

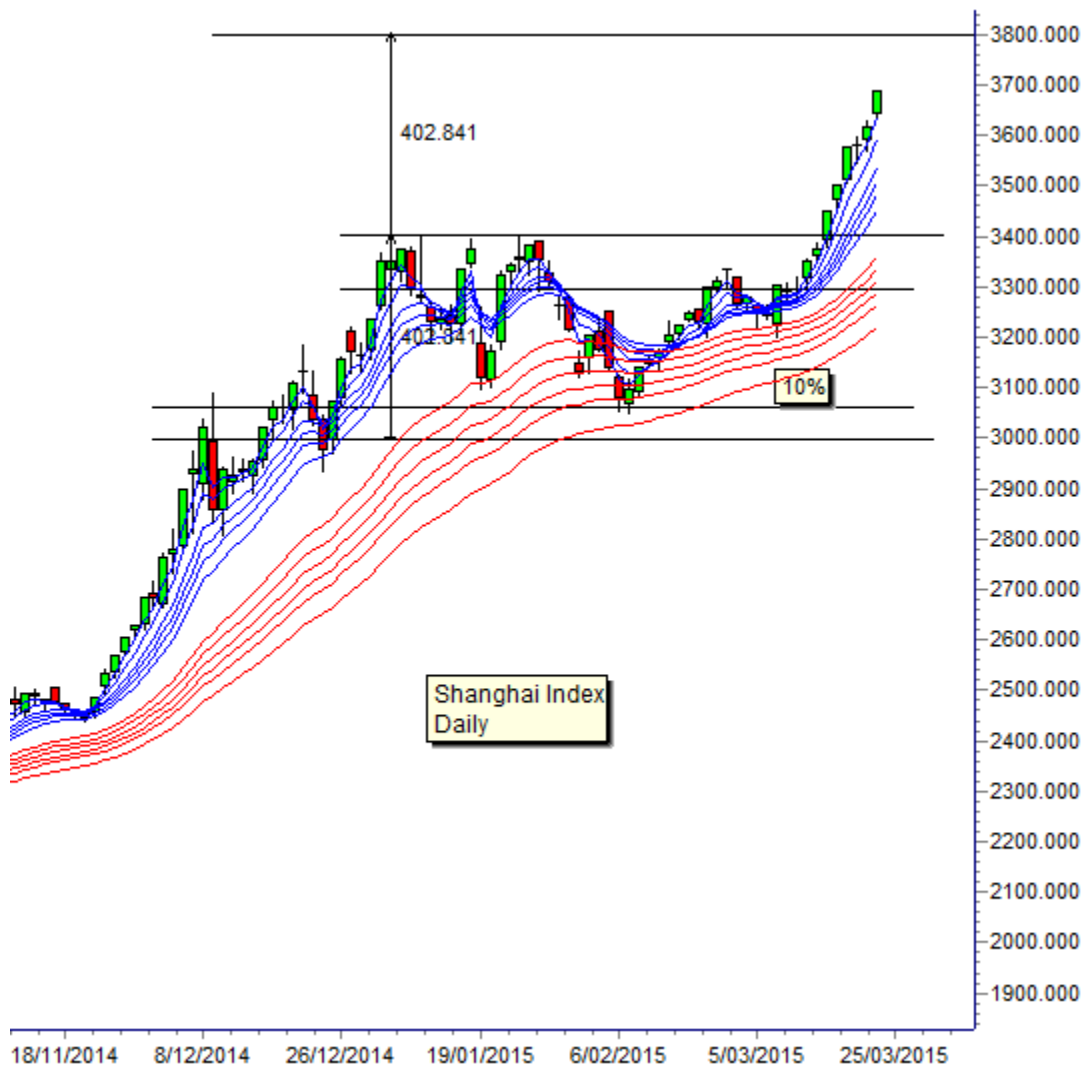
SHANGHAI INDEX, CHINA

By Daryl Guppy

The Shanghai Index has moved quickly above the upper resistance level near 3400. This is an important level because it is also near the peak of 3478 of the market achieved in 2009 August.

The first target for a breakout above 3400 is calculated from the consolidation band between 3000 and 3300. This gives an upside target near 3600. The second upside target is calculated from the width of the consolidation band between 3000 and 3400. This is calculated from a breakout from the 3400 level and gives an upside target near 3800.

These upside targets are compared with the long term resistance levels calculated from the monthly chart of the Shanghai Index. The market has long term historical resistance near 3750. This is the most important level so 3750 is the possible target for a breakout above 3400.



After the very fast uptrend starting from near 2050 the Shanghai index reached a peak of 3400. The index developed a consolidation band starting 2015 January. The conciliation band is an important feature in the uptrend because it provides a foundation for a continuation of the uptrend.

On the longer term weekly chart there is not any resistance level between 3400 and 3750. This means it is a high probability that the index will quickly move to the historical resistance target near 3750. Investors will watch for a fast moving rally.

The Shanghai index did retreat from 3400 but the retreat did not exceed 10%. This shows the retreat was a technical trend correction and not a trend change. This technical trend correction has been continued with the breakout above resistance near 3400.

The long term Guppy Multiple Moving Averages are well separated showing strong investor support for the uptrend. The long term GMMA is moving upwards and has a consistent degree of separation. The lower edge of the long term GMMA is near 3150. This provides a new support region.

The short term group of GMMA averages has also developed a strong uptrend and good separation. This shows traders have increasing confidence. This buying power will help the uptrend breakout to develop quickly and move towards 3750.

The fast uptrend breakout may develop consolidation round the 3750 to 3800 level. The nature of this consolidation will help to develop better calculations for upside targets. A breakout above 3750 has historical resistance near 4100. This level is also the same as the width of the trading band projected above 3750. The 4100 level is a long term target for the Shanghai Index uptrend.