Weekly technical analysis chart pack – 20th October 2014
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After the recent aggressive sell off in the equity markets, and the sharp spike in volatility, the indices are currently bouncing from oversold levels (daily and weekly relative strength index and Bollinger bands). The heightened fear would make a strong move higher unlikely, instead we will probably see volume rise and nervous longs continue to unwind positions.

The most bullish market still looks to be the Shanghai composite index. The last chart; long Shanghai versus short Kospi continues to break higher.

S&P 500 - After the break of the key 1905 support level the S&P fell quickly last week to 1821 the lower weekly Bollinger Band. This level is 2 standard deviations from the 30 day moving average and highlights when a market is typically oversold (using 2 standard deviations the price action is captured within the 2 bands 95% of the time). The S&P quickly rallied into the weekend and now looks to retest the critical **1905** level, which is both the 200 day moving average and the low of the August 2014 sell off. What was previously support is now the key resistance level. New selling will re-emerge here and the subsequent move will be critical.

Dow Jones Industrial Average - The Dow Jones Industrial Average also bounced last week from its extreme oversold levels. It bounced back above the trend line formed from the 2000 and 2007 peaks but has now met resistance at the Fibonacci 38.2% retracement level, 16,426. There is further resistance just above at 16,586, the 200 day moving average. Although the very short term price action is higher the 5, 20 and 200 day moving averages are all trending lower. The sell off from 19th September has done serious damage to the long term bull market. Expect selling pressure to resume around 16,586-16,600, and any break below last week's low at 15,855 will see a swift resumption of aggressive selling.

NASDAQ - On Friday while the S&P and DJIA both rallied the NASDAQ sold off from a peak of 4296, both the 200 day moving average and the 38.2% Fibonacci retracement level. The key resistance level is 4371, a long term trend line, March 2014 peak and the 50%

retracement level of the recent downtrend. Key support comes in firstly at 4116, last week's low and then 3946 the 2014 low.
The next break, either above 4371 or below 3946 will likely herald the start of the next medium term trend.

Nikkei – The NIKKEI has also bounced from its short term oversold levels and continues in a long term sideways trading range between 16,374 and 13,885. It is a wide band and even though today (20th October) the market has bounced over 3% the 5, 20 and 200 day moving averages are all trending lower. The long term trend will be defined by which ever level breaks first; 16,374 or 13,885.

Hang Seng - After the recent 9% sell off the Hang Seng index has consolidated around the 200 day moving average in a triangle formation. This pattern is typically a consolidation before a continuation of the recent trend and a break lower below 22,565 would target another 9% fall in the market.

Shanghai Composite Index – The Shanghai composite index continues to be the stand out equity index at the moment. The recent consolidation has reduced the over-bought levels and the market looks set to continue higher in a steady trend channel. The risk would be a break below last week's 2312 low.
Note the later chart of long Shanghai composite versus short Kospi index which continues to outperform.

Taiwan – The Taiwan TAIEX market is consolidating having become heavily oversold on the daily charts (Relative Strength Index and Bollinger Bands). It has clearly broken the long term uptrend and a close below last week's low of 8500 will herald a resumption of the medium term down trend.

KOSPI – The KOSPI index is now looking very weak. Having been in a sideways range for 4 years the short term momentum is now aggressively lower, but the weekly charts are now showing over sold readings. Expect some consolidation between 1900 and 1991 before an attempt to break lower through the key 1985 support.
Only a break above 2093 will regain the bull market but at the moment this looks very unlikely.
Note the later chart of long Shanghai composite versus short Kospi index which continues to outperform.

U.S. 10 year government bond yield - The 10 year government bond yield broke aggressively lower last week on record volume. Clearly the market has been positioned the wrong way and underwent forced liquidation. Even though the price has broken back into

the trend channel the down trend remains, driven by fears from equity markets, deflation and the ebola virus.
The 2.60 level needs to be penetrated in order to reverse the medium term down trend.

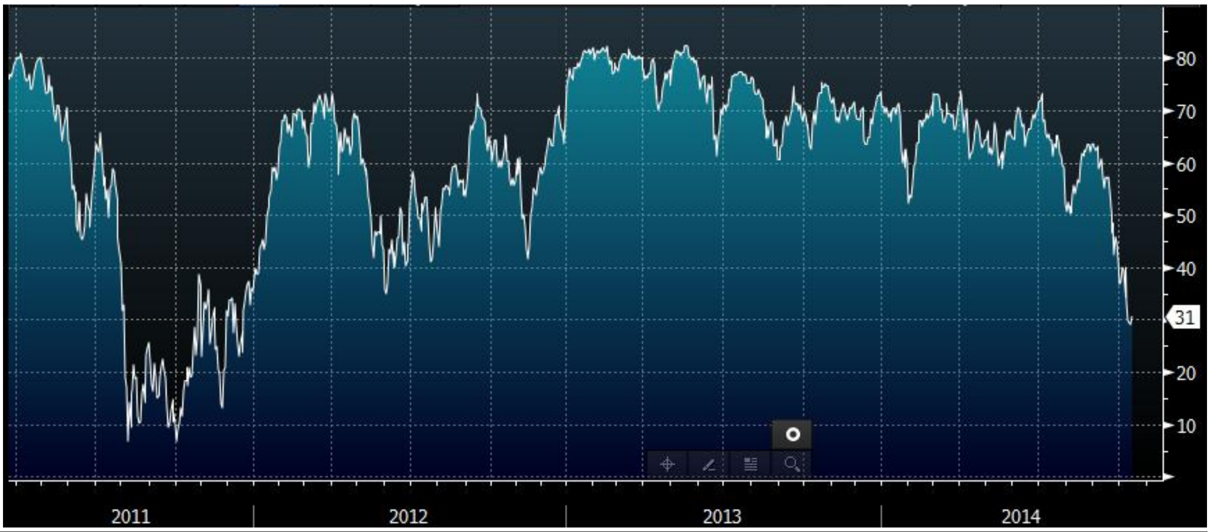
Gold - Gold is clearly caught in a falling triangle pattern, between the trend line resistance currently at 1275 and the triple bottom at 1180. The medium term move lower has been led by the strong US dollar while the short term 10 day bounce has been on the back of equity weakness. Clearly these 2 factors will determine the direction of the breakout and next medium term trend, 1275 and 1180 are the key levels right now.
If the price does break below 1180, the subsequent drop will likely be rapid and it will highlight global deflationary concerns.

U.S. crude oil (West Texas Intermediate)- U.S. crude oil (WTI) is now clearly in a down trend highlighting both U.S. shale productions and falling demand, and sparking more global deflationary concerns. The weekly oscillators, Bollinger bands and DeMark indicators show the price is currently oversold so expect a short term correction higher, but the medium target now appears to be 77.69.

S&P 500 versus Russell 2000

The chart above shows clearly the strong correlation between the S&P 500 and the Russell 2000 Index. However there is now a definite divergence. The Russell Index is clearly in a down trend making lower highs and lower lows, having broken the clear 1082 support level. This is another concerning chart for equity bulls.

Percentage of NYSE stocks closing above their 200 day moving average



The chart above shows more weakness in the U.S. equity markets with a clear lack of breadth. Only 33% of NYSE stocks are above their respective 200 day moving averages. Clearly the market has been led higher by less and fewer leaders and now an increasing number of stocks are breaking lower.

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S&P 500 Index

And weekly Bollinger Band

After the break of the key 1905 support level the S&P fell quickly last week to 1821 the lower weekly Bollinger Band. This level is 2 standard deviations from the 30 day moving average and highlights when a market is typically oversold (using 2 standard deviations the price action is captured within the 2 bands 95% of the time). The S&P quickly rallied into the weekend and now looks to retest the critical **1905** level, which is both the 200 day moving average and the low of the August 2014 sell off. What was previously support is now the key resistance level. New selling will re-emerge here and the subsequent move will be critical.

Resistance

2019 All time high September 2014

1991 July 2014 peak

1971 Long term trend line resistance

1904 Previous swing low and 200 day moving average * KEY LEVEL *****

Support

1843 Previous resistance/support

1822 Weekly lower Bollinger Band and last weeks low

1576 2007 peak and long term support from March 2009 low

1502 38.2% retracement of 2009-2014 bull market

<u>Dow Jones Industrial average – Long term chart</u>

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Short term chart

The Dow Jones Industrial Average also bounced last week from its extreme oversold levels. It bounced back above the trend line formed from the 2000 and 2007 peaks but has now met resistance at the Fibonacci 38.2% retracement level, 16,426. There is further resistance just above at 16,586, the 200 day moving average. Although the very short term price action is higher the 5, 20 and 200 day moving averages are all trending lower. The sell off from 19th September has done serious damage to the long term bull market. Expect selling pressure to resume around 16,586-16,600, and any break below last week's low at 15,855 will see a swift resumption of aggressive selling.

Resistance

17,427 Long term trend line resistance
17,350 All time high, September 2014
16,830 Rising long term trend line support now resistance (2 year)
16,586 200 day moving average and 50% retracement level
16,426 38.2% Fibonacci retracement level

Support

16,333 Key August 2014 swing low
15,855 October 2014 low
15,340 2014 low
14,198 2007 peak
13,962 200 day moving average
13,194 38.2% Fibonacci retracement level from 2009 GFC bottom

NASDAQ Composite Index Long term chart

NASDAQ – short term chart

On Friday while the S&P and DJIA both rallied the NASDAQ sold off from a peak of 4296, both the 200 day moving average and the 38.2% Fibonacci retracement level. The key resistance level is 4371, a long term trend line, March 2014 peak and the 50% retracement level of the recent downtrend. Key support comes in firstly at 4116, last week's low and then 3946 the 2014 low.

The next break, either above 4371 or below 3946 will likely herald the start of the next medium term trend.

Resistance

5132 2000 Nasdaq "bubble" peak and all time high

4610 2014 double top

4371 ***Long term trend line support, March 2014 peak, 50% retracement level ***
4301 200 day moving average

Support
4116 4Q 2014 low
3946-4000 2014 support zone, * Critical level*****
3332 38.2% Fibonacci retracement level of whole post GFC rally
2861 2007 peak

<u>NIKKEI</u>

The NIKKEI has also bounced from its short term oversold levels and continues in a long term sideways trading range between 16,374 and 13,885. It is a wide band and even though today (20th October) the market has bounced over 3% the 5, 20 and 200 day moving averages are all trending lower. The long term trend will be defined by which ever level breaks first; 16,374 or 13,885.

Resistance
18,295 2007 peak
16,374 Double top
15,380 Long term trend line support/resistance
15,102 200 day moving average

Support
14,753 August 2014 low
14,000-13,888 2014 support zone
13,266 38.2% Fibonacci retracement level of whole "Abenomics" rally
11,600 200 week moving average

Hang Seng

After the recent 9% sell off the Hang Seng index has consolidated around the 200 day moving average in a triangle formation. This pattern is typically a consolidation before a continuation of the recent trend and a break lower below 22,565 would target another 9% fall in the market.

Resistance

31,958 2007 peak
25,356 2014 peak
25,000 2010 peak
24,111 2013 double top
23,148 200 day moving average and long term resistance line

Support

22,565 October 2014 low
21,860 Long term trend line support and 200 week moving average ***KEY LEVEL***
21,137 2014 low
19426 2013 low

Shanghai Composite Index

The Shanghai composite index continues to be the stand out equity index at the moment. The recent consolidation has reduced the over-bought levels and the market looks set to continue higher in a steady trend channel. The risk would be a break below last week's 2312 low.

Note the later chart of long Shanghai composite versus short Kospi index which continues to outperform.

Resistance

3478 2009 peak

3067 2011 peak

2443 2013 peak

Support

2243 Long term trend line and previous double top

2020 rising short term trend line

1984 2013 low

1664 Global financial crisis low

Taiwan TAIEX

The Taiwan TAIEX market is consolidating having become heavily oversold on the daily charts (Relative Strength Index and Bollinger Bands). It has clearly broken the long term uptrend and a close below last week's low of 8500 will herald a resumption of the medium term down trend.

Resistance

9859 2008 peak
9593 2014 peak
9532 Sep 2014 peak
8974 200 day moving average
8913 Trend line support/resistance

Support

8500 March 2014 low
8453 38.2% Fibonacci retracement level and 5 yerar trend line support
6609 2011 low

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KOSPI

The KOSPI index is now looking very weak. Having been in a sideways range for 4 years the short term momentum is now aggressively lower, but the weekly charts are now showing over sold readings. Expect some consolidation between 1900 and 1991 before an attempt to break lower through the key 1985 support.
Only a break above 2093 will regain the bull market but at the moment this looks very unlikely.
Note the later chart of long Shanghai composite versus short Kospi index which continues to outperform.

Resistance

2229 Post financial crisis high
2093 2014 peak
2016 trend line resistance
1991 200 day moving average

Support

1885 2014 low
1770 2013 low
1718 Long term 38.2% Fibonacci retracement level

Long Shanghai versus short Kospi

The long Shanghai Composite index versus short Korean Kospi continues to outperform.

US 10 year government bond yield

The 10 year government bond yield broke aggressively lower last week on record volume. Clearly the market has been positioned the wrong way and underwent forced liquidation. Even though the price has broken back into the trend channel the down trend remains, driven by fears from equity markets, deflation and the ebola virus.

2.60 needs to be penetrated in order to reverse the medium term down trend.

Resistance

3.05 2013/2014 peak

2.60 200 day moving average and trend channel resistance

2.33 2010 low

Support

2.21 50% Fibonacci retracement level of 2012/2014 low/high and trend channel support

1.86 2014 low (October)

1.67 2011 low

1.38 Post GFC low

<u>Gold</u>

Gold is clearly caught in a falling triangle pattern, between the trend line resistance currently at 1275 and the triple bottom at 1180. The medium term move lower has been led by the strong US dollar while the short term 10 day bounce has been on the back of equity weakness. Clearly these 2 factors will determine the direction of the breakout and next medium term trend, 1275 and 1180 are the key levels right now.

If the price does break below 1180, the subsequent drop will likely be rapid and it will highlight global deflationary concerns.

Resistance

1392 2014 peak

1286 200 day moving average

1275 falling trend line resistance

Support

1180 18 month triple bottom

U.S. crude oil (West Texas Intermediate)-

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Resistance

107.62 2014 peak
105.40 long term trend line resistance
96.35 200 day moving average
94.00 trend line resistance

Support

77.69 2012 low
75.56 2011 low
74.75 61.8% Fibonacci retracement level
63.14 2010 low

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All charts sourced from Bloomberg.

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