# SHANGHAI TREND STRENGTH

By Daryl Guppy

The Shanghai Index consolidation retest of the uptrend was stronger than expected. However the dip to the low of 3193 followed by a close at the high of 3237 is typical of a market re-correction. Investors saw this pattern on 2017, January 16 with a dip to 3044 followed by a higher close at 3105. This panic low signaled the start of the uptrend from 3105 to 3260.

The current dip and rapid rebound rally has the same characteristics as 2017, January 16 so investors see this as a bullish signal. This is confirmed with the behavior of the long term Guppy Multiple Moving Averages group of averages. These remain widely separated. This group of averages absorbed the dip and selloff and this shows strong investor support for the uptrend. The long term GMMA did not show any compression during this week's market retreat and this further confirms investor confidence.
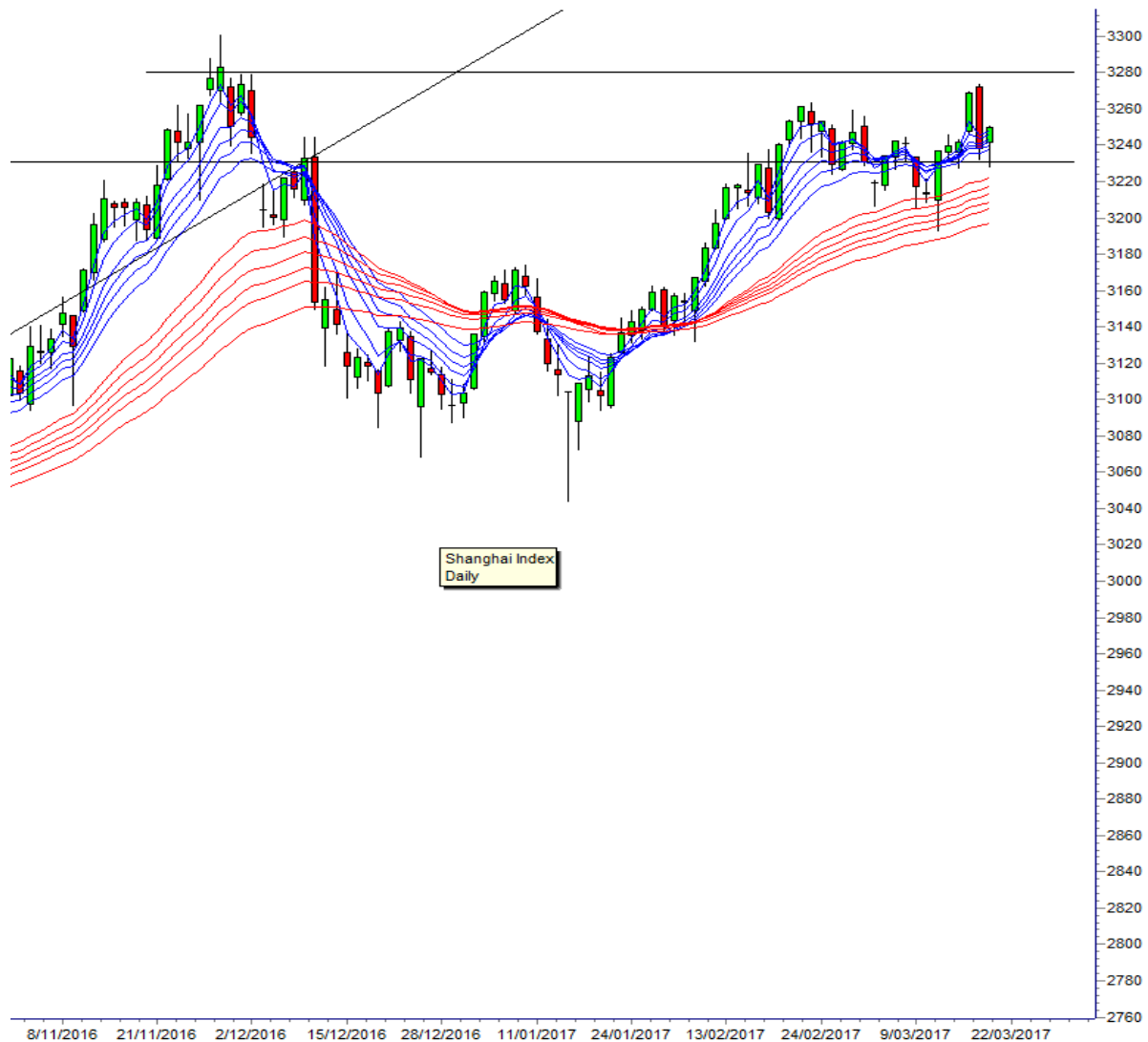
The degree of separation between the long term and the short term groups of moving averages has changed. Before the retreat the separation was around 26 index points. Currently is around 13 index points. This separation remains bullish but investors will be more comfortable when separation increases to around 26 index points because this will further confirm trend stability.

The Shanghai Index is oscillating around the value of the 3230 support and resistance level. The fall below this level showed short term trend weakness but the long term GMMA trend is strong as shown by the behavior of the long term GMMA. Investors have developing proof of a successful rebound from near 3200 and are waiting for a new rally above 3230.

The first rally target is the recent Index high near 3260. A move above this level has a stronger resistance barrier near 3280 reached in 2016 November. This is a psychological resistance level. A breakout above 3280 can develop into a strong continuation of the uptrend towards a long term target of 3400.

The uptrend rally can continue to move upwards using the long term uptrend line as a resistance feature. The current value is near 3440.