Rambus Chartology

Moving forward

Wednesday Report…

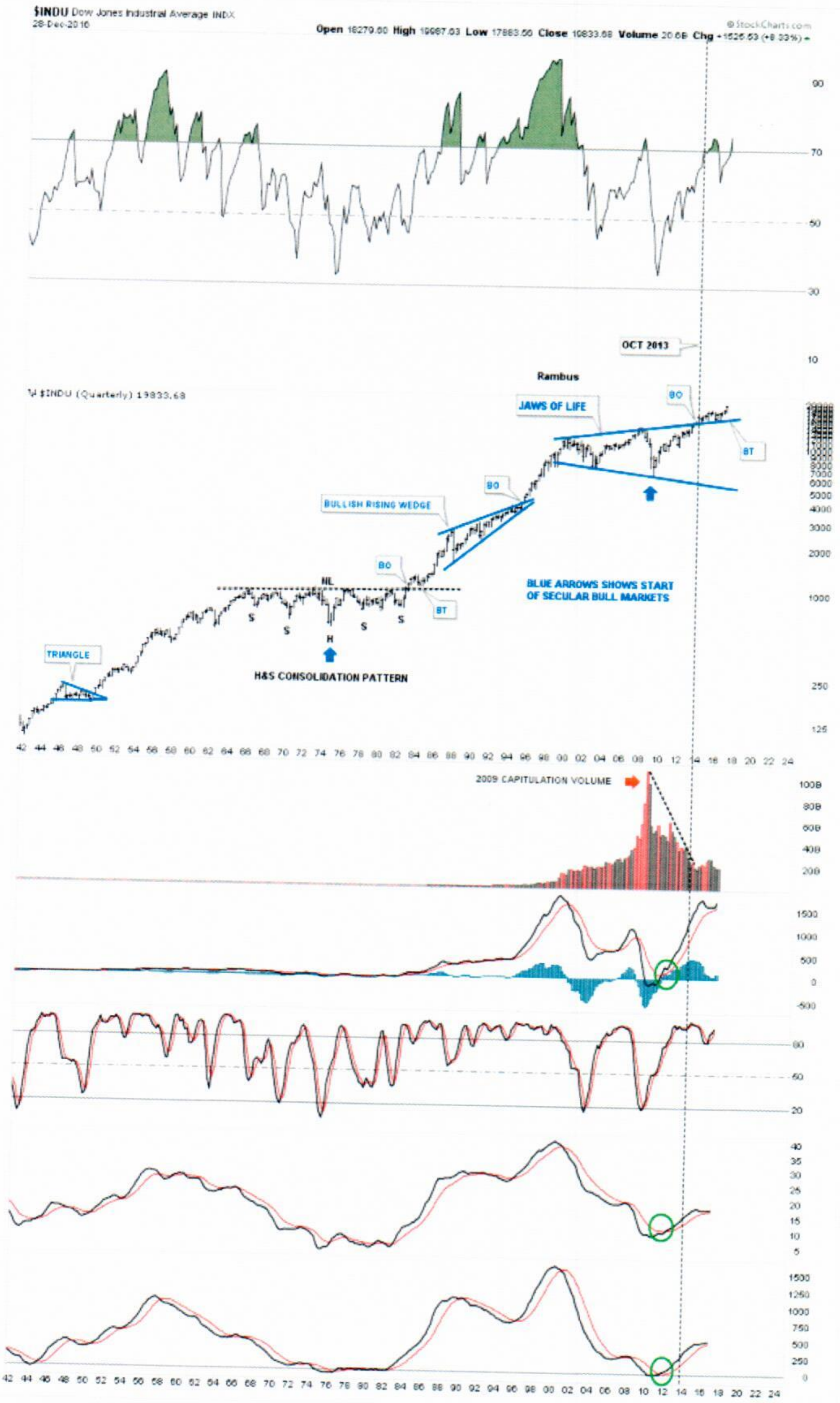
Posted on December 28, 2016, 10:27 pm by Rambus

Tonight I would like to touch a few bases in regards to some of the stock market indices which may be showing another possible inflection point we were watching a couple of months ago. Just after the US elections the stock markets were bottoming, and the PM complex was topping. Both have been in strong impulse moves since then and it may be time to consolidate those recent moves. Nothing goes straight up or down without taking a rest which is needed to keep the main trend alive.

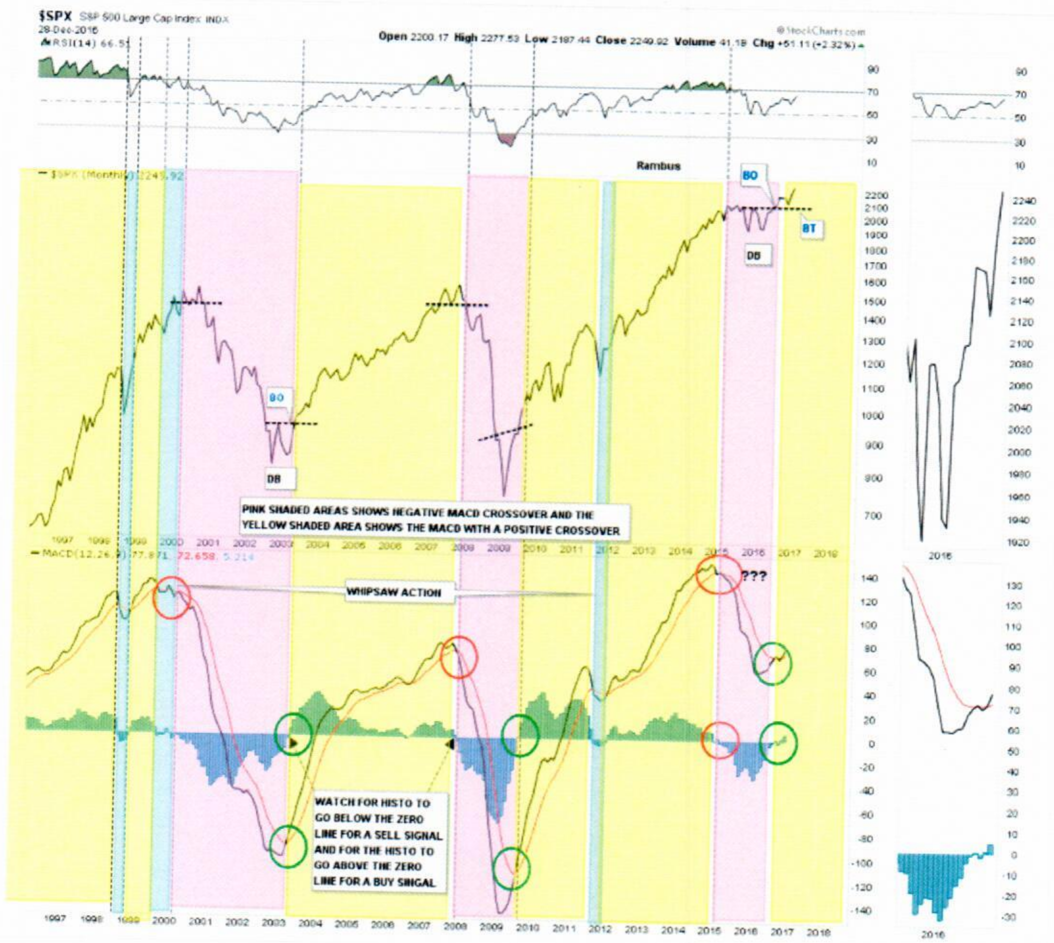
Lets start with a daily chart for the $INDU which broke out of the black bullish rising wedge in early December of this year. This daily chart shows the black #2 reversal point in the black rising wedge as the BREXIT vote, and reversal point #4 shows the US elections bottom. Since the middle of December the INDU has been trading sideways building out a possible consolidation pattern or a reversal pattern of some kind. A backtest to the top rail of the bullish rising wedge would come in around the 19,350 area which would be a normal backtest. The 20 day ema now comes in at 19,663 as first support, with the 50 day ema coming in around the 19,188 area which will be close to the top rail of the rising wedge. A mild correction right here would also give the 200 day ma time to close the gap between the price.

The long term weekly chart for the INDU shows the big year and a half triangle consolidation pattern which is responsible for this current impulse leg up. The 30 week ema is currently at 18,626, which would be intermediate term support.

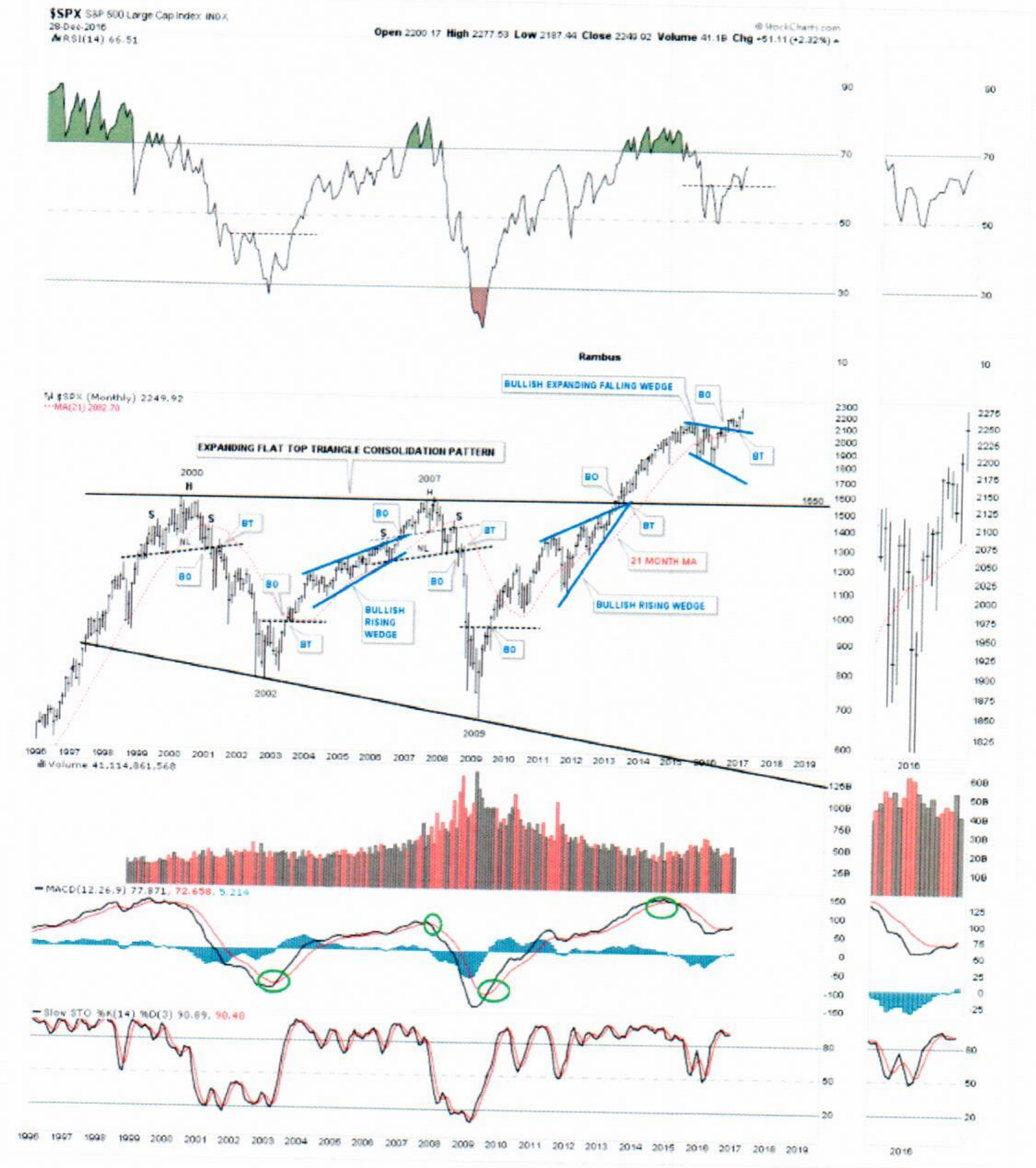
Below is a 75 year quarterly chart which puts everything in perspective for me. The initial breakout from the expanding Jaws of Life consolidation pattern happened in October of 2013. For over three years the INDU has been consolidating just above the top rail and appears to be lifting off. Note the breakout and backtest to the massive H&S consolidation pattern neckline during the 1970's which launched the new secular bull market at that time. The 1987 crash happened during the first reversal point in the blue bullish rising wedge which was the end of the world at the time. I expect we'll see something similar during the current multi year bull market, but from higher prices, as this impulse leg is really just getting started.



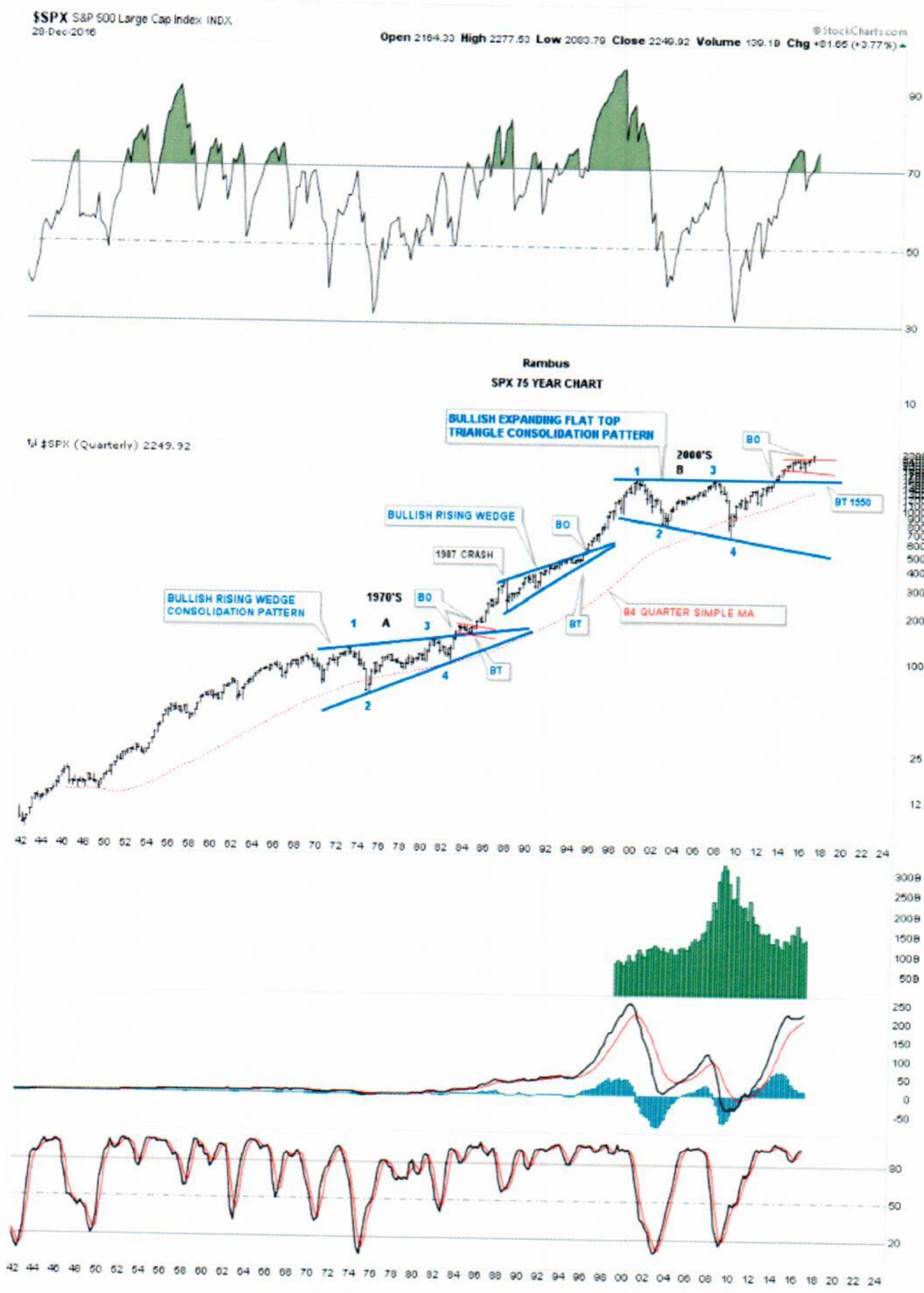
Three months or so ago we looked at this 20 year monthly line chart for the SPX which was on the verge of giving a long term buy signal. Unless the SPX crashes in the next two days, the buy signal generated in November is still enforce. The recent double bottom is now starting to stand out in a similar fashion to the double bottom that formed back in 2002.



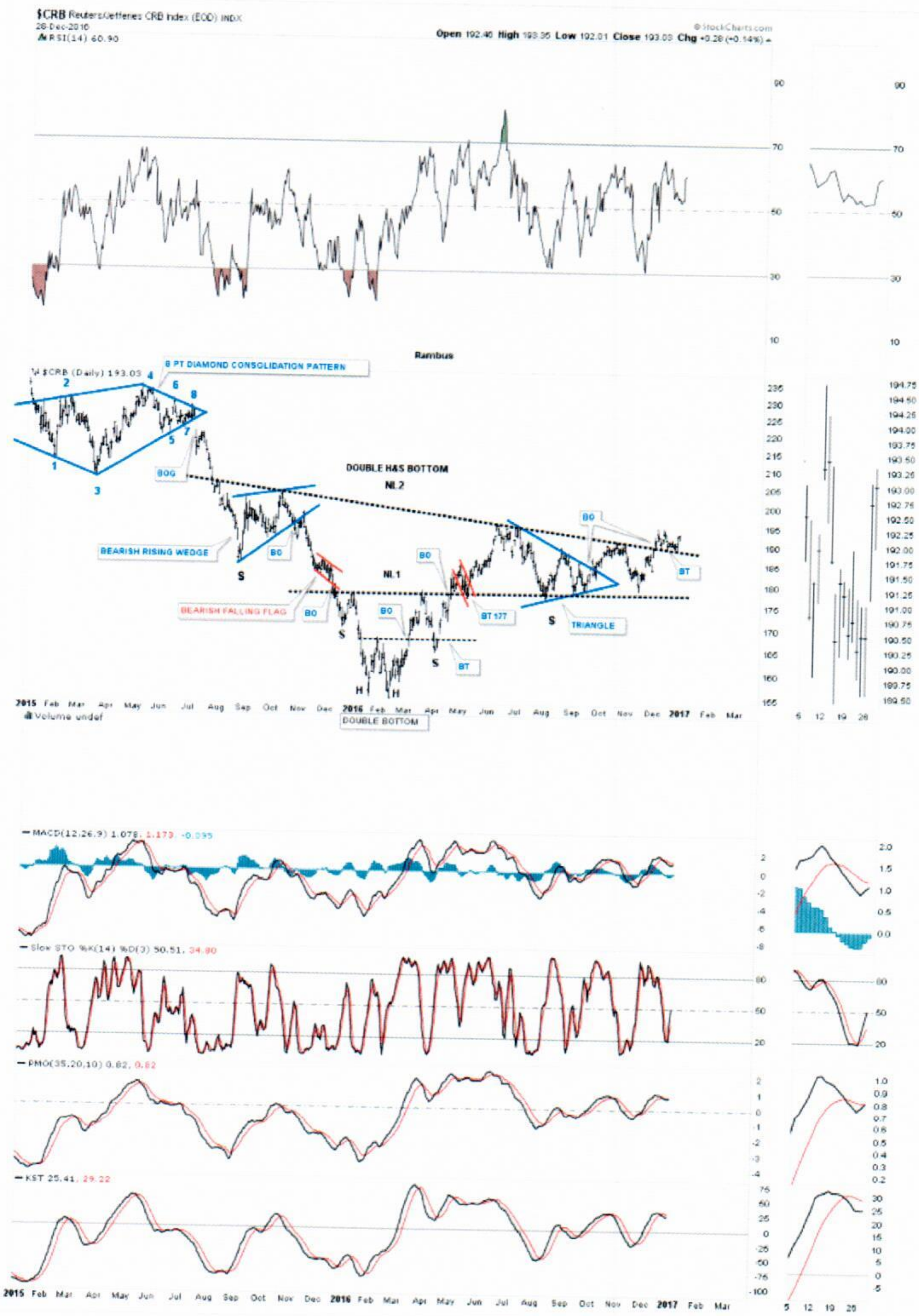
This next chart for the SPX shows its massive 12 year expanding flat top triangle consolidation pattern which broke out way before the INDU. As you can see, the SPX built out a year and a half blue bullish expanding falling wedge consolidation pattern. The price action broke out this summer with a four month backtest to the top rail which coincided with the 21 month ma. It's still possible that we could get a backtest to the top rail, but at this point with the SPX making new all time highs, it seems unlikely.



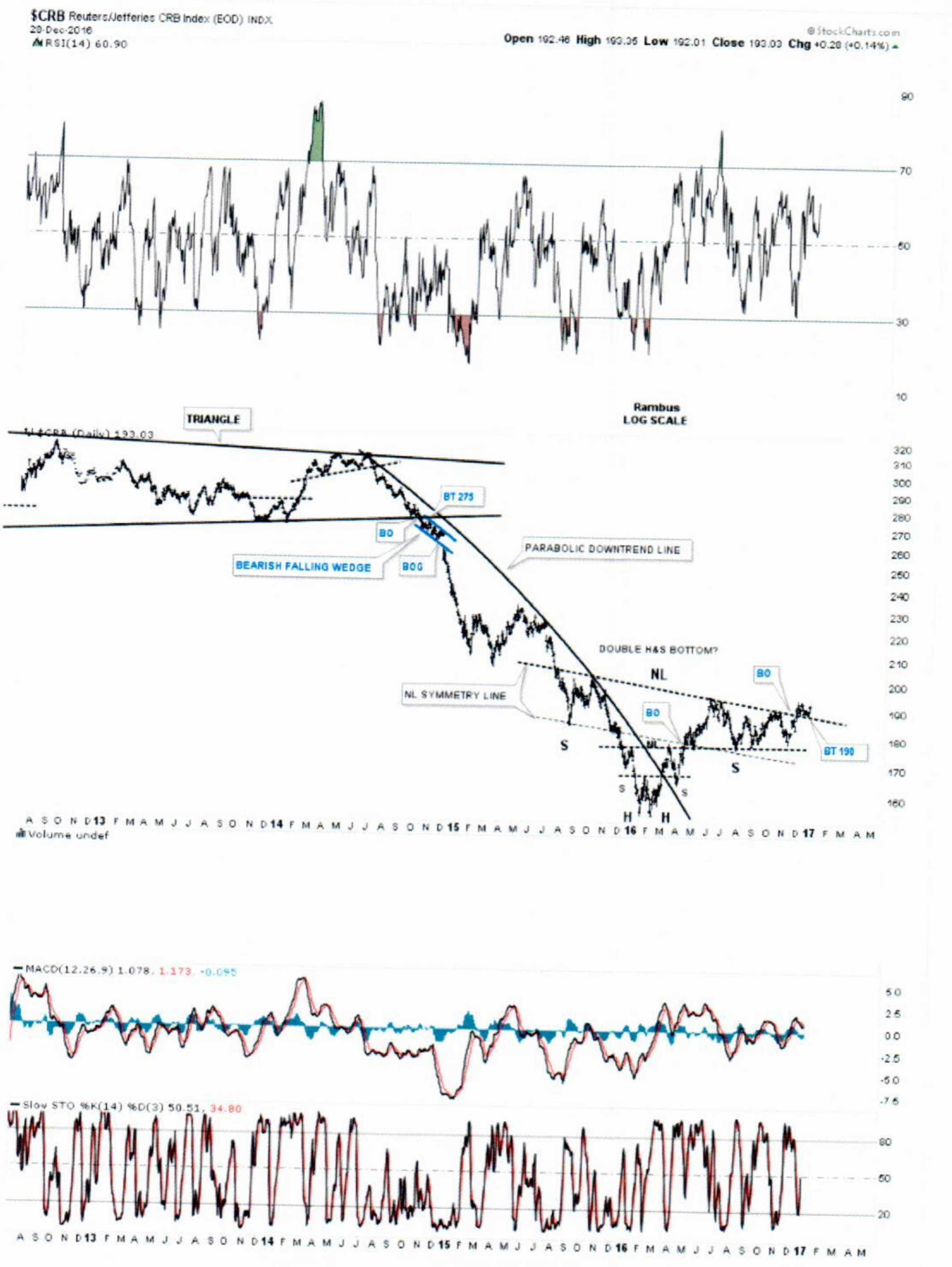
This last chart for the SPX is a 75 year quarterly look which shows the big bullish rising wedge which built out in the 1970's and led to that secular bull market. Note the similar price action as shown by the small red consolidation patterns on the breakout and backtest in the 1970's and our current red consolidation pattern which is just breaking out.



Next lets look at a couple of commodities related indexes which are showing some positive price action. The daily chart below shows the price action breaking out above the neckline during the first part of December with several backtests. As long as the neckline holds support the bottom is in.



This next chart is a five year daily chart for the CRB index which shows the parabolic move down into the bottom. The right shoulder took longer to build out than I originally thought, but as long as the neckline holds support the CRB has a very large base in place which suggests much higher prices to come.

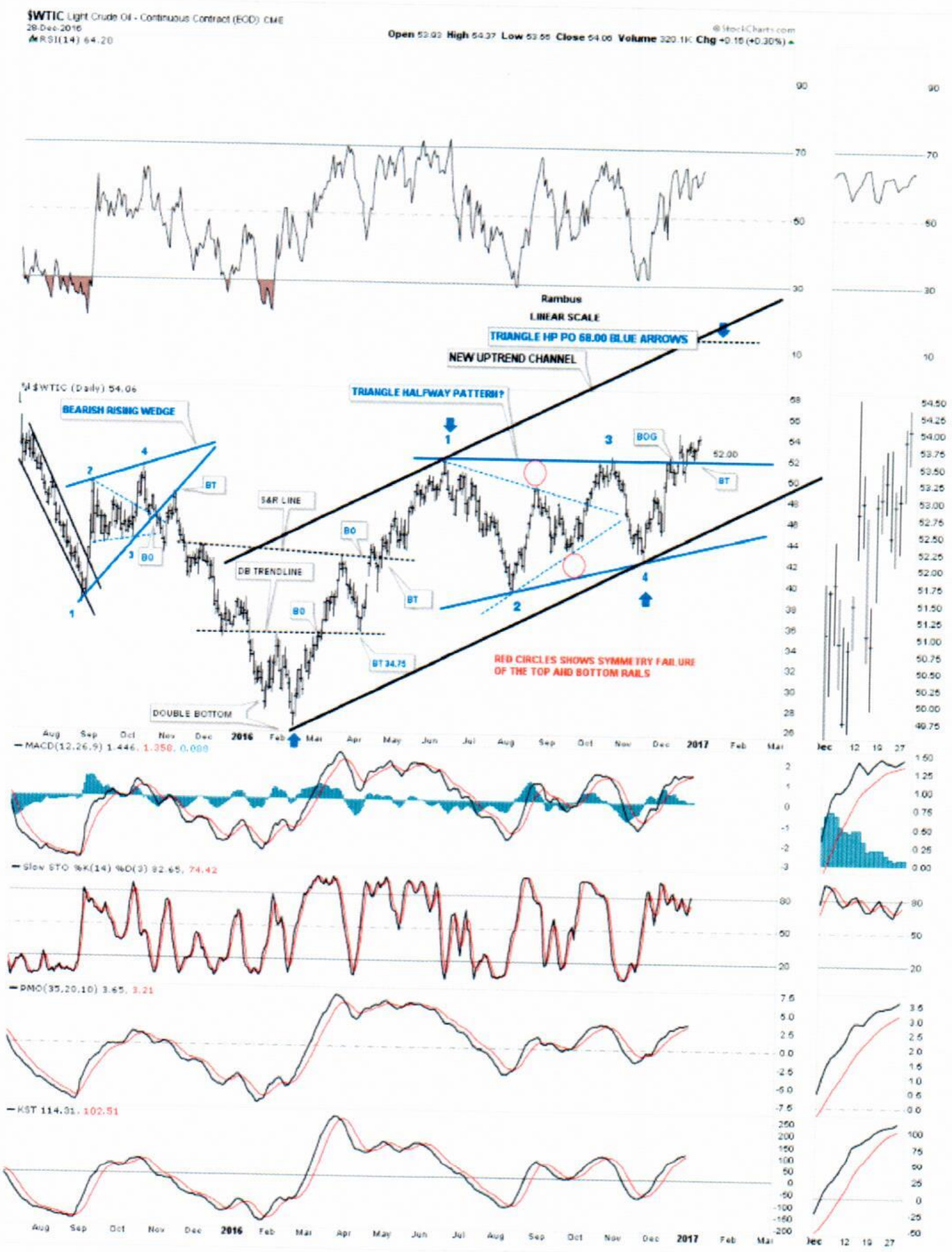


Below is an old eleven year weekly chart for the CRB index which puts our inverse H&S bottom in perspective. The red, blue and black arrows measures each leg of the impulse move separated by a consolidation pattern.

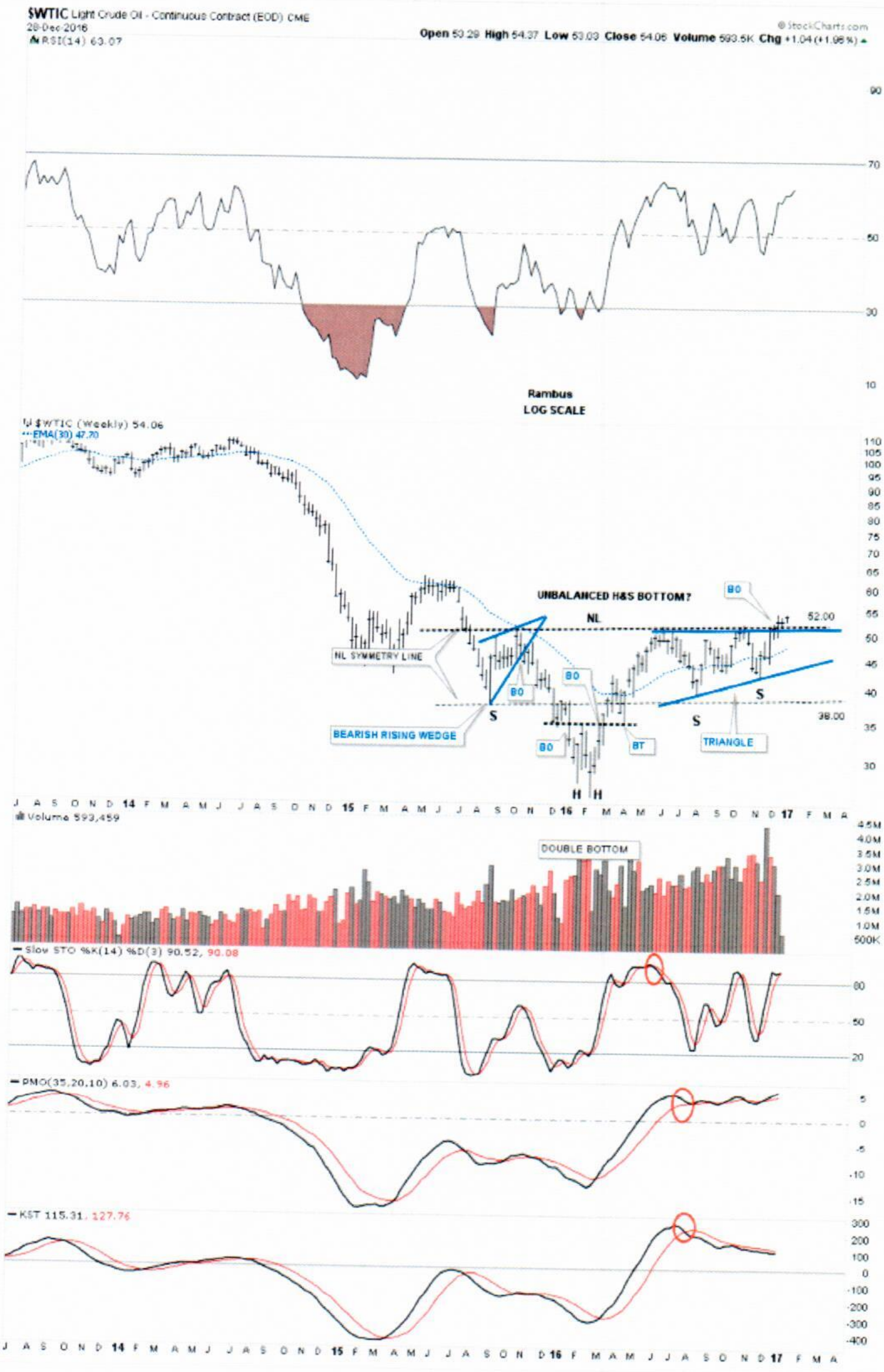
The DBC is a much more actively traded commodities index which shows a similar setup to the CRB index.

The ten year monthly chart for the DBC uses black and white candlesticks to help confirm when there is a strong impulse move. A string of black candlesticks all in a row shows an impulse move down, and a string of white candlesticks all in a row shows an impulse move up.

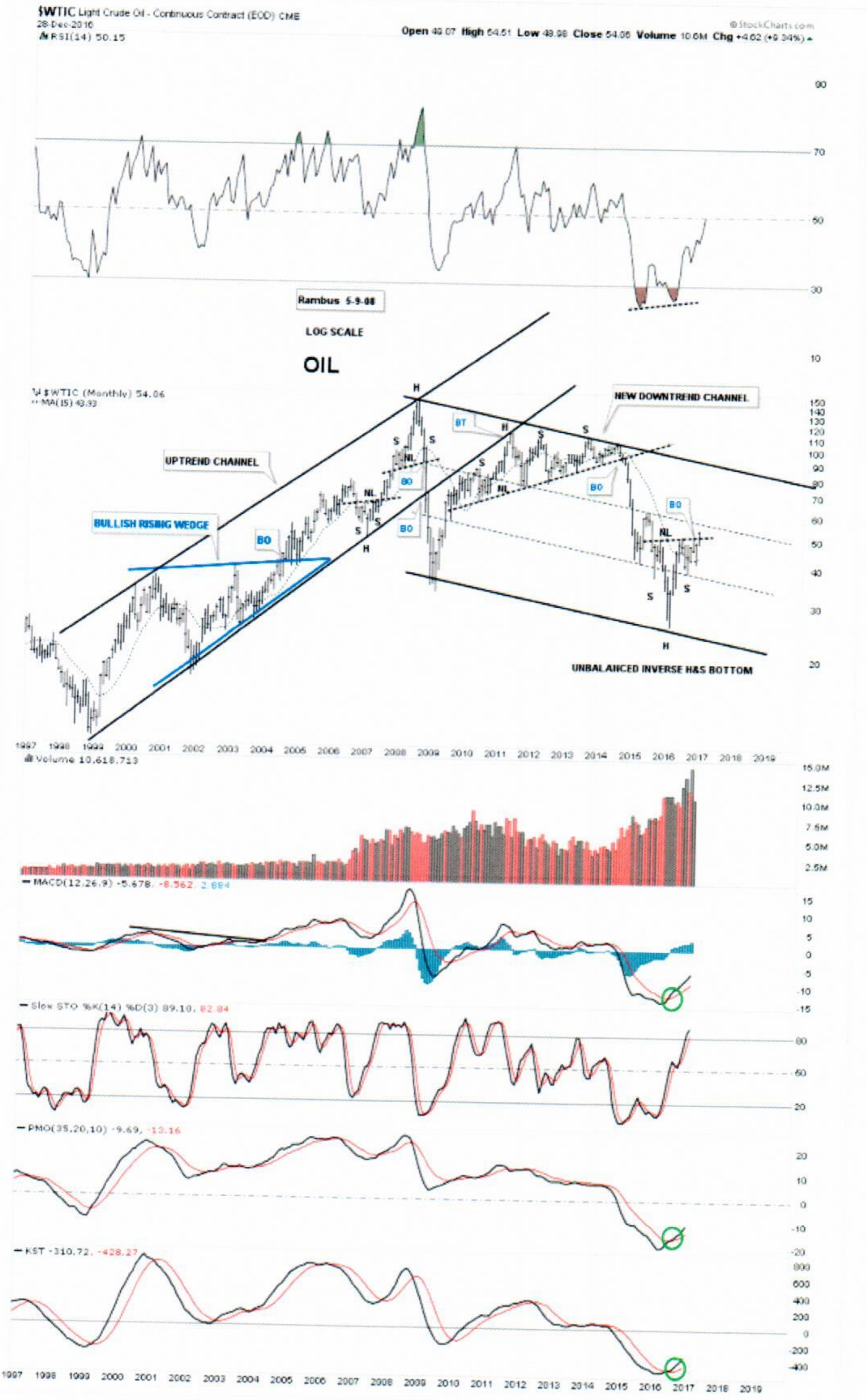
The last time we looked at the $WTIC I showed you how the triangle right shoulder was morphing into a bigger right shoulder, red circles, with the breakout around the 52 area to complete the inverse H&S bottom. As you can see there was a breakout which was followed by a strong backtest below 52, and then another try to breakout, which now looks successful as long as the neckline holds support.



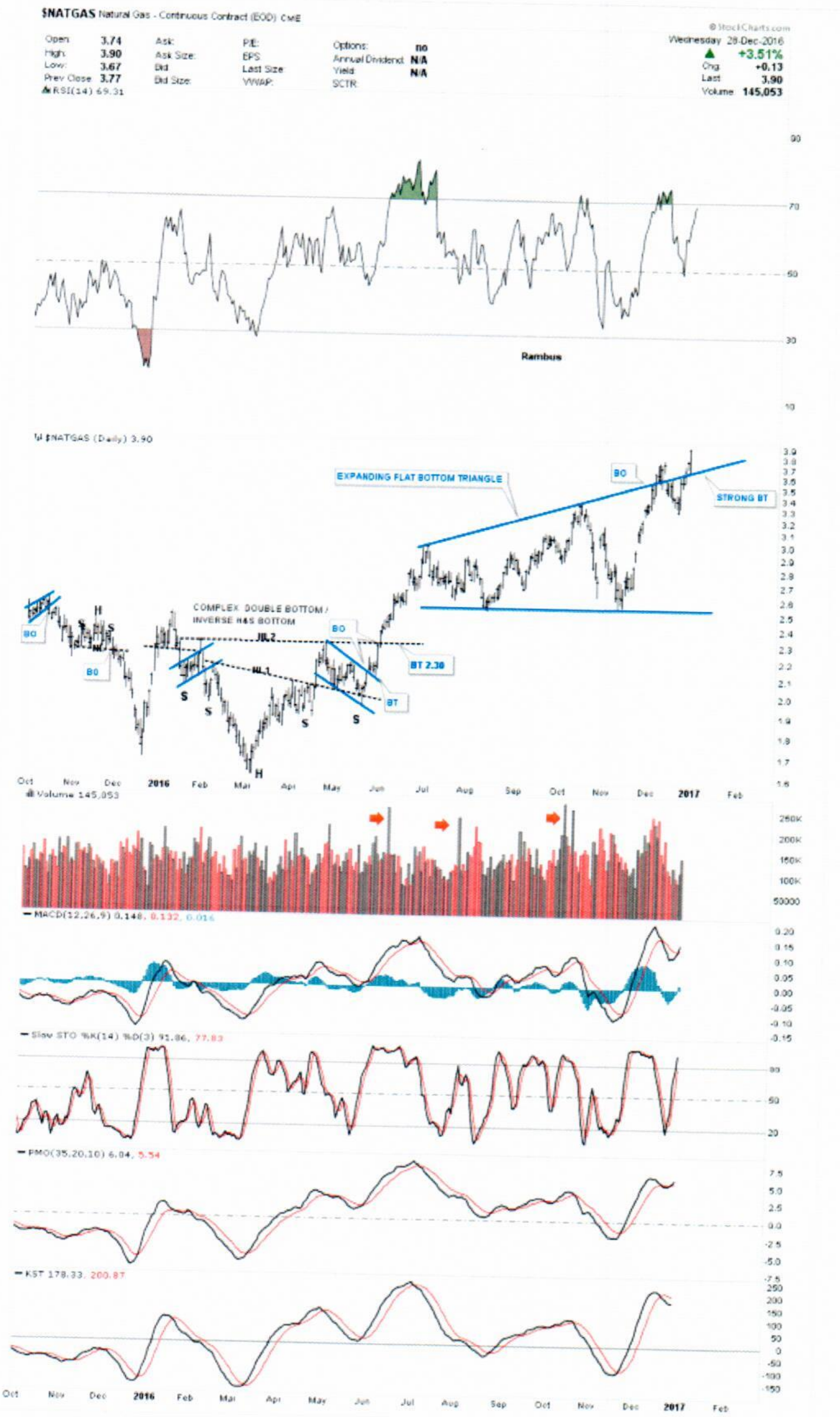
This weekly chart shows a clear look at the unbalanced inverse H&S bottom with the right shoulder being much bigger than the left.



The 20 year monthly chart puts the unbalanced inverse H&S bottom in perspective with the top rail of the possible downtrend channel being a price objective.



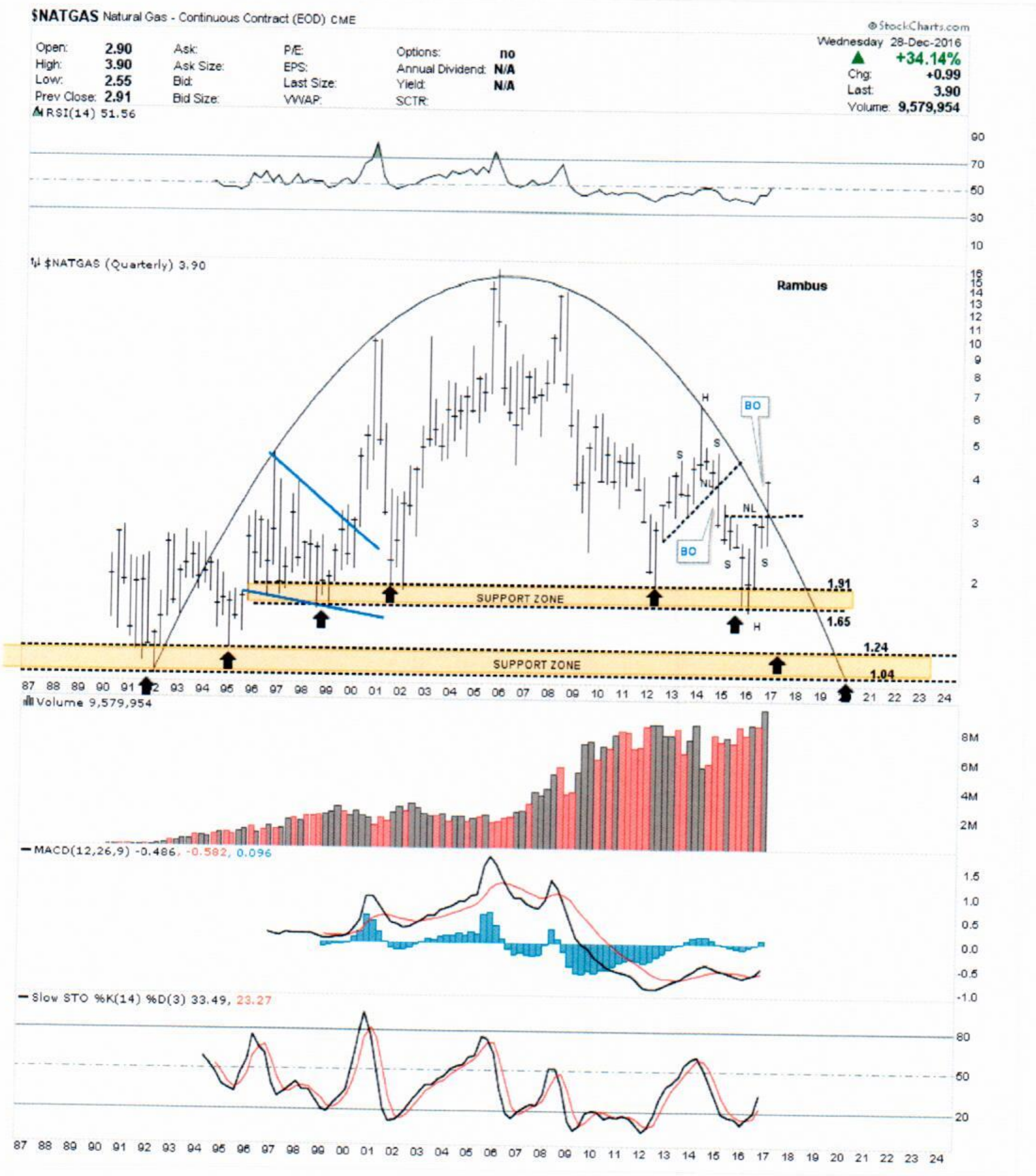
Next lets look at the daily chart for $NATGAS which is showing it has broken out of a flat bottom expanding triangle with a very strong backtest below the top rail, but today the low may have bactested the top rail for the last time before it moves higher.



The weekly chart shows why the strong backtest may be complete as the price action actually found support on the neckline of an inverse H&S bottom. Just like the $WTIC inverse H&S bottom NATGAS also looks like it has completed an equally big inverse H&S bottom. The blue arrows measures each half of the impulse move down, with the blue diamond left shoulder being the halfway pattern.

Below is the monthly candlestick chart which we will want to see a string of white candlesticks all in a row on this next impulse move higher.

This last chart for NATGAS is a quarterly look which shows the price action breaking out above the massive dome which has been in place since 1992. You can see the inverse H&S bottom we looked at on the chart above gave NATGAS the energy to finally breakout above the 25 year dome with a nice long bar.

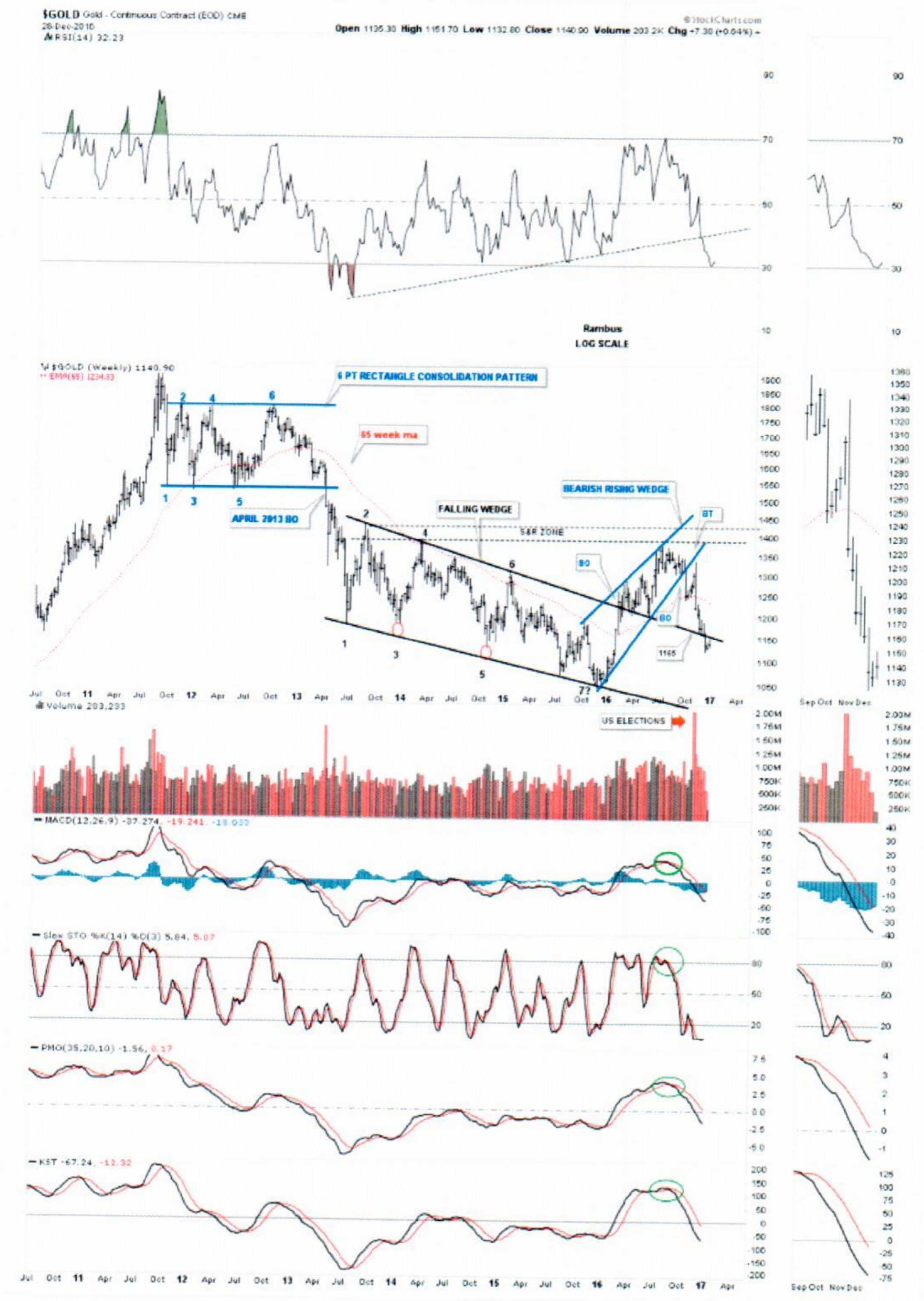


Now lets turn our attention to gold and see what the long term weekly chart is showing us. This chart shows us the bear market that began in September of 2011 with the first leg down creating the six point blue rectangle consolidation pattern. Then it experienced the 2013 breakout impulse move down when the bottom rail of the rectangle gave way.

The bottom came in just several months later in June, which is the first reversal point in the multi year falling wedge, which I initially named a bearish falling wedge, as I thought gold would breakout below the bottom rail. Last year at this time gold threw me a curve ball and rallied up to breakout above the top rail of the falling wedge, which I had to respect and went long the precious metals stocks.

The breakout move looked perfect with a couple of backtests to the top rail before moving higher. Gold reached the S&R zone at the 1385 area and began to correct which was normal, but then things got out of control, and gold tried to throw me another curve ball, but this time I was ready for it. At this point in time I have to label the rally out of the 2015 low as a bearish rising wedge. Note the backtest to the bottom rail of the bearish rising wedge, which was on election night.

Gold is at another important price point on this chart which is showing it's trading below the top rail of the multi year falling wedge. If gold can trade back above that top rail of the multi year falling wedge that would be a very positive development for the bull case. Until then I have to remain neutral. Time to get this posted. All the best… Rambus



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