S&P 2015 REBOUND TREND STRENGTH

By Daryl Guppy

At the beginning of 2015 the S&P index has risen 14.5% in 2014. Many analysts were worried that the S&P would collapse. The chart pattern did not support this conclusion. Six months later there are new warnings of the imminent collapse of the S&P, the DOW and the NASDAQ. Again the chart patterns do not support these disaster warnings.

Eventually these markets will retreat but any retreat will be foreshadowed by the development of end of trend chart pattern behaviour. Rather than mindless quivering with a fear of heights it makes more sense to understand the current patterns of behaviour and understand how to recognise the potential end of trend patterns as they develop.

The S&P trend moves between well defined trading bands. The market breaks above the resistance level and moves steadily towards the second resistance level calculated by the height of the trading band. The market consolidates near the second resistance level and then retreats. The retreat may use the lower level in the trading band as a support level. The rebound from this lower support level moves above the top of the trading band resistance level. The process of breakout, consolidation, retreat and rebound breakout is repeated. This creates a step and stairway trend pattern. This pattern has been in place with the S&P index since 2011 October.

This is a strong trend pattern with each upthrust target defined by the width of the trading bands. The market has broken through the consolidation around 2000. The trading band calculation provides a target near 2150. This target is in reach with the rebound rally from the low near 2050.

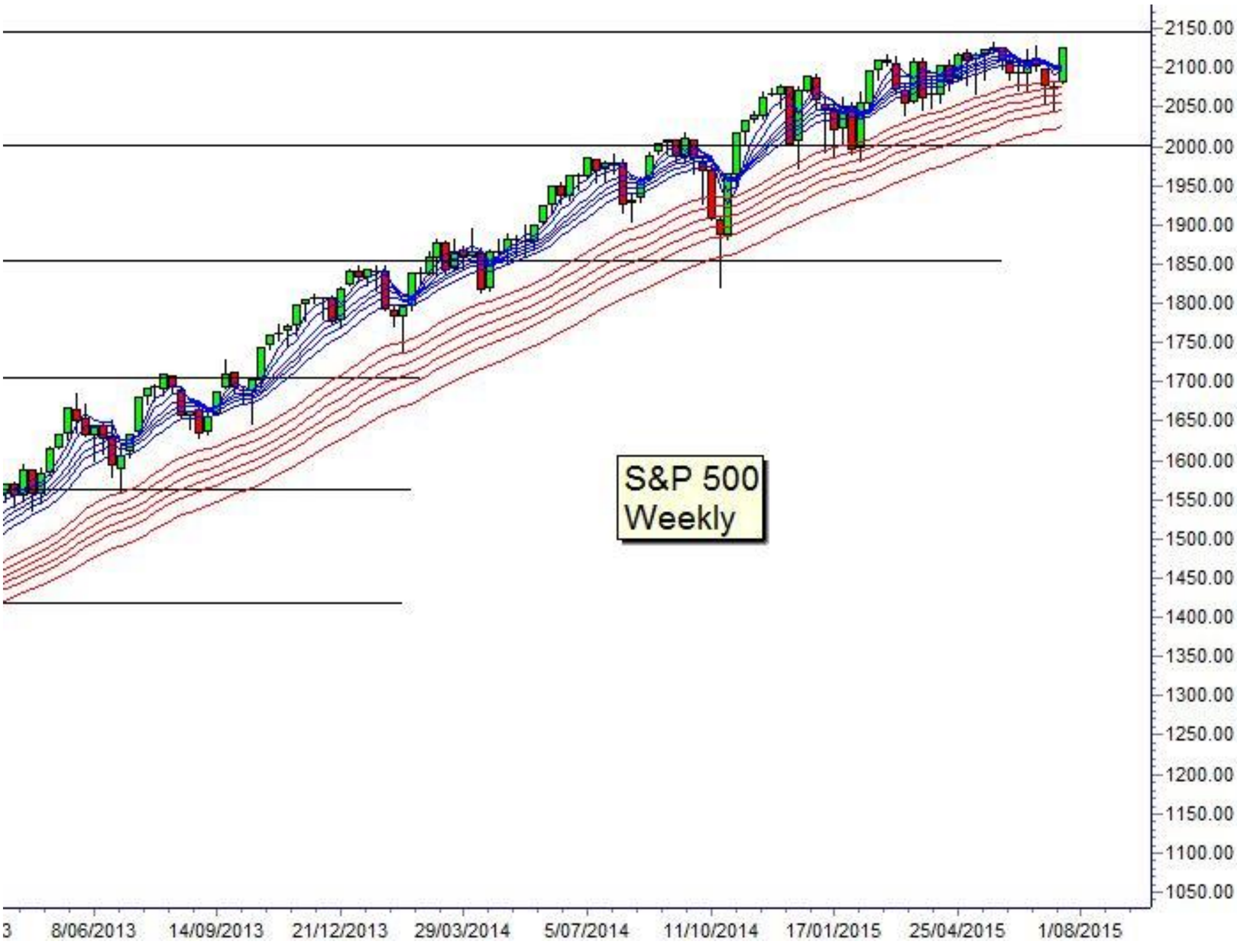
The S&P index shows it takes between 5 and 8 months for the index to reach and then breakout above the top of each trading band. This suggests the S&P can move above 2150 before the end of August.

A breakout above 2150 has a target near 2300. Using the same time method this suggests 2300 can be achieved around March 2016.

This is a very steady and well supported up trend. The long term group of averages in the Guppy Multiple Moving Average indicator have remained consistently separated since 2012 November. When the S&P retreated substantially in 2014 October the long term GMMA did not develop any compression. This confirmed the exceptional strength of this uptrend. The recent retreat in the S&P also has not triggered compression in the long term GMMA.

The S&P 500 is not showing any pattern development which indicates a major correction or change in the trend so the uptrend has a high probability of continuing in the second half of 2015..

There are three significant patterns that indicate a major trend change. They are best seen on a weekly chart where each candle represents a week of trading activity.



The first of these patterns is the head and shoulder pattern. The second is the rounding top pattern. The third is a blow-off top pattern follows a period of extreme upwards momentum. None of these three trend reversal patterns currently appear on the S&P chart. Nor do these patterns appear on the DOW or NASDAQ charts. This suggests there is a low probability of a change in the trend direction in the second half of 2015.