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Technical observations of
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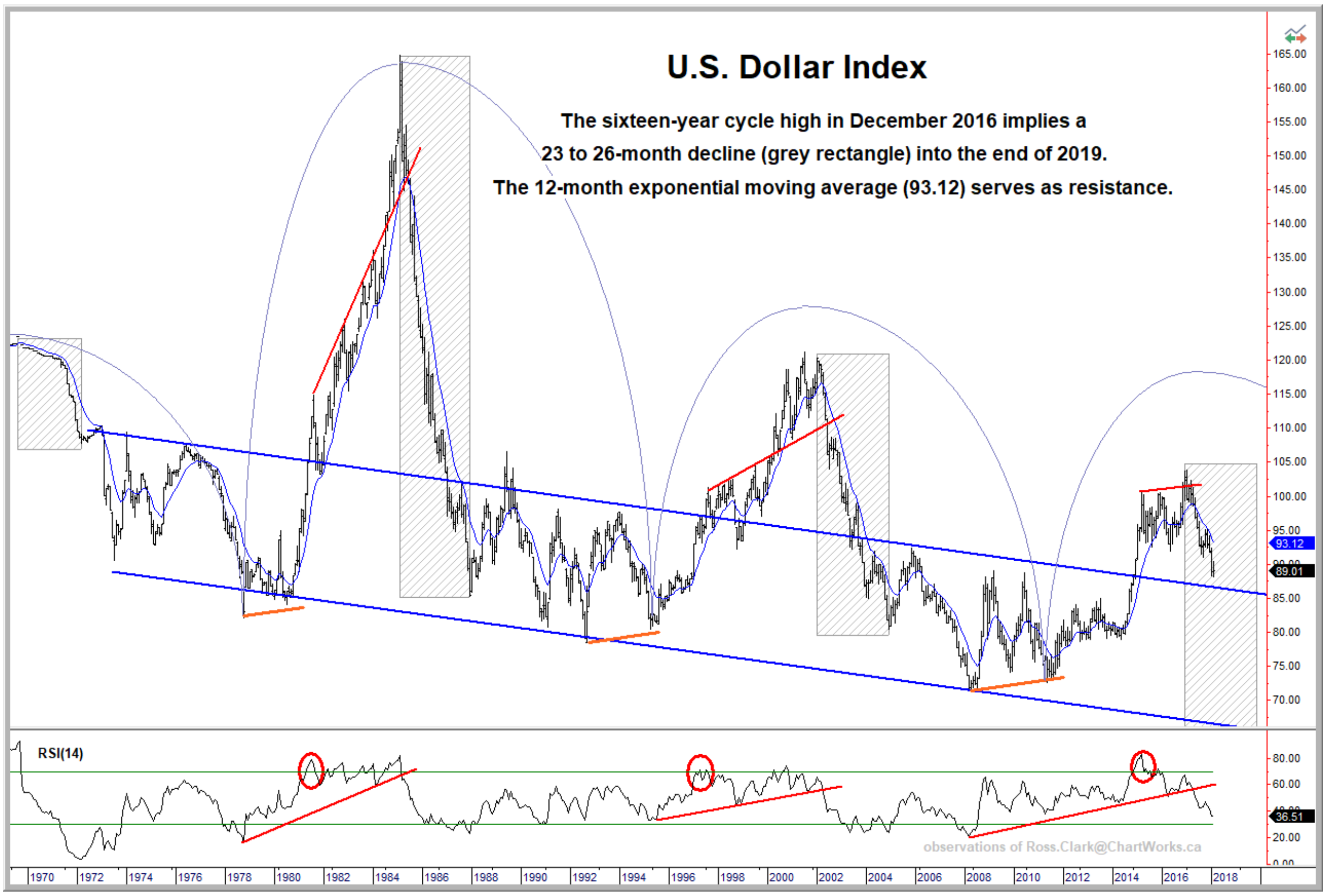
US Dollar and Precious Metals

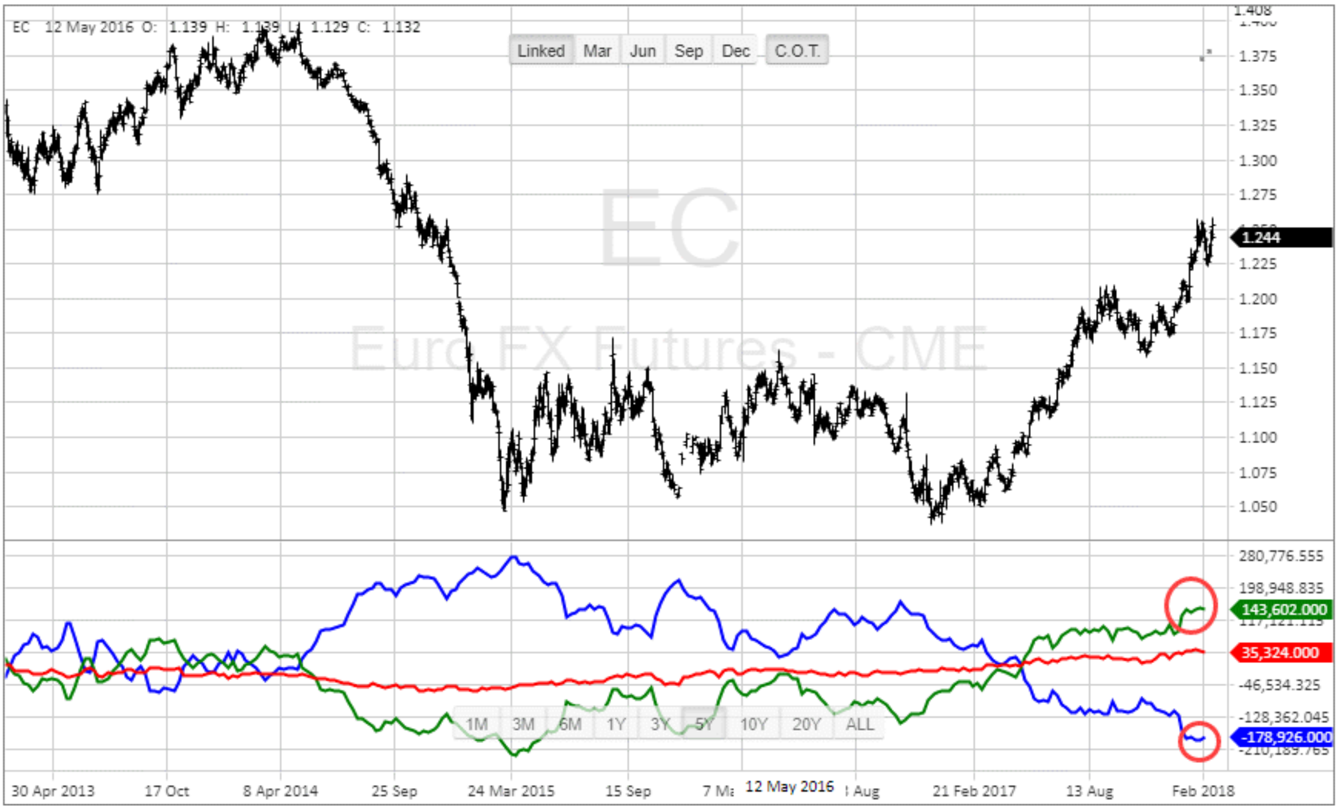
A recent report from Jack Crooks at Black Swan Trading reminded us that it would be an appropriate time to update our analysis of the sixteen-year cycle in the U.S. Dollar Index. While cycle lows tend to be reasonably consistently spaced, the highs are less reliable. The currency experienced a good rally into December 2016, peaking below the two previous cycle tops and at the earliest time window for a potential high. It was coupled with a bearish divergence in the RSI.

The three previous tops since 1968 saw initial declines of 23 to 26 months with minor bounces being capped at the 20-week exponential moving average (91.50). Major bounces, as seen last October, test the 12-month exponential moving average (now 93.32).



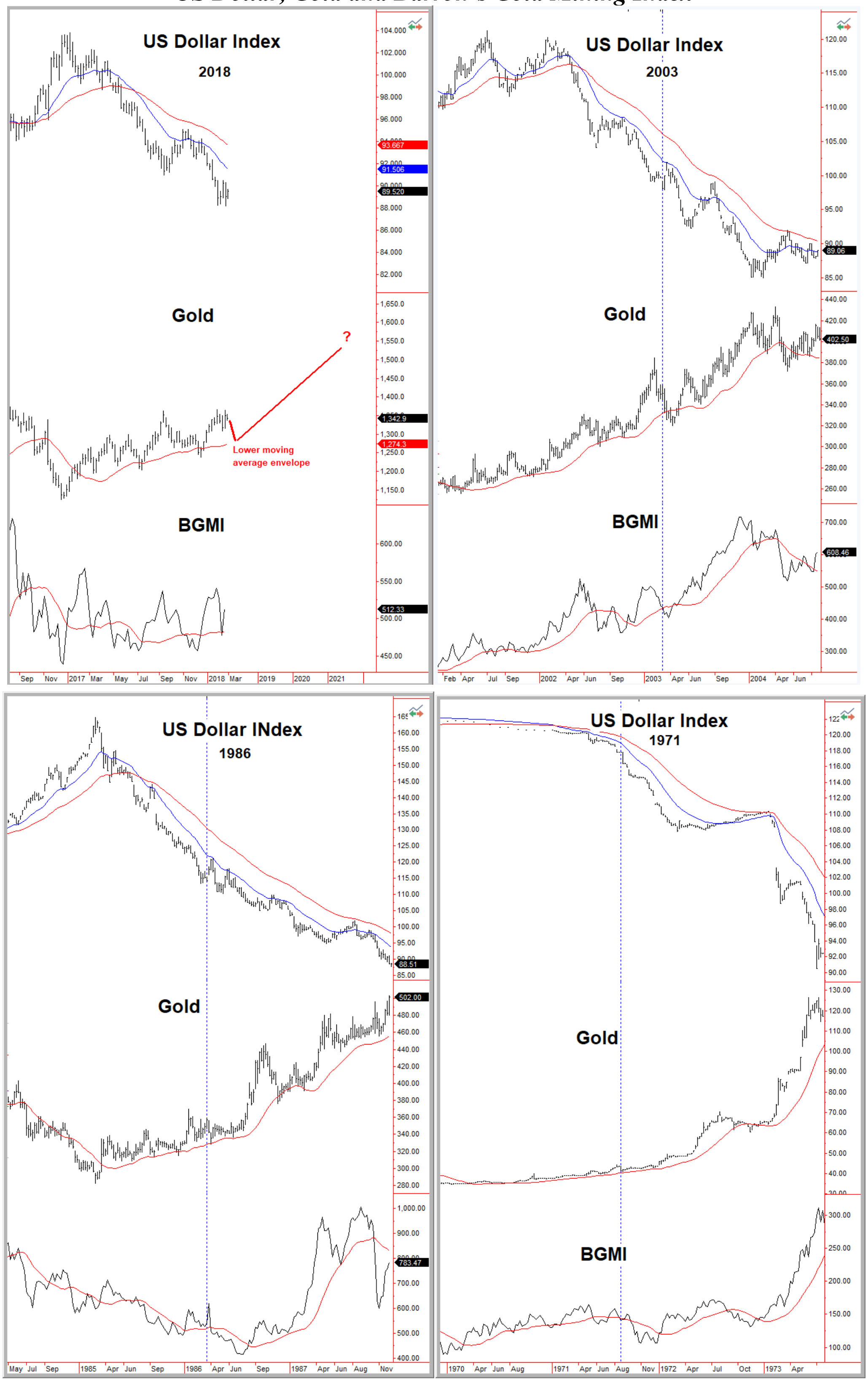
If the Dollar continues stepping lower the natural implication is that commodities will advance relative to the currency. This is exactly what happened in 1971, 1986, and 2003. Gold had respectable rallies, however silver (*following pages*) outpaced in most instances. The 1% envelope below the 20-week moving average of the lows was an important support for both gold and silver during the subsequent pullbacks.

In the near-term, we are seeing extremes in the COT data for the Euro.



The decline in the Dollar into the end of January generated one of our Capitulation alerts along with Sequential 13 Buys. The inverse signals were seen in the Euro. The subsequent retest of the January levels sets up a 'double bottom' around 88.10 (*and double top in the Euro*). When coupled with Friday's upside reversal in the DX (*downside in Euro & gold*) it sets the stage for minor Dollar rally back toward the 20-week ema around 91.50. Gold could see a test of the 20-week moving average band around $1275.

US Dollar, Gold and Barron's Gold Mining Index




US Dollar Index
2018
Silver


US Dollar Index
2003
Silver


US Dollar Index
1986
Silver


US Dollar Index
1971
Silver

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