

CAN YOU TRUST THE RALLY?

By Daryl Guppy

The DOW and the S&P have all broken out above a long term resistance level. The pattern of breakout is usually followed by a retreat and a retest of the old resistance level a support level. A rebound away from the support level is a signal that the breakout is sustainable and perhaps developing into a new uptrend.

We see a similar pattern developing with the Shanghai index with the breakout above 3000.



Until the breakouts are confirmed as trends – retreat and rebound activity – we treat this a short term trading opportunities. Later, when the breakout is confirmed we will look for longer term trend trades.