

LE COIN TECHNIQUE

Three Cases for the First Six Months of 2019

...article by Bruno Estier Strategic Technicals - <http://bruno.estier.net/> - bruno.estier@bluewin.ch



Among Market Analysts, the key issue is to debate whether the October top of 2940 for the S&P500 is seen as an all-time high. NO is the definite answer at this stage. What is more important is to realize that the style of the US equity market has changed: no more a market for passive investors, even for those able

to select the outperforming sectors to Buy & Hold. It will most likely become a traders market, where market analysis will be much more in demand than during the past nine years.

The weekly chart below reminds us that the current level of VIX (*Fear Index*) during 2018 has reached similar levels to those of 2016. But it is far from the levels reached in 2001-02 and 2010-11 without mentioning the extremes seen in 2008-09.

Last month we mentioned the diverging evolution between international markets versus US markets as well as the internal divergences within the US market (*Small Caps versus Nasdaq-Techno-Growth stocks*).

Graph:

Chart of S&P500 in weekly candles with Ichimoku cloud and VIX represented in orange dotted line behind the S&P500 candles. On the upper panel is the declining Relative Strength (RS) of small caps Russell2000 versus S&P500 in green dash line, the rebounding RS of emerging markets versus S&P500 in orange solid line and the rebounding RS of Nasdaq100 versus S&P500 in red dotted line.

On lower panel MACD is declining below zero toward same oversold level as Q1 2016, while the weekly STO is declining into a 4-year low oversold level. Out of the three paths presented on December 17, 2018, the Green path would correspond better to previous "bear markets". The Red path represents a classic bear impulsive decline if 2940 is a major top. The Purple path is an outlier if the market manages to rebound into and above the weekly cloud. Along the expected 4-year cycle, the third presidential year (2019) has a bull bias!

Source: Stockcharts.com / Red, Green and Purple paths are proposed by BEST



The good news is that after the decline from 2940 to current levels below the key Gann level 2603, sellers have made the S&P500 index very OVERSOLD. Thus a rebound could occur anytime. How far and how long? We proposed 3 diverse paths knowing that the Purple path is an outlier if the market manages to rebound into and above the weekly cloud. The Green path would correspond better to the evolution of historical averages of previous "Bear markets". The Red path is one possible classic declining path, if 2940 is a major top for the S&P500, possibly presuming also a long-lasting bear market till 2021.

The bad news is that sharp & lasting declines for the S&P500 do not happen very often in December. Lack of historical comparisons unsettles investors and traders. The obvious comparison with 2015-2016 or 2007-2009 may not be the correct ones to bank on! So we do not have a preferred path to propose at this stage as it will be very much dependent on the type of rebound if any, that we are going to get in the final days of December.

So allow me at least to wish you all the best for the 2018 festive season.



This information is being provided to you solely for your information, as an example of theoretical technical analysis and coaching, and does not constitute a recommendation to purchase or sell any security. Neither this document and its contents, nor any copy of it, may be altered in any way. This document is not directed to, or intended for distribution to, or use by any person or entity of any jurisdiction where such distribution, publication or use would be unlawful.