Research Note

Wednesday, October 13, 2021

Inflation Anticipation, Quick Take, Calendar

Heightened concern over still rising inflation has been a driver for the recent ‘risk-off’ psychology. With even the previously sanguine central bankers now allowing that it will be sustained for longer than previously anticipated, and that is based on continued supply ‘bottlenecks’, those fears seem well-founded. It is even the case that a select number of central bankers are pointing to the need for early rate hikes.

Weekend comments by the BoE’s Saunders on the public should get ready for "*significantly earlier*" interest rate rises was reviewed in Tuesday’s ‘Growth Hitting Its Head’ research note (repeated below for your ease of access.)

As such, today’s September German CPI coming in at the expected 4.1% YOY, and September US 5.4% CPI only a hair higher than the estimate were likely a bit of a comfort despite the still elevated levels. After all, as we have often noted on the old axiom, “*The market is a creature of expectations*.” And the recent drubbing of the GLOBAL GOVVIES was likely in part on the anticipation of just such elevated inflation data.

Having already ‘priced in’ today’s near estimated figures, the GLOBAL GOVVIES are rallying a goodly bit. That is especially good activity in the BUND and GILT, which remain weaker than the T-NOTE in already sagging to important lower supports. However sharp their rallies today, the DECEMBER BUND FUTURE Closing below the low end of its 170.00-169.50 area last week had already slipped to near next key support in the 168.00-167.50 range. Downside leader FRONT MONTH GILT FUTURE that Closed into 124.00 support last week (after being down 4.00 in 3 weeks) has recovered above it after trading down to the mid-123.00 area on Monday.

That also speaks of what might transpire on any weaker economic outlook, yet has been markedly absent in the form of any global govvies rally. That was even during the recent weaker US EQUITIES and non-US dollar foreign exchange trading. It smacks of a “*sell the anticipation and buy the fact*” inflation psychology, as long as the fact is not any worse than expected… as was the case with this morning’s inflation numbers.

Yet it is also the case at present that the lower yields are neither inspiring any overt strength in the US EQUITIES nor any major rally in NON-US DOLLAR FOREIGN EXCHANGE. Is this possibly further ‘inflation anticipation’? The only problem with today’s quasi-sanguine (even if still elevated) inflation numbers is that they are the typical ‘rearview mirror’ indications.

As explored at length in Tuesday’s analysis (see below), the FRONT MONTH CRUDE OIL FUTURE above the 75.00-77.00 area is most likely headed the 2010-2013 84.00-86.00 congestion. For all of today’s weakening back below the 80.00 ‘big penny’, it is in no way a key Evolutionary Trend View (ETV) decision threshold. Only back below the 75.00 area would it signal potential energy price weakness to any significant degree.

As such, after the 'knee-jerk' GLOBAL GOVVIES relief rally on today's 'as expected' numbers, as investors, traders or analysts we are charged with 'anticipation' of what the inflation influences as well as other developments are going to mean into next month. That includes the further oscillations on the COVID-19 pandemic Delta variant developments, including the US confrontations over various local, state and federal rulings. It also will be interesting to see various US government fiscal and political efforts evolve, along with the same in Europe.

US EQUITIES are seeing the DECEMBER S&P 500 FUTURE weaken from the key 4,348 area after last week's rally back to retest the low-4,400 area. That brings the interim 4,300 area back into focus with the 4,235-00 range below that. And while the DEVELOPED CURRENCIES have quietly regained some small measure of previous losses, they remain below more significant supports against the US DOLLAR.

And in the EMERGING CURRENCIES we still see 'country' responses based in good measure on sensitivity to inflation and energy prices. As the Mexican economy is vulnerable to US economic weakness, it is not that surprising to see USD/MXN above 20.45 into its 20.75 June trading high resistance despite the CRUDE OIL component of its economy. Similarly the TURKISH LIRA has seen USD/TRY surge up into a 9.1030 new all-time high today, also a key weekly Oscillator threshold (MA-41 plus 0.90.) If it should be exceeded on this week's Close, the rise of MA-41 projects next week's threshold into the 9.30 area (MA-41 plus 1.05-1.10.)

It all adds up to inflation anticipation into today not exacerbating what was expected with worse inflation numbers. More important now is what needs to be anticipated if indeed energy prices remain elevated enough to foster more inflation fears through what is anticipated to be a fairly strong corporate earnings season.

Courtesy Repeat of Tuesday's 'Growth Hitting Its Head' ALERT!!

There's quite a bit to unpack on the way back in from Monday's US Columbus Day holiday and Canadian Thanksgiving. There was of course US electronic trading as well as the NYSE trading floor open on Monday, and that seemed to all back up our view that there is more of a 'risk-off' psychology at present than seen in quite a few months.

The reason behind that was revisited again in Friday's extensive 'US Employment Trend Push' research note (repeated below for your ease of access.) Most of all is the sustained inflation that is nowhere near as transitory as the Fed and other central banks would have liked.

The latest shot across the bow of more sanguine, accommodative central banks has come from the Bank of England that is particularly burdened by extreme UK energy price surges and shortages. In a Reuters article over the weekend (**https://reut.rs/3mGzVq6**) BoE policymaker Michael Saunders is quoted as telling households to get ready for "*significantly earlier*" interest rate rises as inflation pressure mounts in the British economy.

The article also notes that, "(he along with) *Deputy Governor Dave Ramsden voted to halt the BoE's government bond purchases ahead of schedule*." It is the equivalent of FOMC members bucking Chair Powell's 'it will calm down next year' narrative to push for an early QE taper.

Yet in this case it comes along with a warning the first BoE hike (not on the table at the Fed) is already being priced in by the markets for February, with a chance it might come in December.

Given that, much the same as for the rest of the world, the driver for that higher inflation is energy prices, it is worth noting the Evolutionary Trend View for WTI CRUDE OIL. For quite a while we have noted the importance of the FRONT MONTH CRUDE OIL FUTURE resistance from historic congestion and May DOWN Closing Price Reversal (CPR) in the low 75.00 area.

While that had a Tolerance of the 76.22 level, the trading highs both this year and into the October 2018 high just below 77.00 left that as the overall key resistance. Having exceeded that last week, next historic resistance is not until the 2010-2013 84.00-86.00 congestion.

This is a problem on there being no expectation that energy prices are coming down anytime soon. Producers who were burned by the 2020 price implosion being quite a bit more cautious about expanding production (and also enjoying the current great profitability.)

A forward outlook on how this is affecting also surfaced today in the form of the next monthly release of the Organization for Economic Cooperation and Development's (OECD) Composite Leading Indicators (CLIs **https://bit.ly/3lAvuxW** for our somewhat heavily marked-up version.)

As the title of this net four month outlook (six month view delayed by two months to confirm data accuracy) says, "*CLIs continue to point to a moderating pace of expansion in economic activity*." While it notes the current leveling off is mostly at above trend levels, these appear (see the graphs) to be the classic growth tops which lead to at least temporary weak economic phases.

Note that Russia continuing to rise is likely a subset of the sharp energy price increase, having little to do with the contrary effects on the rest of the global economy.

And our concerns over the Asian economy were reinforced over the weekend by the Saturday posting of a timely PBoC Q3 Entrepreneur Survey Report (**https://bit.ly/2YKbm32**.) This shows the degree of slowing in the entrepreneurial aspect of the Chinese economy, reinforcing recent trade and sales figures and the weight of recent government headwinds. While year-on-year comparisons with 2020 still seem upbeat, this is against one of the pandemic recovery periods.

As noted again Friday, "...*as far as the US EQUITIES have come back on the ostensible 'relief rally' with the DECEMBER S&P 500 FUTURE back above the 4,348 area, it is only up around the 4,410 significant weekly channel DOWN Break*…" (see the chart as of last Friday's Close **https://bit.ly/3luzmAm**.) That was also congestion from the August-September topping activity, reinforced by 4.427 weekly MA-13. That was therefore only a partial recovery from the previously noted 'Risk-Off Trend Evolution', and weakened again later on Monday. Back in the 4,350 area leaves that as the important interim level this side of 4,300 area.

Last week's Closes were also pernicious for GLOBAL GOVVIES which had tried to hold on against the previous week's key low levels. Most important was DECEMBER T-NOTE FUTURE back below the low end of its 132-00/131-16 support, and even the 131-07 trading low from the previous week. That opens the door to a test of the 130-00/129-16 congestion not reached during the February-March selloff. Also important were the failures in the BUND and GILT into the end of last week.

It is much the same for the FOREIGN EXCHANGE loss of any 'risk-on' psychology. There is only a partial, selective recovery in EMERGING CURRENCIES, and the other DEVELOPED CURRENCIES are still weak against the recently revived 'haven' bid in the US DOLLAR. However, the improved psychology from any temporary US debt ceiling deal seems more the relief of an immediate stressor than any reason to look for a more upbeat overall psychology, as the 'macro' picture remains weak overall.

Courtesy Repeat of Friday's 'US Employment Trend Push' research note

This morning's US Employment report was definitely a shocker on the Nonfarm Payrolls (NFP) rising only 194,000 versus estimates in the 500,000 area. It is in fact a mixed blessing despite the headline number's weakness. In the context of our Thursday 'Debt Relief' research note view that a very strong number might have been a case of '*good news is bad news*', that is definitely not happening today.

To pick through the various subsets in an orderly fashion, the August Nonfarm Payrolls was also revised higher by 131,000 to 366,000. There were also 317,000 private payroll jobs added, and the headline number was dragged down by the loss of 123,000 government jobs. And most curious on that front is the loss of 144,200 local education jobs!!? (see the highlighted table **https://bit.ly/3FulNsz** extracted from Table B-1 on page 33 of the full Employment report **https://www.bls.gov/news.release/pdf/empsit.pdf**.)

This makes no sense, as the prime job commencement period for local education is August into September. We have heard some folks attribute this statistic to a typical Bureau of Labor Statistics 'seasonal adjustment', whereby the extreme lack of 2020 hiring due to the pandemic has affected this year's figure. In any event, the degree to which US EQUITIES are not weakening anywhere nearly as much as a second month in a row of weak NFP might suggest speaks of the degree to which the markets are not taking that number too seriously right now.

There is also the 'Fed Factor' of that second month in a row of weak NFP seeming to justify the Fed remaining more accommodative than otherwise, if it had been a stronger September NFP. A 'Goldilocks' number might have been a slight miss of low-400,000 area against that 500,000 estimate. It would have provided more encouragement toward still strong growth that today's NFP definitely did not accomplish. And there are also some negatives in the subsets.

The 0.6% monthly Hourly Earnings versus an 0.4% estimate raises fears for wage inflation once again. While we have heard some analysts say this is a positive sign on the ability of consumers to keep up with rising prices, it is also a negative in the context of inflation expectations.

That is seen in the further weakening of GLOBAL GOVVIES. As reviewed in Thursday's research note, the DECEMBER T-NOTE FUTURE was back below the low end of its 132-00/131-16 support, testing last week's 131-07 trading low… and is barely hanging on at that level so far today.

DECEMBER GILT FUTURE continues to lead the way down on sustained UK inflation concerns, especially elevated energy prices. Having wiped out its mid-126.00 historic congestion early last week, it is back down to the low key 124.00 area it had bounced from on Wednesday. Next interim congestion is in the 123.00 and 122.00 areas, yet with the major low end of the full 2018 range not until 120.00. The DECEMBER BUND FUTURE is also below the low end of its 170.00-169.50 support, after holding it since early last week yet failing on the bounce around 170.00.

All of this GLOBAL GOVVIES weakness points toward the sort of higher yields which were pernicious into last week prior to the substantial US EQUITIES bounce, and modest improvement in both EMERGING CURRENCIES and less so DEVELOPED CURRENCIES against the US DOLLAR. After that recent bounce, the lack of any further upside follow through in those items seems to speak of continuation of the 'risk-off' psychology we have noted of late.

Somewhat confusing subsets of today's US Employment report may leave the markets in a 'push' into next week on any bigger Evolutionary Trend View decisions on key economic data.

That includes quite a bit of developed economy inflation data, and the Chinese Trade Balance and inflation data next Wednesday and Thursday (respectively) as they return from the Golden Week holiday. Speaking of holidays, Monday is both a US partial market closure (i.e. trading floors other than NYSE) for Columbus Day, and Canadian Thanksgiving Day.

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/3luzmAm** 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 remained important after what was the 'lackluster jailbreak' after the previous outstanding US Employment report. With the market dropping back below the 4,450 level, there seemed to finally be some real risk.

Yet even below the key lower interim levels into the recent 4,425 area congestion and 4,380-65 area bottom of that, it also held key lower support in mid-August looking forward into the following week. That bigger level was 4,340 on weekly MA-13 (loosely held on all sharp reactions) at that time, 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 again left the near-term Oscillator thresholds into 4,515 and 4,540 areas (on the rising MA-41), which it failed to maintain in early September, fomenting the reaction.

This led to the SEPTEMBER S&P 500 FUTURE violation of the 4,492 interim daily chart congestion after trading around it previous, with the more prominent 4.462 area also being violated two weeks ago. And while it traded back above that as well early last week, recent softening below it spoke of an ability to trend lower in the near term. That left the more major 4,420-10 area as next support on both weekly MA-13 as well as that significant aggressive weekly UP Channel from the major March 2020 low.

Having tested that area three weeks ago and violating it was a fresh 4,410 DOWN Break the following week. That fed further weakness already anticipated from the negative fundamental influence flowing out of China.

As usual there is a Tolerance below that (as seen on selloffs in both June and July) down to the 4,350 area developed during the temporary July topping activity, and retested on the mid-August sharp temporary reaction to a 4,347.75 trading low. While that may seem to be a broad berth, on past form only below the 4,350 area does the market signal a full reversal.

Yet as always with these matters, the weekly Close was more important than temporary trading weakness below it. And the DECEMBER S&P 500 FUTURE held overall against low-4,300 support, and ended the week back above the low 4,400 area. The extent of the temporary selloff means that it needed to be treated as a 4,410 weekly up channel DOWN Break.

Yet that also means the Close back above it established it as a Negated DOWN Break, and therefore a support area. That is also consistent with weekly MA-13 moving up to the 4,425 area last week. That said, the 4,348 area had reverted to the key support again last week on renewed pressure.

And much like previous, it was temporarily violated early last week. The difference is that the daily ‘trend flow’ is a bit different, where the previous week it was seriously violated on Monday and churned around it on Tuesday prior to recovering so well. last week it slipped on Tuesday, and was churning around early Thursday with much less slippage.

Yet it ultimately failed even worse than the previous week, and the late week Merck news only left it retesting that failed 4,348 support. While last week’s rally brought it back to the low-4,400 area, it weakened again after that. Now back below the 4,348 area leaves 4,300 interim support, yet with the more major lower support into the 4,235-00 range May-June congestion it surmounted in late June. If that should fail, there is also prominent congestion again back into the low-4,100 area, with weekly MA-41 in the upper-4,100 area along the way.

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 continuation chart through Friday **https://bit.ly/3v69bTN**.) 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 in the mid 133-00 area. That is still only a bit below the 134-00/-16 area it subsequently 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 GOVVIES seems to stem in part from US inflation indications.

And the SEPTEMBER T-NOTE had finally been weakening a bit below the 134-00 area, even if only slightly up until its September 21st expiration. However, even after the recent bounce, the DECEMBER T-NOTE FUTURE was still at a 24/32nds discount. That left it down into the low 133-00 area, and slipping for a vigorous test of the more important 132-00/131-16 area.

As noted above, DECEMBER T-NOTE FUTURE weakness is particularly telling both in the context of how quickly it weakened into that area, and the next historic support not being until the 130-00 area. That is allowing that the previous sharp selloff into early April held at 130-255, essentially not any sort of historic congestion. This opens the door to a 10-year yield swing to a new high above the April-May 1.70-1.75% area, after which it might react back down.

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 (seen in the weekly chart through Friday **https://bit.ly/3aBEts1**.) 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. And on the recent rally it only reached the 172.00 area.

That said, previous downside leader DECEMBER BUND FUTURE Monday drop into its major 170.00-169.50 range key support has not seen any further weakness so far. The overall drop represents a yield rally to -0.20%. While that may sound quite low to others, it is well up from nearly -0.50% as recently as mid-August. Its importance is highlighted by this being the key support this side of the 168.00-167.50 range. However, much like the T-NOTE, its selloff into May did not quite reach that area. Whether it now drops fully into that lower support after avoiding it over the past several days is going to be very interesting.

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 below that lower congestion, and closer to the major 126.00-125.50 major congestion prior to the recent bounce. That said, FRONT MONTH GILT FUTURE (as of Tuesday), which had been the weak sister previous, failed to hold its 128-00 support last week on the September contract selloff.

With the typical full point discount at expiration in the 'second month' DECEMBER GILT FUTURE, it is back to well below its 126.00 support. That is striking in being so far back below the 126.86 May trading low (March-May high yields near 0.90%), and insofar as the cash rate is now slightly above the psychologically important 1.00%.

The next futures support was not until the recently tested low 124.00 area. Any sustained weakness below that area points to interim congestion in the 123.00 and 122.00 areas, yet with the major low end of the full 2018 range (it is already sagging into) not until the 120.00 area (weekly MA-41 minus 9.00!!)

As such, even considering how far GLOBAL GOVVIES prices have fallen and yields have risen, the 'straight-line' factor means that if the current support fails they may have further to go prior to any stabilization or counterpoint reaction. That will be very interesting later this week after the bounce from into and somewhat below that area earlier this week.

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.

Yet the current higher yield anticipation is driving the ‘risk-off’ psychology in the vulnerable EMERGING CURRENCIES on a ‘country’ basis, and a resilient if quieter US DOLLAR ‘haven’ bid at present in the DEVELOPED CURRENCIES. While that bid may also be partly on the basis of the recent surge in US yields, that is historically less of a significant factor compared to the prospects for inward investment overall in the context of economic prospects. It currently seems those are better in the US than the rest of the world.

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 seen on the weekly chart **https://bit.ly/2YM853Q** through Friday.) 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 the recent fresh major weekly 92.70 down channel UP Break (see the chart.) While recently slightly 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 was a key consideration.

Failing below it prior to the current recovery was a negative sign which has been mitigated on the rise back above it. Whether that maintains, and whether it can invigorate stronger activity back above the 93.30-.40 area will be the ley current trend indications.

Yet the market activity is clear on the US DOLLAR INDEX rising above 93.40 area once again. Also above the August 93.72 trading high makes this a new 10-month trading high, with next resistance not until the 94.30-74 Fall 2020 trading highs. That is also the case for the EUR/USD weakening again below the 1.1700 key level below its August 1.1800 area weekly Head & Shoulders DOWN Break. However, unlike the minor new high in the US DOLLAR INDEX,

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/2YFdcD2**), 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 the subsequent selloff felt 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 temporarily not the case. Yet the current weakness back below that area and now the 1.1700 is more bearish once again.

However, unlike the previous minor new high in the US DOLLAR INDEX, EUR/USD was still holding slightly above its 1.1664 mid-August trading low until dropping to the 1.1600 area Fall 2020 trading lows. That leaves the next interim support around 1.1500, yet with the major support not until the 1.1400 area last seen in July 2020.

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 violated 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, The current weakness back below the 1.3750-1.3800 area looks as important as the EUR/USD decision, with the weekly MAs also all in that area meaning it was a significant decision along way to also violating the 1.3700-1.3670 area.

That left important lower support into the 1.3500 area which has already been violated for a fresh 8-month trading low (below the 1.3571 July trading low) prior to the recent bounce, with the next support into the 1.3350 and 132.00 areas not seen since late 2020.

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 left it back near the 7350-.7400 area prior to the current weakness. While recently back below .7200 opened the door to the first test of the .7106 August spike selloff low, the recent recovery has it back up into the 7350-.7400 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 was once again reflected in USD/JPY stabilizing not much worse than the 110.00 area, and now surging up above the 112.00-.50 area with the next resistance into the 114.50-115.50 range once again.

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 recover to some degree, and the previously beleaguered TURKISH LIRA giving up its recent bid to weaken to a serious new all-time low. However, in general they remain a good general indication of 'risk appetite' due to their economies' sensitivity to overall economic conditions, and their reversion to weakness has illustrated the degree to which 'risk-off' is now the major psychology.

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 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, 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 had held previous, activity back above 14.40-.50 area had left it challenging the 14.70-.80 resistance.

Woth that violated it has also pushed above the significant 15.00 area congestion. On historic form that does not leave and resistance until recent trading highs in the 15.40 area initially, yet more significantly into the 15.55-.65 area (January and March 2021 trading highs.) That said, the current drop back below 15.00 leaves the 14.80 area prominent once again.

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 near 75.00 once again prior to stalling.

However, the recent major WTI CRUDE OIL recovery back above 70.00 had seen it drop back slightly below the 73.00-72.50 area prior to stabilizing in that range once again. While it pushed up a bit earlier this week on the general EMERGING CURRENCIES weakness, it was recently right back into that range. Sustained WTI CRUDE OIL strength now leaves it below that range, with next support into the 71.00-70.00 area once again.

The **MEXICAN PESO** saw **USD/MXN** selloff after the early-mid March surge quickly violated the lower interim 20.90 congestion, with the interim 20.65 congestion also violated on the way to the broad berth next support in the 20.25 area. That included an important 20.30-.10 weekly chart gap from on the way up in March of last year that had already been violated last November.

It then failed once again into a retest of the additional significant historic congestion (2018-2019) in the 19.80 area, with the next hefty historic congestion as nearby as the recently very vigorously tested 19.65-.50 area. The overall bottom of the very significant late-2018 through early-2020 range is not until the 18.50-.40 range.

That was even allowing there are interesting interim supports at 19.30 and into the 19.00-18.90 range. That said, the current rally back above 19.80 was more critical even after the previous failure as nearby as the 20.25-.30 area. Now slightly back above 20.00 leaves that as the near-term consideration on a weakening 'risk-on' psychology despite what seems to be some support from sustained CRUDE OIL strength.

While higher hefty congestion is the 20.30 area, there is also the higher 20.65 congestion it traded very temporarily above in mid-June prior to weakening below 20.00 again. While next higher resistance is the 20.90 congestion, the focus shifts more so to the 20.00 and 20.30 congestion areas once again after its recent inability to fail on serial tests of the 19.80 area.

Despite the recent CRUDE OIL slippage back below the 75.00-74.00 area leaving USD/MXN weakening back below 20.00, the extended CRUDE OIL weakness below even 71.00-70.00 nearer to 65.00 support prior left USD/MXN back up above 20.00 area to nearer 20.25-.30. However, the restrengthening of CRUDE OIL 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 that had seen it back above 20.00 after recent serial tests of the 19.80 area is now reversed. 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. Recently back below the 20.00 area (also weekly MA-9 and MA-13) brought the 19.80 area back into focus prior to the push back above 20.00.

Having now breached the 20.20-.25 area as well as surging above the August 20.45 trading high. The next resistance is the 20.75 June trading high it temporarily exceeded early last week and remains near, with the higher significant congestion above that not until the 21.00 and 21.40-.50 range.

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 had 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.)

Yet the weakening of EMERGING CURRENCIES has seen USD/TRY surge back above the 8.50 area (also still weekly MA-13 and MA-9) and back above congestion around the late-May 8.7424 all-time high. Also now above the June previous 8.79 all-time high sees it up into a 9.1030 new all-time high today. This is also a key weekly Oscillator threshold (MA-41 plus 0.90.) If it should be exceeded on this week’s Close, the rise of MA-41 projects next week’s threshold into the 9.30 area (MA-41 plus 1.05-1.10.)

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.

Also note that today's Columbus Day holiday partial US market closures and the complete Canadian market closure for their Thanksgiving Day means we are taking a one day holiday as well. That is especially with the markets fully reflecting our recent 'risk-off' views on higher inflation and interest rates weighing on the global govvies and non-US dollar currencies, even if US equities remain resilient. We will return to the office Tuesday morning with fully updated macro research, Evolutionary Trend View and weekly charts updated through Friday's Close.

In the meantime the lack of any critical economic releases on Monday still sees the start of the weeklong IMF/World Bank Group annual meetings in Washington DC (through Sunday.) As such, while there is a relative cooling of scheduled central banker speeches, look for a goodly degree of ideas and information to flow from those events. There are also no small number of the currently important inflation indications and sentiment reading this week, along with Tuesdays UK Employment report and the next OECD Composite Leading Indicators.

Wednesday is another very robust day with Chinese Trade figures along with German and US CPI into the afternoon release of the September 21-22 FOMC Meeting Minutes. It is followed by Thursday's Chung Yeung Festival China market closure, yet with the release of its inflation numbers along with Australian Employment and Spanish CPI and US PPI. Friday's limited data nonetheless includes Chinese Retail Sales along with an NBS press conference into French and Italian CPI, and US Retail Sales and Michigan Sentiment.

Of course, despite recent positive vaccination announcements the troubling resilience of the COVID-19 pandemic on the Delta variant spread continues to weigh on the global economy. Along with that the recent weakening of the international economy along with higher yields means we are obviously maintaining our recent advice that has been fully vindicated again of late: Keep those seat belts firmly fastened.

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