

US\$ Index Ready to Break Key Pivot Point of 106

But keep an eye on US\$/Brazil Real and the US\$/Swiss Franc!

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In September 2024 the quarterly chart was analysed as the US\$ Index neared the pivot point at 100, following the sharp decline of the US\$/Yen as the “carry trade” was quickly closed during the summer doldrums. Now the Tariff Drums are loud enough to boost the US\$, though speculation runs high on X about a “Mar-a-Lago Accord” pivot point with the purpose of devaluing the US dollar currency, reminiscent of the Plaza Accord. That was the narrative last week as the US\$ Index neared the key pivot of 106.40-105.50 with declining momentum, which may open a breakdown to embark toward 103.75, the next key support (Fibo 62% and the Ichimoku Cloud).

“Pivot” is a price area on the chart, where it is “Bullish above & Bearish below”. Predicting the break of a pivot point is a delicate endeavour as Mr. Market often outsmarts the most seasoned market analysts. With this caveat out, let’s add a few other considerations:

1. The pairing of the US\$/Yen (149.00 yen per \$) is at 158 – a lower high in January compared to the July high of 161 and declined marginally below the 149.60 low of December.

This is at least a Bearish bias for this pairing. As the US\$/Yen is known for its trending properties, this could become a stronger Bearish argument, which will be confirmed much later by a decline below the 140.00 level.

2. The US\$ Index is influenced much more by the direction of the Euro/US\$ pairing, less by the US\$/Yen, and marginally by other “minor” currencies. However, some astute analysts follow the technical pattern of the pairing of the US\$/Swiss Franc (Swiss Franc is viewed as a gold-backed strong currency) and of the pairing US\$/Brazil Real (the Real is viewed as an exotic “Carnavalesque” weak currency).

In the last few days, the US\$ seemed to rebound quite a lot v. the Brazil Real and much more than against the “golden” Swiss Franc. Thus, a failed rebound of the US\$/Brazil Real, followed by a lower low would be a clear hint that the US\$ is extending its short-term decline. Then it would be nice to have confirmation with the US\$/Swiss Franc, though the evolution of the Euro/Swiss Franc pairing complicates the analysis. We bet the trend had already turned down in January at 110 and is extending downward toward the 103.75 area. But we will keep an eye on Brazil and the Matterhorn.

Chart of the US\$ Index since 2022 in Weekly Candles with Ichimoku Cloud

The black dotted line represents the parity US\$/Yen (149 Yen/1\$ on left scale) which is making a lower low and could decline toward 141 next support. The weekly candle of the US\$ Index just made a spike low at 106.04 near the former pivot point of 106.40-105.50, broken in November 2024.

The decline of the US\$/Yen from 161 in mid-July (the unwinding of the Yen carry trade) into August 5, 2024, was very emotional and led to a Bear Trap for the US\$ Index just below 100.

Then the reversal from 100 to 110 has been followed by a pullback to 106 along a declining STO and a recent crossing down of a positive MACD.

Upper Panel

The green dotted line is the US 10-year yield (TNX); in dark solid line the S&P500 Index (SPX), in gold solid line; the S&P GSCI Agricultural Index (GKX) allows an eyeballing correlation with the US\$ Index.

Lower Panel

As of the February 2025 close, the momentum is declining as the weekly STO is entering an oversold area. The positive MACD has recently crossed down, suggesting a risk of breaking below the pivot point of 106.40-105.50.

Source: Stockcharts.com -Illustration B.E.S.T.



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