

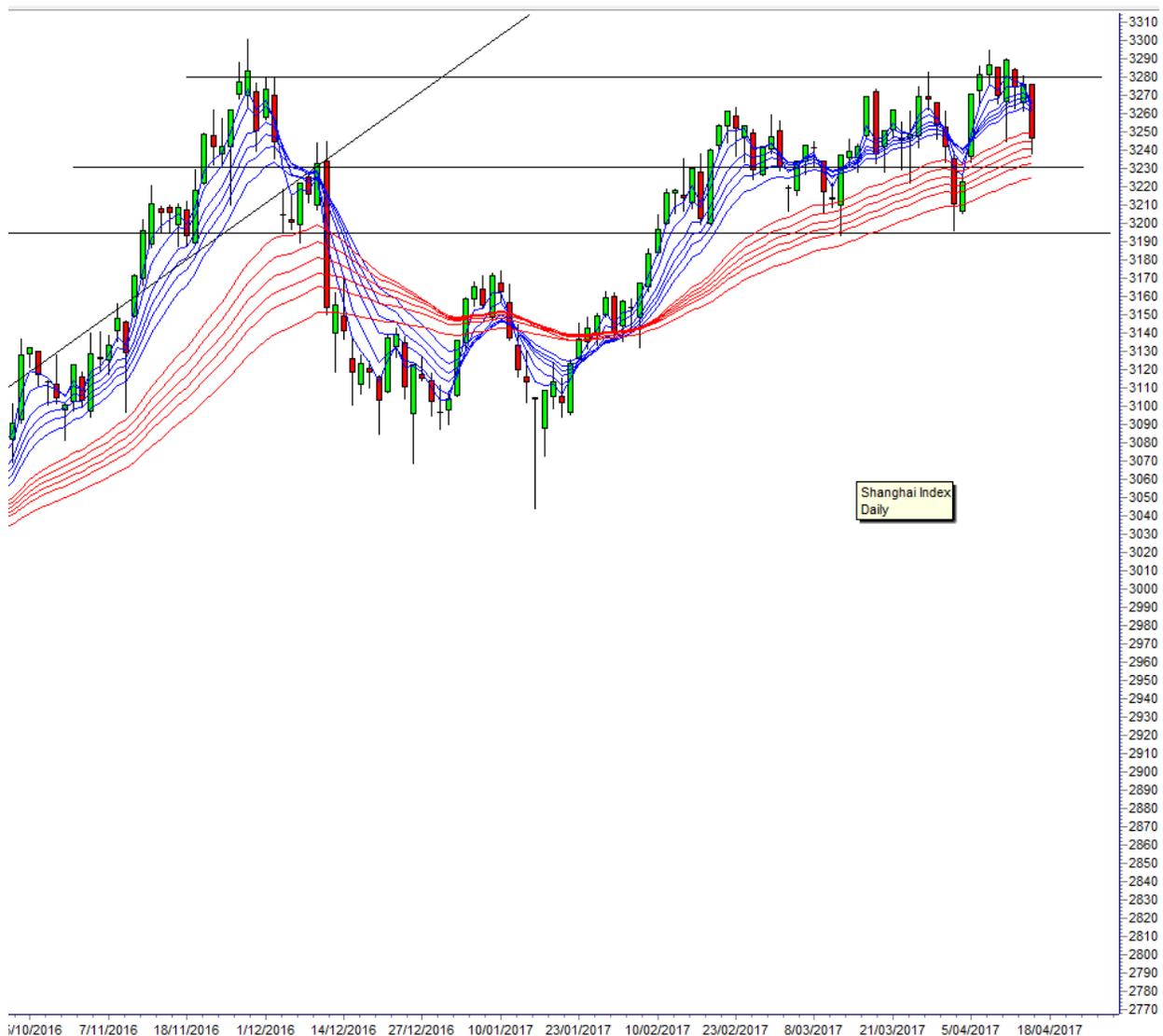
SHANGHAI INDEX, CHINA

By Daryl Guppy

The Shanghai Index move above resistance near 3280 has not developed into a strong breakout. Resistance at this level is strong and the index has developed increasing volatility around the 3280 level with some sharp dips and rebounds. April 14, Friday, the index again test support near 3230.

The upper edge of the long term group of Guppy Multiple Moving Averages has been successfully tested as a support level.

The long term group of GMMA averages is used as an indication of the thinking of long term investors. In a strong trend when the group is widely separated they act like an airbag to absorb selling pressure.



On April 11, Tuesday, the market dipped to 3244, touching the upper edge of the long term GMMA. Investors saw this as a buying opportunity and their buying

helped the index to a close of 3289. We infer this because the long term group of GMMA averages did not develop any compression in response to this index dip. Investor buying absorbed the short term sell-off.

The same behavior is seen on March 30 and March 31 when this long term group remained well separated and absorbed the selling pressure.

This consistent wide separation is evidence of good support for the longer term uptrend despite the short term rally and retreat behavior of the index. Investors carefully watch this indicator for evidence of compression in the long term group of averages. Compression shows the uptrend is weakening as it can no longer as easily absorb the selling pressure.

The 3280 resistance level is well established so consolidation behavior is expected at this level. Both traders and investors will be more confident about the market when the retreat behavior used the 3280 level as a support level rather than the upper edge of the long term GMMA. The current index behavior suggests developing caution in the market.

Shanghai Index has a wide consolidation pattern between 3195 and 3280. Over recent months the indexes has oscillated around the 3230 level. This oscillation remains bullish because the index continues to spend most of the time trading in the upper half of the trading band between 3230 and 3280.

The weekly Shanghai index chart shows the daily index activity in a strategic environment. The weekly chart shows the current index activity continues to cluster around the lower edge of the trading channel and use this as a support level. This shows steady trend behavior rather than extreme bullish behavior. This suggests the uptrend pressure is stable. The weekly chart shows a steady uptrend starting one year ago in 2016 March. This is a steady uptrend moving towards long term resistance near 3400.