

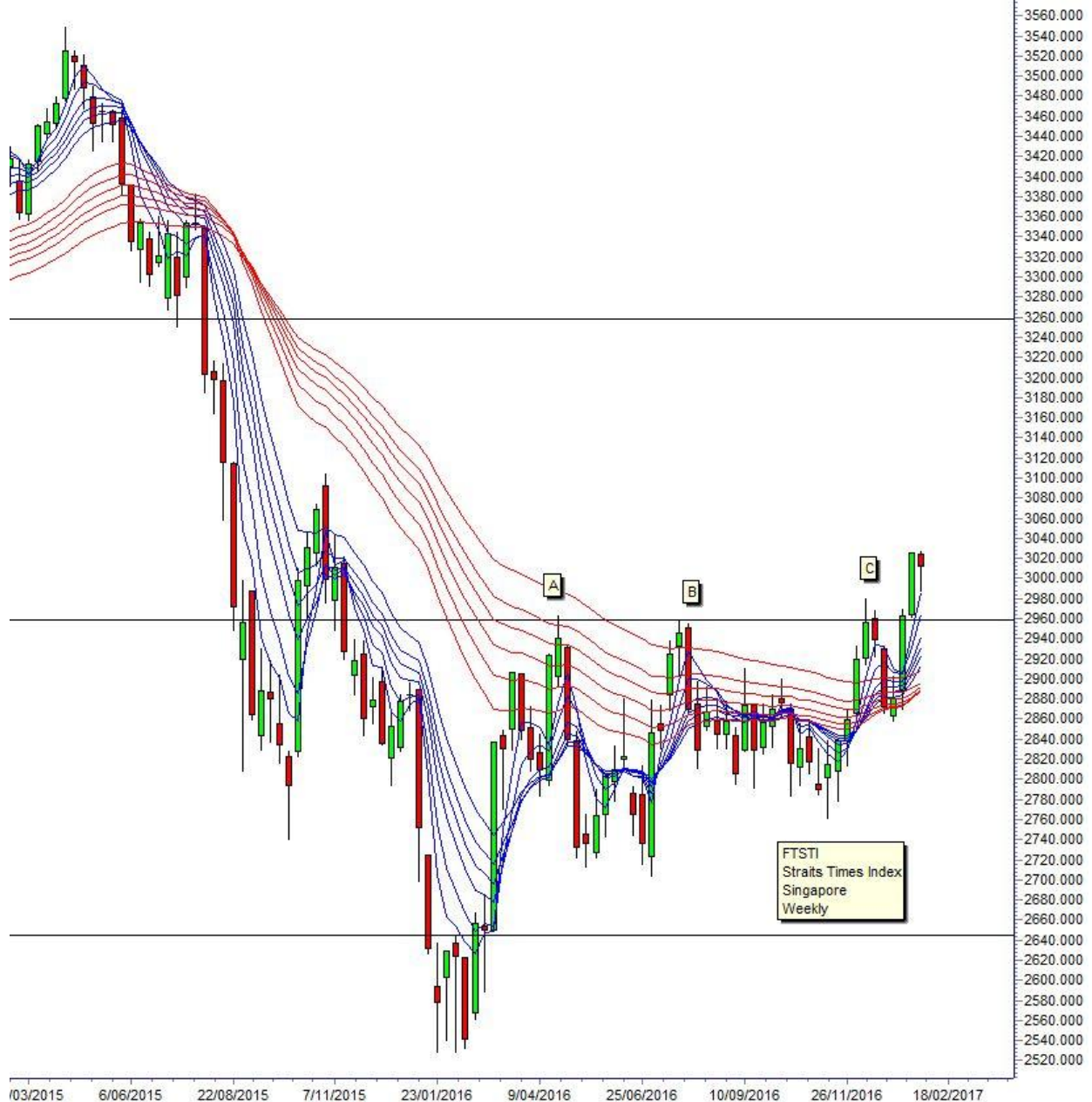
STRAITS TIMES INDEX, SINGAPORE

By Daryl Guppy

The STI has completed a classic three step GMMA breakout and trend reversal. This is a test and retreat of the GMMA resistance at area A. The rally does not move above the upper edge of the GMMA. This is followed by another test and retreat at area B, but this time the breakout moves above the upper edge of the GMMA.

The third rest and retreat is area C. Here the breakout moves above the upper edge of the GMMA but the retreat used the upper edge as a rebound support point.

This pattern is usually associated with sustainable long term trend breakouts.



We already see a remarkably quick compression in the long term GMMA and as rapid turn up in this group of averages. This is a very strong buy signal. The character and shape of the new uptrend is not yet known. It may be defined by strong GMMA behavior, by a easily placed trend line, or it may be more volatile and defined with an ATR line.

However, using trading band analysis, we set a longer term upside target near 3260.

The one threat comes from newly announced US policies in relation to China and the South China Sea as noted in the newsletter management notes.