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LE COIN TECHNIQUE

Safety of the "Defensive" Swiss Market (SMI) Index

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What do we think of the Swiss equity market, after calling for a pause of many weeks for the US S&P500 last month, following the "V" bottom of its four-year cycle low?

The SMI should reach a target of 9750 at a minimum during 2019 and the rising ascending triangle has an even higher long-term potential. Indeed, the pullback in 2018 from roughly 9600 to 8500 allows us to project 10700 in future years, once a base is built above 9600!

As the SMI is nearing the major resistance area of 9540-9610, which is also reinforced right now by flat daily (9535) and flat monthly (9598) Bollinger Bands, the monthly MACD & STO are rising without displaying bearish divergences, suggesting a still-intact upward momentum. Only the weekly STO and the daily MACD *(not shown)* display some bearish divergences, possibly calling for a pause short term just below 9600, which may have already started. But keep in mind the longer-term uptrend since 2009 and the wide ascending triangle since 2015.

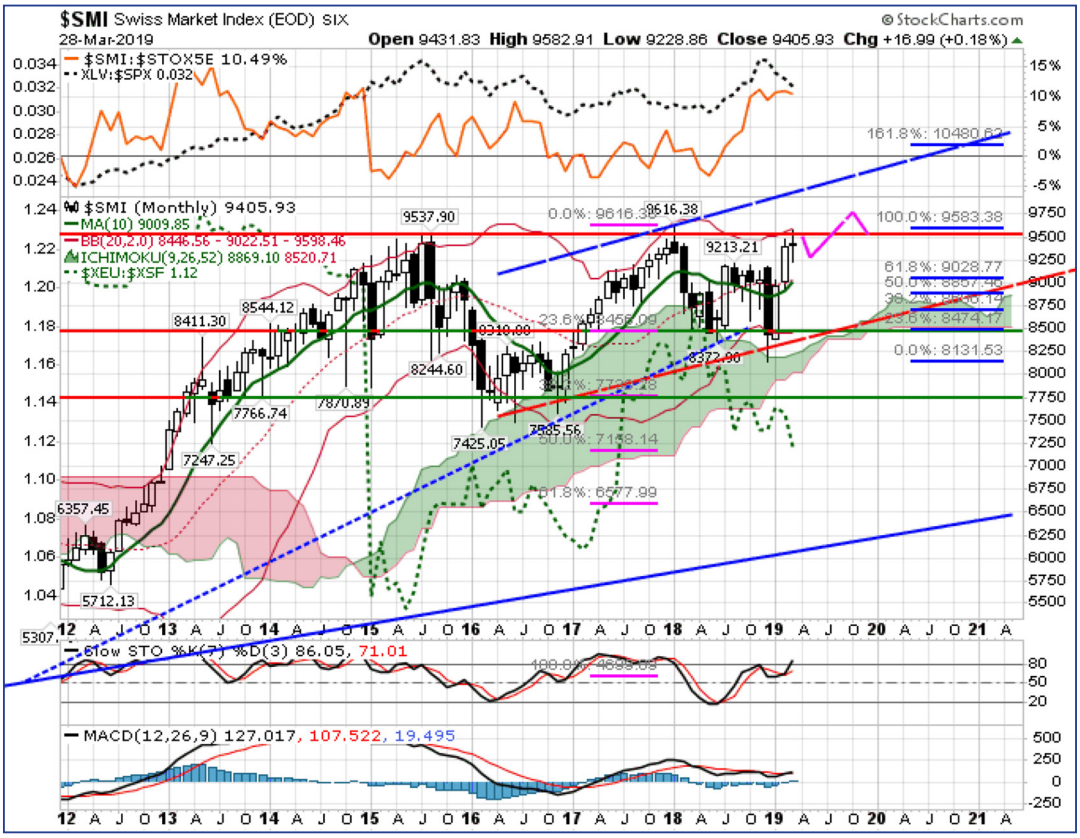
Any pullbacks between 9250 and 9028 in coming weeks should be viewed as an opportunity to "Buy the Dip" within a rising trend, which is expected to break its major resistance area later, then opening to new all-time highs. Possibly some international investors are already reallocating to Swiss assets as the recently strengthened Swiss Franc versus Euro is suggesting *(besides the obvious "Brexit" fears)*.

In a global financial world where uncertainty was the buzzword of 2018, ***Safety of Swiss Equities*** and its currency may become the next mantra.

Graph:

Chart of the SMI in monthly candles with Ichimoku cloud and EURO-CHF currency represented in green dotted line behind the SMI candles (left scale).
On the upper panel is displayed the rising Relative Strength (RS) of SMI versus EUROSTOX50 index in orange solid line, which rose during the volatile part of 2018, displaying the "defensive" character of the SMI versus the Eurostox50, then a flattened during the first quarter of 2019.
Note the correlation of the Relative Strength of the US Pharmaceutical sector (XLV) versus S&P500 in black dotted line with the orange line in the last 3 years, which also display the "defensive" nature of the Healthcare sector in the US.
The SMI index is heavily weighted by Pharmaceutical/Healthcare sector and also of course by Banks.
Both lines which have recently paused during the first quarter 2019 may resume their uptrends and then help the SMI to go though its major resistance area of 9600 along still rising STO & MACD, probably as our violet path is suggesting taking into account the traditional seasonality in the next 6 months.

Source: Stockcharts.com
Red, Green and Violet Paths are proposed by BEST



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