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BROAD US STOCKMARKET AT 15-YEAR OVERBOUGHT EXTREME...

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The purpose of this brief update is to draw your attention to the fact that the broad stockmarket is arriving at strong resistance near to its highs, is at the apex of a bearish Rising Wedge that has formed since the late September low, is at its Dome boundary, and is at its most overbought on its MACD for more than 15 years, in fact it has only been more overbought on its MACD on one occasion in its history, in 2000, and we know what happened after that. These factors taken together of course make it highly likely that it will reverse soon.

The charts presented below, with the exception of the 2-year chart, are updated versions of the S&P500 index charts shown on the article [WHY THE MARKETS COULD CAVE IN ON THE NEXT DOLLAR RAMP](#) posted on the site a few days back on the 1st. The 2-year chart has been added so that we can see recent action in the context of the large topping pattern that formed during the Summer.

While the recovery rally in the market has gotten further than we had expected it is still viewed as nothing more than a bearmarket rally. As we can see here it is "losing steam" within a bearish Rising Wedge, which is now closing up. It is therefore expected to break down from this Wedge shortly and head lower.



This market is really pushing its luck - it is at resistance, at a target and the most overbought on its MACD that it has been 15 years. The last time it was this overbought was right at the start of the 2000 - 2002 bearmarket.



The market topped out beneath a giant Distribution Dome and the August plunge signalled the onset of a major bearmarket with a violent breakdown from the major uptrend in force from the Spring of 2009, which had taken the form of a bearish Rising Wedge. The current rally is a pullback towards the Dome boundary which maintains some sort of symmetry, although since markets drop twice as fast as they rise, it is not obliged to maintain this symmetry on the way down. As we can see, we are at a very good point to short it now, with a stop some way above the Dome, just in case. Many investors believe that the market will break to new highs on a dollar rally, but it doesn't look like that will happen on this chart.



If it breaks down from the Wedge shown on the 3-month chart above we are likely to see some spectacular downside action.

End of update.

Posted at 8.55 am EST on 4th November 15.