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Chart Works

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Technical observations of
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The U.S. Gangs up on its Own Currency
Or Does it?

The US Dollar Index had an opportunity to generate a double bottom as it tested the September lows early in January. However, the bounce could not take out even the nearest of overhead resistance at 92.50 or approach the 93.50 level that was needed to show signs of strength and a Change of Character. The break to new lows was coupled with a blunt US Treasury Secretary's advocacy of a weak dollar, but then a reversal on Trump's comments on Thursday.

While the daily chart is getting back into an oversold position, there is now a massive overhead pattern dating back over the last three years. For now, it would take an almost immediate rally back through 91.50 to reverse the downtrend.

The reciprocal action to the Dollar has been the strength in most commodities. It has helped fuel the seasonal rally in gold which is now in its 29th trading day. As stated in our January 8th report, when the seasonal strength did occur "*the average rally lasted 44 trading days and produced a series of RSI(14) readings over 70. The shortest rally was 23 days and the longest was 64. Most tops exhibited a bearish divergence in the RSI.*" There have been three pushes to 70 in the RSI (*currently 75*), but no divergence.

There can be no doubt that the depth and width of the consolidation under $1400 since 2013 can be used to provide significant measured potential on the upside and we are beginning to hear calls for all-time highs. Our preference is to monitor the various swings as they evolve.

It is time to raise the stops. We now view $1334 (the midpoint of the January 16th to 24th pause in the uptrend) as an appropriate stop for speculative long positions.

recommended in this report and should understand that statements regarding future prospects may not be realized.

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