

NIKKEI TREND STRENGTH

By Daryl Guppy

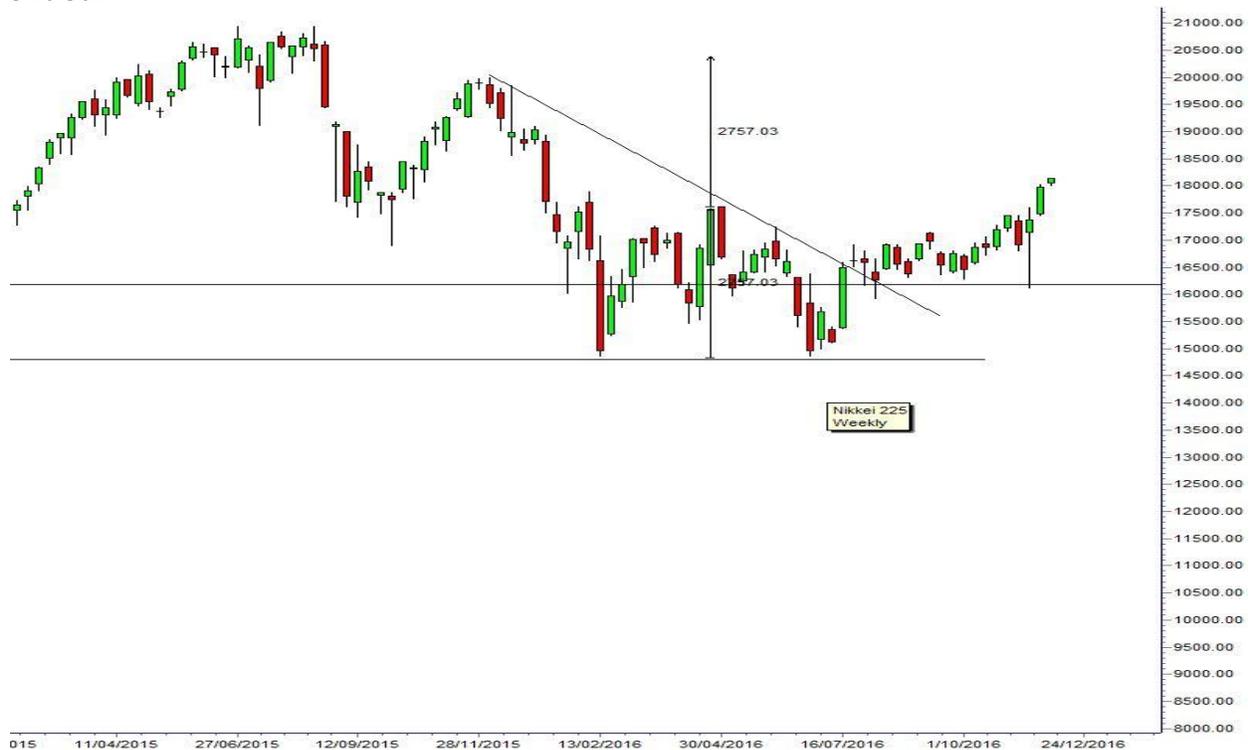
The Nikkei dropped quickly when the first announcement of a Trump victory was made. This was similar to the behaviour in other world markets. The dip briefly retested the support level near 16,200 and then rallied quickly. Following the Trump victory the Nikkei has resumed its breakout uptrend.

The Nikkei has two powerful breakout patterns. The first pattern is the double bottom pattern. This is created by the low near 14,865 in 2016 February and again in June. This chart pattern is used to set a projected upside target near 20,347.

The double bottom pattern is also sometimes called a W pattern. The distance between the base of the pattern at 14,865 and the peak of the pattern near 17,613 is measured. This value is then projected upwards above the W peak to give the long term upside target. This target is near 20,347.

The breakout develops in two stages. The first target is a rebound from support near 14,865. The first target is the peak of the W pattern near 17,613. This level was achieved and as expected there was some consolidation round this. The current breakout is moving towards the long term target near 20,347. The next minor consolidation band resistance level is near 19,000.

The second pattern feature on the Nikkei chart is the down sloping trend line. This line is calculated from the high in 2015 December near 20,012. The placement of the line is confirmed with the high in 2016 April and again in June. The close above the value of the downtrend line was the first signal that the downtrend had ended.



The move from support near 14,865 to the long term target near 20,347 will not be a smooth rising trend. The resistance level near 17,613 is well established. Between 2016 January and April this formed the top of a trading band. In 2015 September this level acted as a support level. In 2014 December and February 2016 the Nikkei oscillated around this level as a resistance point. This is a strong feature on the Nikkei chart so it was not surprising that the index paused and consolidated around this level for several weeks before continuing the uptrend breakout.

Traders now trade the second section of the trend breakout between 17,613 and 20,347. Investors who entered near 16,500 will hold on for the long term target near 20,347.

The combination of breakout and rebound features on the Nikkei chart are bullish and suggest a steady up move towards the long term pattern target near 20,357. Traders will now also watch for the Dollar Yen behaviour with a move higher towards \$1.08. This will also signal a breakout from the downtrend in the dollar yen with a initial upside target near \$1.12.

We use the [ANTSSYS](#) method to trade the Nikkei and Dollar Yen rally.