

SHANGHAI INDEX, CHINA

By Daryl Guppy

The Shanghai Index breakout above 3000 resistance was very strong. The inevitable pullback is developing but this pullback has strong support from several chart features. The behavior of the Shanghai Index remains bullish.

There are four support features on the Shanghai Index chart. The first support feature is the value of the lower edge of the short term group of Moving Averages. This is currently near 3050. The short term GMMA is well separated and this shows strong support from traders. The index can dip and test this short term GMMA support level before developing a continuation of the rally. This is the most bullish development.



The second support feature is the upper edge of the long term GMMA group of averages. The value of this is near 3020. This value is above the long term resistance level near 3000. The behavior of the long term GMMA shows a steady developing degree of separation. This indicates strong investor buying. The long term GMMA provided a support feature in July and early August when the index retreated below 3000.

The third support feature is the historical support and resistance level near 3000. This has been a significant feature of the market for many years. The index has oscillated around the 3000 level since 2016 March.

The fourth support feature is the upsloping trend line and the lower edge of the long term GMMA. These features are near to each other and are considered as a single support feature. A market fall to these levels would be a substantial fall but this combination of support features is strong enough to provide a good rebound point for a continuation of the uptrend.

A new uptrend is confirmed when the index moves above the 3000 level and then successfully tests the 3000 level as a support level. Traders and investors wait for this retest and rebound rally to develop.

When the Index has a confirmed breakout above 3000 then the breakout target is near 3400.