

STRAITS TIMES INDEX, SINGAPORE

By Daryl Guppy

This is a rally in the context of a well-established downtrend. The key features on this chart are:

- The GMMA relationships. The long term GMMA is well separated. It is showing some indication of beginning compression but this is a narrowing of the long term GMMA, not a trend change..
- The short term GMMA has not developed the pattern of rally, retreat and retest rally typical of a trend change.
- The key resistance level is near 3040. This is an above the upper edge of the long term GMMA so reaching this level is a formidable task.
- Support near 2700 has been tested and it has failed. This shows downtrend strength
- There is no consolidation pattern development that usually precedes a trend change.

The conclusion is that this is a rally and not a trend change. Traders are ready to go short, and then ready to cover short as a new rebound rally develops. Traders watch for consolidation patterns to develop after this prolonged fall.

