Rambus Chartology

Moving forward

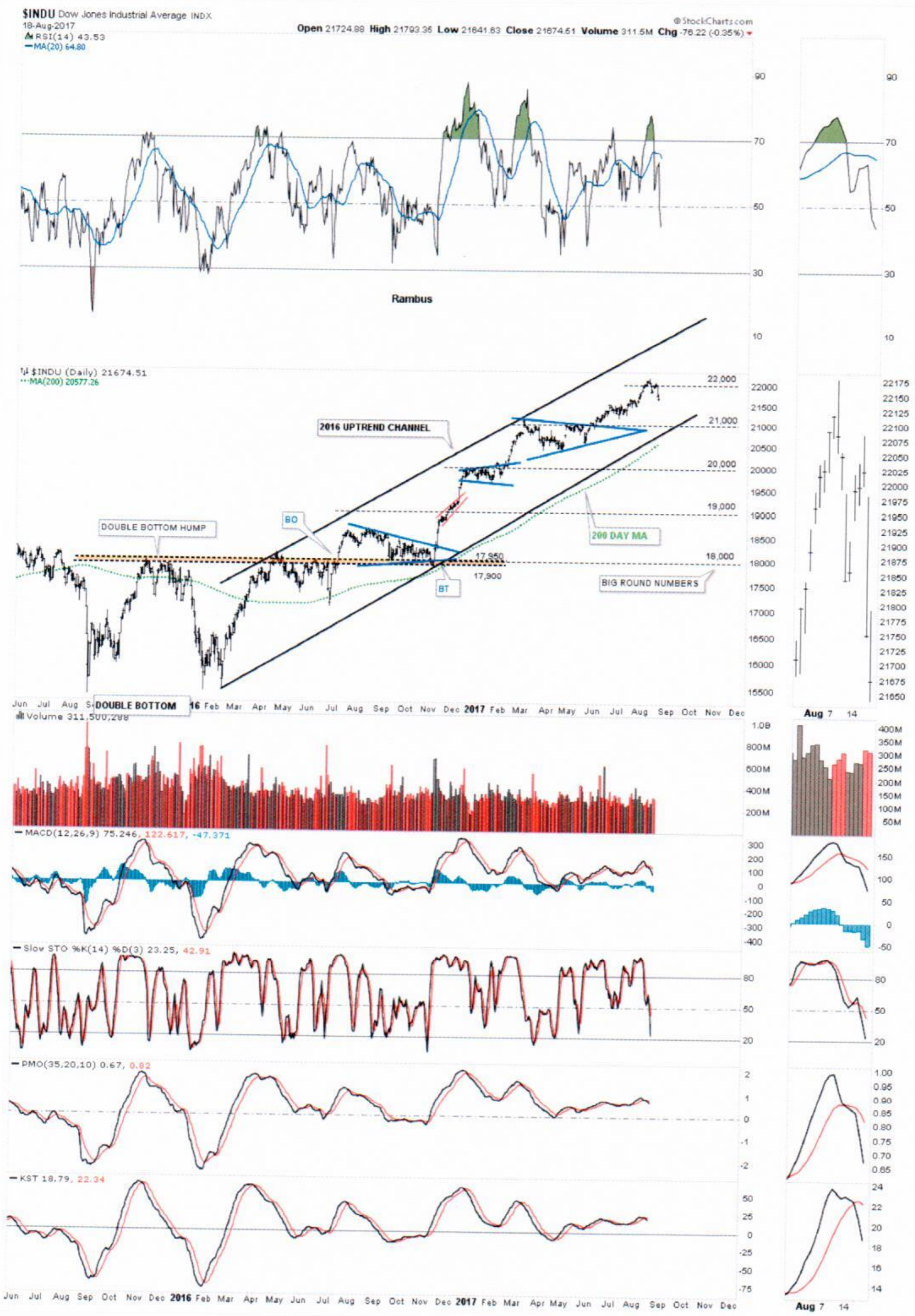
Weekend Report…Unequivocally Bullish .

Posted on **August 20, 2017, 10:26 pm** by **Rambus**

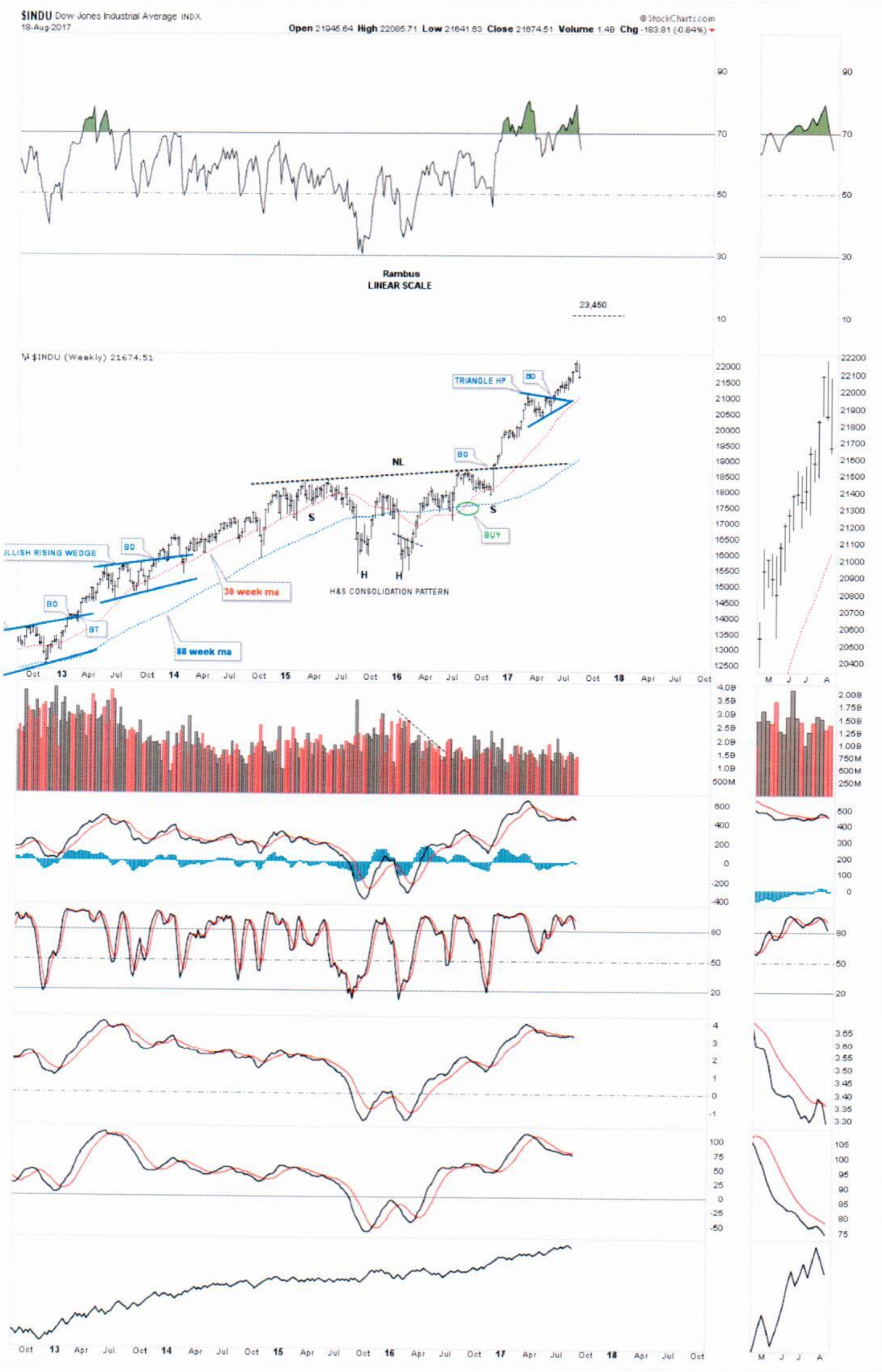
Before we look at tonights charts I just want to state unequivocally that I'm a long term bull on the US stock markets. I know that isn't a popular position to have right now, but there are no signs yet of a major topping pattern forming. Maybe our recent new all time highs might be the start of a major topping pattern that will reverse the bull market that began in March of 2009. If that is the case it will take many months of topping action to build out a reversal pattern. Until I see some type of large reversal pattern, a correction or consolidation pattern of some kind makes the most sense right now.

Lets start by looking at a daily chart for the INDU which is showing its 2016 uptrend channel. At the top of the chart you can see a small unbalanced double top at the 22,000 area. If the INDU is going to build out a major topping pattern then it's possible that the recent high could be the head of a H&S top with the previous triangle being the right shoulder. If that is the case then we would need to see the price action break below the bottom rail of the uptrend channel and the 200 day moving average. Next we would need to see a counter trend rally that falls short of the head area creating the right shoulder.

As you can see even if the INDU was building out a H&S top there is a whole lot of work to be done before we can call the bull market over. Bull markets don't end with a V top. There is usually a lot of distribution that takes place, in most of the different sectors. You are more likely to see a V bottom as fear is a stronger emotion than greed.

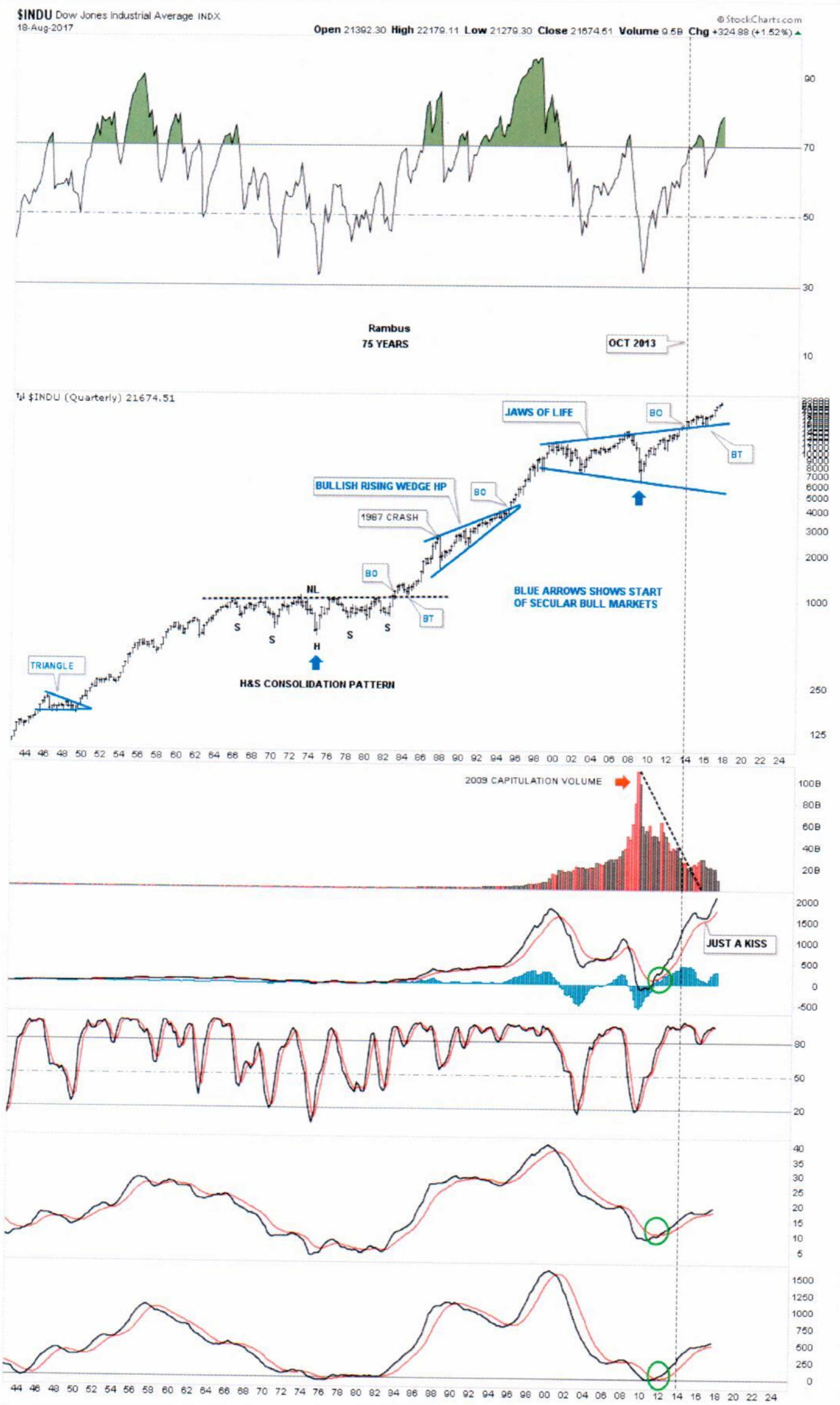


This next chart for the INDU is a linear scale weekly look which shows the H&S consolidation pattern with the blue triangle that I've labeled as a halfway pattern. Again, if the INDU is going to build out a topping pattern it will need to break below the apex of the blue triangle and the 30 week ema. There will be ample time to watch things unfold if indeed a top is forming.

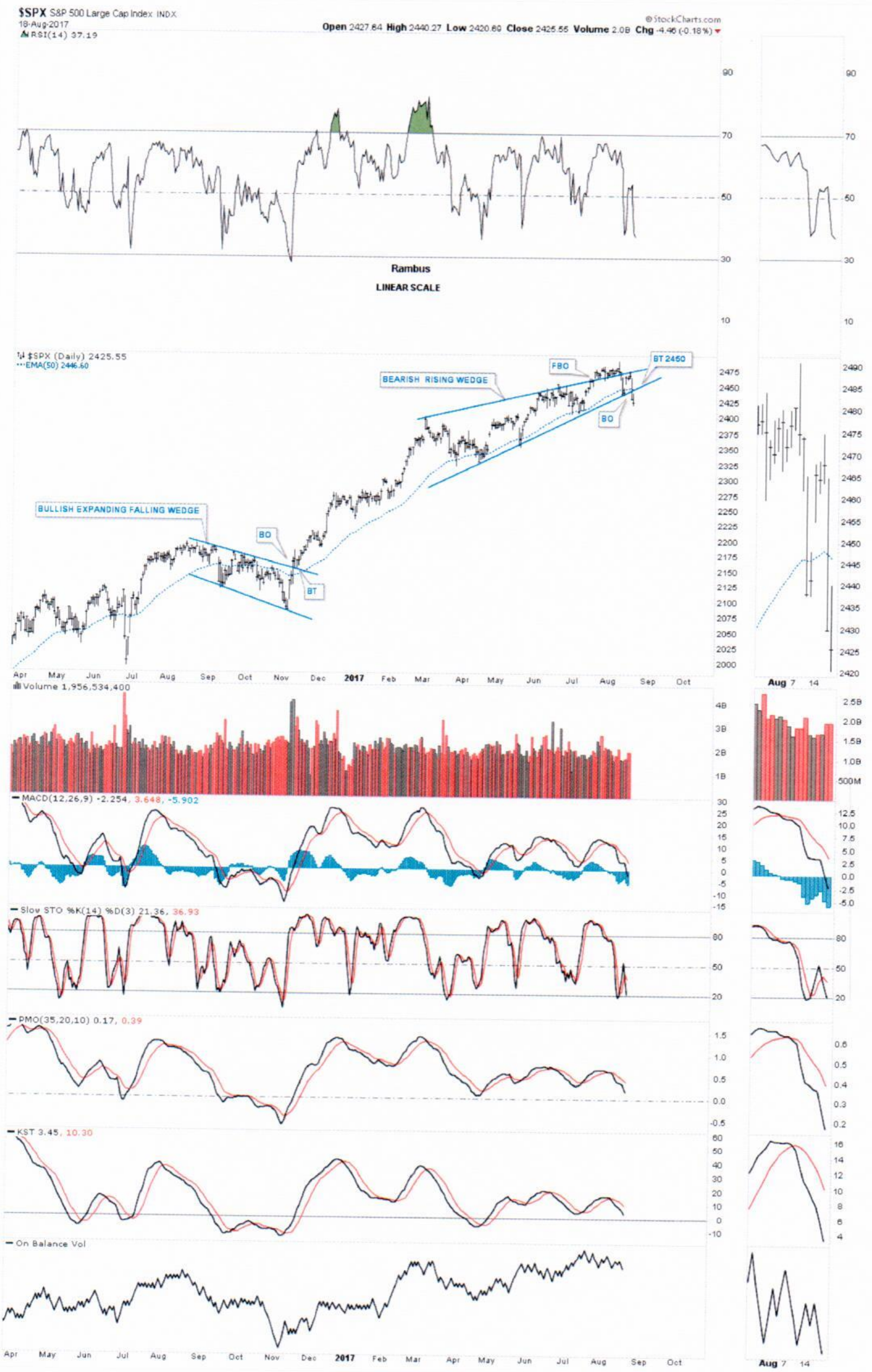


I know you are probably tired of me showing you this 75 year quarterly chart for the INDU, but it paints a picture that can't be denied. Keep in mind we've been following the breakout above the top rail of the Jaws of Life since the day it happened when many were calling it the Jaws of Death with an eminent crash to occur. That was almost 4 years ago and the Jaws of Life is still playing out unlike the Jaws of Death.

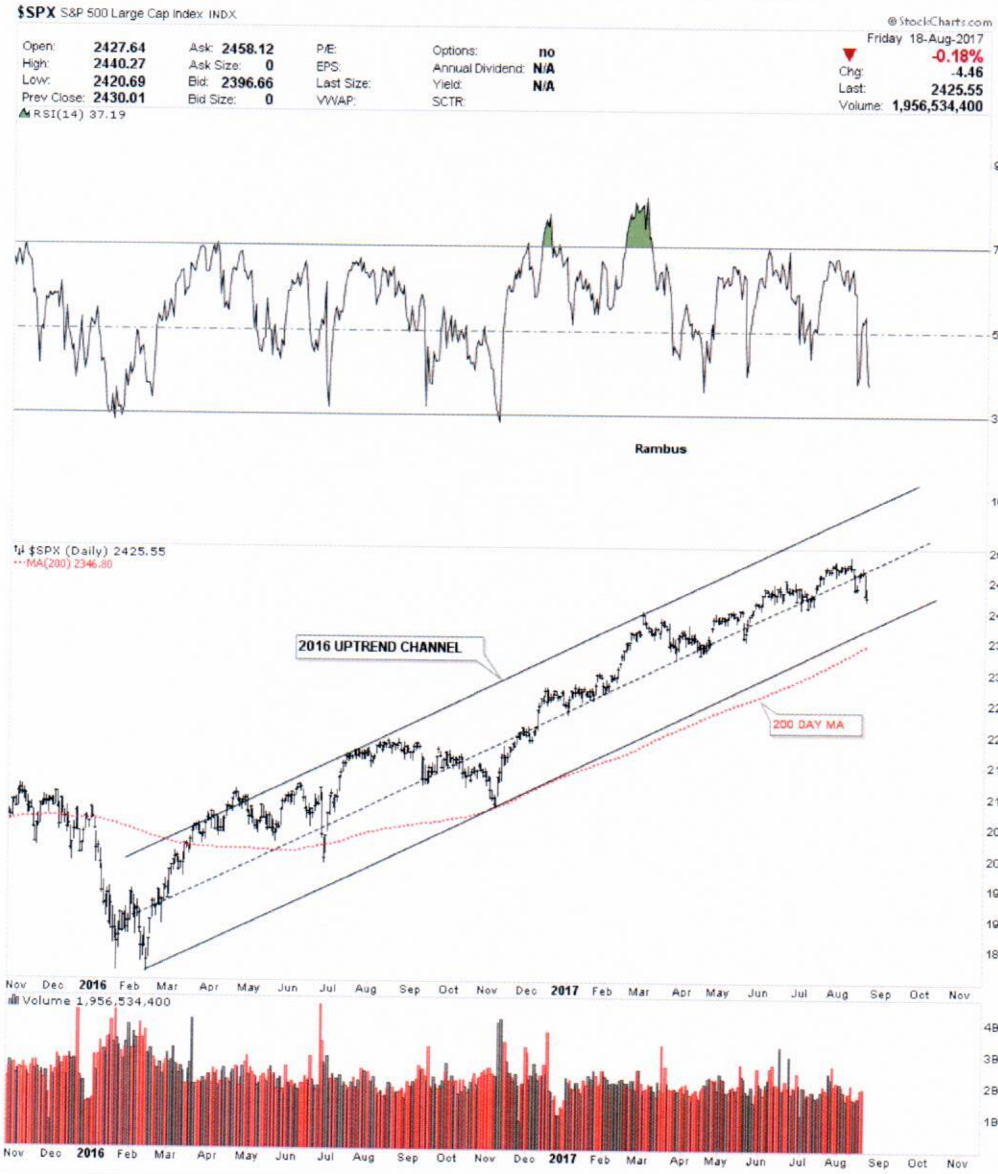
Note the beautiful and symmetrical H&S consolidation pattern that formed in the 1970's which launched the biggest bull market in history. Take a second and look at the breakout and backtest to the neckline and compare it to the breakout and backtest to the Jaws of Life. At some point we are going to see a decent correction of 10% or more when this impulse leg if finished, similar to what we saw with the 1970's initial impulse leg up that lasted until the 1987 crash. If one had the to courage to buy that end of the world low, you would have been greatly rewarded. It looks easy on a chart, but in real life it's a totally different story.



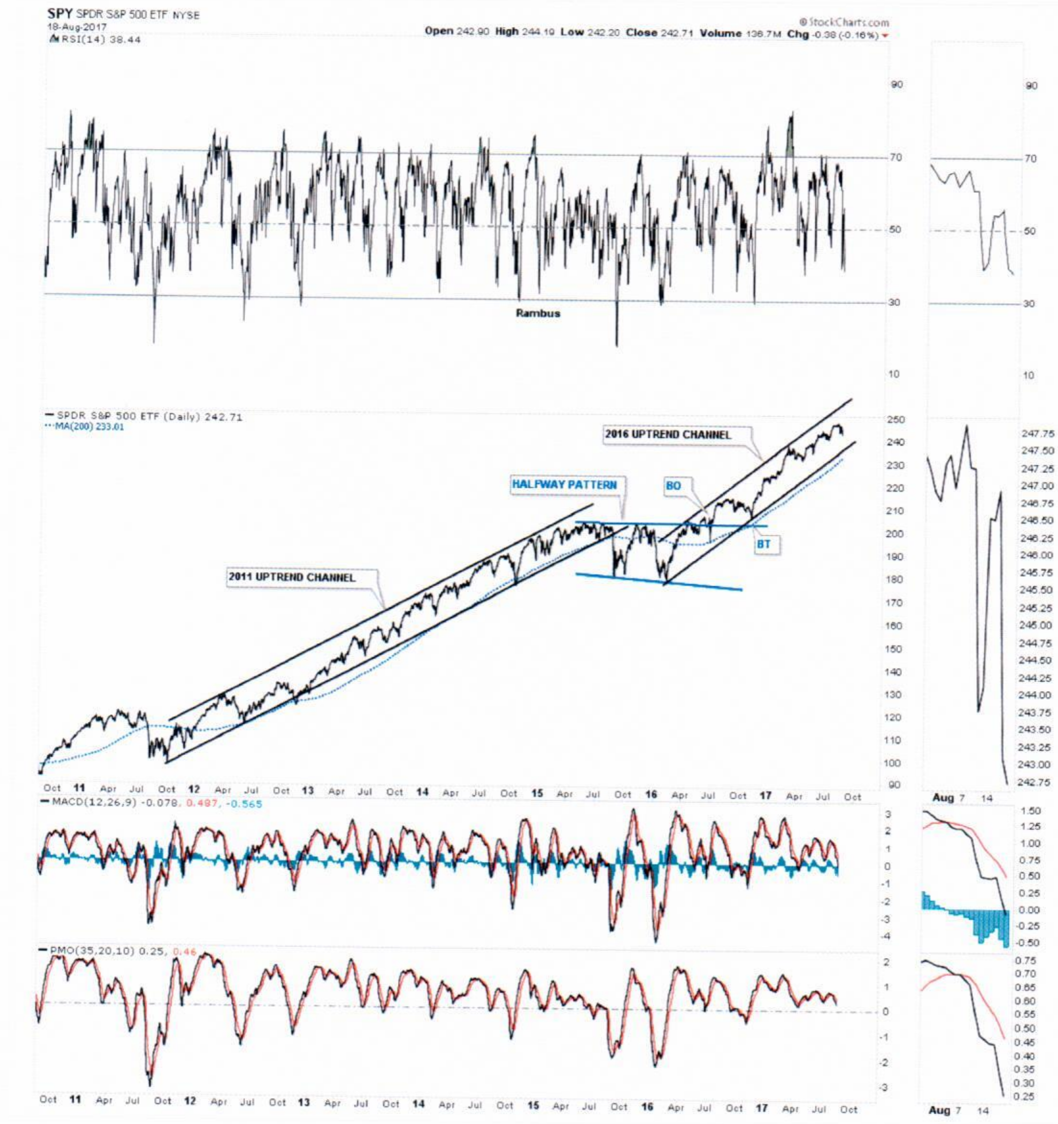
Several weeks ago we looked at the rising wedge formation on the daily chart for the SPX. At the time it had just broken out above the top rail, but couldn't follow through, which I'm labeling as a false breakout. One of the reasons I took some more profits off the table last Friday was due to the price action in the apex of the rising wedge. Note how the price action came down to the bottom rail of the rising wedge and the 50 day ema and bounced back up to the top rail of the rising wedge, in a ping pong move, which held resistance again. Last Thursday the SPX broke below the bottom rail and the 50 day ema. A backtest to the underside of the bottom rail would come in around the 2450 area. The general measured move of a rising wedge is down to the first low which comes in around the 2325 area.



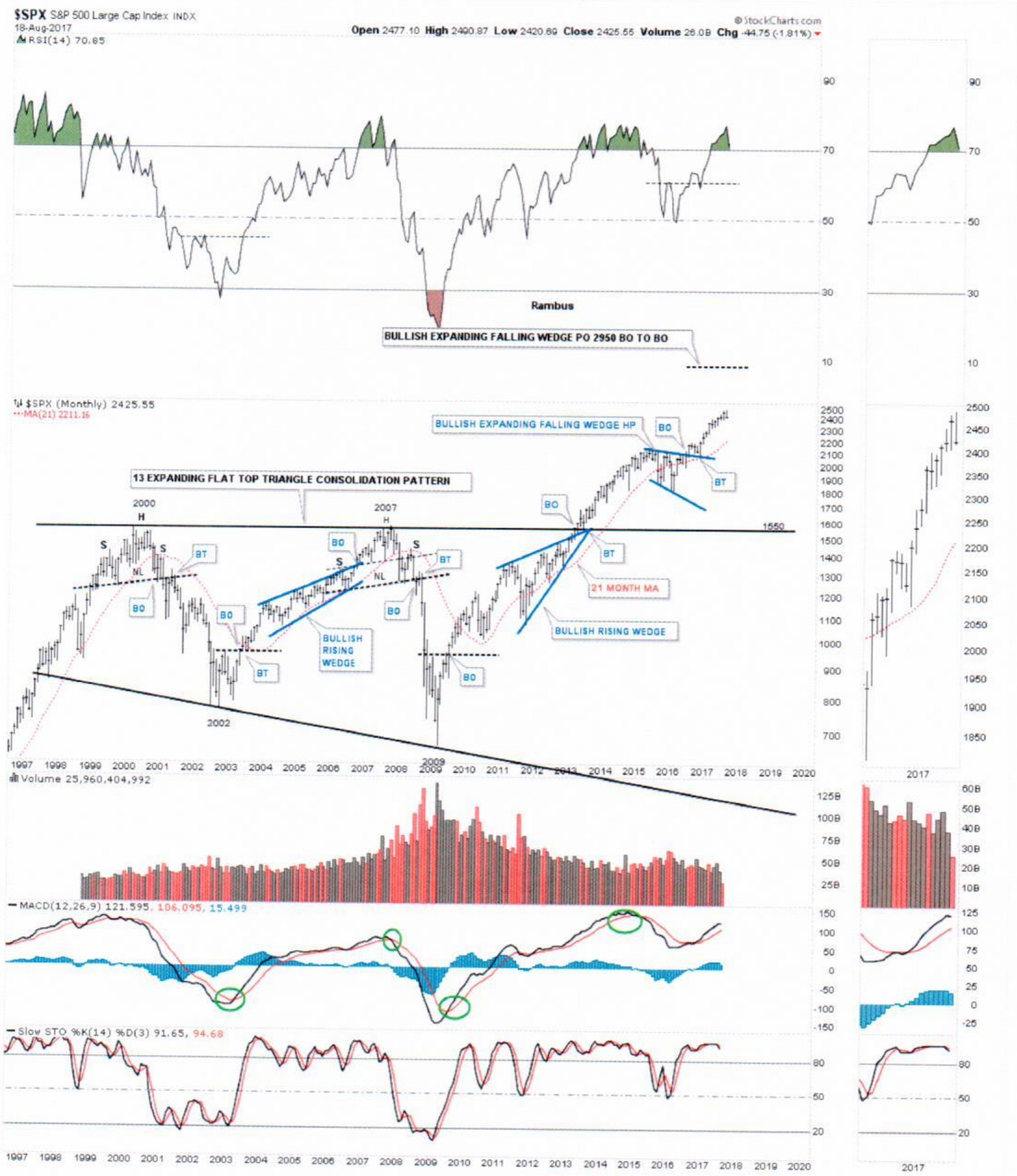
This next chart shows the 2016 uptrend channel with the 200 day ma coming in at 2346.



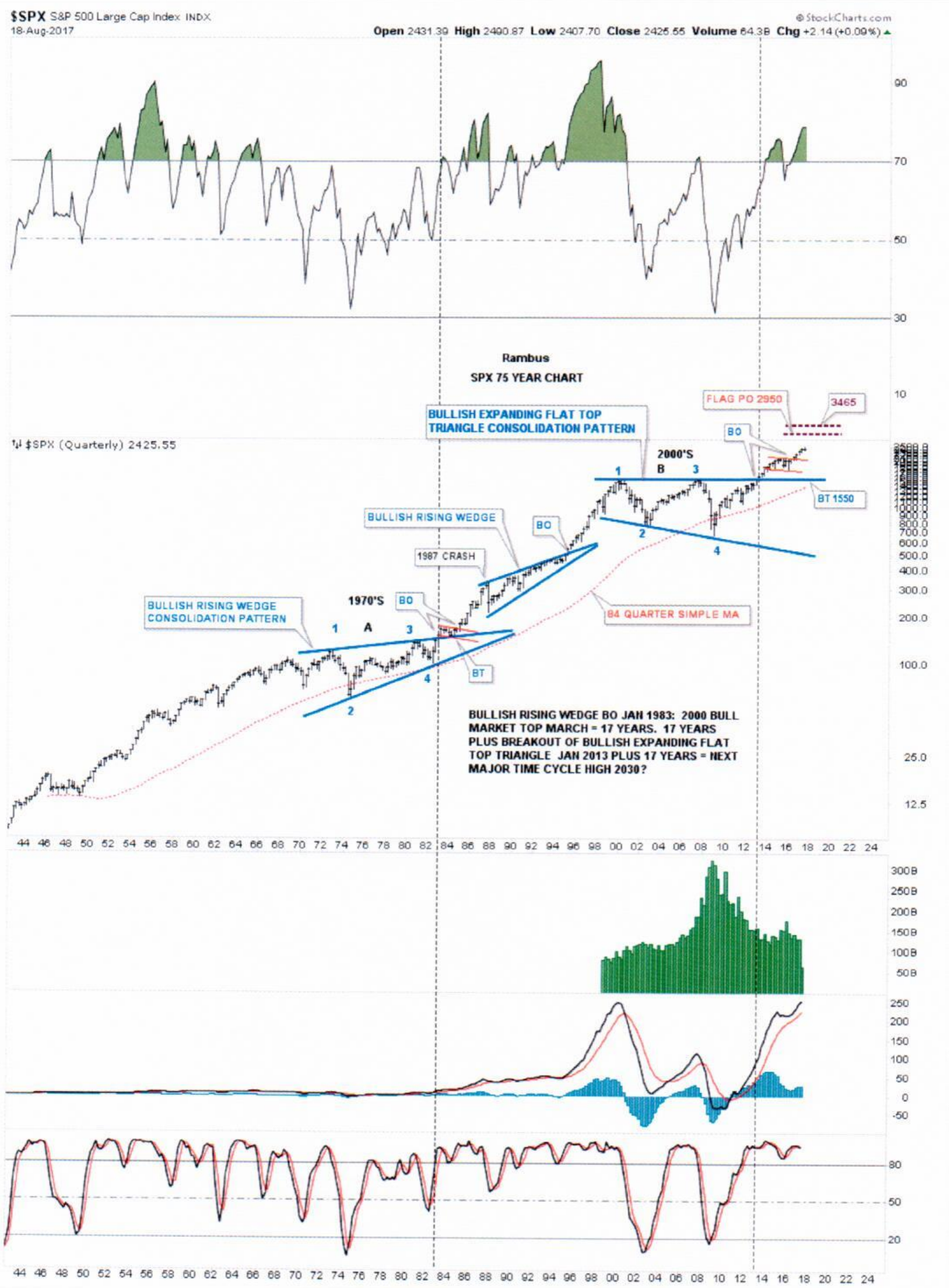
From the October 2011 low to the high in the summer of 2015 this daily line chart shows the SPX formed a beautiful uptrend channel with the 200 day ma holding support. The blue halfway pattern took about a year to build out which was needed to consolidate the 2011 impulse leg up. As I mentioned the last time I posted this chart, our current 2016 uptrend channel is slightly steeper than the 2011 uptrend channel, which you could say is showing a slightly parabolic look to it off the 2009 low.



This next chart for the SPX shows its equivalent 13 year Flat Top Expanding Triangle consolidation pattern to the Jaws of Life pattern we looked at on the INDU chart earlier. If the blue bullish expanding falling wedge keeps playing out as a halfway pattern to the upside it has a price objective up to the 2950 area before we see a sizable correction of 10% or more.

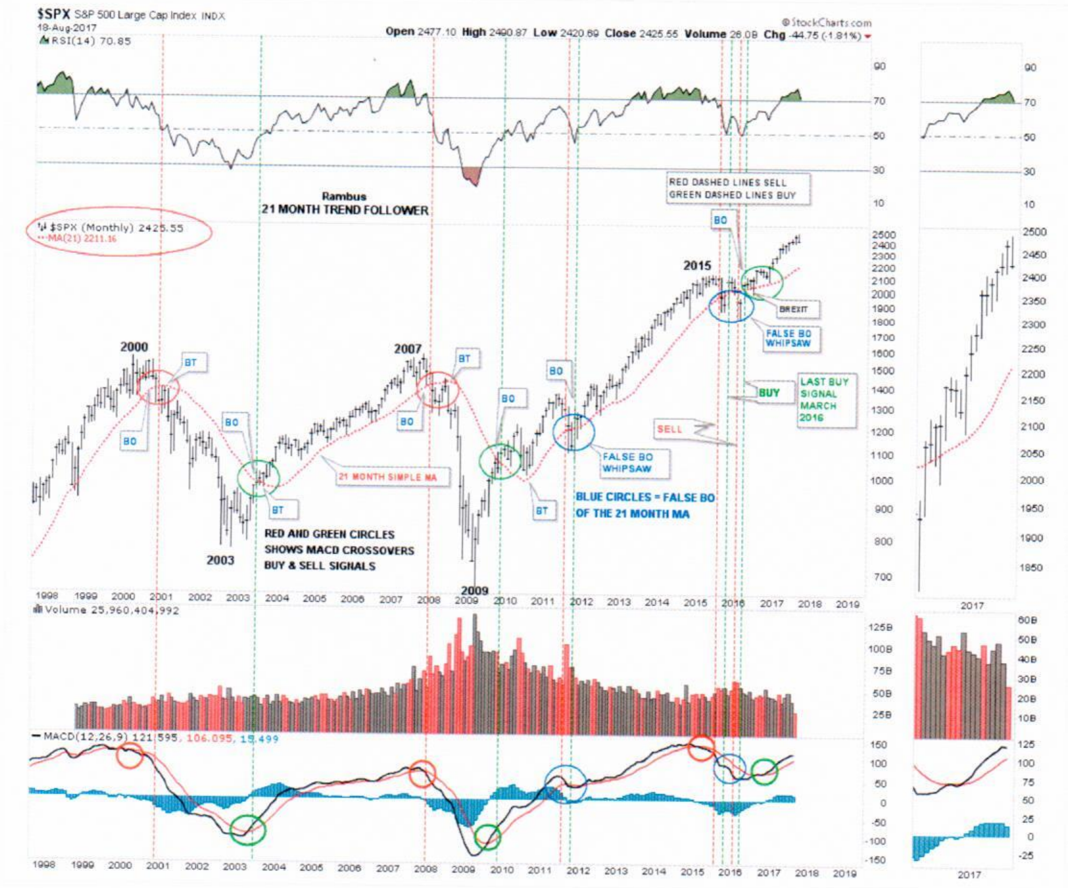


Back in the 1970's the SPX built out a massive bullish rising wedge consolidation pattern which is equivalent to the 2000's 13 year flat top expanding triangle. Both are massive consolidation patterns which lead to big moves. I have 2 price objectives at the top of the chart which if reached should lead to the next important consolidation period in the on going secular bull market.



These next 2 charts are for our members who are in for the long haul and are not interested in short term trading. We've been over these 2 charts many times in the past so I won't go into a lot of detail. This first chart I call the 21 Month Trend Follower Chart, which just uses a 21 month simple moving average for buys and sell points. Basically when the price action is above the 21 month ma you are on a buy signal and when the price action is trading below the 21 month ma you are on a sell signal.

The 21 month ma is like a moving trend line, when broken to the upside it will hold support on a backtest and visa versa on the downside as shown by the red and green circles. The blue circles shows where the whipsaws occurred. Over the last 20 years there have been just 3 whipsaws with the first one being in 2011 which lasted just one month. The other 2 came during our recent correction in 2015. The latest buy signal was generated in March of 2016.

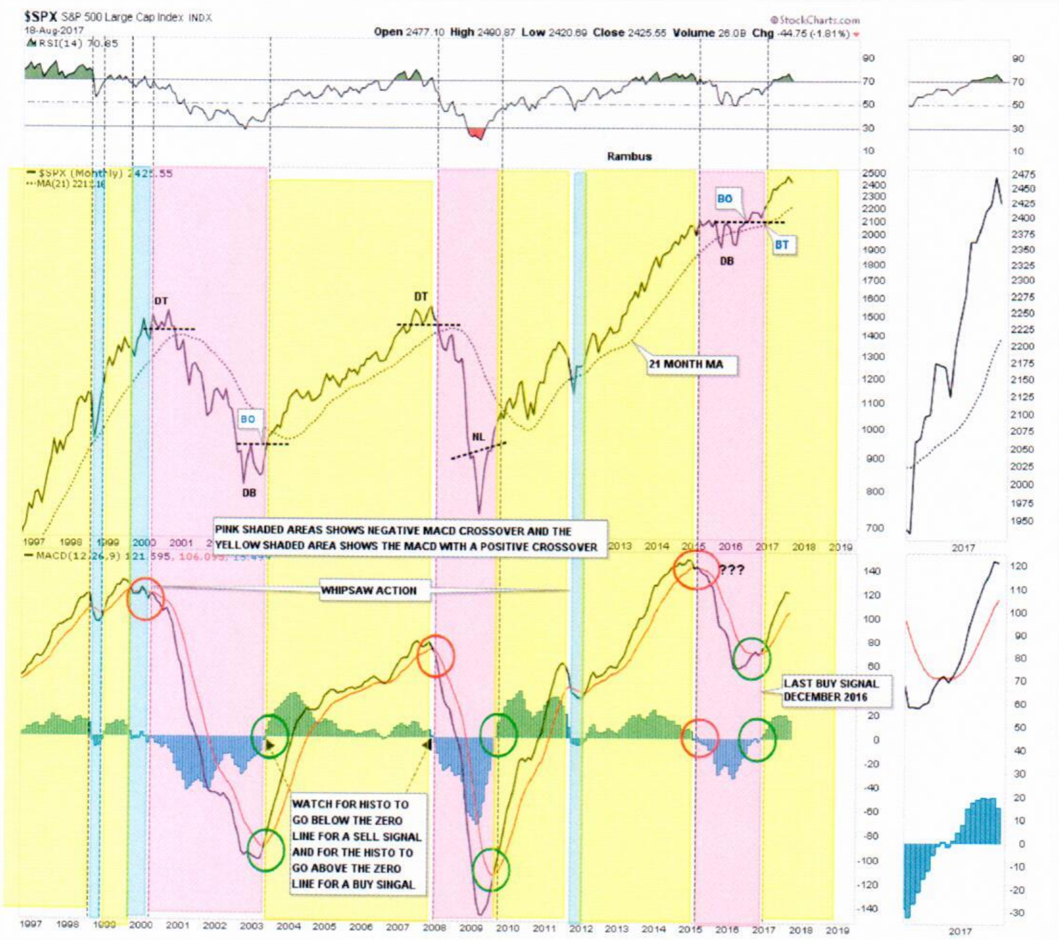


This next long term buy and sell chart is based on the MACD and histogram. When the fast line on the MACD crosses below the slower line and the histo goes below the zero line you get a sell signal and visa versa to the buy signal. Over the last 20 years there have been only three whipsaws as shown by the blue shaded area.

When the last buy signal was generated in December of 2016 I suggested that there was a very big positive divergence of where the MACD was trading vs where the SPX was trading. As you can see at the end of December of 2016 the SPX was backtesting the double bottom hump near its all time highs, while the MACD had corrected all the way down to 60 which left a lot of room for the SPX to rally before the MACD got into overbought territory again.

This monthly line chart also does a good job of showing you the important tops and bottoms over the last 20 years. The 2000 and 2007 tops were double tops which led to the bear markets. It took the double bottom in 2002 to reverse the 2000 bear market. The 2009 low created a H&S bottom to reverse one of the worst bear markets going back to 1929. Our most recent low in 2015 was another double bottom which I compared to the 2002 double bottom when we got our last buy signal.

The bottom line is that I'm looking for a fairly small correction in the on going bull market that began in March of 2009. At this point in time we could see a correction going into the 2300's for the SPX. The trick now will be to buy back in below the prices we sold and took profits which I've said is harder than it looks. All the best…Rambus



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