

## Rambus Chartology

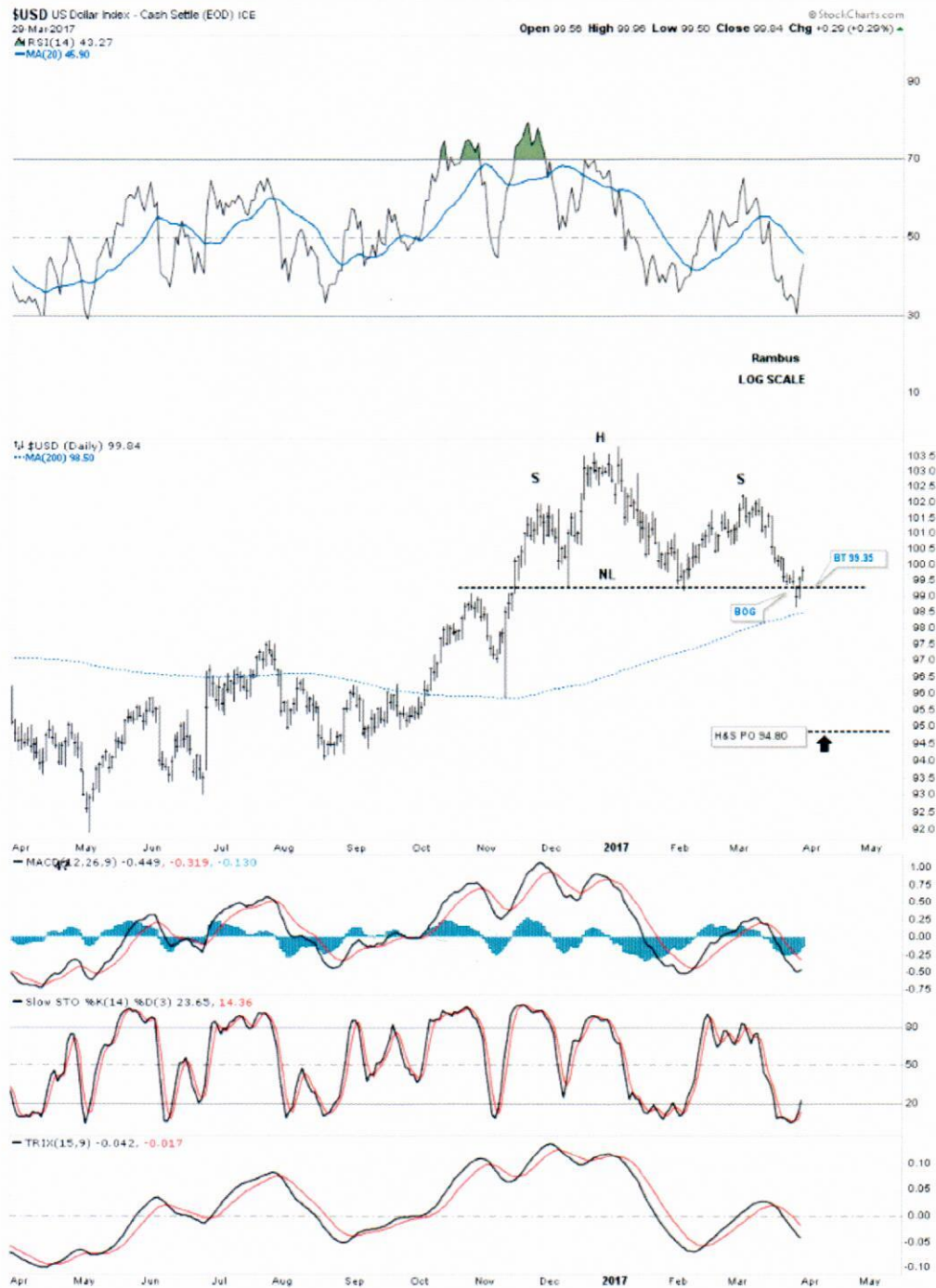
Moving forward

### Wednesday Report...Simplifying the US Dollar . What do You See.

Posted on [March 29, 2017, 10:17 pm](#) by [Rambus](#)

Tonight I would like to start the Wednesday Report by looking at the US dollar which may have hit an important low on Monday. There have been several chart patterns we've been following that are different, but will have the same affect if they play out. This breaking out and backtesting process has been going on since last November, which is wearing out most investors as there has been no confirmation one way or the other on which direction the US dollar is headed over the intermediate to long term.

Lets start by looking at a potential bullish and bearish short term charts for the US dollar, which will most likely give us a big clue in the direction of the bigger intermediate to long term move to follow. This first chart is for the bears which are seeing a H&S top that has been building out since last November. Monday of this week the price action broke below the potential neckline in what may be a false breakout. The US dollar found support at the 200 day moving average for the time being.

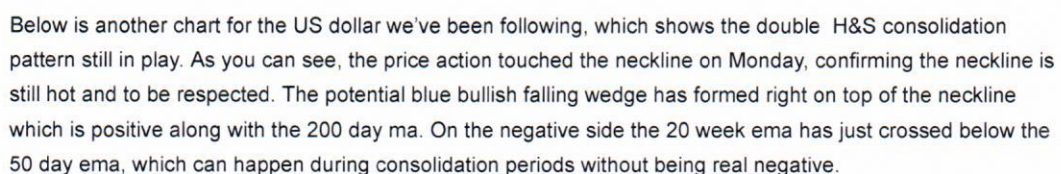


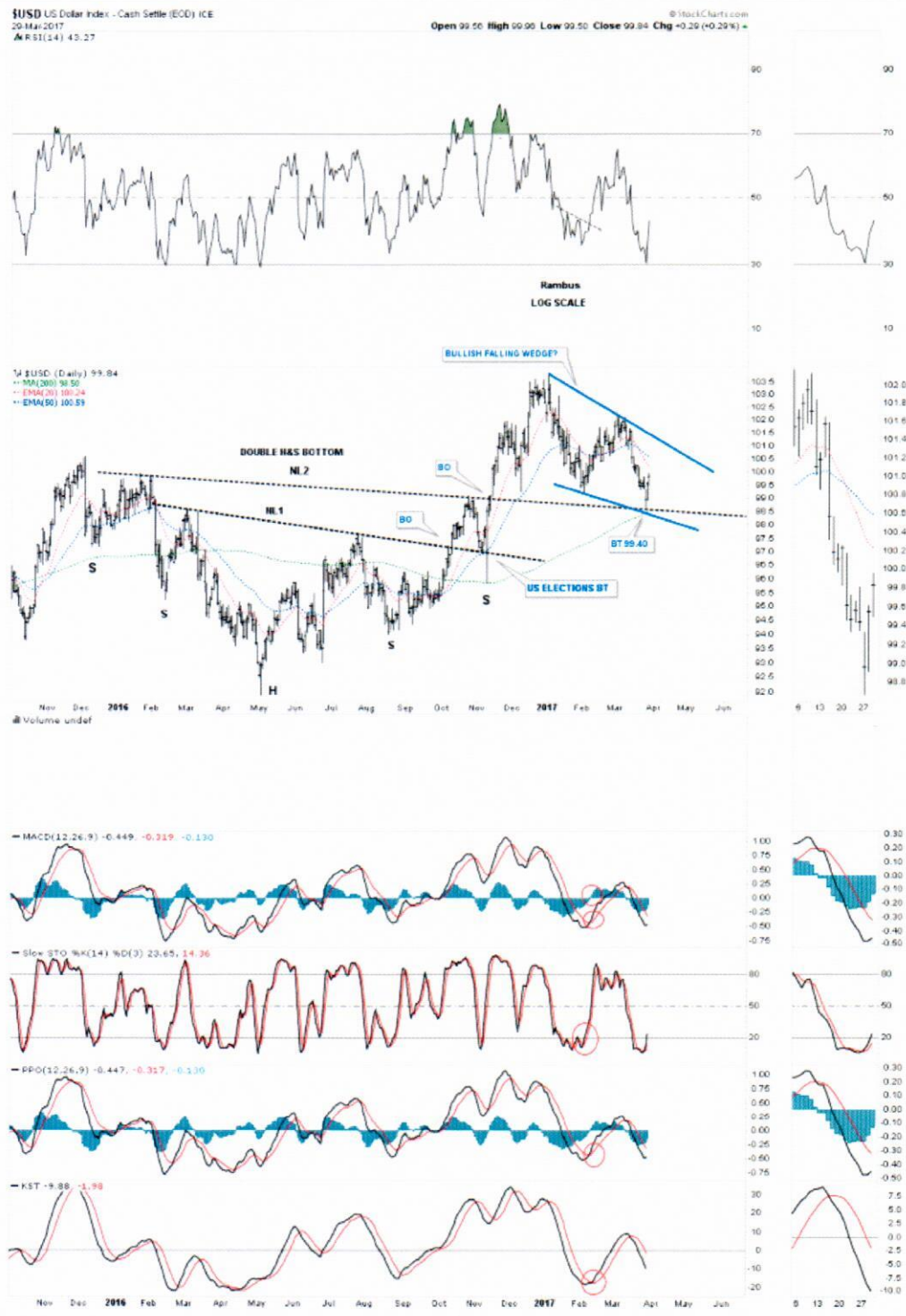
The other short term daily chart I've been following shows a potential black bullish falling wedge that has been building out since the first of the year. There was a blue bearish rising wedge which broke to the downside, which was more or less a halfway pattern. The US dollar got a bounce off the 200 day moving average at the possible 4th reversal point. Keep in mind the potential bullish falling wedge won't be complete until the top rail is hit, which will complete the 4th reversal point.



Now lets look at the longer term daily chart for the US dollar and see how the two shorter term chart patterns fit into the bigger picture. Most investors have been following the nearly 2 year sideways trading range as either a consolidation pattern to the upside or a reversal pattern. I did tweak the top rail of the 2 year sideways trading range just a tad at reversal point #3, because of the way the backtests interacted with it, since the first of year which would also be the neckline on the shorter term daily chart we just looked at above. So it becomes very obvious that this is a critically important area on the chart to keep a close eye on. So far, the 200 day moving average has given support for the first time since the US elections.

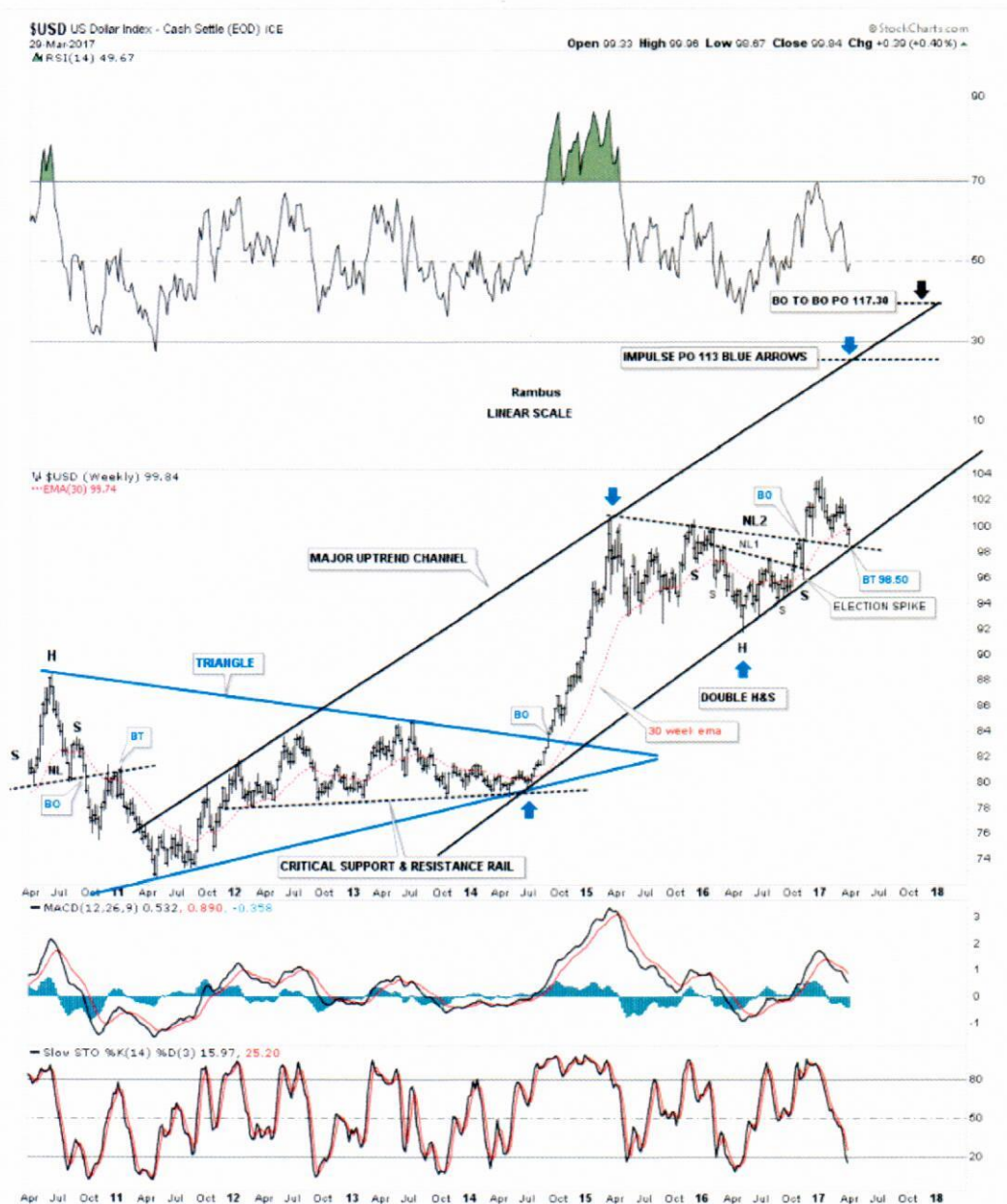






Lets look at the longer term weekly chart that shows the bull market uptrend that began in 2011. I purposefully left off the blue sideways trading range so you can get a better look at the double H&S consolidation pattern. Note how the neckline and the bottom rail of the bull market uptrend intersect at the 98.50 area, which held support on Monday. Today the price action rallied back up over the 30 week ema which is now bullish again. The 98.50 area is now a clear line in the sand, above is bullish and below is bearish.





This next chart is a weekly combo chart which has the US dollar on top and gold on the bottom. This is another chart we've been following since the first of the year which shows the H&S bottom on the US dollar chart and the H&S top on the gold chart. I've been saying for a long time now that if gold can trade above the top rail of its major downtrend channel at the 1305 area, that it would be a very bullish development and I would have to put on my bull horns.

The inverse correlation isn't perfect, but it is close enough to show you how these two tend to trade opposite of each over the longer term. I still find it interesting that since gold topped out in 2011 and the US dollar bottomed out in 2011, how close the price action is for gold trading near the top rail of its major downtrend channel, while the US dollar is trading at the bottom rail of its major uptrend channel.



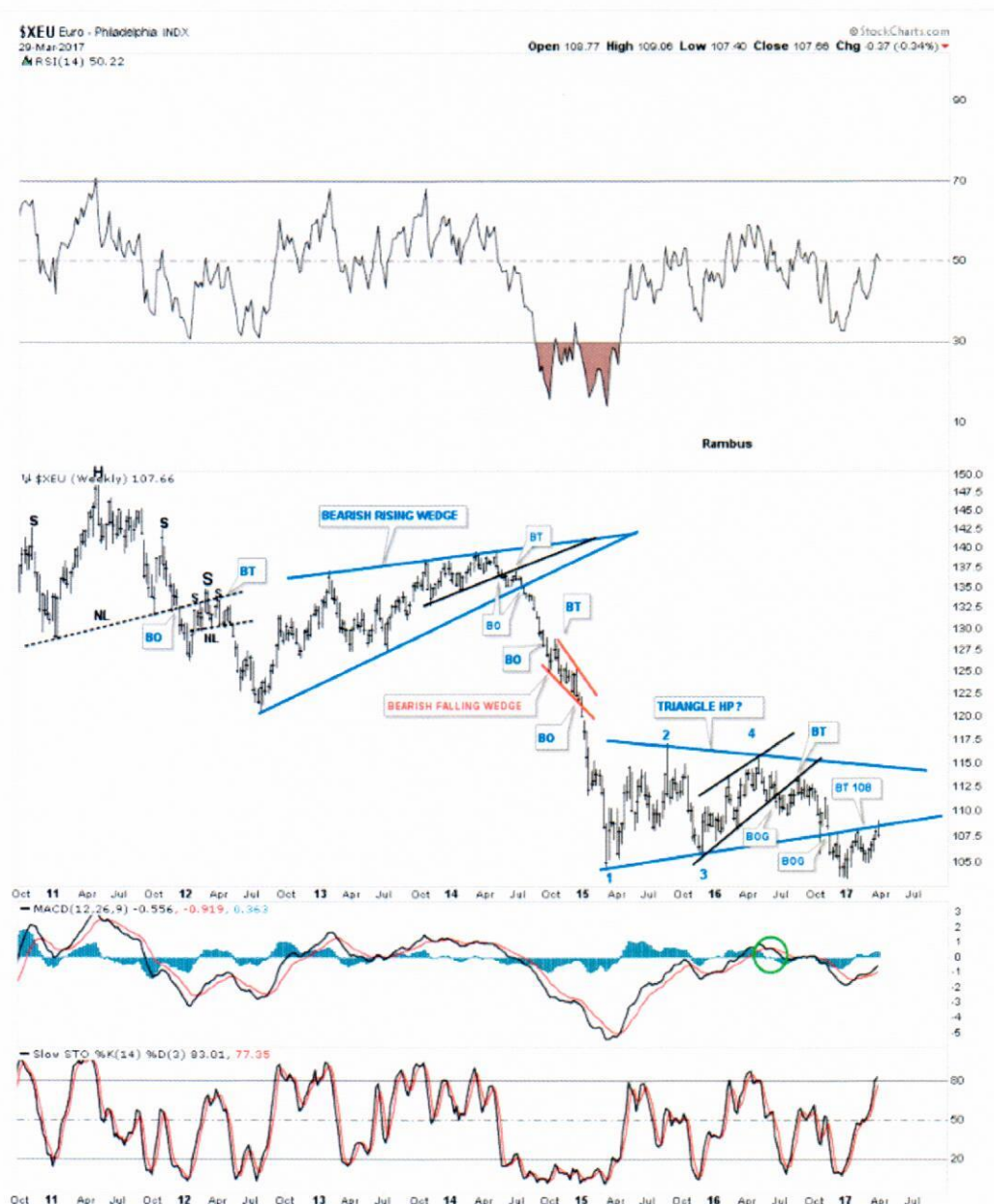
The \$XEU makes up the biggest part of the US dollar, so how it trades will have a direct impact on how it looks. Below is a 3 year daily line chart which shows a similar setup to the US dollar, but only in reverse. This week it's backtesting the bottom rail for the 3rd time.





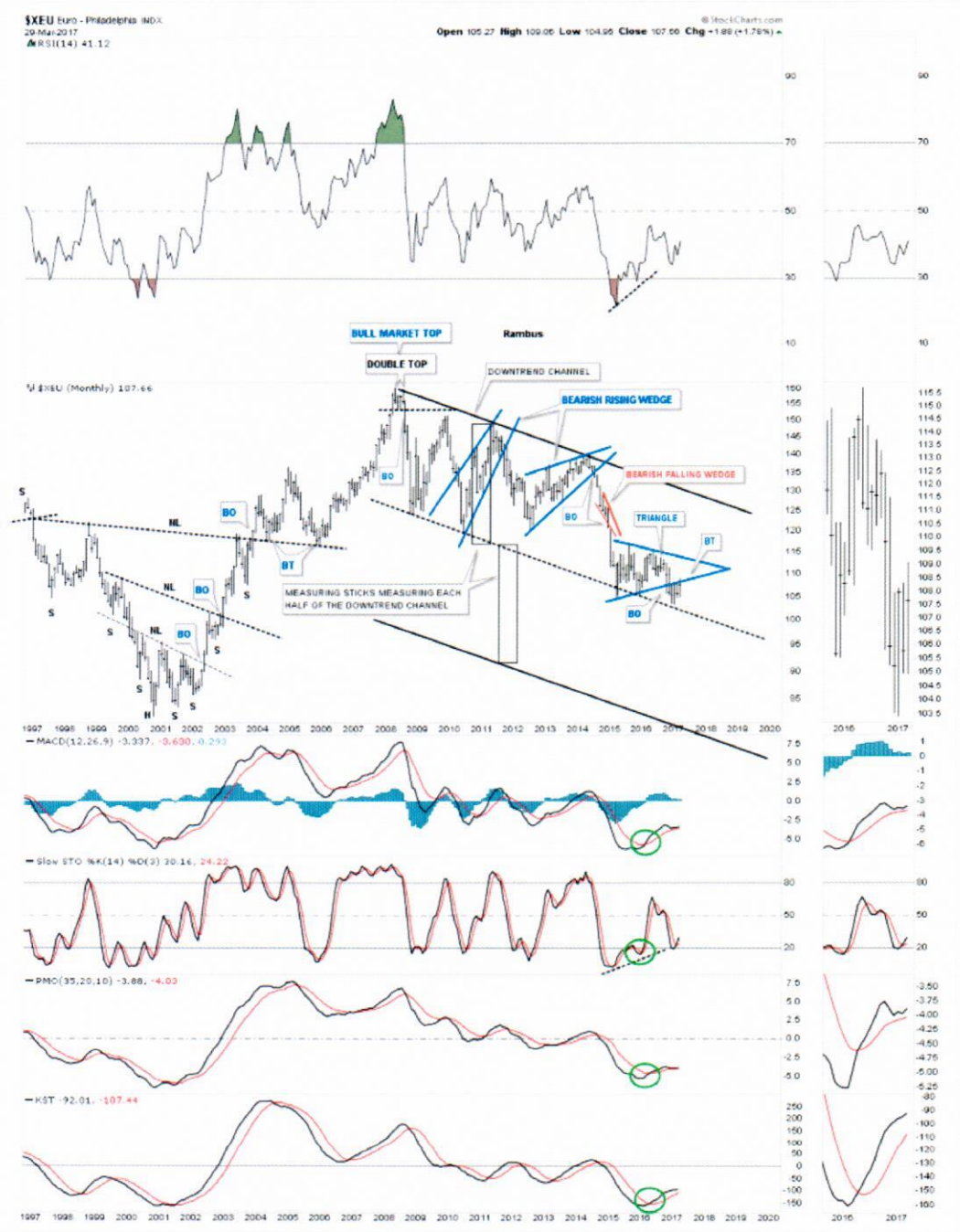
Below is a weekly bar chart for the \$XEU which is showing the 3rd backtest this week to the bottom rail of the nearly 2 year blue triangle. Looking at the price action since 2017 you can see why many folks are calling for an inverse H&S bottom on the \$XEU and a H&S top on the US dollar. What will really confirm that the possible inverse H&S bottom on this XEU chart is negated will be when the price action trades below the low of the right shoulder. For the time being the bottom rail of the blue triangle is holding resistance, which is the most important thing to keep a close eye on right now.





The 20 year monthly chart for the \$XEU puts in perspective what that nearly 2 year blue triangle means for the very big picture. For 6 months now the price action has been in breakout and backtesting mode again which is wearing out most investors. From a Chartology perspective the odds are very good that the blue triangle may very well be a halfway pattern to the downside. Since the bull market top in 2008 you can see a series of one consolidation pattern forming below the next, which is a bear market. The only thing that can reverse a bear market is a reversal pattern of some kind. At the moment there isn't a reversal pattern in the works, unless the blue triangle morphs into one. Note the vertical decline when the XEU broke below the bottom rail of the blue bearish rising wedge, and the small red bearish falling wedge which formed as a halfway pattern. If this nearly 2 year blue consolidation pattern breaks out to the downside the odds are very high we'll see a similar move out of the blue bearish rising wedge.

The big question I've been pondering is what will happen to the PM complex, commodities, currencies, and even the stock markets if the US dollar embarks on a similar impulse move like it did in mid 2014, which ran for nearly 8 months. It feels like we are getting closer to answering that question so now is the time to be on our toes. All the best...Rambus



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