

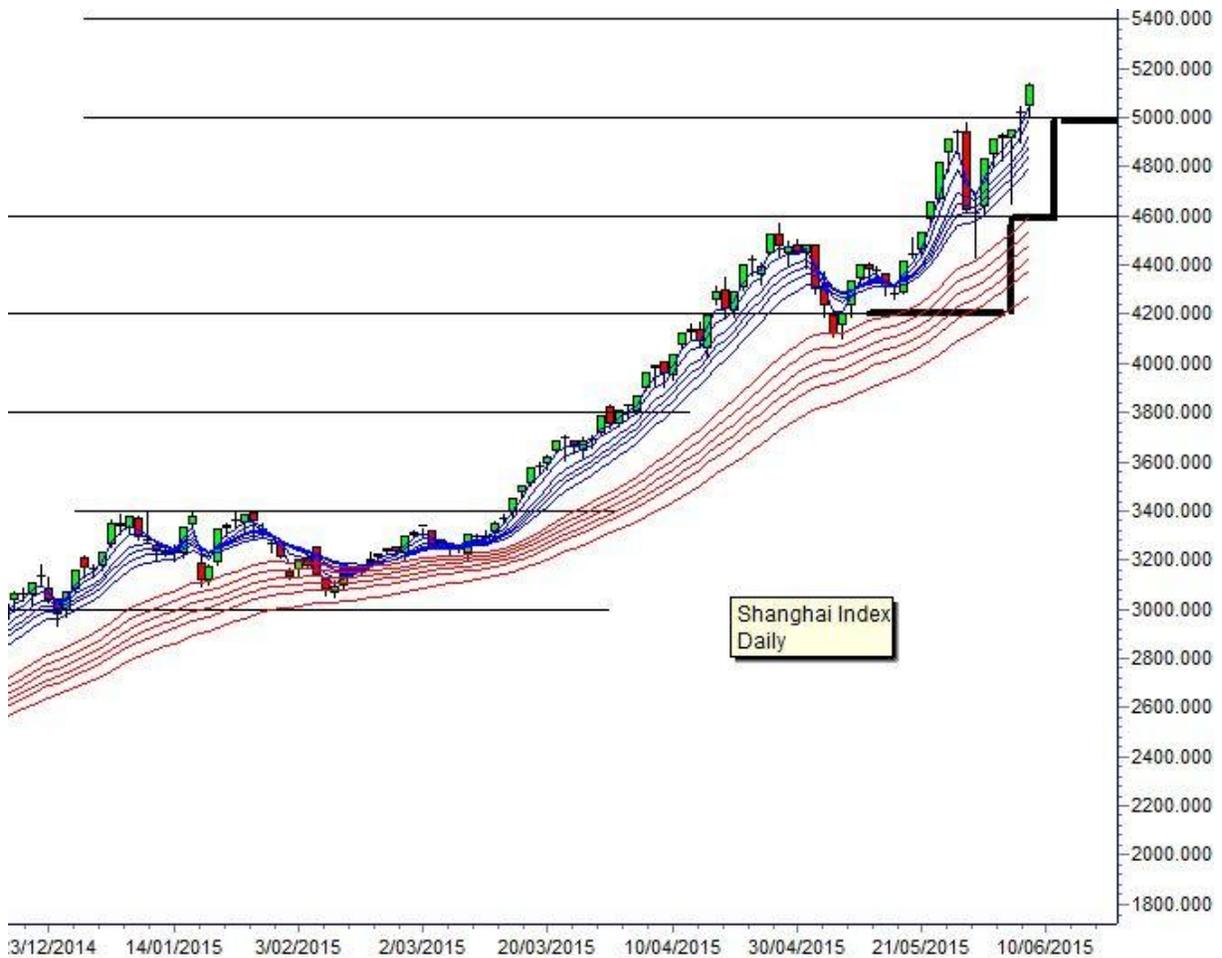
SHANGHAI TARGET 5400

By Daryl Guppy

The Shanghai Index has developed a new pattern of trend behavior. It develops in a step and stairway trend pattern as shown by the thick black lines on the chart. This pattern is defined by trading bands that are all around the same width. This is around 400 index points. The key feature of this pattern is the easy the market moves rapidly above the first resistance level – 4600 in the Shanghai index - and reaches the next resistance level – 5000 in the Shanghai index. This is followed by a rapid retreat and rally consolidation that uses the full width of the trading band. It creates the first <step> in the stairway pattern.

The consolidation activity ends with a new breakout above 5000. The breakout moves quickly to the next trading band target near 5400. When resistance its reached it is followed by a rapid retreat. A new consolidation pattern develops between 5000 and 5400. This is the second <step> in the developing stairway pattern. The volatility inside each step is often high with rapid up and down moves. However the underlying trend is stable.

The strength of the underlying trend is shown with the Guppy Multiple Moving Average relationships. The consistent wide separation in the long term GMMA shows strong investor support for the trend. The consistent separation degree of separation between the short term GMMA and the long term GMMA shows a high level of support for the new trend from traders and from investors.



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