

LE COIN TECHNIQUE

Risk of Seasonal Weakness for Nasdaq100

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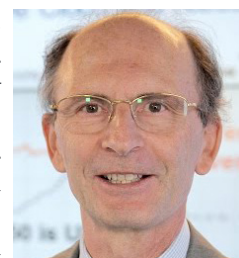
As the summer is coming to a close, the US technology sector, represented here by the Nasdaq100 deserves some attention. The weekly chart is represented on a log scale. The visual impression is one of very linear behaviour, though in the last three weeks the Nasdaq100 has accelerated from the rising trend line support drawn from the beginning of May, toward the upper weekly Bollinger band. In fact, the log scale is hiding the parabolic rise that the same chart would display on an arithmetic scale.

The strength of the momentum is quite extraordinary as the MACD on the lower panel displays it as still accelerating upward though it has now reached a very high level compared to the last two years. The other measure of shorter-term momentum, the weekly STO is reaching 96% for the third time in a row within the overbought area. Such behaviour of the STO can become a warning that a pause in the uptrend is likely. Also, we have displayed two Fibonacci extension targets on the chart: on one hand, 12112 is a projection of the rise from 5895 to the top at 9736 in February 2020 and on the other hand, 11577 is a projection of the rise from 6771, the low in March 2020 to 9736. On August 26, the Nasdaq100 closed at 11971 about in the middle of the two targets.

At the same time on the upper panel, the Relative Strength of the Nasdaq100 versus the S&P500 is reaching a new

higher all-time high, outlining the outperformance of the Nasdaq100. Further, it is well known that only a few technology-related stocks are contributing to this performance. In comparison, the Dow Industrial Average is still clearly below its February 2020 high. Thus, not all stocks are rising so well. Finally, on that upper panel, the volatility of the Nasdaq is represented by the VXN and it should be noted that in the last week, despite a higher high in the price of the Nasdaq100, VXN is not making a lower low, but is very slightly turning up. Possibly some market participants are hedging against a potential pullback of the Nasdaq100, by bidding up the price of volatility. So far, the chart does not yet display any weekly reversal like in July 2020, which at the time lasted only two weeks! Now a weekly reversal would need to close below 11700 to appear as an engulfing pattern on the chart to open the door to a pullback toward the next support area near 10500 area. During the September-October period, the market participants know that such pullback is not unlikely during this period of seasonal weakness.

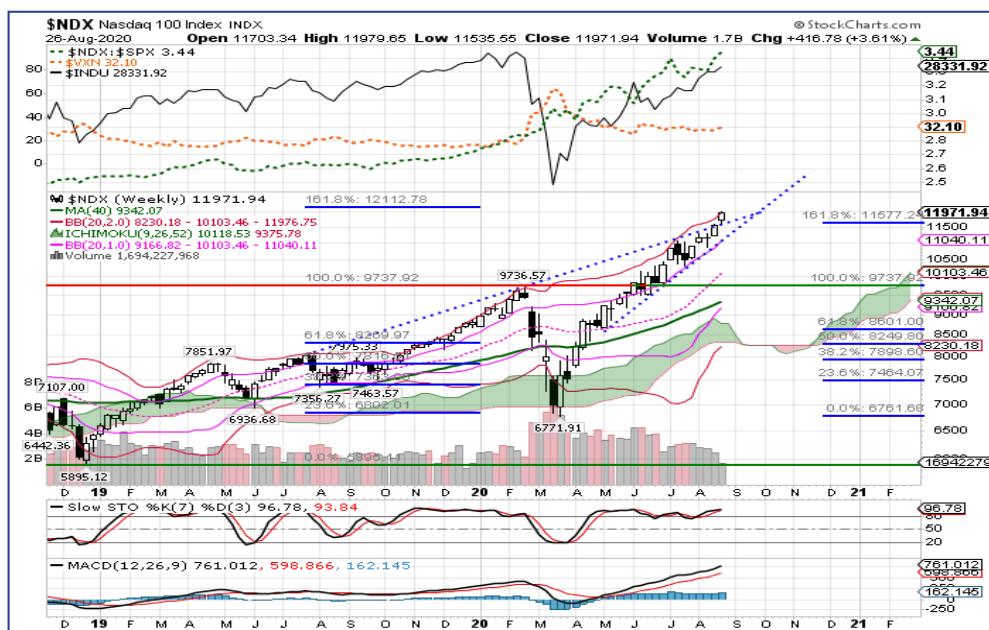
SO BUYERS BEWARE.



Graph:

Chart of the NASDAQ 100 is represented on a log scale since December 2018 in weekly candles with Ichimoku Cloud. On the upper panel is displayed in green dotted line the RS of Nasdaq100 versus S&P500, which is making a higher high, the Dow Industrials (in black solid), which is still below its February high and the VXN (the Vix of Nasdaq100) which is rising a tad in the most recent week. On lower panel, MACD is rising in positive at an all-time high over the last 2 years and the weekly STO near 96%, which is back to a very overbought level, often leading to a pullback. The NASDAQ 100 is closing near the upper Bollinger Band (11976) and also between a target area defined by two Fibonacci extensions: 12112 as the projection of the rise from 5895 to 9736 in February 2020 and 11577 as the projection of the rise from 6771 to 9736. The rising MA40wk is near 9342 and the weekly cloud is much lower near 9000.

Source: Stockcharts.com



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