

CHINA IGNORES TRADE WAR THREAT

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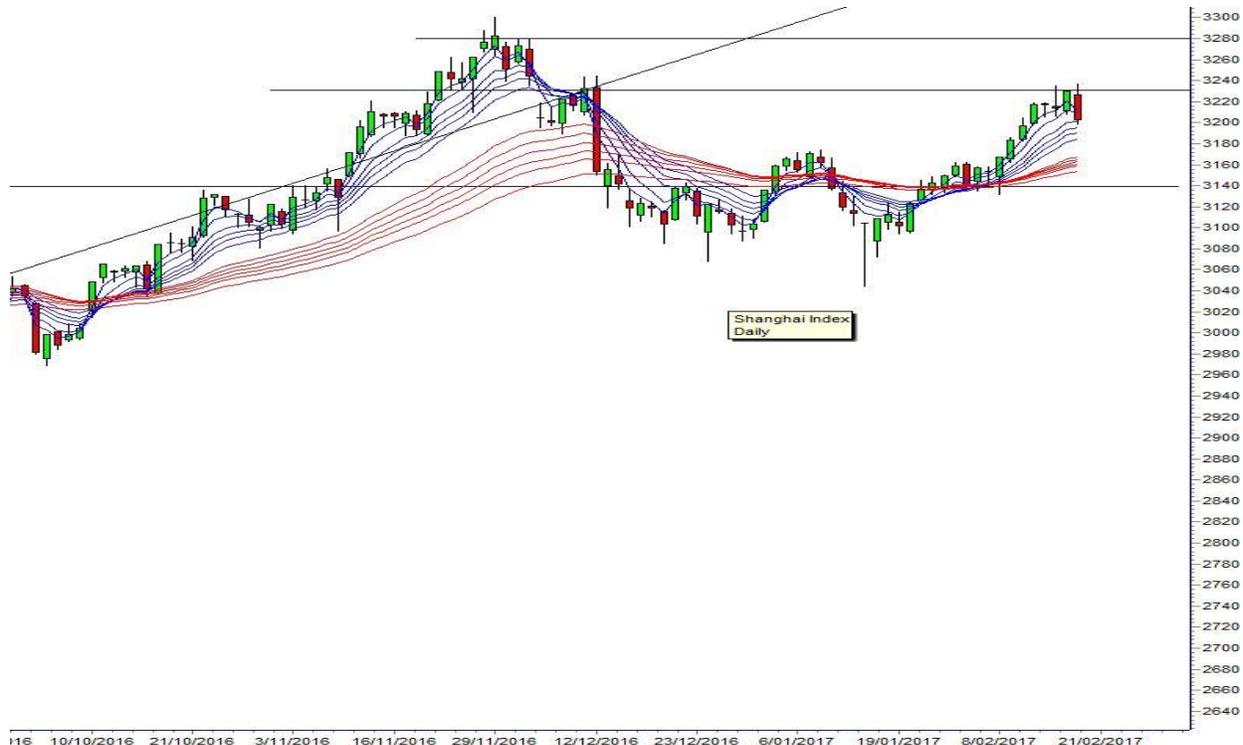
President Trump and his advisors were loud in their threats of a trade war with China but the Shanghai Index charts shows China is shrugging off this rhetoric. The strong Shanghai Index rally suggests they believe Trump is a paper tiger.

The Shanghai Index uptrend breakout moved quickly and developed good strength. Investors now watch for a consolidation period to develop around temporary resistance near 3230. The consolidation often precedes a continuation of the uptrend with a breakout towards a long term target of 3400.

The recent temporary resistance level that developed near 3175 has been broken. This level is potentially a support level for any reaction retreat in the index. The move above 3175 was bullish and achieved the upside target near 3210. This confirmed that a trend change has developed and that the downtrend pressure has weakened. This means the current activity is part of a trend change and not just a short time rally.

The long term [Guppy Multiple Moving Averages](#) (GMMA) indicator has compressed and turned up. The lower edge of the long term GMMA is above the level of the upper edge of the trading consolidation band near 3140 and this is bullish.

The short term GMMA moved well above the upper edge of the long term GMMA and continues to develop a steady separation.



Investors watched for a sustained close above the upper edge of the consolidation band near 3140 and this developed in the past week after a successful retest of the 3140 level as a support level.

There are three resistance features in the index are used to set the upside targets for the uptrend continuation.

The first resistance feature is near 3230 around 2016 December 12. At this time the index tested the long term uptrend line as a support level. On December 12 the index dropped quickly below the trend line. The current index rise may encounter temporary resistance near this 3230 level with a consolidation pattern.

The second resistance feature is the previous Index highs near 3280 in 2016 November. This is a psychological resistance level so investors again expect some consolidation to develop in this area.

The third resistance feature is the long term uptrend line that defines the development of the trend in the Shanghai index. The uptrend rally can continue to move upwards using the uptrend line as a resistance feature. The current value is near 3380.