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Chart Works

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Technical observations of
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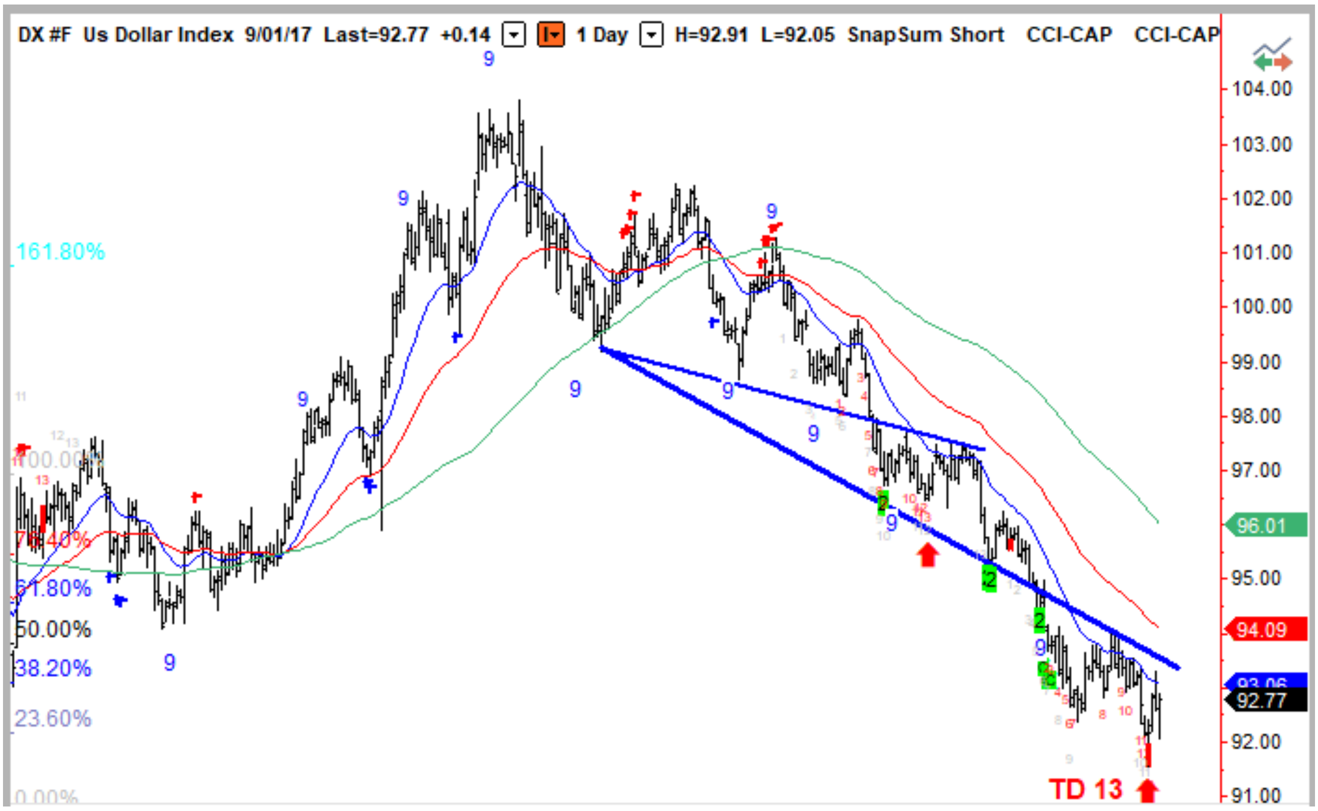
US Dollar, T-Bonds and Gold

The US Dollar, T-Bonds and gold all registered important technical excesses on the daily charts in the last week.

The US Dollar Index made new lows for the year, but has bullish divergences in the RSI and MACD. It also generated the second TD Sequential 13 of the year. Such conditions allow for a rally that takes out the immediate resistance around 93.50 and carries the price back to the more significant resistance at the 20-week ema around 95.40. The COT number continue to remain at three-year extremes, making short-covering a distinct possibility. The Euro would likely find support around 115.



The T-Bonds (*futures and TLT ETF*) generated daily Sequential 13's as expected. A TD9 Sell Setup also occurred on the 29th (*nine consecutive days with a close above four days earlier*). Such signals have done a respectable job of identifying short-term highs and lows. Seasonality called for an interim high at the end of August (✓), a pullback into mid-month and then a potential secondary high at the end of September. If the secondary high fails to exceed the Bollinger Band (50,2) we can look forward to a decline back to the summer lows by the end of the year.

Gold and the miners pushed to multi-month highs as the positive seasonal bias continues to exert its influence. As noted last weekend, strength early in September has been a common trait in the strongest of gold's bull markets. While both the daily and weekly charts have become overbought, if this is the kick off to the second leg in the bull market, then prices should gain momentum and remain above the previous five month's resistance at $1294 as we move through September.

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