

STI PATTERN

By Daryl Guppy

The Straits Times Index has confirmed a head and shoulder reversal pattern. The weak economic figures pushed this pattern into further development. The downside for the pattern is near 3110. This is a major change in the STI trend.

October is a month for the brave. Markets typically retreat in late September or early October. Each time the reason is different. This year it's ISIS, Ebola and the fear the market has moved up too far. Whatever the reason, the behaviour in October is often repeated. We remember the falls. We are not so good at remembering the snap back rebounds that follow the falls. October unusually ends higher for the month than it opened.

There are two trading strategies. The first is to use derivatives to trade short as the market falls. The second is to use derivatives to trade the rebound. The strategy can be implemented using an Index trade, or with heavyweight stocks that closely mimic the behaviour of the index.

These sharp volatility turns and dramatic trend reversals mean that time in the market has become a major risk factor. It one of the reasons we have turned to trading alternative markets which are not as susceptible to the activity of HFT and ETF trading. We apply the ANTSSYS approach and this has attracted a lot of national and international interest.

