Last week we noted the STI had retreated and was testing the upper edge of the long term GMMA as a support level. Traders prepared to go long. The entry signal for the long trade is a move above the upper edge of the short term GMMA as shown on the OANDA chart. This rebound did not develop and aggressive traders had to close long positions quickly. Instead the market again plunged and tested the lower edge of the long term GMMA. Traders watch for further weakness.

In our personal trading we continue with FX markets and to trade the index using CFDs for short term 10 to 50 minute trades. The techniques for these trades have been discussed in previous newsletters.

There are three parts to the solution to surviving in these market conditions. . The first part is to wait until there are clear signals of a market bottom and trend reversal. That's covered in our weekly Index notes. The daily STI chart shows a bottom and reversal but on the weekly chart this is clearly a rally in the context of a strong downtrend so traders treat the rally with caution.

The second part is to move to short term trading of indexes and equities using CFDs. This leverages the returns and reduces the time frame. It is active trading and requires free time during market hours. We know this does not suit many of our readers who are part time traders.

The third part of the solution is to shift attention to different leveraged markets which trade outside of Singapore working hours. That's the FX market and its one of the reasons for our 18 month focus on developing suitable techniques for trading these markets.