



## RESEARCH NOTE

Tuesday, November 30, 2021

### On the Omicron Yin-Yang, Quick Take, Calendar

The anticipation of both uncertainty and attendant volatility in a suppressed risk appetite environment we suggested would be the case in Monday's 'Certain Uncertainty' research note is, well, certainly here. That is once again on one of our favorite axioms, "*The market (which is to classically say the equities) dislikes nothing quite so much as uncertainty.*" In addition to the rapid shifts in the still preliminary Omicron information, it is mostly on the negative side.

While we will return to articulating the full context below, a quick look at the market tendencies is warranted. The US EQUITIES saw a sharp recovery of some of last Friday's losses on Monday. That was substantially on some anecdotal South African observations that the Omicron variant might only induce a less virulent form of the COVID-19 symptoms. Fair enough. Yet this is in no way any reliable measure of what will actually transpire based on any solid clinical information.

As such, the more negative announcements into this morning from very credible sources (more below) have seen the attempted return to a 'risk-on' psychology hit hard. It is therefore not a surprise that the DECEMBER S&P 500 FUTURE only rallied back to the 4,660 key interim congestion we highlighted since early last week prior to coming back under pressure... with the major assist from the news.

Similarly GLOBAL GOVVIES which had rallied back so strongly from major supports last Friday dropped back on Monday's somewhat less threatening psychology. However, there as well the current more troubling news has seen the extension of their rally (i.e. weakening yields again.) The DECEMBER T-NOTE which was back up into the 131-00 area last Friday is now testing the more prominent 132-00 area.

Weak sister DECEMBER GILT FUTURE that had pushed up into the low end of its substantial 127.50-128.00 congestion last week has only pushed up a bit further toward the high end. That is also important now as weekly MA-41. And stronger sister DECEMBER BUND FUTURE (likely on the earlier Delta variant worries) had already rallied last week from its key lower interim 170.50 congestion to the bottom of the 172.50-173.00 range. While it remains in that area now, there is consideration on its typical early front month future expiration next Wednesday.

The MARCH BUND FUTURE is currently trading at 174.25, which is a 1.70 premium to the December contract. Radical premiums and discounts are the norm for the 'SECOND MONTH' BUND FUTURE whenever there is a shifting future sentiment; as opposed to typical modest discounts in the T-NOTE and GILT FUTURE expirations.

Therefore, barring any sharp 'macro' psychological improvement (not very likely) by next Wednesday, the burden of proof will be on the bears to knock the MARCH BUND FUTURE back below 173.00-172.50; which is currently a long way down.

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FOREIGN EXCHANGE is both radical and far more disjointed this week, after developments from last week. The already accelerated weakness of EMERGING CURRENCIES saw a radical weakening on last Friday's news. However, as noted on Monday, even though out to significant new recent lows against the US DOLLAR, they have for the most part hit their next major supports, and are recovering a bit.

The exception is of course TURKISH LIRA, which is suffering from wholly misguided government policy that is being foisted onto its central bank. As noted in last Wednesday's research note (when the LIRA was in the initial phase of its current implosion well beyond any other EMERGING CURRENCIES weakness), there is "*President Erdogan's misguided philosophy that high interest rates cause inflation.*"

While developed economies central banks and even the emerging economies are far from it, Turkey is a cautionary reminder of what happens to a currency when its political masters have a country with a 20% inflation rate and demand a 1.0% base rate cut to 15%. How about that 5% negative real yield as an influence? However, this means the LIRA is not indicative of any broader FX tendencies.

The DEVELOPED CURRENCIES are a bit more of a quandary for us insofar as US DOLLAR INDEX has weakened since Omicron became an influence. At present the greenback should still be a 'haven' (or at least in a 'shift to the least bad') in the context of the worse Delta variant and now the Omicron infections elsewhere. However, it has weakened from above 96.50 back down to the 95.70 lower end of major mid-2018 through mid-2020 congestion it only penetrated two weeks ago.

However, it appears some market participants are still focused on central banks and short-term rates as the key arbiter of foreign exchange trends. We have felt for a long time it is more so inward investment, with its more stable flows into or out of a country. Yet the central bank psychology can still influence these markets at times, and this might be one of those. While Fed Chair Powell was upbeat in his prepared statement (released Monday) prior to today's CARES Act Senate testimony (<https://bit.ly/3rkMECT> for our mildly marked-up version), he added a cautionary word near the end on the Omicron unknowns which could affect that.

To wit, "*The recent rise in COVID-19 cases and the emergence of the Omicron variant pose downside risks to employment and economic activity and increased uncertainty for inflation. Greater concerns about the virus could reduce people's willingness to work in person, which would slow progress in the labor market and intensify supply-chain disruptions.*" While some of this concerns inflation, the general interpretation seems to be more so concerned about the economy that may forestall the broadly anticipated QE tightening and any rate hikes. That could be what is weighing on the US DOLLAR INDEX at present. We shall see.

Back to the 'macro' considerations, there is a significant disconnect once again between pandemic reality and the political class steps. That is due in part with the public revulsion regarding any reimposition of strong anti-transmission steps.

Allowing that many previously agreeable folks are rightfully 'sick to death' of any business restrictions and mask mandates, that may still be the best way forward. Also note that there is a not very agreeable audience that are COVID deniers along with anti-vaxxers and anti-maskers. As an example, even the US that has had such strong government encouragement is only 59.3% fully vaccinated.

This also goes to the other factor we have often noted on the economic impact beyond government restrictions: broader public psychology on the 'gathering' economy, including external dining, small retail, travel and hospitality. All of those (especially travel) are already predicting diminished business due to Omicron.

Yet politicians by nature must appear to 'do something', even if the current drive to expand the number of first time vaccinations, second shots and now boosters is a bit misguided in the context of what is already known about Omicron. This is with the caveat that there will likely be at least some protection (even at a lower level) from current vaccines. However, the latest indications are not propitious.

There is caution from the vaccine manufacturers themselves that their current shots will be less effective against the Omicron variant. Yet both they and the politicians are upbeat on the ability to develop new Omicron specific vaccines in a very short time. In historical terms that may be true, compared to the years of development prior to the advent of the new mRNA vaccines into late 2020.

However, the likely weakness of the current vaccines in preventing serious illness and the new vaccine timeline are not encouraging. This morning's Reuters article (<https://reut.rs/3I1YB7E>) cites Moderna CEO Stephane Bancel as saying, "*I think it's going to be a material drop. I just don't know how much because we need to wait for the data. But all the scientists I've talked to . . . are like 'this is not going to be good'.*" And even rapid approval by health authorities is going to take time.

According to another Reuters article this morning (<https://reut.rs/3rnPFCs>), any EU approval of an Omicron-adapted vaccine is still likely to take 3-4 months, and is pretty much the same for the US FDA and other countries' approvals. However much the new vaccines can be deployed at 'light speed' compared to the old process, it still takes quite a bit of time in epidemiological terms for a highly transmissible virus. 3-4 months? A really extensive risk factor.

And the hits just keep on coming. What we also heard this morning was another cautionary word shared in that very same Reuters article on the likely lower effectiveness of therapeutics. We are not surprised, due to the changes in the key Omicron 'spike protein', with a very high number of mutations within that single new variant. The article notes, "*Regeneron Pharmaceuticals said its COVID-19 antibody cocktail and other similar antiviral treatments could be less effective against the latest variant.*" And similar communication came from Eli Lilly.

The question at present would seem to be less of why the 'risk appetite' is under pressure, and more so why it is only under the degree of pressure seen so far? While the newly developed responses to the COVID-19 pandemic means this is a less dire situation than we highlighted when we heard of the 5-day asymptomatic transmission period in late-January 2020, it is likely more troubling than many observers are allowing at present (much like back then.) Having gotten back to a degree of normalcy, there is likely a degree of 'normalcy bias' right now.

However, along with epidemiological challenges, there is a question of the degree to which asset valuations are at least close to 'priced for perfection'. We already highlighted this in our November 17th ECB Financial Stability Review and More research note, with a link to the ECB analysis (<https://bit.ly/2YUAnsW>) and especially our recommendation to scroll down to their 'presentation slides'.

Page seven of those has a graph (<https://bit.ly/3lhvsuU>) on the deviation of a basket of financial assets from their long-term average. Of note is the degree to which they appear to be as extended to the upside now as they were depressed at the bottom in 2009.

Of course, these sorts of indications are quite general, and cannot and should not be used as any near-term trend indicator. However, the general psychology behind assets being at extended upside values should be kept in mind during the appearance of any new stressors. Many of the larger trend reversals by nature start in a modest fashion, yet are often from unsupportable extended valuations.

**Courtesy Repeat of Monday's Certain Uncertainty research note**

Getting back to the classical market axiom we cited again in Friday's 'Variant Vicissitudes' research note, "*The market (which is to classically say the equities) dislikes nothing quite so much as uncertainty.*" And as noted, "...right now it has it in truckloads on the two existing and newly discovered COVID-19 fronts."

Today's title brings to mind Winston Churchill's 1936 opposition speech on the paradoxes of Prime Minister Baldwin's coalition government, with its tendency to vacillate due to its far-flung composition. As part of pointing out the changeable nature of government positions, among other similar witticisms Churchill noted it was strong on being changeable, as in "...resolved to be irresolute..."

That is similar to market psychology right now in its inability to make up its mind in the near term due to the unknown nature of the Omicron COVID-19 variant. Yet prior to exploring that further, it is important to revisit the market tendencies on this morning's continued volatility, this time on the US EQUITIES and EMERGING CURRENCIES upside recovery, and GLOBAL GOVVIES return to weakness.

The DECEMBER S&P 500 FUTURE drop of over \$100 on Friday was based on many factors. Any new low for a given week on a Friday is bound to be exacerbated to some degree by a stale psychology: Why buy it then into likely margin calls on current leveraged bulls if not already long? There is also the matter of it being the Friday of the US Thanksgiving weekend, with thinner volumes on all markets.

However, the issue of whether this morning's recovery could be 'trusted' was highly problematic, as the rally only carried back up to the 4,660 key interim congestion which we cited last week. As such, it was not to be believed. It is now more important to observe how it does overall from the 4,621 major upside 'swing count' it had sunk back below on Friday. As noted, the next interim support below that is the 4,535 area, with major support not until the mid-low 4,400 area.

As far as FOREIGN EXCHANGE goes, many people still accept the false notion that central banks and short term interest rates drive the DEVELOPED CURRENCIES trends. Au contraire, it is actually inward investment, which brings more sustained flows.

Yet the received wisdom on Friday seemed to be that Omicron would leave the Fed more accommodative once again, defusing the US DOLLAR INDEX rally above the major 96.50 area. Once again however, here it is this morning gaining back its bid without ever seriously threatening to fall back below the key 95.70 area.

Last week's rapid deterioration of EMERGING CURRENCIES significantly reinforced our sustained recent suspicion that more of a 'risk-off' psychology was forming. There are times when we are accurate in our assessment to a degree that is surprising even to us.

Yet in this case that was for a reason we would rather have not seen develop. There is no joy in another round of fresh pandemic fears, even if it pushed the emerging currencies to levels we were expecting, even if nowhere nearly as fast as they proceeded.

That said, the other reason some near-term reaction may be reasonable early this week is the degree to which they have already reached those more significant price thresholds. That is both for the SOUTH AFRICAN RAND seeing USD/ZAR surge above the 16.07 one-off low right up to the 16.30 area congestion, and the MEXICAN PESO having USD/MXN push up so rapidly to the 22.00 area prior to reacting back down a bit today.

And while the GLOBAL GOVVIES are coming back under some pressure, they are so far above their recently tested key lower supports there seems little chance of a major failure which would indicate new highs for interest rates. For the US that is consistent with the imminently expected Fed announcement of a faster QE 'taper' now being on hold until the Omicron dynamics clarify.

Also of note is the BUND rally with the recently noted major premium in the March contract into the December contract expiration next week Wednesday. Lower by almost half a point today, the MARCH BUND FUTURE is still well above key 172.50-173.00 congestion, putting pressure on the bears even if the market should sell off later this week.

And the uncertainty is still palpable, even under what is considered a near-term 'best case scenario' for the Omicron variant. As this morning's Reuters article (<https://reut.rs/3riEHOs>) notes (and as we and others had already surmised last week), "*Many questions remain, including whether Omicron will evade vaccine protection and whether it will cause serious illness. But such characteristics would be far less concerning if the new variant remains relatively contained.*"

Yet from a market standpoint into what was already going to be a challenging 'old month into new' week (check your calendars), this simply means greater volatility on sustained uncertainty. As the Reuters article also notes, the timeline for the assessment of Omicron severity of disease, susceptibility to being prevented by current vaccines, and transmissibility (a key issue on whether it will supplant Delta as the primary variant) is "... *days into weeks.*"

Weeks? Not at all definitive. That also goes for the comfort from the vaccine manufacturers. They sound very confident that they can adapt the new mRNA type vaccines to rapidly address any fresh mutations. While that is comforting to some degree, and current vaccines likely offer some defense (even if to an unknown degree), that is still months away if indeed new variations of the vaccines need to be developed.

As we have noted for some time, the two key factors are government responses, especially as it regards any return shutdowns or partial quarantines. That is now already the case for recently reopened international travel, which has seen the reimposition of quarantines on the way into other countries and the way back into your own. Hey, who'd like to go on holiday where you quarantine in your hotel room on the way out, and quarantine in your home on the way back in?

Which gets us back around to the other key: public perception of the 'gathering' economy, where services suffered so heavily on the earlier pandemic response. While also still a work in progress during the initial assessment of Omicron, this will be a key to whether the external dining, travel and hospitality businesses can maintain their recent recovery, or slip back into duress, meaning workers as well.

While the New US COVID-19 Cases 7-day Average we have been closely watching dropped quite a bit (94,333 to 73,962) over previous days into last Friday, that is not a reliable measure. This is because of the drop in reportage over the US Thanksgiving holiday; there were only three days of normal reporting in that set of seven days.

That means that the regular weekend drop in reporting was extended into the normally heavy Thursday-Friday period last week. In any event, we have been stressing for some time and revisited in Friday's 'Variant Vicissitudes' research note (repeated below for your ease of access), the real key will be the period ten days out from today's end of heavy holiday travel and gatherings (into December 10<sup>th</sup>.)

**Courtesy Repeat of Previous Quick Take (updated chart)  
[To be updated after Wednesday's Manufacturing PMIs & OECD Outlook]**

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/3D3pV08> 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 4,725 and 4,750 this week (still rising \$20 per week.) After stalling into them on Monday, there is finally a reaction... yet only down to 4,660 interim support so far.

***Courtesy Repeat of Previous Evolutionary Trend View (updated charts)  
[To be updated after Wednesday's Manufacturing PMIs & OECD Outlook]***

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/3cYffF0>.) 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.

However, the recent rally that was exacerbated by a more dovish than expected BoE two weeks ago Thursday sent it back up to a test of the 132-00 are. Yet the subsequent US and other countries' inflation data had it back down near 130-00 prior to stabilizing. However, the recent strong data and inflation indications have dropped it to a new trading low for the overall selloff below that level. That opens the door to a test of the next lower and very major support in the 128-00 area, last seen during the heavy mid 2019-early 2020 trading range on the way up.

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/3p76VJr>.)

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.

After that even that resistance had 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, leaving it vulnerable to renewed pressure.

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 a 10-year yield rise back above 0.00% for the first time since May 2019.

However, some combination of negative sentiment factors and the less hawkish than expected BoE two weeks ago Thursday had it back up above the 170.00-169.50 failed support. That leaves an interim 170.50 support level, and heavier resistance back up in the 172.50-173.00 area it recently managed to test on the COVID-19 resurgence fears. However, the renewed inflation fears and selective stronger data has it back down into the 170.50 area once again.

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 above to the 124.00 area after previously weakening below.

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 recent less hawkish than expected BoE pushing back it up near the interim 127.50 March-June congestion, with the more considerable congestion (and weekly MA-41) up into the 128.00 area. However, recent stronger economic data has it now slipping fully back below the 126.00 area, with the potential to see another test of 124.00.

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. However, recent problems elsewhere and the stronger US economic data and corporate earnings have developed into a 'haven' bid in the greenback.

Yet the previous 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 had survived a modest rally in the **DEVELOPED CURRENCIES**. It currently seems prospects are better in the US than the rest of the world despite the US still having an elevated COVID-19 new case rate. That has led to the US developing a nominal yet curious 'haven' bid into a new 16-month high... possibly also in part 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/3xD4wKb> 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 'shift into the least bad' bid into what may be another global weakening. Yet above the major 94.74 16-month high the next resistance was not until 95.74 that has already been exceeded with the low-mid 96.00 area above that now being violated as well. That opens the door to a test of the higher resistances at 97.80 and in the mid-98.00 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/2ZyHNIY>), 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 now also violated. That leaves next support not until the currently tested 1.1200 area with 1.1000 below that, and the H&S Top 1.1090 Objective along the way.

**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 that it held near on its recent new trend low and is currently retesting. However, the next major support is not until the 1.3200-1.3150 and 1.2850 areas.

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 held its previous range in the 7350-.7400 area (also weekly MA-9 and MA-13) until this week, with the currently tested .7200 area the lower interim support this side of the major .7000.



**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. Having recently traded above the 114.73 November 2017 4-year trading high, it will be critical to see whether it can sustain activity above it on the current violation of that level.

Next resistance is not until 118.66 December 2016 trading high with further congestion back up into the interim 120.00-121.00 range that is part of the major December 2014 through February 2016 range with a high of 125.85. Yet in any event, 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 that 'shift to the least bad' bid driven by concerns elsewhere.

And **EMERGING CURRENCIES** have become wide-ranging volatile markets, which are repeating their mostly similar tendencies under the recent stresses. That includes the extreme weakness of the outlier TURKISH LIRA, even as there is general weakness against the US DOLLAR on various 'macro' influences like inflation and the COVID-19 resurgence.

**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 volatile churn has quickly carried back above those levels to see it back above the 15.00-.10 area, and now and now above both the 15.40-.50 area as well as the key higher level above at the January 15.65 12-month trading high. That is also historic congestion, and it being exceeded points to next resistance initially at the 16.07 September 2020 trading low, yet with heavier congestion the 16.30 area. For more of a view, please see the weekly continuation chart from a week ago Friday (<https://bit.ly/3kWkUjS>), which also includes the Inverse Head & Shoulders pattern.

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 had USD/RUB back above 71.00-70.00 to into the 73.00-72.50 area. The further weakening of CRUDE OIL now has it retesting the 75.00 area as well.

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 on recent tests, and has seen USD/MXN rally back above 20.45 and even above the 20.75 level. Now also above the 21.00 area leaves USD/MXN pushing up to a new 8-month high. That is into a March 21.30-.40 topping signal, with that period's 21.63 trading high being a critical level. Much above it, look for at least 22.00.

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 had 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 above June's previous 8.79 all-time high saw it up into a 9.2600 new mid-October all-time high today. This was also a key weekly Oscillator threshold.

After that was exceeded, the rise of MA-41 projected the next week's major threshold into the 9.30-9.35 area (MA-41 plus 1.05-1.10.) Above that as well on recent weekly Closes meant the higher Oscillator threshold was not until 9.95 (MA-41 plus 1.51 still rising 0.05 per week) only seen on the November 2020 surge. Having also exceeded that only left the major August 2018 runaway upside levels at weekly MA-41 plus 0.220 that was in the 10.70 area last week.

Yet all of that became moot early this week, as the hands down 'biggest loser' of EMERGING CURRENCIES follies of the past several weeks is the TURKISH LIRA, as is apparent on the USD/TRY weekly chart through a week ago Friday (<https://bit.ly/3FDiZss>.) It had already Accelerated UP through 10.60 'return line' of the major channel (broader chart indication) from the March 2018 last trading low prior to the upward explosion to the 6.40 Close and 7.10 high.

Of note, quite a bit of LIRA weakness at that time was driven by Turkish President Erdogan's misguided philosophy that high interest rates cause inflation. Well, with Turkish inflation close to 20%, he is at it again, influencing the head of its central bank to likely drop its base rate from 16% to 15% in the near-term future.

Let's see, if we are already only providing a negative real short-term yield of 4% and we drive that down to negative 5%, what might happen to our currency?

Of note, that 10.60 UP Acceleration level from last week was also very near the old all-time maximum plus 2.20 Oscillator threshold from 2018. No surprises there, as the longer term channel return lines and Oscillator levels are often two takes on the same overall conditions. Yet, the question out into a new all-time high that surpasses a maximum historic Oscillator threshold is what to do next?

Well, as indicated on the chart annotation (and as we have successfully done in other markets), it is reasonable to consider the ratio between the conditions prevalent at the previous high, and adjust them for the difference in values into a new situation. Adjusting using the USD/TRY 10.60 level at which old Oscillator maximum was exceeded, we used the weekly 6.40 August 2018 Close that had indicated the plus 2.20 all-time Oscillator high at that time. Based on that, the 1.67 2021 to 2018 ratio indicated an extended Oscillator threshold of 3.68.

As noted in the chart annotation, adding that to last week's MA-41 projected an expanded Oscillator threshold of 12.20 last week. That comes with the caution that weekly MA-41 is now rising 0.10 per week, which is a torrid pace for that indicator (just take a look at the chart.)

All fine and good, except for one minor detail: USD/TRY had gone from Monday's 11.37 Close up to a 13.35 new all-time trading high Tuesday prior to slipping back to 12.20 area at present (17:15 GMT Wednesday.) It is a clear indication of what happens when a previously weak and misguided monetary policy meets the commitment to push it even further, and will be interesting to see whether it will respect that 12.30 'extended' weekly Oscillator 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 political and pandemic 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 quite a bit of interesting economic data along with the RBNZ Interest Rate Decision and Statement on its hike from 0.50% to 0.75%. Yet, of course, the real topper was the new COVID-19 Omicron variant announcement out of South Africa into Friday morning that really set the cat loose among the market canaries. And as it relates to how markets are going to interpret the major fresh data flow this week, our usual admonition about economic reports being 'rearview mirror' influences into uncertain developments on other fronts is even more relevant than normal.

That said, this is another of the classical 'old month into new' weeks, which are always more challenging on both the nature and volume of economic releases, and with a special 'kicker' at the end of this one. Monday begins with Japanese Retail Trade, significant European data and some central bank-speak on 'indigenous economies'(?). Tuesday picks up with much more Asian data into the same from Europe (especially inflation indications). Canadian GDP and Fed Chair Powell's next CARES Act testimony before the Senate Banking Committee.

Wednesday's first day of the new month classically sees the Manufacturing PMIs, yet also the next OECD Economic Outlook early, followed by quite a bit more US data and the Fed's Beige Book in the early afternoon (14:00 EST.) Thursday is a bit lighter into a 'monster' Friday that kicks off with the global Services and Composite PMIs and other important European data into the US and Canadian reports.



Normally that would about do it. Yet as the 'Cat in the Hat' is fond of saying quite a few times in the eponymously named Dr. Seuss book, "That is not all, oh no, that is not all." Just to send the week into another level of uncertainty, Friday is also the US government funding deadline based on the deal that was struck in September, with quite a bit of Congressional contention remaining on that as well... like we needed that on top of Omicron!

As such, in the context of the fast moving epidemiological and political changes, we are obviously maintaining our recent advice: Keep those seat belts firmly fastened.

The Rohr-Blog Research Team

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