

SHANGHAI OSCILLATION

By Daryl Guppy

The 3000 resistance level in the Shanghai Index is proving to be a formidable barrier. The Shanghai Index is oscillating around this value, moving slightly above the 3000 level and then dropping slightly below the 3000 level. This oscillation has a bullish bias. There are four bullish features on the Shanghai Index Chart.

The first bullish feature is the development of an uptrend line. This starts from the low near 2780 on May 26. The short term upsloping trend line is bullish. The current value of the uptrend line is near 2919. This means the index could retreat to 2919 and still remain consistent with a long term uptrend development.

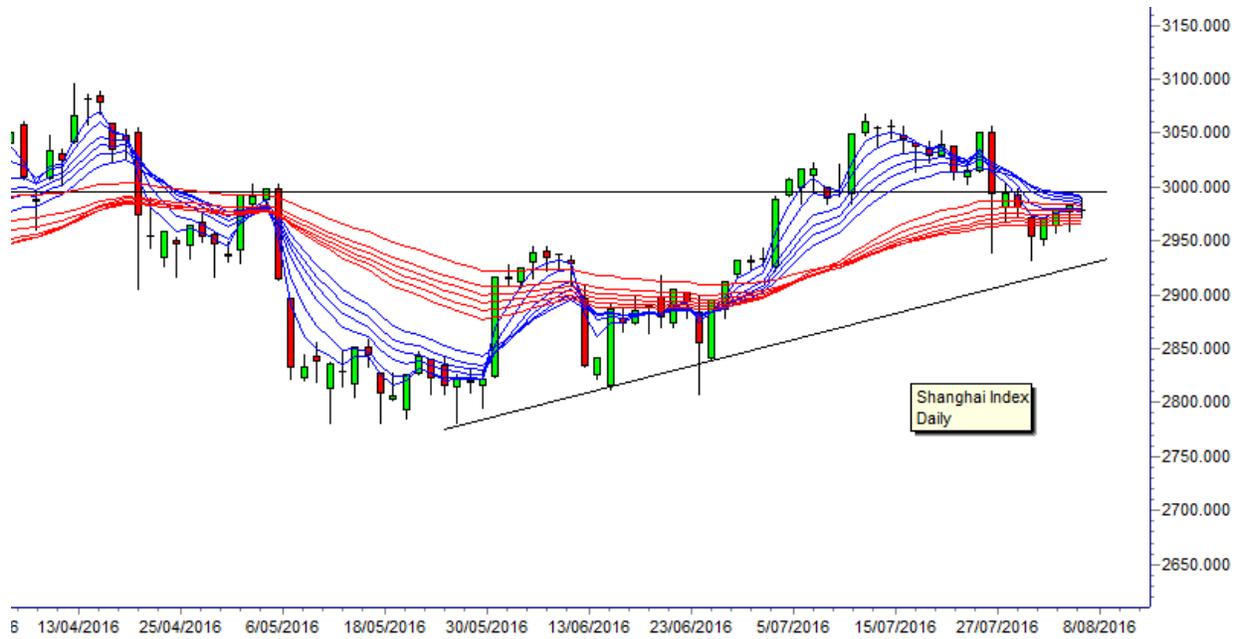
The second bullish feature is the relationship in the Guppy Multiple Moving Average indicator. The recent rally lifted the index to the upper level of the long term group of averages in the Guppy Multiple Moving Average index and the index has tested this level. The Index has now dropped to near the value of the lower edge of the long term GMMA. . The short term GMMA has turned down and has moved into the upper edge of the long term GMMA.

The long term GMMA has continued with a narrow degree of separation and is now showing a slight indication of moving sideways. This combination of short term GMMA and long term GMMA behavior is often associated with a retreat and rebound rally tests of the uptrend.

The third bullish feature is the way the Shanghai index has developed temporary support and resistance behavior near 2950. This is a consolidation within the upper section of the broad consolidation band between 2650 and 3000. The 2950 level is near to the value of the uptrend line so this also confirms the trend line as a support feature.

The fourth bullish feature is the general environment for the Shanghai Index. The environment is bullish but the uptrend development is not smooth. The new up trend is a little weak and fragile. A new uptrend is confirmed when the index moves above the 3000 level and then successfully tests the 3000 level as a support level.

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



The weakness of the breakout is confirmed with fundamental analysis. The DOW has added around 1000 index points in 2016. Three stocks, 3M, IBM and United Health have contributed 54% of that gain. A total of seven stocks make up 97% of the year to date rise in the Dow 30. These are Johnson and Johnson, Caterpillar, Exxon and Chevron. The fundamentals of this rally confirms the chart analysis.