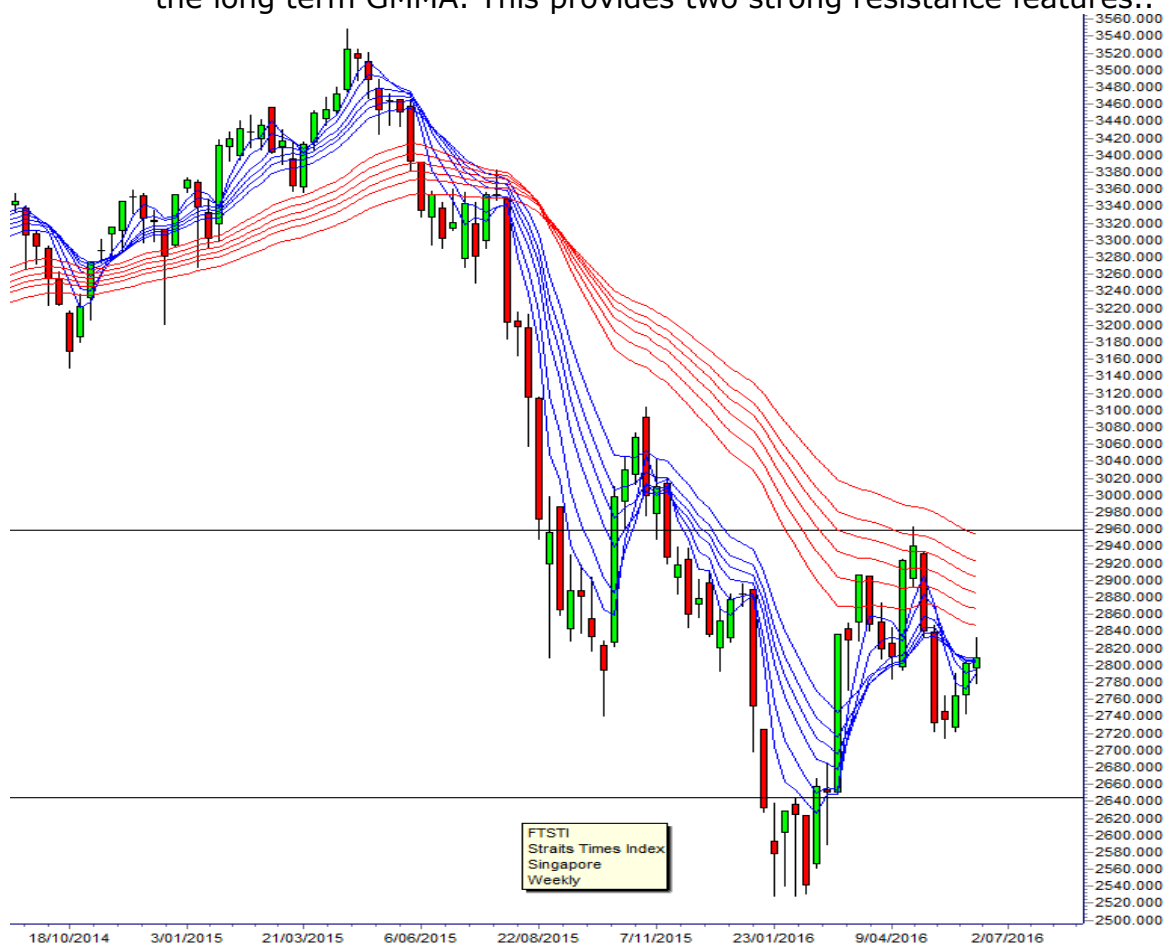


STRAITS TIMES INDEX, SINGAPORE

By Daryl Guppy

The April rally in the Straits Times Index failed and the current rally also has a high probability of failure. This is another rally in the context of a well-established downtrend and it does not have the characteristics of a trend breakout. The key features on this chart are:

- The GMMA relationships. The long term GMMA is well separated. After a small flattening it has resumed the downtrend. This shows investors have resumed selling.
- The short term GMMA is developing the pattern of rally, retreat and retest rally typical of a trend change. This is mildly bullish but the width of the long term GMMA separation limits the potential for a rally to develop into a breakout.
- The key resistance level is near 2960. This is near the upper edge of the long term GMMA. This provides two strong resistance features..



The conclusion is that this rally has limited momentum.. Traders are ready to go short on any retreat. Traders watch for breakout patterns to develop after this prolonged fall but this is a long term proposition..