

# **DOLLAR HEADING TOWARDS RESISTANCE**

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The weekly Dollar Index chart shows several interesting patterns. These set up the trigger points for a breakout to new dollar strength, or a breakdown down for new dollar weakness. On balance, the bias is towards renewed dollar strength.

The first key feature on the chart is the support and resistance levels. Combined these provide a very broad trading band. The support level is near \$0.93 and was tested multiple times in 2015. The Dollar Index has dipped below this support level briefly, but usually rebounded quickly from this support level.



The resistance level is near \$100.005 This level was tested twice in 2015. It's not a well tested level, so it leaves open the potential for the dollar to strengthen considerably.

The second key feature is the down sloping trend channel. For most of 2016 the index has moved between these sloping support and resistance lines. It has been a pattern of rally and retreat. The current rally faces trend line resistance near \$0.96.

The feature of particular interest is the way that any future retreat in the dollar index will first encounter support near \$0.93 rather than finding support on the lower trend line. This constrains and compresses the behaviour of the index and adds a new level of volatility to the next potential move. It's like a compressed spring. The compression activity between the down sloping trend line and the support level can develop into a rapid and powerful breakout.

A breakout on the upsides above the value of the trend line has resistance near \$100.005. Traders prepare for a fast move on any breakout. We use the [ANTSSYS](#) trade and analysis method to identify the opportunities as the breakout rally develops. This is traded with a tight stop using a customised ATR indicator.

A breakout on the downside also has the potential to move quickly with an initial downside target near \$0.89.

It's too early to know which direction the dollar index will break. A breakout on the downside also has the potential to move quickly with an initial downside target near \$0.89.

Currently traders are ready to go short as the index reacts away from the downtrend line with a move to retest support near \$0.93.