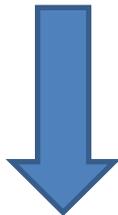


## Weekly Technical Overview 29th October 2017

- **SX5E: Bearish Candle Short Term despite the break higher**
- **SXXP: Bullish Break but unusual pattern**
- **DAX: Mind the gap**
- **SPX: Odd price action still I am not long as a result**
- **Transports: Bearish price action**
- **Gold: Bullish candle at support**
- **US 10 Year Yield: Bearish Candle at 2.4176 Key resistance**
- **Dollar index: Bearish Candle Short Term**
- **EURUSD: Bearish Top**
- **GBPUSD: Downtrend intact**
- **Crude: Bullish reversal**
- **Brent: Bullish reversal**
- **SXEP: Breaking out both absolute and relative**
- **Copper: 375 Target still but rally stalling short term**
- **GOOG US and MSFT US Bearish Price Action**

**More detailed comment and charts below**



## S&P Cash Long Term: Uptrend Intact

The break above 2120 last July allowed for more upside in all time frames and the index has continued to make new highs having rallied off that level following the US election. There is still a clear uptrend intact and I said in recent notes that risk reward remained to the upside whilst that was the case, despite a couple of bearish candles over the last few months.



## S&P Cash Medium Term: Uptrend Intact but Bearish Candle

The same applies in this timeframe as the index rallied off its uptrend over the last few weeks, closing at another new high last week. Note however that last week's price action left a bearish Hanging Man candle which, whilst not the strongest reversal signal, it is the first such candle to appear for many weeks and is a sign that momentum is stalling.



## SPX Short Term: Confusing price action still I am staying away

The index remains in an uptrend and the rally off there reached my 2543 target a few of weeks ago, where I closed my long.

I have been cautious since then because of the bearish 'Inside Day' candle of October 6<sup>th</sup>, which was a sign that further upside may be limited and the index sold off the last time such a candle appeared, the day after the Trump speech back in March. The price action since then has been confusing to say the least and I had expected a move lower following the Bearish Engulfing candle of 23<sup>rd</sup> October. The index initially played ball as it did indeed start to move lower as expected until Fridays' odd gap higher.

I have labeled that session the 'no idea what that was all about' candle, as I am always try to give an honest opinion of the price action but this one has totally baffled me. I said last week that 'To be honest I don't recall any chart where I have seen such price action before' and that there were 'dark forces' at work which I could not explain. Those forces appear to be active still and I am staying away from a long here until such time as I have conviction, especially following the bearish Hanging Man on the weekly chart.

### Daily Log Chart



## NASDAQ 100 Short Term: Uptrend intact and bullish break BUT warning signals.

The uptrend remains intact and the break above 6010 allowed for more upside in all time frames. I said last week that the uptrend now coincided with that support and the initial move lower rallied off that area before gapping to a new high in Friday's session. There remains no reason to be short here against the prevailing trend BUT some of the biggest weightings left bearish candles last week, which I list below with approximate weightings.



**MSFT US (9% Weight) :** Seemingly bullish having closed +6.4% in the session BUT the resulting bearish Shooting Star suggests a pullback and any unclosed gap lower on Monday would leave an Abandoned Baby reversal, which are very powerful signals.



**GOOG US (5% Weight):** Another bearish Shooting Star in Fridays' session despite closing +4.8% on the day.



**AAPL US (12% Weighting):** Not a short yet but failed to make a higher high last week and there is still a potential top pattern forming here, although a break below the neckline is required before that is confirmed.



## Russell 2000 Medium Term: Uptrend intact but bearish candle

Risk reward is still to the upside following the break above 1452 but the uptrend is now some way below current levels and I said last week that the smaller candles showed a slowdown in upward momentum. That view was reinforced last week as the price action left a bearish Hanging Man candle which should be used as a trigger to take some profits on longs.



## Russell 2000 Short Term: 1491 key support

A break below the 1491 level is still required before a top pattern is confirmed and I would look to close the balance of longs on such a break. The uptrend is way below here, around the 200 day MA at 1406.



## Transports: **Bearish Candles medium term**

I have had a target at 9767 target since the break above the neckline of a bullish pattern last September and the index finally broke above there a few weeks ago, with the bullish candle at the time suggesting more upside.

However, as I pointed out a month ago, the Shooting Star on this weekly chart was a sign that momentum had slowed and the price action has since left further bearish candles, which are signs that the rally may be unsustainable short term.

Note that the daily chart also left a bearish Engulfing candle at the swing high on 13<sup>th</sup> October which suggests a move back towards the uptrend before a possible continuation of the rally and I said at the time that it should be used as a trigger to take profits on longs.



## MSCI World Index: **2026 target reached and bearish candle**

I have been bullish due to the bullish continuation pattern, which was confirmed on the break above its neckline last July, as that pattern had a measured target at 2026. I said last week that there was still scope for more upside whilst the uptrend remained intact and that the break above 1971, accompanied by a bullish candle, allowed for more upside, despite the 2026 target having been reached. There had also been no bearish reversal signals to warrant taking profits on longs but last weeks' Hanging Man should now be used as a trigger to do so.



## US 10yr Yield Long Term: **Downtrend Persists.**

10-year yield remains in a clear downtrend and the sharp move higher following the US election failed to make a higher high, which leaves that downtrend intact. The bullish candle on election week, has offered support to pullbacks since at its 2.1077 Marabuzo level which has served well on pullbacks since but the rally off there has yet to break above the downtrend on a monthly close. Should that occur it would allow for more upside but would need to break above 3.05 and the downtrend above before a sustained long term rally.



## US 10 Yr Yield Medium Term: **Downtrend Intact**

There is still a series of lower highs and lows, which is by definition a downtrend, and the move higher has yet to break above the downtrend on this weekly chart.



## US 10 Yr Yield Short Term: **Bullish (for Bonds) candle at the 2.4176 resistance**

I said last week that 'the 2.4176 resistance would need to fail before a rally of any significance' and Wednesday's Shooting Star candle suggests a move lower from that area, despite managing a close just above in the previous session.



## XLF US: **Bearish Candle**

Despite an uptrend remaining intact that trend is some way below here and Wednesday's Bearish Engulfing candle suggests limited upside from here. Note that any unclosed gap lower next week would also leave an even more bearish Island Reversal pattern.



## STOXX 600 Medium Term: **Nearing Resistance**

The price action around the key 371.33 support was bullish and I opened longs because of the two consecutive bullish Hammers, as they suggested a rally from that area. Those candles proved correct and the rally from there broke above a short-term downtrend channel which allowed for more upside. However I said last week that the ever-smaller candles suggested that momentum was slowing and I see no reason to be a new buyer here based on recent price action. The rally is also nearing MAJOR resistances at 400.73, which was my target at the start of the year, and 407.56 which will limit further upside whilst intact.



## SXXP Short Term: **Bullish Break but unusual pattern**

I said last week that I was not a buyer, despite the seemingly bullish break above recent highs, as the price action in that session had left a Doji candle. Such candles are signs of indecision and I wanted to see a bullish candle in Mondays' session to confirm the break before I committed to a new long. The index duly sold off to supports last week and rallied from there sharply following Thursdays' ECB news. Fridays' gap higher then held into that close, allowing for more potential upside. The pattern preceding that break troubles me though as there was a series of lower lows and higher highs, which sometimes result in a Megaphone Top. See how it differs from January's Pennant.



## SX5E Medium Term: Potential Breakout but needs confirmation

I suggested a long a few weeks ago because of a bullish Hammer, left by the rejection of a break below the 3402 support, as that candle was a warning of a rally from that area. The index rallied over 6% from that support since but I suggested closing longs as the move had reached a longer-term downtrend.

Since then this weekly chart had not shown any bearish reversal signals, instead the Dojis showed the indecision around the downtrend, and I said last week that I would not be a buyer whilst that trend is intact. The pop higher into the end of last week took the index to a close just above that downtrend but I would like to see another close to confirm that break. The daily chart also left a bearish candle in Fridays' session, on which I comment below.



## SX5E Short Term: Bearish Candle

The index had spent the last three weeks trading in a narrow range around the downtrend with the 3584 support holding each time it was tested. It finally managed to break out of that range last week as it reacted to the ECB news and the obvious reaction would be to buy that break. However Friday's Shooting Star suggests that everyone had the same idea (no buyers left) as the index failed to build convincingly on the previous days' gains and any unclosed gap lower on Monday would now leave an Abandoned Baby reversal. I see no reason to be a new buyer here based on that candle.

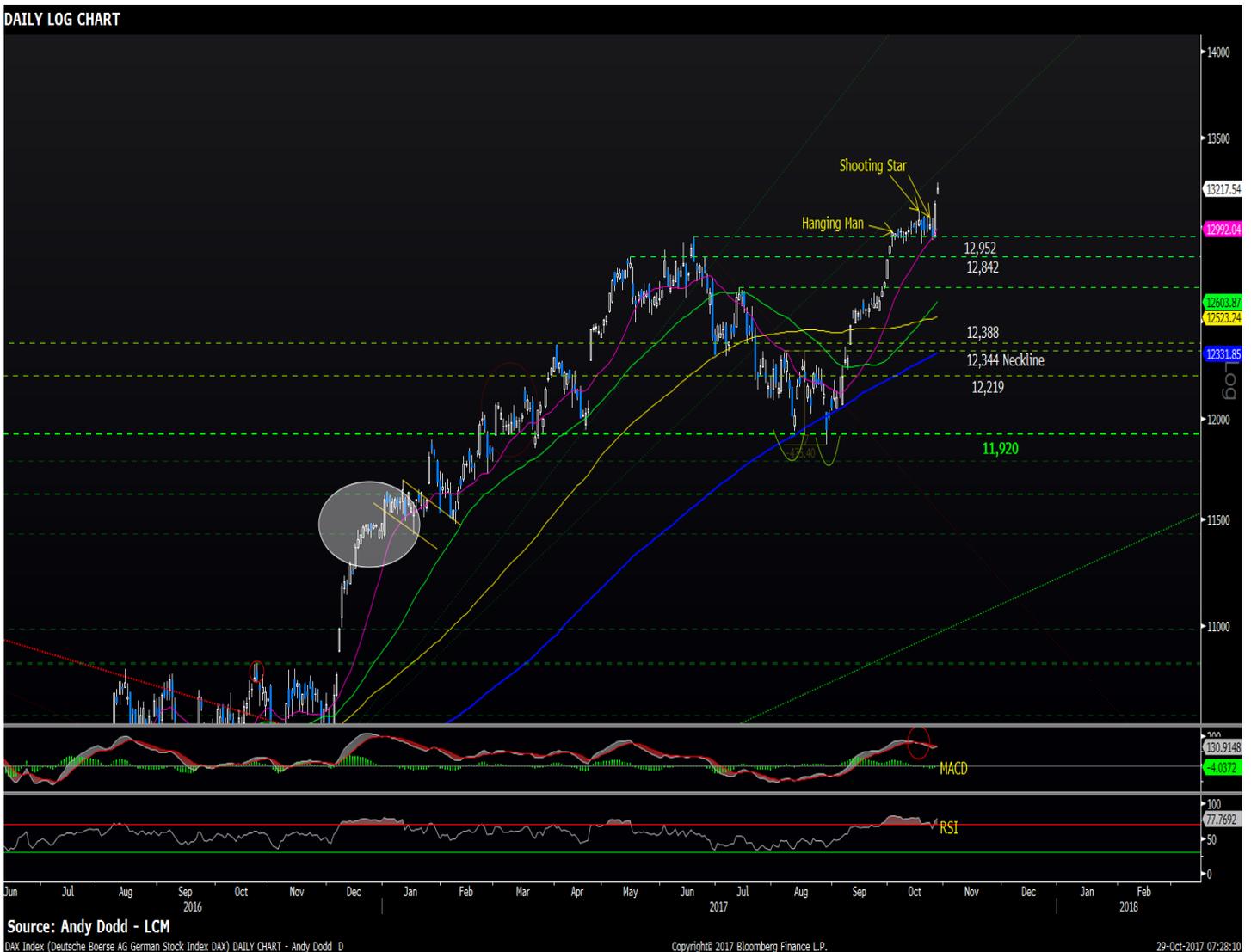


## DAX Medium Term: **Bullish Break but watching for gaps**

Similar to the SX5E I suggested buying the break above the downtrend with a view to adding on a move above 12,344 due to the resulting bullish reversal pattern, whose measured target just below the 12,842 resistance was reached a few weeks ago.

I said that it would be sensible to close longs because of the bearish Hanging Man of 4<sup>th</sup> October, as that suggested a pullback from levels at the time, but I was unable to recommend a short with any real conviction without confirming signals. The index has since managed to make new highs but the resulting price action, including a couple of Shooting Stars, still suggested limited upside. The index had other ideas though as it digested the new information and rallied sharply to new highs on the ECB news, with the bullish candle suggesting more upside.

Whilst there is not really a convincing reason to be short here the lack of follow through on Friday left an imperfect Shooting Star, similar to that in SX5E, and any unclosed gap lower on Monday would leave an Abandoned Baby sell signal. I have highlighted the last time the index left a similar candle to Thursdays which shows the index moving lower from there before a resumption of the rally.

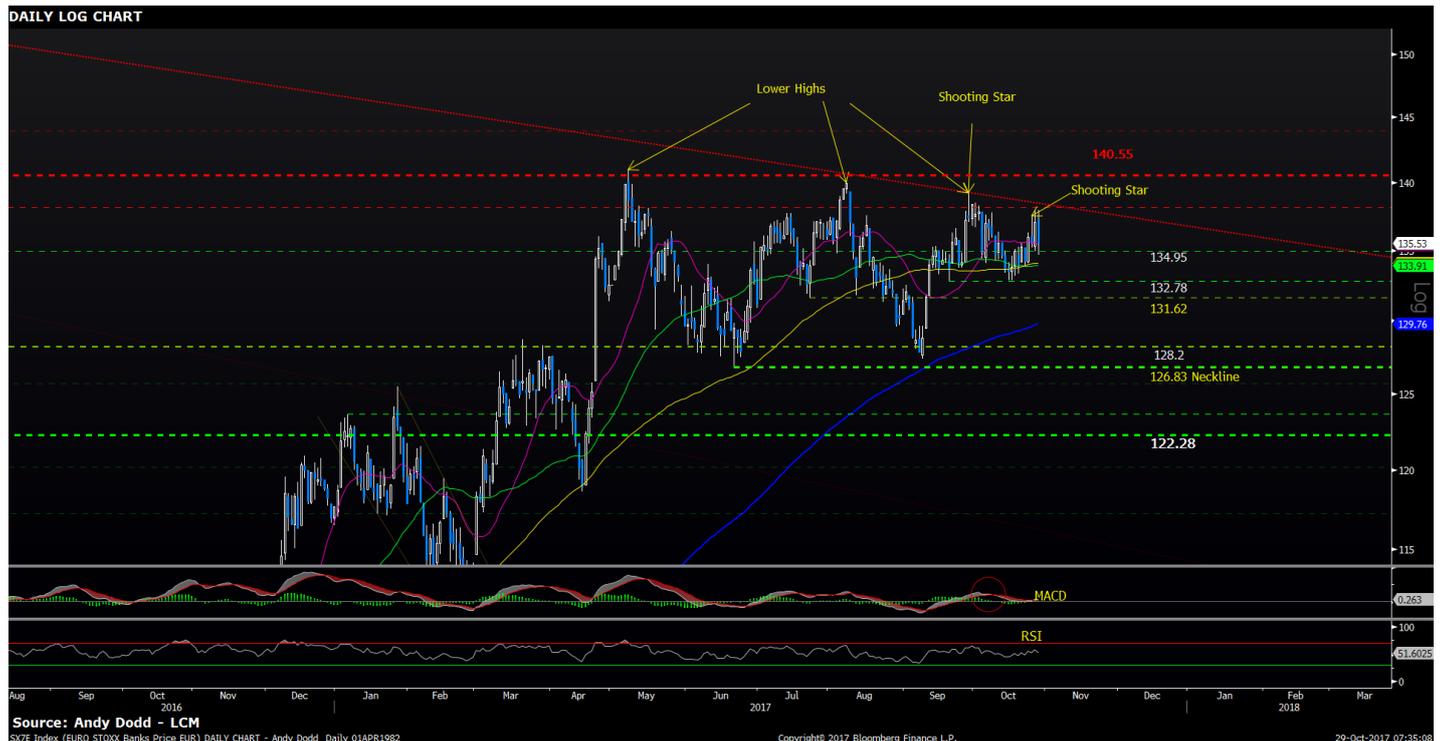


The weekly chart paints a similar picture and I said last week that the Spinning Tops of the previous last two weeks were signs of indecision, as opposed to strong sell signals.



### SX7E Update: Downtrend Intact

The banks may prove the key to the future moves in European Indices as the SX7E remains in a downtrend and I still see no reason to be long whilst that is the case. In my note last Monday I pointed out that recent rallies had all made lower highs, which is bearish, and the index still needs to break above 140.55 before a larger reversal pattern is confirmed.



## Crude Medium Term: **Bullish Reversal**

This WEEKLY chart broke above the neckline of its bullish pattern last week and I suggested reversing to a long on such a move in recent notes as the pattern has a measured target at the 84.05 resistance. A second close above the neckline is really required before the pattern is confirmed but I am happy to be long here still and would look to ADD on a weekly close above 55.12.

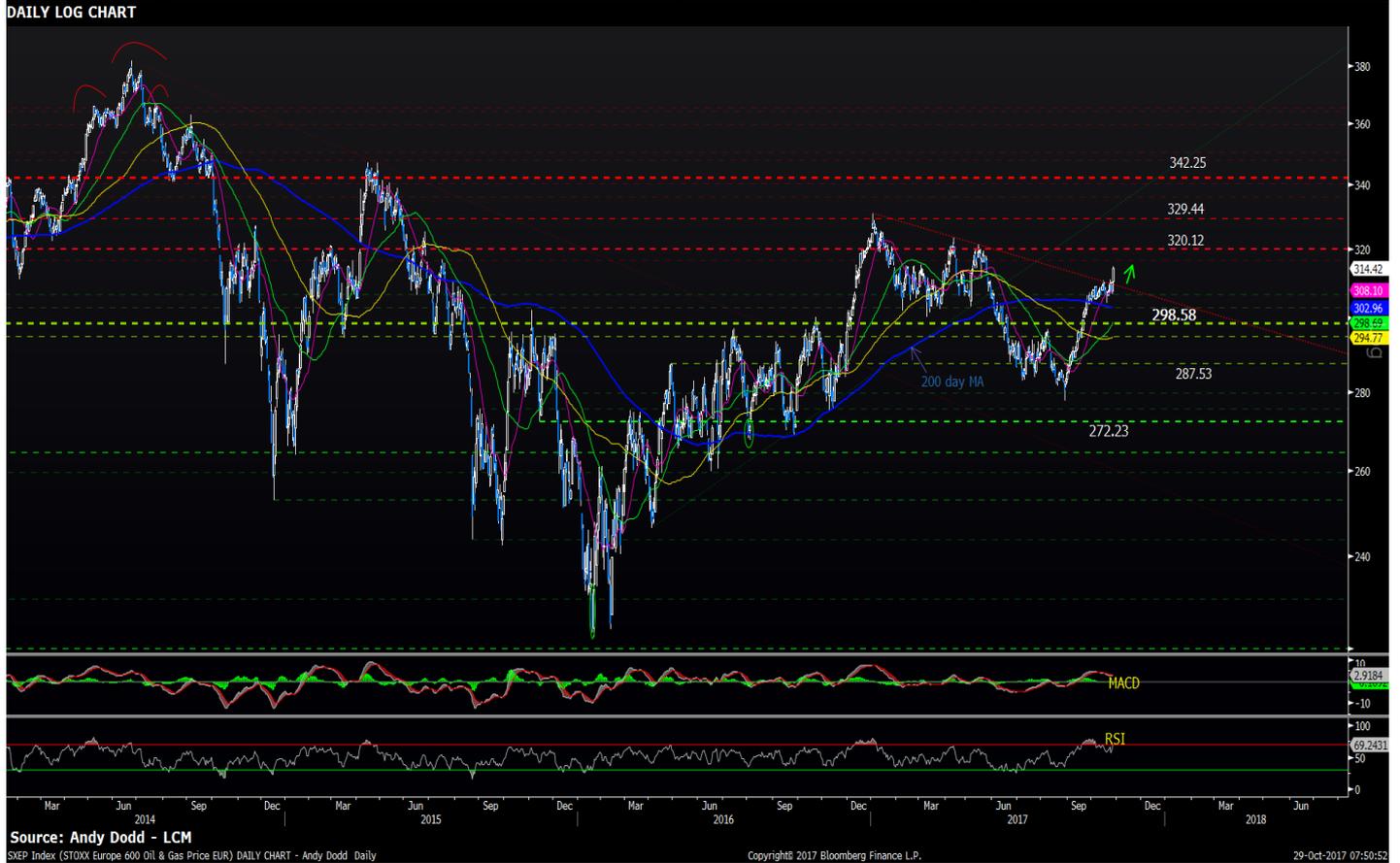


## Brent Medium Term: **Still bullish with an 88.49 target**

I recently suggested a long because of the bullish reversal pattern, whose measured target is at 88.49, but said last week that the 58.37 resistance needed to fail before a further rally. I was looking to add on a closing break above there and that add was triggered as the level failed last week, with the resulting bullish candle suggesting more upside towards my target.



**SXEP** closed just above its short-term downtrend on Friday which allows for more upside from that close.



The sector also broke above both its downtrend and 200 day MA RELATIVE to SXXP, which suggests more outperformance from here.



## Gold: Bullish Candle at support...1308 key resistance still

I suggested a long in small size last week as the move from the key 1308 resistance was nearing a short term support area, where an uptrend coincides with both the 1273 support and upward sloping 144 day Moving Average (I use that average only for Gold as it has proved reliable historically, for reasons I cannot explain).

Fridays' close was just below that support but the bullish Doji there suggests a rally from that close and I am still happy to be long here until a clean break lower. As before the 1308 resistance will prove key longer-term and I would look to ADD on a clean break of that level.



Remember also that the longer-term weekly chart continues to trade above its downtrend, which acted as a support on the recent pullback, but a break above the yellow neckline is still required before a longer-term reversal pattern is confirmed.



## Dollar Index medium Term: Still Bullish

The bullish Inverted Hammer a few weeks ago suggested a rally from there and the break back above 92.63, which is a key level in all time frames, allowed for more upside. This chart remains bullish and is backed up by a bullish Hammer in September on the monthly chart.



## Dollar Index Short Term: Bullish reversal BUT...

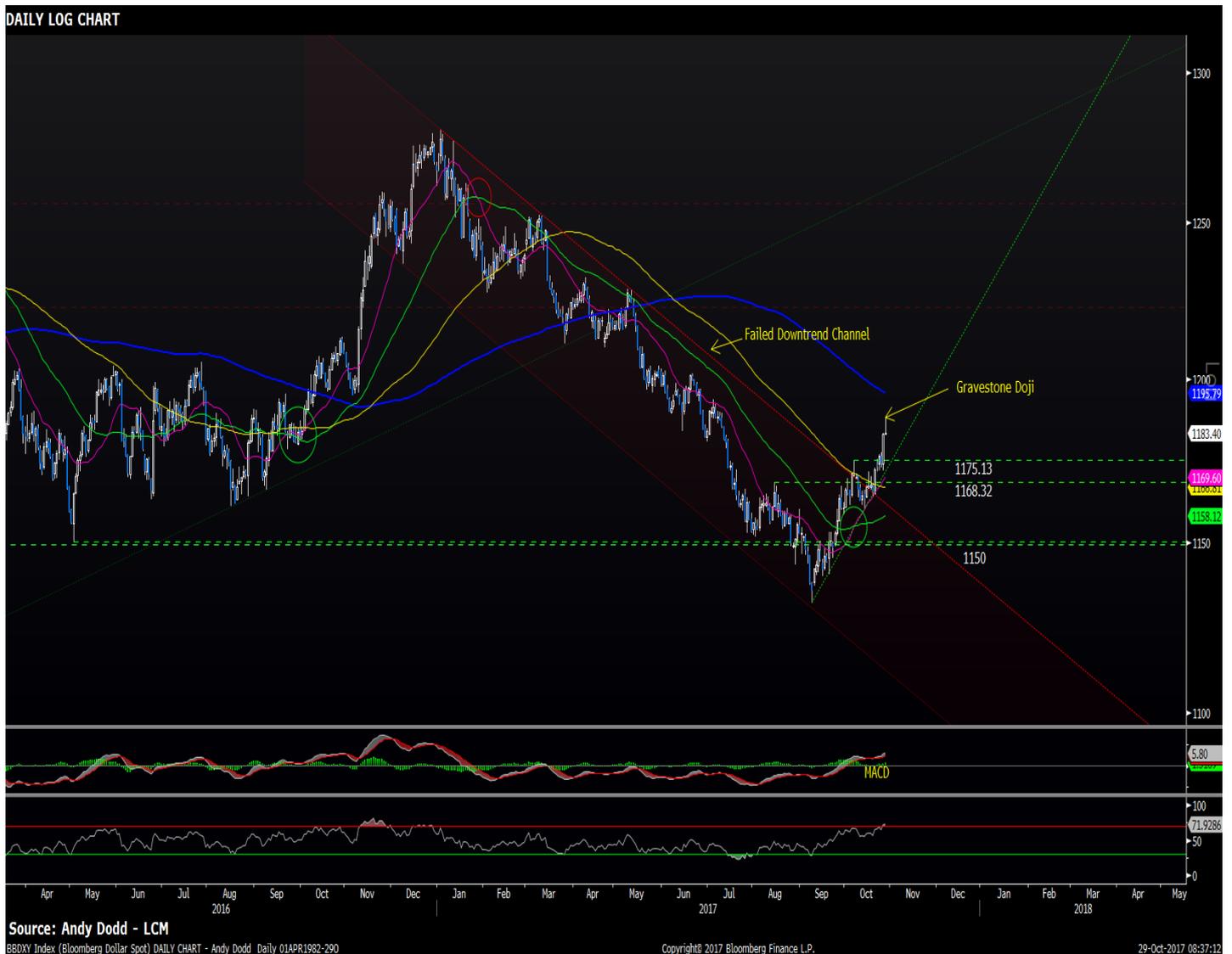
Last week I was long still with a view to adding on a break above the neckline of the potential reversal pattern, which would allow for a pop higher towards 96.17, and that occurred on Thursday's pop higher. However Friday's Gravestone Doji suggests a possible move lower from that close and, whilst the uptrend remains intact, current levels DO NOT OFFER THE BEST LONG ENTRY POINT.



## BBDXY Index Short Term: **Bearish Candle**

I previously suggested a long with a view to adding on a break above 1168.32, as such a move would take the index above both its 100 day MA and downtrend, allowing for more upside. The rally since then was therefore no surprise but, as with DXY, Fridays' Gravestone Doji suggests that it has been 'too much too soon' and should be used as a trigger to take short-term profits on longs.

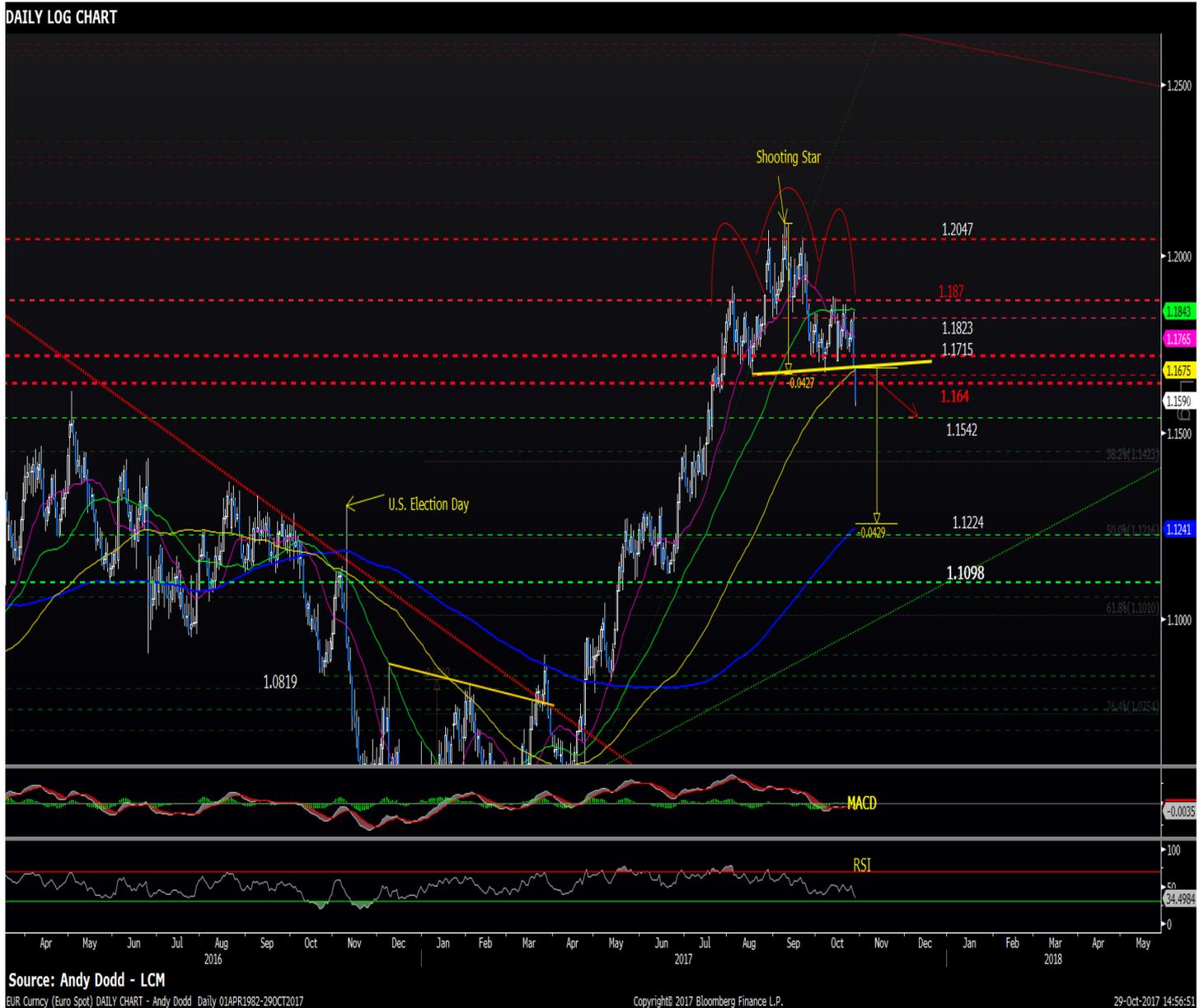
I may look to be a buyer once again when the index moves back to its support and uptrend below as the longer-term charts remain bullish. In last weeks' note I pointed out that the 20 day MA (purple) crossed above the 50 day (Green) for the first time this year and circled the last times this occurred, both up and down, and the subsequent moves are only to clear to see. But current levels do not offer the best long entry point because of Fridays' candle.



## EURUSD: Bearish Top

The move lower from the 1.2047 resistance, following the bearish Shooting Star there on 8<sup>th</sup> September, has spent the last few weeks consolidating around the 1.1715 support where I took profit on the short idea which was based on that Shooting Star.

In my last couple of notes I pointed out that rather obvious H&S top was forming and was looking to be a seller once again should that be confirmed, by a break below its neckline. He two day move lower following the ECB news finally broke below the neckline on Friday which brings the 1.1224 measured target for the pattern into play.



## Cable Medium Term: **Downtrend intact**

My short-term sell idea at the downtrend and 1.3506 resistance worked nicely but I said that it would prudent to take profit as the move lower from there was nearing a short-term uptrend channel.

Positioning has now become more of a challenge as that short-term uptrend will soon cross the longer term downtrend but, as I said last week, I always back the longer term one and therefore expected a failure of the channel soon. This remains the case and Fridays' close just above the 200 day MA did not leave any bullish reversal candle sto suggest an imminent really from here.



## Copper: 375 Medium Term Target Still Applies

I still have a target at 375, which is based on the bullish reversal pattern confirmed on the break above its neckline in July, but I said last week that the rally was likely to at least pause following the Shooting Star on this weekly chart.

This proved the case and there is still a little way to go before the move lower reaches the uptrend but I still expect any pullbacks to that trend to make good buying opportunities in the longer-term.



**FTSE 350 Mining Index:** As a reminder I remain bullish of miners in the medium term and this daily chart shows the break above the neckline of a bullish reversal pattern which has a 'stupidly high measured target'. There is however still a resistance at 18,231 which needs to be overcome before a pop higher towards that target.



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+candlestick](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=tedchnical+analysis+of+the+financial+markets](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](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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