



RESEARCH NOTE

Monday, September 13, 2021

Risk Shift, Quick Take, Calendar

It is of note that on an otherwise very light reporting day both the Japanese and German PPI were a bit lower than expected. That is in line with the central bank positions on how they can still provide significant levels of accommodation despite current elevated inflation levels. And the central banks are in unison on the need in the face of COVID-19 Delta variant headwinds.

While Western central banks were the focus last week, especially the ECB's 'twist' on its PEPP (see below), it was less well reported that China's PBC had extended more liquidity for MSMEs (micro, small and medium-sized enterprises.) In its statement (<https://bit.ly/2Xbhtxg>) it notes that "...as a special monetary tool designed by the PBC to support financial institutions to issue MSB (micro and small business) loans, has yielded positive results." Of course, this is quite a bit like the ECB's TLTROs and various Fed programs from during the pandemic.

The interesting part is China is extending that as the pandemic is supposed to be winding down. Yet based on the recent impact of the Delta variant on China which led to renewed restrictions, that is not really the case. In one of CNBC Steve Liesman's his regular 'Road Back Barometer' segments (<https://cnb.cx/3tDOIKL>) highlighted the problems created by the Delta variant spread in US schools.

This is the downside of some US state governors banning mask mandates, and substantially in the under-vaccinated South and Southeast (although a bit in the Northeast now as well) schools are needing to close due to the sharp rise in children testing positive. As Liesman pointedly noted 1,700 schools are closed for an average of 8 days, and that is up 21% in the past week (see the associated graphic <https://bit.ly/399NJ5X> that does not indicate the closures had been up 100% the previous week.)

This is also not just an education problem. As we have highlighted previous, when younger children are not back in school, at least one parent is not available to work outside the home. This has been at least part of current labor shortages. With enhanced unemployment benefits ending this month, it will also represent additional pressure on those families, even if sporadically during limited-time school closures. This is not good for the future path of consumer spending where Delta has already created headwinds.

Possibly this is all part of central bank rationale pending further economic and inflation data, where we are going to see quite a bit of the latter this week. And it importantly includes Tuesday's US CPI to kick off that influence.

It is especially important that it is projected to moderate just a bit, and how that turns out may be a key market influence. While the markets have given central banks quite a bit of slack on their continued heavy accommodation, there will need to be some sign that inflation is at least topping out fairly soon to avoid market consequences.

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In another CNBC report this morning (<https://cnb.cx/2YH7m3p>), the CEO of 3M commented on this key industrial and consumer products provider seeing three kinds of inflation at present: “*raw material, labor and logistics*”, and that the inflation trends look likely to continue. In our view (along with other seasoned observers), the most pernicious is labor cost inflation due to its potential to raise inflation expectations. That has historically been the source of ingrained inflation that has the further potential to turn into the ‘stagflation’ last seen in the 1970s.

This might be a good reason why US EQUITIES might be under more pressure at present than seen since mid-August. However, much as at that time, there are lower supports after the SEPTEMBER S&P 500 FUTURE failed to maintain its upward momentum by Closing last week below the 4,545 weekly Oscillator threshold. While it also violated the next interim support at 4,462 late last week, it is above that this morning... which will be interesting later this week. That said, even if that goes by the wayside, the more important lower near-term trend support is into the low 4,400 area (including weekly MA-13) with a Tolerance to the upper 4,300s.

This is consistent with support that held on the temporary sharp US EQUITIES reactions over the past four months. The difference from the past several weeks is the now slightly diminished ‘risk-on’ psychology in other asset classes. Whether this is the beginning of a more extensive retracement or just a near-term aberration will likely become clear later this week after the key economic data releases.

For right now the key areas to watch are the US DOLLAR INDEX limited push back above its 92.70 failed weekly chart major channel UP Bream (see the weekly chart <https://bit.ly/3k27UJr> updated through Friday.) The Evolutionary Trend View (ETV) corollary to this is EUR/USD weakening a bit below its Negated weekly Head & Shoulders Top 1.1800 area DOWN Break (<https://bit.ly/2Xg4IAR>.) It will be important later this week whether those are just vigorous retests or something more.

Courtesy Repeat of Friday’s ‘Burden Shifts to the Bulls’ research note

As we have noted across successive recent analyses, the dynamic now is the highly anticipated weakening of (rearview mirror) economic data, yet with that also allowing for more of a continuation of central bank accommodation than the more upbeat observers had expected. This is likely to continue for now, as all of the recent major central bank communication notes those influences.

It was also the important thrust of Wednesday’s Beige Book (<https://bit.ly/3E89m4U>.) We did not include the discussion of that in Thursday’s ‘ECB Tapers... Sort Of’ research note due to there being much to discuss from the ECB nominal quasi-taper in its PEPP program, and how that was addressed (more so a ‘recalibration’) in the typical post-rate decision press conference. Yet the Beige Book reinforced all of the previous central bank communication and inferences from recently weaker data. Given its previous strength and potential influence on the Fed, that is especially true of last Friday’s very much below estimate US Nonfarm Payrolls.

The overall thrust is that while inflation remains stronger than anticipated, it is due to reopening bottlenecks and raw goods shortages which are expected to clear up into 2022. On the other hand, many services businesses (especially the ‘gathering’ economy... see below) are still suffering from recently reduced sales due to the COVID-19 Delta variant ‘consume reticence’. This is explicitly noted in the first part of the Beige Book national summary regarding “...a pullback in dining out, travel, and tourism in most Districts...” as we have extensively noted.

As such, much remains the same as previously explored, and we suggest a review of Thursday's and Wednesday's research notes (repeated below for your ease of access) for a review of those broad-based factors, if you have not done so already. The one factor highlighted Thursday which was not part of our previous assessment of US EQUITIES is SEPTEMBER S&P 500 FUTURE interim daily chart 4,492 congestion, which held during the weakness of the past couple of sessions.

That is important as the last support this side of the more obvious weekly chart 4,462 area congestion. There is also an issue of some incipient US EQUITIES weakness into next week now that the SEPTEMBER S&P 500 FUTURE may finish this week below the 4,515 lower of the near-term Oscillator thresholds. Even with the recent loss of upside momentum, weekly MA-41 will still rise \$20 into next week, putting the Oscillator up to 4,535 next week. That shifts the 'burden of proof' to reinstate the more aggressive bull trend prior to the market failing 4,492.

While more so a response to today's German and US inflation numbers, GLOBAL GOVVIES are back under a bit of pressure after Thursday's short-term rally. FOREIGN EXCHANGE remains more of a 'risk-on' indication despite the relative stagnancy of the DEVELOPED CURRENCIES, as their recent activity appears to be a reaction from previous 'risk-on' indications like US DOLLAR INDEX weakening below 92.70, and EUR/USD holding into its Negated 1.1800 DOWN Break (more below.)

Courtesy Repeat of Thursday's 'ECB Tapers... Sort Of' research note

As we have noted since the beginning of this important renewed central bank influence week on the return from Summer holidays, the culmination would be today's ECB announcements and press conference (<https://bit.ly/3tu3aj6>.) In the event, that was definitely the case on the decision to 'adjust' its PEPP (Pandemic Emergency Purchase Program.)

The message came through in its Monetary Policy Statement (<https://bit.ly/3BWAHW8>), always delivered at the very beginning of the press conference. That is versus the Reserve Bank of Australia Tuesday and Bank of Canada on Wednesday maintaining not only their rates, yet also their full QE programs for now.

Yet whatever anyone else might believe about the ECB's PEPP move, Madame Lagarde was pointed in her response to a reporter's question that the lower PEPP level compared to the previous quarters was more so a 'recalibration' than any sort of 'taper'.

The key to that characterization was her assertion that the PEPP was always designed to provide "*favorable financing conditions*", and it was determined that this would still be accomplished at the lower PEPP levels.

Of course, this also plays right into a later Q&A inquiry on whether the ECB would be affected at all by any US Federal Reserve decision on its QE program? The obvious answer that would have been the case for any credible central bank head was (also of course), "*No*" ...at least insofar as she shared the fact that the matter was not even discussed at all at today's Governing Council meeting.

It is likely the case that the modest adjustment of one of its programs does not really amount to the ECB 'tightening', much as even the currently feared FOMC QE 'taper' would not actually be classical tightening. As a client noted in conversation yesterday, each of those is more so any individual central bank being a bit less accommodative rather than truly restrictive in its monetary policy stance.

As Lagarde noted in her extended discussion, the future path of the recently buoyant Euro-zone economy remains dependent on two factors. How bad do the inflation-creating reopening bottlenecks remain across time, and does any resolution of that matter actually lead to the hoped for lower inflation in 2022? Beyond that is the serious recent resurgence of the COVID-19 pandemic in its own right based on the far more highly transmissible Delta variant.

This is of course not news. Yet it is an important part of how the ECB along with the other central banks (most notably the Fed) can justify maintaining such a major level of accommodation, despite what had been a very real upbeat recovery into the second quarter. The real-time signs are reinforcing that still high level of central bank largesse despite the previous strong 'rearview' mirror data.

The renewed problems are now being projected out into this quarter and the later part of this year, with early 2022 problematic as well. This is for the most part not based on government quarantines or restrictions. It is the public reverting to more cautionary activity seen during the more troubling parts of the pandemic earlier this year: 'consumer reticence'. That is seen throughout the dining and hospitality industries at present, and most glaringly in travel, as backed up by the latest missives from the US airlines.

The announcement today that United Airlines is expecting a Q3 loss versus the previous expectation it might return to profits this quarter is indicative of the renewed dilemma for all of the 'gathering' industries. This was the subject of a brief report by CNBC's Phil Lebeau (<https://cnb.cx/3hjtqQG>), which notes the UA announcement includes projection of a Q4 loss that is down from a current 23 cents a share profit... all based on the COVID-19 problems.

However, despite all of that, the market response to the ECB quasi-taper today has been to continue the return to the 'risk-on' psychology. That makes this week's swing back from the previous psychology look more like a reaction than a trend reversal, as discussed in Wednesday's 'Reaction or Reversal?' research note. However much the US EQUITIES looked ugly on Wednesday's more substantial near-term selloff, the SEPTEMBER S&P 500 FUTURE held the 4,492 late August rally interim congestion level.

That was tested again overnight, and held with only minor additional slippage, and was pushing up above the 4,500 area right into the ECB quasi 'taper'. It is now also clawing its way back above the 4,520 lower of the near-term weekly Oscillator thresholds after such a sharp drop below it on Wednesday. It will be interesting to see whether it can also surmount the 4,545 higher threshold.

This all speaks of a continued upbeat psychology, which is reflected in FOREIGN EXCHANGE along the same lines as Wednesday's 'Reaction or Reversal?' research note (repeated below for your ease of access.) While more will need to be confirmed after Friday German CPI and US PPI impact inflation expectations, the fact that the US DOLLAR INDEX has so far only retested its failed 92.70 major weekly down channel UP Break in the rally is a sign that is only a reaction in a weak trend.

The same can be said for the highly correlated (yet on a completely different technical basis) EUR/USD holding very near its 1.1800 Negated weekly Head & Shoulders Top DOWN Break (much more on all of that below.) And the EMERGING CURRENCIES continued strength against the US DOLLAR also reflects the resilience of the 'risk-on' psychology despite the Delta variant fears and correlated weakening of the recent economic data releases. It still feels like a 'longer view' is holding.

Courtesy Repeat of Previous Market Quick Take (updated chart)
[To be updated after Tuesday's more critical economic data]

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/3C50knt> 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.

Courtesy Repeat of Previous Evolutionary Trend View (same levels; updated charts)
[To be updated after Tuesday's more critical economic data]

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/394vJKw>.) 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/395ncXv>.) 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/3k27UJr>.) 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/2Xq4IAR>), 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 1.3500 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 (updated for this week)

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.

The significant amount of central bank influence last week reinforced their tendency toward maintaining full accommodation in the face of the COVID-19 economic headwinds. It is now the case that US EQUITIES are reacting while the other asset classes continue to reflect their reversion to 'risk-on' psychology. That is going to make this week's events more important.

While Monday is an all-around light reporting day, Tuesday sees quite a bit of Asian data into UK Employment, and Spanish and US CPI along with OECD Composite Leading Indicators. Wednesday brings quite a bit of Chinese economic data along with an NBS press conference into extensive Euro-zone, UK and Canadian inflation indications. That is along with the US Empire Manufacturing Index followed by Industrial Production and Capacity Utilization.

Thursday begins with quite a bit of Asian data again, including the Australian Employment report as well as Japanese International Trade numbers, followed by the same from Italy and the Euro-zone. There are a major number of US releases, including Retail Sales, the Philadelphia Fed Survey, and Business Inventories. Friday is a much lighter reporting day, yet still including UK Retail Sales, Euro-zone CPI and US Michigan Consumer Sentiment.

Of course, the troubling resilience of the COVID-19 pandemic on the continued Delta variant spread is still offsetting some of the more upbeat recent vaccination developments. Yet even as this seems to finally be taking a toll on US EQUITIES, other asset classes remain resilient/ As such, you will likely not be at all 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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