

Key Levels To Watch In The Dollar And Euro - RIA Pro



Since April, the surging U.S. dollar has caught the majority of economists and market participants off-guard and contributed to the bearish action in [emerging markets](#) and commodities. The dollar is climbing due to rising U.S. interest rates and the tightening of U.S. monetary policy as well as the rout in emerging markets that has created a "flight to safety" bid for the currency. If the dollar extends its gains, it will spell even more pain for emerging markets and commodities, which will spill over into developed markets as well. In this piece, I will analyze the charts of the U.S. Dollar Index and the euro to help determine where they are heading next. After forming an [ascending triangle](#) pattern in June and July, U.S. Dollar Index experienced a bullish breakout last week as the [Turkey drama](#) unfolded. This breakout is a bullish sign as long as the index remains above the key 95 support level that marked the top of the ascending triangle and the peak in October and November 2017.



The longer-term U.S. Dollar Index chart shows how the currency broke out of a bearish channel pattern in April and recently broke above the key support and resistance level at 95. The next price targets and resistance levels to keep an eye on are 100 and 104. If the recent bullish breakout remains intact, those resistance levels are likely to act like a magnet for the Dollar Index due to their psychological importance. If the index is eventually able to break decisively above 104, it may foreshadow even more powerful gains ahead.



The euro, which trades inversely with the U.S. Dollar Index, broke down from a [descending triangle](#) pattern, which likely means that further weakness is ahead if it stays below the 1.1600 resistance level that marked the bottom of the triangle and the lows in October and November.



The longer-term euro chart shows how the currency broke below a bullish channel in April and fell beneath the key support zone around 1.1500 to 1.1600. If the euro stays below this level, it may attempt to gun for next support level and price target at 1.0500, which marked the lows from 2015 to 2017.



For now, the U.S. dollar and euro remain in a confirmed uptrend and downtrend respectively. It is extremely important to watch the U.S. dollar right now because it is one of the major influences on emerging markets and commodities. As developed nation central banks tighten their monetary policies, the unwinding of the stimulus-driven emerging markets boom of the past decade is likely to send the U.S. dollar much higher.