



RESEARCH NOTE

Friday, November 12, 2021

What A Week, Quick Take, Calendar

Friday to Friday has seen an incredible shift to a broad 'risk-on' psychology for reasons explored in our analysis since a week ago, and the lapse back into a major 'risk-off' psychology since Tuesday that was exacerbated by Wednesday morning's US inflation numbers. The post-Bank of England somewhat less hawkish decision and press conference last week Thursday was striking insofar as it surprised quite a few people.

It was grounds for some to think the GLOBAL GOVVIES should rally, with a major extension of their previous bear market bounce. That also gave more heart to US EQUITIES and NON-US DOLLAR CURRENCIES on an accommodative bank psychology.

But alas, all of that was for naught, as the basic 'macro' context was the same as previous on headwinds for the global economy: inflation, China and COVID-19. As we have explored all of that at length in Wednesday's 'Rationale Retread' research note with further perspective on all three aspects in Thursday's "The Curious Dollar 'Haven' Bid" research note, we will leave review of the in-depth analysis to you.

That said, the major key to our suspicion of last week's late 'buy everything' psychology was the major extension of the GLOBAL GOVVIES rally from what had already been a modest recovery from major lower supports hit in mid-October.

Once again, if the global economy was going to be strong enough to support the already distended rally in US EQUITIES and EMERGING CURRENCIES, how could it be GLOBAL GOVVIES were also going to sustain a further rally into already troubling inflation that the central bankers were even allowing was likely to continue?

On the US COVID-19 pandemic front, we have doubted for some time that the recently ubiquitous 'post-pandemic' expectations were misguided. Both of the past two research notes contain links to the CDC new US COVID-19 cases graph, along with our discussion. What is clear is that it is at more of a critical juncture than any sustainable weakening of the disease spread. Of late it is also apparent that Europe is having more of a problem, even in the highly vaccinated countries.

As today's Reuters article (<https://reut.rs/3qLUCVt>) notes, "*Europe has become the epicentre of the pandemic again, prompting some governments to consider re-imposing unpopular lockdowns in the run-up to Christmas and stirring debate over whether vaccines alone are enough to tame COVID-19.*"

While Europe has a higher vaccination rate than the US, the article also notes, "*The fresh concerns come as successful inoculation campaigns have plateaued ahead of the winter months and flu season.*" Sounds a lot like the US, with its resistant areas and the current case increase coming into Thanksgiving travel.

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This also comes with the similar tendency as the US on the aversion of quite a few folks to masking and social distancing. We are aware that many are just sick (psychologically rather than physically) of the restrictions and general discomfort of the masks. However, the article also cites the recent rise in new cases as a driver for governments to impose mandatory lockdowns or other restrictions.

Which gets to the real point of the resilience of the COVID-19 pandemic on the global markets. While the illness is certainly a human tragedy, its earlier trouble for the markets was the extensive interruption of commerce as well. As much as we are still concerned about the human factor, the real issue for markets is whether the resurgence is going to also be another commercial weight.

It is already apparent from the weak 'rearview mirror' Q3 economic releases that restrictions and general fears can weigh on the global economies. Expectations in that 'post-pandemic' context were that this could all be ignored due to a better Q4 outlook. The question therefore becomes what happens to the expectations if Q4 weakens on a stronger pandemic resurgence in the wake of US Thanksgiving?

As important, what might Q1 look like if folks stick to what are heavier Christmas holiday travel plans, which are expected to near the pre-pandemic 2019 levels in the US (and we presume elsewhere as well)? While the situation is in flux for now, things remain fraught on the slightly longer-term outlook into early Winter 2022.

Lest anyone forget, the seasonal into the colder, dryer Winter months is for more COVID-19 Delta variant transmission and cases. As noted in our October 29th 'Indications Bifurcation' research note, while at a much lower overall level compared to the US and Europe, Australia suffered a major surge to new all-time high cases during their Winter that just ended. While once again within the context of how it will affect commerce, we suspect heavy holiday travel will not be helpful.

The China 'risk-off' factor has receded just a bit in the wake of the only just slightly delayed Evergrande payment of its \$148 million dollar-bond coupon payment after the Wednesday lapse of the 30-day grace period. Yet the outlook there has weakened overall into expectations of a slump based on the weakening of consumer sentiment. Today's Reuters article focuses on lighter gains in Singles Day purchases (<https://reut.rs/3c62YhT>), with added future headwinds from state organs discouraging conspicuous consumption and a corporate 'sales' focus.

Where this leaves the markets is in a more balanced state than the 'whipsaw' back from late last week's full tilt 'risk-on' to this week's heavy 'risk-off'. It is likely the US EQUITIES can be more of a two-way trading market after the DECEMBER S&P 500 FUTURE neared and rebounded from the 4,621 major 'swing count' Objective that was overrun last week. That should continue to be a significant trend level.

The GLOBAL GOVVIES still need to be concerned about the elevated inflation levels, which are both expected to continue and are well above the current yields on all of the major government (i.e. 'risk free yield') instruments. Yet the degree to which the economic situation deteriorates on the factors we have noted likely means they will also be more of a two-way street for a while compared to September-October.

Yet in FOREIGN EXCHANGE the US DOLLAR has a 'haven' bid highlighted in Thursday's analysis. With the US DOLLAR INDEX up to a new 16-month high above the 94.74 September 2020 trading high, the higher historic congestion (2018-2020) is not until the 95.70 to mid-96.00 range. In order for those to be hit, recently more stable DEVELOPED CURRENCIES must show more weakness... even if only on that US DOLLAR 'least bad' rather than full 'haven' bid fully reviewed in Thursday's research note. It's a funny old disruptive world right now.

Courtesy Repeat of Thursday's "The Curious Dollar 'Haven' Bid" research note

As extensively explored in Wednesday's 'Rationale Retread' research note (repeated below with a suggestion of review if you've not done so), the market psychology shift from 'risk-on' last Thursday into Friday and 'risk-off' this week is nothing less than a major whipsaw; and that was with some aspects that made no sense.

As we had noted since Monday's 'The Biden Bipartisan Bonanza?' research note, the idea accommodative central banks could extend such a major rally in the overall bearish GLOBAL GOVVIES at the same time 'risk-on' global sentiment toward significant economic improvement could support a further rally in US EQUITIES and NON-US DOLLAR CURRENCIES seemed more than a bit far-fetched. And that came home to roost in the wake of Wednesday's much higher than expected US inflation.

The improvement in the US EQUITIES along with a more sustained rally in NON-US DOLLAR CURRENCIES was still suspect despite any near-term improvement, due to key 'macro' factors not supporting it into the near-term future. As we revisited as recently as in our October 20th 'Mixed Inflation Indications' research note, *"...it takes three different headwinds to reverse any sustained 'risk-on' psychology in US EQUITIES... and that still seems to be the case at present, which makes sustained improvement somewhat problematic."* In fact some of those had deteriorated further despite last week's knee-jerk reaction to a slightly less hawkish BoE.

Inflation has obviously risen in a manner that can no longer be considered 'transitory' (as central bankers are belatedly admitting.) When we noted that this might not only eat into recently strong corporate profits yet would also depress consumer spending power, we had not as yet reviewed Wednesday's US Bureau of Labor Statistics 'Real Earnings' release (<https://bit.ly/3oo2ucV>.) This was striking in its indications that over the past two months workers had already suffered.

Part of the deferral of any inflation concerns have been that 'the US consumer is in good shape' due to savings built up during the pandemic. Yet spending down savings only goes so far before spending requires robust real earnings growth. And at present that is already not the case based on current (and likely sustained) levels of inflation. From the BLS report, *"Real average hourly earnings for all employees decreased 0.5 percent from September to October..."*

"Real average weekly earnings decreased 0.9 percent over the month due to the change in real average hourly earnings combined with a decrease of 0.3% in the average workweek."

Interesting that so many folks are still looking for record holiday season purchases, especially with higher energy prices. We shall see.

The second risk factor is a further significant weakening of the Chinese economy, especially if there are more pronounced problems at their property developers (more on that below includes Fed concerns.) It is the case today however that Evergrande may be just barely avoiding official default after the 30-day 'grace period' on its \$148 million dollar-bond payment lapsed.

According to today's Bloomberg article, *"It would be quite a surprise if the funds do not flow to the trustee in the requisite timeframe given the immediate cross-default and ripple effect on suppliers and the wider People's Republic of China real estate market,"* according to a knowledgeable source. Especially note the contagion potential we have cited for some time.

The final headwind (also explored at length on Wednesday) is the seemingly less than credible ubiquitous perspective that somehow the world is either into, or has indeed already entered, a 'post-pandemic' phase. Check out the link to the CDC graph of New US COVID-19 Cases (<https://bit.ly/3BYKtGB>), which have ranged back between 70,000 and 140,000 daily and a 7-Day Average now trending back above the recently tested 65,000-70,000 area (more on that from Wednesday.)

Also consider that this is also with more aggressive surges in quite a few other global locales, even those which are highly vaccinated. It will be very important to see what transpires in the US over the next two weeks, after which it will be into the Thanksgiving holiday travel crunch. Maybe those new cases will drop again, creating a more tolerable situation. Yet if they rise from here... well, we'll see.

However, all of that still leaves the question, "*Why would the US dollar attract a haven bid at this time, which has driven the US Dollar Index out above its 94.74 16-month trading high, with the next Evolutionary Trend View (ETV) resistance not until the upper-95.00 to mid-96.00 area?*" The US has some of the worst inflation that is looking to deteriorate further, political disarray even within the current majority party, a resurgent COVID-19 pandemic from still elevated levels (see above) despite improved vaccination rates, and some of the worst supply chain problems of any country due to the congestion at the West Coast ports.

Well, it's a bit of a reach to shift into a slightly longer-term view, but maybe it's the 'least bad' of alternatives on looming Winter 'macro' factors... especially energy. While 'haven' bid has ostensibly meant 'flight to quality' in the past, in present stressed global circumstances it would seem to include a 'shift to the least bad'.

For the film buffs out there, here is a Nicholson quote as private investigator Jake Gettes in the 1990 'The Two Jakes' (sequel to the renowned 'Chinatown') on his standing in that less than 'reputable' profession (<https://www.youtube.com/watch?v=py6lpUx4eWs> ...not suitable for print here.) This seems an apt metaphor for the relative US dollar psychology at present in its being the 'least undesirable'.

Considering the natural vulnerability of emerging currencies to their economies' pressure from rising inflation, especially unavoidable energy expense, it is no surprise they should have shifted back to extensive weakness on Wednesday. However, into this Winter various aspects of the shift to 'green' energy have conspired to leave China, Europe and UK also threatened by energy shortages in coming months. There is heavy reliance on hydro power with recent extensive droughts that are affecting that power generation... especially in China.

There was also the German decision in the wake of the 2011 Fukushima nuclear disaster in Japan to dismantle all of its nuclear power plants, leaving it dependent on recently less than adequate wind power, and natural gas from Russia. We are sure they are not relishing that dependency on the tender mercies of Mr. Putin this Winter.

The UK also moved to more dependence on currently less than adequate wind power. With only the most modest natural gas storage capacity, both it and Europe have seen major increases in their bulk natural gas prices.

And the United States? Perversely enough, it has massive natural gas reserves in the ground, which are mostly accessible via current production... even if that has lagged a bit after the lack of 2020 investment due to the pandemic-driven energy price collapse. Yet in the broader perspective the US production has led the world (with Russia a close second), and based on current production it has been called 'the Saudi Arabia of natural gas'. Certainly the far and away leader in the West.

Compare the Americans griping about their natural gas prices doubling over the past year to the situation elsewhere. German natural gas prices have sextupled from previous average prices, and are up 20 times from their May 2020 low. However, even more troubling is the UK price increase. While they have backed off substantially from their early October high, they are also still up 20 times from their May 2020 low... and due to pricing boards that control the consumer price, quite a few smaller gas companies have collapsed right into Winter's onset.

The glib phrase for the extreme higher energy expense on top of food inflation is that quite a few UK residents will need to “*choose between heating and eating.*” That’s more than sad for a major economy, yet most starkly illustrates the challenges elsewhere that are not quite as bad in a US still experiencing some significant stresses. So here we are, with a ‘haven’ bid in a US dollar that seems ready to continue on the basis of not much more than it being the ‘least bad’.

Courtesy Repeat of Wednesday’s ‘Rationale Retread’ research note

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 deft 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.

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-excitable 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/3wCONMG> 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 . And it is much the same for EMERGING CURRENCIES that are no less than getting 'trashed' after their recent rally.

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/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. After that was exceeded, a 4,621 major 'swing count' was the next key threshold, with the next key weekly Oscillator thresholds up into the 4,680-4,705 area this week (still rising \$25 per week.) After stalling there since late last week, there was finally a reaction... yet only down to near 4,621.

Evolutionary Trend View

While the **FRONT MONTH T-NOTE FUTURE** (March at the time) contract had not really challenged the mid-low 132-00 area support, the discounted JUNE T-NOTE FUTURE was only back to trading somewhat above it (as apparent on the weekly chart through Friday <https://bit.ly/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 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 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.

However, the recent rally that was exacerbated by a more dovish than expected BoE last Thursday sent it back up to a test of the 132-00 area. Yet the subsequent US inflation data had it back down near 130-00 prior to stabilizing.

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 and the less hawkish than expected BoE last Thursday had it back up above the 170.00-169.50 failed support. That leaves an interim 170.50 level, and heavier resistance back up in the 172.50-173.00 area.

As the co-downside leader the **MARCH GILT FUTURE** (possibly on the inflationary implications of the Brexit break with the EU) was already failing somewhat below major 130.00 congestion. That was also with the typical full point discount in the **JUNE GILT FUTURE**. That left next support into the mid-low 128.00 area it was recently below prior to rebounding.

Even though back above it once again, it remained vulnerable along with the rest of the GLOBAL GOVVIES. If it should slide further, the next major supports are not until the 126.50 and 125.50-.00 areas. Yet central banker assurances inflation will be transitory had it recently rallying back into the upper 128.00 area of late. While the prominent resistance remains in that 130.50-.00 range congestion (violated previous 22-month trading lows), weekly chart congestion, MA-13 and the gap down from the March contract expiration all pointed to resistance in the low-mid 129.00 area into which it indeed stalled into early June.

And the GILT FUTURE expiration saw the opposite picture from the premium in SEPTEMBER BUND FUTURE. The **SEPTEMBER GILT FUTURE** was actually a typical full point below the June contract when it expired. While it was recently back down below the 128.00 area, we ascribed this to the economic differential between the previously fully reopened UK economy versus some residual drags in Europe.

While recently only modestly back above the 128.00 area, the current rally under the influence of recent UK COVID-19 Delta variant spread had it back up into to the 130.50-.00 range prior to recently backing off. It is interesting that even as the Delta variant continues to impact the UK and global economy. In that regard, the GILT not rallying any further than a retest of the high end of the 130.50-.00 area was a warning, even if it was maintaining that rally into higher resistance until the recent return of pressure.

Yet on the current weakening back below 130.50-.00 area the next support remains 128.00. While quite a ways off, the September contract expiration currently sees a **DECEMBER GILT FUTURE** that is already trading down 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 above the 126.00 area failed support. That was exacerbated by the less hawkish than expected BoE last Thursday pushing back up near the interim 127.50 March-June congestion, with the more considerable congestion (and weekly MA-41) up into the 128.00 area.

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, with the US developing a nominal 'haven' bid into a new 16-month high... possibly as the 'least bad' alternative.

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 then 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 recent recovery. The current 'haven' bid looks more so like a 'least bad' into what may be another global weakening. Yet above the 94.74 16-month high the next resistance is not until the 95.74 to low-mid 96.00 area.

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. This has now led to the further weakening below the previous recent 1.1524 trend low, with the 1.1400-1.1370 area below that, and then not much until 1.1200 area.

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. Also weakening further below the 1.3571 July trading low has seen it finally fully below the 1.3500 area, with next interim support in the 1.3330 area but no major support until 1.3200-1.3150 and the 1.2850 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 had 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 had also seen a significant two-month surge in new cases to a record high of 2,744 per day earlier last month prior to falling. That might at least partially explain the current AUD/USD resilience, as it holds in its previous range at the 7350-.7400 area (also weekly MA-9 and MA-13), with the .7200 area now the next lower interim support.

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 become wide-ranging volatile markets, which were are repeating their mostly similar tendencies. Those will be fully updated next week.

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

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.

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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