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LE COIN TECHNIQUE

Eurostoxx50: a very bullish picture!

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Last week surge in the Eurostoxx50, after the first round of French election, is put in perspective on a monthly chart, but clearly provides a bullish view. Indeed, what strikes the eye immediately is the rebound of Eurostoxx50 during the second half of 2016 on the monthly Ichimoku cloud (shown in green), as it was near

3000. It took, though, 6 months to accumulate between the cloud and the resistance 3075, before accelerating in November 2016 at the same time that his Relative strength versus S&P500 was bottoming, thus signalling a slight outperformance of Eurostoxx50. In the middle of 2016, the Relative Strength of Nikkei versus the S&P500 was also already rising as the S&P500 was underperforming both the Nikkei & the Eurostoxx50. Thus, it is important to realize that, as the Relative strength of Eurostoxx50 versus S&P500 is breaking a seven year down trendline, it signals a long period of outperformance for Europe in coming months.

In early 2017, the momentum of the Eurostoxx50 was positive, as witnessed on the lower panel of the chart by the rising monthly Stochastics into the overbought area above 80% and by the rising MACD above its zero line. The lack of divergence on the still rising Stochastique in

April 2017 shows that, currently, the rising trend has still more room on the upside. As Eurostoxx50, currently at 3583, is rising above its upper monthly Bollinger band of 3573, there is a large likelihood that the current break up will reach the major descending trendline near 3660, possibly pause a little and then extend toward former high of 2015 at 3836 before the end of 2017. Indeed, we note that the moving average of the Bollinger Bands (3164) is now turning back up and should keep rising for many months, supporting the current rise of the famous 200days moving average (near 3198 but not shown), which turned up already in November 2016. It is important to recognize that, once the Eurostoxx50 will be able to reach near the former spike area 3750-3836, many analysts will take the distance between the high at 3836 and the low near 2800 as the measurement to add on the 3836 high to target 4860, which is well above the previous high of 2007 at 4577!

Meanwhile, it is important to realize quickly that the rise last week above 3524 (the high in the last quarter of 2016) is signalling an uptrend, driven possibly by a shift in asset allocation favouring Europe and allowing an outperformance of Europe versus S&P500. This could nurture a rising trend for Eurostoxx50 toward 3836 in a few weeks, because as we have seen, the monthly timeframe has become very bullish.

Graphique:

Eurostoxx50 - Monthly Candles .

On upper panel relative strength (RS) line of eurostoxx50 versus S&P500 (black dotted line) and RS of Nikkei (orange line) versus S&P500.

On lower panel Monthly STO & MACD are rising.

Source: Stockcharts.com



