

HANG SENG, HONG KONG

By Daryl Guppy

The Hang Seng has established a clear downtrend with the retreat below 21000. The downside target is near 19000. The index has penetrated the resistance levels near 21000 and the support level near 19000 but these still remain a good guide to the limits of rally and retreat activity.

The most important change is that now the down trend line acts as a new resistance level for any rally rebound from near 19000.

The Hang Seng behaviour is defined by well established support band resistance levels. On the current chart the key levels are at 19,000, 21,000 and 22,500.

The previous rally from 19,000 faced strong resistance near 21,000 and the move above 21,000 was unsustainable. This level has been tested frequently as a support and a resistance level. We noted several weeks ago that there was a high probability the market would retreat from 21,000. Traders watch for a consolidation near 21,000 and were ready to go short. They have been rewarded. They have been rewarded again with the second retreat from 21000.

