

LA TRIBUNE MENSUELLE DES MEMBRES DU GSCGI wealthgram@gscgi.ch • www.gscgi.ch Vol. IX - N° 92 - Déc.19/Jan.20

LE COIN TECHNIQUE

S&P500: two paths for H1—2020

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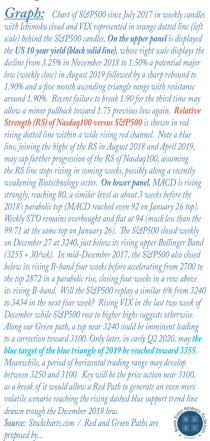


The last four weeks, since the low at 3070 on December 3rd, have displayed a strong momentum. That momentum has not yet reached the extreme of the final four weeks preceding the January 26, 2018 top, which was a parabolic move, ending with some tears for a few weeks. The VIX is not at such a low level

as in 2017 and maybe "comparaison n'est pas raison". We believe that a S&P500 closing at 3240 on December 27 after opening at 3247 is a warning, leading to a pause in the uptrend, which may be immediately confirmed by a black candle on the following week ending January 3! Interesting were the last two down days in a row of the biotechnology index, which created a weekly bearish engulfing pattern. A third down day on December 30 (three black crows) may nail down the warning sign. "Biotech" has been a canary in the coal mine since March 2000, and since that time, any reversal of this index is watched carefully, especially after strong advances! Further sentiment measures provided

by a few good analysts are showing extreme optimism level, sometimes not seen in the last 15 years! Of course, being contrarian is much safer when pessimism is high in the equity asset class, and price momentum begets more momentum due to FOMO and the rotation from growth into value and even an expected reflation trade may go on for at least another six months and rising US rates will force investors into equity and so on...

Well, let's recall one thing after a Santa Claus rally: 2020 is the fourth year of the four-year presidential cycle that has a historic positive bias, but much less than the year in zero of the decennial statistics! Thus, we invite you to look at the chart and notice that we prefer the Green path with a guessed 60% probability over only a 30% probability for the Red path. Recall, along with the August 2019 breadth bullish signal, the bearish Red path should not be our favored case. The remaining 10% is for an unforeseen case of a melt-up 'à la 2017' in the next four weeks toward 3434, which is by definition a parabolic move quasi impossible to forecast in advance! Best wishes for 2020.





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