

SINGAPORE FALLS; CHINA RISES

By Daryl Guppy

The STI continues to fall towards temporary support near 3150 with long term support near 3050. Its unlikely to be a straight fall, but this is the target area.

In contrast the Shanghai Index continues to develop the W pattern reversal. Investors wait for a confirmed retest of the historical support level near 3400. The momentum of the retreat from 4200 has slowed and this confirms the consolidation behaviour.

In this market traders look for stocks exhibiting the same behaviour as the index. The retreat below 4000 creates the conditions for a W pattern and this is part of downtrend consolidation behaviour. The W chart pattern has three components.

The first component of the pattern is a test of a support level. This support level is a trading band near 3400 to 3600. Investors are prepared for a retest of support near 3400.

The second component of the pattern is a rebound rally followed by a retreat. The peak of this rally is the middle top of the W pattern. The value is 4184.

The third component of the pattern is a retest of support followed by a rebound rally. The rebound rally forms the right side of the W pattern. Currently the index has developed a pause between 3600 and 3800. In an ideal W pattern the index will retest support at 3400.

This retest may be a single day with a rapid down spike followed by a rapid intraday rally. This creates a bullish dragonfly doji candle stick pattern or a hammer candle stick pattern.

The W pattern is a consolidation pattern that signals the beginning of a new uptrend. The pattern is confirmed when the rebound rally is able to move above the middle peak of the W at 4184.



The depth of the W is measured and this value is projected above the middle peak of the W near 4184 to give an upside target near 4980. This target projection is verified using historical support and resistance levels. The W pattern target is adjusted because of the strong historical resistance near 4600 and 5000. When the W pattern breakout above 4184 continues then the first breakout target is near 4600 and the second long term breakout target is near 5000.