

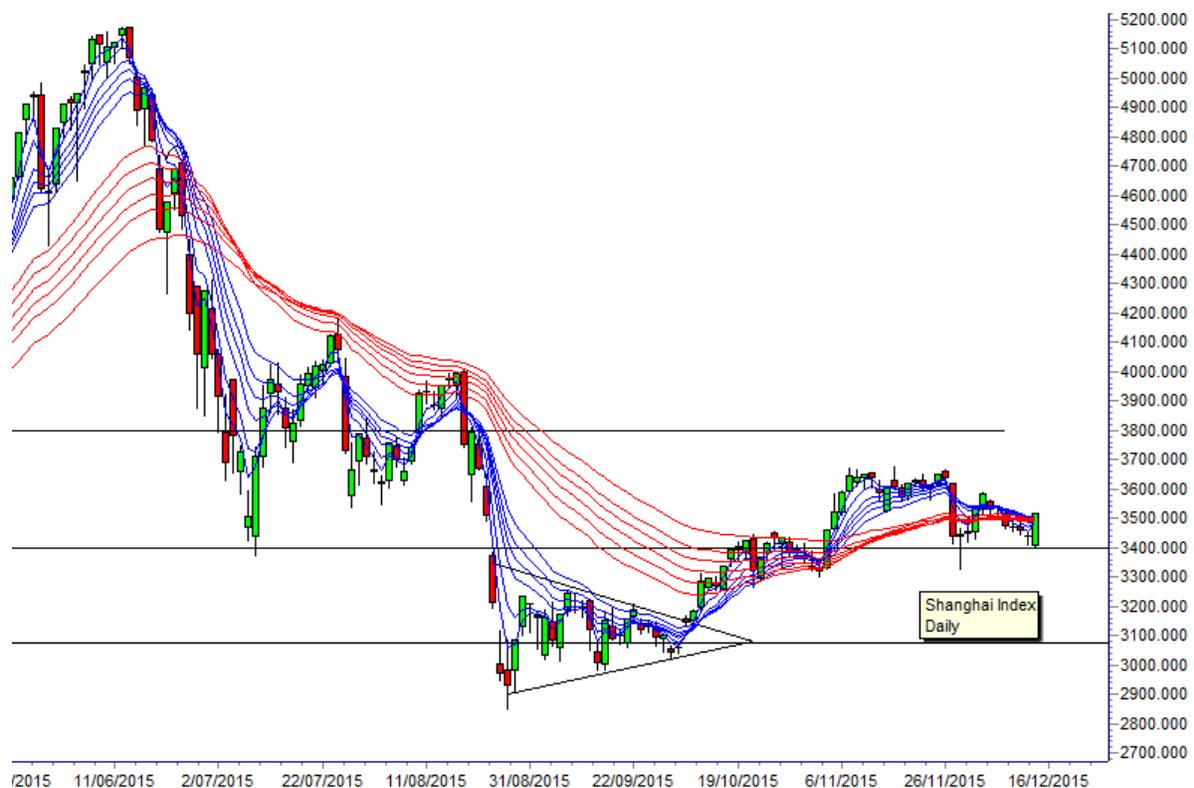
# **SHANGHAI INDEX, CHINA**

*By Daryl Guppy*

The Shanghai Index continues to develop the sideways consolidation pattern between support near 3400 and resistance near 3800. The rebound rally from near 3400 found resistance near 3600 and is now moving towards support near 3400.

The most significant feature of the chart is in the behaviour of the Guppy Multiple Moving Average indicator. The long term group of averages remains compressed and this shows weak buying support from investors for the new uptrend. However the long term GMMA is not moving down and expanding. If this behaviour develops then it shows that investors have become sellers and this is very bearish.

The long term GMMA moved sideways when the market dipped on November 27 and it has continued to move sideways. This shows investors have not joined the selling. The long term GMMA continues to provide support for the developing uptrend behaviour in the index.



The short term GMMA has continued to dip towards the long term GMMA. The short term group uses the upper edge of the long term GMMA as a support level. This is bullish behaviour that suggests the uptrend will continue after pausing in a period of sideways consolidation.

Support was successful near 3400 in November and this confirms the importance of this support and resistance level. There is also strong recent resistance near 3650 so the rally retreat from near 3600 is not a surprise. This

retreat may signal a period of a few weeks with the index moving sideways between 3400 and 3650.

A successful breakout above resistance near 3650 has an upside target near 3800. The trading band has support near 3400 and resistance near 3800. This consolidation and rally and retreat behaviour is consistent with the continuation of the development pattern from the breakout from the symmetrical triangle pattern.

In the next few weeks the behaviour of the long term GMMA is important. If the longer term GMMA continues compression and moves sideways and the index rebound rally from near 3400 continues, then it shows the new uptrend continues but with higher levels of volatility.

## **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.