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Resumption of Downtrend of US$ Index!

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In the first quarter of 2021, the US$ Index displayed a sizable rebound from 89.17 to 93.47, but it reversed down in April right on schedule of the seasonality, displaying weakness from April to October. Also, it broke 91.80, which represented a 38% Fibo retracement of the previous rebound. This should confirm the resumption of the former downtrend of the US$ index seen in the last three quarters of 2020.
In early April the weekly momentum STO crossed down into its overbought area, giving a medium-term sell signal, which is going to be strengthened by the negative MACD crossing down again in the coming weeks, as displayed on the two lower panels. The near-term target becomes the lower weekly Bollinger Band (currently 89.26), which is near the previous major low of 89.17. However, given the downside strength of the momentum indicators, a Fibonacci target related to the first quarter 2021 rebound suggests looking for a decline toward 86.90. As displayed on the chart, another Fibonacci target related to the 2020 decline suggests a lower target of 81.85, obviously in a period further down the road.
The analysis of the price pattern of the US$ Index seems to also reinforce the message of the resumption of the US$ Index decline: it reveals that the rebound of the $ in the first quarter 2021 took place in 3 sub-moves, called corrective zig-zag, while the April decline is taking a much more linear and impulsive pattern. Finally, an astute observer will note that the weekly Ichimoku Cloud is currently declining, located now between 94 and 97, and is widening, thus indicating that it will become an even stronger resistance area in coming weeks.
Further, on the upper panel, the CRB Index (red dotted line) is extending its uptrend started in April 2020. From an inter-market technical perspective, when the CRB Index is usually rising, the US$ Index is declining. Oil and in particular copper are currently contributing to the rise of the CRB Index. Also with a rising CRB Index, the Relative Strength of emerging markets versus the S&P500 (orange solid line) is usually rising. However, right now it is only at best bottoming, so the impact of the rising CRB Index as well as the extent of a declining US$ Index may not be fully discounted. Finally, a lower US$ Index has been correlating with an uptrend of the S&P500 (green solid line) during 2020. However, this correlation is quite volatile, as the rising US$ Index in the first quarter of 2021 has had little negative impact on the US equity market, which is now entering its seasonally weak period until October.

Chart of US$ Index in weekly candles with Ichimoku cloud and Bollinger Bands and a declining 40-week Moving Average (thick green line). The yield spread of US 10-year Treasuries minus 10-year German Bunds is represented with a rebounding orange solid line, recently correlated with the direction of US $ index candles. On the upper panel are displayed the rising Relative Strength of Emerging Markets (EEM) versus S&P500 in gold solid line and the rising CRB Commodity Index in red dash line (in percentage change on left scale). In addition, the green solid line is the S&P500 (SPX) on the right scale. On the lower panel the MACD negative is about to cross down, suggesting increasing downside momentum for the US $ index, while the weekly "Slow STO" crossed in early April and is just entering oversold area. The $ Index broke the horizontal line at 91.80, a 38% Fibo of the previous rise. This calls for further down drift toward the lower B-band (89.26) and possibly toward 86.50 or 81.85 much later. The declining 40-week Moving Average (thick green line) currently near 91.97 should act as resistance and as stop loss for this bearish scenario.
Source of data: Stockcharts.com.
Supports line & parameters are provided by BEST.