

CHARTING MARKETS: Euro, Dollar Index Agree To Take A Break

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NEW YORK (Dow Jones)--Go figure. The euro is formally breaking down on the daily chart and so is its opposite. The trading problem may be figuring which market will fall the fastest.

But, to begin, the euro early in November broke down on the daily chart when it fell below trend channel support at \$1.3669. See chart at

<http://www.dowjonesweb services.com/chart/view/5185>

As the daily chart shows, the effect of the technical breakdown is that the euro is now moving back and forth over the \$1.3181 technical level. This effectively defines a sideways consolidation pattern. Its inability to mount an uptrend suggests that the next meaningful move is liable to be a decline to support at \$1.2897. And if \$1.2897 support is taken out in its turn then the euro may be targeting \$1.2409.

The euro would be trending higher against the dollar only if it rises decisively above \$1.3669.

Euro and Dollar Index Are Both Having A Breakdown

Earlier in this session this column, along with a discussion of the technicals of the ICE Dollar Index, included this chart, which may make an illuminating comparison with the euro. See chart at

<http://www.dowjonesweb services.com/chart/view/5186>

The Dollar Index is also consolidating in a technical range that is so far supported by the 79.027-78.883 technical band. The point is that the index is breaking down on the daily chart, and so is the euro figured in dollars. The index's breakdown very early last month was completed when 80.558 support was taken out.

Therefore, for example, if the Dollar Index falls below 78.883 before the euro falls below 1.2897, then spread traders might have something amusing to do.

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