S&P TREND STRENGTH

By Daryl Guppy

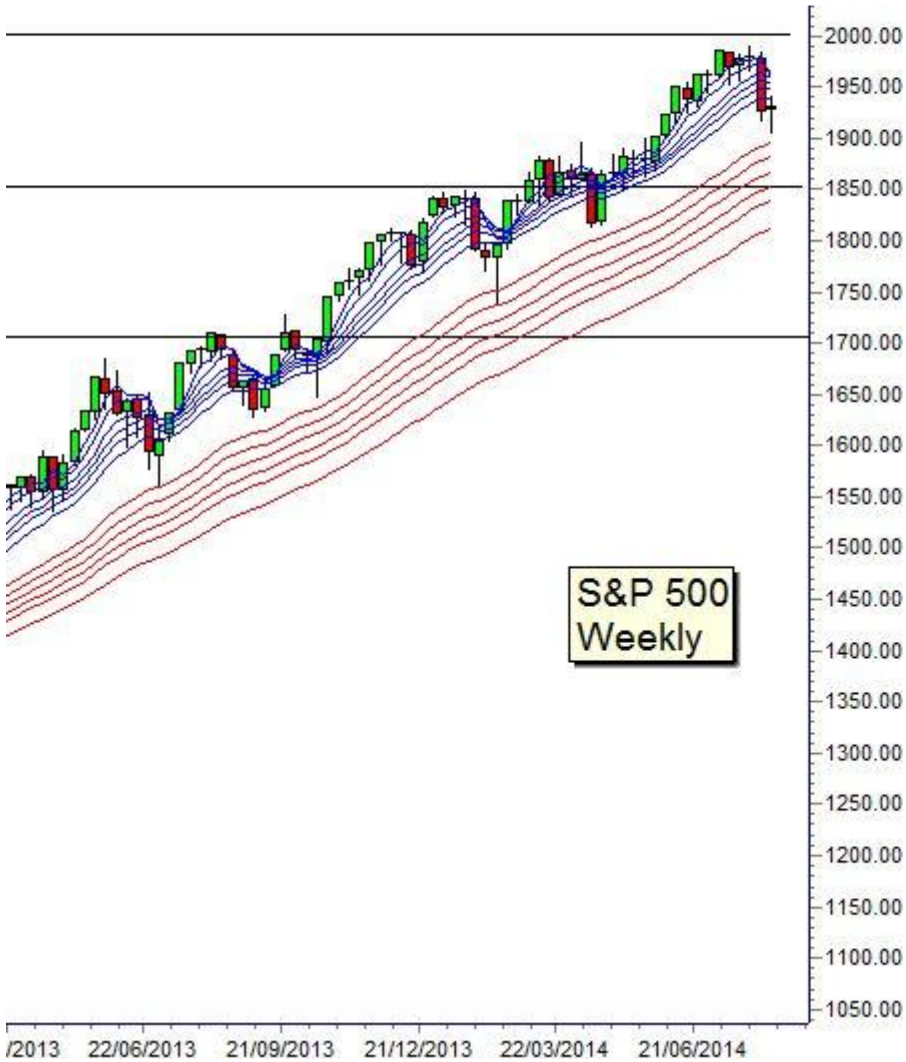
The S&P weekly chart shows a well established habit of behaviour. Starting with the uptrend development on 2010, September, the S&P 500 has consistently moved up in a series of trading bands.

This continues to be a strong up trend with each upthrust target defined by the width of the trading bands. The market broke above the top of the consolidation band around 1850. The trading band calculation set a target near 1990. This target level was achieved and it is followed by the typical habitual behaviour of the S&P 500. Each time the upper edge of a trading band is reached the S&P 500 retreats to the upper edge of the long term Guppy Multiple Moving Average. And then the S&P 500 develops a strong rebound rally that moves above the upper edge of the trading band.

When the S&P was near 1700 many analysts said the market would fall. Instead the index developed a rally breakout and moved to the next projected target near 1850. Again, at this level, many analysts said the market would fall. Again the index rallied above this level and went on to reach the next projected target. This is the habit with the S&P index behaviour.

The key factor to look for is the consistent strength of the long term GMMA. This is shown by the steady degree of separation. When the market does develop a dip it uses the long term GMMA as a support level. The dips in 2013, June, 2013 October and 2014 February all touched the top of the long term GMMA before developing a new rally and breakout above resistance. The long term GMMA did not show any signs of compression.

There is a high probability the same behaviour will repeat in the current situation. We trade short using the ANTSSYS trading method and are ready to trade long on the rebound. This means the S&P could dip to 1890 or lower before developing a rebound. The lower edge of the trading band is near 1850 and this also provides good support. A retreat to these levels is a buying opportunity for a continuation of the uptrend.



The key feature to watch is the reaction of the long term GMMA. If compression occurs then this suggests the uptrend is weakening. If the long term GMMA remains well separated then it confirms the uptrend is strong and will continue.

The trading band projection methods are used to set new targets above 1990. The longer term upside target is near 2150.

Very rapid market collapses can develop but these are usually preceded by clear chart signals with broad index chart patterns. The S&P 500 is not showing any pattern development which indicates a major correction or change in the trend