



## RESEARCH NOTE

Wednesday, September 8, 2021

### Reaction or Reversal? Quick Take, Calendar

As noted in Tuesday's 'Slow Roll Risk-On' research note (repeated below for your ease of access), "*Markets have backed off a bit from the 'risk-on' psychology strength prevalent into the end of last week...*" As that has carried a bit further today, the question becomes whether this a reaction, or a more important trend reversal?

There are quite a few reasons to suspect it might be a reversal based on the still weakening 'rearview mirror' economic releases. That tendency has continued into this morning except for slightly better than expected Japanese GDP. It is also the case that outside of Monday's German Factory Orders and Tuesday's Chinese Trade numbers, the data has been roundly disappointing over the last two weeks.

So why wouldn't the markets be ready to anticipate more 'risk-off' than 'risk-on' where the recent, and presumed future, predations of the COVID-19 Delta variant seem to be at work? Well, for one thing, the shock of the Delta variant ripping through the US South and Southeast is finally making a difference in the relative anti-vaccination sentiment in those areas. Vaccination rates are quite improved.

However, as discussed previous, those near-term increased vaccination rates are not going to solve the problem insofar as they take up to a couple of months to achieve their full protection. There is also the US problem of mask wearing having been highly politicized, with the major anti-masking faction refusing to cooperate in what many medical professionals consider a major public health necessity.

On the other hand (as also recently explored at length), the weaker economic data is supporting the 'doves' at the main central banks. They insist the extended economic drag from the Delta variant's impact requires continued QE. It is the case that yesterday the Reserve Bank of Australia confirmed this (see below), and just this morning the Bank of Canada also maintained its accommodative stance after holding its base rate steady at 0.25%.

In fact, its accompanying statement (<https://bit.ly/3zPYmGZ>) notes "...*low-wage workers – are still disproportionately affected*" by Delta damage (sounds like Powell), and projections suggest that its 2.0% inflation target will not likely be achieved until "...*the second half of 2022.*"

And then there will be the Fed's Beige Book this afternoon to illuminate us on its thinking on the way into its major September 21-22 meeting (i.e. including all of the staff and member projection updates.) While this can change based on the additional interim economic indications, it is likely if the near-term 'macro' data releases remain weak, it will support the doves in their support for continued QE.

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We can also only imagine that the ECB will maintain the near-term QE program support regardless of any talk of the need to 'taper' its efforts 'at some point'. While there have been some adjustments to the various ECB programs over the past several months, these have all tended to support even more extended QE.

This then all gets back to what markets are saying about a potential sustained reversal of the 'risk-on' psychology, as after all they get the final word. The US EQUITIES have seen the SEPTEMBER S&P 500 FUTURE early week test of the 4,545 higher of the two near-term weekly Oscillator thresholds fail. Yet at least so far on the selloff the market has held not too far below the 4,520 lower threshold. It has been the case for weeks the stallouts into the higher threshold have seen selloffs, yet without ability of the bears to sustain weakness below the lower threshold.

That is also going to make for an interesting indication through the course of the central bank influences, and return to international inflation readings. That is for China on Thursday, with German CPI and US PPI on Friday. Those are going to be interesting for GLOBAL GOVVIES that have been under more pressure again of late (in another nominal indication of the 'risk-on' psychology impacting them.) That is going to be especially of note for the DECEMBER BUND FUTURE, which just took over as FRONT MONTH BUND FUTURE on the expiration of the SEPTEMBER BUND contract at 12:30 CET today.

The major 3.00 December contract discount is a sign of inflation anticipation, and leaves it not just below the 175.50-.00, but also below the 173.00-172.50 next significant support. That could point toward a test of the next major support in the 170.00-169.50 unless there is a recovery back above the 173.00-172.50 area (see the weekly chart for more <https://bit.ly/3BOoqCO>.)

While Germany is also facing a bit of a political shift, informed sources tell us that this is not as yet part of any fears for German interest rates. However, even if the weak BUND activity (recently the downside leader) is only on inflation fears, it speaks volumes on the degree to which inflation anticipation is now ingrained.

This takes us over to FOREIGN EXCHANGE, where the weakness of the US DOLLAR INDEX over the past couple of weeks from its previous sustained strength has also fully supported the 'risk-on' psychology. That is insofar as it is a sign of no 'haven' bid in the greenback on fears elsewhere in the world. That said, there might also be a bit of aversion toward the US DOLLAR due to the country being so much more plagued by the Delta variant than previous, and compared to its European peers.

Yet at least so far, strengthening of the US DOLLAR INDEX this week only amounts to a reaction back up to a key failure level. That is the mid-August 92.70 major down channel UP Break (see the weekly chart <https://bit.ly/3tly0KH> for a view of that.) While the weakness back below that level last week was relatively nominal, it does shift the burden of proof back onto the bulls to reassert the up trend.

The mirror image trend on the EUR/USD weakening is that much more telling insofar as its squeeze above the key resistance is on a totally different technical pattern; even if concurrent with US DOLLAR INDEX activity. That is the inability of the EUR/USD bears to maintain the early August 1.1800 weekly Head & Shoulders Top DOWN Break (<https://bit.ly/3hac0xj>) despite a month of churning below it.

Of particular note, this also has EUR/USD back above weekly MA-9 and MA-13 in that same 1.1800 area. This intensifies the importance of that 'burden of proof' on bears attempting to reinstitute the 'risk-off' psychology that was still in place in FOREIGN EXCHANGE (despite sustained US EQUITIES strength) until two weeks ago.

And it is much the same for EMERGING CURRENCIES, which were under even more pressure until two weeks ago prior to their current 'risk-on' resurgence. This is especially the case for the SOUTH AFRICAN RAND, which had seen USD/ZAR rally up through the mid-15.00 area. However, since then it has dropped back below 15.00-.10, 14.80-.70 and even 14.40-.50 area to test the 14.20 next key congestion this week. While holding that, only back above 14.40-.50 would indicate any 'reversal'.

### **Courtesy Repeat of Tuesday's 'Slow Roll Risk-On' research note**

Markets have backed off a bit from the 'risk-on' psychology strength prevalent into the end of last week, even as that was less of a bullish rocket than a slow motion climbing freight train. As noted in Friday's 'Problematic US Numbers' research note (repeated below for your ease of access), "*The miss of roughly 500,000 additional Nonfarm Payrolls jobs at +235,000 in this morning's US Employment report is indeed problematic...*", which is as opposed to catastrophic.

For more on those particulars, see below on the significantly mixed messages there. The crux of the matter is the degree to which weaker economic data also provides the central banks greater latitude to continue their QE programs at the current still massive levels prior to announcing or enacting any 'taper'. Friday's US report seems to have taken any 'date certain' for the Fed to announce its taper program specifics, and there was more from the Reserve Bank of Australia today in the statement (<https://bit.ly/3l0rKUJ>) accompanying its steady 0.10% rate decision.

To wit from Governor Lowe, "*The recovery in the Australian economy has, however, been interrupted by the Delta outbreak and the associated restrictions on activity. GDP is expected to decline materially in the September quarter and the unemployment rate will move higher over coming months.*" Even allowing that Australia has been harder hit by the Delta variant than most other developed economies, the overall manta is the same as form most other central banks.

This is why this week's return to more central bank influence is so interesting in the context of still weakening 'rearview mirror' macro data releases. Outside of the much improved August Chinese trade numbers this morning (which should be a good sign for the global economy), the rest of the recent global data has been particularly disappointing of late. Indeed, this might explain part of the limited softening of the 'risk-on' psychology into this morning.

However, for the balance of the week there will very likely be more effusive expressions of central bank support. That will be from the Bank of Canada on Wednesday morning followed by the Fed's Beige Book in the afternoon, and especially from the ECB on Thursday. The latter must also now contend with the weakening of Angela Merkel's conservative bloc as she nears the end of her political career. As today's Reuters article (<https://reut.rs/3n9ps8p>) notes, the combined approval for the challengers might mean a profligate government coming into power soon... which might also explain quite a bit of the recent weakness of the GERMAN BUND beyond the current inflation concerns.

The overall weaker data brings the likelihood of a significant extension of the current central bank largesse. Whether the softer data is indeed due to the Delta variant predations (or at least partially so) is problematic. Yet the assumption that is the case is likely enough to fuel market expectations of more money flowing at a time when productive investment remains challenging. As such, there is the greater likelihood it will end up in EQUITIES as a way to achieve yield. For more on specific markets, please see Friday's analysis below with updated charts.

### 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/3DW6W9M> 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 after what was the 'lackluster jailbreak' after the previous outstanding US Employment report. With the market dropping back below the 4,450 level two weeks ago, 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 also held key lower support two weeks ago looking forward into last week. That bigger level was 4,340 on both weekly MA-13 (loosely held on all sharp reactions) into last week, and the significant aggressive weekly UP Channel from the major 2,174 March 2020 cycle low. In the event, the recent 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 recent new all-time highs above the previous week's 4,476.50 trading high (prior to the temporary selloff.)

That left the near-term Oscillator thresholds into 4,520 and 4,545 areas this week (rising MA-41), rising to 4,545 and 4,570 next week... hence the importance of 4,545 now, especially after it was the rough trading high last week and again early this week.

Also of note at this point is that this week the extended (all-time high from last December) Oscillator thresholds will rise to 4,615 and 4,645. The higher of those is right into the major 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 remain important this week. For as far as the US equities have come, any sustained activity above them will leave the higher 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/3yJ850s>.) 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 still 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. This is all the more interesting as the pressure on the other global govies seems to stem in part from US inflation indications. And the SEPTEMBER T-NOTE is finally weakening a bit below the 134-00 area, even if only slightly so far.

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/3BOoqCO>.) 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 was 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 below 177.00-.50 area the key lower remains the 175.50-.00 area it pushed above in mid-July after a more telling rally above the 172.00-.50 area. Yet it was now already back down into the low end of the 175.50-.00 range. While holding might have given some folks a sense of support, that was also violated into early this week.

And that was only the prelude to today's SEPTEMBER BUND FUTURE typically early month expiration with the DECEMBER BUND FUTURE trading at a full 3.00 discount. And that is with the December contract also below the 173.00-172.50 area, which seems to point to quite a bit of inflation expectation there. It also points to the potential test of the next major 170.00-169.50 congestion unless there is a recovery back above the 173.00-172.50 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.

In that regard, the GILT not rallying any further than a retest of the high end of the 130.50-.00 area was a warning, even if it was maintaining that rally into higher resistance until the recent return of pressure. Yet on the current weakening back below 130.50-.00 area the next support remains 128.00. While quite a ways off, the September contract expiration currently sees a DECEMBER GILT FUTURE that is already trading down into that lower congestion.

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/3tly0KH>.) 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), back below it the 92.70-.60 area will remain a key consideration (see today's introductory analysis for more on that.) Failing below it last week was a negative sign. This is also tied into the **EUR/USD** decision back into its recently Negated 1.1800 weekly H&S Top DOWN Break (see below.)

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 recent sharp failure 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/3hac0xj>), 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 weekly Close slightly below it 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 right shoulder by definition always is.)

Yet on current form, the sheer 'trend flow' for the past several weeks looks bad for the bears. Having a sizable weekly pattern DOWN Break show some progress only to not exhibit downside 'follow through' on a selloff two weeks later feels like that overall DOWN signal that is not performing to reinforce the overall trend reversal. Into last week it was all coming down to whether the bears could defend the 1.1800 area overall despite the recent buoyant price activity, and that was not the case.

**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 brought the 1.3700-1.3670 area which was temporarily violated two weeks ago back into focus, with the next interim support in the 135.00 area, and the more major congestion not until the 1.3300 area, Yet the current squeeze back above the 1.3750-1.3800 area looks at important as the EUR/USD decision, with the weekly MAs also all in that area meaning it should also be closely watched overall this week.

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.

While it was recently back below the .7200 area once again with next support not until the .7000 area, the current rally back above both the .7200 area and 7350-.7400 leave the .7500 area as next resistance once again.

**USD/JPY** was the prima facie example of the extreme mid-February 2020 'haven' bid in the US DOLLAR, as the typical fellow 'haven' currency YEN came under heavy pressure on the USD/JPY surge above 110.00 for the first time since May 2019, leading to an immediate rally to the prominent 112.00-.50 area into the end of that week.

Yet here as well, once the US DOLLAR came under pressure on its loss of 'haven' status due to the COVID-19 spread in the previously safe US, at the end of February it 'crashed' back below the 110.00 area to Close into 108.00 again.

Yet that did not hold since early March began on weakness that carried below the interim 106.00 area and once again below the 105.00-104.50 range (39-month trading low with major tests in March 2018, January 2018 and August 2019.)

On recent form it had been previously churning below 105.00-104.50 as recently as January prior to pushing aggressively back above both 106.00 and 108.00 into early March. That it was above both 106.00 and even 108.00 despite US DOLLAR strength is in line with the strength of other DEVELOPED CURRENCIES, and is thereby another 'risk-on' indication.

The bid leaving the other 'haven' currency reinforced the previous secular US DOLLAR weakness on the violation of higher USD/JPY resistance into 110.00 being temporarily violated into early April prior to weakening back down to hold a test of the 108.00 area. Yet that lack of any 'haven' bid is once again reflected in USD/JPY stabilizing not much worse than the 110.00 area, which it is now squeezing back above. That still runs counter to any shift to a 'risk-off' psychology on the lack of a 'haven' bid in the other 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 political violence adding to its already substantial COVID-19 woes.

Even though the violence had abated, the RAND remained weak after a churn around the higher interim area around 14.70 area (with weekly MA-41 at 14.72 at that time.) 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, only stopping into the next congestion in the mid-15.00 area.

Yet the renewed risk appetite has been very prominent in USD/ZAR, with the slide since early last week dropping back below 15.00-.10 area, 14.80-.70 and even the 14.40-.50 area, leaving 14.20 once again as the next key congestion (early-August trading low.) While that has held early this week, only sustained activity back above 14.40-.50 would signal a reversal. The next lower support is loosely 14.00 into the 13.90-.85 range.

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 WTI CRUDE OIL prices had seen it rally back up nearer 75.00 once again prior to stalling. However, the recent major WTI CRUDE OIL recovery back toward 70.00 has seen it drop fully back into the 73.00-72.50 area prior to the current bounce.

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 at that time) it is back below it. Now also back below the 20.00 area (also weekly MA-9 and MA-13) brings the 19.80 area back into consideration once again.

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 it was up against near-term weekly Oscillator thresholds prior to the recent more prominent selloff. While the more critical thresholds (reinforced by recent topping into the minor new highs) are into June's current 8.7917 all-time high, those moot after the current two-month selloff. The recent USD/TRY weakness has left it more so down vigorously testing the early-August 8.2960 and early-June 8.2832 trading lows, with the more prominent support down into the 8.00 area (including weekly MA-41.)

### **Reports & Events**

While still obviously less relevant (as we have been noting for some time and is most glaringly apparent again at present) on the standard report releases in the midst of more major global trade and political cross currents, the Weekly Report & Event Calendar (accessible for Sterling and higher level subscribers) is available via the [www.rohr-blog.com](http://www.rohr-blog.com) sidebar.

This abbreviated version of our weekly summary is coming to you from the road in delightful DC, and reminding you that we were out on Monday for the Canadian and US holidays today (respectively Labour Day and Labor Day.) We are back to full market engagement as of Tuesday morning, albeit still from the road.

## **ROHR RESEARCH NOTE** Wednesday, September 8, 2021

It highlights what a light reporting day Monday was in the rest of the world, and additionally the markets are conforming to our previous analysis indicating the return of the 'risk-on' psychology. While it is a very slow start, there are quite a few significant reporting events this week along with the return to key central bank events.

The latter include rate decisions from the Reserve Bank of Australia Tuesday, Bank of Canada Wednesday along with the afternoon Fed Beige Book release, and culminating with the next ECB rate decision and press conference Thursday. Along with other indications through the week, the late part of the week sees the return of a select amount of the recently more important international inflation data.

Of course, the troubling resilience of the COVID-19 pandemic on the continued Delta variant spread continues to offset more upbeat recent vaccination developments. As such, you will likely not be at all surprised that we obviously maintain our recent advice that has been fully vindicated again of late: Keep those seat belts firmly fastened.

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