



RESEARCH NOTE

Friday, December 3, 2021

Problematic Data and Outlook, Quick Take, Calendar

Well, it was certainly a problem that this morning's US Nonfarm Payrolls was only +210,000, so far below the +550,000 estimate that was reinforced by Wednesday's ADP Employment report. Some of the related data was good, and lately the NFP releases have been subject to upward revisions. However, as those have only been in the +100,000 area, it doesn't provide much comfort to economic bulls.

The 'silver lining' in some folks' view is that, along with the COVID-19 Omicron variant's arrival, this will give the Fed a bit more breathing room with which to avoid the acceleration of its planned QE taper. That had been expected as early as January. However, in the context of still elevated (even if slightly easing at present) inflation, the Fed will still need to show some inflation discipline.

And of course, that problematic NFP release is only one of the problems weighing on any return to a more robust US 'risk-on' psychology in the near-term. The way in which the Omicron variant is affecting the seemingly inexorable 'return to the office' thrust by corporations is also more problematic than previously expected. The "Omicron may throw wrench in companies' plans to return to office" title of yesterday's Reuters article (<https://reut.rs/3lhTeiy>) says it all.

Firm commitments to resume any full office staffing have substantially moved more so to "wait and see." As one senior executive notes, "*Everyone pretends that things are getting normal, but it is not normal. We have all changed.*" There has again been 'normalcy bias'. Except for the 'gathering' businesses, many are noting "*Each successive wave of lockdown had less of an impact on our business...*" due to adaptations.

Many agree with the key executive who noted the return to the office is less important, with the thrust into uncertainty leading to, "*What we want to do is reimagine the office.*" That's code language for more 'home/external work'.

And indeed that may not affect those businesses too much into strong consumer demand that is evident at present. Yet it does impact all of the 'gathering' economy businesses (especially dining and others serving business centers) which had just come out from under the pressure of the previous pandemic waves and their significant headwinds.

While there is another wave brewing around the Omicron variant spread, there is a key factor into the northern hemisphere Winter that many have blithely ignored: Delta is still here. As noted in Thursday's 'US Omicron Patient #1' research note (repeated below with other previous analysis for your ease of access) the Delta variant resurgence was already troubling, and remains a more immediate threat than the truly undefined new variant impact. With all of the hyperventilation over Omicron, it has been only passingly mentioned that US New COVID-19 Cases have been rising once again.

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Rohr RESEARCH NOTE Friday, December 3, 2021

We once again share the CDC graph (<https://bit.ly/3Dq7F3L> as of Wednesday on the typical 2-day delay), which shows an already interesting new cases rise to the 120,000-130,000 level right after the Thanksgiving holiday's suppressed reporting. While the 7-Day Average looks weaker, that is part and parcel of the suppressed holiday reporting we have previously noted. That should move back to rising as we head into the likely higher post-holiday travel cases next week. We shall see.

What remains problematic as well is the US lack of vaccination. We reviewed that situation on Thursday, and suggest review. This is all about how US government and local authority vaccination and booster drives are just so much flailing as long as the overall US full vaccination rate remains stalled at no better than 60%, where it has been for the past month or more. And the indication many folks who've had COVID-19 have immunity may also be highly misguided.

Ex-FDA head and Pfizer board member Dr. Scott Gottlieb was interviewed on CNBC this morning (<https://cnb.cx/3DmvBCT>), in what was mostly a discussion of the prospect for more variant-specific vaccines. This is interesting viewing, yet does not include a key passage after the main conversation, which was on the fact that "*the problem is still Delta.*"

That fits in with our current view of the main COVID-19 risk, and he even noted the same problem we highlighted Thursday: "*There is also now the issue of whether (nobody knows) how effective the antibodies from a previous variant will be in countering new forms. Not very likely they're effective.*" Some have suggested the US has a higher protection due to the extent of previous infections. Yet, he noted this will leave unvaccinated folks much more vulnerable, if they still feel they are protected by previous infection.

While still a work in progress over the next two weeks, the impact of Omicron on even the fully vaccinated and boosted means that the unvaccinated will be especially vulnerable. One more reason to be suspect into the near-term future. Once again, as we are always keen to remind, "*The market (which is classically to say equities) is a creature of expectations.*" This seems very relevant again now.

While the rest of our Evolutionary Trend View remains the same, US EQUITIES deserve another revisit for a quick update. It is most interesting that even with the weaker US NFP this morning, DECEMBER S&P 500 FUTURE managed to rally back to nearly test that major (previously overrun) 4,621 'swing count' Objective. It was possibly on that potential reinstatement of a more sanguine Fed view. Yet it was also the case this morning that it would need to be exceeded again to reinforce an overall positive performance on the week from last week's 4,596 weekly Close.

Failing to do so, even in the wake now of a major new all-time high Services PMI, is a troubling sign that the market is more so concerned about the outlook that what we always caution are 'rearview mirror' economic releases. Last Friday's Close also represented a major DOWN Closing Price Reversal (CPR) from the previous week's 4,695 Close. The rule of thumb is any bona fide DOWN CPR should see further weakness the following week... which seems to be the case at present.

For your convenience we repeat Thursday's dynamics which are not in the current trend view below. "*The December S&P 500 future interim support at 4,535 was already violated on Wednesday afternoon's straight down plunge, even if slightly back above it now. However, this is still back below the major 4,621 'swing count' Objective which it had previously overrun and fallen back below at various points since last Friday. Below that interim 4,535 area the more major congestion support begins at 4,450, and intensifies into the 4,400 area. That includes the late September 'Evergrande' selloff that kicked off the weak seasonal, with a significant 4,410 Negated weekly channel DOWN Break reinforcing the support into the low end of that range.*"

That's it for now, except to note that weekly MA-13 is also in the 4,535 area, reinforcing its importance as a near-term trend indication.

Courtesy Repeat of Thursday's 'US Omicron Patient #1' research note

In the first instance, the discovery of the first US omicron variant case should not be any surprise in the context of global spread. This was in a California resident who just returned from South Africa, and as a single case it is reasonable that it is statistically insignificant.

However, as it is also in an individual who is fully vaccinated, it is psychologically compelling. That has to do in part with the misguided inference of many folks that the vaccinations will prevent infection. The elimination of some nasty diseases, such as smallpox and measles, is based on those inoculations preventing the onset of the disease.

However, the COVID strain of diseases are more so like annual influenza outbreaks, where the disease syndrome is only mitigated by the virus to prevent more severe illness. As such, there are probably more than a few folks who were very surprised by the first US Omicron patient being someone who was fully vaccinated. This is probably at least in part responsible for the extent of US EQUITIES weakness on Wednesday.

We will return to 'macro' background shortly for the reasons Omicron will likely remain a key negative near-term factor. Yet, it is first important to update our US EQUITIES view that had only included a lesser degree of lower DECEMBER S&P 500 FUTURE support yesterday prior to the sharp selloff. The balance of the analysis remains the same in the other asset classes, with the additional note that the misguided US policies seem to be reversing the US DOLLAR 'haven' bid.

The DECEMBER S&P 500 FUTURE interim support at 4,535 was already violated on Wednesday afternoon's straight down plunge, even if slightly back above it now. However, this is still back below the major 4,621 'swing count' Objective which it had previously overrun and fallen back below at various points since last Friday.

Below that interim 4,535 area the more major congestion support begins at 4,450, and intensifies into the 4,400 area. That includes the late September 'Evergrande' selloff that kicked off the weak seasonal, with a significant 4,410 Negated weekly channel DOWN Break reinforcing the support into the low end of that range.

Hopefully that is sufficient lower support articulation for now, and we will quickly revisit the situation if necessary. Yet, in the overall picture it is important to revisit our highlighting the aspect of the November 17th ECB Financial Stability research note that noted the extended high financial asset valuations at present.

The link to the full review was repeated on Tuesday near the bottom of the 'macro' analysis (with links to the review and the key graph.) Of note is the degree to which financial asset valuations appear to be as extended to the upside now as they were depressed at the bottom in the 2009 Credit & Housing Bust. That likely explains a bit of recent US EQUITIES weakness.

In the meantime, the degree to which the US also now has a problem and may be lagging others in its address of the key issues has weighed on the previous US DOLLAR INDEX 'haven' (or more likely 'shift to the less bad') bid. It is once again weaker than not back toward its key 75.70 congestion.

It is important to recall the US DOLLAR can develop a 'haven' bid during international crises, yet is less likely to do so when the problem is centered there. That seems to be the case now, and takes the typical US DOLLAR measure of 'risk appetite' out of the equation for now.

Rohr RESEARCH NOTE Friday, December 3, 2021

That is especially the case as it regards EMERGING CURRENCIES this morning, where they are continuing their recent strengthening despite the Omicron onset. It is especially of note that the SOUTH AFRICAN RAND is seeing USD/ZAR weaken from a test of its 16.30 resistance back down to near the key 15.65-.55 range (previously violated January-March trading highs.)

And it is not just the rand, as other emerging currencies (outside of the domestically vexed TURKISH LIRA) are also strengthening further. This has created a sort of 'reverse bifurcation' where overvalued US EQUITIES are troubled while other assets are improving to a degree.

This is 'not unreasonable' due to general residual pandemic response problems in the US. It gets down to the US official attempts at stronger measures flailing in the context of the politicization of the full range of pandemic issues, which is much worse than in many other locales, with a full exploration below.

On CNBC this morning (sorry no video clip available) ex-FDA head and Pfizer board member Dr. Scott Gottlieb was stressing the importance of vaccination booster shots. His knowledge on this has always gone toward the degree to which boosters provide an outsized antibody increase, even compared to the initial second shot of any vaccine. That in turn makes sense on the degree to which those excess antibodies will create some response even to the other virus variants that are not intrinsic in the vaccination's primary antiviral activity.

This all makes sense in theory, and will likely be a major benefit to countries whose populations are close to wholly vaccinated. Yet the US remains just below 60% vaccinated, the ongoing problem which leaves it lagging Europe and some other countries which imposed vaccination mandates. While the backlash was great, it seems those policies are now paying off.

According to this morning's NBC News article (<https://nbcnews.to/2ZS8jag>), "France's vaccination rate went from 20 percent to 82 percent in three months." In addition, many other countries. "...are requiring proof of vaccination for airline travel and restaurant dining."

Some friends who just returned from France told us it was great to be sitting in restaurants where all of the other patrons had to show their digital vaccine 'passport' (proof of vaccination) to have entered the place.

Yet in the US the politicization of the issue, where mandates for vaccination and masking are rejected by those in the 'civil liberties' camp, means there is little chance anything so effective will occur. The pernicious political dynamic on that is the degree to which that is substantially being pushed by the Republican Party in opposition to any Biden administration measures.

Yet they will also damn Biden for not fulfilling his promise to 'tame' the COVID-19 pandemic. Therefore it must be allowed that the US will continue to lag based on grassroots resistance.

While we also hate to play the Cassandra once again, all of the stronger steps that Biden and his minions present in news conferences and papers are so much flailing in the face of the politicization of the issue here. What does it mean when even all of those who are already fully vaccinated get those highly useful boosters, if the remaining 40% of the US remains completely unvaccinated?

It is an exercise in futility. There is also the view that a goodly number of the folks who are now unvaccinated have had COVID-19, and have some degree of protection from those antibodies. Yet what we know is that the 'natural antibodies' are not as effective across time, and do not last very long (6 months at most.)

There is also now the issue of whether (nobody knows) how effective the antibodies from a previous variant will be in countering new forms. Not very likely they're effective. All other background and Evolutionary Trend View of market tendencies remains the same as the past two days analysis (repeated below for your ease of access.)

Courtesy Repeat of Wednesday's 'On the Yang Today' ALERT!!

In the classic representation of yin-yang, yang is the force of light that it seems the markets are experiencing today after the darker influences which held sway on Tuesday's reversal of Monday's 'risk appetite' gains. That's fair enough on the current influences, yet with the caution that they are either anecdotal or are the classic 'rearview mirror' representations we have warned of in the past.

Even today's upbeat global Manufacturing PMIs (outside of a disappointing US Markit figure) were based on activity and opinions prior to a very recent onset of COVID-19 Omicron variant concerns. Also there is once again anecdotal South African news on Omicron possibly being less transmissible and virulent than previously thought.

There is even a guess out there that current vaccines will still be highly effective despite what has been indicated by the vaccine makers, as shared in Tuesday's 'On the Omicron Yin-Yang' research note (repeated below for your ease of access.)

There is also this morning's 'A Balancing Act' latest quarterly OECD Interim Economic Outlook: (<https://www.oecd.org/economic-outlook/>), also without any mention of the Omicron variant. There was neither a single mention, nor any reference to the resurgence of the Delta variant. There were only references to the previous Delta drags and those waning since the severe outbreaks in various locales during the Spring-Summer surge in many economies, with no mention of the current resurgence in the US and Europe.

That may be reasonable under the circumstances, where OECD is always more circumspect, and reviews the data at length prior to taking any definitive fresh economic view. As we often note, its monthly Composite Leading Indicators is a net 4-month forward view as a 6-month projection delayed by two months to ensure the accuracy of all of the statistical foundations. However, today's analysis highlights continued supply bottlenecks and heightened inflation into strong demand.

No surprise there, as informed observers are now noting that Omicron is less of a definitive problem than Delta never going away!! Note the problems in Europe, and after the US Thanksgiving holiday we are seeing a return to regular new case reporting as of Monday. As we cautioned of late on the CDC New US COVID-19 cases graph (<https://bit.ly/3lsyCeu>), the new cases and 7-Day Average drop were based on suppressed holiday reporting from last Thursday through the weekend.

The return back up to 119,000 new cases on Monday is also a bit problematic in consideration of whether this might be some 'catch-up' from a holiday weekend. In any event, as we have noted for some time, the real indications on the current US Delta resurgence are going to be the figures into next week. Those will include any heightened problems from the major travel and gathering holiday weekend.

The more telling intermediate-term concerns remain elevated inflation, which was reinforced by Fed Chair Powell's Tuesday Senate testimony, and the potential for that to remain the case if there is any further COVID-19 pandemic spread. That is regardless of whether it is Delta or Omicron, as either way there can be continued supply chain problems. And the extended problem is that this can be the case even under a weaker economic scenario.

Also noted with a more explicit image link on Tuesday was the degree to which financial asset values are currently more than a bit elevated relative to their long-term average. That was from the November 17th ECB Financial Stability Review, and we suggest a look for anyone who has not done so already.

The rest of our mostly quite negative review of the likely Omicron impact remains the same as Tuesday despite renewed positive anecdotal news. The DECEMBER S&P 500 FUTURE recovery from below the 4,621 major 'swing count' Objective is going to be interesting later this week; especially after Monday's failure up into the interim 4,660 congestion below which it had failed so badly on Friday.

GLOBAL GOVIES are back under pressure after testing key higher resistances, which it was very interesting to see them reach in the first place (see Tuesday's analysis for much more.) And FOREIGN EXCHANGE remains very interesting on the US DOLLAR INDEX volatile churn between the significant 96.50 and 95.70 levels.

Yet the EMERGING CURRENCIES are among the most interesting in having extended their 'risk-off' psychology with a collapse in the face of the Omicron news on Friday, only to be seeing significant recoveries after testing major lower supports. While this is not normally necessarily surprising, the extent of the current swings are outside the norm. For example, THE MEXICAN PESO has seen USD/MXN surge through 21.00, 21.30-.40 and 21.70 into the low 22.00 area last week, only to see a drop back below most of it toward 21.00 this week. That's unusual even for an EMERGING CURRENCY, and has been the case for others in that class as well.

Courtesy Repeat of Tuesday's 'On the Omicron Yin-Yang' research note

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 GOVIES 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.

Rohr RESEARCH NOTE Friday, December 3, 2021

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.

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 the economic outlook and Fed activity.

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.

Rohr Research Note Friday, December 3, 2021

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/3IYB7E>) 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’.

Rohr RESEARCH NOTE Friday, December 3, 2021

Page seven of those has a graph (<https://bit.ly/3lhvsnU>) 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 Wednesday's Quick Take

[Expanded S&P 500 FUTURE Evolutionary Trend View in today's macro background]

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.

Rohr RESEARCH NOTE Friday, December 3, 2021

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 last week.

After stalling into them early last week, there was finally a reaction that was still only down to 4,660 interim support Wednesday. However, Omicron news into Friday immediately knocked it back below that area to below the 4,621 previously exceeded upside Objective. After Monday's rally back up to 4,660 failed it dropped closer to interim 4,535 support prior to rallying back into the 4,621 area; which will all remain very interesting into the end of this week.

Courtesy Repeat of Wednesday's 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/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.

Rohr RESEARCH NOTE Friday, December 3, 2021

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 GOVIES 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 two weeks ago Thursday sent it back up to a test of the 132-00 area. 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. While that opened the door to a test of the next lower and very major support in the 128-00 area, the Omicron news saw it surge back above 130-00 and even see a test of the major 132-00 resistance prior to coming back under pressure again.

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 GOVIES 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.

Rohr RESEARCH NOTE Friday, December 3, 2021

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.

It was then dropping very near that lower support after avoiding it previous, and was more critical on the recent weakness into the interim 170.50 support level. Yet having held that into mid-November, it was into a strong rally on the Omicron influence back up in the 172.50-173.00 area. Stalling there once again of late might not be such a major problem in light of the typical early quarterly futures expiration.

The MARCH BUND FUTURE is currently trading at 173.82, 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 currently still feels like a long way down.

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 GOVIES. 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.

Rohr Research Note Friday, December 3, 2021

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 recent 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 GOVIES 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. After recent stronger economic data had it slipping fully back below the 126.00 area early last week, the Omicron news saw it spoke up near the 128.00 area (also important now as weekly MA-41.)

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.

Rohr RESEARCH NOTE Friday, December 3, 2021

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 violated last week as well prior to the curious Omicron selloff. That has left it churning between the 96.50 and 95.70 areas on the vagaries of what the Fed has had to say about inflation and the likelihood of any accelerated 'taper' potential. While we are not fans of the central banks and short-term rates controlling the FOREIGN EXCHANGE trends, there seems to be a bit of that at work in the markets right now.

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 sell-off 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. While the Omicron influence has seen a squeeze, that has not even carried up to the 1.1400-1.1370 area so far.

Rohr RESEARCH NOTE Friday, December 3, 2021

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. It was also weakening back below weekly MA-9 and MA-13 in the 1.3700 area, and 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 also failed into earlier this week. That saw a test of the top of the 1.3200-1.3150 range (with next support not until the 1.2850 area) prior to the current rebound to 1.3300 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.

Rohr RESEARCH NOTE Friday, December 3, 2021

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 last week, when the .7200 area support failed as well. Even below that early this week saw it also trade below the .7063 August trading low this side of the September-November 2020 major .7000 area trading lows prior to recovering back above .7063.

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 had indicated the lack of any crisis until now.

The USD/JPY drop back below 114.50-115.50 into the recent 112.73 trading low (also in the area of weekly MA-13) is telling on the return of at least a partial ‘haven’ bid in the YEN. Whether it also drops back below the 112.00-.50 area on the near-term will be a further indication of whether there might indeed be a more telling global problem looming.

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 having stalled the rally for now. 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 had it retesting the 75.00 area as well prior to its recent slippage.

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.

Rohr RESEARCH NOTE Friday, December 3, 2021

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. Out above it last week saw a test of 22.00 prior to the weakness back below all of those areas back toward 21.00.

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?

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 last week Tuesday prior to slipping back to 12.20 area. This was a clear indication of what happens when a previously weak, misguided monetary policy meets the commitment to push it even further.

It was now interesting to see it not respect that 12.30 'extended' weekly Oscillator threshold last week, and it is indeed out into a world of its own on the further USD/TRY surge near the 14.00 area indicating a current weekly Oscillator reading of plus 4.50... completely shattering any previous premium, and leaving any future trend analysis until after the TURKISH LIRA stabilizes against other currencies, whether DEVELOPED or even EMERGING CURRENCIES.

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 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 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. Suess 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.

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