

# **SHANGHAI INDEX, CHINA**

*By Daryl Guppy*

The Shanghai Index has moved above the upper edge of the trading channel defined by trend line C. This follows a strong rally rebound from two support features on the chart. There is a low probability this rally above trend line C will continue so traders expect the market to retreat below the value of trend line C.

On the long term chart there is a strong resistance level near 2450. This acted as a resistance level in 2012 March, 2012 May and 2013 February. There is a high probability this level will again act as a strong resistance feature in the market. After the breakout to 2520 investors will watch for consolidation to develop near 2450. Consolidation above 2450 shows a strong continuation of the uptrend.

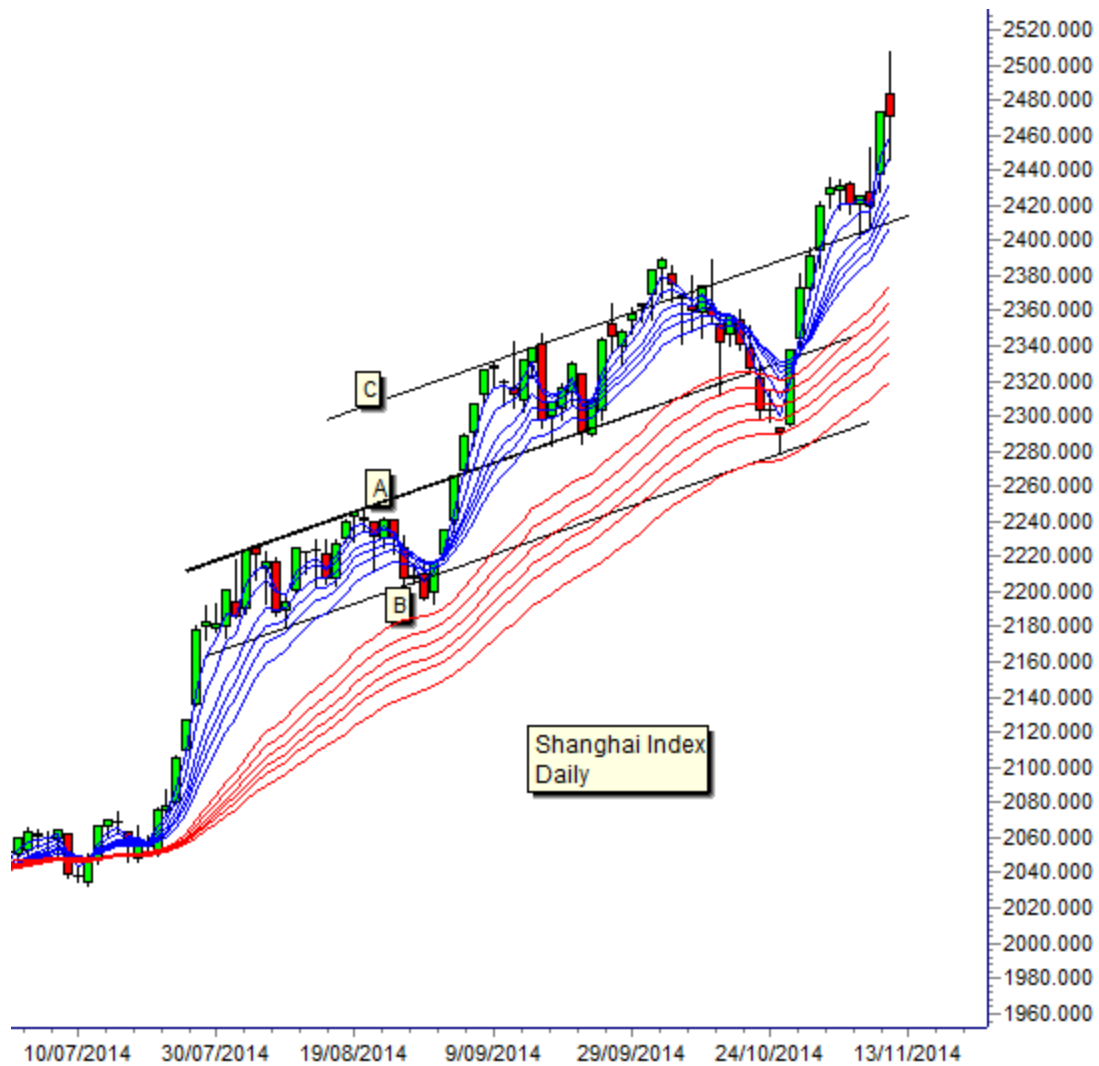
The weekly chart shows a historical resistance band between 2450 and 2550. It is very bullish if the market move above 2450 and future consolidation develop between 2450 and 2550.

The uptrend structure of the Shanghai market is defined by a very wide up sloping trend channel. The upper edge of the trading channel is defined by trend line C. This is a resistance feature. The index temporarily moved above this level in 2014 October. The current move above trend line C is also temporary.

The lower edge of the trading channel is defined by trend line B. This is a support feature. The index can have rally and retreat behaviour inside the trading channel and remain in a long term uptrend.

The middle of the trading channel is defined by trend line A. This acts both as a support feature and a resistance feature. A retreat below trend line C will use the value of trend line A as a support level.

The uptrend is more stable when the Shanghai index moves back below trend line C and stays in the upper section of the trading channel between trend line A and trend line C. This is bullish behaviour and shows stable up trend continuation. The continuation of the good separation in the long term GMMA also shows the uptrend is strong and stable. The long term group of averages in the GMMA are well separated and this shows strong investor support for the uptrend.



The Guppy Multiple Moving Average (GMMA) indicator uses two groups of moving averages. The short term group shows the activity of traders. The long term group shows the activity of investors. The trading channel pattern is also a strong up trend continuation pattern. This trading channel chart pattern does not provide a method to set the next upside target for the trend so traders look for the historical resistance levels.