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Weekly Technical Overview 29th November October 2015

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http://www.technicalanalyst.co.uk/awards/nomination-form/

Equity Technical Dashboard

Market	Long Term	Short Term	Key Support	Key Resistance	Notes
S&P 500	**2120 key Resistance**	**2120 Key**	**2040 *2019.26* 1985 1905**	**2120 2134**	**2120 Key**
Russell	**1213 key**	**1170 key**	**1170 1152 1135 *1083* 1038**	**1213** 1243 **1268 1279 1296**	**1213 Key**
SX5E	**Downtrend**	**Hammer**	***3326.86* 3279 3177**	**3404 3418 3484**	**Dead Cat Rally**
VG1	**Downtrend**	**Upside limited**	**3319** 3280 3216 3146 **3107** 3001	**3378/80 3418 3481 3502 3544 3650**	**Nearing Resistance**
GX1	**Failing Downtrend**	**Uptrend**	**10,660** 10,592.5 **10,524 10,390 10,316**	**10,917** 10,990 **11,164.5 11,372 11,650**	**Dead Cat Rally**

The sell-off took equity markets back to key supports which largely held, however medium-term upside will now be limited as the weekly charts remain bearish. I am seller on rallies.

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

Junes' Bearish Engulfing candle proved a good early indication of the rally coming to an end and I had advised closing longs in this time frame back then as a result.

The rally from the lows closed above the 2038 Marabuzo resistance last month and the resulting Bullish Engulfing candle will now provide support to any pullback at its own Marabuzo support of 1999.5. In my note of 15th November I said that 'I would therefore be surprised to see this rally break through 2120 without some sort of short-term pullback but, with the bullish candle from last month now providing support around the 2000 level, any such pullbacks may provide a good buying opportunity for a push above 2120 at a later date.'

The moves since then played out as expected as the index sold off from that area in before rallying to make a November high a couple of points below 2120 with the price action leaving a Doji candle. This is a sign of indecision around that key resistance and I would not be a buyer at current levels whilst it remains intact, although the Doji is not a reversal signal in its own rite.

S&P Cash Monthly Chart

S&P Cash Medium Term

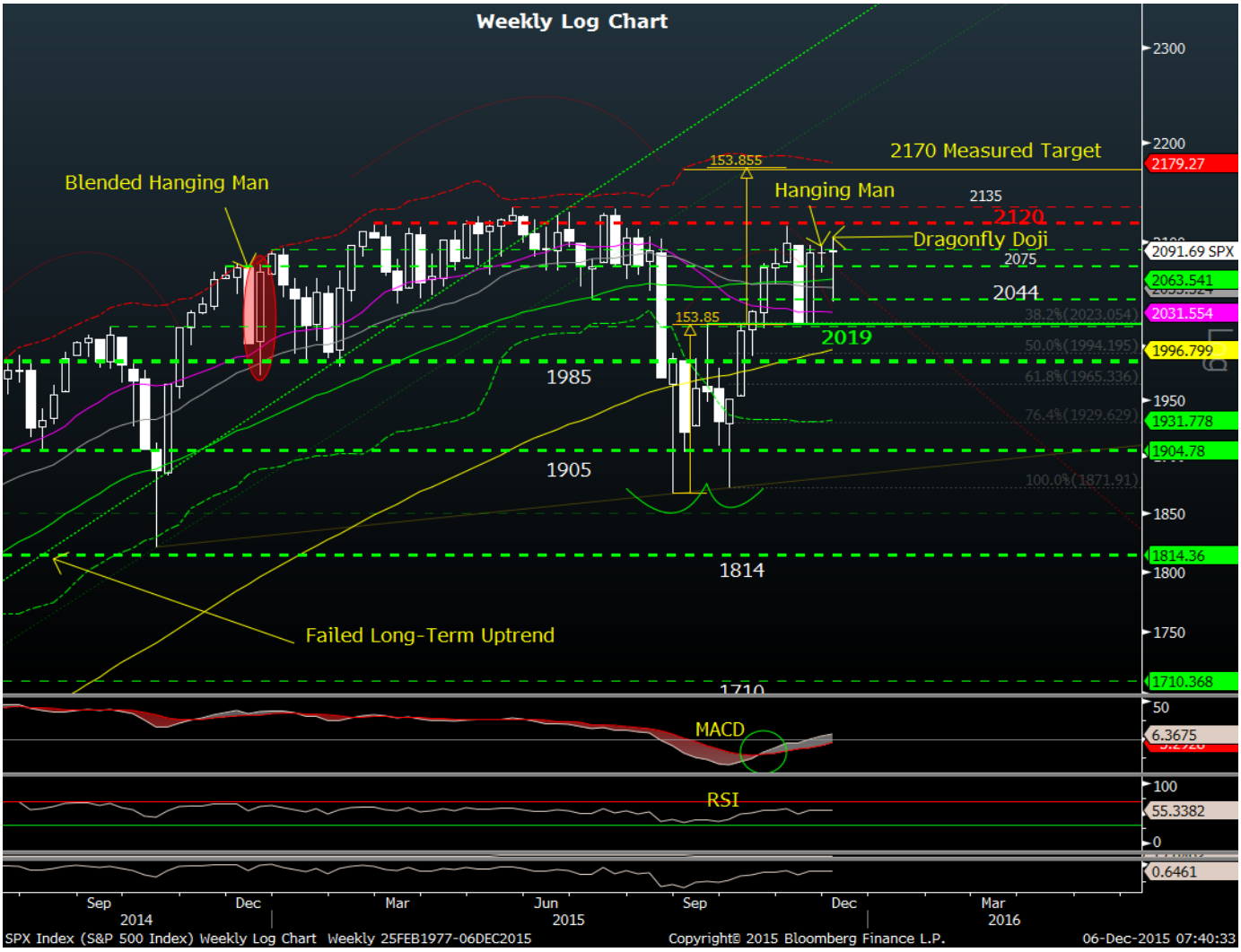
The break above 2019 back in October confirmed a bullish reversal pattern on this chart and that pattern has a medium term measured target of 2170.

Pullbacks or 'return moves' to the neckline are common in such patterns and I was therefore looking to be a buyer again on a move back towards the 2019 neckline. I expected that level to offer good support, especially as it coincided with the 38.2% Fib retracement of the rally from the September low, and this proved the case as the index made a weekly low less than half a point above 2019 from where it rallied to close near the weekly high.

However, despite the bullish candle of that week, I suggested that further upside may be limited in the very short-term due to the proximity of the 2120 resistance. Also if one blends the candles from the previous two weeks we are actually left with a bearish Hanging Man and I have circled a previous example of such a pattern from last December. I also said in last weeks' note that the price action had left a bearish Hanging Man candle, which again suggested limited upside in the short-term, and I therefore advised against adding to longs as a result.

This again proved correct as the index sold off sharply last week but rallied off the 2044 support to close almost unchanged on the week with the price action leaving another bearish candle similar to a Dragonfly Doji. There remains no reason to be a new buyer at these levels as a result of the last two candles and the index needs to make a high in this rally above 2134 to keep the longer-term uptrend intact.

S&P Cash Weekly Chart



S&P Short Term

Again the 2120 level proved a stern resistance a few weeks ago as the index made a high just below there before drifting off following the Bearish Engulfing candle of November 4th.

The 2019.26 level worked perfectly as a support on that pullback as the index made a low less than a point above there from where it rallied back towards the resistances but I again advised against longs due to the series of bearish candles around the 2093.55 resistance which suggested that the move was not sustainable.

I suggested that 2064.75 may provide a good long entry level, as it coincided with the 200 day Moving Average, and Thursdays' move lower took us through that support before the rally in to Fridays' close off the 2040 level. Short-term positioning is now a challenge due to the lack of trend and upward momentum is lacking, which is shown by the RSI divergence, but it is likely that the index will trade is a sideways channel between 2120 and that key support at 2019.26.

I would suggest trading that range whilst it remains intact until a clearer picture emerges but be aware that the support is now also the neckline of a potential bearish top pattern and a break below 2019.26 would suggest more downside to come in both the short and medium term.

S&P Cash Daily Chart

S&P Future Trading View

Position	Supports	Resistances	% Usual Position Size
Flat	2075.25 **2048.25** 2030.75 ***2011.75* 1998.5** 1992.75 1985 1968	**2088.75 2108.75 2120** 2134	**0%**

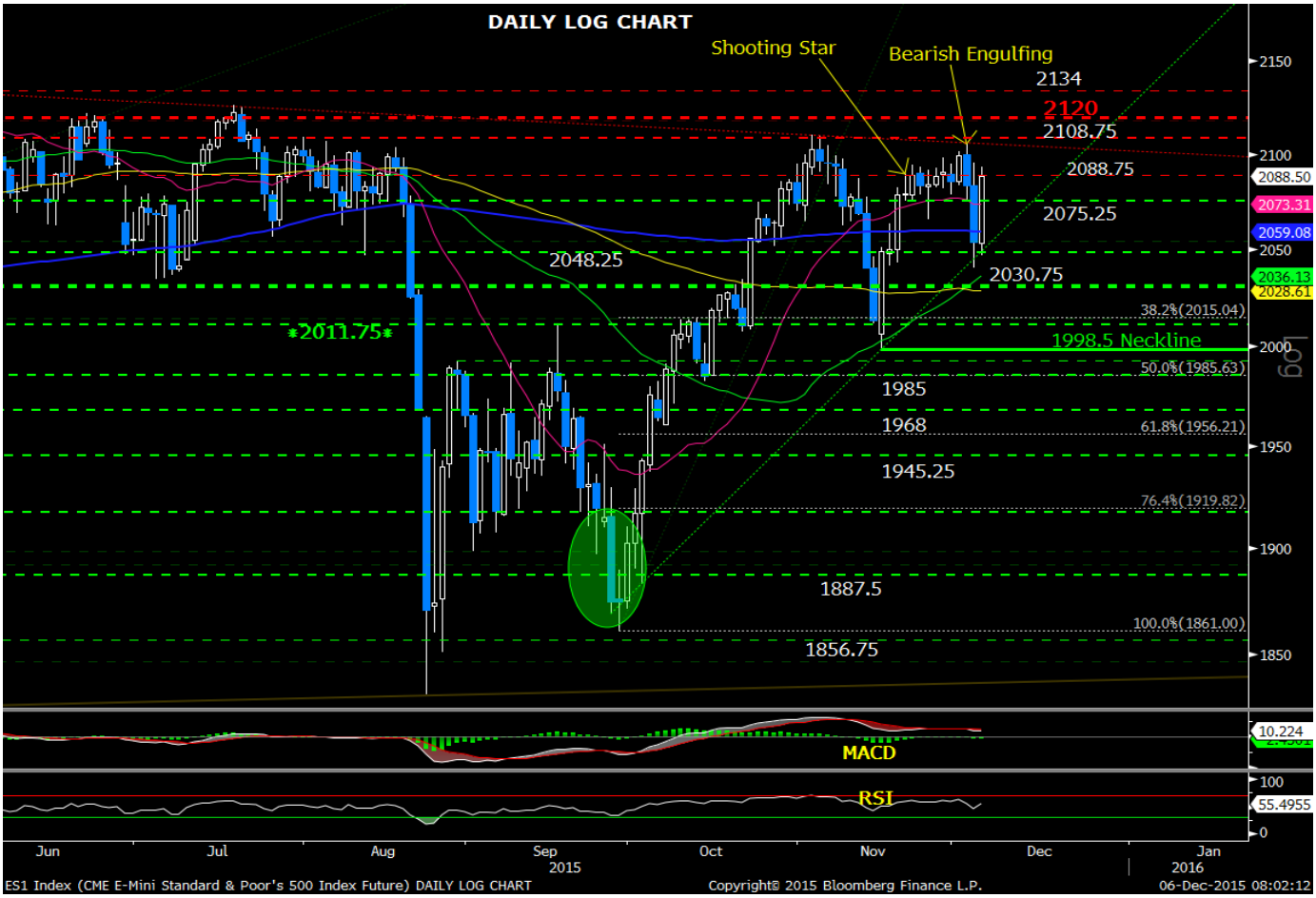
I have been bullish longer-term based on the 2170 measured target of the bullish reversal pattern, which was confirmed on the break above 2011.75 on 22nd November, but was running a counter-trend short last week as the rally had stalled around the 2088.75 level. The price action had also left a series of bearish candles and, with the 2108.75 resistance intact just above, risk/reward was to the downside short-term.

There was however still an uptrend intact just below the 2048.75 support and I was therefore looking to be a buyer once again on a pullback to that trend. That support held nicely in Thursdays' move lower and I reversed to a long there, in line with the trend, with a view to taking short-term profit on a rally back to 2088.75.

Fridays' rally traded through that resistance intra-day before closing just half a point below and I am currently flat as a result. Short-term positioning now becomes a challenge as, whilst the trend remains higher, there is now not much more in the way of upside until the 2108.75 resistance is tested once again. I will look to sell a further rally to that level based more on the bearish Hanging Man from the weekly chart last week than on this daily chart as that candle suggests limited upside.

On a move lower the key levels to be aware of are at that 2011.75 neckline once again but, below there, the 1998.5 support is now the neckline of a potential double top pattern. That is obviously some way off at the moment though and I will update in my daily notes should it become relevant.

ES1 Daily Chart



Russell Medium Term

The rally from the 1151.98 support, which followed a Bullish engulfing candle there on 16th November, had continued to take the future to a close above the 1194 resistance when I wrote last weeks' note.
There was no real reason to be anything other than long but I had ignored the price action in the last two sessions of that week as the move above that level came on low volume due to the US holiday.

Further upside was also going to be limited in the short-term as the index was about to test a major resistance at 1213 which, coinciding with both the 200 day MA and the 61.8% Fib retracement of the move lower from the June high, I expected to at least slow the move higher. I therefore advised taking further profits on longs in the short-term should that level be tested and said that '**the price action at the start of next week may prove crucial as volume returns to the market.**'
The first session of the week provided that guidance as a further move higher was rejected with the price action leaving a bearish Dark Cloud Cover candle, which suggested a pullback. This proved correct and the resulting move lower reached the 1170 support in Thursdays' session from where it attempted a rally into the end of the week.
There is now a short-term uptrend intact at around the same level as that support and I would therefore have to be long in line with that trend. However I would suggest a closing stop below that level as such a move would also invalidate the trend and the index still has that major resistance area around 1213 to clear before any rally of note. I will therefore be looking to take profits on a rally to that level.

Daily Chart

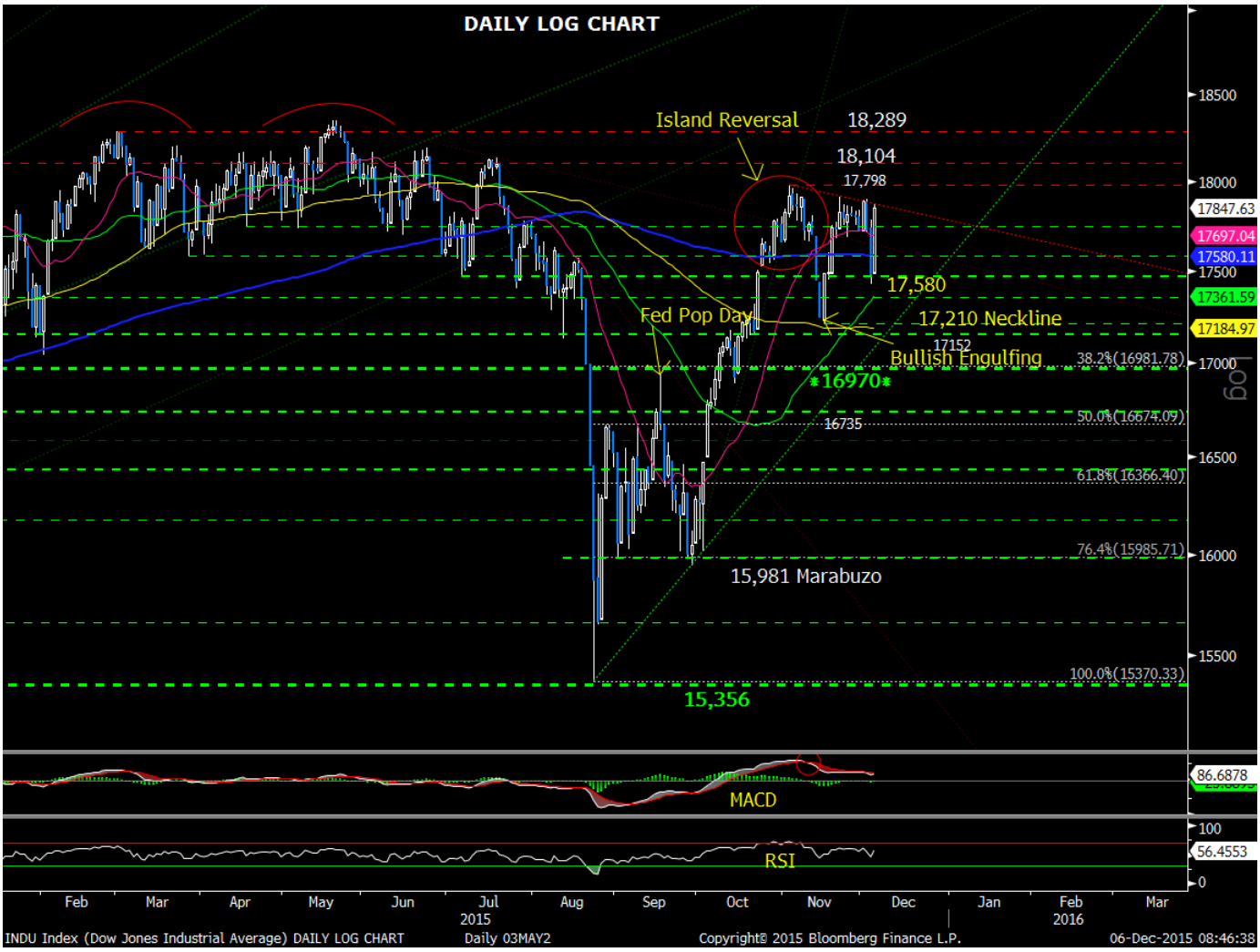
Dow Jones 30

I said last week that I saw no reason to be a buyer whilst the 17,798 resistance remained intact and that is still the case.
The index will have to make a high above 17,798 in this rally to convince me that a pullback is not the most likely scenario from here. The weekly chart had also posted another bearish Hanging Man candle last week, which followed the blended candle hanging man a couple of weeks ago, similar to that in the SPX (see below).

The pullback last week saw the index rally off the 17,580 support into the end of the week, keeping the index above its 200 day Moving Average, and I would probably buy a break above that 17,798 level as a short-term trade.

However **these kind of wild swings are more commonly associated with market tops than steady uptrends and I am not a buyer here as a result.** Key support to be aware of short term is at 17,210, which is the neckline of a potential double top pattern. It would make a good long level on a pullback, especially with the added support below at 16,970, but a failure of the latter would also invalidate the uptrend and suggest further downside.

Daily Log Chart



Dow Jones 30 Weekly Chart

The bearish Blended Candle Hanging Man (Circled in red) was an indication that the recent rally is not sustainable in the medium term.

Based on that I said that it would be prudent to take profits on longs and that I would be surprised to see the index rally from here without some kind of pullbacks towards the 17,580 support. The sell-off last week took the index through that support before Fridays' rally left the index a small up on the week.
However the price action left a bearish Hanging Man candle which again suggests limited upside and I see no reason to be long here as a result. Based solely on this chart a short here has a good risk/reward and again the moves over the last few weeks are consistent with a market top forming.

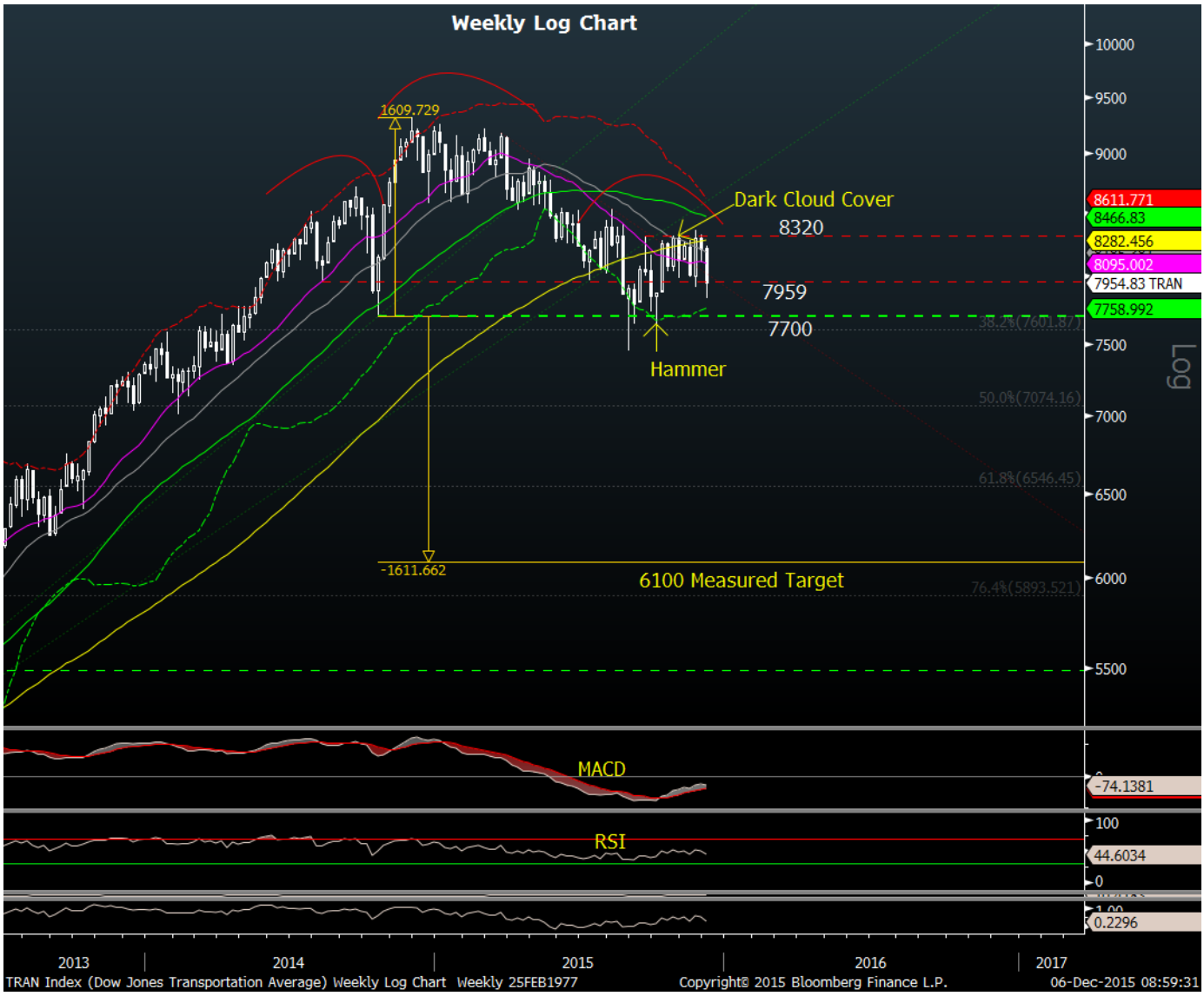
DJ Transportation Index

The rally from the key support at 7700 had stalled as the index reached a resistance area on the daily chart around 8349, where it posted a bearish Shooting Star candle on 20th November. The failure also came at a key resistance on this weekly at 8320 with the price action leaving a 'Dark Cloud Cover' candle, which suggested that the rally was coming to an end in the medium term.

There remains no reason to be long here whilst 8320 remains intact as a resistance and last weeks' move lower took the index to a weekly close below the 7959 support. The Key level to be aware of on a further pullback is at 7700, which is also major support on the long-term monthly chart, and I would expect that to hold at the first test.

However a failure of that level would also confirm a bearish top pattern, whose measured target is around 6100, and I will therefore be looking to short a clean break of that level on a longer-term view.

Weekly Log Chart



SHCOMP

The break above 3478 a couple of weeks ago suggested there was further upside in the short-term but, in recent notes, I pointed out a resistance area around 3750 which I expected to cap any such move. This is where the 200 day Moving Average coincides with the 38.2% Fib retracement of the move lower from the June highs and also the neckline of the old top pattern.

The rally had already started to run out of steam as the index tested the neckline and the price action has also left a bearish Shooting Star on the weekly chart, which would suggest that upside was indeed limited. This proved the case last week and the move below 3522 also confirmed a bearish Double Top pattern on this daily chart with the resulting move lower taking the index back below 3478 on a closing basis.

As a result I saw see no reason to be a buyer last week, especially with the 2320 Medium Term measured target from the bearish flag pattern still in the back of my mind. This remains the case but the index rallied last week following the bullish Hammer in Mondays' session which came as a surprise to say the least!

Daily Log Chart

Nikkei 225

The weekly chart posted a Doji a couple of weeks ago which showed some indecision and there were also a couple of bearish candles on this daily chart as the price action left a Shooting Star on November 26th. This was then followed by a Bearish Engulfing in the next session which is said in last weeks' note should be seen as signals to be taking profits on longs, especially as the rally has reached the 76.4% Fib retracement of the move lower from the August high.

These signals proved timely as the rally was indeed not sustainable and the index gapped lower in Fridays' session to test its 200 day Moving average to leave a bearish Island reversal. Further downside should be limited in the short term whilst the support at 19,115.2 remains intact and I would therefore suggest taking some profits on shorts should that level be tested. However the weekly completed a bearish three candle reversal pattern last week which suggests more downside in that timeframe.

As I have been saying for many weeks the close correlation that the index has to USDJPY will remain key to future moves and that pair is still struggling to clear a resistance at 124.14. The weekly USDJPY chart also posted a $ bearish Shooting Star a couple of weeks ago which suggests that the resistance will hold. Should these signals prove correct and the pair sells off from that level I expected a similar move here.

Daily Log Chart

European Equity Summaries Below

SX5E Medium Term

A couple of weeks ago I pointed out the blended candle Hanging Man, similar to that in SPX, which suggested that upside was limited in the medium-term. The Hanging Man in the following week then added to my conviction and I said last week that 'such a candle would suggest that the recent rally is not sustainable in this time frame and that a drift lower should be expected from here.'

The index was also at the 61.8% Fib retracement of the move lower from the April highs, all of which proved too much for the index and it duly sold off sharply from that area following the ECB announcement. The move took the index back to the key 3326 support which held on a closing basis but the days' price action left a bearish candle which will offer resistance to any rally at its 3408 Marabuzo level.

With that resistance at around the same level as the 3418 resistance I would be looking to sell rallies to that area next week.

Weekly Log Chart

SX5E Cash Short Term

The rally from the key 3326.86 support had closed above the 3484 resistance and 200 day Moving Average but I suggested ignoring that break as it came on low volume due to the US holiday.

The price action on 27th November had also left a Spinning Top candle which showed the indecision around that area and that was followed by a Bearish Engulfing a couple of sessions later. These are usually a good signal that a move has come to an end and was given added importance as it came at the 61.8% Fib retracement of the move lower from the April high. The signals proved correct as the Draghi Day sell-off invalidated a short-term uptrend with the index trading all the way back to that 3326.86 support.

Friday saw a bullish Hammer at that key support which suggests a rally from there but upside will now be limited by the 3404 Marabuzo resistance from Thursdays' bearish candle. Similar to the weekly chart, with that level so close to the key 3418 resistance, it should make a good place to be a seller of any such rally early next week.

Daily Log Chart

EU50 Future Trading View

Position	Supports	Resistances	% Usual Position Size
Flat	**3319 3313 3253 3216** 3206 3178	3378 **3380 3418** 3441 3481 3502 **3544** 3578 3609 **3650**	**0%**

I had been short as a result of some bearish signals around the 3502 resistance which worked nicely but I covered that short too quickly last week at the 3378 level as it was a support that coincided with a short-term uptrend.

The sell-off on Thursday took the future thorough that trend to close below the 3319 support but there was another key level below there at 3280 which, coinciding with a support on the weekly chart, I thought would hold if tested. I therefore suggested a long but with a view to selling a rally back to 3378, which now coincides with the 3380 Marabuzo resistance derived from Thursdays' candle. The 120 min chart was also showing bullish signals as MACDC crossed up and RSI came up out of 'oversold' at the same time as the chart posted Hammer around the lows.

The rally on Friday came after the cash close, which is why that chart shows only a bullish Hammer, and the session high was just three points below my 3378 take profits level. Upside from here will now be limited whilst that and the 3380 Marabuzo remain intact and, with 3418 acting as sweeper above, a short at 3378 with a closing stop above 3418 has a good risk reward. I will therefore look to open a short on Mondays' open should it be at or above 3378.

Daily Log Chart

DAX Future Trading View

Position	Supports	Resistances	% Usual Position Size
Flat	**10,660** 10,592.5 **10,524** 10,390 10,316 10,127	**10,917** 10,990 11,059 11,164.5 11,372 11,454 ***11,650***	**0%**

At the time of writing last weeks' overview there was no reason to be anything other than long as the future was in a short-term uptrend and had broken above a longer-term downtrend and its 200 day Moving Average the previous week.

However I advised against adding to longs as the break had come on low volume due to the US holiday and I was looking out for bearish reversals once that volume returned as a signal that the move was in fact a bull trap. The price action in the first session of last week was unconvincing and, with the 120 min chart already showing reversal signals I closed my long at around 11,400 as the future gapped higher for no apparent reason in the next session. That session left a bearish candle which suggested a pullback and I therefore opened a short with a view to covering on such a pullback to the short-term uptrend and support at 10,990.

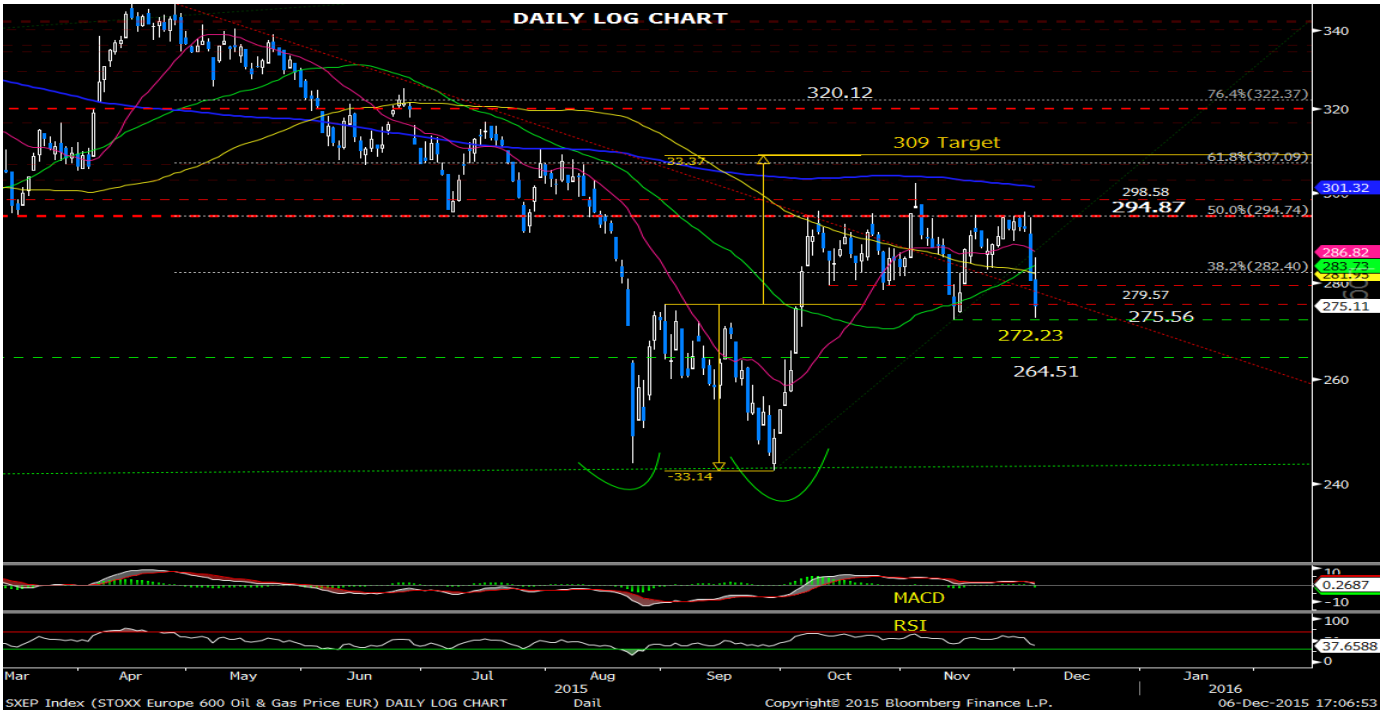
Whilst profitable this proved to be too early as the move on the ECB announcement invalidated that trend and took the future back to the Marabuzo support of 10,660. With key support below at 10,5902.5 and 10,524 and the 120 min chart posting a bullish Hammer at the lows I suggested a long for a dead cat bounce which worked nicely in Fridays' session. I may once again have closed that position too early as I was looking to sell a rally back to 10,857.5 as there is additional resistance above at the 10,917 Marabuzo level from Thursdays' candle but time will tell.

Short-term positioning is now a challenge due to the lack of trend but I will look to open a short on an open at or above 10,917 in Mondays' session but with a stop on a close above 10,990.

Daily Log Chart

Sectors Quick Comments below

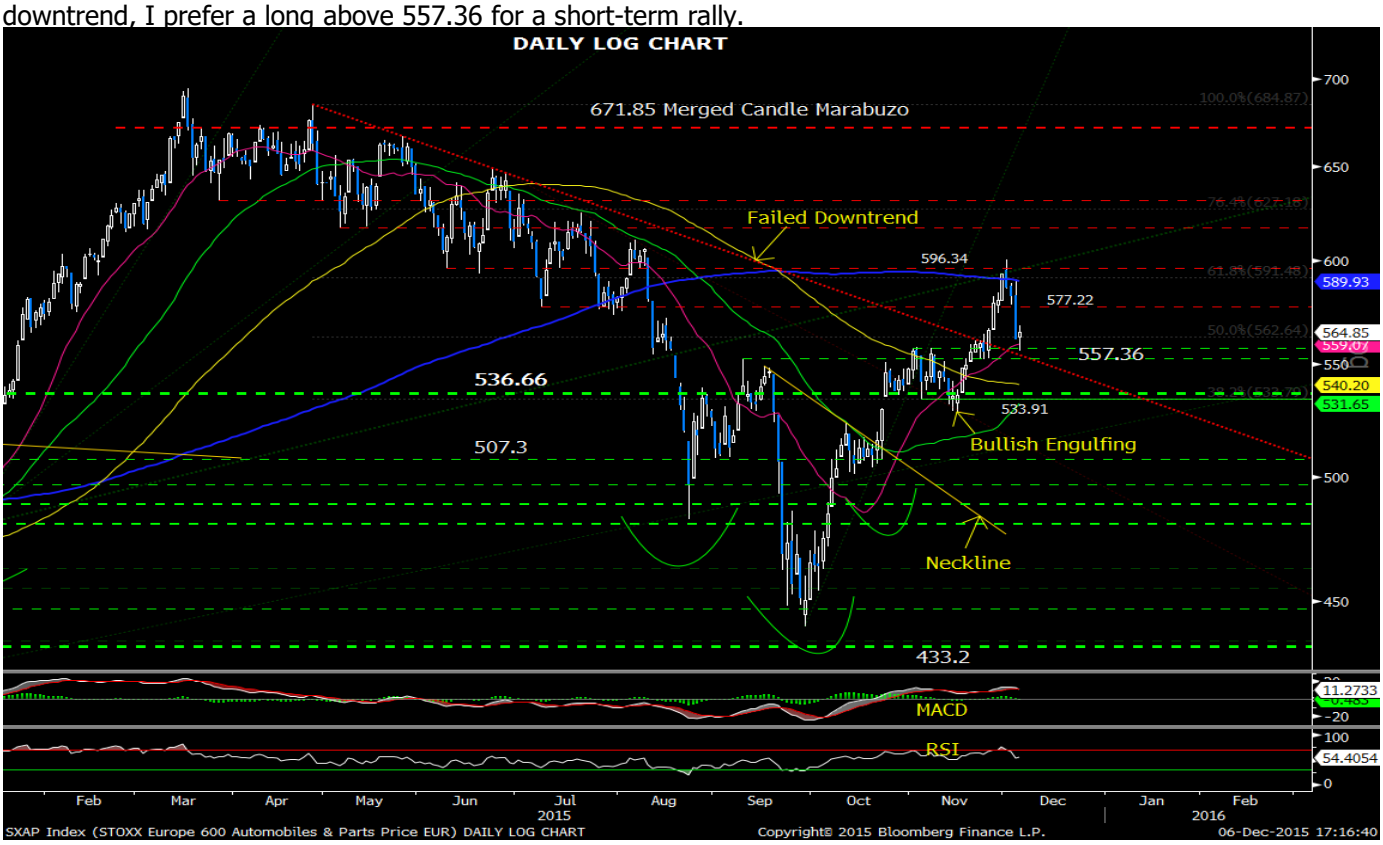
SXEP: I said last week that the 294.87 resistance remained key here as the sector has rejected a move above there a number of times now. That level also coincides with the 38.2% Fib retracement of the move lower from the April high adding to its weight as a resistance. Once again the level held last week and the sell-off took the index close to a key support of 272.23, a failure of which next week would confirm a bearish top pattern and suggest more downside.



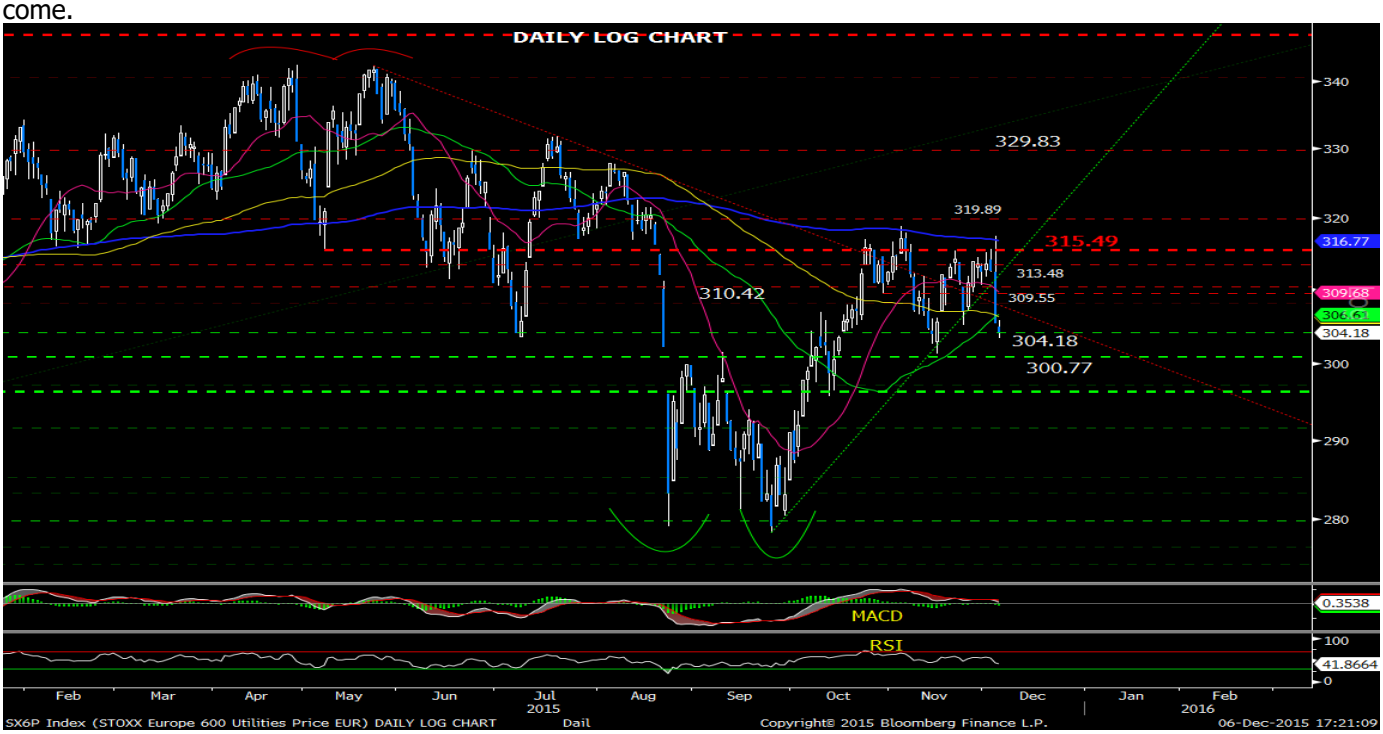
SX7E: The sector has been in a sideways channel between the 134.95 support and key resistance at 14.55 and I suggested trading that channel from the short side in last weeks' note. This worked out nicely as the sell-off took us below the lower end of that channel but Fridays' candle now suggests a short-term rally from there. I would look to sell such a rally back to 140.55 but remember that a break above there would also confirm a bullish reversal making it a good stop/reverse level.

SXPP: The sector remains in a downtrend and, as I said last week, there remains no reason to be long here. The move last week took the index below the 274.6 support with the next level of note at 250.8 now in touching distance and a good level to be taking some short-term profit.

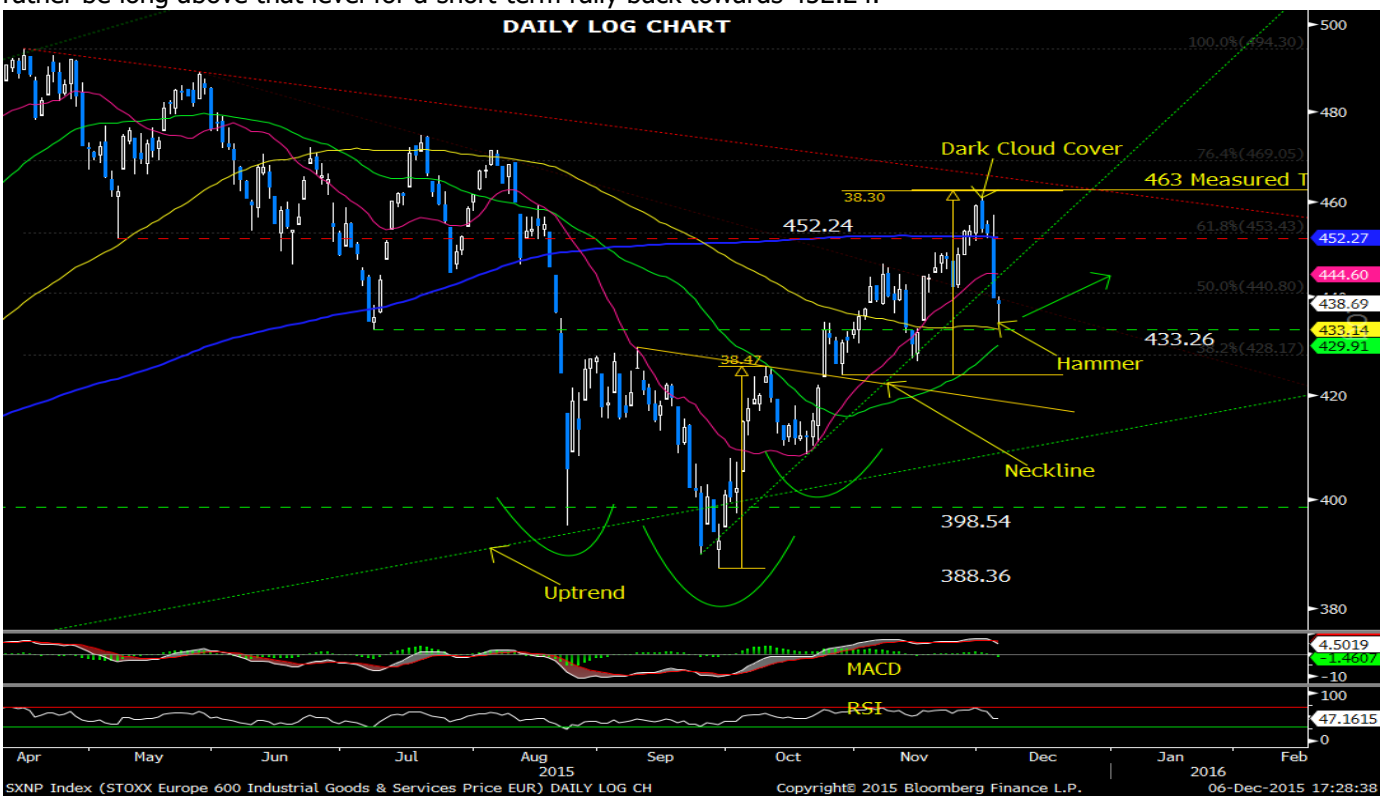
SXAP: Broke above a medium-term downtrend which, as I said in the weekend note, allowed for further upside towards the 596.34 level which is where the 200 day MA and 61.8% Fib level coincide. I suggested taking some profits on longs there and the move lower has now taken us back to a support at 557.36 where it posted a bullish candle in Fridays' session. This suggests a rally from here and with the sector still trading above the previous downtrend, I prefer a long above 557.36 for a short-term rally.



SX6P: The short idea below the key 315.59 resistance and 200 day MA worked well last week chart also posted a bearish Hanging Man last week as the sector sold off to the 304.18 support. I'd suggest talking some profits here but a closing break below 300.77 next week would also confirm a bearish top pattern and suggest more downside to come.

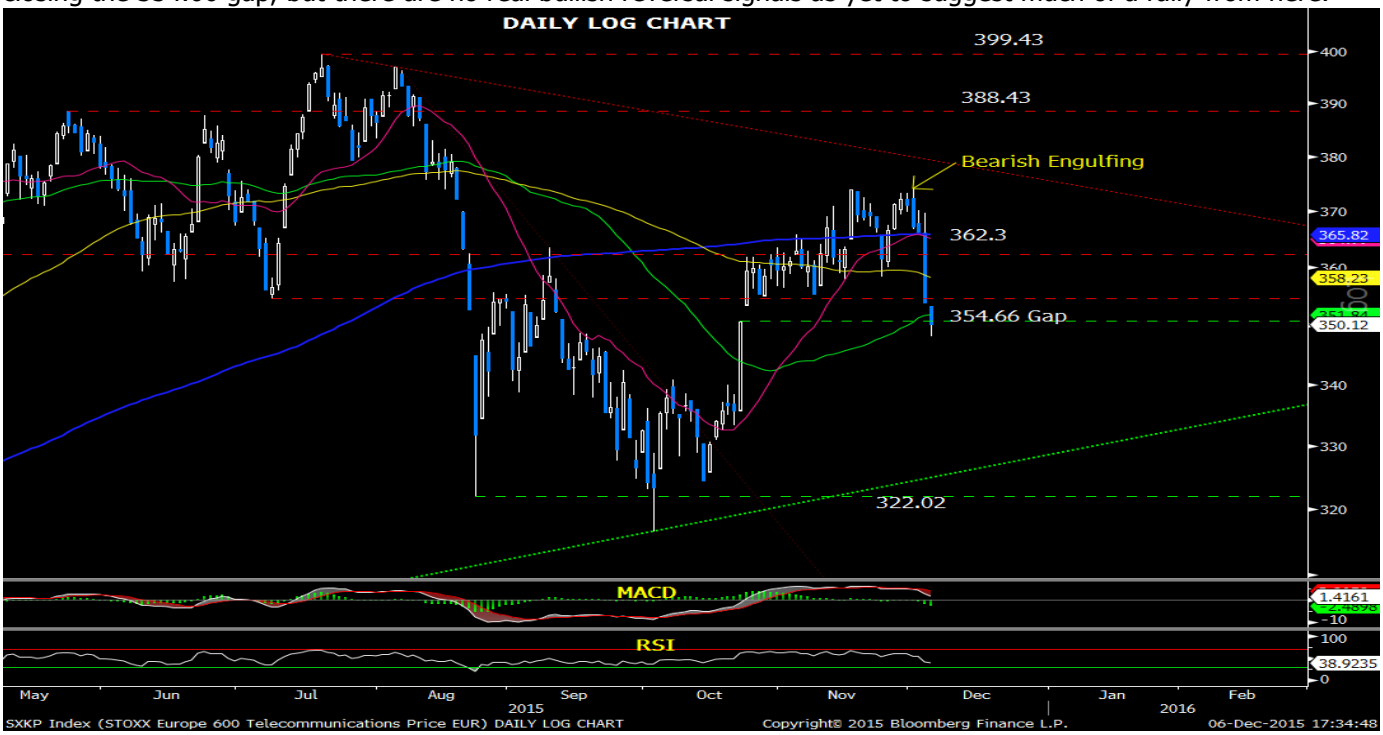


SXNP: The rally came within a couple of points of the 463 measured target of the reversal pattern last week but posted a bearish Dark Cloud cover candle on Tuesday. This suggested a pullback from there which proved correct but the move found support at 433.26 where it posted a bullish Hammer in Fridays' session and I would therefore rather be long above that level for a short-term rally back towards 452.24.



SXDP: I suggested caution against new longs whilst the 200 day MA and resistance at 814.86 remained intact. Last weeks' move lower from that resistance found support at 780.34 where it posted a bullish candle in Fridays' session which now suggest a rally from there back towards the resistances.

SXKP: There was no reason to be anything other than long last week but the Bearish Engulfing candle suggested that the move was coming to an end. This proved correct as the sector moved lower over the rest of the week, closing the 354.66 gap, but there are no real bullish reversal signals as yet to suggest much of a rally from here.



FX and Commodities update to follow in Mondays' session as I ran out of time this weekend.

Recommended reading list below

For a good understanding of the candlestick patterns mentioned in the report this book my good friend Clive Lambert is perfect.

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+candlestic

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=tedchnical+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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