

Equities: Technical Overview June 28th

Commentary

*TSIPRAS SAYS WILL CALL REFERENDUM ON GREEK DEAL WITH CREDITORS

*GREEK GOVT SECURES ENOUGH VOTES TO APPROVE REFERENDUM: TALLY
















I would imagine that these headlines will not sit well with investors on Mondays' open as world markets had been anticipating a final outcome of the Greek negotiations this weekend. The charts of most major Equity indices remained bearish overall last week, despite the rally from the recent lows, with the SX5E and DAX trading at the top of downtrend channels, the FTSE and S&P 500 still below resistances, and the sell-off in the DJ Transportation Index continuing following the recent top pattern.

Interestingly the SXPP showed some resilience last week, managing to hang onto its short-term uptrend, with some of its constituents like Rio Tinto still trading above key supports. The headline below may help this sector at the start of the trading week but it should be noted that the last two China rates cuts actually turned out to be good opportunities to sell into the rally (see comments below).

*CHINA CUTS INTEREST RATES, RRR FOR SOME BANKS

The downtrend in EURUSD also held last week despite numerous bullish signals Whilst my work as a technical analyst focuses solely on price action, such important fundamental news obviously has scope to dramatically change current trends and the equity dashboard below shows the key levels to be watching on any moves.

Equity Technical Dashboard

Market	Long Term	Short Term	Key Support	Key Resistance	Notes
S&P 500	Failing Uptrend 	Top Forming 	2092.7 2075 2019 *1985*	2120 2126	Failing Uptrend 
Russell	Breaking Out	False Break Out? 	1268 1243 1213 1183.85	1296	False Breakout? 
SX5E	Downtrend 	Downtrend Channel 	3418 3380 3325.5	3643 3700 3738 3744	3418 Key Support
VG1	Downtrend 	Downtrend Channel 	3544 3441 3418	3638 3669 *3723*	3418 Key Support
GX1	Failed Uptrend 	Downtrend Channel 	10,857.5 10,592 10,034	11,650 11,757 11,777 11,981	10,592 key support
FTSE Future	Limited Upside 	Top Formed 	6669.5 6536 6445.5 6346.5	677.5 6861.5 6995 7045.5	Note Futures Roll
N225	Uptrend 	Breaking Out 	20,704 19,770 18,927 18,587	20,952	Longs Closed Last week

The above table is designed to give a quick overview of trends and levels. Please see my comments on the individual charts below for a more detailed view.



S&P 500 Long-Term

The index tested its long-term uptrend and 2050.5 Marabuzo support in April from where it rallied to finally make a print above the 2120 swing high but has yet to manage a monthly close above that level.

There had been some bearish signals over the last few months with a couple of Hanging Man and an Inverted Hammer candle plus both MACD and RSI crossing down showing the slowdown in upward momentum. I have circled the last time that these both occurred at the same time with the ensuing move lower only too clear to see.

I said a few weeks ago that although the uptrend remained intact 'all the signs are of an imminent failure of that trend and the shorter-term charts are even more bearish than this long-term one' and advised against opening new longs based on this chart. This remains the case and it should be noted that a monthly close below 2087.38 would leave a Bearish Engulfing candle on this chart which would be yet another signal that the 6 year rally is coming to an end.

S&P Cash Monthly Chart



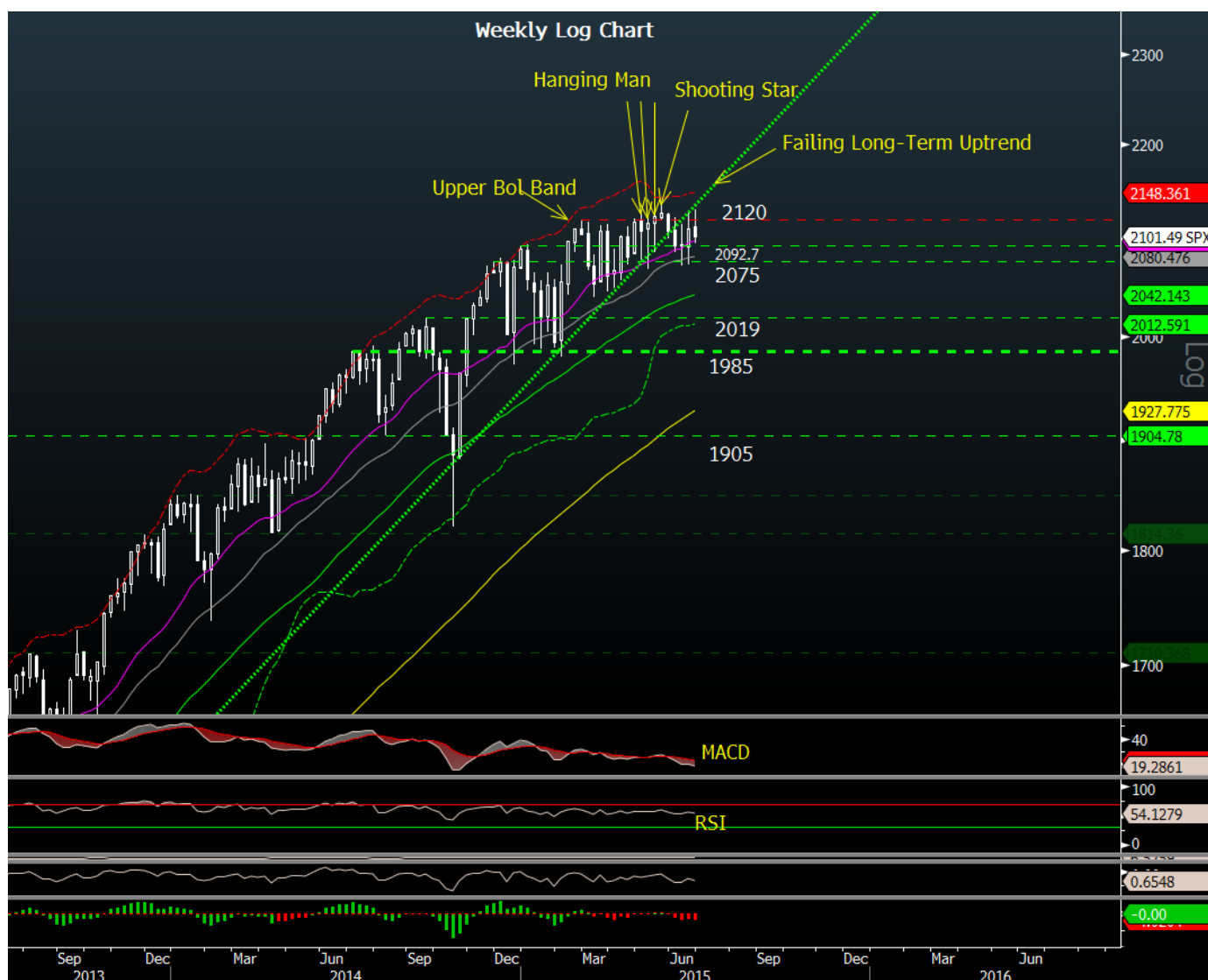
S&P Cash Medium Term

As with the monthly chart the index was just hanging onto its uptrend up until a few weeks ago but the price action over the previous weeks had been bearish with three consecutive Hanging Man candles being followed by a Shooting Star.

There has also been a continuation of the bearish RSI divergence, and regular readers will remember that I had previously advised buying some downside protection into the rally towards 2120 back in March as a result. I saw no reason to be a buyer as a result of these signals and the index closed below the uptrend having failed once again to make a move above 2120 earlier in the week.

Last week saw the rally off the key 2075 support once again fail to make it past 2120 and, with the uptrend failing, I still see no reason to be long here whilst that level remains intact as a resistance and would expect a sharp move lower towards 2019 initially should 2075 fail as a support over the next couple of weeks.

S&P Cash Weekly Chart



S&P Short Term

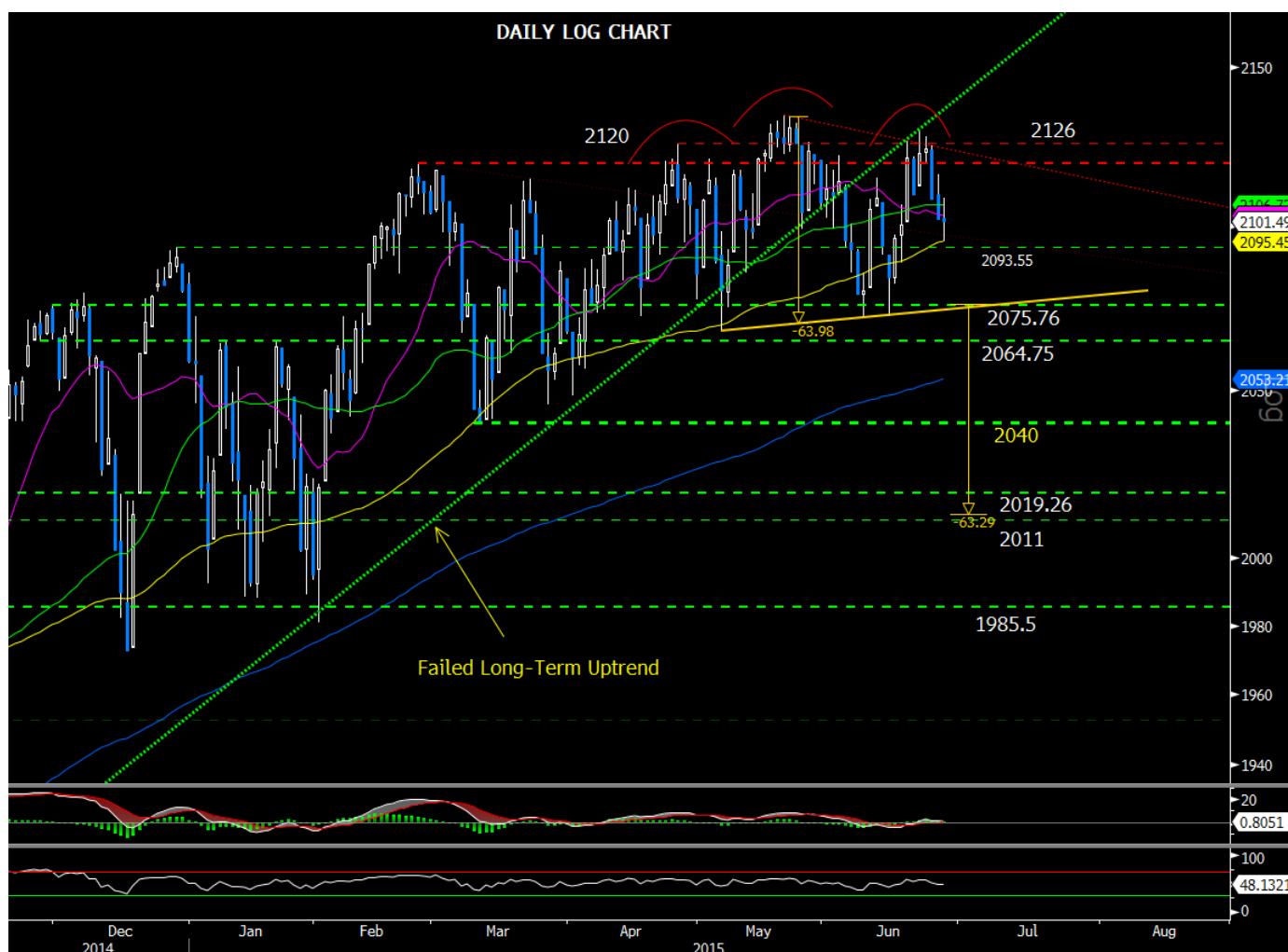
The index remains in a narrow trading range between support around 2065 and the 2120 resistance, lacking any trend in the medium term, and I have therefore been trading that range in my daily futures notes.

Last weeks' rally took the index to the underside of the failed uptrend which acted as a resistance from where it sold off once again towards the supports. The short-term charts suggested a continuation of the move lower with a re-test of the 2075 level the most likely scenario from here with that level now having more importance than ever as it also coincides with the neckline of a potential Head and Shoulders reversal.

The pattern requires the neckline to fail before being confirmed but, should that occur, the measured target is at around the same level as the 2011 support on this daily chart and I would expect downward momentum to increase on such a failure.

With no clear short-term trend in place and the 21210 resistance holding firm at the moment I see no reason to change my bearish view.

S&P Cash Daily Chart



S&P Future Trading View

Position	Supports	Resistances	% Usual Position Size
Flat	2088.75 2075.25 2062 2054 2048.25 2030.75	2098.75 2108.75 2117.75 2122.75 2134	10%

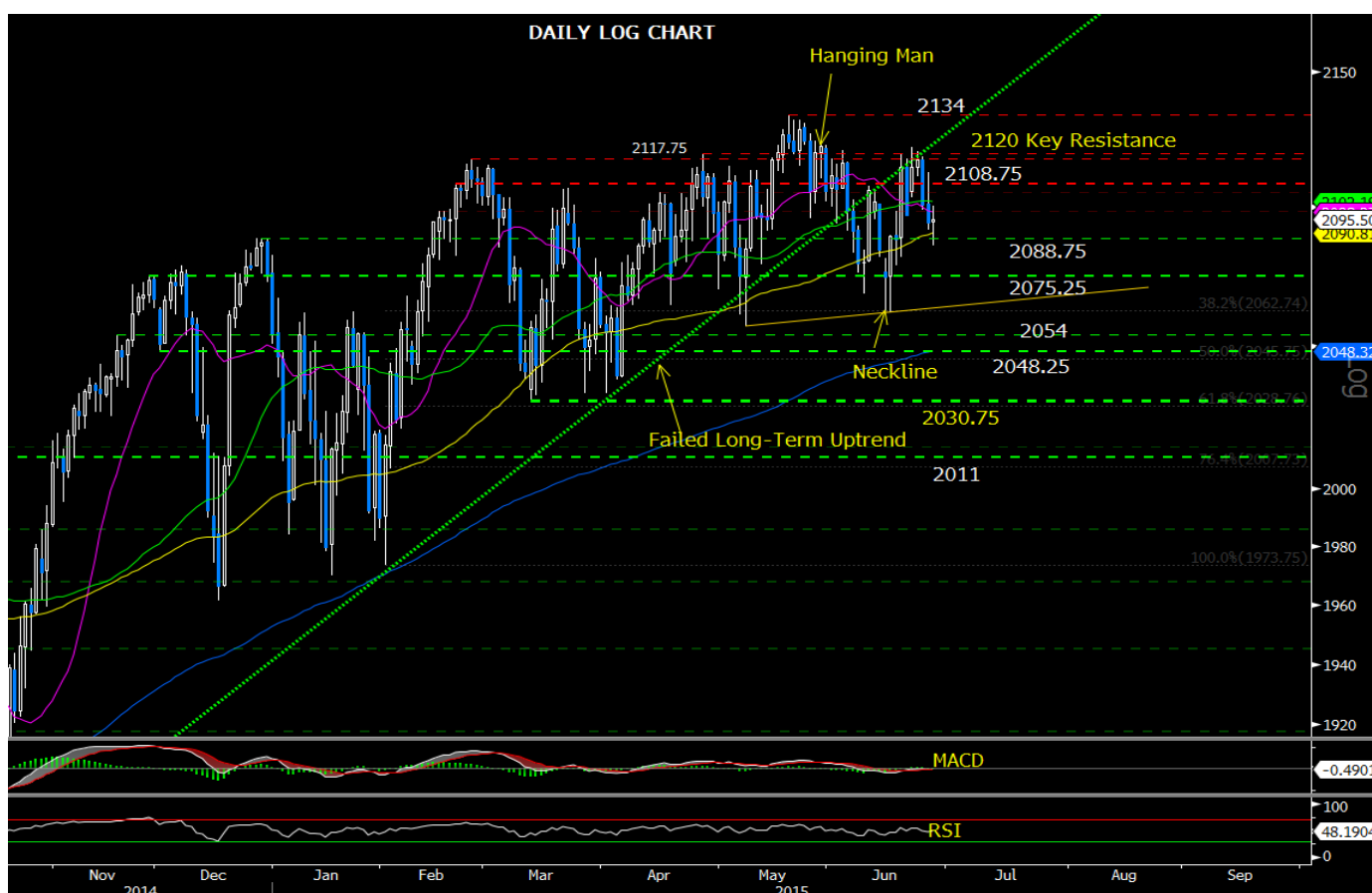
As on the cash chart the future had closed below its long-term uptrend a couple of weeks ago but found some support at the 2075.25 level from where it rallied to test the underside of that failed uptrend.

In my daily futures notes I suggested reversing to a short at the key 21210 level and added around 2104 following the bearish candle on the 24th. The move lower took the future to the 2088.75 support in Fridays' session which held into the close to leave a Spinning Top candle which shows the indecision around current levels.

In my email update to clients which I sent around the European close on Friday I suggested that it was sensible to reduce shorts ahead of the Greek news due over the weekend but was happy to remain short overall based solely on the charts. The same potential Head and Shoulders top as on the cash chart is playing out here too and also requires the neckline (shown in gold) to fail before being confirmed. Once again I would expect downward momentum to increase should that neckline fail.

In summary I am happy to remain short still below 2120 and may look to add once again should the neckline fail.

ES1 Daily Chart



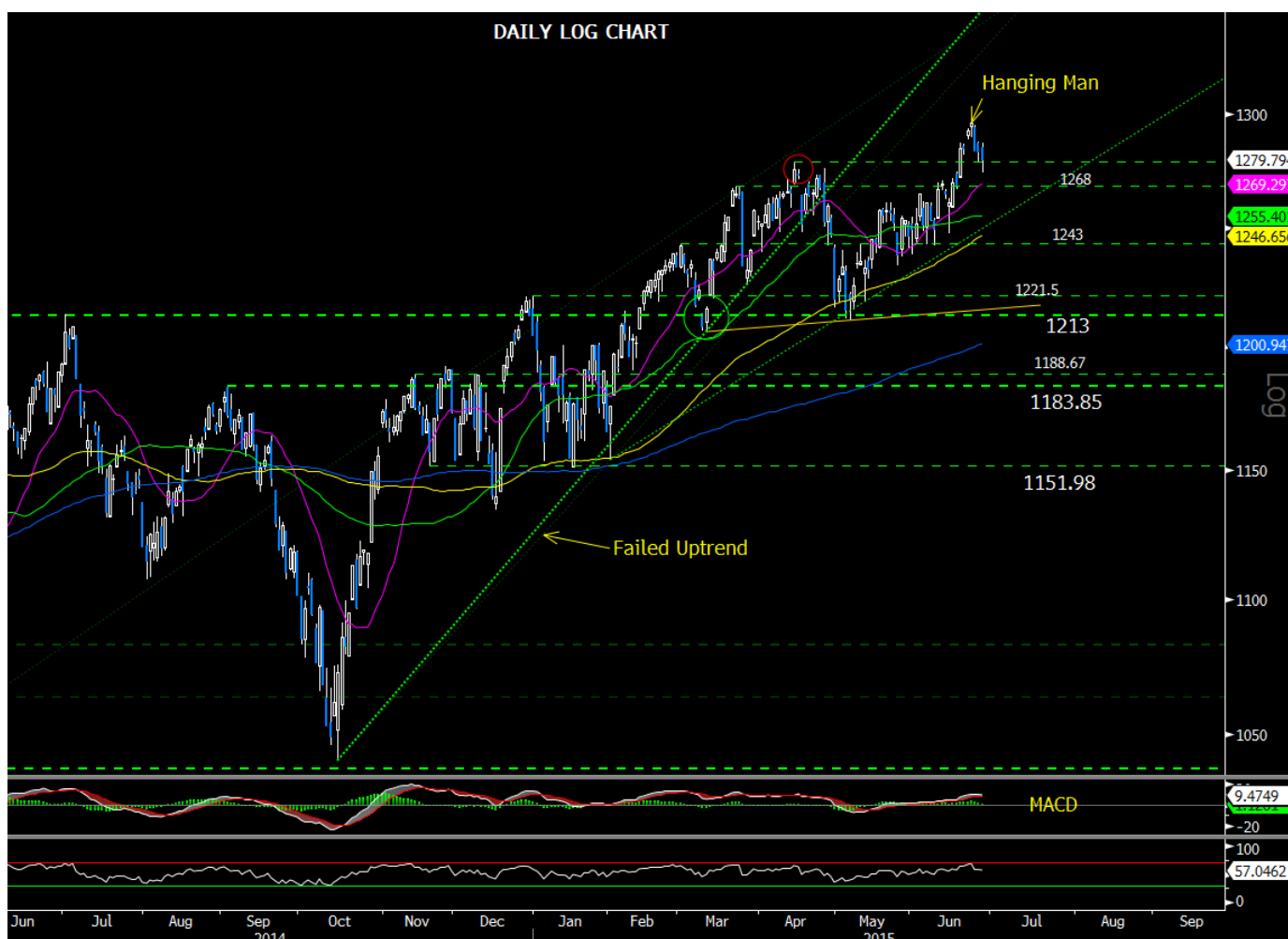
Russell Short Term

I had been over bearish in my assessment of the Russel over the last month or so as the rally from the key 1213 support continued to take the index to a new closing high.

With the index making a new high there was every chance of a continuation of the rally but the oscillators on the weekly chart have yet to confirm the bullish break. I therefore suggested caution in last weeks' note and advised against opening new longs before the break was confirmed and the index has now drifted off back to towards short-term supports following a bearish Hanging Man candle on 23rd.

There is a short-term uptrend intact here but that trend is some way below current levels around 1250 and I am staying away until that trend is tested. A failure of the 1243 support would suggest a re-test of the key 1213 support and, with my overall bearish view of Equity markets, such a move would not surprise me but there are no enough confirming signals to warrant a short here with any conviction.

Daily Log Chart



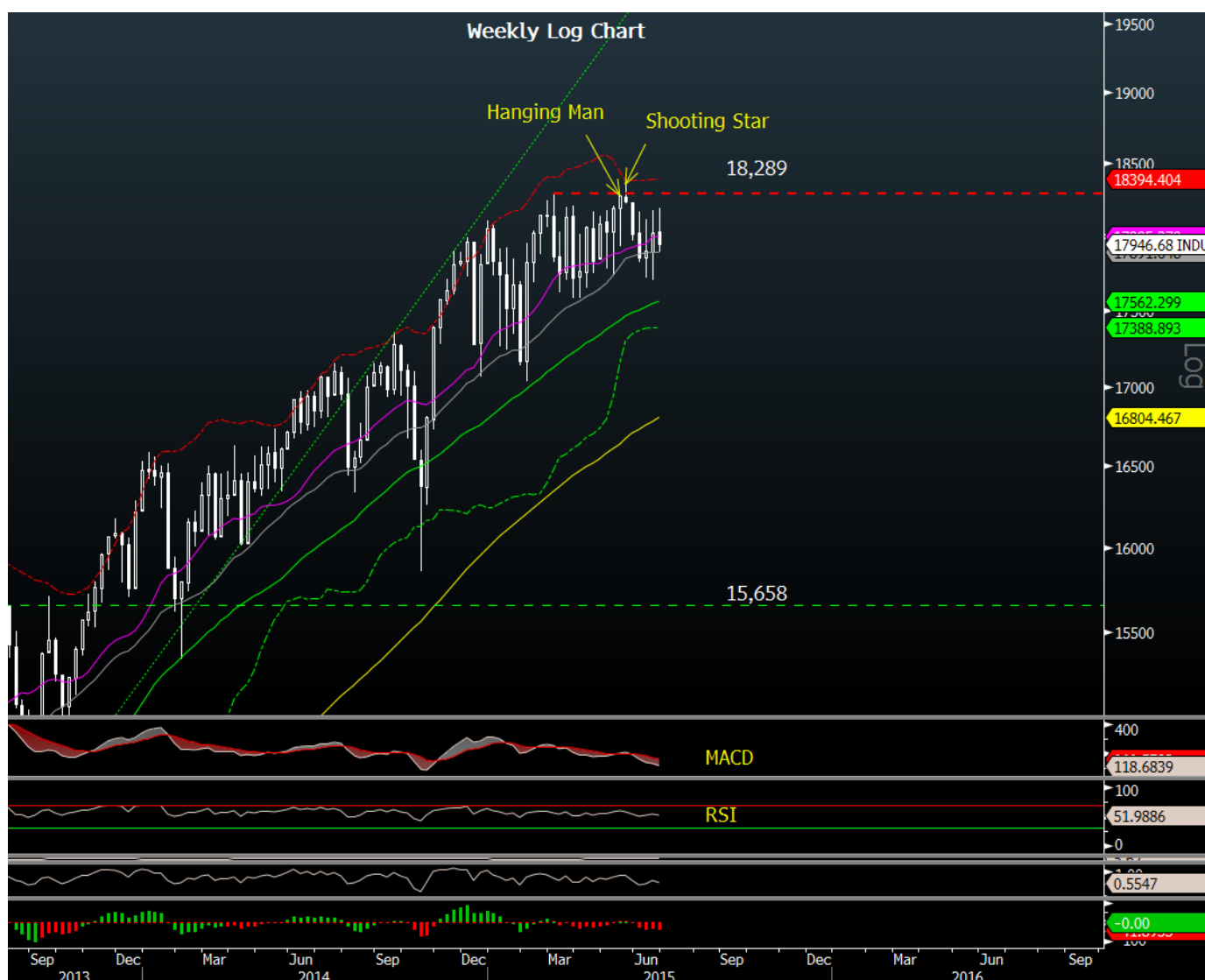
Dow Jones 30

The weekly chart shows a similar picture to that of the S&P 500 with the index failing to make any ground past the 18,289 swing high from March posting a Hanging Man and Shooting Star a few weeks ago.

The same is true of the longer-term Monthly chart on which the uptrend actually failed towards the end of last year, at the same time leaving a bearish three candle reversal pattern.

I certainly wouldn't be a buyer whilst 18,289 remains intact as a resistance and all the signs are of a further move lower from current levels.

Weekly Log Chart



DJ Transportation Index

The uptrend had already failed a few weeks ago and the move below 8,580 confirmed a bearish top pattern on this daily chart. Note also that the 50 day Moving Average crossed below the 200 in what is commonly known as a 'Death Cross' which is a **LONG TERM** bearish signal.

The index rallied back towards 8,580, which is common in such a pattern and is known as a 'return move', but I said in last weeks' overview that 'I would expect the index to start selling off from that area once again over the next couple of weeks if the pattern plays out in textbook manner.' That has so far proved correct as the rally faltered just below that level and the move lower last week took the index below the next support of 8257.

Note also the 200 day moving average has been turning lower and the 100 day crossed below that average last week which is another bearish signal in the long-term. The price action in Fridays' session left a small Doji candle which shows the indecision around that support but is NOT a buy signal and I would expect downward momentum to increase when that support eventually fails.

With the next support of note still some way below current levels at 7715 risk/reward remains firmly to the downside and I see no reason to be a buyer at all at current levels.

Daily Log Chart

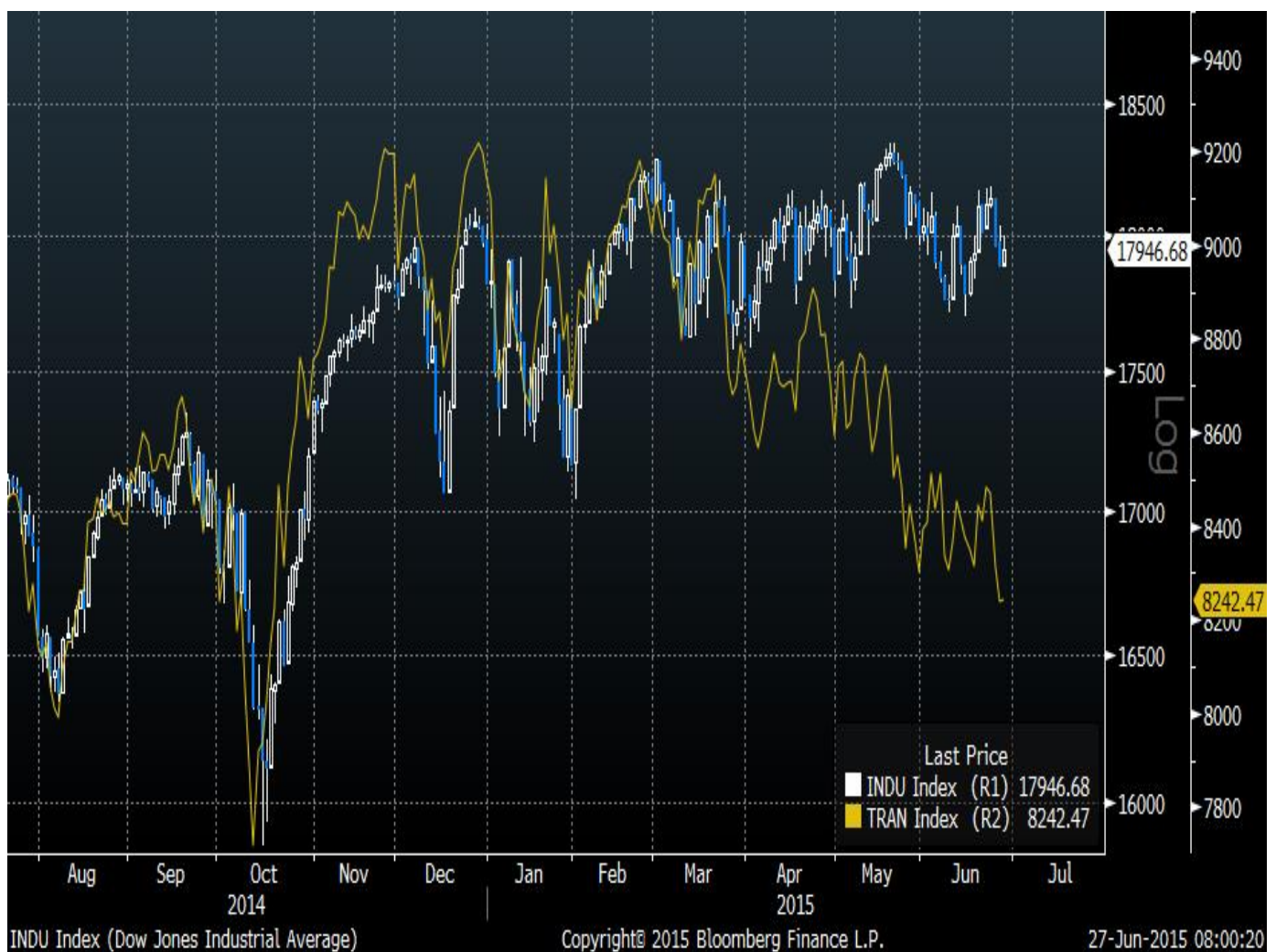


TRAN & DJI

Just a reminder of my comments over the last few weeks relating to DOW theory which requires indexes to be confirming each other in any rally.

This simple daily chart shows how the DOW and TRAN have largely mirrored each other over the last year or so but the recent price action has led to a large disparity.

If Dow Theory proves correct then a sharp move lower over the next few months in the former would still seem imminent.

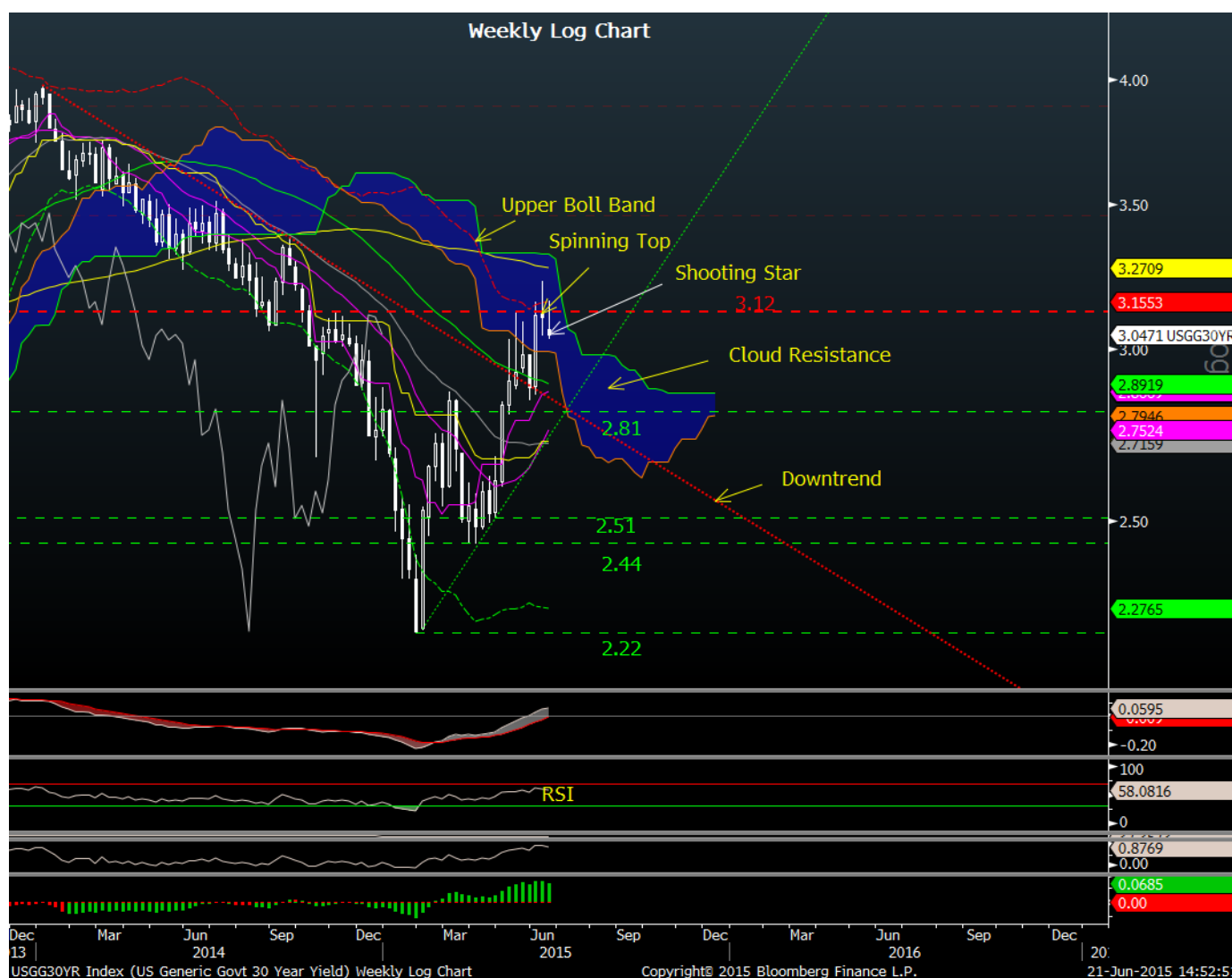


US 30 Year Bond Yield

The sell-off in the US 30 year caused a spike in yields but that move was starting to look stretched on a medium-term view as it reached a key resistance area at **3.12** which also coincided with the upper Bollinger band on this weekly chart.

The price last week left a bearish Shooting Star candle as the resistance held once again and a move back towards the 2.81 support seems the most likely course of events from there as a result. From here I'd still look to be a buyer one again on a pullback to 2.81 as there is an uptrend intact around that level and it also coincides with the upper end of the previous downtrend adding extra support.

Weekly Log Chart



Europe Summaries Below

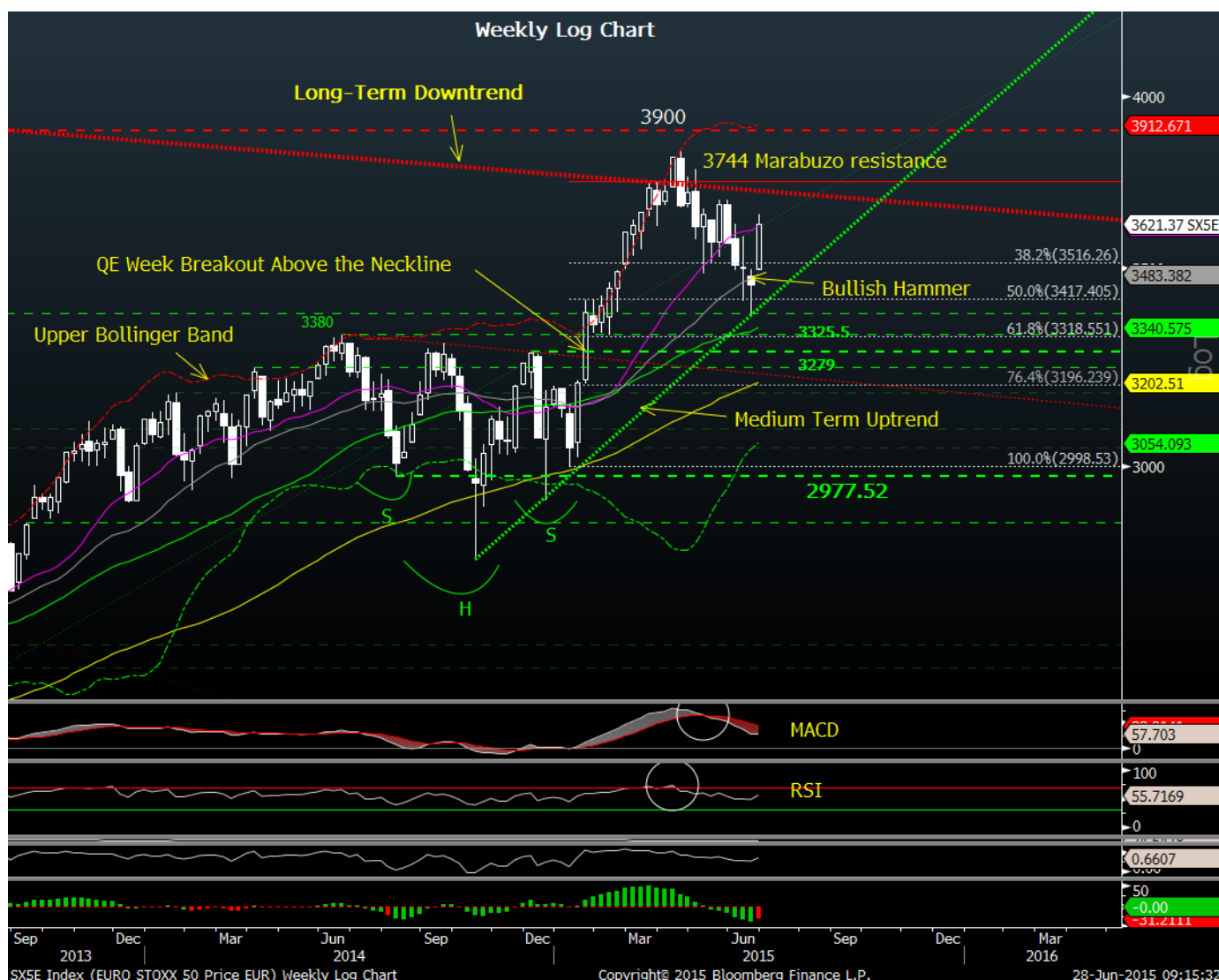


SX5E Medium Term

The sell off from the long-term downtrend and resistance at 3744 found support at the 50% fib retracement of the move higher from the January lows. That level also coincided with a key support on the daily chart at 3418 and the index continued its rally from that area last week following the bullish Hammer in the previous week.

The index is now trading in between key supports (3418) and resistances (3744) making positioning difficult in this time frame but the longer-term trend remains lower and upside from here will still be limited whilst that trend remains intact.

Weekly Log Chart



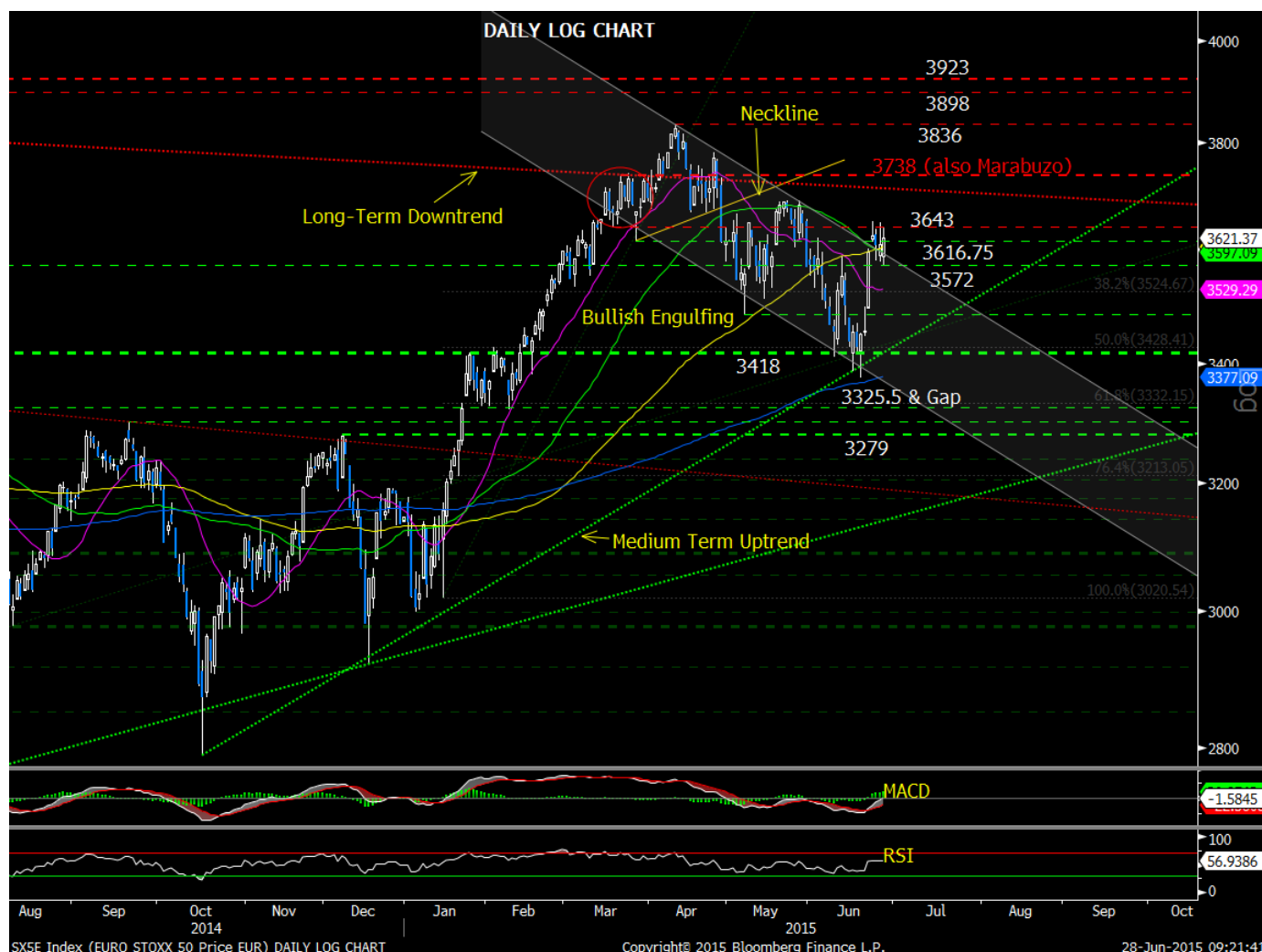
SX5E Cash Short Term

As on the weekly chart the sell off from the longer-term downtrend and resistance found some support around 3418 from where it rallied last week to close just above a short-term downtrend channel.

The move was not convincing enough to be classed as a clean break however and there is still series of lower highs and lows (the definition of a downtrend) in place. The long-term downtrend is also now not far above Fridays' close which will limit upside from here even if the short-term downtrend channel was to fail and risk/reward remains to the downside whilst that trend remains intact.

I am currently short on my daily futures trading note although reduced the position towards the end of Fridays' session due to the likely volatility at the start of next week due to the Greek situation. (See below)

Daily Log Chart



EU50 Future Trading View

Position	Supports	Resistances	% Usual Position Size
Short	3609 3578 3544 3521 3481 3441 *3418* 3378 3314/19	3633/38 3669 3723 3738/44	10%

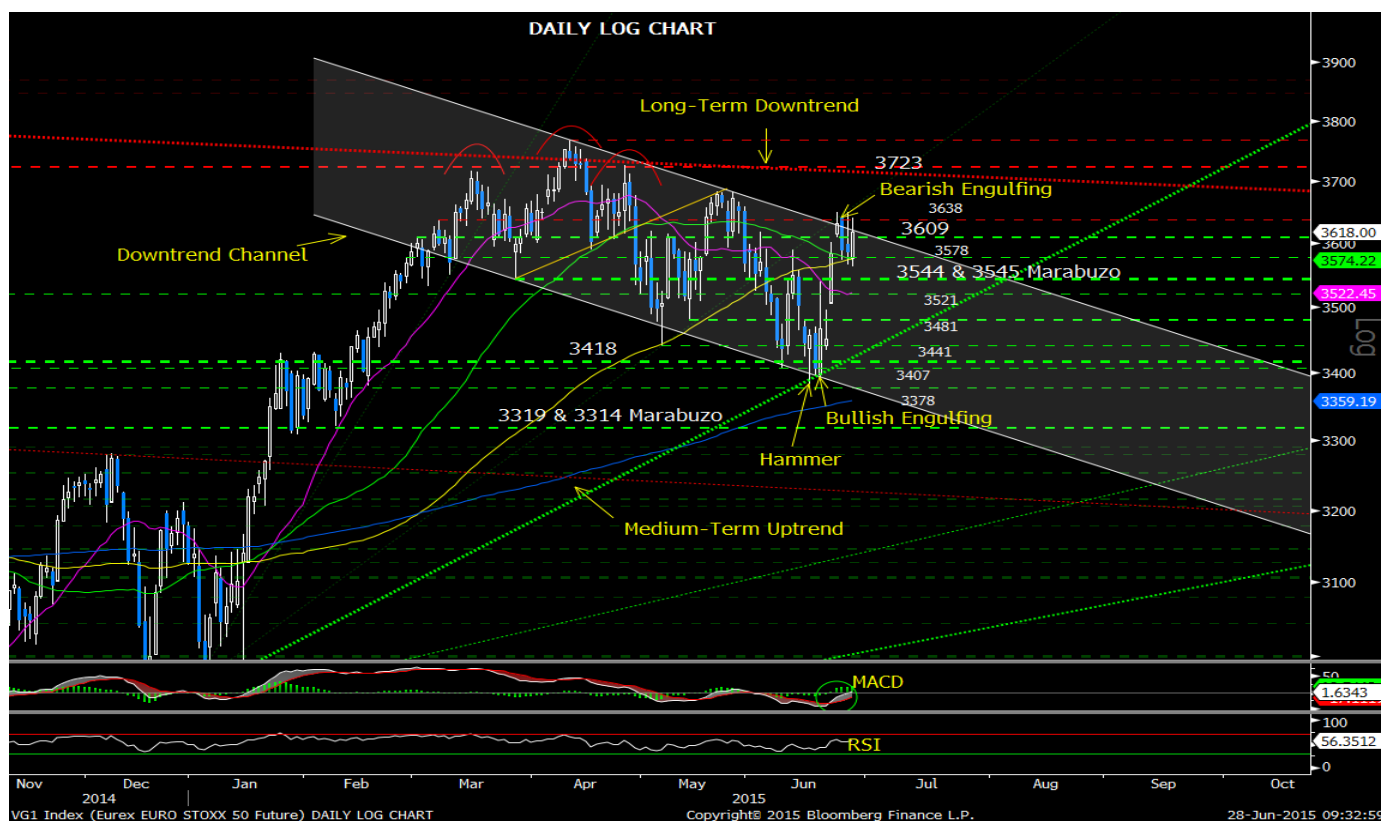
As with the cash chart the recent rally off the 3418 support and medium-term uptrend took the future to the top end of a short-term downtrend channel last week. This channel was tested a few times intra-day but held on a closing basis each time with the price action leaving a Bearish engulfing candle on the 24th which triggered a short position in my daily note.

I had been short in 50% position size but reduced last in Fridays' session to 10% in my email update to clients saying at the time that 'without the Greek news over the weekend I would be remaining short'. It was however sensible to reduce exposure ahead of such potentially market moving news as a break above the channel would have left room for a further pop higher towards the longer-term downtrend and I wanted to have some 'ammo' to be able to react to any such a move.

With the news of the Greek referendum due to impact markets on Mondays' open I would be tempted to add to the short on an open above 3544 with a view to covering on a pullback to the medium-term uptrend and support at 3418. Remember that the 3573 level is also the neckline of a potential Double Top reversal pattern on the 120 min chart and I would still expect downward momentum to increase should that level fail as a support. Note also that a close on Tuesday below 3570 would also leave a Bearish engulfing candle on the longer-term monthly chart which would suggest more downside to come in that time-frame.

I will update after Mondays' open as usual but am happy to remain short here.

Daily Log Chart



FTSE Trading View (Cash)

Position	Supports	Resistances	% Usual Position Size
Short	6696.63 6659 6534.5 6412.44	6876 6905 6950.6	10%

I have been trading the FTSE future using the cash chart over the last week as the expiry took about 50 points off the generic futures chart which will therefore take some time to adjust.

The index reached a key support at 6696.63 last week (6669.5 on the futures chart) from where it rallied back to the 6876 resistance. I had been long around the key support in my daily futures notes with my conviction increasing following the bullish Hammer candle there on the 18th but reversed to a short as the 6876 resistance held. The failure of that level as a support on the way down was the catalyst for an increase in downward momentum as it also coincided with the neckline of a bearish H&S top pattern. The rally back to that level looks like a classic 'return move', which is common in such a pattern, and the index posted a couple of bearish Inverted Hammer candles last week before the move lower resumed.

With the weekly and monthly charts also suggesting that a top is in place I am happy to remain short here and would expect downward momentum to increase should 6696.63 fail as a support.

Daily Log Chart



SXPP Quick Comment

As I mentioned in my opening comments the sector is at a key crossroads here as it managed to hang onto a medium-term uptrend in Fridays' session. The close was also around a key support of 390.74 which is also the neckline of a potential bearish top pattern which would have a measured target at 344.5 IF CONFIRMED.

With the China rate cut news over the weekend there is every chance of a relief rally and a move above 399.01 soon for the medium-term uptrend to remain intact. It should be noted that the last to rallies that followed such rate cuts turned out to be good selling opportunities and I have highlighted these on the chart below.

With the index at such a key crossroads I would look to buy a break above 399.01 with a view to selling out into the rally OR short a break below the 390.74 level as such a move would confirm the bearish pattern.



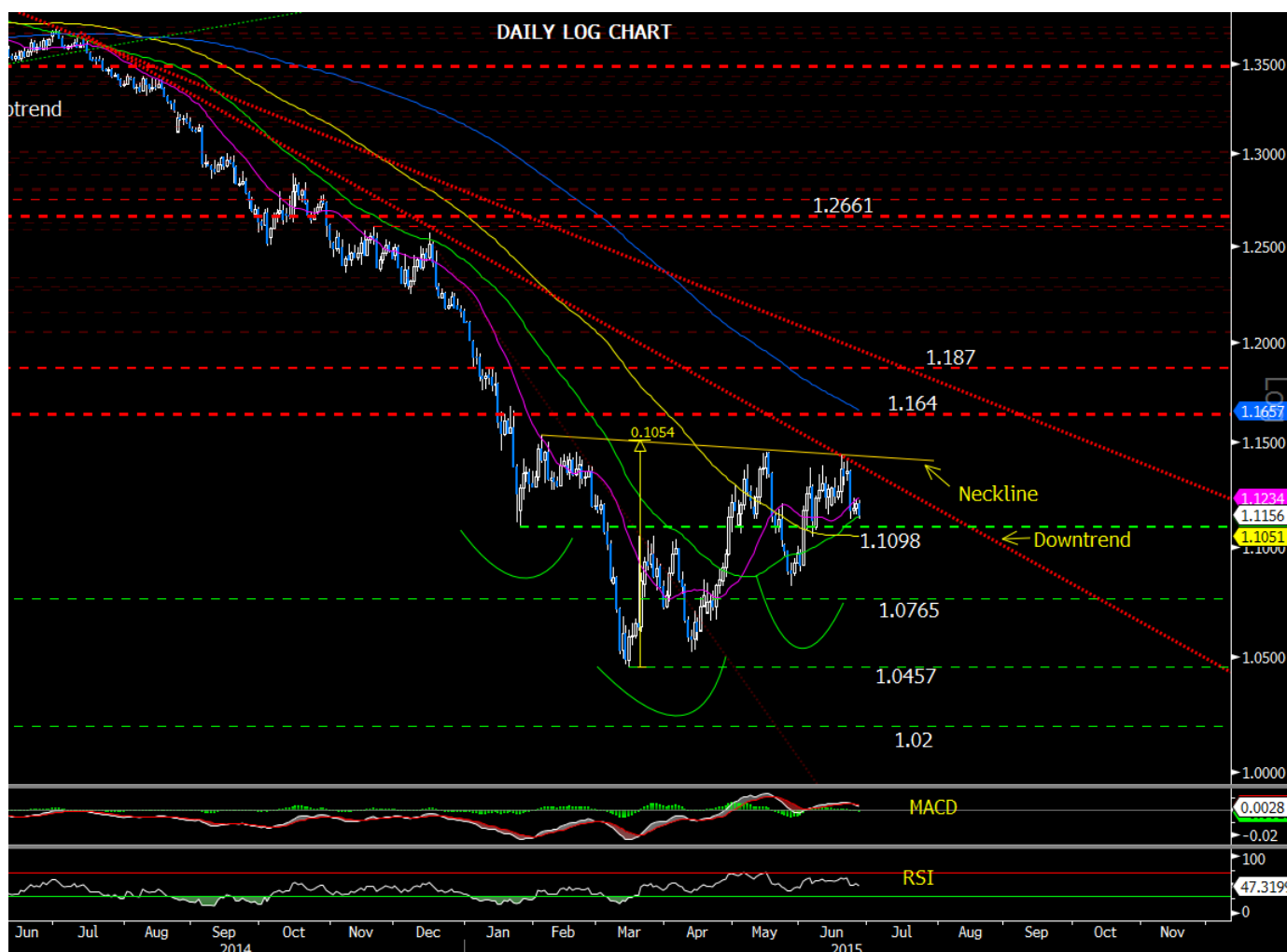
EURUSD

The pair remains in a downtrend on both the daily and weekly charts and tested that trend last weeks' attempt at a rally.

In last weeks' overview I said that I was happy to remain short in line with the downtrend but pointed out that a potential bullish Head and Shoulders reversal pattern was forming. That pattern still which requires the neckline to fail before being confirmed but that has yet to happen as the pair sold off from the downtrend last week.

A confirmed break above the neckline would leave a Medium-Term measured target some way above current levels at 1.2516 and, with a short EUR having been a consensual trade for some time now, a sharp move higher is likely should the neckline fail meaning that a stop/reverse on shorts is sensible on such a break. For the time being however the downtrend persists.

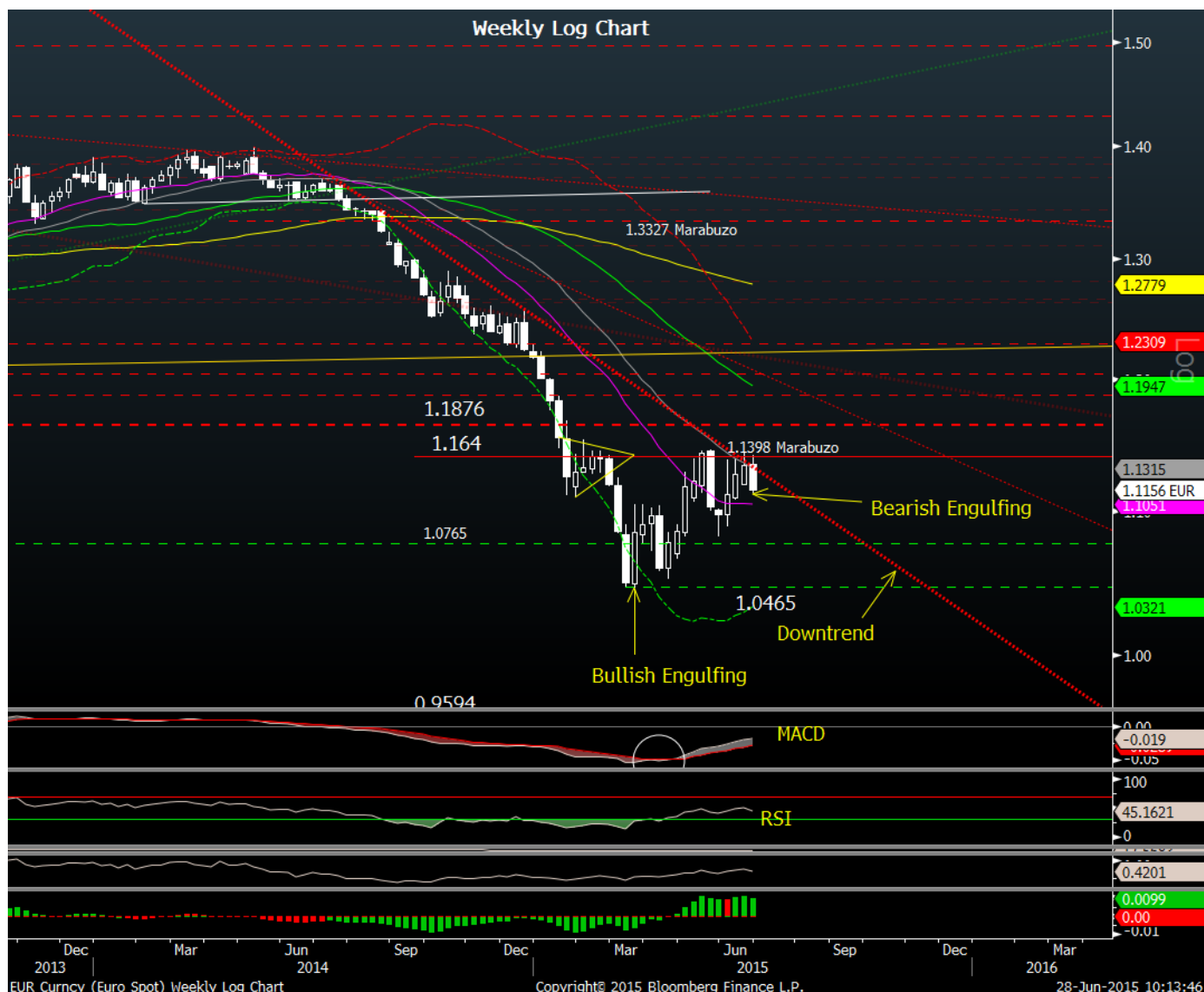
Daily Log Chart



EURUSD Weekly Chart

As on the daily chart the downtrend remains firmly intact here and the sell-off following the small gap higher on the open last Monday left a Bearish Engulfing candle around that downtrend.

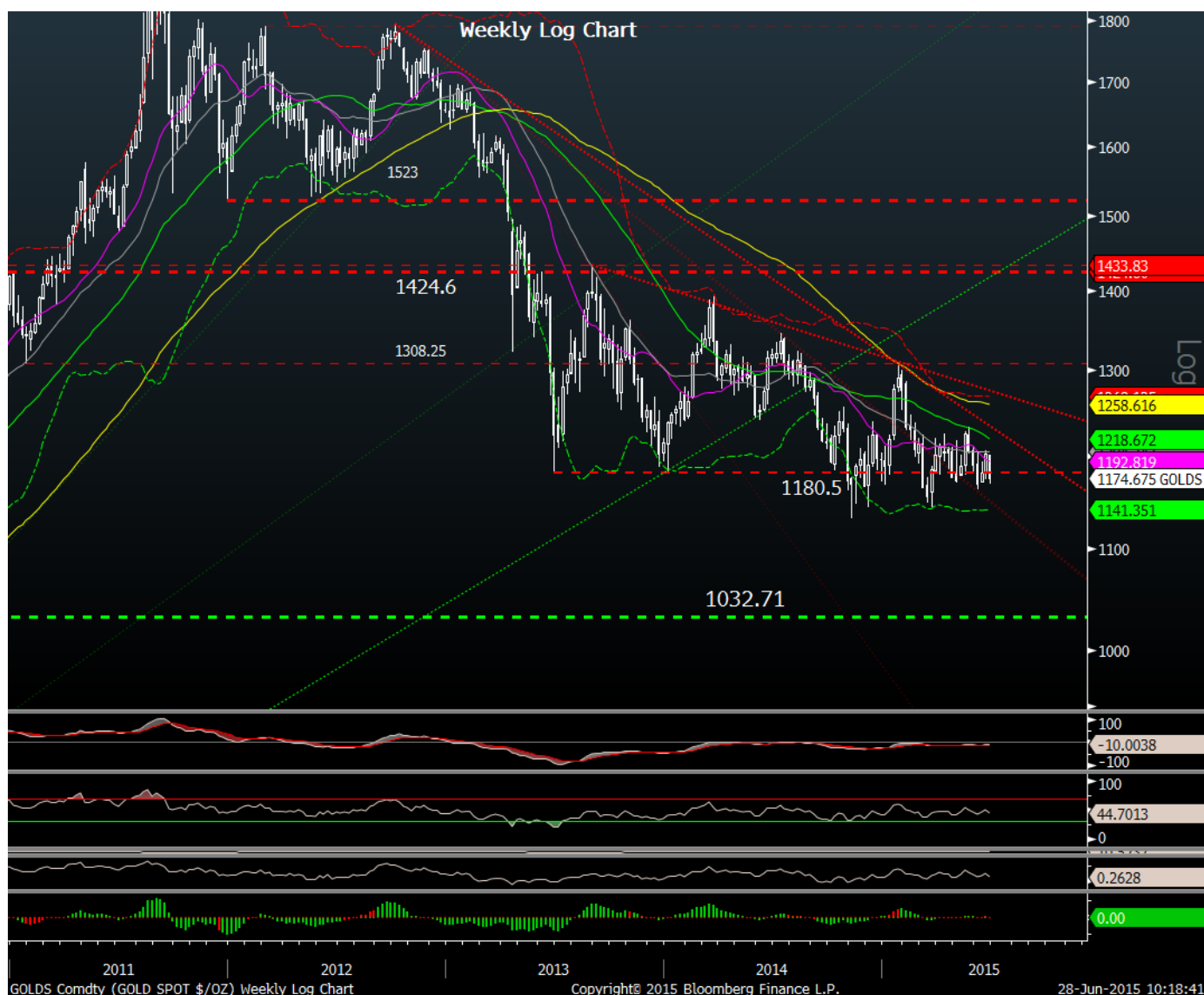
There is also a Marabuzo resistance still intact on this chart which has so far halted any attempt at a rally and the risk/reward remains to the downside whilst the trend remains intact.



GOLD Quick Update

The price action here has been very dull over the last few weeks and I didn't even include it in last weeks' note as nothing had really changed.

As a gentle reminder I remain bearish of Gold as it remains in a downtrend in both the long and short-term. It has been trading around the key 1180.5 support for a number of weeks which has largely held so far but **I still expect a sharp move lower when it eventually fails and the next support of note on the long-term charts is some way below current levels at 1032.71.**



Recommended Reading

For a better understanding of the candle patterns in the above charts I would recommend a book written by a good friend of mine and award winning technical analyst Clive Lambert.

http://www.amazon.co.uk/CANDLESTICK-INTRODUCTION-Lambert-Jan-2009-Paperback/dp/B00KLO7O2C/ref=sr_1_4?ie=UTF8&qid=1415553028&sr=8-4&keywords=clive+candlestick

For an in depth study of technical analysis this book by John j. Murphy is widely recognized in TA circles as the bible.

http://www.amazon.co.uk/Technical-Analysis-Financial-Markets-Comprehensive/dp/0735200653/ref=sr_1_sc_1?ie=UTF8&qid=1415553189&sr=8-1-spell&keywords=tetchnical+analysis+of+the+financial+markets

For more information on any point and figure charts the Jeremy du Plessis book below gives an in depth tutorial.

http://www.amazon.co.uk/Definitive-Guide-Point-Figure-Comprehensive/dp/0857192450/ref=sr_1_1?ie=UTF8&qid=1415553347&sr=8-1&keywords=point+and+figure+charting

Note that these are general comments about markets and the time frames may not always match your investment criteria. As always position sizing is more important than the ideas and levels.

I always encourage clients to ask for chart views and asset allocation ideas that have been written specifically for them and their individual time frames and risk tolerances.

If you would like to play any of these ideas through derivatives our options desk will be happy to suggest strategies.

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