Research Note

Wednesday, August 18, 2021

Waiting on the Minutes, Quick Take, Calendar

As was reviewed in Tuesday's 'Wild and Woolly' research note (repeated below for your ease of access), there are now three negative factors which might combine to foment the first larger US EQUITIES retracement in some time. For perspective on that, the last large (if temporary) SEPTEMBER S&P 500 FUTURE selloff was the mid-July drop from the front month future 4,384 all-time high to the following week's 4,224 trading low. Selloffs of a similar magnitude (more or less) from all-time highs had also occurred in mid-June and mid-May, with similarly rapid recoveries as well.

That was due to none of the previous selloffs violating the weekly MA-13 on the important weekly Close indication. This informs our view of what to look for next on the SEPTEMBER S&P 500 FUTURE even if the lower 4,225 area and 4,380-65 range are violated. Into next week the FRONT MONTH S&P 500 FUTURE weekly MA-13 moves up to approximately 4,345. It is also of note the more aggressive weekly UP Channel is up to around that level into next week as well (which can be seen on the weekly chart **https://bit.ly/3AYivej** through last Friday.)

Perspective on combined weakening 'macro' influences from inflation concerns to the US and global COVID-19 Delta variant pressures are already incorporated into the markets to some degree. What is in flux on the stronger of the recent 'rearview mirror' data releases (like the US Employment report) is consideration of whether the Fed (and the other more accommodative central banks) will be pushed into earlier accommodation retrenchment than previously thought.

The FOMC has already seen some members forcefully lobby for earlier Fed bond purchase reductions; most notably the Dallas Fed's Robert Kaplan, yet with murmurings from some others as well. However, this is offset by more recent weakening of some US indications like Michigan Sentiment and Retail Sales.

Those seem to reinforce resurgent COVID-19 Delta variant-related economic pressures that were the rationale behind the Fed's sustained accommodative stance in the first place. As such, despite the fact there has been three full weeks of additional economic indications since the July 28th FOMC announcements and Fed Chair Powell's press conference, this afternoon's release of that meeting's minutes (14:00 EDT) will be closely scrutinized for the overall 'taper' sentiment. That is especially in light of the recent less upbeat data, which means the specific views in the minutes will need to be taken with an entire canister of salt.

That said, the recent most aggressive calls are for a 'taper' announcement as early as the September 22nd announcements and press conference, with the bond purchase 'taper' to begin with the November 2-3 meeting. This is also most interesting, as September announcements will include the release of the latest FOMC Summary of Economic Projections, including the infamous (and very general) 'dot plot' of future base rate expectations. This will be especially important for any sign of future FOMC accommodation psychology.

This is all that much more important to markets due to the degree to which US EQUITIES have managed to rally at times when 'risk-on' indications from other asset classes have waned (as has been the case again of late.) This is an indication of just how much the US EQUITIES have benefitted from the classical TINA ('There Is No Alternative') investment flow psychology, and that must be taken into account on the reaction to this afternoon's FOMC minutes release.

Add to that even the limited number of (yet growing) new COVID-19 cases in New Zealand fomenting a several day shutdown, and clear indications that today's central bank 25 basis point base rate increase (to 0.50%) plan was put on hold based on the Delta variant spread. This is further reinforcement for the degree to which central banks are sensitive to NOT wanting to remove accommodation too quickly while the pandemic weighs on economies, despite the now obvious inflation risks.

More details on the specific 'macro' headwinds and market contingencies can be reviewed in Tuesday's analysis below, and Monday's 'The Delta Glitch?' research note (also repeated below for your ease of review.) The key levels to watch in the SEPTEMBER S&P 500 FUTURE are 4,450 and 4,425 on a weekly Closing basis. In the FOREIGN EXCHANGE markets, EUR/USD ability to either hold or failing below the heavily tested 1.1703 late-March trading low will be a key 'risk-appetite' indication along with whether GLOBAL GOVVIES rally continues to stall.

Courtesy Repeat of Tuesday's 'Wild and Woolly' research note

As noted in Monday's 'The Delta Glitch?' research note (repeated below for ease of access), it is most often the case that only a combination of three negative influences can create sustained downside reaction in a US EQUITIES bull trend. Monday's wild SEPTEMBER S&P 500 FUTURE trading saw a recovery from a trading low below this week's 4,450 lower near-term weekly Oscillator threshold up to the higher threshold at 4,475 by the Close. That $42 rally from an early 4,432 trading low to a late session 4,476 high was almost as wide as last week's range.

Yet the same negatives still apply (see below for more.) It is basically the growing consumer concerns about now ingrained global inflation along with both the US COVID-19 Delta variant impact (especially on Fall term school attendance), and a renewed Chinese COVID-19 resurgence with restrictions that spill over into affecting global trade as well as parts-dependent manufacturing elsewhere.

That view was revisited again on Monday, with the signs of consumer reticence on close-in airline reservations and accelerating cancellations reviewed in last Wednesday's 'Moderating Inflation into Consumer Reticence' research note Yet the obvious impact on already weakening 'rearview mirror' economic data was Monday's key Chinese numbers, and now US Retail Sales. This is going to make Wednesday's UK, Euro-zone and Canadian inflation numbers into the Fed's afternoon release of the FOMC July 27-28 meeting minutes most interesting.

In any event, the overall SEPTEMBER S&P 500 FUTURE decision on whether to hold up and exceed the higher near-term Oscillator threshold (for the third recent week in a row) at 4,475 this week, or finish the week below the lower 4,450 threshold is going to be very interesting again this week.

The lack of any sustained return to a more robust 'risk-on' psychology in the other asset classes tends to support the bearish perspective. Yet the degree to which the US EQUITIES have exhibited a 'bifurcated' strong psychology in recent times (the TINA 'there is no alternative' investment flow driver) must be taken into account. We refer you back to all of the situation specifics (especially the EUR/USD indications) reviewed on Monday.

Courtesy Repeat of Monday's 'The Delta Glitch?' research note

While on Friday our research note title was 'The Grind Higher Succeeds', we have consistently highlighted the residual threats to the US EQUITIES 'risk-on' psychology from the extended implications of the COVID-19 Delta variant. That is in part on the epidemiological more aggressive highly transmissible spread. However even more so for any market impact was the potential social and especially economic impact. Those are of course related to the likelihood of any economic restraints being reimposed after the success of the recent reopening.

Even beyond select recently enacted government protocols (New York City, California, etc.), there is the drop in consumer sentiment (as in Friday's Michigan number) that may be related to the return of public reticence regarding the Delta variant transmissibility we have highlighted previous. Yet there is also a specific direct economic impact as it regards the resurgence of COVID-19 in China. It is suspected that this morning's announcement of much lower than expected Chinese Industrial Production and Retail Sales is a COVID-related function.

For more on this see this morning's Reuters article (**https://reut.rs/2XwFDC4** including a brief video clip.) It cites the perspective from one well-informed analyst that due to "...*China's 'zero tolerance' approach to Covid, future outbreaks will continue to pose significant risk to the outlook*." That is despite 60% of the population being vaccinated, as the Chinese government is in a unique position to enforce stringent lockdowns. This also raises the specter of delayed shipments from Chinese manufacturers to global retailers, and also for parts deliveries to US, European and even Asian manufacturing industries.

There is also the impact on the US labor situation from the current extended outbreak among younger children as the US increasingly heads back to school over the next couple of weeks. As that was reviewed at length on Friday, we refer to the analysis below for more details. That said, ex-FDA head and Pfizer board member Dr. Scott Gottlieb was interviewed on CNBC (**https://cnb.cx/3g8gns7**) this morning, and what he had to say was disturbing.

That was insofar as the US that has invented many of the COVID-19 tests remains well behind many of its peers in testing and tracing. This is especially a problem in identifying even the extent of the COVID-19 infections among children during the rapid Delta variant spread.

He suspects it is very much worse than the current headlines suggest. And as we have noted previous, this is an issue for the return to work of parents of younger children, especially in states where authorities have instituted proscriptions against local 'mask mandates'. The good news may be that the locals are going against their state level officials in some cases. The bad news is that the spread of the symptomatic form of the disease to many more younger children than seen with earlier variants is already creating serious disruption.

We always note that any sustained US EQUITIES downside reaction in a bull trend must be based on more than one problem. Yet at present there is the dual Delta variant problem of the direct impact on global manufacturing through the combination of individual country constraints, and the overall impact of any export constraints in China due to lockdowns (which the Chinese government has been so effective in enforcing.) Then there are also the current inflation fears.

Intermarket indications between various asset classes are also not supporting a return to the previously weakened 'risk-on' psychology at present. With the US leading the way, the GLOBAL GOVVIES have the bid back. The SEPTEMBER T-NOTE FUTURE is up into the high end of its 134-00/-16 key congestion after the recent dip below it. The BUND and GILT are also hanging around just below key areas.

FOREIGN EXCHANGE is a more nuanced picture, yet with the DEVELOPED CURRENCIES in a decisive phase after last week's EUR/USD weekly Head & Shoulders Top fledgling 1.1800 area DOWN Break (**https://bit.ly/3iOKPJy**.) Whether it can push well above that area soon, or ends up slipping below the 1.1700 area March low it defended last week will be a key sign for the overall global 'risk appetite'.

EMERGING CURRENCIES remain weakish against the US DOLLAR overall despite their recent rebound from previous pressure. And the final indication is a CRUDE OIL market that continues to see WTI weak below the 70.00-69.00 arena, which is also a sign of lack of confidence in the global economy continuing to reopen.

This all comes around to the often more upbeat US EQUITIES in the form of SEPTEMBER S&P 500 FUTURE slipping back below the 4,450 area that it managed to claw its way above later on last week. That was the high end of the weekly Oscillator levels last week, which has become the low end of the near-term Oscillator thresholds this week (on weekly MA-41 continuing to rise an impressive $25 per week.)

As such, an inability to reassert its rally at least back above that level later this week (and also ultimately above 4,475) would represent a loss of near-term upside momentum. That said, (as noted previous) 'stalling' does not represent a 'reversal' unless lower support is broken. At this point the immediate level to keep in sight is the recent 4,425 congestion it could not stay below last week, with the more prominent congestion back into the 4,380-65 area (also weekly MA-9.)

Courtesy Repeat of Monday's 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/3AYivej** updated through Friday.) 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 early July downside reaction the 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. It is of note the SEPTEMBER S&P 500 FUTURE had managed to retest that area right into the ECB press conference prior to weakening once again the following Thursday morning.

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.

That said, the SEPTEMBER S&P 500 FUTURE sustaining activity later last week above the 4,425 and 4,450 weekly Oscillator thresholds was a sign of continued strength after they rose another $25 into last week. That also means the higher Oscillator indications rise to 4,545 and 4,575 this week.

As such, the Oscillator indications remain important on the still 'lackluster jailbreak' after the previous outstanding US Employment report. With the market dropping back below the lower 4,450 level early this week (on weekly MA-41 up another $25), there seems to be some real risk again, with key lower levels into the recent 4,425 area and the 4,380-65 area.

Courtesy Repeat of Previous Evolutionary Trend View (levels much the same)
[To be updated after Wednesday's inflation data and FOMC Meeting Minutes]

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 recently recovered to a goodly degree on the central bank assurances that any inflation will be transitory and possibly over 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 driver 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 the subsequent Chair Powell pandemic response testimony, which continued into his recent reiterations of full accommodation prior to the resurgent COVID-19 Delta variant concerns.

It will now be interesting to see if the US EQUITIES into a far more grudging upward trend for the next new all-time highs can restore any general 'risk-on' psychology to the other asset classes as well. 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 perspectives and the general news on the return of consumer reticence regarding travel and leisure? We shall see.

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/2Xzaa2h**.) 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 that was significantly violated back in February.

Yet it took until late March for it to hit the next historic support in the mid-low 132-00 area prior to rebounding. Failing back up to the mid 134-00 area on subsequent 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 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 well above 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 into recently tested weekly MA-41 that has now dropped to the upper 134-00 area. Yet the more major DOWN Channel resistance (from the 140-235 March 2020 all-time high) is not until the upper 136-00 area (see the chart.)

However, in the wake of all of this inflation pressure, the SEPTEMBER T-NOTE FUTURE is holding up in the mid 133-00 area. That is only a bit below the 134-00/-16 area it recently traded above, and still well above the key lower 132-00 area it recovered above after slippage in March and repeated tests through June.

The question here is, of course, with the Cassandras fretting over the recently sustained higher inflation indications (including some central bank officials), why aren't GLOBAL GOVVIES that were seeming to reflect more 'risk-on' until early July back under more pressure?

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/3AGNIIZ**.) 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 the recent recovery back above 174.00 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 back in the 177.50-.00 congestion area that is being vigorously tested at present. Next resistance is as nearby as 178.00 congestion, yet with the extended level in that area being the 178.77 December trading high, and its gap lower from the 178.68 high Close that same week.

This co-strong sister SEPTEMBER BUND FUTURE holding the mid 176.00 area is only a bit below the 177.00-.50 area it recently traded above. That leaves it still well above the key lower 175.50-.00 it pushed above in mid-July after a more telling violation of the 172.00-.50 area it had stalled into through all of June. Once again, the question here is, of course, with the Cassandras fretting over the recently sustained higher inflation indications (including some central bank officials), why aren't GLOBAL GOVVIES that were seeming to reflect more 'risk-on' until early July back under more pressure?

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 had it back up into to the 130.50-.00 range prior to recently backing off. 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, even if it is maintaining its rally into that range at present.

Next resistance is back up into the 132.00 area, with the mid-February weekly 131.93-131.49 gap lower reinforcing that on any approach to that area for this GLOBAL GOVVIES weak sister.

Yet this weak sister SEPTEMBER GILT FUTURE is holding in the mid 129.00 area, only a bit below the major 130.00-.50 area it recently traded into. That is still well above the key lower 128.00 area it only recently recovered above after slippage throughout March into all of June.

And yet again the question here is, of course, with the Cassandras fretting over the recently sustained higher inflation indications (including some central bank officials), why aren't GLOBAL GOVVIES that were seeming to reflect more 'risk-on' until early July back under more pressure?

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 with anticipation of higher 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 into that 92.00-.30 area for a test of 93.30-.40.

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/3g6mehR**.)

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 had 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.)

When the US DOLLAR INDEX slipped below the 92.30-.00 range once again on a partially restored 'risk-on' psychology, next lower support reverted to the 91.20-.00 area. However, at least so far it has not dropped anywhere near that (or even the key weekly MAs in the mid-91.00 area) prior to recovering even above the 92.00-.30 range for a test of 93.30-.40.

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 was once again the area to closely watch.

And the sharp failure late last week put the 1.1750 area back in play as a weekly Head & Shoulders H&S) Top Neckline (as evident on the atypical one-off weekly chart through Friday **https://bit.ly/3iOKPJy**), which it is quietly slipping below on a fresh 1.1800 DOWN Break.

Does that mean the 1.1100 Objective will be hit? Well, long before that would happen it will be important to see if it at least posts a weekly Close below the important late-March 1.1700 area trading low. That is the low between the Head (H) and Right Shoulder (RS), the violation of which is always a key indication of whether the H&S Top is a bona fide pattern reversal.

That is based on whether it is fulfilling at least the minimum bear trend definition of a “lower low after a lower high” (as the high of the right shoulder by definition always is.) With it already having tested that level this week, its activity later this week into next week is both important in its own right, and as a sign of the overall ‘risk appetite’. The key higher near-term threshold is once again that 1.1815 interim congestion back above the nominal 1.1800 DOWN Break.

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 Brexit agreement prior to reacting back down.

That was back 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 had evolved in the context of recent US DOLLAR weakness assisting in pushing it above major 1.4000 area congestion since mid-May. That had previously held despite any minor US DOLLAR bounces, also now including weekly MA-9 and MA-13 trend supports.

The next resistances were not until the interim low-1.4200 area it recently tested prior to slipping 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 (even if now refuted), it is back below the 1.4000 area congestion with 1.3750-1.3800 area next support that had also been violated after previously 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 with the 1.3750-1.3800 area reinstated as next support.

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, that leaves the current slippage back slightly below the .7350-.7400 area after the failure to reach .7500 next resistance on the rally as critical as the EUR/USD test of its 1.1700 area (see above.)

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. Yet the current nominal strength back above 110.00 would seem to suggest the lack of a YEN 'haven' bid, even if that might be reversed if there is any significant damage to the recent '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 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. Yet it was also split on some of the EMERGING CURRENCIES responding well to the renewed strength of CRUDE OIL prior to its recent weakening once again.

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 churn around the 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 remaining the key lower range it has finally weakened back below once again.

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 to retest 73.00-72.50 area that has held for now.

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 had USD/MXN back down into the 19.80 area, which it has interestingly held despite the return to CRUDE OIL weakness.

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 had slipped below nearer to that 8.23-8.20 range earlier this week prior to recovering into the 8.52-8.45 area once again. Yet it is now the case that weekly MA-13 (along with MA-9) has moved up into the 8.56-8.58 range, reinforcing resistance around that 8.5764 previous major November 2020 all-time high.

And the weekly Oscillator indications suggest that this is also now a near-term weekly Oscillator threshold, Yet the more critical thresholds (reinforced by recent topping into the minor new highs) are into June's current 8.7917 all-time high, and a very minor new high at 8.91 and then not until 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.

While there are still some important economic releases and central bank missives this week, for the most part it is generally the depths of the Summer Doldrums. While there is some of that as well next week, the August 26-28 Kansas City FRB Jackson Hole Symposium next week will create anticipation of greater influence then, and into the following week's major early month economic releases. That will bring a return to business as usual.

Monday kicks off with major Chinese economic data and the NY Empire State Manufacturing Index along with the BoC Senior Loan Officer Survey. Tuesday is a more critical day on the major UJ employment indicators, quite a bit of Euro-zone and US data including Retail Sales figures in the latter.

Wednesday sees quite a few Asian economic indications into UK, Euro-zone and Canadian inflation data along with US Housing Starts. Thursday sees Australian Employment into various US and Canadian releases. It all wraps up on Friday with Japanese CPI, UK and Canadian Retail Sales and almost nothing in the US.

Of course, as good as the resilient 'risk-on' psychology may still appear in the US equities grind higher and the return to a bit more of a 'risk-on' psychology in the other asset classes, the still troubling aggressive spread of the COVID-19 Delta variant represents an ongoing global risk factor. As such, you will not be surprised that we obviously maintain our recent advice that has been vindicated again of late: Keep those seat belts firmly fastened.

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