

Equities: Technical Overview June 21st

Commentary

*TSIPRAS TO MEET ECB'S DRAGHI, LAGARDE ON MONDAY: GREEK GOVT

With world markets all waiting for a final outcome of the negotiations over Greece the headlines on Monday will clearly have a huge impact on the price action and future direction of those markets.

Not much really changed chart-wise last week with European Equity markets still trading above key supports and EURUSD just hanging onto its downtrend. 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 2075.76 2019	2120 2126	Failing Uptrend ↓
Russell	Failed Uptrend	Breaking Out ↑	1267 1243 1213 1183.85	1294	Breaking Out ↑
SX5E	Downtrend ↓	Uptrend ↑	3418 3380 3325.5	3572 3616.5 3643 3700 3738 3744	3418 Key Support
VG1	Downtrend ↓	Uptrend ↑	3441 3418	3544 3609 3638 3669	3418 Key Support
GX1	Failed Uptrend ↓	Uptrend ↑	10,857.5 10,034	11,650 11,757 11,777 11,981	10,857.5 key Support
FTSE Future	Limited Upside ↓	Bullish Candles ↑	6603 6445.5 6346.5	6669.5 6861.5 6995 7045.5	Note Futures Roll
N225	Bearish Engulfing ↓	Failed Uptrend ↓	19,770 18,927 18,587	20,252 20,655 20,810	Close Longs!

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.

See below for a more detailed long and short-term view along with accompanying charts



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

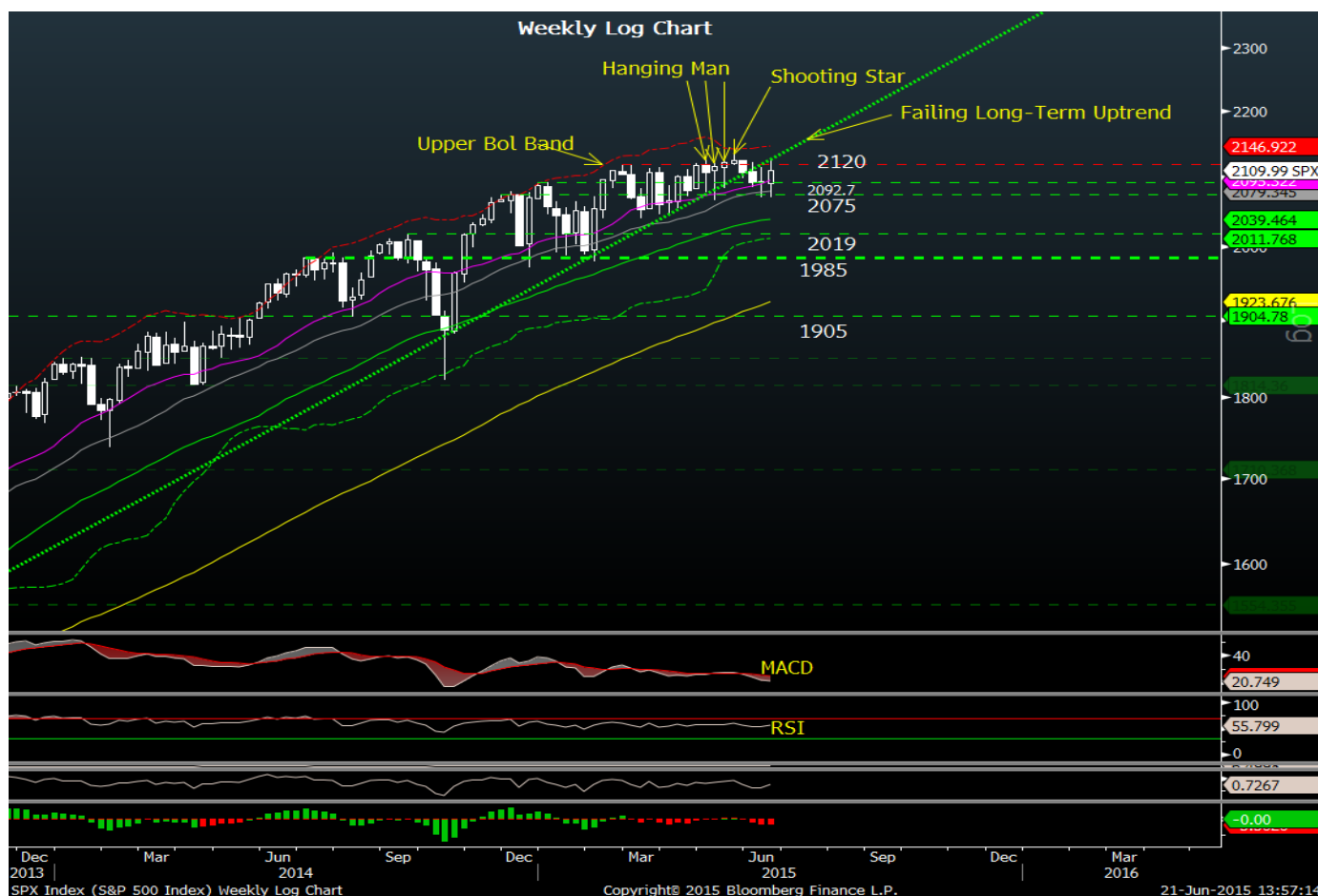
As with the monthly chart the index was just hanging onto its uptrend up until three weeks ago but the price action over the previous few weeks had been bearish with three consecutive Hanging Man candles being followed by a Shooting Star.

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 echoed the price action of the previous week as the index rallied off the 2075 support but fail once again around 2120. The drift lower into the end of the week left a Spinning Top candle to follow the Doji of the previous week, both of which show the indecision around these levels.

With the uptrend failing I still see no reason to be long here whilst 2120 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



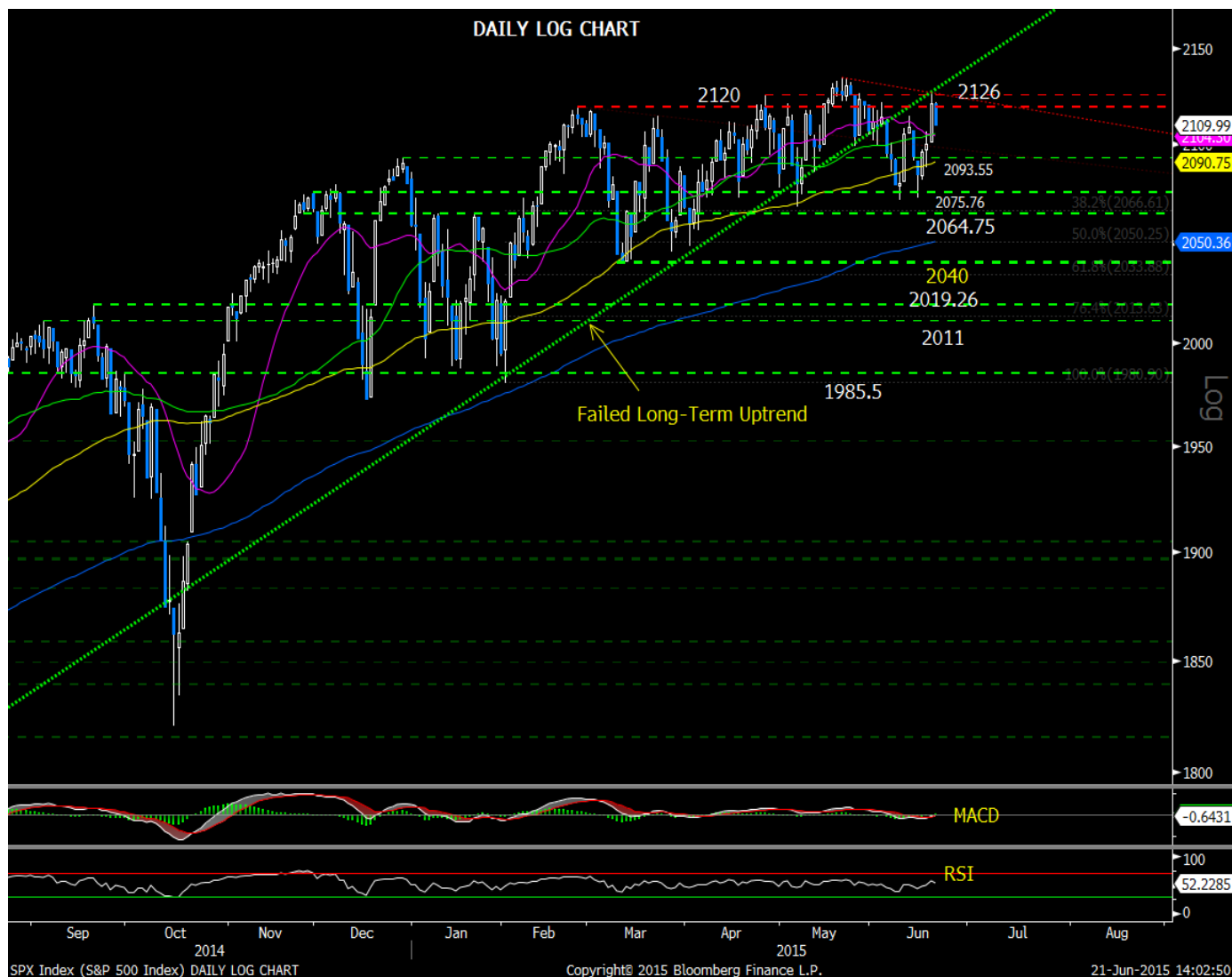
S&P Short Term

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 therefore suggested trading that range in last weeks' overview.

MACD remains below its zero line which is more common in a downtrend, although looks like crossing up anytime soon, and RSI has been flat lining all year showing the lack of momentum. The rally on Thursday took the index to the underside of the failed uptrend which acted as a resistance from where it drifted off in Fridays' session.

With no clear short-term trend in place and the 21210 resistance holding firm at the moment I see no reason to change my 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	0%

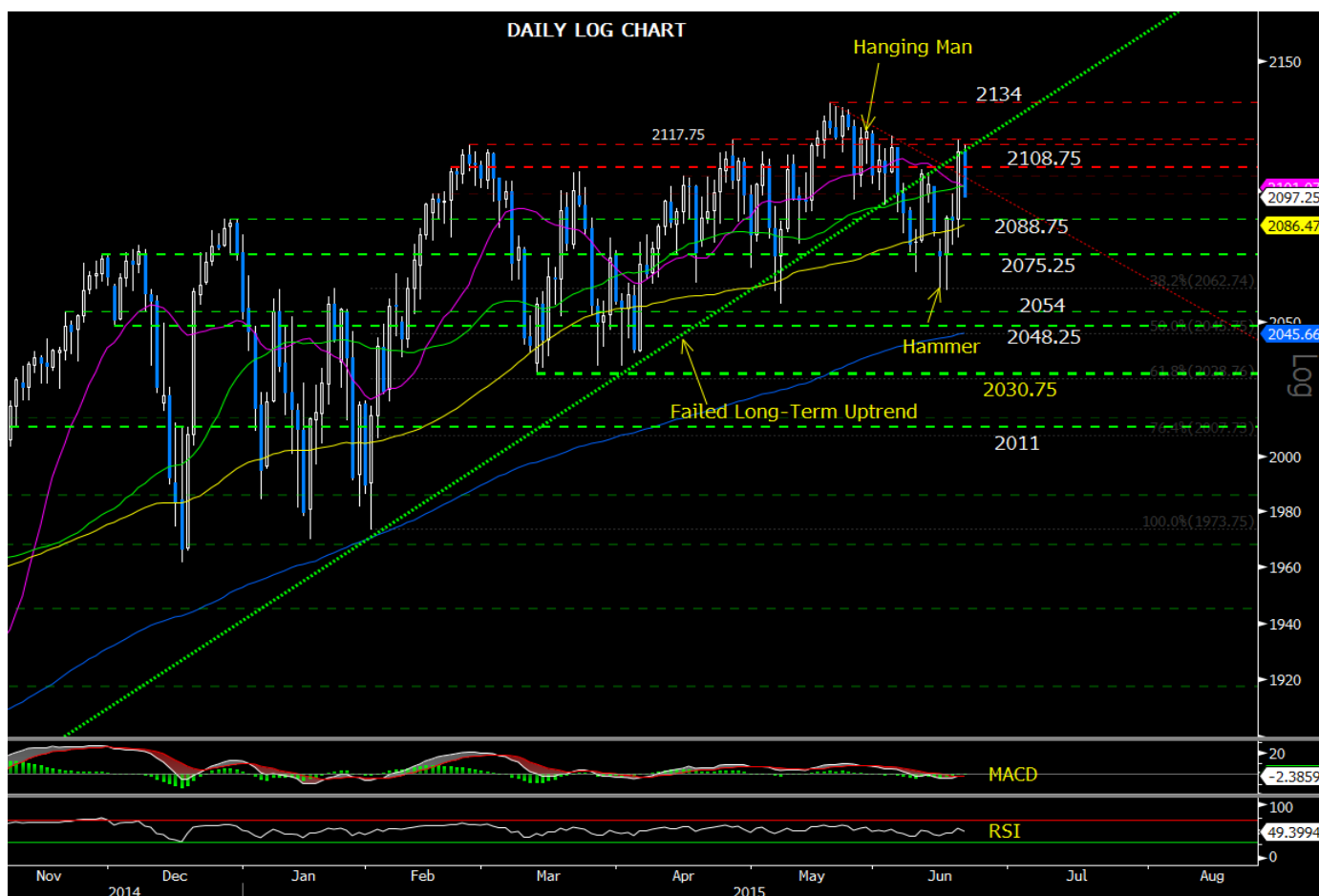
As on the cash chart the future had closed below its long-term uptrend a couple of weeks ago but found some support at the 2075.25 level from where it rallied to test the underside of that failed uptrend.

In last weeks' daily notes I reversed my short to a long as a result of the bullish Hammer candle at that support before selling out into the rally to the 2097 level. The reasoning behind that was a short-term downtrend on the 120 min chart at that level but the move higher traded through that trend before running into the resistance at 2120.

The days' price action left a bearish Dark Cloud Cover candle on the daily chart and, with the 120 min chart also looking stretched, signs are that upside from there is limited in the short-term.

I remained flat in the last session of the week due to lack of short-term trend and conflicting signals in different time frames but still see no reason to be a buyer at current levels.

ES1 Daily Chart



Russell Short Term

I said in last weeks' overview that I may have been over bearish in my assessment of the Russel which has clearly proved the case as the rally from the key 1213 support continued to take it to a new closing high.

My bearish view had been based partly on an engulfing candle on the weekly chart at the start of May which, coming at the same time as an uptrend failed on the same chart, suggested that upside was limited. The monthly had also shown reversal signals, with both MACD and RSI crossing down, but the index has so far ignored all of those which has confused me.

With the index making a new high last week there is now every chance of a continuation of the rally but the oscillators on the weekly chart have yet to confirm the bullish break. I would suggest caution before piling into longs just yet and Fridays candle on the daily chart below was a small Hanging Man coming as a result of a slowdown in momentum.

Daily Log Chart



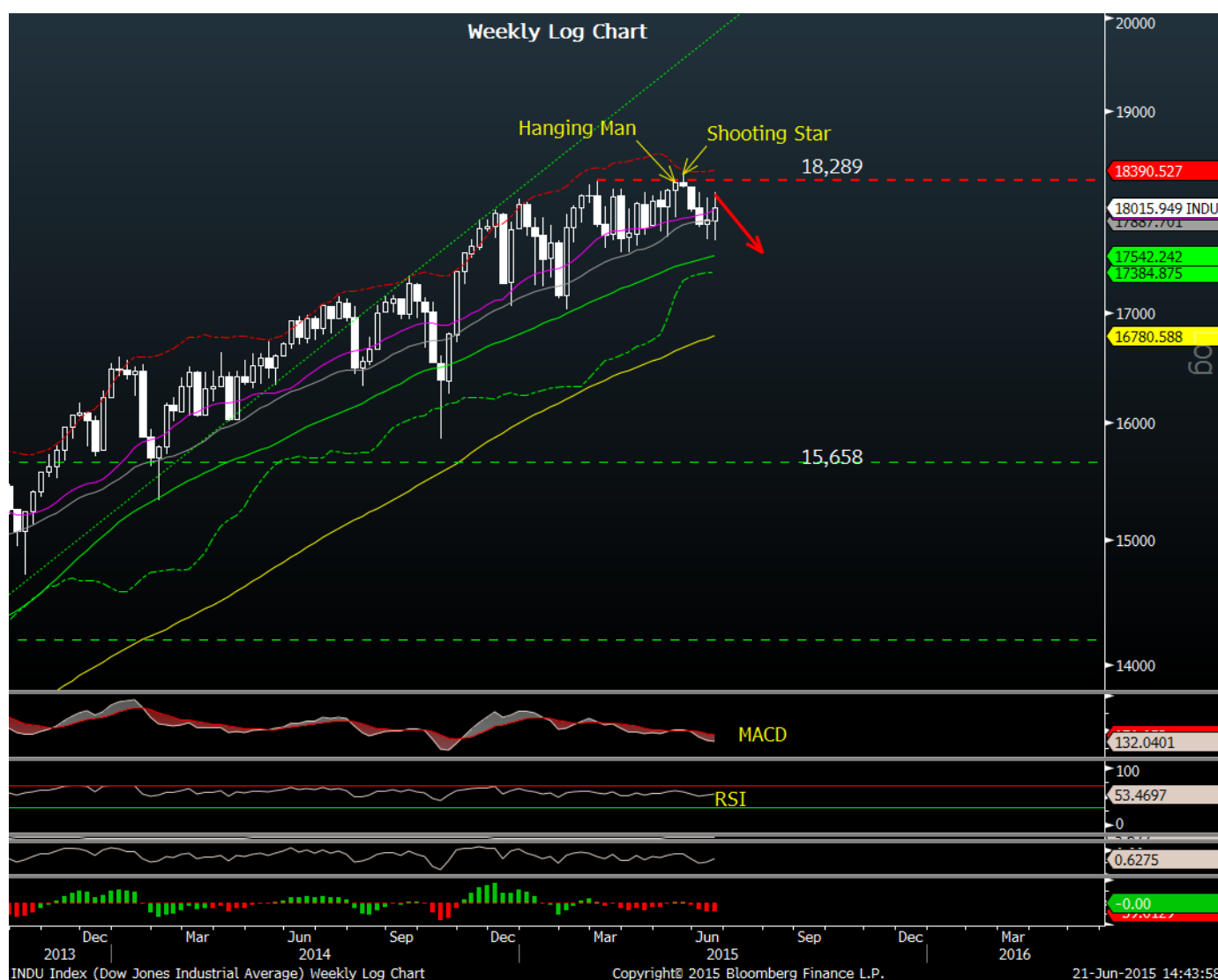
Dow Jones 30

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



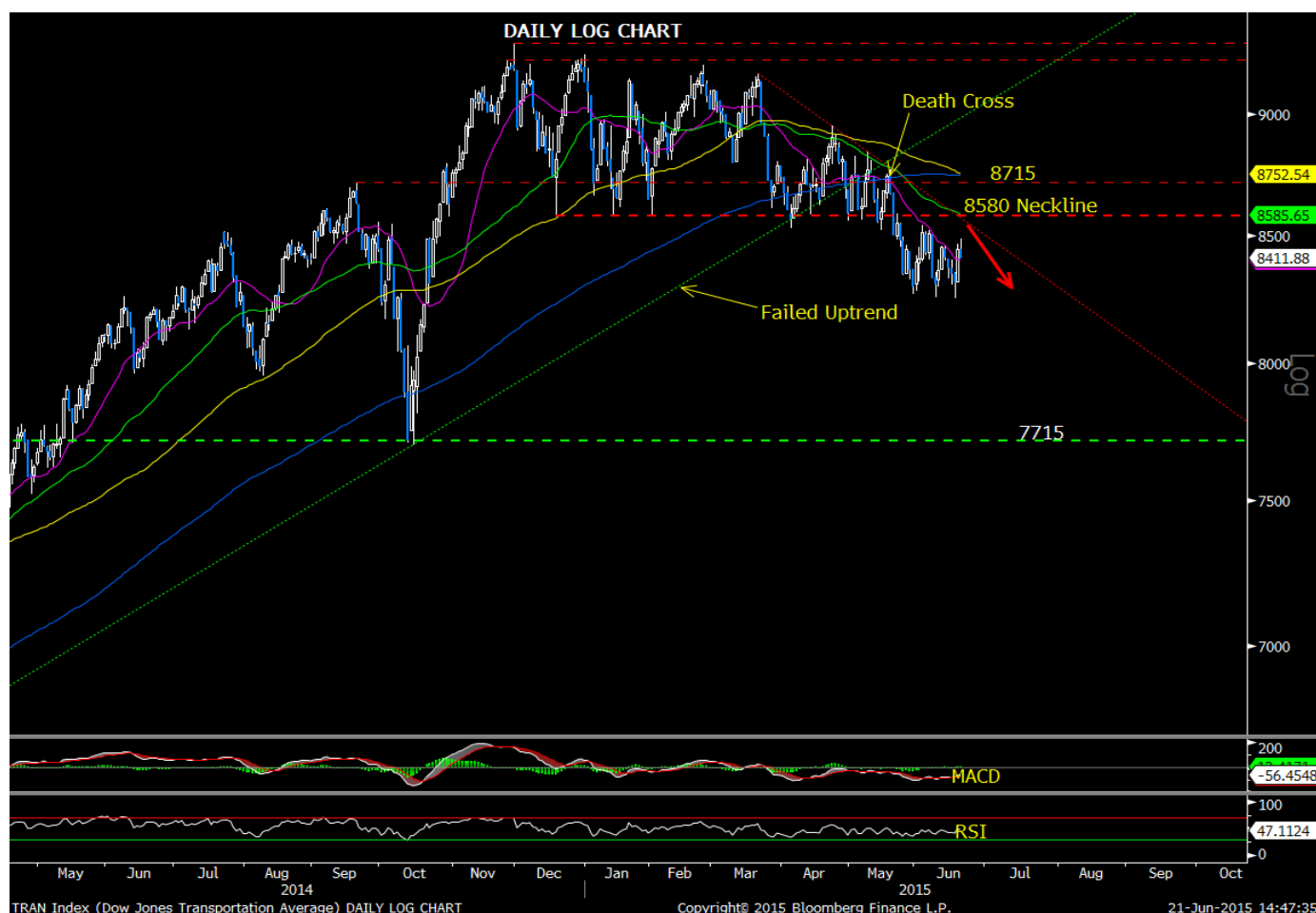
DJ Transportation Index

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.'

Note also the 200 day moving average has been turning lower and the 100 day is about to cross below that average which is another bearish signal in the long-term.

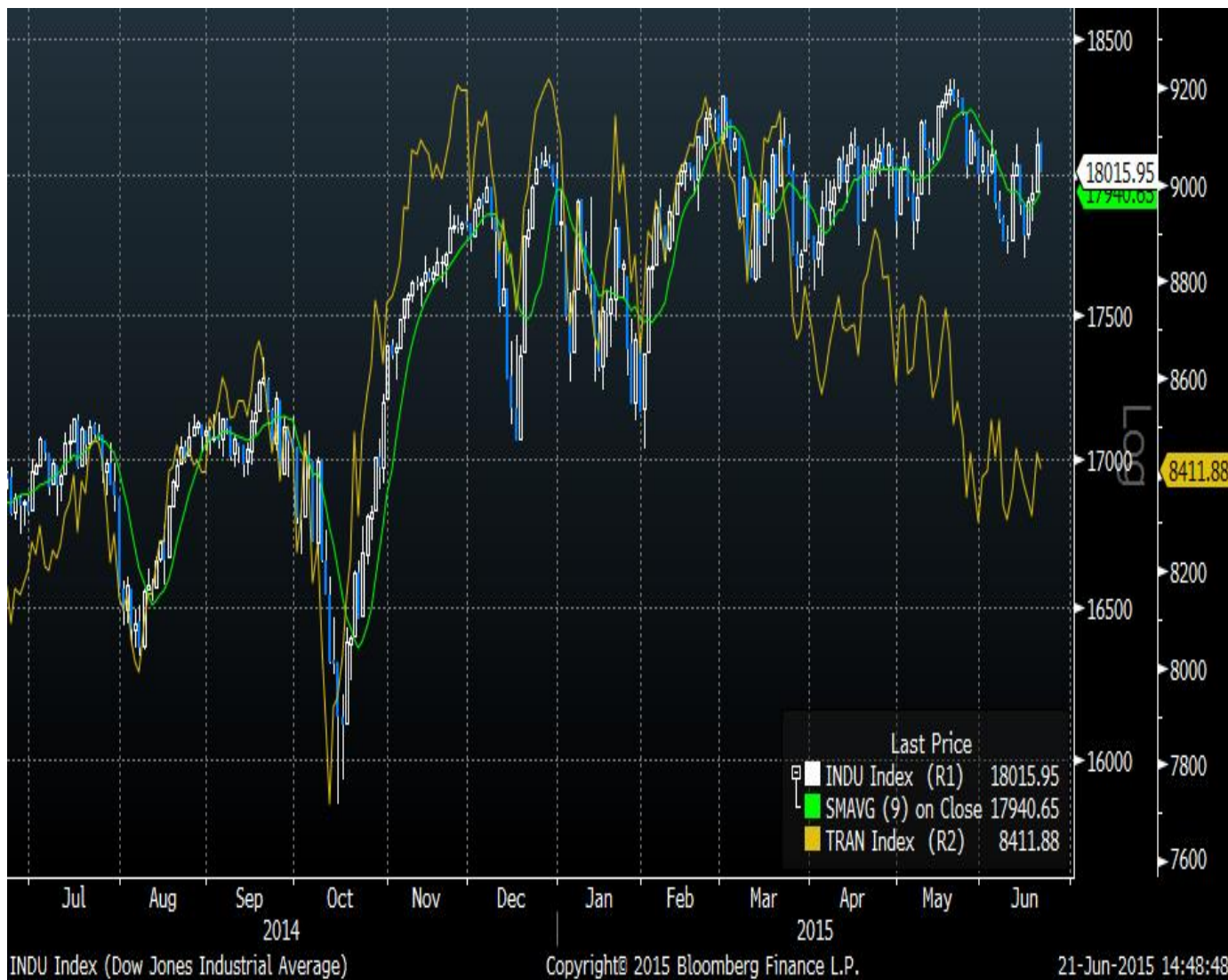
Daily Log Chart



TRAN & DJI

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.

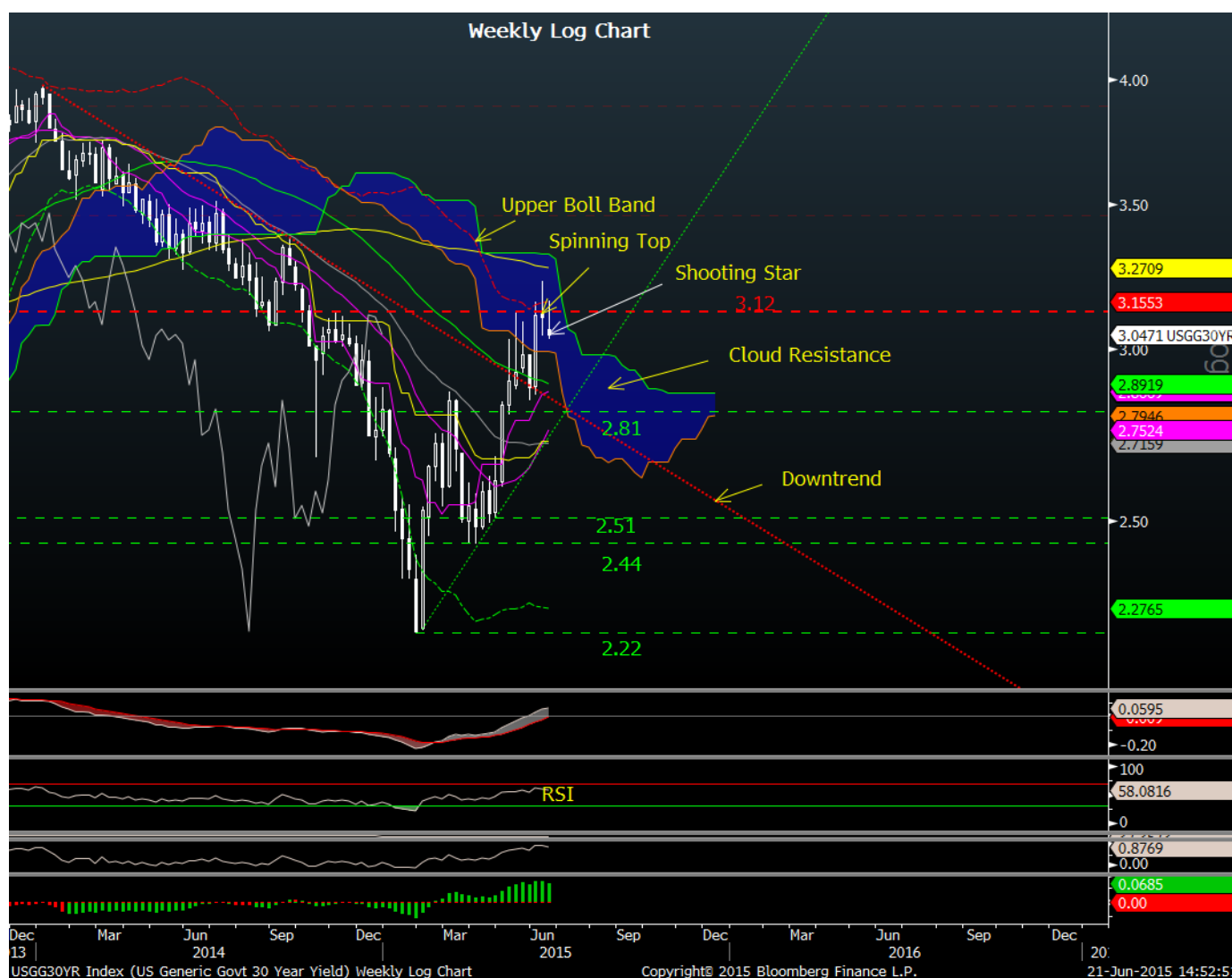


US 30 Year Bond Yield

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

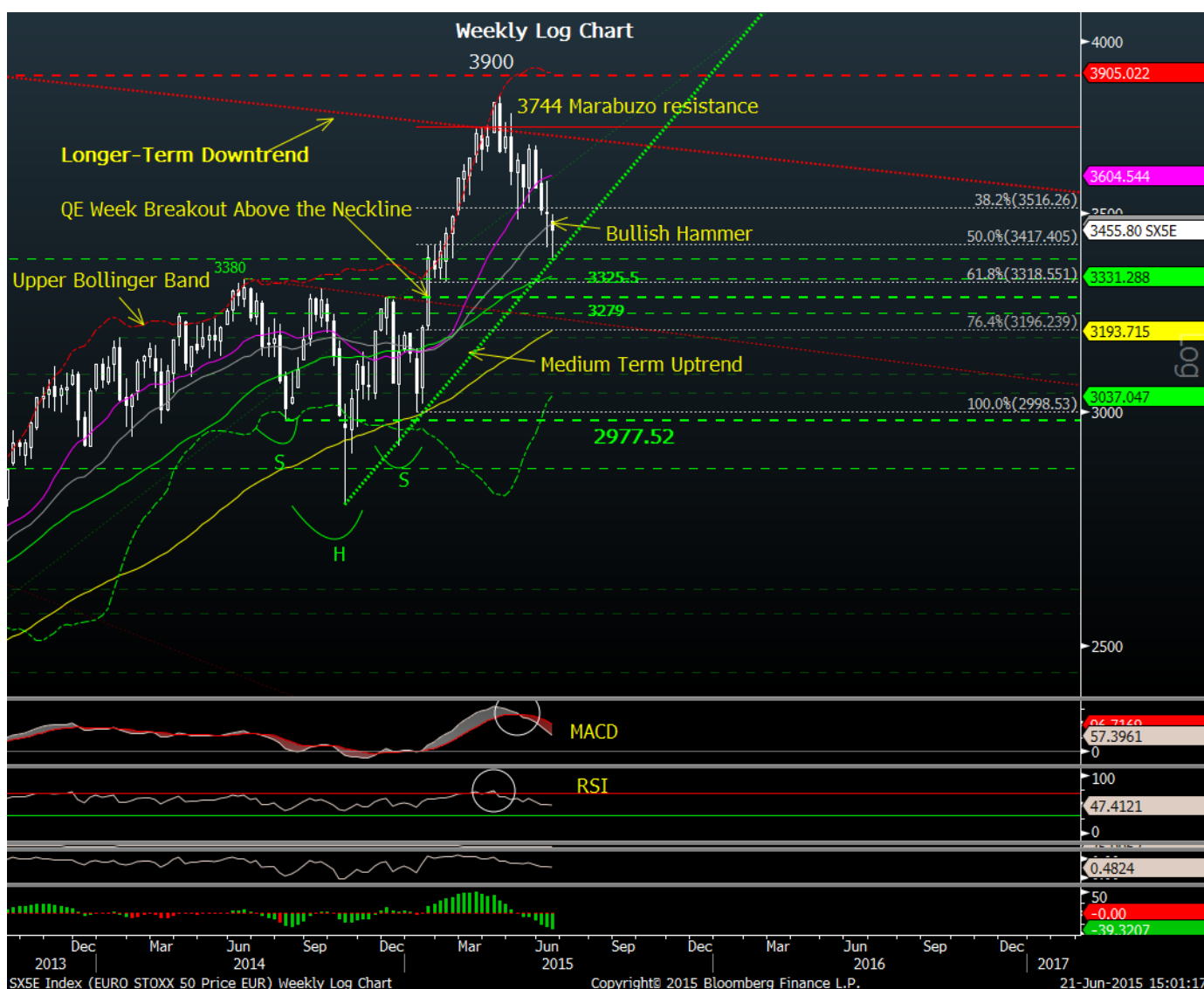


SX5E Medium Term

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 coincides with a key support on the daily chart at 3418 and the index rallied once again from that area last week to leave a bullish Hammer candle on this weekly chart.

I am currently long on my daily futures note as a result of that uptrend and have updated that chart below.

Weekly Log Chart

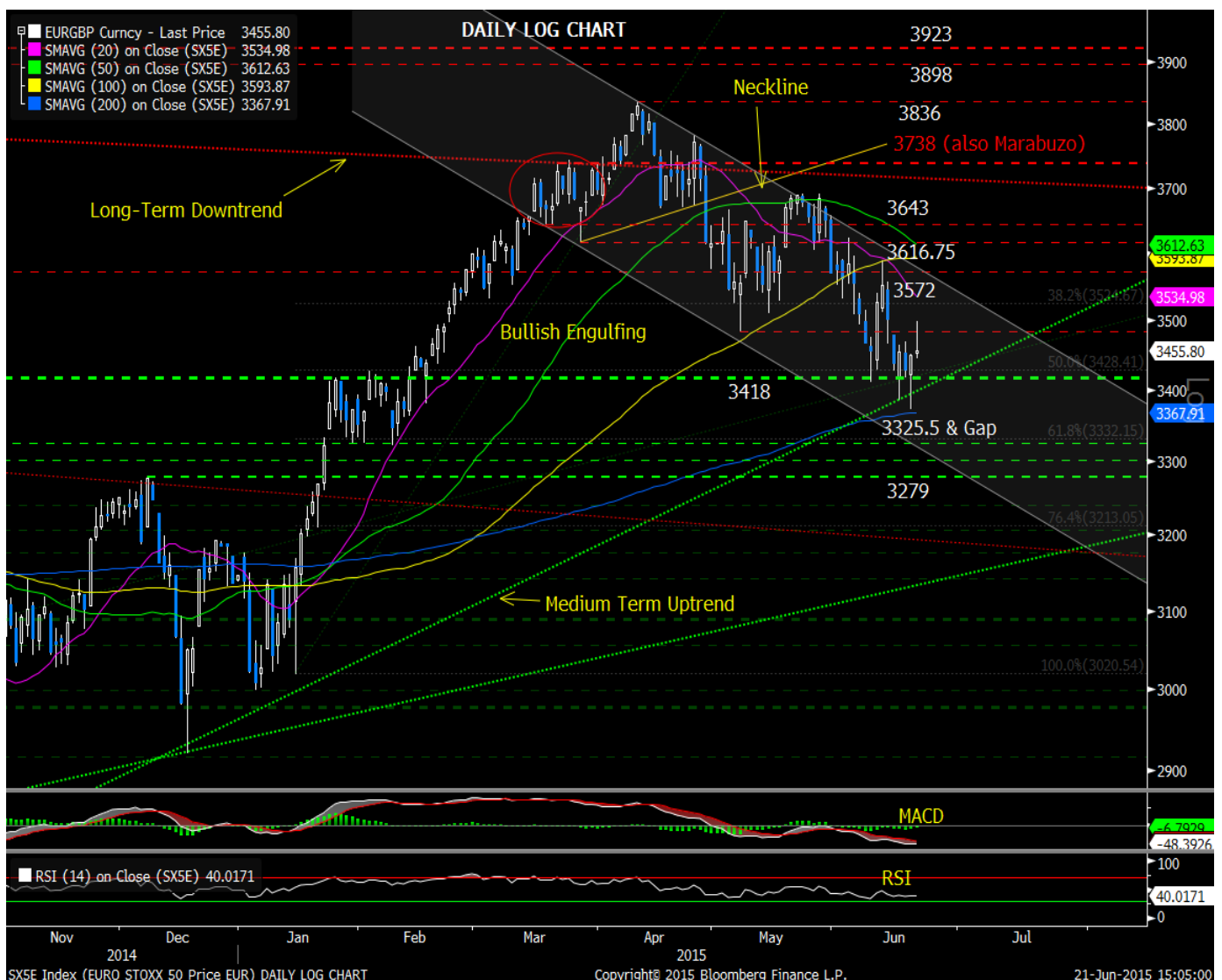


SX5E Cash Short Term

As on the weekly chart the sell off from the longer-term downtrend and resistance found some support around 3418 which held in every session last week with Thursdays price action leaving a bullish Hammer candle.

The medium-term uptrend also remains intact just below that support and will limit downside from here whilst that remains the case. MACD and RSI have as yet to register bullish reversal signals but I am happy to be long here in line with the trend.

Daily Log Chart



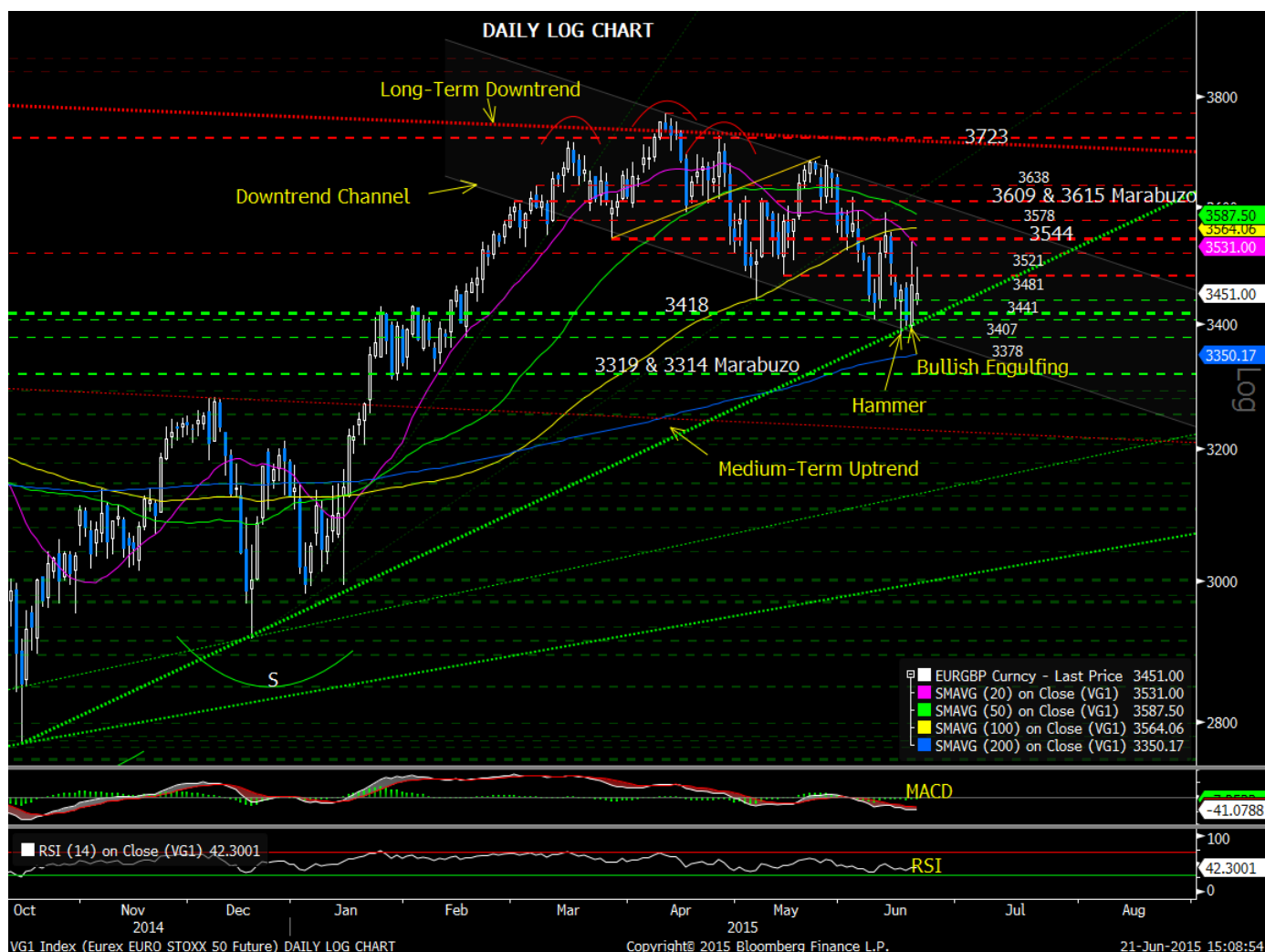
EU50 Future Trading View

Position	Supports	Resistances	% Usual Position Size
Long	3441 *3418* 3378 3314/19	3481 3521 3544 3578 *3609* 3633/38 3669 3738/44	100%

As with the cash chart the uptrend remains very much intact just below the key 3418 support and I have remained long in line with that trend.

The rice action in Thursday's session also left a Bullish Engulfing candle which adds to my conviction that the trend and support will hold. I am therefore still happy to remain long here but would still look to take some profit on a rally to the upper end of the short-term downtrend channel and resistance at 3609.

Daily Log Chart



DAX Future Trading View

Position	Supports	Resistances	% Usual Position Size
Long	10,990 10,857.5 10,592 10,316 * 10,034*	11,403 11,603.5 11,650 11,756.5	100%

The future has been in short-term downward trend channel since the highs back in April but reached the lower end of that channel a couple of weeks ago.

With the key 10,857.5 support coinciding with the lower end of the channel, and some bullish signals on the short-term charts, I have been suggesting a long above there in my daily futures notes. As with VG1 the Bullish Engulfing candle in Thursdays' session added to my conviction and I am still happy to remain long here whilst that support remains intact but would be looking to take some profit on a rally to the upper end of the trend channel and 10,650 resistance.

Daily Log Chart



FTSE Future Trading View

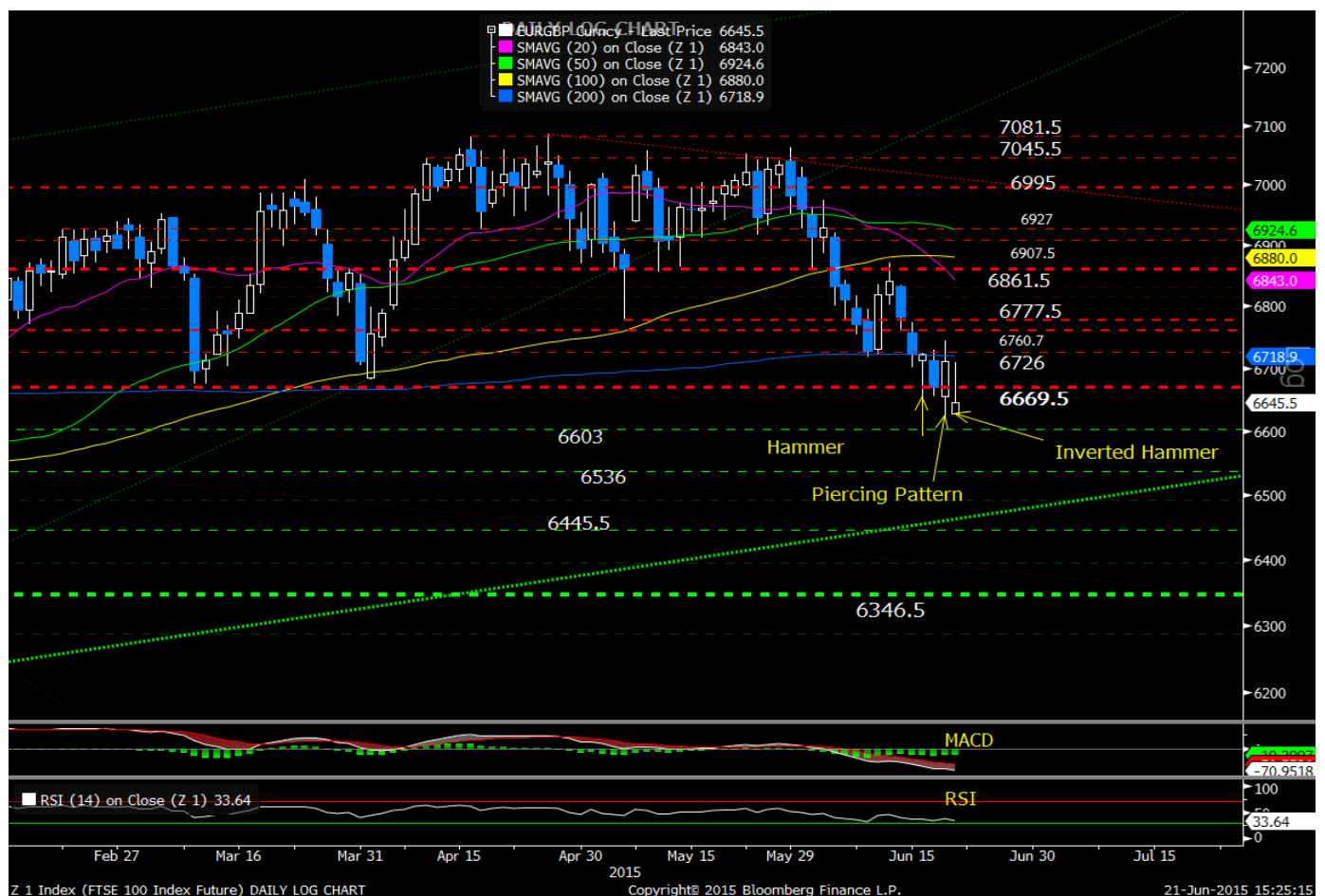
Position	Supports	Resistances	% Usual Position Size
Long	6603 6536 6445.5 6346	6669.5 6726 6760.7 6777.5 6830.5 6861.5 6907.5 6927 6995	100%

The bearish signals on the longer-term charts proved correct and the move lower gathered momentum a couple of weeks ago on the failure of the 6861.5 support.

The move lower reached the next key level at 6669.5 last week and posted a bullish Hammer candle on the rally from that support on 16th June.

I am currently long here as a result of that candle but will look to take some profit on a rally to 6861.5 next week. Note that Fridays' close below 6669.5 came as a result of the futures roll which took about 50 points off this generic chart. Such a roll usually takes a few days to sort itself out but the cash chart is still above the relevant support at the moment.

Daily Log Chart



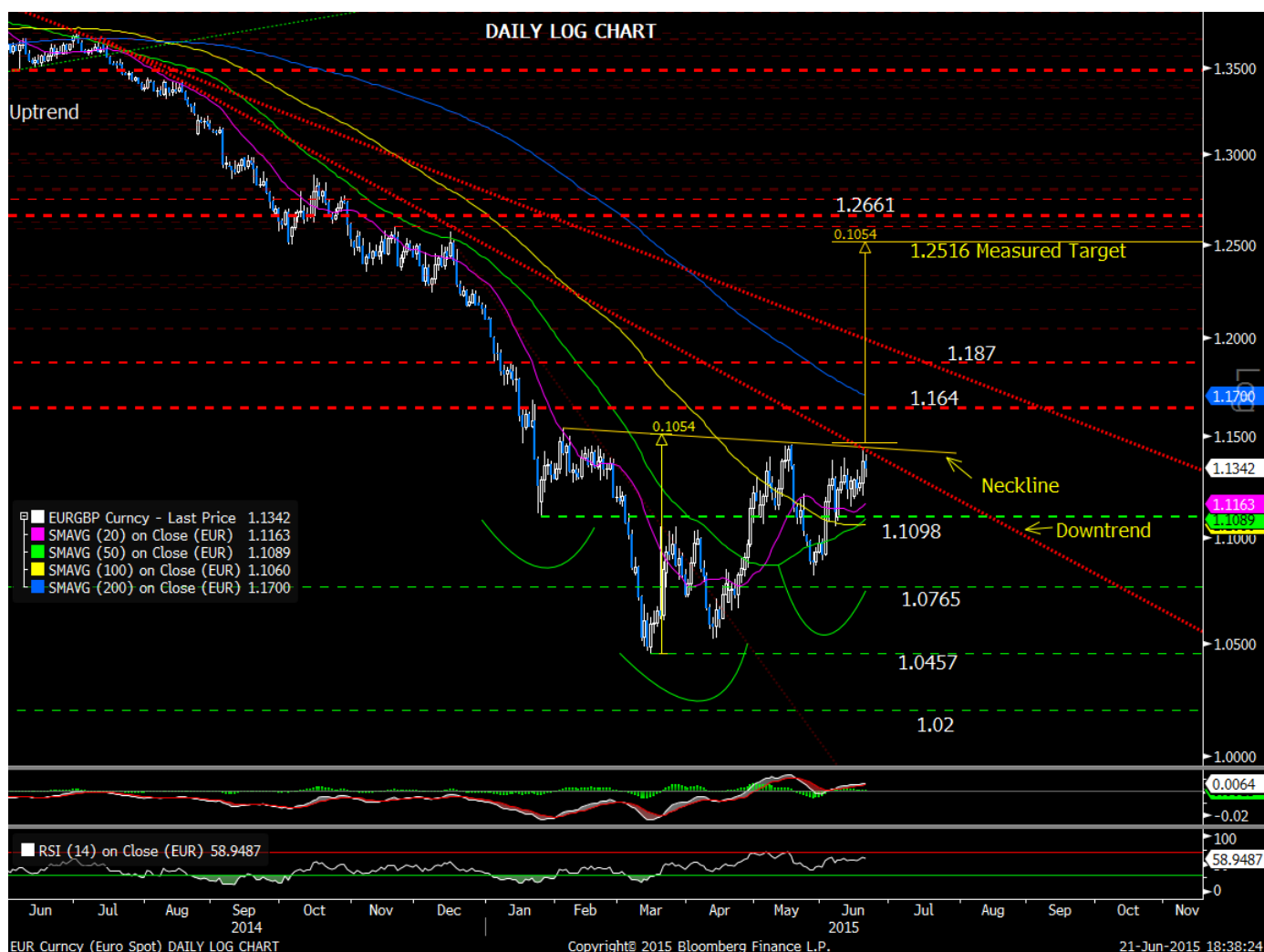
EURUSD

The pair remains in a downtrend despite the recent rally which followed a bullish Piercing Pattern on the monthly chart back in April.

The trend held when tested last week and I therefore remain short in line with that trend but, as I mentioned in last weeks' note, there is a potential bullish Head and Shoulders reversal pattern forming which requires the neckline to fail before being confirmed.

The neckline now coincides with the downtrend and a confirmed break above that neckline would leave a Medium-Term measured target some way above current levels at 1.2516. 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.

Daily Log Chart



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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