



## RESEARCH NOTE

Wednesday, November 10, 2021

### Rationale Retread, Quick Take, Calendar

First of all, apologies for the lack of a research update, as our ISP had a significant problem with all internet and cable TV signals down. Yet as we have noted since the beginning of the week, today was going to be the more important horizon on both major inflation data and a key economic outlook (more below.)

As noted since the end of last week, there seemed to be a 'buy everything' market rationale in the wake of combined positive influence of the debt performances of the Fed and BoE, US Employment, the high efficacy announcement for the Pfizer COVID-19 therapeutic pill, and even some anticipation of the US House finally passing the Senate-approved bipartisan infrastructure bill. There was quite a bit of 'good news', yet a question over the euphoric market response.

As we noted in Monday's 'The Biden Bipartisan Bonanza?' research note (repeated below for your ease of access), the improvement in US EQUITIES and NON-US DOLLAR CURRENCIES was understandable. However, if all of the news was pointing to a much stronger US and global economy, what were the GLOBAL GOVVIES doing extending an already significant rally? It was clear 'something's gotta give'.

And that became more apparent on the subsequent influences which returned to our recent revisit to the way in which only a combination of three negative influences are sufficient to deliver any sort of weakness in a strong US EQUITIES market. And there was especially a question over whether the US EQUITIES were the true indication for the extended trend, or was it the signal from the GLOBAL GOVVIES?

In market terms that had at least been partially resolved by the DECEMBER S&P 500 FUTURE stalling this week into the higher of the near-term weekly Oscillator thresholds at 4,710; where it also stalled into new all-time highs late last week. That has led to at least temporary slippage below the lower near-term Oscillator threshold at 4,685 (both still rising \$25 per week.)

Even if this develops into a more extensive selloff, the overrun 4,621 major 'swing count' Objective will loom large as the lower area critical for any more extensive selloff to continue.

The three items on which we have recently focused for any 'risk-on' psychology problem are inflation, the chance of a COVID-19 pandemic resurgence, and risks to the Chinese economy from its highly over-leveraged property developers. However much many observers would like to downplay those influences, they are recently more prominent and posing a greater threat to US EQUITIES and both the developed currencies and emerging currencies.

And while there is some pressure on GLOBAL GOVVIES today from the surprisingly high US CPI, it is of note the GERMAN BUND is weakening much less than the US T-NOTE, with the UK GILT somewhere in between.

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Those only work hand-in-glove if not just the US but also prospects for the global economy appear to be dimming. Let's begin with the US CPI that saw an already still elevated 0.5% monthly rise come in at 0.9%; with an annual figure of 6.2% versus a 5.3% estimate. While early recovery inflation can be viewed as a positive sign, we are now into worries about ingrained inflation. As noted previous, while companies have passed along materials price increases, that may not continue.

Then there is the threat from the over-extended Chinese property developers, and whether they can continue to make payments on their loans; especially offshore debt that cannot be easily stretched out. According to a Tuesday Reuters article updated just this morning (<https://reut.rs/2YzmGPX>), "*Some bondholders of cash-strapped China Evergrande Group have not received coupon payments by the end of 30-day grace periods at the close of Asia business on Wednesday*", which was for a \$148 million. This threatens contagion into other hard-pressed property developers. The concern is that this will affect the Chinese economy.

Historically there has been a sense the financial press can often be in a somewhat self-serving hyper-excitabile mode... the old adage is, "*You can't sell newspapers (or online clicks) with the headline 'The House Is NOT Burning'.*" This is fair enough, except for the fact that it is becoming more of a reasonable concern that any weakness spreading from developer layoffs on project failures will have an outsized impact on broader Chinese economic activity, as well as the broader Chinese financial markets through investors turning risk averse.

And lo and behold, who should now weigh in on that potential and its possible spillover to at least some degree for the global economy: none other than the US Federal Reserve. In Monday's extensive semiannual Financial Stability Report (<https://bit.ly/3wC0NMG> for our very lightly marked-up version) notes, "*Financial stresses in China could strain global financial markets through a deterioration of risk sentiment, pose risks to global growth, and affect the United States.*" It is something that many had previously played down, yet now here's the Fed.

That is from page 60 in the "Near-Term Risks to the Financial System" section that begins on the previous page. We suggest a read of that section, yet note that the Fed indication is that, "*Given the size of China's economy and financial system as well as its extensive trade linkages with the rest of the world, financial stresses in China could strain global financial markets through a deterioration of risk sentiment, pose risks to global economic growth, and affect the United States*" ...along with the rest of the global economy we have noted.

Yet beyond a now heightened risk from a weaker Chinese economy that might be exacerbated by its property developers woes and inflation that might crimp consumer sentiment and corporate profits, there is the threat from the resurgent COVID-19 pandemic. In a somewhat surprising development, that is even for well-vaccinated countries. While the surging case numbers in an unvaccinated Eastern Europe are not that much of a surprise, the fact Germany is experiencing a real problem again highlights the resilience of the virus and pandemic.

Even allowing regional under-vaccination in the US, the latest new case counts are very troubling. That this could still be an issue though many were playing it down has been highlighted since our October 28th 'Post-WHAT?' research note. It was the case that the psychology had been co-opted by ubiquitous 'post-pandemic' communication from both the regular and financial press.

There were a lot of assumptions that the recent improvement from what were once again horrific levels of new US cases meant it was alright to anticipate the end of the pandemic. Yet the real statistics were always refuting that overly optimistic assumption.

As we have done from time to time, once again take a look at the CDC New US COVID-19 Cases graph (<https://bit.ly/3BYKtGB>.) As we have noted previous, the key is the 7-Day Average so far only dropping back to the 65,000-70,000 area.

During the course of the pandemic in the US it is the key level at which new cases stalled on the way up in July 2020 prior to easing off before a massive Fall-Winter surge; it was also where the temporary case increase stalled in April 2021 on the way down to more constructive levels. Yet having atypically surged to major levels again over the Summer, that it is no lower than that level is troubling.

So there we have the three part concern for the 'risk-on' psychology. There is the worsening inflation that can be a direct threat to both consumer activity and corporate profits at this point (as opposed to earlier in the recovery.) There is now also a prominent risk of exacerbation of recent Chinese economic weakness in the wake of problems at their property developers. Just to be clear, it is not just Evergrande that is the poster child for problems of debt service and overall performance that is endemic in many other developers with offshore debt.

And now we have the resurgence of the COVID-19 pandemic that was supposed to be tamed in the 'post-pandemic' world. It is also striking that this is occurring in the early Fall on the way into what is presumed to be a worsening of conditions once again. It must be allowed the seasonal tendency did not act as expected this Summer, and possibly there will be a milder than expected Winter surprise.

Yet in the context of the normal pattern, this is quite a bit of 'hope over reason'. We allow that pandemic progressions cannot be tracked and predicted with the same assumptions that assist in predicting market price movements. That said, consider that the latest new case count on Monday is back up to 134,072, and unless something changes quickly the prognosis is not good. We must also allow that new cases may not be as troubling in a vaccinated environment.

That said, for whatever reasons that are not extensively discussed in any of their releases of these analyses, the Organization for Economic Opportunity and Development (OECD) released their latest monthly Composite Leading Indicators (CLI <https://bit.ly/3bZRYCM>.) As its "OECD Composite Leading Indicators Suggest Economic Growth Approaching Post-Pandemic Peak" title notes, there is a better chance than not the global economy will weaken from the already weakening tendencies highlighted in the previous month's release. [As a reminder, this is a net 4-month forward view based on a 2-month delay of a 6-month outlook.]

It specifically notes, "*Signs of a possible upcoming peak in the growth of economic activity have emerged in the United States, Japan, Germany and the United Kingdom.*" And it also cautions at the bottom of its statement, "*Despite the gradual lifting of COVID-19 containment measures in some countries and the progress of vaccination campaigns, persisting uncertainties may result in higher than usual fluctuations.*" Uncertainties indeed, and note that 'post-pandemic' term turns up here as well despite the warnings about unusual fluctuations.

Here we are into lunchtime in the US with GLOBAL GOVVIES back under pressure, yet not on indications of being driven by global growth. It is more so a manifestation of the inflation fears. Similarly, both the DEVELOPED CURRENCIES and EMERGING CURRENCIES are back under pressure after a recent attempt to strengthen against the US DOLLAR.

That the US DOLLAR INDEX is up against recent highs near the 94.74 16-month trading high is a sign of a renewed 'haven' bid. Next resistance if that is violated is not until the upper-95.00 to mid-96.00 area. And it is much the same for EMERGING CURRENCIES that are no less than getting 'trashed' after their recent rally.

**Courtesy Repeat of Monday's 'The Biden Bipartisan Bonanza?' research note**

In Friday's 'Synergistic Breakthroughs' research note (repeated below for your ease of access), we explored the synergistic nature of the Pfizer announcement on its high efficacy COVID-19 self-administered therapeutic pill even prior to the strong US Employment report. See below for the full review. In the event, the US EQUITIES were already up into a new all-time high prior to the release of a US report that was better than already elevated estimates... complementary 'risk-on' forces.

However, all of that might have been influenced by the degree to which the US House was very likely to finally pass the bipartisan infrastructure bill, which had already passed the Senate back on August 10th. While it did not pass until after markets closed Friday, we suspect anticipation made this the third leg of a 'risk-on' stool which boosted 'risk-on' sentiment during the day.

Many questions remain over why the Progressives in the House did not see the advantage in passing this additional \$550 billion of spending over the next 10 years sooner, despite wanting their 'social infrastructure' bill to be passed at the same time. The 'received wisdom' is that some of them saw the degree to which the Democratic Party bickering was weighing on their electoral prospects, as was already reflected in much weaker liberal voter turnout in the recent off-year elections.

Whatever the case may be, some components of that bipartisan bill may be contributing to the US EQUITIES sense of euphoria. That is because there is now a sense that the worst effects of the COVID-19 pandemic will be suppressed in the future, which may solve the conundrum of major employee resistance to the current vaccine mandates (more on Friday as well.) At the same time, the US economy may be seeing more sustainable near-term earnings potential.

This is a major '*good news is (indeed) good news*' for a change. Yet the fly in the proverbial ointment is the question over why the GLOBAL GOVVIES should have seen such a sharp rally if indeed the other 'synergistic' factors are creating so much stronger an economy in an already inflationary environment?

As noted on Friday, there seems only one way to view it in the context of that "*...should be weighing on global govies. The only squaring of that circle might be that the therapeutic developments might assist in clearing the supply chain congestion, due to more workers being available once the COVID-19 concerns are more fully addressed.*"

The Pfizer therapeutic (and potentially others to follow) eliminating much more of the workplace or schoolroom risk of COVID-19 may free up more of the workforce, which could buffer some of the current upward pressure on wages. However, the greater inflationary influence over recent months has been the very significant port congestion. That will not be solved by the additional tonnage coming on line in 2022 Madame Lagarde mentioned at the ECB press conference.

The US bipartisan infrastructure bill's major spending also does not provide any near-term inflation relief. The bill expends \$42 billion on airports, waterways and port infrastructure, and invests \$110 billion in roads and bridges. Yet that does not occur by magic wand, as it takes quite a bit of time to deploy federal funding.

So with neither immediate inflation relief from the employment aspect of the Pfizer therapeutic nor the extended spending on the ports, roads and bridges (as also noted Friday), "*It is counterintuitive, to say the least, that the DECEMBER T-NOTE FUTURE is back up near the 132-00 area, with the GILT well above 126.00 and BUND above 169.50-170.00.*" It would seem hopes on the US bipartisan bill being counter-inflationary have the cart out in front of the horse.

In the first instance is it adding fiscal largesse just as central bank largesse is being reduced, which is sensible in the broader picture. Yet it will not weigh on an economy which is already recovering nicely from the recent pandemic dip on the Delta variant impact over the Summer. Possibly the weekend has given the GLOBAL GOVVIES a chance to reconsider their wild end of week rally. The DECEMBER T-NOTE FUTURE is a half point back below the 132-00 area. While the GILT and BUND have not weakened as much, that may be due to the current European COVID-19 surge.

As far as what to look for next in US EQUITIES, this was also noted at the end of last week regarding the higher FRONT MONTH S&P 500 FUTURE Oscillator thresholds. Those stand as the outlook into any further rally. We have updated them for this week based on weekly MA-41 now rising \$25/week once again. The next (ultimate) thresholds this week are from back near the top of the rally in December 2020, at 4,755 and 4,785. As such any sustained escape above the 4,685 area and 4,710 area current thresholds at the end of this week points to 3,780 and 3,810 also this week.

Of note, along the way is the major 'topping' line from the 3,587 August 2020 high across the 4,232 May 2021 high and the 4,550 August 2021 high into the 4,740 area this week. That is a 'delimiter' on any attempt to escape the low 4,700 area..

Similarly in FOREIGN EXCHANGE, the US DOLLAR INDEX is maintaining its recent bid without having retested (much less failed below) its key 93.70 area. This is a reflection of weakness in the other DEVELOPED CURRENCIES, and most especially the EURO that may also be related to the recent European COVID-19 resurgence.

It is also the case that EMERGING CURRENCIES have only reacted back up somewhat modestly from their recent selloffs. That has been most impressive on the SOUTH AFRICAN RAND seeing USD/ZAR dropping back below 15.00 after its recent test of the 15.40-.50 area. That will need to be closely watched after the DECEMBER WTI CRUDE OIL FUTURE recovered from a brief dip below 80.00 to the 82.00 area again.

### **Courtesy Repeat of Friday's 'Synergistic Breakthroughs' research note**

After a couple of months of ostensibly sluggish US jobs growth, today's US Employment report addition of 531,000 jobs was not unexpected. Yet at 81,000 more than estimated, it was a breakthrough nonetheless as compared to the previous two months. It is also the case that the previously weak September Nonfarm Payrolls (NFP) were revised up 118,000, from 194,000 to 312,000, which is a much more encouraging number overall in what had been a weaker quarter.

For more detail we refer you to a very good CNBC article (<https://cnb.cx/3bL1RE8>) that drills down into the various key sector jobs gains. That the Leisure and Hospitality sector was a leading jobs gainer at 154,000 was very impressive on the continued reopening.

Yet related to that in a major way is that all of it would possibly not have been quite as impressive in its own right, if it were not for the next COVID-19 pandemic self-administered therapeutic news.

While quite a bit of today's further US EQUITIES gain after the positive response to the Fed Wednesday and BoE Thursday has been attributed to the US Employment report, well ahead of its release the DECEMBER S&P 500 FUTURE traded up \$15 to the 4,687 area by 07:00 EDT. In that regard it is of note that prior to today's opening Pfizer CEO Albert Bourla was on the major networks with the announcement that his company's extensive trial of its new COVID-19 self-administered therapeutic pill ended early.

That was due to the trial showing 89% efficacy in preventing damaging COVID-19 effects in those who took the pills within three days of diagnosis. As regular readers know, we had still been a bit skeptical of the Merck therapeutic pill only having an efficacy of 50%. This makes the Pfizer pill a bona fide 'game changer'.

It was a precursor-afterburner for the stronger than expected US Employment report, as it points to the degree to which COVID-19 gathering economy (dining, hospitality, travel, etc.) hesitancy can now be fully addressed into likely no later than early 2022. The US EQUITIES psychological impact is similar to the original Pfizer-BioNTech vaccine efficacy announcement almost exactly one year ago today.

Back at that time the FRONT MONTH S&P 500 FUTURE had been churning around the old 3,397.50 February 2020 all-time high after falling back from an early September new 3,587 high. Spending the next two months stuck in the 3,200-3,500 range might have raised some concerns over the trend. Yet the Pfizer-BioNTech vaccine announcement saw it surge up to a new 3,668 all-time high. In that case vaccine news was a game changer from which the US EQUITIES never looked back.

While today's announcement is at a much higher level, at least in the near-term it is likely to drive a further 'risk-on' psychology for US EQUITIES during an already advantageous seasonal phase out of November into the end of the year. That will also be on stronger expectations for the US economy if COVID-19 hesitancy recedes further.

As previous FDA head Dr. Scott Gottlieb said in another CNBC interview this morning (<https://cnb.cx/3wkb7sf>), this means that the end of the COVID-19 pandemic is 'in sight'. While Gottlieb has previously been hopeful at times, that represents a more definitive statement. However much bad phases might remain, the overall situation is constructive.

As an aside, it is going to be interesting to see this play out in the US, where the Biden administration vaccine mandate for federal contractors (which is a very wide net) is meeting with significant blowback. Many other organizations and governments have followed the federal lead, with similar resistance.

Quite a few first responders (like New York City firefighters and police) are refusing to get vaccinated, as have many hospital workers. Just to be clear, the vaccine is the more effective prevention against COVID-19 hospitalization or death.

However, if as it appears there will be an effective self-administered therapeutic that can prevent the more serious impact, will the US federal and local governments and companies stand down from their vaccination requirement? This is problematic due to major companies and governmental agencies being resistant to reversing their positions on critical issues. On the other hand, the vaccine mandates are driving some of the labor shortages in key areas.

As such, the availability of the easily administered, readily available therapeutic would address the tediously hard task of squaring that circle. While it will still leave a partisan divide on whether the anti-vaxxers were right to resist, practical implications for the global jobs markets and economies will be very positive.

That gets to the issue of what to look for next on the US EQUITIES that have seen the FRONT MONTH S&P 500 FUTURE blow out the major upside 'swing count' 4,621 Objective after stalling into it early this week? In fact, the next weekly Oscillator thresholds set up on the rally into August-November 2020 are the 4,680 and 4,705 levels into next week... with the market already straining against the higher level.

The next (ultimate) thresholds next week are from back near the top of the rally in December 2020, at 4,755 and 4,785. As such any sustained escape above the low 4,700 area at the end of this week that is sustained into next week points to those mid-upper 4,700 levels. Of note, that (not surprisingly) correlates with the major 'topping' line from the 3,587 August 2020 high across the 4,550 August 2021 high.

Yet if the US EQUITIES psychology is so strong on major economic improvements to come, why are the GLOBAL GOVVIES extending what was already a substantial recovery this week both to and above key resistance at previously failed supports? It is counterintuitive, to say the least, that the DECEMBER T-NOTE FUTURE is back up near 132-00 area, with DECEMBER GILT FUTURE well above 126.00 and DECEMBER BUND FUTURE above 169.50-170.00.

Similarly in FOREIGN EXCHANGE, the US DOLLAR INDEX is maintaining its recent bid, which is a reflection of weakness in the other DEVELOPED CURRENCIES. It is also the case that EMERGING CURRENCIES have only reacted back up modestly from their recent selloffs, which may also be related to Crude Oil recovering above 80.00.

This is a real quandary on whether there is still residual 'risk-off' sentiment out there despite the positive COVID-19 therapeutic news... which doesn't really make a lot of sense. Or is it the US leading the way up on what will indeed be a better global recovery?

That is harder to imagine in the inflationary environment that therefore should be weighing on GLOBAL GOVVIES. The only squaring of that circle might be that the therapeutic developments might assist in clearing the supply chain congestion, due to more workers being available once the COVID-19 concerns are more fully addressed. That will need to be closely monitored.

**Courtesy Repeat of last Wednesday's Quick Take (updated chart)  
[Brief current comments above; to be updated Thursday morning]**

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/3BUQCDY> 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 into the mid-September Close and violating it from the beginning of the following week was a fresh 4,410 DOWN Break. That fed further weakness which was already anticipated from the negative influence flowing out of China.

As usual there was a Tolerance below that (as seen on selloffs in both June and July) down to 4,350 area lower congestion 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 seemed a broad berth, on past form only below the 4,350 area does it signal a full trend 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 against interim 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 4,430 area this week. That said, the 4,348 area had reverted to the key support again on the then renewed pressure. And much like previous, it was temporarily violated. The difference is that the daily 'trend flow' was quite a bit different with the rally back above the low-4,400 area.

Holding above the 4,430 area Tolerance of the 4,400-10 resistance for a weekly Close also above the at that time weekly MA-9 and MA-13 in the 4,435-45 area looking more bullish again.

The next higher resistance was at the 4,472 late September trading high from which it previously dropped to the 4,300 area. That being exceeded last week was a further strong sign, which has not surprisingly led to the DECEMBER S&P 500 FUTURE also pushing above the next minor early-September congestion in the 4,510 area.

That only left the early September 4,549.50 FRONT MONTH S&P 500 FUTURE all-time high as resistance. Now that it has been exceeded, the 4,621 major 'swing count' is the next key threshold, with the next key weekly Oscillator thresholds up into the 4,660-85 area this week (rising \$20 per week.)

***Courtesy Repeat of last Wednesday's Evolutionary Trend View  
[Brief current comments above; to be updated Thursday morning]***

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/30f78S8>.) 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 21<sup>st</sup> 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 previous, 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.

After a brief mid-October rally, it had finally weakened below that level and was at new lows after not being able to Close back above it on an interim rally. Yet some combination of negative sentiment factors, such as the recent serial weak economic releases and COVID-19 resurgence, had rallied it back up to the 131-00 area prior to stalling once again.

That said, the previous selloff was consistent with a 10-year yield swing to 1.66%, as expected. That was near levels seen during the April-May 1.70-1.75% range surge. The next support below the 130-00 area is not until the more major congestion area at the low end of the August 2019 through February 2020 range in the 128-00 area, which would be consistent with yields above the 1.70-1.75% range.

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/303OaO5>.)

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 previous 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 previous 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. Now that it is dropping very near that lower support after avoiding it last week, it is more critical. While next support is as nearby as the mid-166.00 area, that would indicate the 10-year yield had risen back above 0.00% for the first time since May of 2019. However, some combination of negative sentiment factors, such as the recent serial weak economic releases and the COVID-19 pandemic resurgence, had rallied it back up into a test of the 170.00-169.50 failed support.

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, as the FRONT MONTH GILT FUTURE had been the weak sister previous, it failed to hold its 128.00 support on the September contract selloff. With the typical full point discount at expiration in the 'second month' DECEMBER GILT FUTURE, it was 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 (which is developing at present) 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 was very interesting of late as it scrambled back up to the 124.00 area after weakening below that area of late.

And here as well some combination of negative sentiment factors, such as the recent serial weak economic releases and the COVID-19 pandemic resurgence, had rallied it back up near the 126.00 area failed support.

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 was driving the 'risk-off' psychology in the vulnerable **EMERGING CURRENCIES** on a 'country' basis, even if a resilient if quieter **US DOLLAR** 'haven' bid has survived a modest rally 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 despite the US still having an elevated COVID-19 new case rate.

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 previous squeeze above that area (as seen on the weekly chart <https://bit.ly/30h6TWT> 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 key 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. The recent weakening of the **US DOLLAR** 'haven' bid left it struggling to hold the 93.70 area once again, yet which it has now recovered back above. Yet the weakening of other **DEVELOPED CURRENCIES** under the weight of the resurgent COVID-19 pandemic (especially in the UK and parts of Europe) had seen it to only slip quietly below that area prior to the current recovery.

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 weekly chart through Friday <https://bit.ly/3wwnXUF>), 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. However, on the recent ‘risk-on’ psychology revival it has churned back above the 1.1600 area.

Yet the continued pressure on the non-US DOLLAR DEVELOPED CURRENCIES under the weight of the resurgent COVID-19 pandemic (especially in the UK and parts of Europe) has seen it only churn back up toward the interim 1.1700 area prior to slipping back to no better than the 1.1600 area of late.

**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 1.3200 areas not seen since late 2020. Yet the current return to more of a 'risk-on' psychology has left it back above both the 1.3500 and also the 1.3700-1.3670 areas once again, and even just a bit above the 1.3750-1.3800 area.

Yet the weakening of the non-US DOLLAR DEVELOPED CURRENCIES under the weight of the resurgent COVID-19 pandemic (especially in the UK and parts of Europe) had seen it stall back into that area of late, also with weekly MA-41 at 1.3835. At present it is also weakening back below weekly MA-9 and MA-13 in the 1.3700 area,

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

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

While recent stability had left it back up near .7500 once again, the COVID-19 Delta variant impact had it back down below .7350-.7400 area, with next interim support back into the .7200 but with the major support not until the .7000 area once again (as back in the Fall of 2020.) However, that leaves the current selloff back below the .7350-.7400 area after the failure to reach .7500 next resistance on the rally.

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 above the 7350-.7400 area into a test of the .7500 area.

Yet the weakening of the non-US DOLLAR DEVELOPED CURRENCIES under the weight of the resurgent COVID-19 pandemic has seen it stall back into that area, also with weekly MA-41 in the .7540 area it is currently testing. While the pandemic is resurgent in the UK and parts of Europe, Australia has also seen a significant two-month surge in new cases to a record high of 2,744 per day earlier this month, falling to around 1,800 at present.

That is as opposed to April and August 2020 peaks of 400 and 600 respectively. While much lower than many other countries (especially the US and parts of Europe), this still represents a problem for the Northern Hemisphere as it heads into its Winter.

**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 tested once again over the past two weeks.

In fact, last week's new 114.69 rally high followed by a lower weekly Close below the previous week's 114.22 Close was a weekly DOWN Closing Price Reversal (CPR.) As with all DOWN CPR's, its Tolerance is that previous week's 114.45 trading high. The lack of any strength in the alternate 'haven' currency indicates the lack of any crisis. As such any continued resilience of the US DOLLAR is more so on secular strength driven by concerns elsewhere.

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 a significant degree, while the previously beleaguered TURKISH LIRA gave 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 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, 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.

With that violated it has also pushed above the significant 15.00 area congestion. On historic form that did 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 recent drop back below 15.00 left the 14.80 area prominent once again.

Violating that also saw the 14.40-.50 area being vigorously tested. However, the rally that began two weeks ago week has quickly carried back above those levels to see it back above the 15.00-.10 area, and now testing the 15.40-.50 area once again as the next resistance.

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 again. While it pushed up despite general EMERGING CURRENCIES weakness, it was recently back into that range.

Sustained WTI CRUDE OIL strength has left it below that range, with next support into the 71.00-70.00 currently being vigorously tested for the first time since June 2020 and even some early week slippage toward 69.00. While the more major support is into the 68.00 area low from earlier that month, with a weekly 68.66 weekly UP Closing Price Reversal along the way, the current softening of energy markets and general pressure on EMERGING CURRENCIES has USD/RUB back above 71.00-70.00 toward 73.00-72.50.



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. Yet while it was a delayed reaction, sustained CRUDE OIL strength had seen it weaken back below the 20.75 and 20.45 levels once again into the 20.20-.25 area. That is also very important on all of the weekly MAs (including MA-41) being just below the 20.20 level, which it has held two weeks ago. Yet the current weakening of EMERGING CURRENCIES has seen USD/MXN rally back above 20.45 and even marginally above the 20.75 level. That leaves the 21.00 area and the 21.40-.50 range as next resistances 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 previous topping into the minor new highs) were into June's 8.7917 all-time high, those moot after the recent two-month selloff. The subsequent 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 projected last week's threshold into the 9.30-9.35 area (MA-41 plus 1.05-1.10.) Above that on last week's Close meant the higher Oscillator threshold into this week is not until 9.80 (MA-41 plus 1.51 still rising 0.05 per week) only seen on the November 2020 surge. Having neared it on last week's rally prior to dropping back down to the 9.60 area leaves the 9.85 area as the higher threshold this week.

### ***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](http://www.rohr-blog.com) sidebar.

Last week saw very impressive performances by the Fed and BoE along with a very strong US Employment report. However, this week remains important on various releases, even though there is much less central bank input. Even prior to this morning the US and Canada went back onto Standard Time Sunday (EST five hours behind GMT/UTC), joining the UK and European shift from the previous week.

And the top of the week news from over the weekend was the better than expected Chinese trade data, which many are hoping will offset domestic economy weakness. It is followed today by the Japanese Leading Economic Index followed by a good bit of Fed-speak.

Tuesday brings quite a bit more Asian influence into the French and German Trade Balances along with the latter's and European ZEW Surveys. Wednesday sees Chinese inflation data along with some other tentative releases, German CPI and OECD Composite Leading Indicators into US CPI and its important Wholesale Trade Sales.

Thursday is another big day on Japanese PPI and the Australian Employment report into the major raft of UK data that includes GDP and Industrial Production along with its NIESR GDP Estimate, with the ECB Monthly Bulletin along the way. It wraps up on a quieter Friday, which still includes Spanish CPI, Euro-zone Industrial Production and the BoC Senior Loan Officer Survey into US JOLTS Job Openings and Michigan Consumer Confidence.

While the troubling resilience of the COVID-19 pandemic on the continued Delta variant spread (especially in Eastern Europe) continues to offset some of the more upbeat recent vaccination and therapeutic developments, the mood is much more upbeat. Yet given the fast moving political changes as well (like last week's US bipartisan infrastructure bill approval) we are obviously maintaining our recent advice: Keep those seat belts firmly fastened.

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