

SHANGHAI INDEX, CHINA

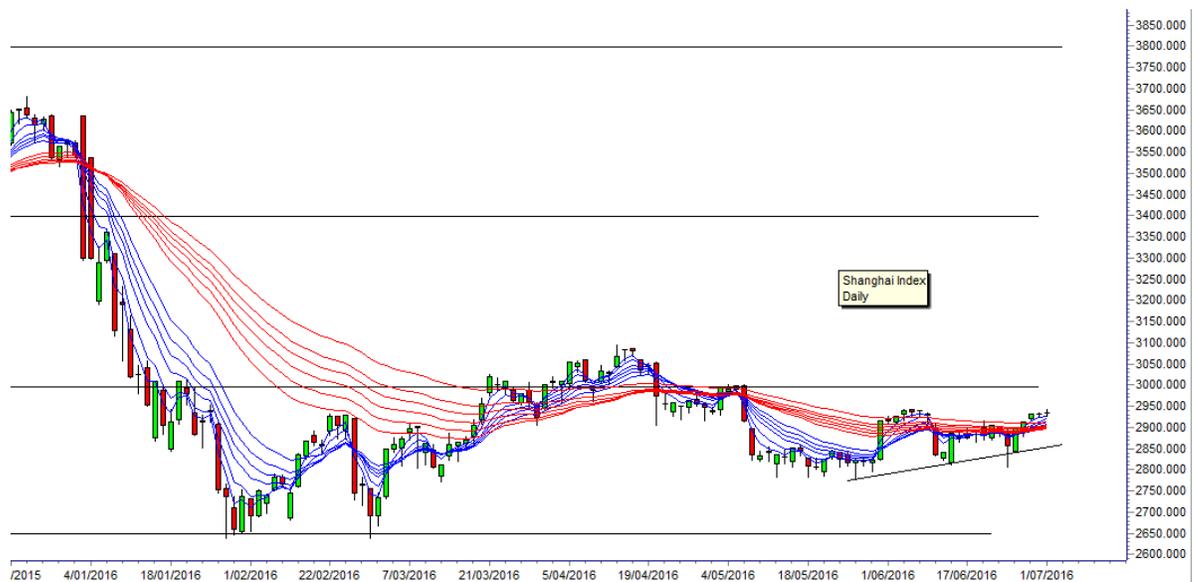
By Daryl Guppy

The most significant development in the Shanghai Index is the successful test of the new uptrend line. The index temporarily dipped below the trend line on June 24, but then closed above the line. June 27 saw the index start at the value of the uptrend line and then develop a strong rally that has continued with a move above the upper edge of the long term Guppy Multiple Moving Average near 2900.

This behavior confirms the bullish bias that has developed in the Shanghai Index consolidation pattern. There are four bullish features.

The first bullish feature is the way the Shanghai index has developed temporary support near 2800. This is a consolidation within the upper section of the broad consolidation band between 2650 and 3000. The consolidation support in the upper area of this broad consolidation band is bullish.

The second bullish feature is the development of an uptrend line. This starts from the low near 2780 on May 26. The position of the line was confirmed on June 15 and again on June 27. The short term upsloping trend line is bullish.



The third feature is the relationship in the GMMA indicator. The recent rally lifted the index to the upper level of the long term group of averages in the Guppy Multiple Moving Average index and the index has tested this level for the past week. The short term GMMA has turned upwards and has moved into the lower edge of the long term GMMA.

The long term GMMA has continued with a narrow degree of separation and is now showing a slight indication of turning upwards. This combination of short term GMMA and long term GMMA compression is often associated with a change in the trend but it is too early to confirm a trend change.

The fourth bullish feature is the close above the upper edge of the long term GMMA. This is part of the breakout and retest of the support level created by the upper edge of the long term GMMA.

Both groups of averages have compressed and this shows investors and traders are growing a little more confident about a new uptrend development. However any new trend is weak and fragile. A new uptrend is confirmed when the index closes above the 3000 level.

The key feature on the Shanghai Index chart is the strong resistance level near 3000. Traders and investors watch for a successful test of resistance near 3000. A breakout above this level has target near 3400.

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.