPTEMBER S&P 500 FUTURE push back near the recent new 4,416.75 all-time high in the wake of a serious miss on the first look at Q2 US GDP (a 6.5% rise versus 8.5% expected.) So while the FOMC Statement was as expected and Powell really had nothing new to offer (other than defusing any thoughts of Fed tightening), weaker data does tend to reinforce the notion that the Fed and other central banks will continue major accommodation.

Interestingly enough, that also seems to be restoring a bit of risk on psychology elsewhere, even if the GLOBAL GOVVIES continue to maintain their recent rallies (with only a bit of retracement today.) However, FOREIGN EXCHANGE has turned a bit more upbeat against the GREENBACK today, with the US DOLLAR INDEX weakening back below its key 92.30-.00 on an intraday basis so far. Will this continue to signal a reversal of recent developed currency weakness against the US DOLLAR?

The key Evolutionary Trend View aspect to watch is the EUR/USD recovery back above the 1.1815 interim support after not slipping anywhere near the 1.1700 more major level on the recent selloff. If that is the case, then another rally up into at least the 1.2000-1.2100 area is likely, with a commensurate weakening of the US DOLLAR INDEX back into low 91.00 area support (including weekly MA-13 & MA-41.)

That would be a real indication of the recently dented 'risk-on' psychology being restored after the sustained weakness of the EMERGING CURRENCIES as well. In that regard, even the recently vexed SOUTH AFRICAN RAND has seen USD/ZAR weaken back near the 14.50-.40 range, with both the MEXICAN PESO and RUSSIAN RUBLE strengthening again on CRUDE OIL pushing well above 70.00-71.00 congestion after recent weakness below it. This all speaks of greater global reopening success after the recent worries about the resurgence of COVID-19 on the higher transmissibility of the Delta variant... is it possible this is a passing phase?

Even with the US now being literally plagued by the major infection surge in its unvaccinated areas (substantially the South and Southeast), the question is whether that will be a major economic drag despite the human tragedy. At least at present, the markets are acting like the economic performance will not be that heavily affected. If that is actually so, there are several market implications.

The first is that the US EQUITIES may have been more forward looking than many other markets in maintaining their bid despite some short, sharp reactions from which they so readily recovered. It also means that foreign exchange should indeed see the other currencies continue to improve against the US dollar.

And last yet by no means least, at some point sooner than not, the global govies should begin to sense that the overall world economy will continue to improve despite regional COVID-19 problems. In that regard we are especially watching the September T-note future for any sign it is slipping convincingly back below the low end of 134-16/-00 range it has only managed to test on recent pullbacks. That might be enough to reverse the recent extended strength of the Bund, and weigh further on a Gilt that did not really rally as well as the others (and tellingly that might be on the higher UK vaccination rate despite recent COVID problems.)

With that we refer you back to Wednesday morning's 'Can the Fed Inspire US Equities?' research note, with its indications of what the Fed influence (and now the overall psychology) might mean for the late week US EQUITIES activity. That also notes the forward view on what to look for from the Oscillators into next week.

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.

However, at present the more pressing issue on this week's late weakness is whether it can recover from the early Friday weakness to exceed the 4,400 area once again this week. That is a twofold indication. In the first instance, can it strengthen enough to Close this week above at least the 4,400 lower near-term Oscillator threshold to maintain upside momentum

That is even though the higher near-term Oscillator threshold is up to 4,425 next week. It will also be an indication of whether it can avoid leaving a next weekly DOWN Closing Price Reversal from last week's 4,403 Close. While that might be nominal, tied into the Oscillators could make it more telling.

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 continued into this week's reiteration of full accommodation 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 change in the Delta variant calculus on the latest shift in the CDC perspective?

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 were 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 recently tested weekly MA-41. 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 was possible under the influence of the recent COVID-19 Delta variant spread. And now that even that resistance has been exceeded on the extended Delta variant influence, with next congestion is 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 into 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 GILT has not rallied any further than a retest of the high end of the 130.50-.00 area prior to dropping below it, possibly influenced by UK vaccination success.

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 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 had recently pushed back above that 92.00-.30 area as well as higher interim resistance in the 92.60, yet with a partially restored 'risk-on' psychology now dropping it back below it at present. Next lower support reverts to the 91.20-.00 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.)

Yet with the US DOLLAR INDEX failing the 92.30-.00 range once again on a partially restored 'risk-on' psychology, next lower support reverts to the 91.20-.00 area.

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 left the 1.1700 area more major lower support, which correlates well with the US DOLLAR INDEX 93.30-.40 area. While much below that the next more major support is not until the 1.1600 area, the recovery back above the 1.1815 interim support means that is once again the area to closely watch.

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 had also been recently violated. While the next interim support is 135.00 area with the more major congestion not until the 1.3300 area, the recovery back up to near 1.4000 prior to weakening once again leaves that nearby resistance.

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 had 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.) However, now back up into the .7350-.7400 area leaves that as nearby resistance.

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, even if that weakened a bit on the recent nominal passing 'risk-on' psychology return.

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 CURRENCIES managed to only react a bit in their overall bull trends, and had strengthened again prior to the latest FMOC shift to a possibly more aggressive stance.

Yet the question must be whether that is on the sheer interest rate differential back into the US DOLLAR, or is it over concerns the global 'risk-on' reopening is threatened by any early shift to a less accommodative Fed policy? 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. Yet it is also split on some of the EMERGING CURRENCIES responding well to the strength of CRUDE OIL.

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 political 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 14.72.) However, that is with the more prominent recent and historic congestion into the 15.00-.10 area, and the 14.50-.40 area remains the key lower range.

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 previous 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 that was temporarily violated on the combined temporary US EQUITIES weakness and OPEC negotiations disarray. However, after the recent OPEC disruption USD/RUB has rallied back above 73.00-72.50 area to nearer the 75.00 area prior to weakening once again.

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 left USD/MXN back up above 20.00 area to nearer 20.25-.30. However, the restrengthening of CRUDE OIL has USD/MXN back down into the 19.80 area.

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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