

HANG SENG, HONG KONG

By Daryl Guppy

Hong Kong is not China, so the Hang Seng is not a proxy for the Shanghai Index but it is impacted by the Shanghai index. When Shanghai retreats, the Hang Seng falls much faster. When the Shanghai index rises the Hang Seng rises more slowly. This week has seen a Shanghai retreat and a Hang Seng collapse with a target at 19,000. .

The Hang Seng behavior is defined by well established support band resistance levels. On the current chart the key levels are at 19,000, 21,000 and 22,500.

The previous rally from 19,000 faced strong resistance near 21,000 and the move above 21,000 was unsustainable. This level has been tested frequently as a support and a resistance level. We noted several weeks ago that there was a high probability the market would retreat from 21,000. Traders watch for a consolidation near 21,000 and were ready to go short. They have been rewarded.

The Index did move above the downtrend line and this is longer term bullish. We look for a retest of support near 19,000 followed by a rally rebound to 21,000.



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.