

STRAITS TIMES INDEX, SINGAPORE

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Is this a trend change? Not yet, but it has the potential to be the beginning of a trend change. The key feature is the second test of the upper edge of the long term averages in the Guppy Multiple Moving Average indicator.

The key problem are these.

The resistance level near 2960. This is a significant barrier.

The lack of compression in the long term GMMA. For a successful trend change it is necessary for the long term GMMAS to compress and turn upwards. Breakouts above a well separated long term GMMA are weak and unreliable.



The current rally has a high probability of failure. This is another rally in the context of a well-established downtrend and it does not have the characteristics of a trend breakout. The key features on this chart are:

- The GMMA relationships. The long term GMMA is well separated.

- The short term GMMA is developing the pattern of rally, retreat and retest rally typical of a trend change. This is mildly bullish but the width of the long term GMMA separation limits the potential for a rally to develop into a breakout.
- The key resistance level is near 2960. This is near the upper edge of the long term GMMA. This provides two strong resistance features..

The conclusion is that this rally has limited momentum.. Traders are ready to go short on any retreat. Traders watch for breakout patterns to develop after this prolonged fall but this is a long term proposition..