

NIKKEI BREAKOUT STRENGTH

By Daryl Guppy

The Nikkei has developed two powerful breakout patterns. The first pattern is the double bottom pattern. This is created by the low near 14,865 in 2016 February and again in June. This is a very bullish chart pattern and it is used to set a projected upside target.

The double bottom pattern is also sometimes called a W pattern. The distance between the base of the pattern at 14,865 and the peak of the pattern near 17,613 is measured. This value is then projected upwards above the W peak to give the long term upside target. This target is near 20,347.

The breakout develops in two stages. The first target is a rebound from support near 14,865. The first target is 17,613. Traders expect to see some consolidation round this level before the market again breakout in a new rally and moves towards the long term target near 20,347.

The second pattern feature on the Nikkei chart is the down sloping trend line. This line is calculated from the high in 2015 December near 20,012. The placement of the line is confirmed with the high in 2016 April and again in June. The close at 16,497 is above the value of the downtrend line and is the first signal that the downtrend has ended. This is confirmed with the recent close at 16,627 on the weekly chart. This is a bullish feature.

The move from support near 14,865 to the long term target near 20,347 will not be a smooth rising trend. The resistance level near 17,613 is well established. Between 2016 January and April this formed the top of a trading band. In 2015 September this level acted as a support level. In 2014 December and February 2016 the Nikkei oscillated around this level as a resistance point. This is a strong feature on the Nikkei chart so there is a high probability the market will again pause and consolidate around this level for several weeks before continuing the uptrend breakout.

Traders will trade the first section of the breakout between 16,500 and the resistance level near 17,613. Traders will trade the second section of the trend breakout between 17,613 and 20,347 when the consolidation near 17,613 has been completed. Investors will enter near 16,500 and hold on for the long term target near 20,347.

The combination of breakout and rebound features on the Nikkei chart are bullish. Traders will now also watch for the Dollar Yen behaviour with a move higher towards \$1.08. This will also signal a breakout from the downtrend in the dollar yen with an initial upside target near \$1.12.



We use the [ANTSSYS](#) method to trade the Nikkei rally and the Dollar yen breakout.