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The Monthly Market Technical View of Bruno Estier Strategic Technicals

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US$ Index Reaching Key Resistance Within the Ichimoku Cloud!

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Beware! The US$ Index closed the first quarter of 2024 at 104.51, rising toward the pivotal level of 104.50-105.00. Will the US$ Index break that level and rise toward 107 or even the 111-114 area? The answer lies in the weekly chart below, which is worth 1,000 words.

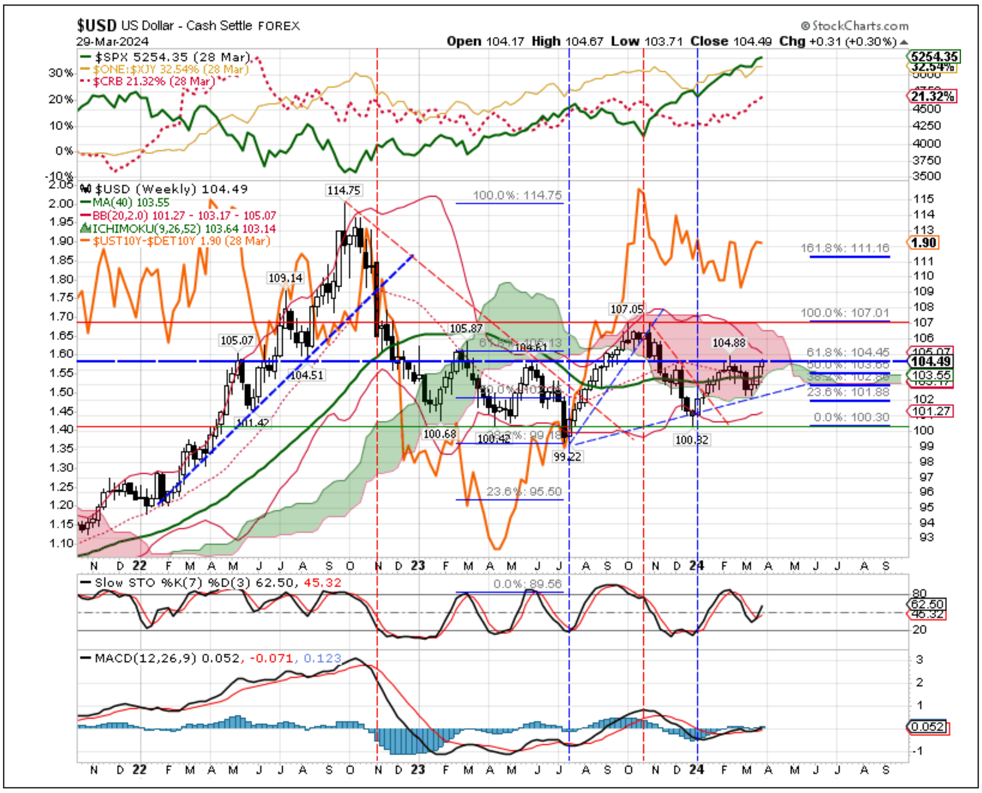
Take your left hand and cover the chart until December 2023: You are looking at the short-term time frame of the 2024 first quarter. The US$ Index rose from 100.32 to 104.88, pulled back to the low of 102.30 in early March, and rebounded in the last three weeks to 104.50 along a slightly positive momentum, namely a weekly crossing up of the STO around 50% and a rather flat but just turning positive MACD. As this is the result of the more recent interaction of supply and demand for the greenback and short-term cycles, there is a good probability that the US$ Index will break the 104.90 level in the coming weeks because by doing so it will rise above the most recent spike high at 104.88; and thus give a classic short-term Buy Signal as the Index is also above the 40-week Moving Average (equivalent to the 200-day MA), which is a metric that all the market participants (from short-term traders to the large institutional investors) are looking at (ask them!).

How far can the US$ Index rise?

Take off your left hand from the chart. Now, things get more complicated. You are looking at the past trends outlined with blue rising support lines for uptrends and red descending resistance lines for downtrends. And, suddenly, your eye is driven by the vertical lines in the lower panel, representing the STO for short-term momentum and the MACD for longer-term momentum. Then your eye goes to the upper panel that displays the $/Yen, the S&P500, and the CRB Commodity Index, which is heavily weighted in OIL. Each of these lines has a specific non-stable correlation with the US$ Index, which will influence any brain in guessing the probability and extent of the potential rise of the US$. And, the cherry on the cake is the role of the currently red Ichimoku Cloud, the impact of the narrowing Bollinger Bands, representing the last six months (20 weeks) of historical volatility, and the correlation of the spread between the 10-year US Treasury and the 10-year German Bunds. You want more of an answer: A rise to 106.50, the top of the Cloud followed by a major reversal below 100. Want some follow-up? Get in touch, as this is not an April Fool.

U.S. Dollar Index

*US$ Index in weekly candles with Ichimoku Cloud and Bollinger Bands and a flat 40-week Moving Average (**thick green line**).*



The yield spread of the 10-year US Treasury Index minus 10-year German Bunds is represented with a rebounding orange solid line, recently less correlated with the direction of US$ Index candles.

Upper Panel: the rising US$ versus the Yen in gold solid line and the rising CRB Commodity Index (heavily weighted in oil) in the red dash line (both in % change on the left scale since October 2021). In addition, the green solid line is the S&P500 (SPX) on the right scale.

Lower Panel: the just turning positive MACD has been flat for a month, suggesting a "not trending" US$ Index, while the weekly "Slow STO" crossed up in mid-March, mirrors the minor second rebound toward the top of the range at 104.60-104.88, which is also the Fibo 62% of the decline 107.05-100.82. The thick **dashed blue line** displays this key pivotal area located within the Cloud and within the narrowing weekly Bollinger Bands.

Data Source: Stockcharts.com
Analysis by B.E.S.T.