TOUGH S&P RESISTANCE OPPORTUNITY

By Daryl Guppy

The 2130 level is a tough resistance level for the S&P 500 index and this offers traders three types of opportunity. The 2130 region has acted as a resistance barrier multiple times since March 2015. It's not an exact figure, but when the S&P gets between 2050 and 2130 the market loses momentum, stagnates and then suddenly retreats.

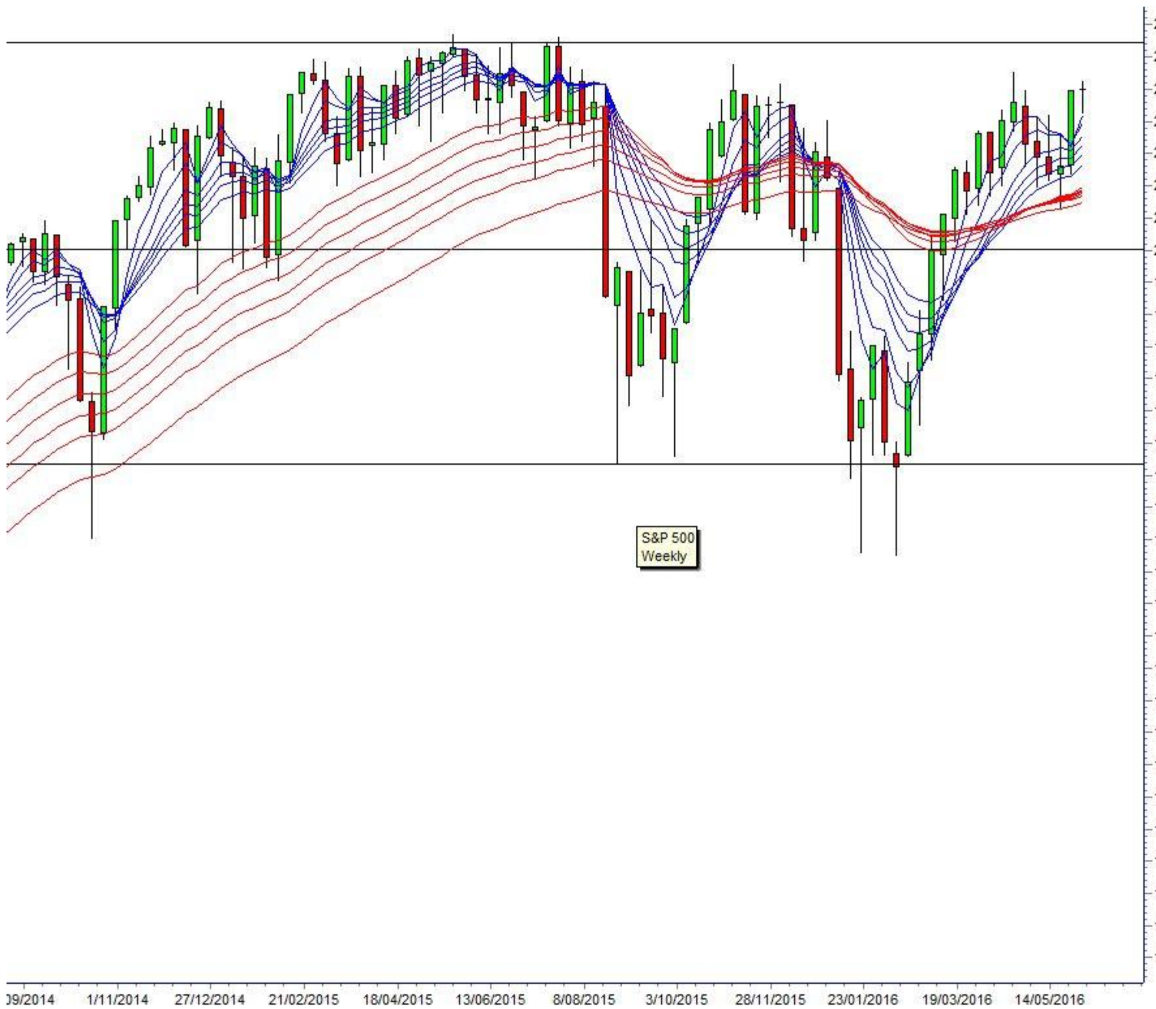
So that's the first trade opportunity. Traders stand ready to go short as the S&P reacts away from the 2300 region. The downside target is near 1870 and that has also been hit on several occasions since March 2015.

In a technical sense the S&P 500 is trading in a broad consolidation band between 1870 and 2300. The index is oscillating around a central band near 2000. Analysis with a Guppy Multiple Moving Average indicator doesn't help traders identify a trend break or continuation. The pattern of GMMA behavior confirms this sideways oscillation.

This is a rally and retreat market and we trade it using the ANTSYSS trade method to capture the reversals near each of the support and resistance levels. This is market hated by investors, but traders find it attractive with two 14% move from bottom to top every year. Three or even four 14% moves if you also trade the short side retreat. That's a return achievable without trying to time the market exactly because the reversal points and confirmations are clear and easy to follow.

It's the second trade opportunity that is also particularly interesting. This is an upside breakout. When a resistance level is well established it takes a lot of pent-up pressure to break above the level. When the breakout occurs it is often powerful and moves quickly. A sustained move above 2130 has an initial upside target near 2260.. This target is calculated by taking the width of the trading band between 2000 and 2130 and projecting it upwards.

The intermediate targets in the long rise of the S&P 500 from the beginning of 2010 were all calculated using this trade band projection method and were detailed in many S&P 500 analysis notes in this column.



The third opportunity is for the short side traders. This opportunity develops when the index moves below the support level near 1870. This gives a downside target near 1740. This is a low probability outcomes as the bulk of the consolidation activity takes place near the 2130 level and this suggests an overall bullish bias to the market.