

INDEX BRIEFS: STRAITS TIMES INDEX, SINGAPORE

By Daryl Guppy

The downward pressure on the index remains very strong. The long term GMMA is well separated and not showing any signs of turning upwards.

However the pattern of higher lows suggests a slight bullish bias in the index. This is not strong so any trend change will be slow and take several weeks.

The key resistance level is near 2960 and this has been a formidable barrier for all of 2016. It will not be broken easily.

The combination of the upper edge of the long term GMMA and the resistance level near 2950 will again overpower the market.

The key feature in a potential trend breakout was the second test of the upper edge of the long term averages in the Guppy Multiple Moving Average indicator. This failed and the market retreated.



The key problems remain. They are:

- The resistance level near 2960. This is a significant barrier.
- The very small degree of compression in the long term GMMA. For a successful trend change it is necessary for the long term GMMA to compress and turn upwards. Breakouts above a well separated long term GMMA are weak and unreliable.

The recent rally failed as we suggested it would in our last notes. We look for another rally in the context of a well-established down trend. 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 the rally and any future rally have 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..

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

