

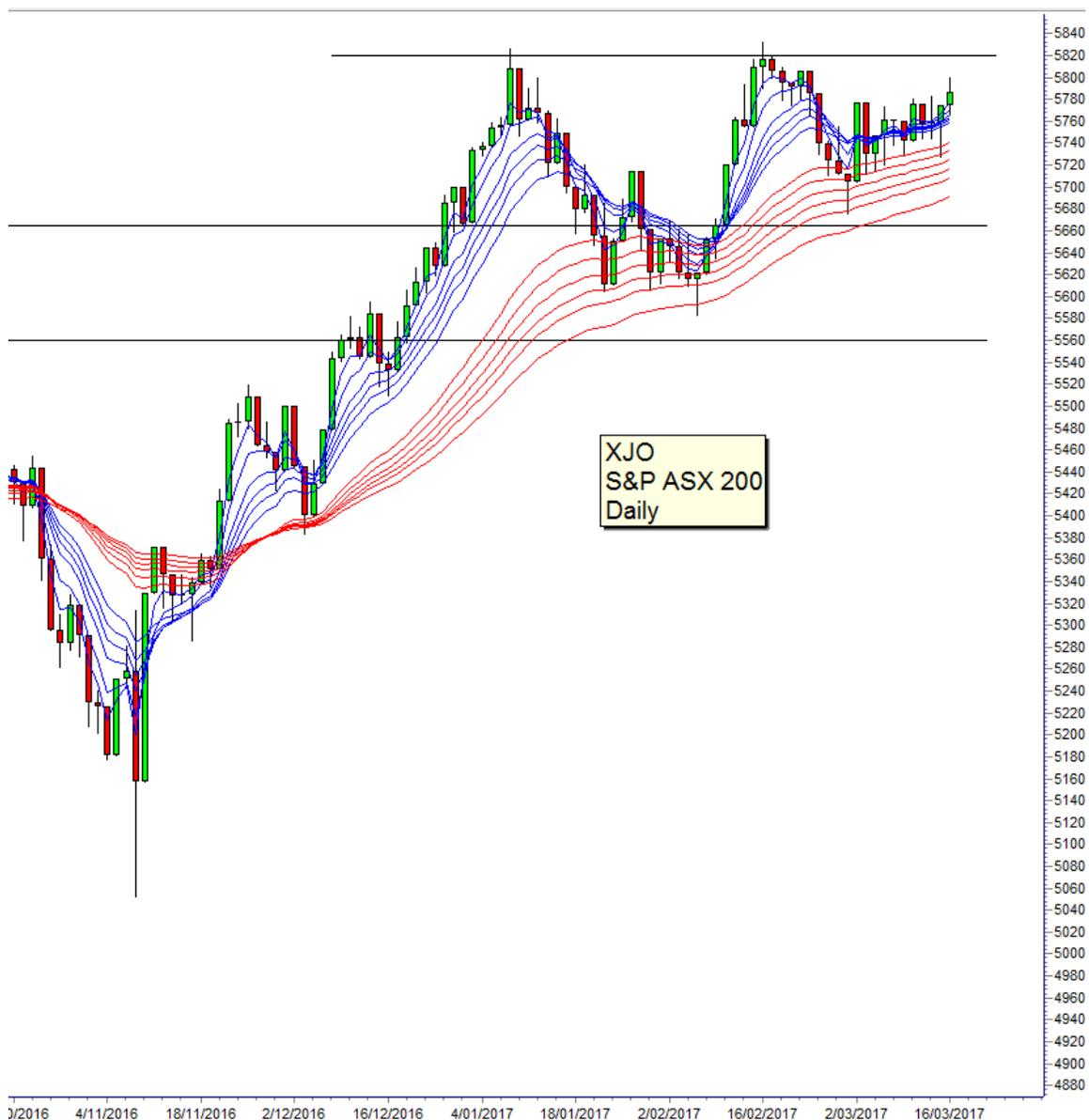
XJO, AUSTRALIA

By Daryl Guppy

The longer term XJO uptrend is intact but trend strength has developed some strength. This is evidenced by the way the XJO constantly tests the upper edge of the long term GMMA. Significant resistance is near 5820.

This remains a bullish environment, but it's nowhere near the strength of the US bull market.

Dips towards the lower edge of the trading band are entry opportunities. A breakout above 5820 is the most important bullish feature. The financial media thinks 6000 is important because it's a round number. Traders who act on the 5820 breakout will have a significant advantage over those who wait for a 6000 breakout.



The 5820 developed into a short term resistance level. The XJO developed consolidation around this level and has moved towards the lower edge of the short term GMMA before a new rally rebound. Traders wait for rebound activity and prepare to buy new highs.

The short term GMMA remains above the long term GMMA and adds to bullish indications. The lower edge of the long term GMMA have moved above historical resistance near 5660 and this is bullish.

The XJO has traded in trading bands. These have exerted long term influence on the market. Using trading band projections the next target is near 5880 and then 6040. Note that this is a little above the previous historical resistance level near 5990 which was a significant barrier in March to May 2015. This suggests the first target is 5990 with the potential to spike to 6040.

The GMMA relationships suggest this is now a well-established trend. This is now a strongly bullish environment where index retreats are treated as a buying opportunity.

Support is near 5660, the upper edge of the previous trading band.

SUBJECT SUMMARY

INDEX NOTES

Each week we carry index analysis notes for regional markets. These are the markets in Singapore, Malaysia, Hong Kong, Shanghai, Thailand, Taiwan and Korea. Each market is covered once every six weeks or more often if there are significant market developments. The objective of the notes is to provide an analytical, technical background to assist readers in making better trading and investment decisions.