

LE COIN TECHNIQUE

Two Preferred Cases Near a Top for the Next Six Months

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



Panic selling until December 24 and two 90% “up days” (Dec 26, Jan 4) reflecting strong BUYING, suggested a major low was seen at the end of 2018. The outperformance of small- and mid-caps underlines the widening breadth of the market rebound during January & February, and recently led to new all-time highs for the Advance-Decline Line

(ADL), which usually precedes new all-time highs in the major indexes. The recent equity V-shaped rebound is very reminiscent of the two-month rebound of the S&P500 after the October low of 1998. Indeed, in the last two months, the 20% rise took place within a more narrowing channel than in 1998 with pullbacks lasting only a few days.

Thus now should come the time for a more sizeable pullback toward 2740 (VIOLET path) at minimum or toward 2580 (GREEN path). Later the S&P500 2940 all-time high will be revisited in the 3rd or 4th quarters of 2019. We stop the dissertation here as various intermarket-relationships were reviewed at length in past issues and we leave more space for your eyes only!

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 displayed the rising Relative Strength (RS) of Small caps Russell2000 versus SP500 in green dash line, the pausing RS of Emerging markets versus S&P500 in orange solid line and the about flat RS of Nasdaq100 versus S&P500 in red dotted line. On lower panel MACD is rising about to cross above zero confirming a bull rise, while the weekly STO is crossing down in strongly overbought area (96%), as usual after a four year low! Time to review our three paths presented on December 17, 2018: The Red path would be an unlikely bearish extension of the Green path, which may correspond better to “average bear market”. At this stage the Green path appears less probable than the Violet path, which corresponds to V bottom like 1998. Violet path may find support near 2730, the weekly lower cloud line in Q2 and resume upward afterward. Along the expected Four year cycle the third presidential year (2019) has a bull bias and could break above 2940!



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

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.