

## iSHARES CHINA LARGE-CAP ETF (FXI)—VERY BULLISH MARKET REACTION

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On the left side of the monthly chart of the iShares China Large-Cap ETF (FXI), the low of the Global Financial Crisis can be spotted near 13.39 in October 2008, followed by a rebound toward 32.80-34.30 area in 2011. We drew a horizontal line at 31.50, the Fibonacci 38% retracement of the decline from the top of 2021 to the low of October 2022, which coincides with a pivotal area since 2014 separating period of euphoria and concern about the China equity market. With a huge white candle for the month of September, mostly rising massively after the news of the stimulus package, FXI is back near 32 area, just above the pivot, but also below the resistance (32.26), which capped the ETF FXI in January 2023.

From a technical viewpoint, the situation has changed since:

➔ **First**—January 2024 displays a HIGHER low at 20.79, well above the low of October 2022 at 19.75 two dashed horizontal blue lines).

- ➔ **Second**—February 2024 was also a bullish “engulfing” white candle, displaying a monthly reversal.
- ➔ **Third**—A major descending trendline joining the top in 2021 to the high at 29.68 in April 2023 was broken in April 2024.
- ➔ **Fourth**—The pullback of August 5, 2024 with a low at 24.59 was well above the former major descending trendline (**red dotted line**). Then, the ensuing rebound rose in September, well above the previous spike high of 29.44 in May.

On Sept. 27, the ETF FXI closed at 32.17, possibly activating above our Fibo 38% (31.50) a large double-bottom pattern with a target near 41-42—well above the Cloud and in the vicinity of another major horizontal line on the chart! To quote the fourth rule of market analyst Bob Farrell: *“Exponential rapidly rising or falling markets usually go further than you think, but do not correct by going sideways.”* Maybe the China equity market will validate this rule once again.

### Chart: iShares China Large-Cap ETF (FXI)

(Monthly Candles with Ichimoku Cloud -log scale from 2007). During the H1 2024, ETF China broke above a descending trendline (**red dotted line**), but then left a long spike (29.44) in May, suggesting strong selling. The close on September 27, at 32.17 is near two former highs (32.26-32.96) in 2022 and 2023. It also broke 31.50 the Fibo 38% retracement of the decline from 50.64 in 2021 to the low at 19.75. The recent rise in September is the second up-leg. Such a big candle could be partially retraced, possibly with a 38% pullback toward 29.22. Then, a subsequent rise would establish this as a second major higher low since 20.79, confirming the uptrend with targets well above the Ichimoku Cloud.

**Upper panel:** the declining RS of FXI China versus S&P500 since 2018 (**black solid line**). In the Zoom insert, that line is activating a double bottom, calling for a trend change. Similarly, in the green dotted line, the declining Relative Strength (RS) line of ETF FXI CHINA versus ETF IIF INDIA has declined since mid-2020, as India outperformed China, but displays a rebound as well.

**Lower panel:** In early 2024, the momentum supports a rebound as both MACD & STO crossed up in August. Both measures have now risen further in September.

The vertical blue line was set during 2021 when the monthly MACD crossed down. Since that date, ETF FXI China has been in a steady downtrend until the October 2022 low at 19.75. Then in January 2024, a major higher low for ETF FXI was set at 20.79 above the October 2022 low. On August 5, 2024, the next major higher low was a spike at 24.60. Index breaking below 100.

Source of data:

Stockcharts.com  
Analysis by BEST



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