Breakout for the US$ Index!

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Last month, we mentioned the potential break up of the 10-Year US Treasury yield above 1.38% opening a rise toward 1.55%. This month we want to look at the US$ Index and suggest that the recent break above 92.50 may also have a lot of upside potential.

First, the chart displays that the US$ Index has already moved into the cloud in July to build a range between 91.85 and 92.50 during the summer. Recently, during September, the US$ Index has risen steadily breaking the former resistance of 92.45, but also activating a double bottom formation in January at 89.17 and June 2021 at 89.51. Such a double bottom creates an upside target, once the neckline at 92.45 is activated. The target is measured by taking the difference between 92.50 and 89.17, or about 3.5 to be added on 92.50, i.e. 96.00. This target is close to 96.50, the 62% Fibo retracement of the decline 101.04-89.17. Therefore, 96.00 could become a target on which the market may focus its attention. Further, the momentum analysis is clearly bullish, as described in the chart comment.

Of course, once the US$ Index is above the weekly cloud (95.00), the sentiment will turn mostly bullish for the US$ Index. So this week's rise above 92.50 is clearly a wake-up call for those bears who are still banking on a bearish outlook for the US$ Index.

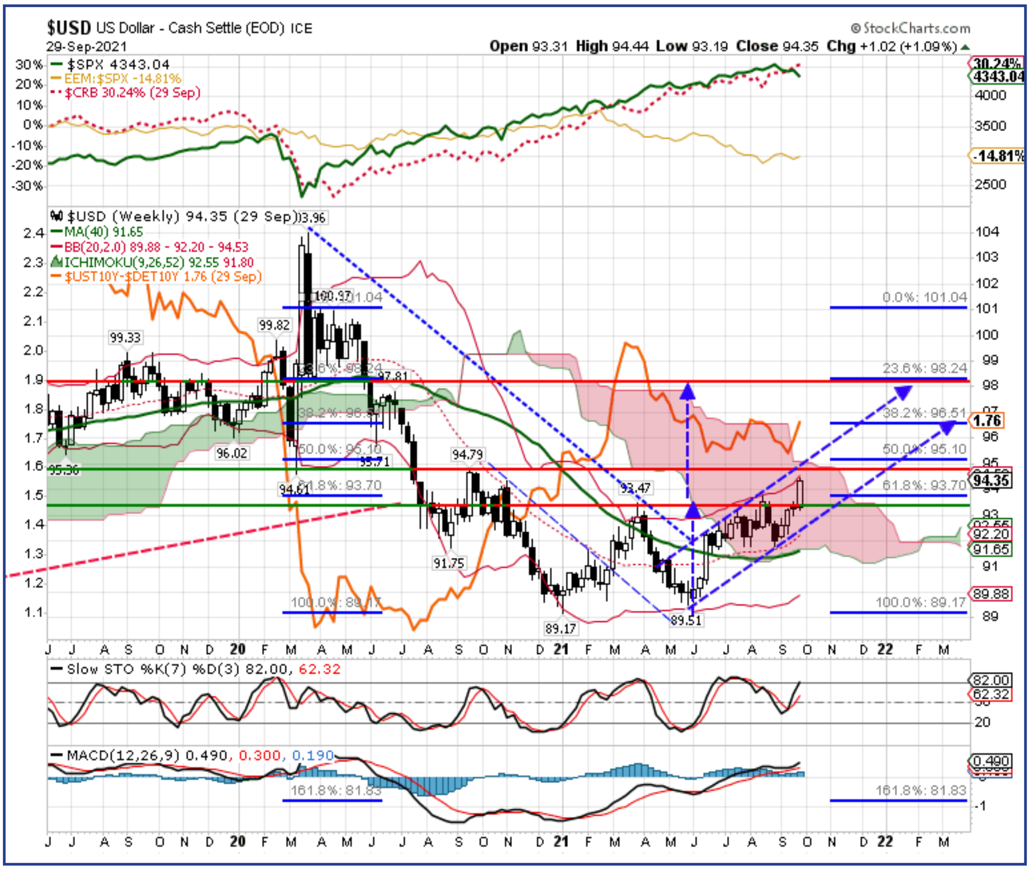

Chart of US$ Index in weekly candles with the Ichimoku cloud and Bollinger Bands and a rising 40-week moving average (thick green line). The yield spread of the 10-Year US Treasuries minus 10-year German Bunds is represented with a rebounding orange solid line, recently correlated with the direction of US$ Index candles. ***On the upper panel*** *are displayed the flat-ranging 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 positive MACD is accelerating again, suggesting increasing the upside momentum for the US$ Index, while the weekly "Slow STO" crossed up late August and keeps rising in September without being overbought yet. The US$ Index broke the horizontal line at 92.50, a 38% Fibo of the previous decline. This calls for further upside along the rising upper B-Band (94.53) to test 94.75 and once broken toward 96, maybe the 98 area. The rising 40-week moving average (thick green line) currently near 91.65 should act as support and as a stop-loss for this bullish scenario.*

Source of data: Stockcharts.com.

Supports line & parameters are provided by BEST.

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