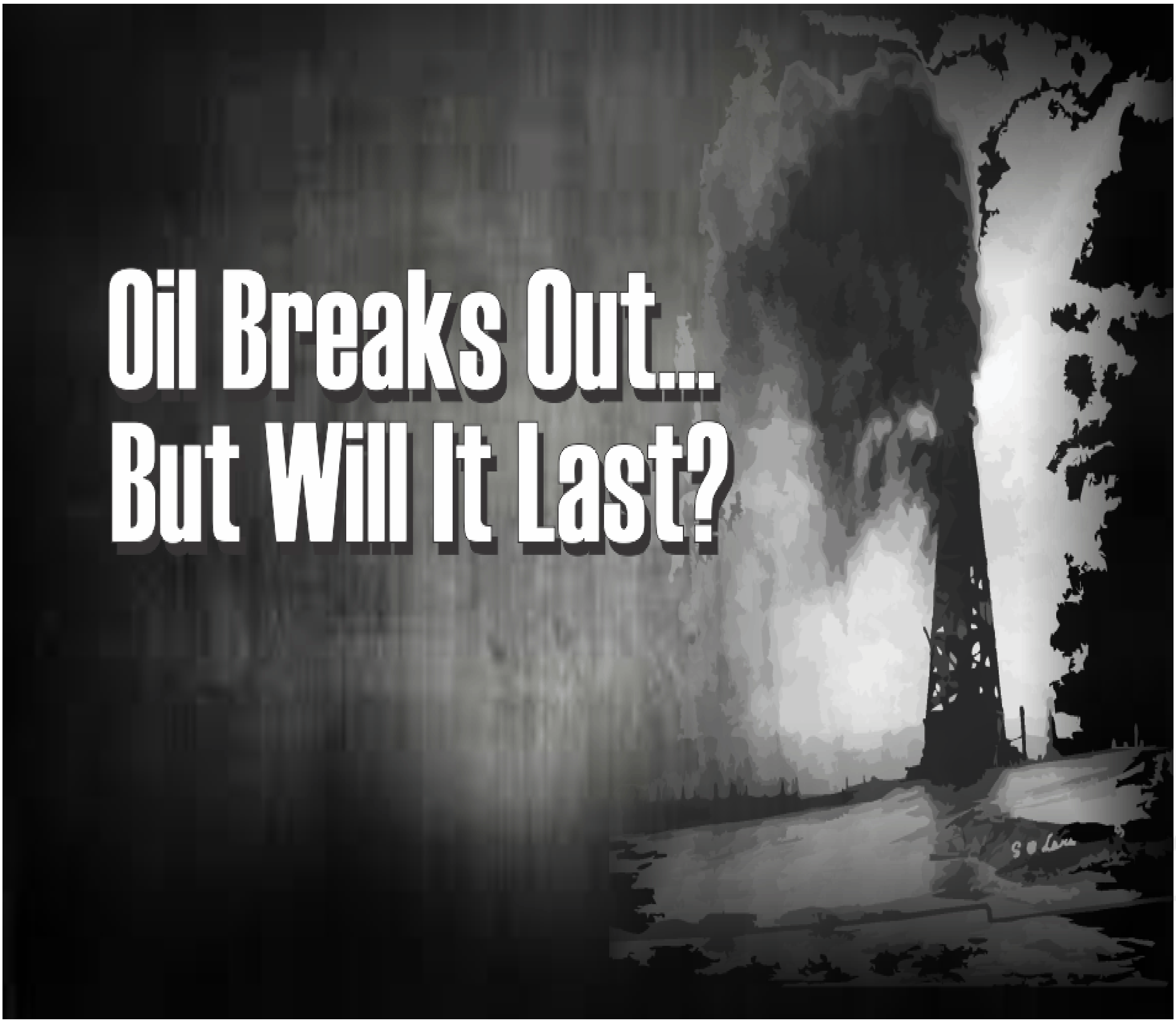

For the past several weeks, I've been watching *triangle patterns* form in crude oil after its slide in early-February. Breakouts from triangle patterns often lead to important directional moves, which is why I believe it is worthwhile to pay attention to these formations. Both WTI and Brent crude oil finally broke out of their triangle patterns today due to Middle East tensions and speculation regarding more cuts in Venezuelan output. Here's West Texas Intermediate crude oil's breakout:

Here's Brent crude oil's breakout:

While I believe in respecting price trends instead of fighting them, I'm still concerned about the fact that crude oil's rally of the past two years has been driven by "dumb money" or large speculators, who are more aggressively positioned than they were in the spring of 2014 before the oil crash. At the same time, the "smart money" or commercial hedgers have built their largest short position in history.

Last week, I showed that U.S. Treasuries had broken out of triangle patterns of their own. Crude oil's recent bullish move has been threatening the Treasury breakout (the two markets trade inversely):

The U.S. Dollar Index is worth paying attention to when analyzing the crude oil market. Bullish moves in the dollar are typically bearish for crude oil and other commodities, and vice versa. Today's bullish crude oil move and breakout is not confirmed by the U.S. Dollar Index, which is up .64 percent today. The U.S. Dollar Index has been trading in a directionless manner for the past two months, but its next major trend is likely to affect crude oil. If the Dollar Index can break above its trading range and downtrend line, it would likely lead to further bullish action (which would hurt crude oil). If the Dollar Index breaks down from its trading range, however, it would likely lead to further bearish action (which would push crude oil higher).

The longer-term U.S. Dollar Index chart shows that it is trading in a downward-sloping channel pattern. The dollar will remain in a downtrend as long as it trades within this channel. A breakout from this channel would increase the probability of a rebound, which would hurt crude oil. As I've been showing, the "smart money" or commercial hedgers are bullish, while the dumb money are bearish.

This is an admittedly confusing time in the financial markets: correlations are breaking down, many technical breakouts and breakdowns are failing and whip-sawing, and the market is chopping all over the place. For these reasons, I'm not making any short-term market *predictions*, but just showing key charts that I believe are worth paying attention to. Yes, I believe they must be taken with a healthy grain of salt. I am suspicious of today's crude oil breakout because it's not confirmed by the U.S. dollar and because of the large bearish position held by the "smart money." The smart money are usually right in the end, but it's not prudent to fight the trend in the short-term. As usual, I will keep everyone posted regarding the recent crude oil and Treasury bond breakouts. **Please follow or add me on Twitter, Facebook, and LinkedIn to stay informed about the most important trading and bubble news as well as my related commentary.**