RESEARCH NOTE

Wednesday, August 25, 2021

Still Friendlier… Will It Last? Quick Take, Calendar

It is much as we had reviewed in Tuesday's 'Friendlier Focus' research note on the improved psychology that has spread from the US EQUITIES late last week into the other asset classes. That includes both weakening of GLOBAL GOVVIES and some further firming of EMERGING CURRENCIES pointing to greater 'risk appetite' than was apparent into the end of last week. That said, developed currencies are less convincing so far, with more US DOLLAR INDEX weakness and greater EURO CURRENCY strength still not apparent as yet (need EUR/USD above 1,1800; see below.)

Yet the basic idea that as bad as the COVID-19 Delta variant predations are at present, the global economy is learning to deal with it. That may not prove durable if the current Chinese lockdowns (with other countries' actions) become more extended. Even Tuesday's reference to the lack of any new 'local' Chinese COVID-19 infections shared the idea that this was not going to lead to any immediate extensive cancellations of pandemic suppression restrictions.

This is also into the still contentious and fraught Fall return to schools. That is especially for the US South and Southeast, with their low COVID-19 vaccination rates (with some modest uptick finally in the wake of the obvious Delta variant problems), and some state officials still fighting local level mask mandates.

The other macro factor which is still looming large for late this week is the KC Fed's virtual Jackson Hole economic Symposium beginning Thursday evening. The major focal point is Fed Chair Powell's Friday morning (10:00 EDT) 'The Economic outlook' speech. Most folks are expecting that in light of the recent COVID-19 pandemic developments and weaker 'rearview mirror' economic data (as has mostly been the case this week as well), he will be vague yet supportive of continuing the full FOMC QE for now.

We believe that is what the markets are expecting, and is another part of the support for current renewed risk appetite. The key market aspect beyond the US EQUITIES holding onto gains into new all-time highs from early this week, is the weakening of GLOBAL GOVVIES. That is like the SEPTEMBER BUND FUTURE dropping further below 177.00-.50 congestion. Weak sister SEPTEMBER GILT FUTURE is also now well below the 130.00-.50 range.

Emerging currencies have also continued to recover from last week's extensive pressure below technical trend supports. Following up on yesterday's highlights, USD/ZAR is now back down below the 15.00 area, even if only modestly so.

However, USD/MXN is still above the important recently violated 20.25 congestion area after temporarily dipping below it earlier today. That is interesting in light of the major CRUDE OIL resurgence. It must now be assumed that ENERGY MARKETS are subject to more 'supply management' influence than general economic activity.

Further activity in both currencies will be most interesting later this week, and whether EUR/USD can sustain activity back above the 1.1800 area will also be generally important for developed currencies 'risk appetite' indications as well. For your ease of access to the full perspective, both Tuesday's 'Friendlier Focus' and last Friday's 'Reaction Reflection' research note are repeated below, followed by the fully updated and consolidated Evolutionary Trend View on the market.

Courtesy Repeat of Tuesday's 'Friendlier Focus' research note

While in Friday's Reaction Reflection research note we outlined the case for a continued 'risk-off' psychology in any of the asset classes outside of the resurgent US EQUITIES, some recent developments have created the 'friendlier focus' noted in today's title. That revolves around the latest COVID-19 pandemic Delta variant news as well as the positive forward looking US FDA full approval of the Pfizer-BioNTech vaccine from previous EUA (Emergency Use Authorization.)

That is very important for both its psychological influence on those who've been reluctant to get the vaccination, and it is suspected that similar approvals for the Moderna and Johnson & Jonson vaccines will also be forthcoming fairly soon. Well beyond that is the legal protection it will in all likelihood provide entities which were already inclined to require employee vaccination, yet were worried about both image and especially legal ramifications.

This is gone now, and the highest profile case is the immediate requirement for all US military members. Yet that is for future protection, even though it will likely play well with other vaccination proponents in still challenged environments.

That is especially for teachers unions during the current return to school in still heavily affected areas of the US South and Southeast. As a sign of the risks on that very important front (affecting older individuals in the households as well), there are already a not insignificant number of students and teachers in quarantine in the affected areas.

Even going back a week ago for the news on what was happening in the districts with an early return to Fall classes (with a much heavier flow into the end of this month), there was a very good USA today article (**https://bit.ly/3sIbbAk**) noting all of the quarantines which included teachers as well. Without being political about it at all, it would seem that the anti-masking public officials along with quite a few parents have triggered a return to remote learning.

And not just in the US South. Along with that problematic development is an international indication of the positive nature of pandemic suppression measures… "For first time since July, China reports no new local COVID-19 cases" was the title of an early Monday Reuters article (**https://reut.rs/2Wecjj1**.)

It is as we noted in Friday's Reaction Reflection research note (repeated below for your ease of access) comment from a very prominent supply chain specialist, "*China's zero tolerance policy is good for the pandemic but bad for the supply chain*" ...and is expected to continue.

Monday's article cites Oxford University Professor of Epidemiology Chen Zhengming's view, "*Although China's current (COVID containment) policy is characterised by a high degree of disruption as well as cost, a suite of effective measures has been established, which I don't think will be abandoned easily*." Considering the dissent on basic measures in the US and also in many parts of Europe, some may wonder how this can be maintained as the key method for Chinese pandemic suppression.

Professor Chen is cited again later in the article on this point saying, "*Ordinary people are basically used to the measures without having too many complaints. And the effectiveness (of those measures) is discernible - case numbers recently have significantly declined*." That said, he doubted whether China could afford to impose such measures in the long run, and that's going to be interesting.

Yet the market indications on these two related developments are to create a bit more of an upbeat psychology where it was already the case… most particularly in the US EQUITIES surge back from last week's early selloff. The SEPTEMBER S&P 500 FUTURE setting a new 4,492 all-time high today (after already exceeding last week's 4,476.50 on Monday.) However, after last week's selloff it is important to note this week's 4,470 and 4,495 Oscillator levels. As such, the powerful rally is right back into the near-term weekly Oscillator thresholds this week.

This is also in the context of the other asset classes not having fully returned to the previously lapsed 'risk-on' psychology. While the GLOBAL GOVVIES have been back under a bit of pressure, the recent economic releases have been mixed at best (from their previous overall strength.) That has left the SEPTEMBER T-NOTE FUTURE only back down around the low end of the important 134-00/-16 area. The GILT and the BUND are also only down around the low end of their key technical areas.

Foreign is also seeing more strength in the DEVELOPED CURRENCIES and EMERGING CURRENCIES against the US DOLLAR, yet not in a decisive manner as yet. In the DEVELOPED CURRENCIES the most important indication is EUR/USD recovering back above its 1.1703 late-March low, yet not able to yet push above the recent 1.1800 DOWN Break (**https://bit.ly/3mBagR4**.) This correlates very well with the recent US DOLLAR INDEX major weekly down channel 92.70 UP Break (**https://bit.ly/3yjUEE8**.)

And in the EMERGING CURRENCIES there has been more of a lack of confirmation of the reversal of the recent 'risk-off' psychology. While they have rallied quite a bit from the depths of last week's selloff, USD/ZAR is only back down to the 15.00 area, and USD/MXN is only around the important recently violated 20.25 area. Further activity in both of those two items will be critical later this week.

Courtesy Repeat of Friday's 'Reaction Reflection' research note

While it admittedly took a couple of weeks, the US EQUITIES unconvincing stall into recent new all-time highs has finally resulted in a more telling reaction. It is worth reflecting on the nature of the selloff so far after this week's return to major volatility, and revisiting what to look for next, as was already fully explored in Thursday's 'Minutes Mayhem' research note (we suggest a review for anyone who has not done so already.)

The question now is whether this is another of the recent serial short-term sharp corrections, which recovered so quickly after testing lower key support? Or is it more so the prelude to a more significant downside reaction? As always, the market gets the final word, and the proper way to consider trend dynamics is to understand the technical structure into key Evolutionary Trend View (ETV) price levels. Once again, technicals are the trend analysis Rosetta Stone.

For US EQUITIES it is much as we discussed in Thursday's analysis of SEPTEMBER S&P 500 FUTURE key trend projections. That means the violated 4,425 congestion above and the hefty 4,380-65 congestion below, yet with the more critical 4,345-40 area trend support below as a far more critical psychological decision area next week.

All of the ETV dynamics on those were explored at length in Thursday's analysis, and we refer you back to that for the full discussion. The SEPTEMBER S&P 500 FUTURE recovery so far late Thursday into today from the significantly lower 4,345 area is impressive. Yet the proverbial 'proof in the pudding' will be how it finishes the week later today. While a Close below 4,425 will look 'weakish', only a finish below that 4,380-65 congestion will set up an immediate test of the more critical intermediate-term 4,345 support next week.

All of that said, other asset classes are still reflecting a more definitive 'risk-off' psychology than during the churn of the previous couple of weeks. While the GLOBAL GOVVIES are not pushing much higher at present, they are holding recent gains into key higher resistance ranges from which they had reacted previous.

FOREIGN EXCHANGE remains a greater reflection of the 'risk-off' psychology being back in gear at present. That is especially for the EMERGING CURRENCIES, yet with weakness in the DEVELOPED CURRENCIES as well. That is especially for the quiet yet sustained EUR/USD weakness below the 1.1703 late-March trading low (full discussion and annotated chart below.) Yet the far greater weakness is in EMERGING CURRENCIES.

As also noted on Thursday, the SOUTH AFRICAN RAND weakness has been reflected in USD/ZAR strength above the 15.09 late March 8-month trading high, with next resistance not until the mid-15.00 area. The same is true now to a similar degree in the MEXICAN PESO on USD/MXN back above 20.00 after recent serial tests of the 19.80 area. While on Thursday it was not above the hefty 20.25 area congestion, (also tied into the 20.10 weekly MA-41), it is well above it today with the interim congestion not until 20.65. Along with WTI CRUDE OIL further below 71.00-70.00 congestion and even 65.00 area support, it all feels like 'risk-off'.

This is pointing toward the market realization of the reimposition of COVID-19 pandemic economic and social restrictions on the virulent spread of the Delta variant due to far higher transmissibility. As glaringly apparent in several lightly symptomatic cases among US senators this week, that is for the fully vaccinated with the unvaccinated suffering to a much greater degree. The silver lining to this latest COVID-19 horror is the recent sharp rise in the US vaccination rate.

Yet as the old axiom notes, "*The market* (which is classically to say equities) *is a creature of expectations*." And the near-term expectations are eroding markedly on the current news, which relates to some factors we have been highlighting over the past two weeks. While there is concern over inflation as it relates to sapping consumer spending due to higher retail prices, COVID is more troubling.

Yesterday's review of the key elements of Wednesday's FOMC Meeting Minutes release still stands on there being less chance of an early taper. Yet that is due to the very good reason of Fed Delta variant concerns (all easily reviewed in our modestly marked-up version at **https://bit.ly/3y0iKUe** with the comments below.) As noted in a brief Reuters article (**https://reut.rs/3j2PlEB**), even very hawkish FRB Dallas President Kaplan is reconsidering the timing of any Fed QE 'taper'.

Yet it would seem our concerns about any restrictions in China as they affect consumer sentiment and activity there, and more so the impact on their export channels for other economies is more telling. The most informed view on the trade situation is in Tuesday's Reuters article (**https://reut.rs/3kduA8F**) with an extensive discussion of the multiple restrictive measures. It cited the view from Dawn Tiura, CEO of US-based Sourcing Industry Group that, "*China's zero tolerance policy is good for the pandemic but bad for the supply chain*."

This is just as we had repeatedly expressed over the past couple of weeks. Additionally the article notes just how much worse the problem has become over that period as COVID-19 infection levels and attendant restrictions rise.

There is also a subtle current intermarket indication from US EQUITIES. Note that NASDAQ 100 which was the weaker sister on the US EQUITIES push to new highs two weeks ago is back to being the stronger sister against the DJIA, which has suffered quite a bit after leading the way into Monday's new all-time high. This is indicative of the shift back from some hope the cyclicals would lead once again on the continued global reopening, with the tech stocks getting their edge back from anticipation the 'remote' economy might return to being a necessity.

Also implicit in this 'reflection' is the warning US EQUITIES are not on any way a critical overall 'risk appetite' barometer. In the context of now more likely continued central bank accommodation (versus early QE 'taper'), it is possible US EQUITIES will once again take on a TINA (There Is No Alternative) psychology. While that might create even more radical risk for US EQUITIES down the road, any near-term strength will not likely reverse the 'risk-off' psychology elsewhere.

Market Quick Take

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. That is clear on the FRONT MONTH S&P 500 FUTURE weekly chart (**https://bit.ly/3sKIoMU** updated through Friday.) 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.

And the SEPTEMBER S&P 500 FUTURE subsequently sustaining activity above the 4,425 and 4,450 weekly Oscillator thresholds was a sign of continued strength as they were still rising $25 per 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 4,450 level early last week (on weekly MA-41 up $25), there seemed to finally be some real risk.

Yet even below the key lower interim levels into the recent 4,425 area congestion and the 4,380-65 area bottom of that, it held key lower support looking forward into this week. That far bigger level was the 4,340 area on both weekly MA-13 (loosely held on all recent sharp reactions) into this week, and the significant aggressive weekly UP Channel from the major 2,174 March 2020 cycle low.

In the event, last week's SEPTEMBER S&P 500 FUTURE late week recovery back above the 4,425 area pointed to the strength of the psychological recovery as well as exceeding the key technical resistance areas. That led to the new all-time highs above last week's early 4,476.50 trading high (prior to the temporary sharp selloff.)

That again leaves the near-term Oscillator thresholds into 4,470 (already exceeded) and 4,495. It is also once again interesting that those are still moving up $20 per week. That means next week they will advance to the 4,490 and 4,515 areas (on the rising MA-41.)

Also of note at this point is that into next week the extended (all-time high from last December) Oscillator thresholds will rise to 4,585 and 4,615. The higher of those is right into the longer-term upside 4.621 'swing count' (see chart) based on the radical selloff extent into the major cyclical March 2020 2,174 trading low.

That seemed an awful long way off when the old February 2020 3,397.50 high was finally convincingly overrun in early November 2020 (on the Pfizer-BioNTech vaccine efficacy announcement), it is much nearer at hand now. This is why the nearer-term Oscillator thresholds will remain important. For as far as the US EQUITIES have come, any sustained activity above them will leave the higher Oscillator thresholds and that major swing count Objective as the only resistances.

Evolutionary Trend View

While the FRONT MONTH T-NOTE FUTURE (March at the time) 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 (as apparent on the weekly chart through Friday **https://bit.ly/3yeXl9V**.) 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 subsequent 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 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 mid-136-00 area.

However, in the wake of all of this inflation pressure, the SEPTEMBER T-NOTE FUTURE was 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.

As recently noted, the question here with the Cassandras fretting over the recently sustained higher inflation indications (including more than a few major central bank officials), why aren't GLOBAL GOVVIES that were seeming to reflect more 'risk-on' until early July back under more pressure?

While the **MARCH BUND FUTURE** remained above 173.00-172.50 congestion, as expected it was a bit demoralizing that the JUNE BUND FUTURE was so far below it when it became front month future (as seen in the weekly chart updated through Friday **https://bit.ly/2Wo3mDG**.) 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 previous 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 has been vigorously tested in recent trading. 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. On the current return to weakness the key lower remains 175.50-.00 it pushed above in mid-July after a more telling violation of 172.00-.50 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 pointed to resistance in the low-mid 129.00 area into which it indeed stalled into early June.

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

In **FOREIGN EXCHANGE** the **DEVELOPED CURRENCIES** had also seen massive shifts from 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 on the more upbeat global recovery outlook on the COVID-19 vaccination success despite near-term setbacks.

After the **US DOLLAR INDEX** had 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 above that area (as evident on the weekly chart through Friday **https://bit.ly/3yjUEE8**.) That still left historic 89.50-.00 area support tested during December through February and just missed in late May as 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. That is along with a fresh major weekly 92.70 down channel UP Break (see the chart.) While recently above the next congestion in the 93.30-.40 area (including the March 93.43 8-month trading high), even back below it the 92.70-.60 area will remain a key near-term consideration.

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 meant 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/3mBagR4**), which it quietly slipped 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 sees greater weakness below the important late-March 1.1700 area trading low than the temporary slippage two weeks ago. 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, and fulfills 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.)

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 was 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. After the recovery back up to near 1.4000 prior to weakening once again left the 1.3750-1.3800 area reinstated as next support, which has now already violated once again. That brings the 1.3700-1.3670 area back into focus, with the next interim support in the 135.00 area, and the more major congestion not until the 1.3300 area,

The **AUD/USD** early-November through December surge back above .7200, .7350-.7400 congestion as well as interim .7500 area was a strong sigh that led to temporary strength even above the .7650-.7700 resistance the subsequently fizzled. The next interim resistance was as nearby as the recently exceeded .7800 area it was churning around prior to the resumption of recent weakness.

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

While recent stability had left it back up near .7500 once again, the COVID-19 Delta variant impact 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 selloff back below the .7350-.7400 area after the failure to reach .7500 next resistance on the rally, with it recently back below the .7200 area once again prior to the current bounce, and next support not until the .7000 area.

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 not much worse than 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.

And **EMERGING CURRENCIES** have now diverged to a greater degree than in recent memory, due to ‘country’ factors. That has seen the SOUTH AFRICAN RAND weaken to a greater degree, and the previously beleaguered TURKISH LIRA hold more of a bid than seen in a while. However, in general they remain a good general indication of ‘risk appetite’ due to their economies’ sensitivity to overall economic conditions. That seems to also be especially as it relates to the headwinds from the COVID-19 pandemic.

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 it was recently above on the EMERGING CURRENCIES pressure with the next congestion in the mid-15.00 area. Yet the renewed risk appetite has it slipping slightly back below that area.

Even when other EMERGING CURRENCIES have reacted to the downside of late, the **RUSSIAN RUBLE** had seen **USD/RUB** weaken at times on the back of sustained CRUDE OIL strength. The 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 was 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. After that held, weakening CRUDE OIL prices had seen it rally back up nearer 75.00 once again prior to stalling.

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 partial return to CRUDE OIL weakness.

Yet the extended energy market drop has seen it back above 20.00 after recent serial tests of the 19.80 area. However, after breaching the recent hefty 20.25 area congestion (also tied into the 20.10 weekly MA-41) it is back into it yet no worse at present..

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 and MA-9 have stalled up into the 8.54-8.57 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 were still important economic releases and central bank missives last week, for the most part it was generally the depths of the Summer Doldrums. This week gets back to more meaningful data as well as the August 26-28 Kansas City FRB Jackson Hole Economic Symposium with a Powell speech on Friday. While that brings with it the anticipation of some meaningful insight in the Federal Reserve's QE 'taper' plans, we believe that is misguided.

The headwinds created by the COVID-19 Delta variant are going to limit the ability of the Fed's hawks to impose any early QE taper. For more on that see Friday's analysis.

Monday kicks off with the Advance international PMIs into US Existing Home Sales and the Euro-zone Consumer Confidence. Tuesday brings German GDP into select US economic releases, with Wednesday seeing still light yet meaningful data, like the Japanese Leading Economic Index, German IFO Surveys and US Durable Goods Orders.

Thursday brings quite a bit of European data and the ECB meeting accounts into the Weekly US Jobless Claims numbers, and the second look at US Q2 GDP and attendant numbers. It is also the evening kickoff of the Jackson Hole Economic Symposium (and release of the full agenda), yet with Friday's Powell speech as the focal point. There is also a bit more European data and quite a few more US economic releases. All of this is also into a long UK weekend into Monday's Summer Bank Holiday.

Of course, as good as the resilient 'risk-on' psychology may still appear in the US equities sharp recovery from the early selloff last week, the return to more of a 'risk-off' psychology in the other asset classes counters that. This is likely due to the still troubling spread of the COVID-19 Delta variant. 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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