

# **DOLLAR STRENGTH CONSOLIDATES**

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The dollar index rapidly rose to nearly \$1.04 following President Trump's confirmation. It has fallen steadily since and is now re-testing the \$1.005 support level. This rally, retreat and retest activity is often followed by a rebound rally. The potential for a rebound is increased following the Presidential inauguration day and the immediate policy announcements which will follow.

The weekly chart provides better guidance to the support and resistance features on the dollar Index chart. The dominant feature on the weekly Dollar Index chart is the broad trading band between \$0.93 and \$1.005. This trading band has dominated Dollar index behaviour since 2015 January. Support near \$0.93 has been tested 4 times. Resistance near \$1.005 has been directly tested twice. Lower level resistance near \$1.00 has been tested five times. The move above \$1.0005 was very important because it's a breakout from this prolonged 22 month sideways trading pattern.



The breakout moved to near \$1.04 and is retesting the \$1.005 level as a support level. A successful retest of support confirms the strength of the breakout. Failure of the support level will see the dollar test the next support level. This

support level is created by the uptrend line starting from the low near \$0.92 in May, 2016. The current value of this support trend line is near \$0.975.

Classic trading band chart pattern analysis measures the width of the trading band. This value is projected upwards from the \$1.005 resistance level. This gives an upside target near \$1.08. The first rally reached halfway to this target before retreating.

The target is verified against the behaviour of the dollar index on the monthly chart. The \$1.08 level provided a consolidation support level in 2001 January and again in 2002 June to October. There is a reasonable probability that the \$1.08 level will again provide a consolidation resistance point for a rally rebound from support near \$1.005.

This rise is a move of \$0.07 so we look at the time frame for similar moves in recent times to give some guidance for how quickly the dollar index may move towards the \$1.08 target. The rise from \$0.93 to \$1.00 starting in 2015 January took 9 weeks. The rise from \$0.85 to \$0.93 starting in 2014 October took 13 weeks. This suggests that the index could rise from \$1.005 to \$1.08 in around 11 weeks after the initial breakout. This is also around January 20 when Donald Trump will formally step into the oval office.

Traders prepare for a fast move breakout rally rebound and uptrend continuation. We use the [ANTSSYS](#) trade and analysis method to identify the opportunities as the breakout rally develops above the resistance level. This is traded with a tight stop using a customised ATR indicator.