



RESEARCH NOTE

Friday, December 10, 2021

Reopening versus Resurgence, Quick Take, Calendar

There is not really that much more to say after this week's dissection of the various most relevant and less than meaningful market influences. Among the previously considered major factors, the Fed is the least likely to affect the markets, as we revisited briefly in Thursday's "OECD Says 'Not So Fast'" research note (repeated below for your ease of access.) That is due to it likely adjusting its action to respect the US economic evolution into the other cross currents.

We will know more about that after next Wednesday's last FOMC announcements that include the next round of staff and member projections. While those hold some risk of a surprise, with the previous sanguine inflation expectations already jettisoned by Chair Powell and other members, this is not likely. In any event, the Fed Chair will finesse any of that at his post-rate (non) decision press conference.

That left the new Omicron variant as a possible key influence, until its threat was roundly dismissed by the Pfizer-BioNTech announcement on its current vaccine likely being effective for anyone who is fully boosted. And therein lies the rub, especially for the under vaccinated US that still only has roughly 60% of its folks fully vaccinated. While the Omicron 'news' is still prominent in both the financial and mainstream press, it is actually the Delta variant that is responsible for the recent pandemic 'resurgence', and will be the key factor into any renewed concerns about the recently restored economic 'reopening' psychology.

Consider the latest US CDC New COVID-19 Cases graph update (<https://bit.ly/3GvXw51> posted on its typical 2-day delay.) While the numbers have improved after Monday's explosive reading (possibly some catch-up from the typically lighter weekend reporting), at well above 100,000 they are not good. However, as we had cautioned into and after the US Thanksgiving travel and gathering weekend, the full impact of that exposure would only be clear on the numbers into the end of this week... which we will know early next week.

As such, it is not surprising that the 'reopening' versus 'resurgence' battle in the market psychology is also on hold at present after the DECEMBER S&P 500 FUTURE has stalled on its vigorous test of the recent 4,695 weekly DOWN Closing Price Reversal (even though it ranged above that level closer to its 4,724 Tolerance.) However, at least so far, it has not dropped below the next lower 4,660 congestion that we had already prominently noted prior to the late-November selloff. It is therefore a 'push' into this weekend, with the full answers more likely available there and in the other asset classes next week... we shall see.

Courtesy Repeat of Thursday's "OECD Says 'Not So Fast'" research note

As we have been alerting since the beginning of the week, today's next monthly Organization for Economic Cooperation and Development (OECD) Composite Leading Indicators (<https://bit.ly/3lDvYge> for our marked-up version) was going to be more important than usual.

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That is due to the degree to which the previous two months' releases were already indicating growth slowing. For the unfamiliar we always note this is a net four month forward view, based on a six-month projection with a two-month delay to confirm the veracity of the various studies.

Of course, that fits right in with the US EQUITIES forward anticipation, and tends to ignore any minor data anomalies along the way. As such, the 'Not So Fast' is a play on words both cautioning those who have an overly optimistic view into the early part of 2022, and the actual indication for future global economic growth.

Notable in its analysis is, "*...signs of a possible upcoming peak in the growth of economic activity in the United States, Japan, Germany and the United Kingdom. Similar signals have now emerged in Canada and the euro area as a whole, including Italy.*" With similar signs for China (as we have already been noting for some time), the question becomes what specific indications are critical now.

As we have stressed both in and well prior to Wednesday's 'Monte Winner!' research note (repeated below for your ease of access), the Fed is a non-factor now joined by the lowered threat expectations from the COVID-19 Omicron variant. That is after Wednesday's upbeat Pfizer-BioNTech fully boosted vaccine very high efficacy announcement.

That was already the case on Omicron's initial lower observed virulence. As such, our guess of how the Delta variant resurgence plays out in the various global economies seems the way to view the situation now.

As a further note on overall asset class tendencies, it was and now remains most interesting how Wednesday's highly constructive Pfizer-BioNTech announcement defusing the Omicron threat led to a more classical coordinated market response. The strength of US EQUITIES was accompanied by strength in all NON-US DOLLAR CURRENCIES, and weakness in all GLOBAL GOVVIES on the day.

As a reminder, this is after so many recent 'bifurcated' intermarket trend phases for many months reaching back into last year. Yet it seems this 'good news' response also applies to more of the 'bad news' psychology that has returned today.

That is most interesting in the context of the 'rearview mirror' economic releases being rather upbeat over the past several days (especially in the US.) There are reports of US consumer concerns about early 2022, yet also with indications they are planning robust holiday spending.

With such seemingly constructive economic background, why are the US EQUITIES weakening, the US DOLLAR INDEX getting some 'haven' bid back after the latest dip back near the 95.70 key low end of its recent churn, and the GLOBAL GOVVIES which had weakened so much on Wednesday recovering so nicely? It has been highly problematic for months to rely on the US EQUITIES as a bellwether of the overall 'risk-on' psychology, as they have often remained resilient while other asset classes reflected more of a 'risk-off' psychology.

While they have succumbed as well at times, they have not led from the front on any shift to more of a 'risk-off' psychology. However, with the current seemingly synchronized trends, we will look at them for the overall tone after this week's extension of their recent major recovery stalled in the key resistance.

As also reviewed in Wednesday's 'Monte Winner!' research note (and early week analysis), MARCH S&P 500 FUTURE (front month future on December 17th) at a \$7 discount to the December contract has only tested the key 4,694.50 weekly DOWN Closing Price Reversal (CPR) from two weeks ago. That has a Tolerance of the previous week's 4,723.50 just previous all-time high. On recent historic form, even a market that came back over \$200 from the Omicron scare 4,492 front month future trading might still manage to stall into resistance.

As noted above, today's selloff is reinforced by strength in NON-US DOLLAR CURRENCIES and the GLOBAL GOVVIES significant rebound. Whether today's incipient 'risk-off' indications continue will likely depend on the forward view that is going to be at least partially determined by the public sentiment regarding the resurgent Delta variant. The key there will be whether there is any significant reversion to 'gathering' economy aversion if the news becomes much worse in the near-term.

While there is a bit of 'good' news today in Tuesday's drop back to 'just' 119,895 CDC reported US New Cases from Monday's explosion to 190,298, the rest of this week remains a very critical horizon. That is on the full indications for how bad any Thanksgiving travel and gathering surge might become in the key two weeks later time frame. As noted, Monday might have been some typical 'catch-up' from the lighter weekend reporting, as we saw during much of November. However, if the new cases remain elevated back toward 200,000 later this week, it's a problem.

Courtesy Repeat of Wednesday's 'Monte Winner!' research note

Well, for at least part of our multifaceted assessment of what to look for in the late-year market psychology, it seems we had guessed right. Once again like the degree to which our skepticism of the 'risk-on' psychology got an unexpected boost two weeks ago from the Omicron new COVID-19 variant news, there was a not totally unexpected bit of positive news this morning:

The Pfizer-BioNTech announcement that their 'boosted' vaccination was effective against the new Omicron variant. CNBC interviewed Pfizer CEO Albert Bourla (<https://cnb.cx/3yerAzq>) this morning on the specifics of what its most recent studies have told us (with further results pending into the end of this month), and it is worth reviewing for more details. Overall, this is undoubtedly great epidemiological news, and we should all be very happy.

We also picked the right card in terms of the overall 'reopening' versus 'resurgence' psychology, insofar as Omicron really doesn't mean much. As we extensively explored in Tuesday's 'Variant Three Card Monte' research note, (to paraphrase a recent Scott Gottlieb quote) "...*Delta never went away.*" Which is as we have counseled since late October, and continued to advise regarding the nominally weak US New COVID-19 New Cases reporting from the CDC into and after the heavy Thanksgiving travel and gathering weekend.

As revisited again in Tuesday's analysis (repeated below along with other assessments), the real key will be the levels into later this week. That should provide more of an impact on the US and global economy from Delta than Omicron ever likely will.

And here comes the full week later (the key timeframe) post-Thanksgiving CDC US New Cases graph (<https://bit.ly/3lzzckz>), with its indications that the heavy travel and gatherings might have indeed triggered another massive surge. It is possible that this is the sort of 'Monday catch-up' after the weekend seen through much of November.

Yet that was not the case last week, and anything less than an implosion in new case levels from Monday's explosion close to near the 200,000 level peak back in early September will not look very good. Once again, especially consider the 65,000-70,000 Daily and 7-Day Average New Case level they never dropped below in late October, and that is with the 7-Day now back up to 117,000.

And in the context of protection against Delta variant or even the latest hopeful indication on the ability to counter Omicron with full 3-shot boosted vaccination, the weak overall US vaccination levels likely remain a problem. While we have recently highlighted some key aspects, there was a CNBC graphic this morning on the major metrics (<https://bit.ly/306BDtH>.)

While a surge in vaccinations has occurred in the wake of the Omicron scare, it is still only 60.1% fully vaccinated. That remains a very weak level compared to the other developed economies, especially Europe.

In the context of the rightfully upbeat reporting on the Pfizer announcement this morning, it is important to recall that this was for the 'boosted' vaccination that is only possible for the 60.1% of US individuals who are fully vaccinated. It is also the case that the additional 11.0% who have had just one dose will need both their second dose and the months long waiting period (for Pfizer and Moderna mRNA vaccines) prior to being 'boosted'.

That leaves quite a bit of vulnerability for them and the US 'gathering' economy, which might see public sentiment weaken again. While we hate playing Cassandra, this warning is especially necessary at this time due to the recent major improvement in the 'risk-on' psychology driving US EQUITIES higher, and being reflected in other asset classes as well.

As we noted in Tuesday's analysis, for all of the Fed fixation, it remains a fairly minor influence. That is due to the degree to which any QE 'taper' acceleration will only occur if the US economic reopening and recovery remains strong. And in that case tightening by the Fed may become a counterintuitive sign of strength for the markets.

The other key 'card' is the actual economic performance, which has seen some weakening of the data of late in Europe and Japan even as the US remains strong overall. However, the current post-Thanksgiving period is likely a significant indication for future public sentiment on the 'gathering' economy (dining, travel, hospitality, etc.) into the key Christmas holiday period.

As such, we will continue to closely monitor both the CDC New US COVID-19 Cases and any public response (as indicated by reports from those industries) to see if the major services sector rebound will indeed continue into late this year, or abort at least in the near term.

As far as market psychology, while the US EQUITIES have strengthened markedly, the MARCH S&P 500 FUTURE (front month future on December 17th) at a \$7 discount to the December contract is still near the key 4,694.50 weekly DOWN Closing Price Reversal (CPR) from the 4,740.50 new all-time two weeks ago. That has a Tolerance of the previous week's 4,723.50 previous all-time high (see below for more details.)

The operative question is whether a market that came back \$200 from the Omicron scare 4,492 FRONT MONTH FUTURE trading low might still manage to stall into resistance created during the early part of that scare? On historic form the answer is "yes", at least temporarily based on many recent market swings.

And what of the weakening of the US DOLLAR INDEX against DEVELOPED CURRENCIES along with the strengthening of EMERGING CURRENCIES? Again, this is reasonable on the resumption of 'risk-on' psychology into the resumption of the 'reopening' trade on reduced psychological stress from less of an Omicron threat.

Yet it is the case the Delta impact is still out there and looking to possibly worsen, which will be the more telling card the market Three Card Monte dealer will be playing. It is possible however that the US DOLLAR will not benefit as much as in a typical global crisis, if indeed the level of stress seems greater in the US than elsewhere.

And what if the weakening of GLOBAL GOVVIES on today's positive Pfizer Omicron news? Second months (March) of the T-NOTE and especially the GILT are indeed into or below some key support (T-NOTE 130--00 and GILT well below 128.00) on their discounts to the December contracts. However, their expirations are still quite a ways off (T-NOTE on the 21st and GILT not until the 29th), and their trend decisions still leave room to be affected by the further evolution of the pandemic.

And while dropping quite a bit today, the MARCH BUND FUTURE is only backing off from near its 175.00-.50 resistance. And it is still well above 172.50-173.00 historic congestion the December contract stalled into prior to today's typical early-month expiration.

Market Quick Take (updated and consolidated)

After the early September 4,549.50 new all-time high, the SEPTEMBER S&P 500 FUTURE violation of the 4,492 interim daily chart congestion after trading around it previous led to the violation of the prominent 4.462 area as well. And while it temporarily traded back above that, subsequent softening below it spoke of an ability to trend lower in the near term as is obvious on the weekly continuation chart updated through last Friday: <https://bit.ly/3rFcsd3>.

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's Evergrande situation.

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 signaled a near-term trend reversal.

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

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 was 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 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, and ultimately the early September 4,549.50 front month S&P 500 future all-time high.

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, which it stalled into in mid-November. That finally precipitated a reaction that was still only initially down to 4,660 interim support. However, the Omicron news knocked it back below that area, and below the 4,621 previous upside Objective as well.

This created a weekly DOWN Closing Price Reversal (CPR) from the previous week's 4,694.50 Close after the subsequent pre-Thanksgiving 4,740.50 new all-time high. This has a Tolerance of the previous week's 4,723.50 previous all-time high (as also highlighted on the weekly chart.) With DECEMBER S&P 500 FUTURE already above the interim 4,660 congestion, that remains a key lower support along with the 4,621 overrun upside 'swing count' Objective along with the temporarily violated lower 4,535 congestion (also still weekly MA-13.).

Whether it can sustain activity above the 4,723.50 Tolerance of that DOWN CPR signal is going to be the arbiter of market psychology into the end of this week. Much above it (meaning the 4,740.50 all-time high as well) the weekly Oscillator thresholds into next week are as nearby as 4,775 and 4,800 (still rising \$20/week with weekly MA-41), with extended levels another \$100 higher. Into next week the \$7 discounted March contract will become more important as well.

Evolutionary Trend View (updated and consolidated)

The path of **FRONT MONTH T-NOTE FUTURE** has been very interesting since late September. Since back in August the SEPTEMBER T-NOTE future had been sagging a bit below the significant 134-00 area, even if only slightly up until its September 21st expiration. However, the DECEMBER T-NOTE FUTURE at a 24/32nds discount was already down into the low 133-00 area, and slipped 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 serial weak economic releases and COVID-19 resurgence at the time 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 more recent rally was fomented by a more dovish than expected BoE that again sent it back up to a test of the 132-00 area prior to the subsequent US and other countries' inflation data had it back down near 130-00 before stabilizing. While the recent strong data and inflation indications had dropped it to a new trading low for the overall selloff below that level, the Omicron shock sent its fully back up for another test of the 132-00 area.

Yet that rally has fizzled along with the omicron fears dwindling on the confidence current full vaccination can counter its worst effects. So for all of the rapid shifts over the past weeks, this is a trading market for now in the 132-00 to 130-00 range.

While the **MARCH BUND FUTURE** remained above 173.00-172.50 congestion, as expected it was a bit demoralizing that the JUNE BUND FUTURE was so far below it when it became front month future (seen in the weekly chart through a week ago 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 previous 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. That was despite rallies on previous central banker assurances regarding inflation, which have now been jettisoned in the face of inflation clearly being more stubborn.

Yet it is most interesting that after bring the downside leader since early this year and again into this Fall, the FRONT MONTH BUND FUTURE has recovered back above the 173.00-172.50 congestion once again. That is on the 2.00 premium of the MARCH BUND FUTURE to the December contract that saw the typical early month expiration on Wednesday. That leaves that area as the key next lower support, and the 175.00-.50 range as the next higher resistance that it has already stalled near since the end of last week.

As the co-downside leader the **FRONT MONTH GILT FUTURE** (possibly on the inflationary implications of the Brexit break with the EU) was already failing somewhat below major 130.00 congestion as early as February. While initially it was able to bottom without fully reaching its mid-126.00 historic congestion, it also saw only more grudging rallies than either the volatility of BUND or the greater resilience of the T-NOTE.

And on the expiration of the June contract the **SEPTEMBER GILT FUTURE** was actually a typical full point below. While only modestly back above the 128.00 area, the Summer rally under the influence of UK COVID-19 Delta variant spread had it back up into to the 130.50-.00 range prior to backing off. It was 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 mid-September.

Yet on the subsequent weakening back below 130.50-.00 area the next support was still 128.00. And the **DECEMBER GILT FUTURE** that was already trading down below that was actually closer to the 126.00-125.50 major congestion. As the FRONT MONTH GILT FUTURE had been the weak sister previous, it failed to hold its 128.00 support even on the September contract selloff into expiration late that month. 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 was then 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 pointed to interim congestion in the 123.00 and 122.00 areas, yet with the major low end of the full 2018 range (it was sagging into) not until the 120.00 area.

However, after several weeks of sagging below it into mid-October, it was very interesting to see it scramble back above the 124.00 area. And here as well some combination of negative sentiment factors, such as serial weak economic releases and the COVID-19 pandemic resurgence, had rallied it back above the 126.00 area failed support. After churning above and below that area through much of November, the Omicron shock sent it up temporarily above 128.00 area until that threat waned. Yet along the way this year and especially recently, the 127.00 area has been established as a new interim congestion area, which may become more important as we head toward the late month expiration of the September contract.

\n **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 with 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.

And the mid-year 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 related to its weak vaccination levels compared to other developed economies. That has led to the US DOLLAR INDEX developing a nominal yet curious 'haven' bid into a new 16-month high... possibly also in part as the 'least bad' alternative.

The **US DOLLAR INDEX** back above 93.30-.40 area in August was a key trend indication, even though it temporarily weakened back below it to the recently (since September 2020) important 92.00 area. However, sustained activity back above 93.30-.40 in late September led to a vigorous retest of the 94.30 and 94.74 late 2020 trading highs; the latter of which was also a 16-month trading high at the time.

And above that major 94.74 16-month high the next resistance was not until 95.74 that was readily exceeded on a swing to test the higher resistance at the low end of the major mid-2018 through mid-2020 range. While unable to sustained activity above the 96.50 area after the late Thanksgiving week Omicron initial impact, it also has held with only temporary slippage back below 95.74. If there is more sustained activity above the 96.50 area, next historic congestion is not until into the 97.80 July 2020 18-month trading high.

EUR/USD below back below 1.2000-1.2100 range in mid-August also saw the 1.1900 area interim support violated on the way to weakness below the 1.1815 interim support. That left the 1.1700 area more major lower support, which correlated 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 early September recovery back above the 1.1815 interim support meant that was once again the area to closely watch.

And the previous sharp failure put the 1.1800 area back in play as a weekly Head & Shoulders H&S) Top Neckline (as on the weekly chart through a week ago Friday <https://bit.ly/2ZyHNIY>), which it had dropped below on a fresh mid-August 1.1800 DOWN Break. Did that mean the 1.1100 Objective would be hit? Well, long before that would happen it was important to see if it saw greater weakness below the important late-March 1.1700 area trading low than the temporary mid-August weekly Close slightly below it.

That was 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.) And the subsequent late-September weakness back below 1.1700 was definitively more bearish once again.

After EUR/USD also dropped below the Summer-Fall 2020 1.1600 area trading lows, the next interim support was around 1.1500, yet with the major support not until the 1.1400 area last seen in July 2020. Even though a temporary return to a 'risk-on' psychology saw it churn back above the 1.1600 area, renewed early November 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) had seen it not back below up the 1.1600 area, but also obliterate the previously untested 1.1400-1.1370 area.

Below that set off a heavier break with a test of the next major historic congestion in the 1.1200 area. Much below that there is also major congestion into 1.1000, with the H&S Top 1.1090 Objective along the way. While the Omicron influence fostered a squeeze, that has only carried up to the low end of the 1.1400-1.1370 area so far.

GBP/USD has held up much better against the US DOLLAR than some other DEVELOPED CURRENCIES (especially the EURO) in the wake of the Brexit vote finally confirming its exit from the EU. After stalling into the interim low-1.4200 area through May, it was churning increasingly below the 1.3750-1.3800 area next support, ranging down into the historic support in the 135.00 area through September.

While still looking much better than EUR/USD, it finally violated 1.3500 area in early November for a swing down below the 1.3350 area, yet only to the 1.3200 area so far, where it remains. While the next interim support is the 1.3000 'big penny', the next major historic congestion is not until the 1.2850-00 range with next lower interim support in the 1.2650 area.

AUD/USD has also been more resilient than EUR/USD since earlier this year despite the sometimes draconian Chinese COVID-19 suppression steps and fallout from relationship issues between China and Australia. That should all affect the normally heavy Australian industrial exports into China. Yet after failing below the key .7600 and .7500 area out of June into July and the .7350-.7400 area as well, it only traded temporarily below the interim .7200 area in August prior to recovering from a .7106 trading low.

That is important due to that low being the intervening low of a major 17-month weekly Head & Shoulders (H&S) Top. While it rallied for the next two months, that only carried back up to a test of the .7500 area that was also the completion of the Right Shoulder of the H&S Top. Its rapid selloff since early November saw the .7150 DOWN Break from that pattern top (i.e. weekly Close below the Neckline across the November 2020 and August 2021 lows.)

While that led to a new 13-month trading low, it bottomed without knocking out the significant .7000 area September-November 2020 trading lows (also left side of the Neckline projection.) And with it now back slightly above the .7150 DOWN Break could mean that this may be a 'false' DOWN signal, which needs to be closely monitored.

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 churning either side of 110.00 (109.00 to 111.00) from May through September prior to pushing up once again. While there are more Japanese 'country' issues at work, this indicates no overt 'haven' bid in the other typical global crisis haven currency. And it is now the case this has progressed further on the USD/JPY rally extension above the historically prominent 112.00 area to test the even more major 114.50 2017-2018 congestion prior to weakening a bit again of late.

Yet its ability to hold without even reaching the 112.00 area is a further sign of the overall lack of a global 'haven' psychology. That said, the late-November selloff from a 115.51 trading high created a weekly DOWN Closing Price Reversal (CPR) from the previous week's 113.96 Close. That has a Tolerance of the 114.69 mid-October previous trading high of the rally, which will need to be closely watched for a sign of whether the rally might extend beyond its recent high.

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 major volatility against the US DOLLAR on various 'macro' influences like inflation and the COVID-19 resurgence.

SA RAND had seen **USD/ZAR** failing and then rallying back through key levels of late, yet generally reflecting a weaker picture versus the US DOLLAR. While from late 2020 that was substantially in the range between 14.30 and the mid-15.00 area (with a brief Spring diversion down to 13.35), those various 14.50-.45, 14.70, 15.00 and heavier 15.55-.65 area (January and March 2021 trading highs) have been exceeded.

The mid-November push above both the 15.40-.50 area as well as the key higher level above at the January 15.65 12-month trading high (at that time) also left a 15.30 full year Inverse Head & Shoulders (H&S) UP Breakout. That has a 17.40 Objective. Yet first there was the next resistance initially at the 16.07 September 2020 trading low, yet with heavier congestion the 16.30 area that has stalled the rally for now. For more of a view, please see the weekly continuation chart from two weeks ago Friday (<https://bit.ly/3kWkUJS>), which also includes the Inverse Head & Shoulders pattern.

Even when other EMERGING CURRENCIES have reacted to the downside at times, the **RUSSIAN RUBLE** has seen **USD/RUB** weaken at times on the back of sustained CRUDE OIL strength, and vice versa. For the past year it has essentially been a broad trading affair between 77.00 at times when CRUDE OIL is especially weak, and the 73.00-72.50 area except during the temporary drop below 70.00 on the October WTI CRUDE OIL surge above 80.00.

The recent CRUDE OIL weakness had seen USD/RUB back up to slightly above 75.00 in late November prior to backing off again toward 73.00-72.50 area, and those are likely to remain the key congestion areas.

USD/MXN had also been a ranging affair for the past year between 20.90 congestion and the major lower heavily tested 19.70-.65 area, with interim areas at 20.75, 20.45, 20.25 and the 20.00 area along the way. Yet that was with a temporary March surge to the 21.63 area, and the recent explosive rally above 20.90 through that high to a 22.15 high (above the nominal 21.97 resistance at the November 2020 trading high.)

Having now also fallen back below those levels to near the 20.75 violated congestion leaves it in a critical position into next week. While what is a broad 'Rounding Bottom' would allow for slippage to that level or a bit lower, anything too far back below it (also weekly MA-13) would look like a failure back into the full lower range.

What is there to say about a **TURKISH LIRA** that has imploded to the downside on the misguided direction from President Erdogan? Since **USD/TRY** exceeded the higher Oscillator threshold at 9.95 (MA-41 plus 1.51 still rising 0.15 per week now) only seen on the November 2020 surge, it transcended into upside hypervolatility.

All of the previous Oscillator projections became moot in late November, as the hands down 'biggest loser' of EMERGING CURRENCIES follies since then had been the TURKISH LIRA, as is apparent on the USD/TRY weekly chart through two weeks ago (<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, that 10.60 UP Acceleration 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 fully 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 the time. Based on that, the 1.67 ratio of 2021 to 2018 prices projects 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. That came with the caution that weekly MA-41 was then 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 that Monday's 11.37 Close up to a 13.35 new all-time trading high prior to slipping back to 12.20 area, and has now overrun all of that on a sustained swing up near 14.00. As a nominal update, the new all-time high early December Oscillator threshold was MA-41 plus 4.875, which it is still holding up into this week.

There is no way to analyze the overall trend dynamic into these conditions. We only offer the very short-term insight that recent trading has left some congestion into the 13.45-.35 area. Interestingly, the lower end of that was the original weekly upside runaway high from during the extended late November upside explosion.

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 central bank influence despite no rate decision meetings, and some interesting NGO indications, like the OECD Economic Outlook. However, what was missing was any credible assessment of what the new highly transmissible COVID-19 Omicron variant means. That is because most of that information remains anecdotal, which led to much of the two-way volatility in many markets and a weakening of risk appetite.

In fact, due to that we are delaying our research note today in order to make a much better assessment of what we are referring to as 'Variant Three Card Monte'. This is a reference to the classical hustler's scam on cheating targets with an unwinnable choice in a playing card version of the classical 'shell game'. (For more on all of that for the uninitiated, please see the WIKI: https://en.wikipedia.org/wiki/Three-card_Monte.)

The difference here is that there is a way to mostly figure out the right 'guess' on what are going to be the dominant near-term and intermediate-term market influences. Stay tuned for that analysis. Even before we review that later in the research note, this week is quite an interesting reporting week. There is once again quite a bit of central bank and Non-Governmental Organization influence this week, which starts with Australian inflation data into German Factory Orders and Italian Retail Sales.

Tuesday is a much bigger day, starting with a variation of UK Retail Sales into Chinese trade numbers, a Reserve Bank of Australia rate decision and statement, and important European data (like German and Euro-zone ZEW Surveys.) Then it's onto a limited amount of Canadian and US data.

Wednesday is a more concise yet still very important day, beginning with Japanese trade numbers and its Economy Watchers Surveys into the ECB Research Bulletin, followed by a Bank of Canada rate decision and statement and US JOLTS Job Openings. Thursday gets back to being weightier, with Chinese inflation data into German trade numbers, followed by US Wholesale Trade Sales. Friday is another big day, with German inflation numbers into UK GDP and the usual array of associated data, and US CPI into Michigan Consumer Sentiment.

As such, in the context of the fast moving epidemiological changes that are probably going to be more of an anticipatory influence once again, we are obviously maintaining our recent advice that has been reinforced by markets of late: Keep those seat belts firmly fastened.

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