

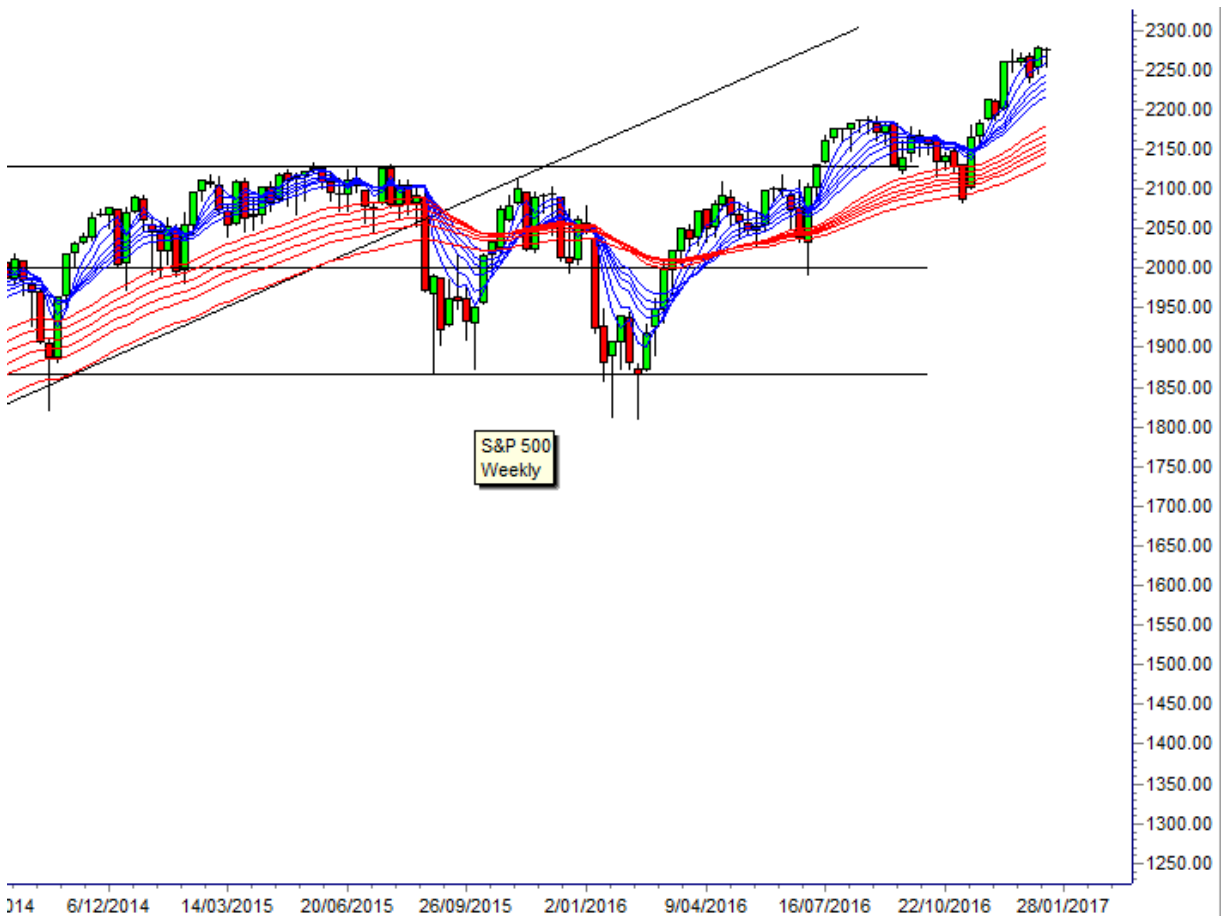
# **2017 TRADING**

*By Daryl Guppy*

President Trump's inauguration is just a few trading days away so it's a suitable time to consider the major potential developments in 2017. The markets we are watching at China, the US and the US dollar and the impact this will have on our home Singapore market.

The Trump Bump has been impressive but the hard work comes in 2017 when words have to be put into legislative action.

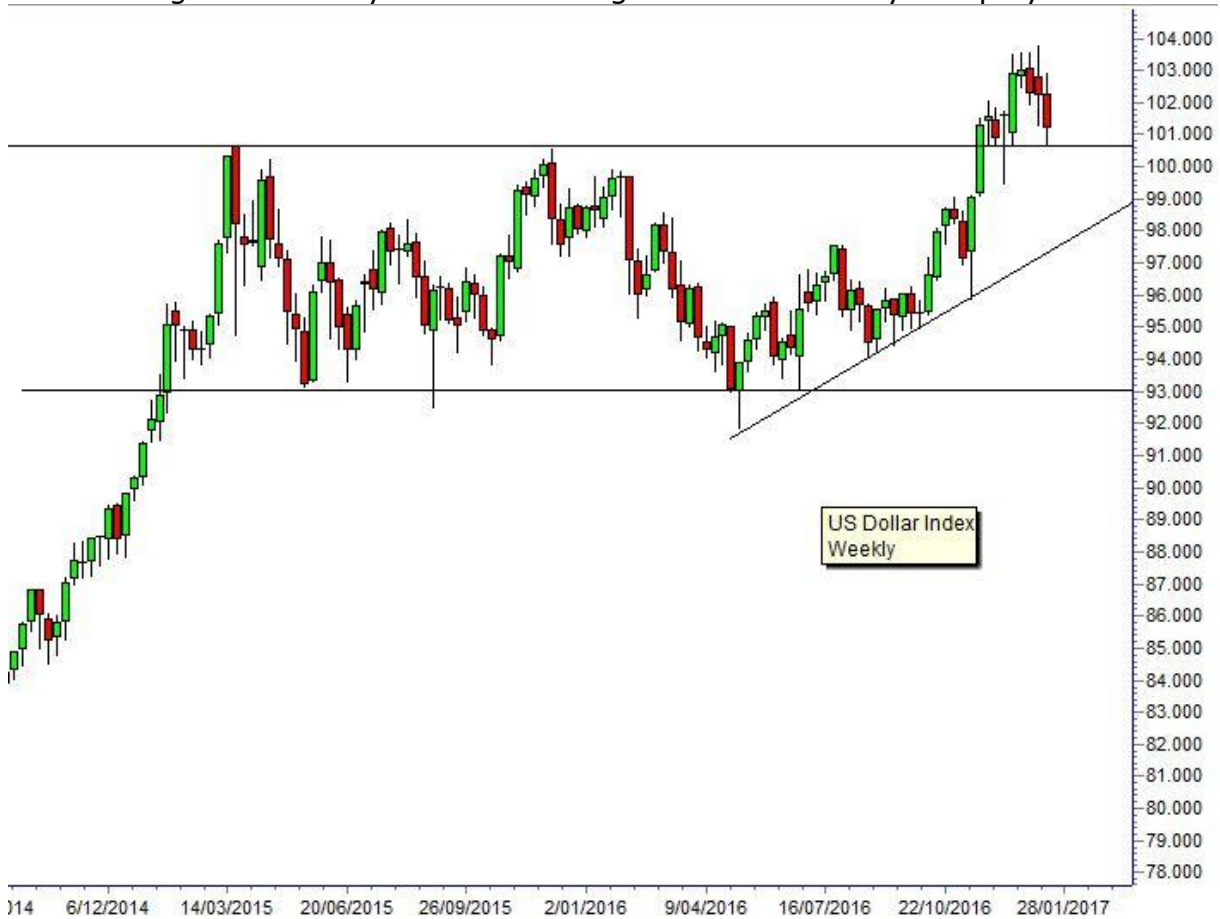
The S&P Index has been in a strong secular uptrend in place since early 2012, long before the Trump Bump. The uptrend acted as a support feature until around September 2015 when the index dropped below the trend line. Now the trend line acts as a resistance feature capping any future rises. This remains bullish but provides upside limits to the trend behaviour.



The S&P has developed a trading band consolidation around 130 points wide. Trading band analysis provides a method to set upside targets for the S&P. The width of the band is projected above and below the trading band. The target is near 2390 and the next target is 2520.

Applying the same analysis methods to the DOW gives a 20,800 target and then 22,100. For the NASDAQ the targets are 5800 and 6358.

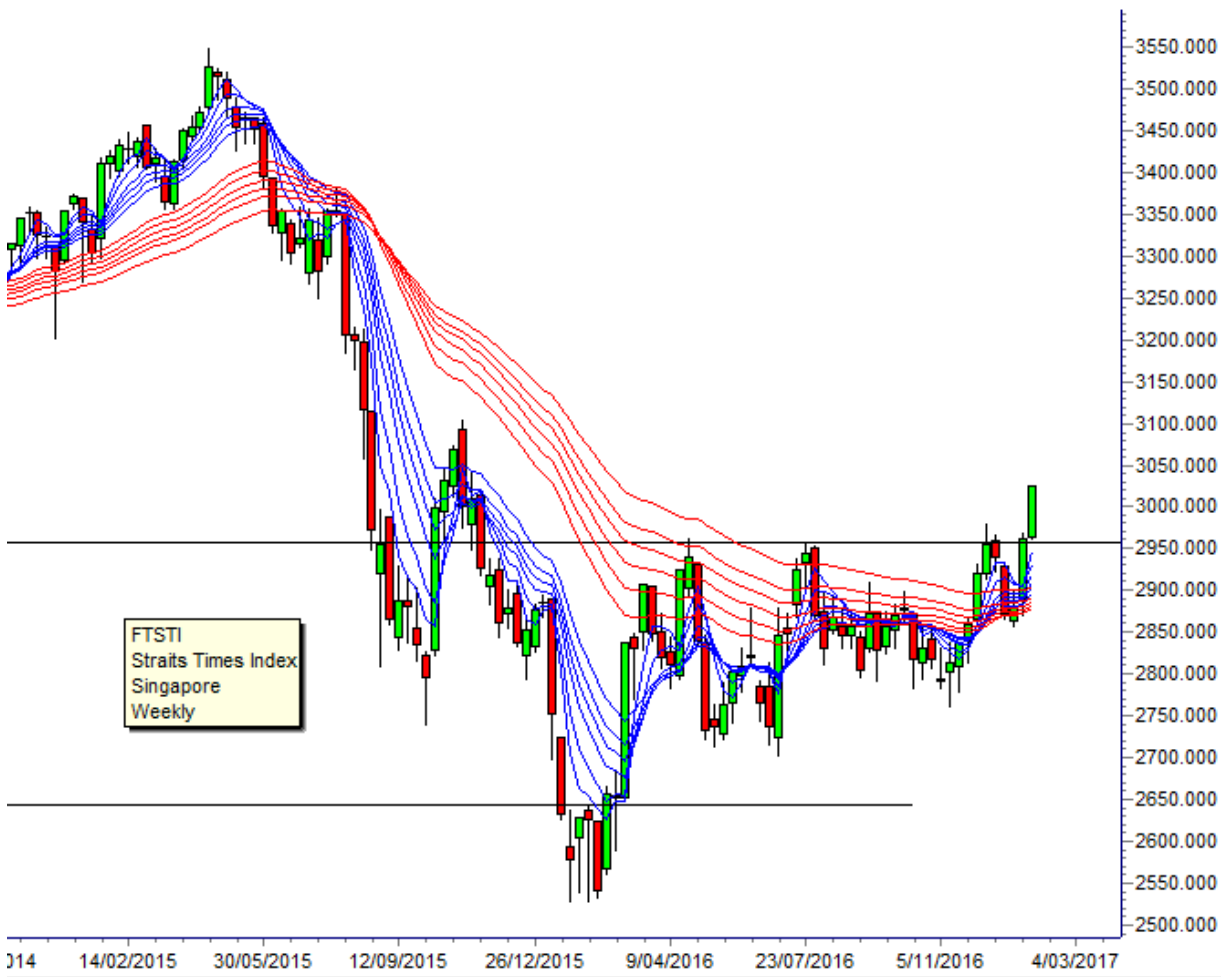
The same analysis features apply to the Dollar Index chart. The FX market is structured differently from the equity market, so the analysis methods are used as a guide rather than more exact measures. The FX market lacks the psychological drivers that give this analysis method a high level of accuracy in equity markets.



The dominant feature on the weekly Dollar Index chart is the broad trading band between \$0.93 and \$1.005. This trading band has dominated Dollar index behaviour since 2015 January. That makes the move above \$1.005 particularly important because it's a breakout from this prolonged 22 month sideways trading pattern.

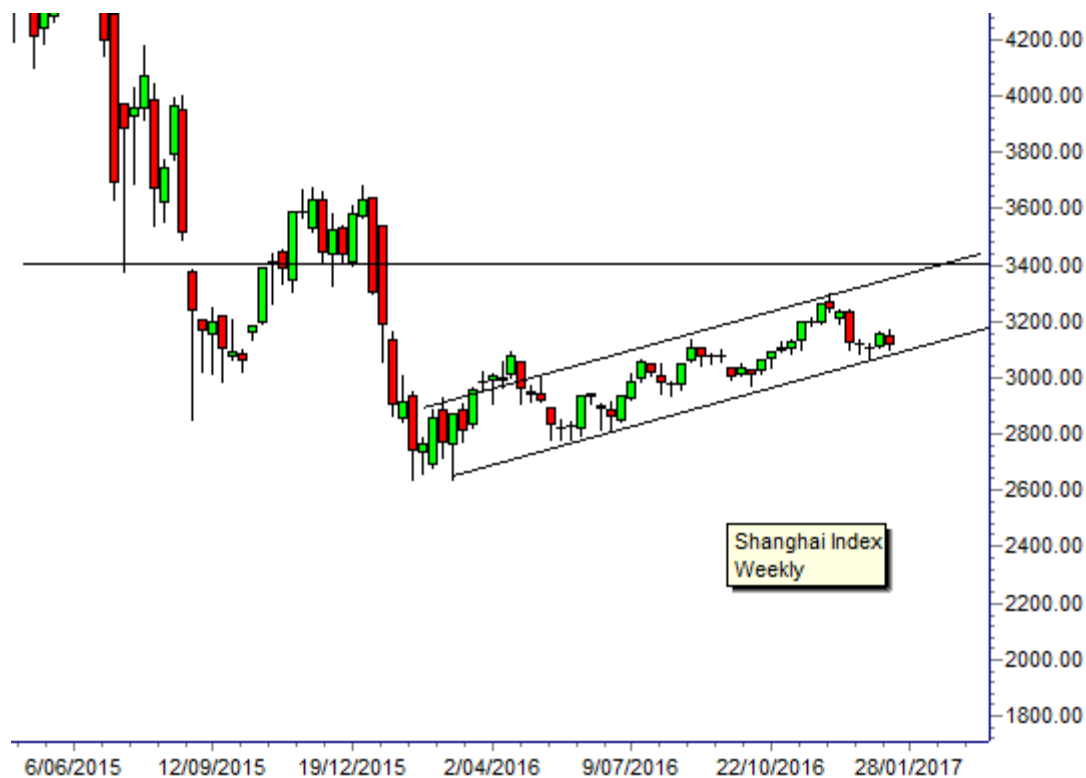
The width of the trading band is measured. This value is projected upwards from the \$1.005 resistance level. This gives an upside target near \$1.08. The target is verified against the behaviour of the dollar index on the monthly chart. The \$1.08 level provided a consolidation support level in 2001 January and again in 2002 June to October. There is a reasonable probability that the \$1.08 level will again provide a consolidation resistance point for a rise in the US dollar index.

Under the Clinton Presidency the dollar rose from \$.80 to a high near \$1.21 so the \$1.08 level may be a first step in dollar strength.



The Straits Times index has been struggling for eighteen months to break above the strong resistance level near 2960 with three test and retests of the upper edge of the long term GMMA. This is a bullish breakout signal but it's taken eight months to develop. The STI has a trading band between 2650 and 2960. This gives an upside target near 3270 for 2017.

On the weekly chart the Shanghai Index shows a different story to the day to day detail of the daily chart. Rather than a trading band, the Shanghai Index has a long term up sloping trading channel that has dominated activity in 2016. The current pullback is testing the lower edge of the trading channel.



Like a trading band, the trading channel is defined by support and resistance features. In the trading band these are consistent values. In the trading channel the values change with the slope of the line. This provides two trading or investment solutions. The first is to trade the rally and retreat between the upper band lower edges of the channel. The second solution is to buy at the lower edge of the channel and hold the position until the trading channel pattern ends.

The trading channel is not used to set targets. For that we use historical support and resistance levels. On the weekly Shanghai Index chart this strongest support and resistance level is near 3400. The upper edge of the trading channel crosses this level around the end of February 2017. A rally to this level would be consistent with the post-Chinese New Year rally. A move above 3400 has the next target near 3680 and creates a narrow trading band.

Project this narrow trading band downwards and it matches the 3100 support and resistance level. Project down again and it matches the 2800 support level. The trading channel develops within the context of well defined trading bands.

Project the trading band value above 2680 and the long term 2017 Shanghai Index target is near historical resistance at 3960.

We use the monthly chart for strategic analysis, but we use the daily chart for trade identification and trade management. We use Index ETFs to park trading capital until it's needed. We use the [ANTSSYS](#) trade and analysis method with Axitrader to identify short term Index and currency trading opportunities .