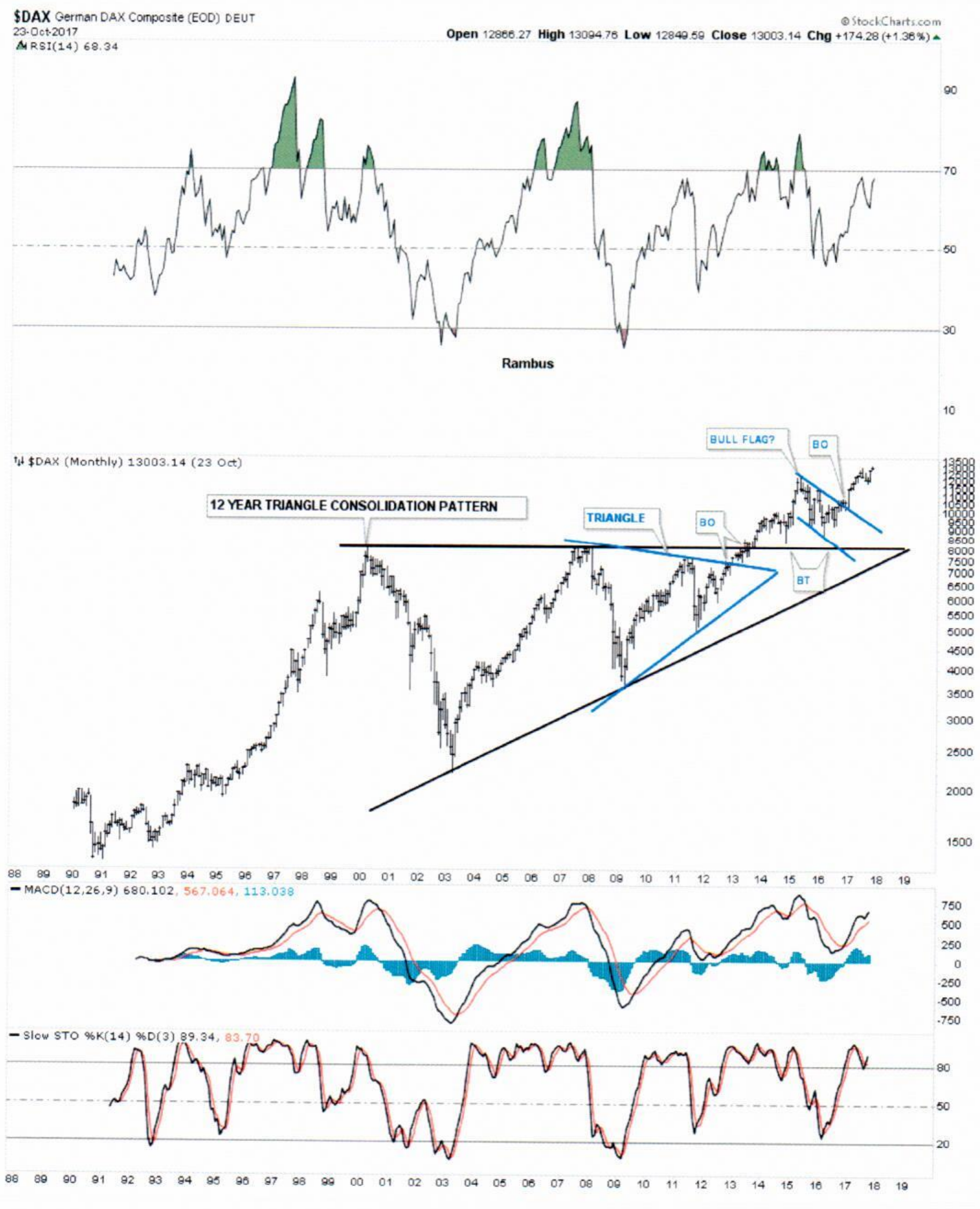
Rambus Chartology

Moving forward

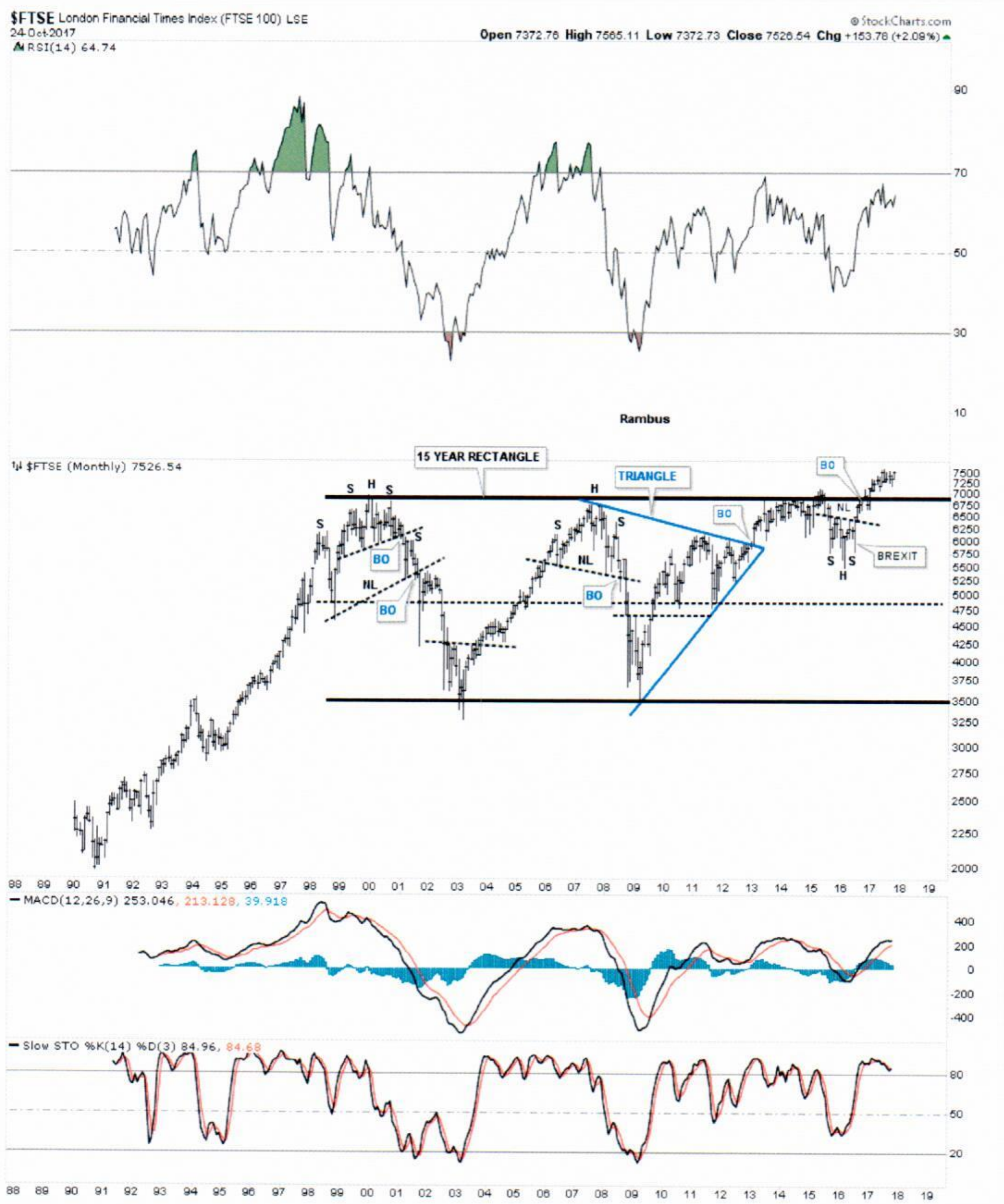
Wednesday Report Part 2…

Posted on October 25, 2017, 7:36 pm by Rambus

In part two of this report I would like to update some more long term charts we've been following for many years now starting with the $DAX, German stock market. Just like many of the US stock market indexes we looked at in part one, the DAX has also produced a very large 12 year triangle consolidation pattern. I've shown you in the past that it's usually a very bullish setup when you see one consolidation pattern forming below an important trendline and one above. In this case you can see the blue triangle that formed just below the top rail of the massive black triangle consolidation pattern, and the blue bull flag that formed just above that top rail. If we are truly in a long term secular bull market here in the US, the rest of the world should also enjoy the same thing which many of the long term charts are suggesting.

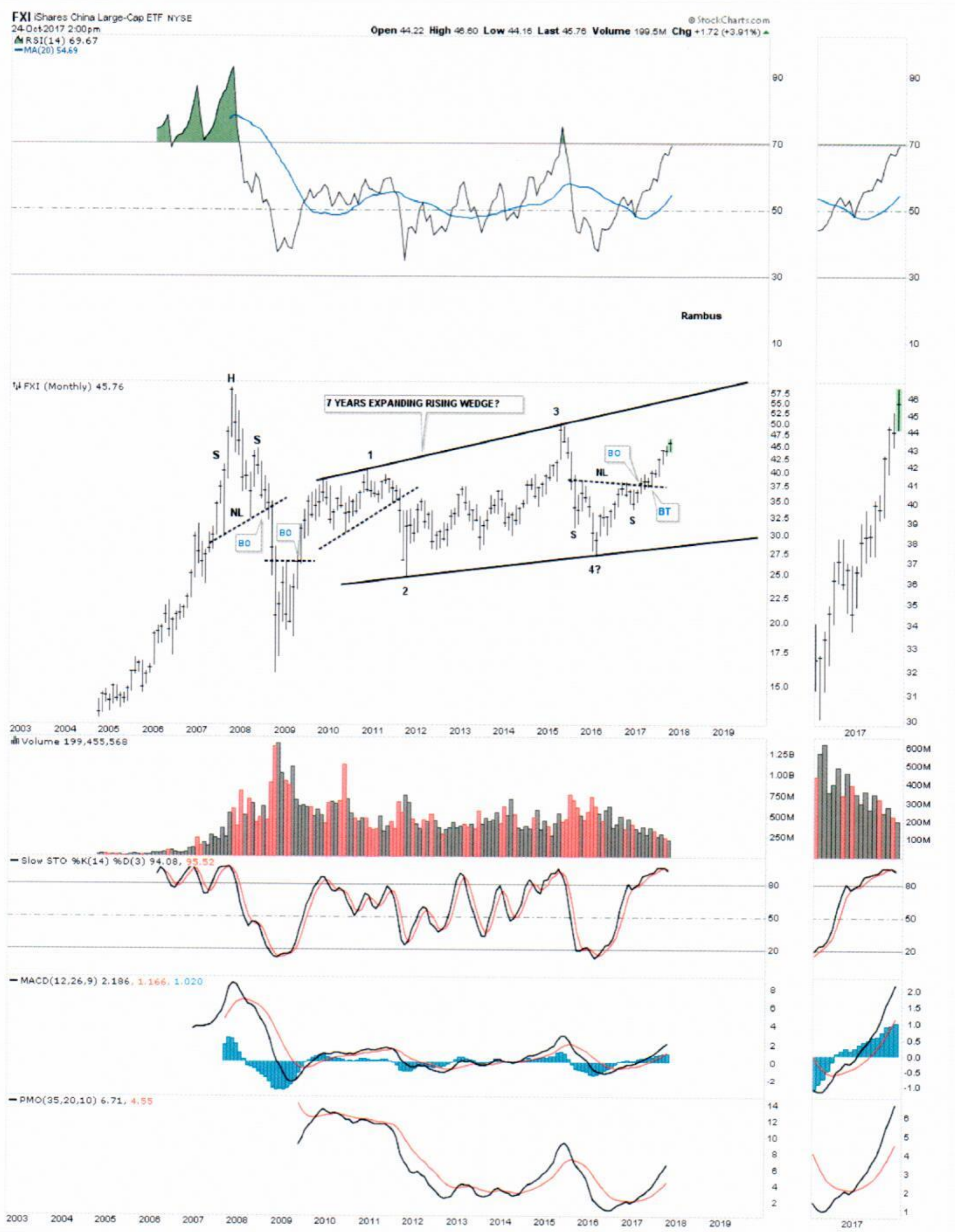


Next up is the $FTSE, London Financial Times stock market, which broke out from its massive 15 year rectangle consolidation pattern last year. Note the H&S consolidation pattern that formed just below the top rail of the 15 year rectangle which strongly suggested the breakout would take place. You may recall how negative things were during the BREXIT vote, but in the big picture all that negativity produced was the right shoulder of that H&S consolidation pattern.

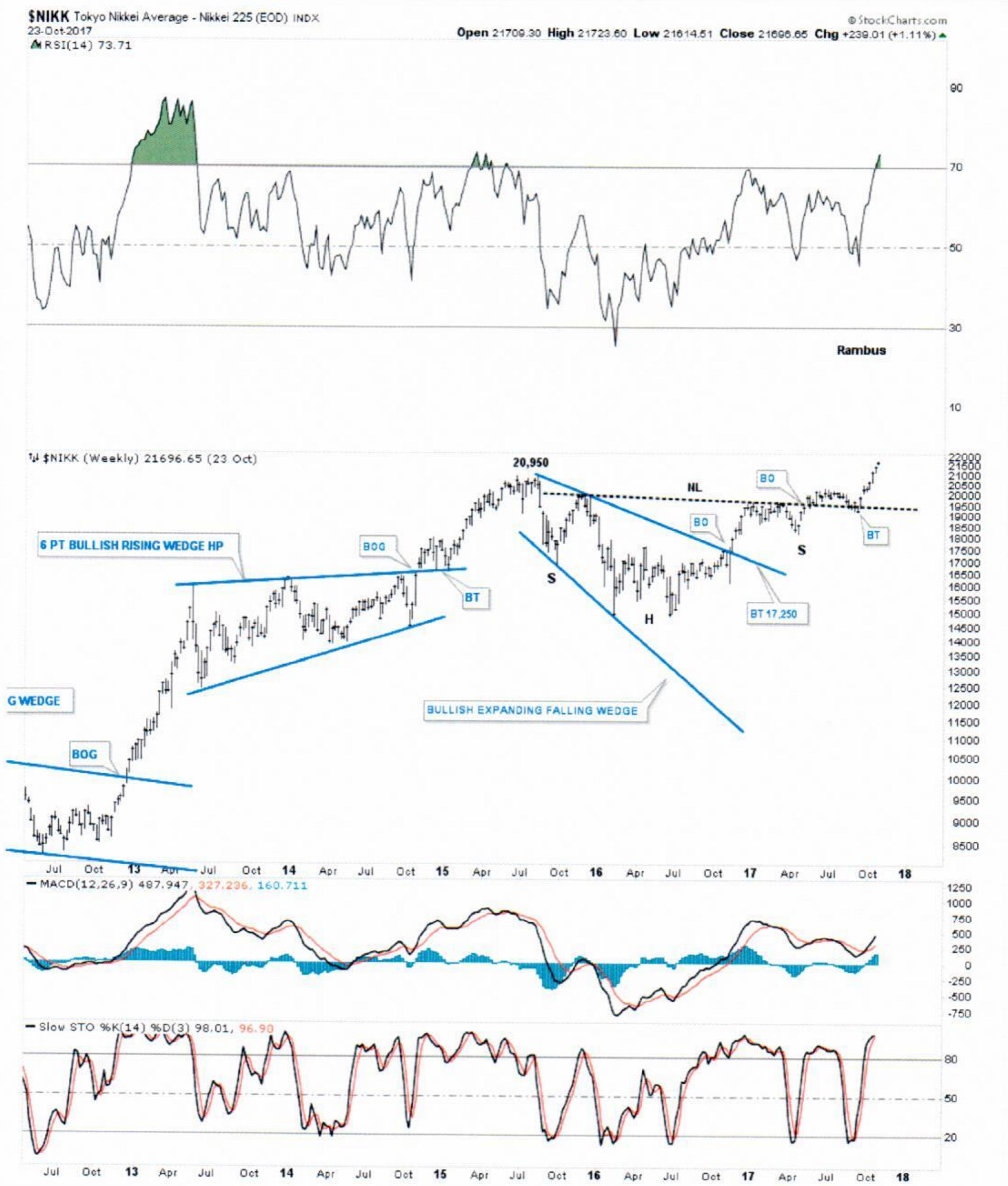


Another important world stock market that is breaking out of a 10 year triangle consolidation pattern is the $BVSP, Brazilian stock market. If there is a backtest to the top rail it would come in around the 68,200 area.

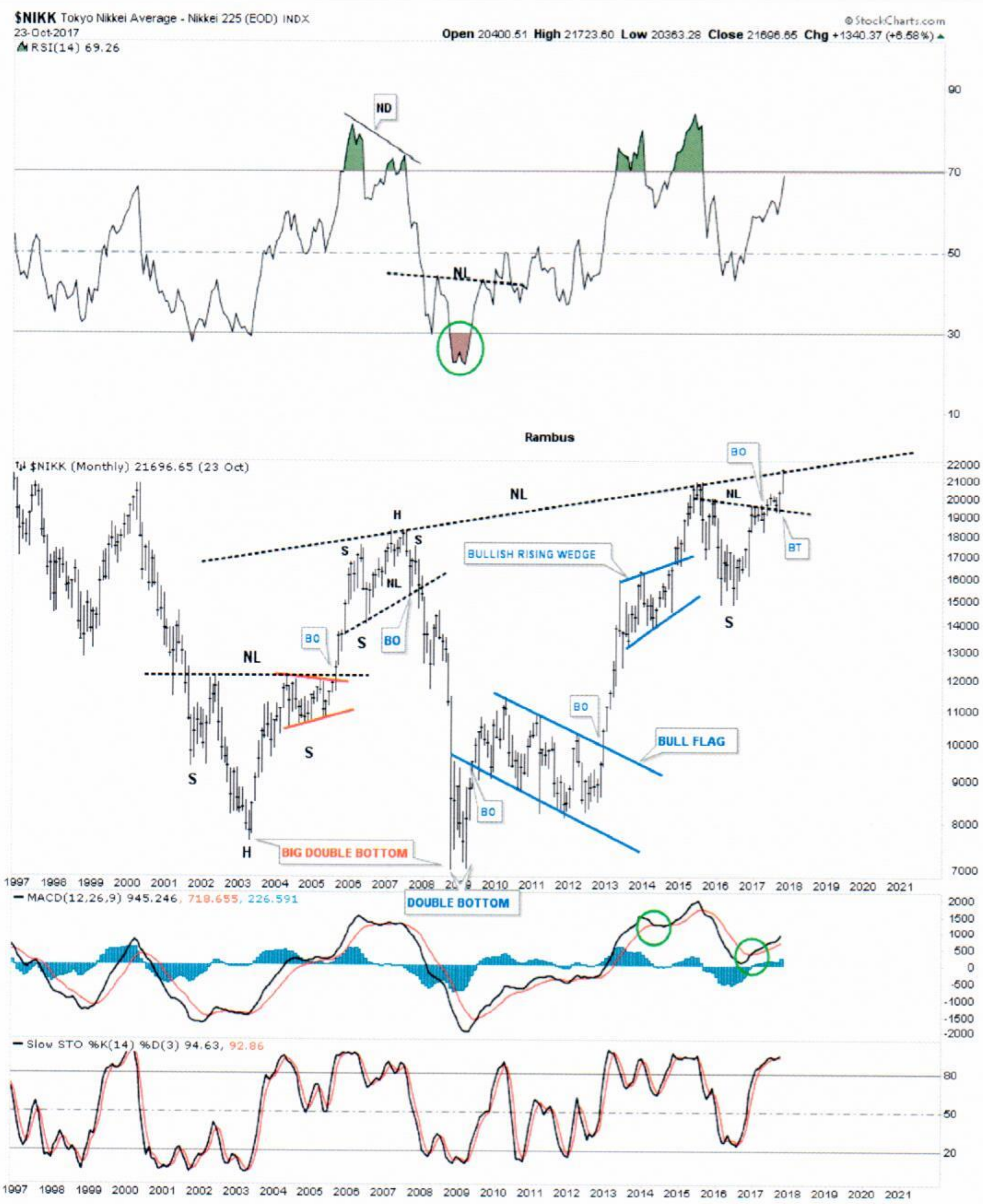
The FXI, China large cap etf, is in the process of building out a very large expanding rising wedge. The H&S bottom at the 4th reversal point is strongly suggesting that at a minimum the price action will hit the top rail of the 7 year expanding rising wedge.



I would like to show you one more important world stock market that is breaking out from a 2 1/2 year H&S bottom on this weekly chart for the $NIKK. Two months ago it backtested the neckline and is now making new highs for this move. It still has a long way to go before it reaches its all time high around the 39,000 area made in 1989, but it looks like it's finally starting to look positive for this beaten down index.



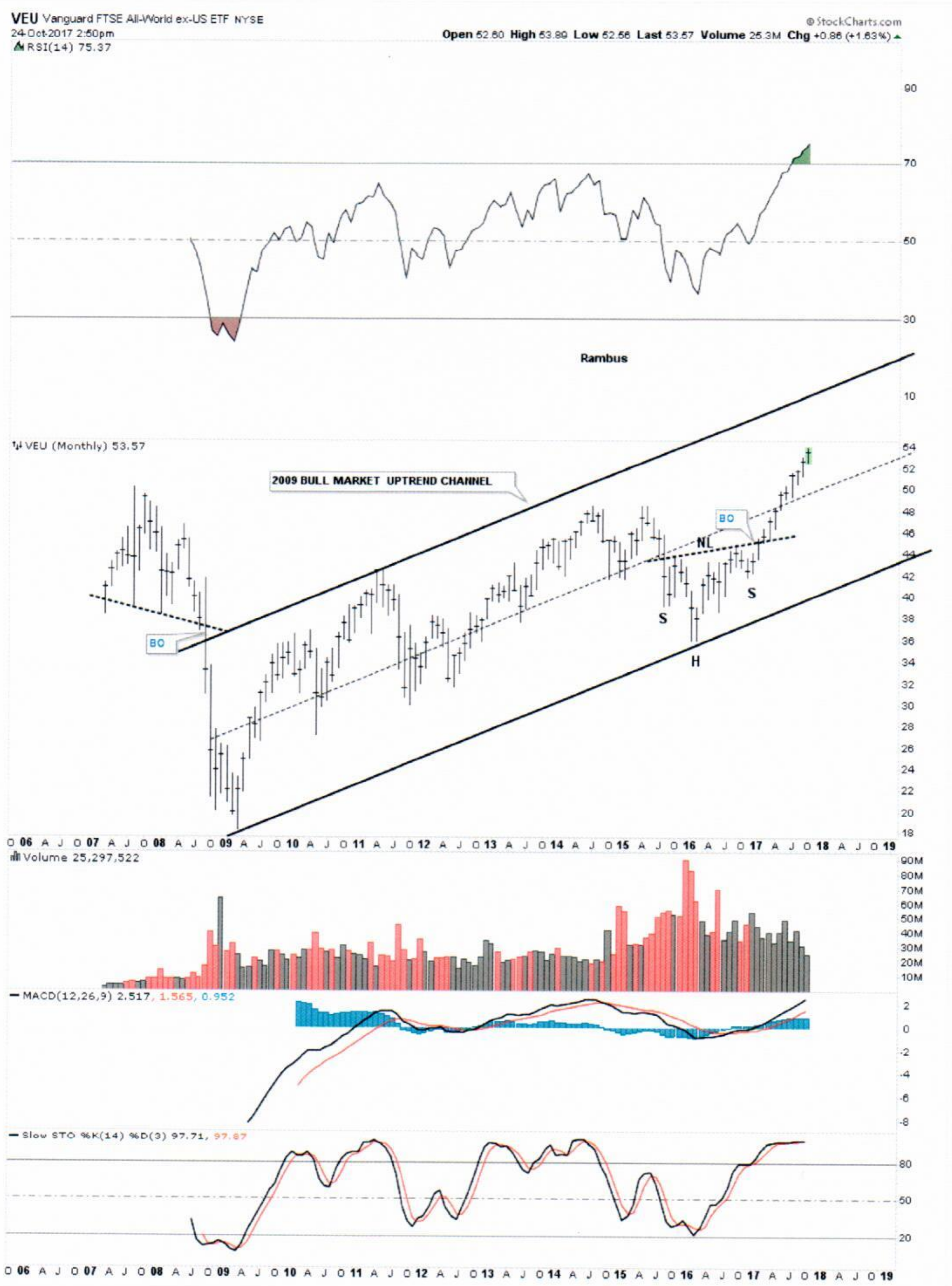
There are 2 very large patterns that have been forming on the long term chart for the $NIKK. This first chart shows a massive H&S bottom with the current price action testing the neckline.



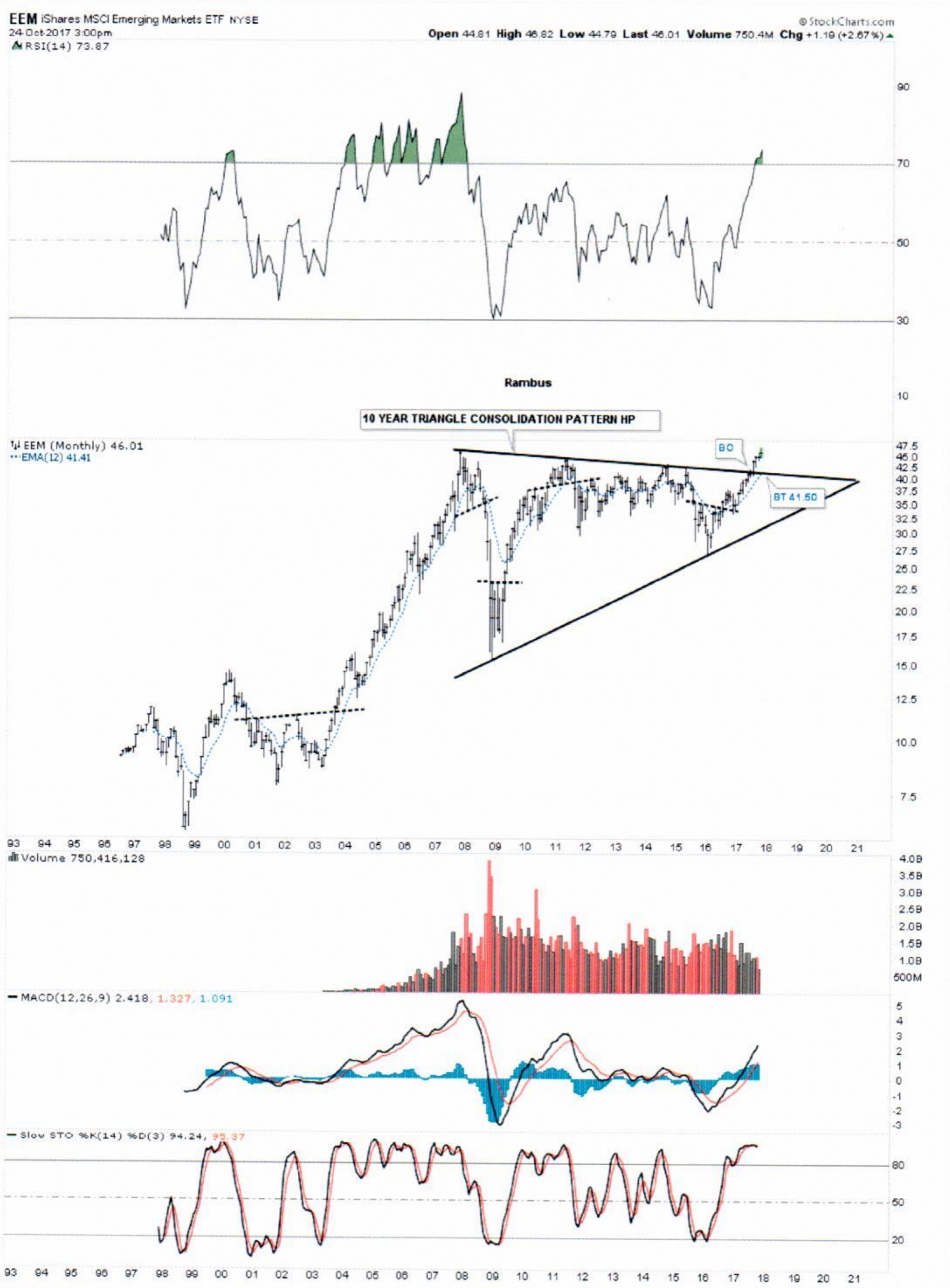
This second long term monthly chart for the $NIKK shows its massive 25 year bear market expanding downtrend channel with the breakout occurring in 2013. As you can see on this chart the price action is now trading at a 20 year high after breaking out from the H&S consolidation pattern.

What these charts above are showing us from the largest economies of the world, is that this secular bull market is taking everyone for a ride, which is the way it should be. Some will do better than others, but for the most part we are seeing a world wide bull market in full progress.

To show you what I mean by a world wide bull market, below is a long term monthly chart for the VEU, World stock markets ex the US. This etf has been building out its bull market uptrend channel beginning at the 2009 crash low just like the US stock markets. As you can see it's breaking out to new all time highs.

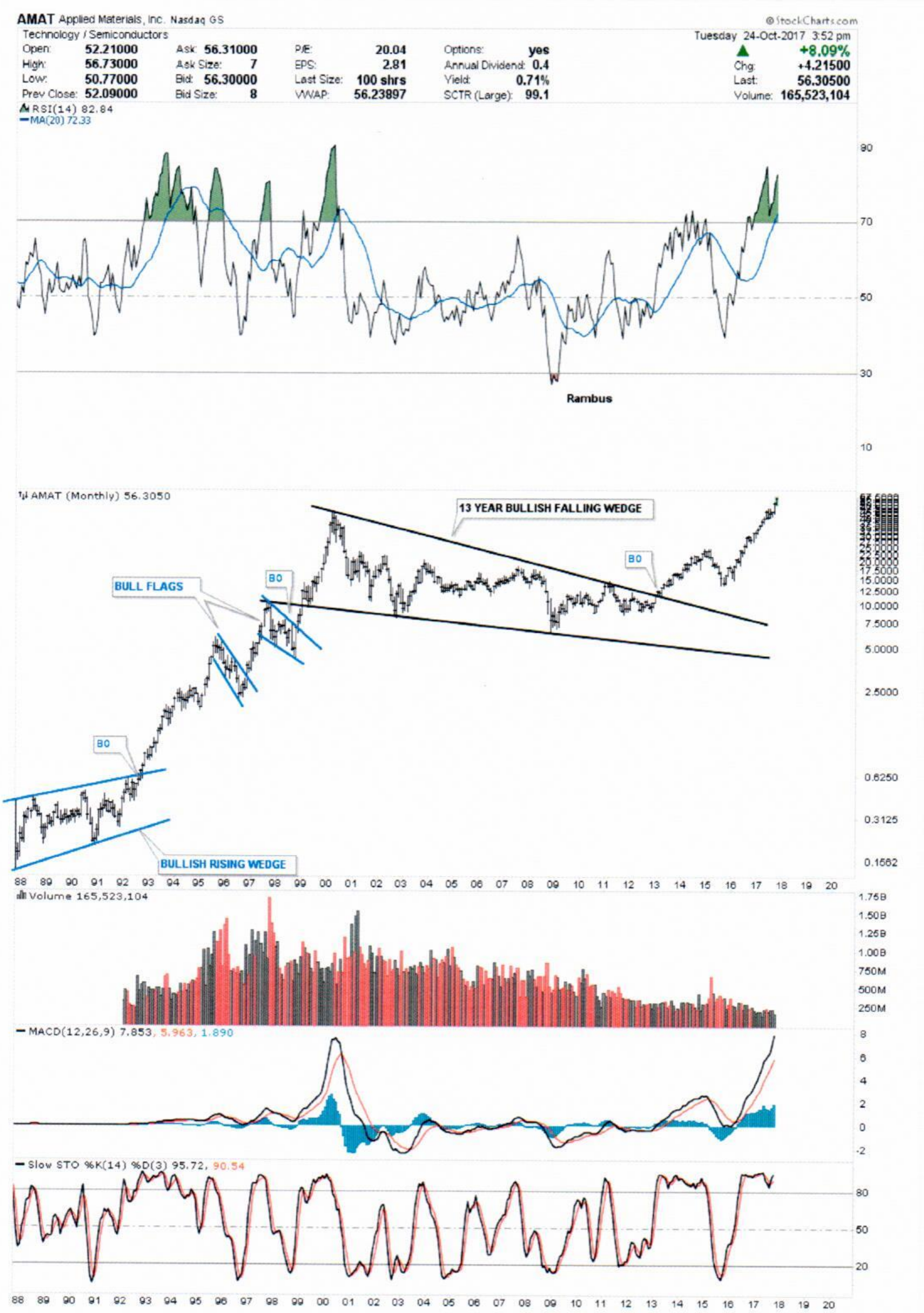


A world bull market wouldn't be complete unless the emerging markets can participate. Below is a 20 year monthly chart for the EEM, emerging markets etf, which is just breaking out from a massive 10 year triangle consolidation pattern reaching new all time highs. A backtest to the top rail would come in around the 41.50 area if we get one.

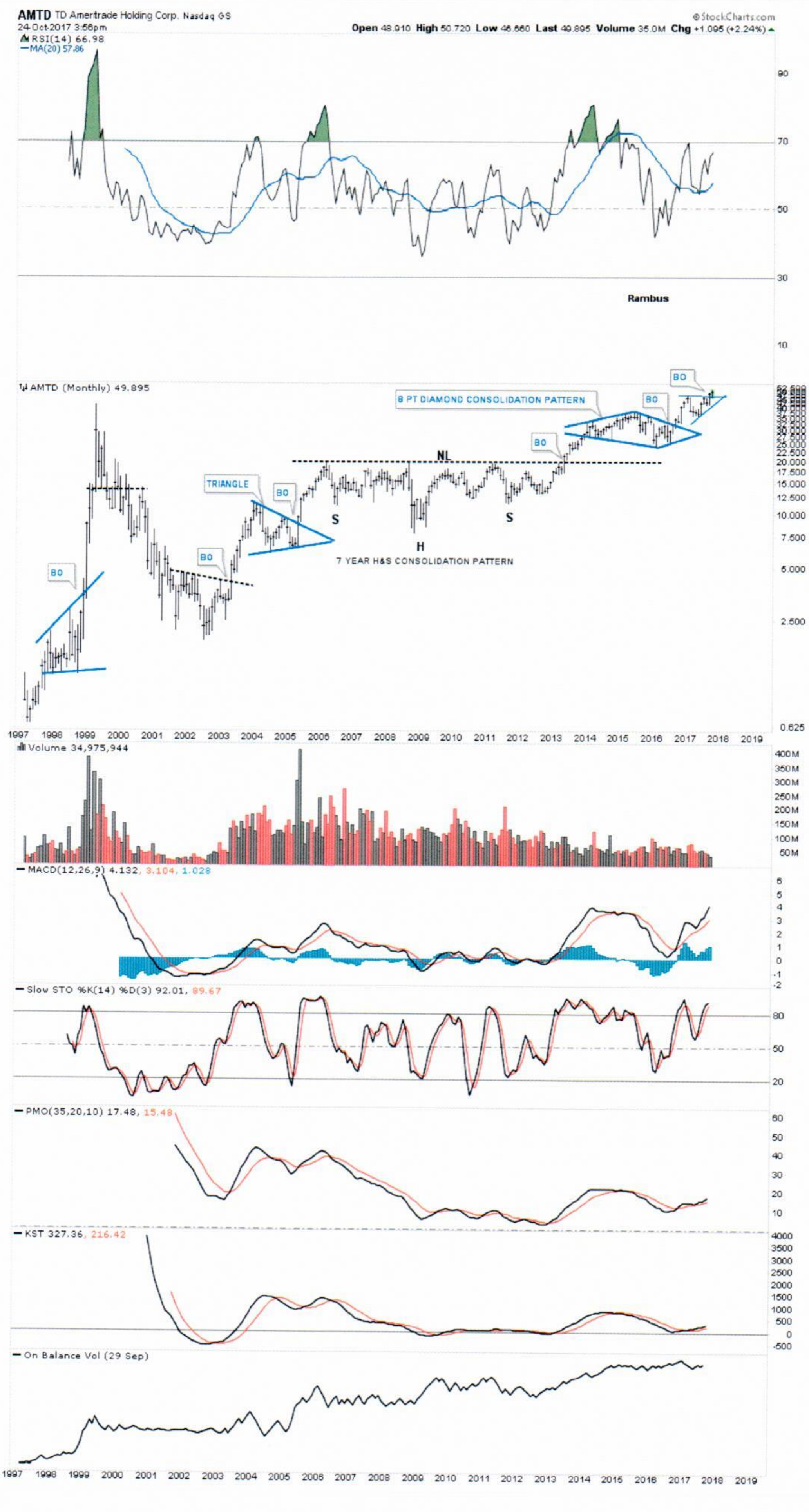


Now I would like to show you some long term charts for some of the different areas of the stock markets, along with some individual stocks that have produced some massive consolidation patterns so you can see how they are playing out. This first chart is the $SOX, semiconductor index, which built out a 10 year bullish falling wedge. This area has been the best performing sector since the backtest to the S&R line in 2016. The red arrows show how it has been reversing symmetry to the upside vs how it came down in 2000 after its bull market high. It's going to be interesting to see how the price action interacts with the 2000 high around the 1300 area. I would initially expect the 1300 area to hold resistance with a possible smaller consolidation pattern forming just below the 1300 high.

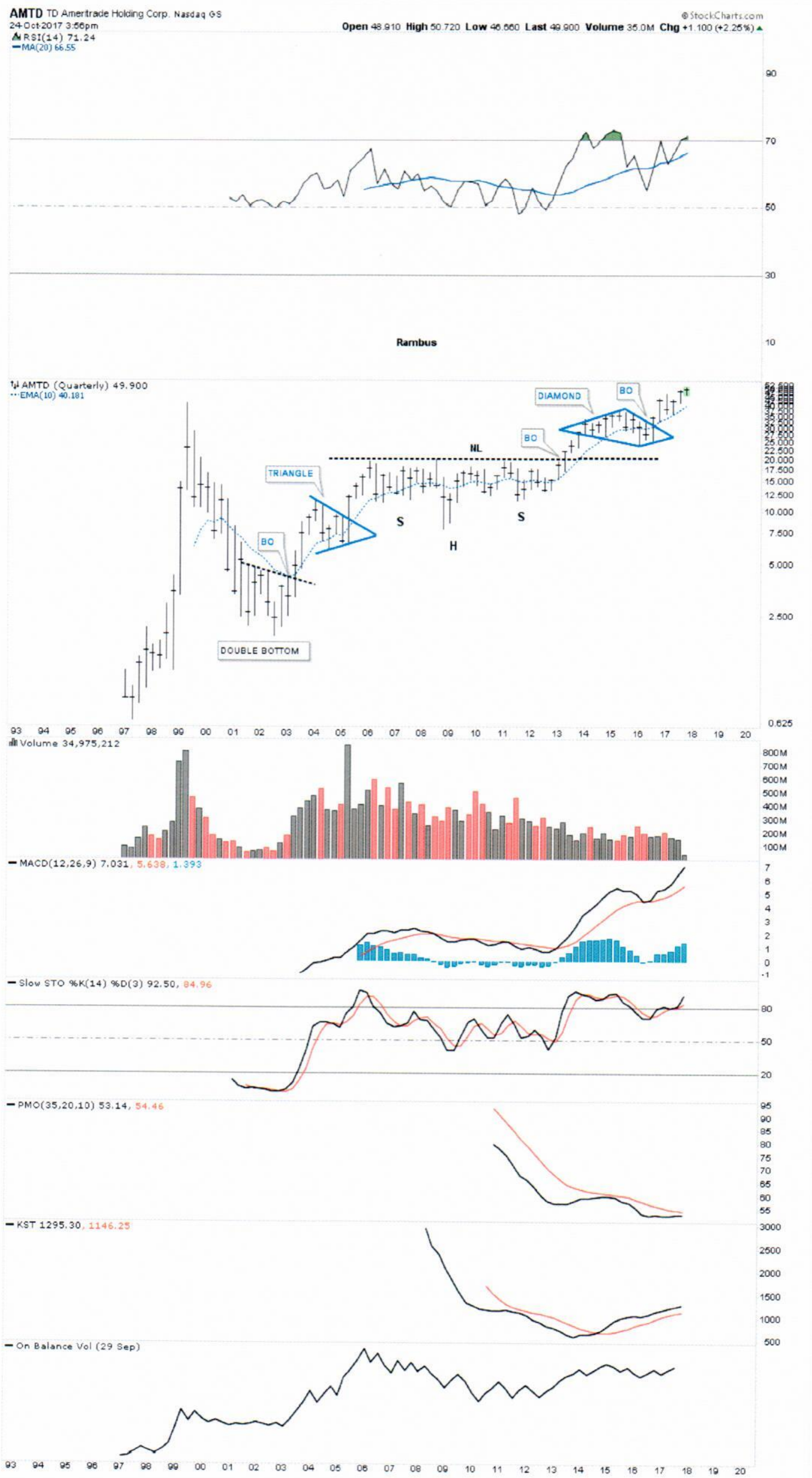
AMAT was a big mover back in the roaring 1990's. It took 13 years to consolidate those big gains by building out the 13 year bullish falling wedge. Currently AMAT is trading at new all time highs.



AMTD built out a 7 year H&S consolidation pattern and broke above the neckline in 2013. It then built out the blue 8 point diamond consolidation pattern. It's currently breaking out of a small triangle.



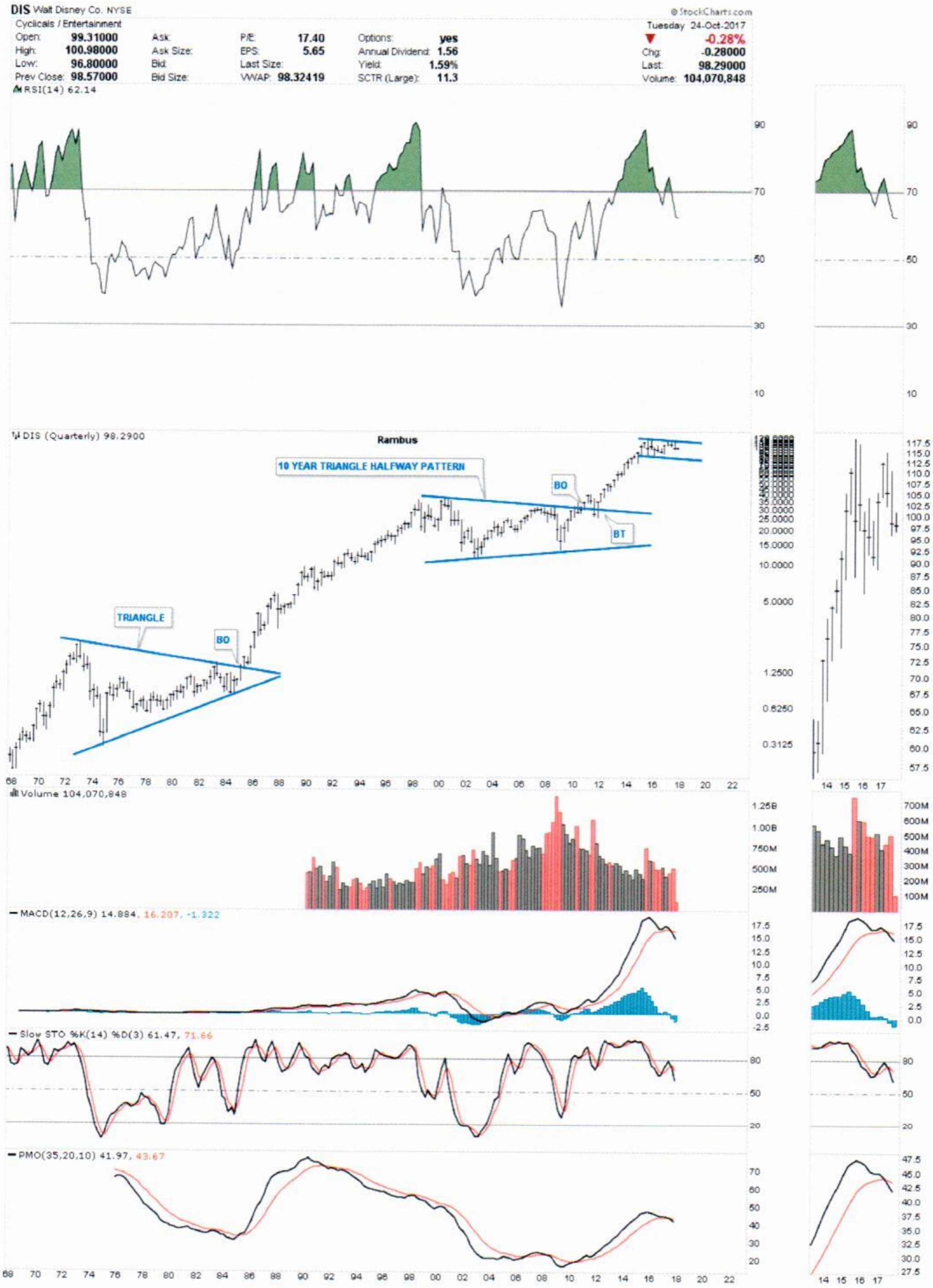
AMTD quarterly chart.



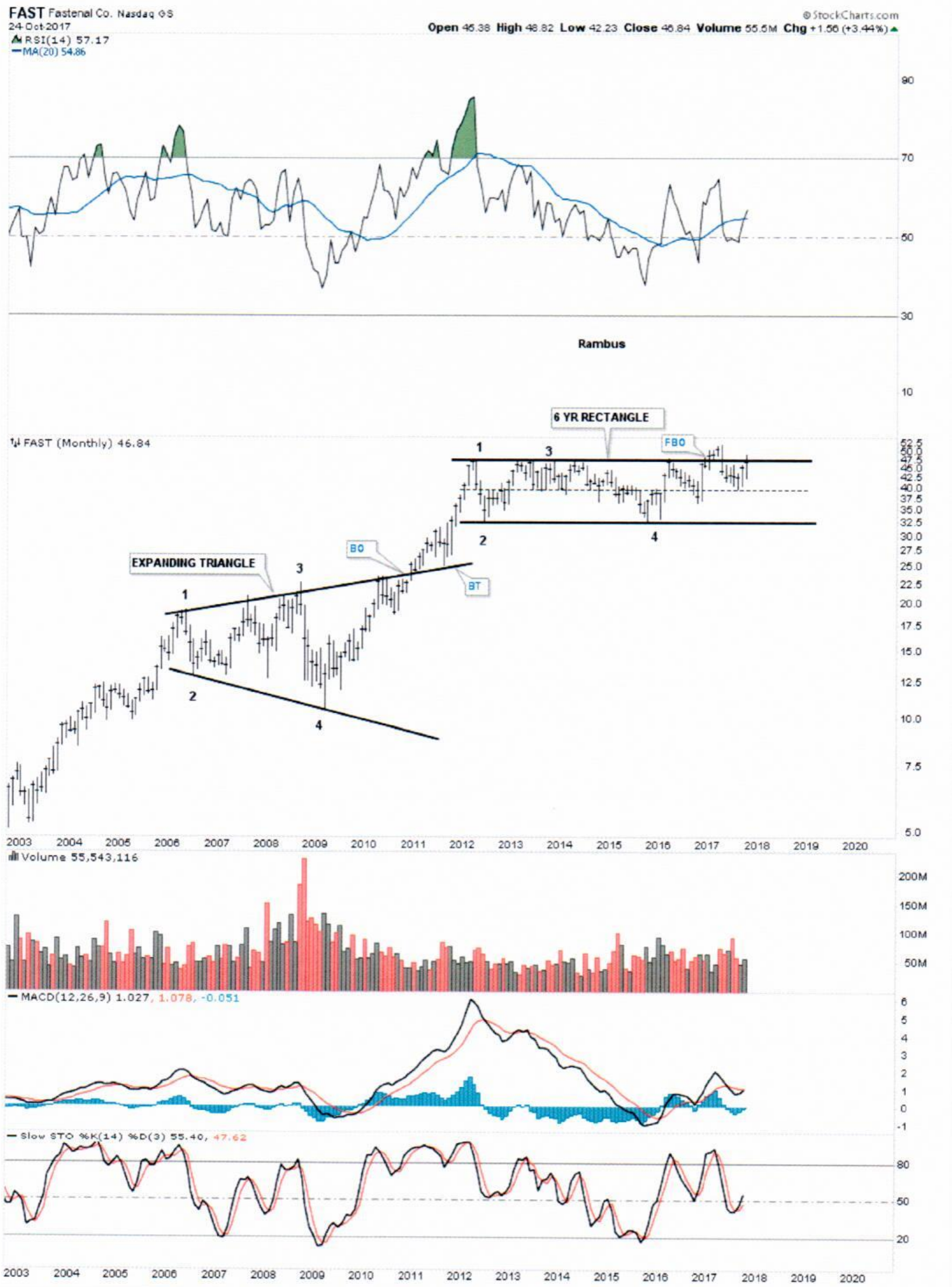
AMZN built out a 10 year triangle consolidation pattern which experienced a classic breakout with one consolidation pattern forming below the top rail, and one above the top rail.

CAT broke out of a 6 year bullish expanding flat top triangle earlier this year and is trading at new all time highs.

Below is a 50 year quarterly chart for DIS which shows you what can happen when a multi year consolidation pattern has finished building out.

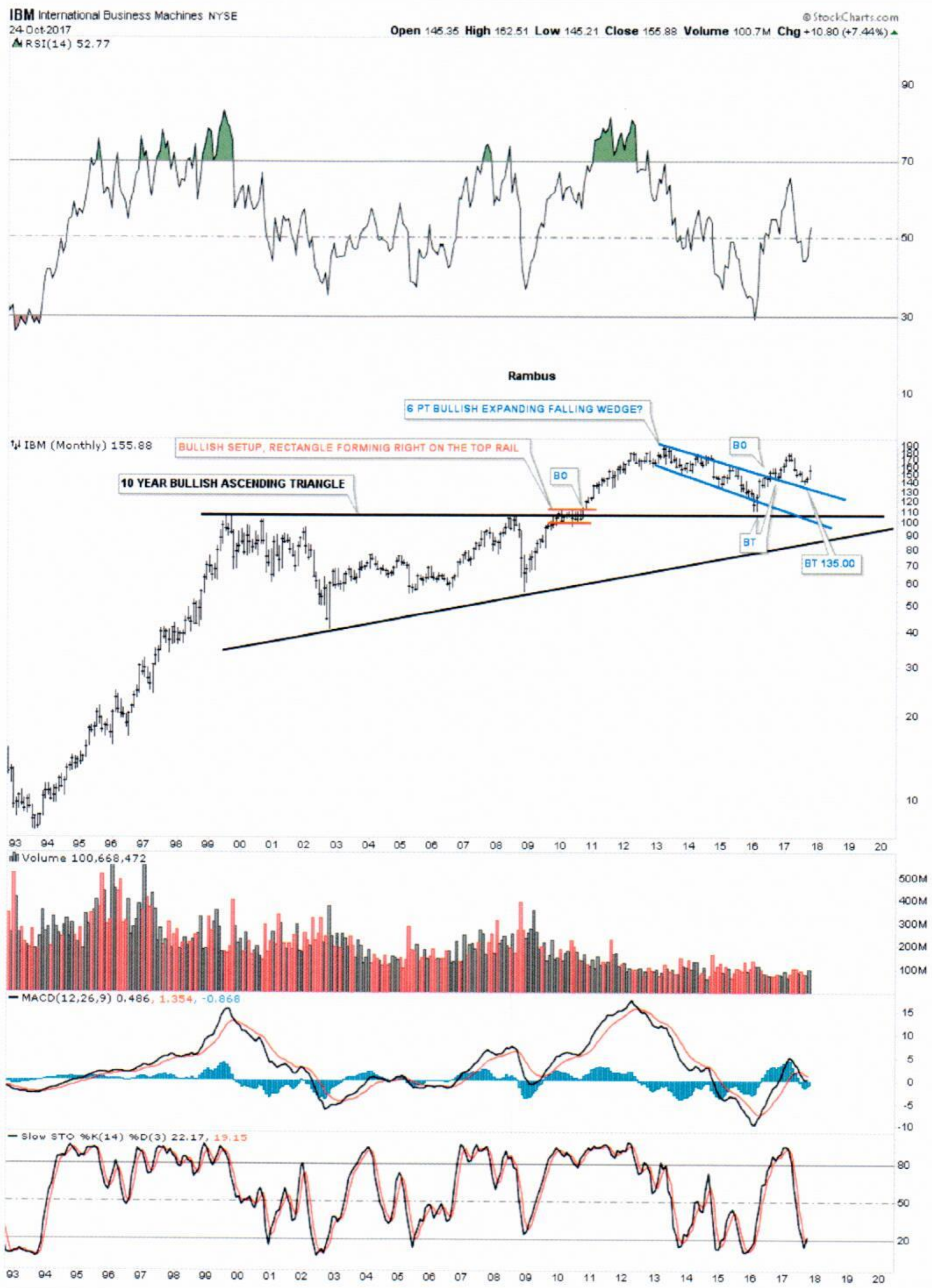


FAST is attempting to breakout from a 6 year rectangle consolidation pattern. Normally, with a false breakout in regards to a rectangle, the price action will find its true bottom at the mid dashed center line before the actual breakout.

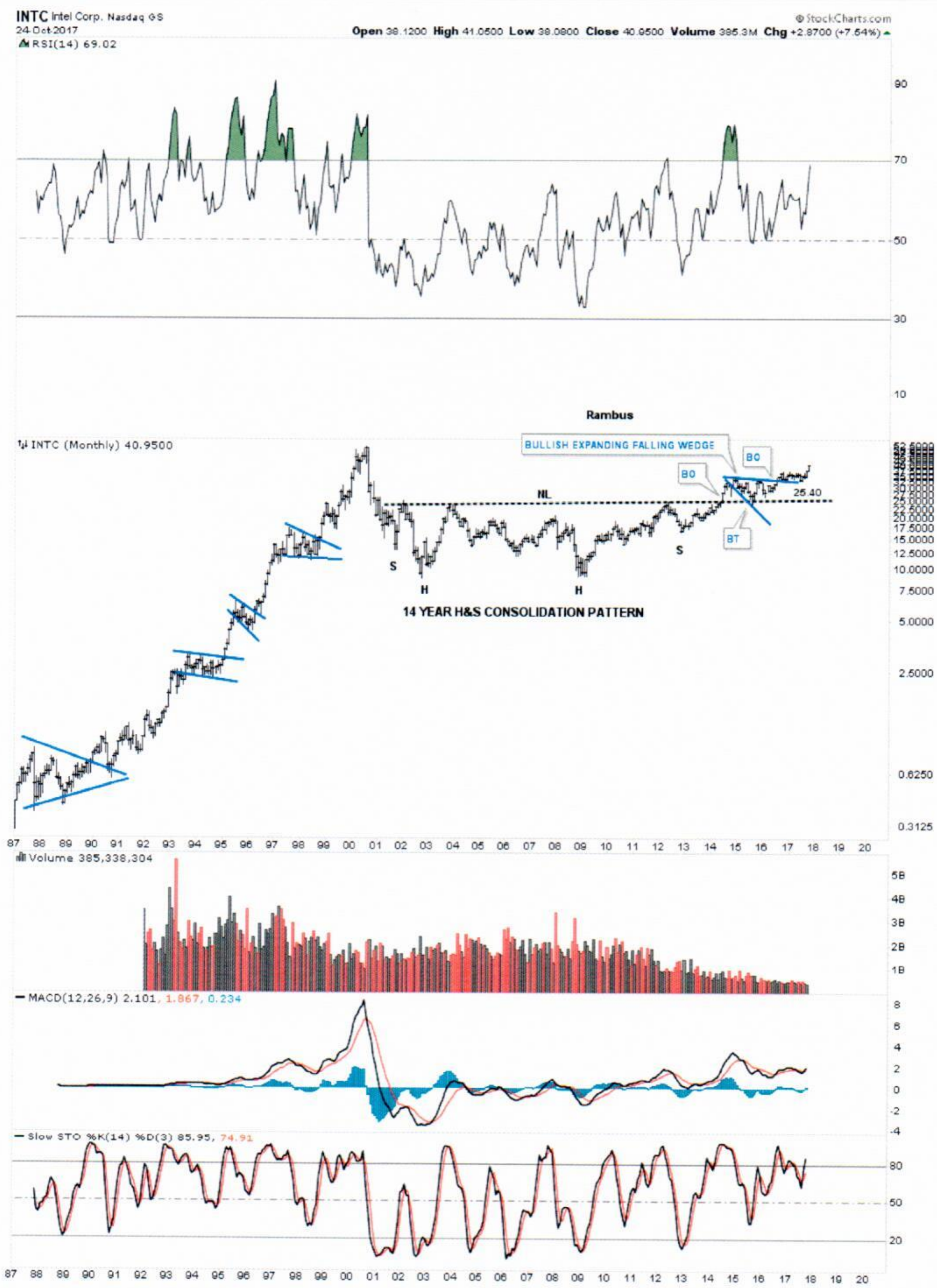


GOOGL shows you a good example of what a true bull market looks like with one consolidation pattern forming on top of the previous one.

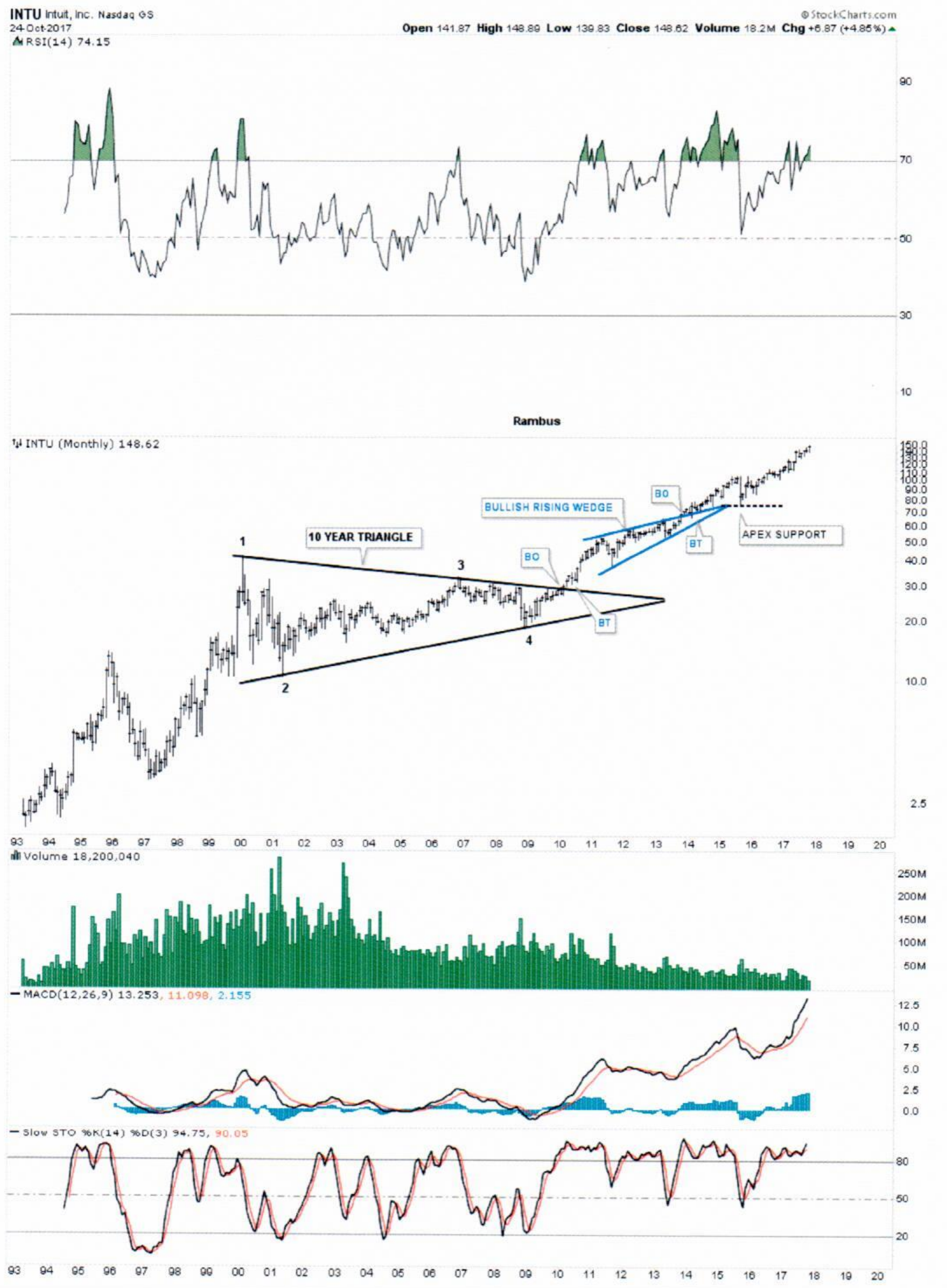
IBM built out a massive 10 year ascending triangle consolidation pattern. It recently did a critical backtest to the top rail of the blue 6 point expanding falling wedge.



INTC is another chip stock that built out a massive 14 year H&S consolidation pattern.

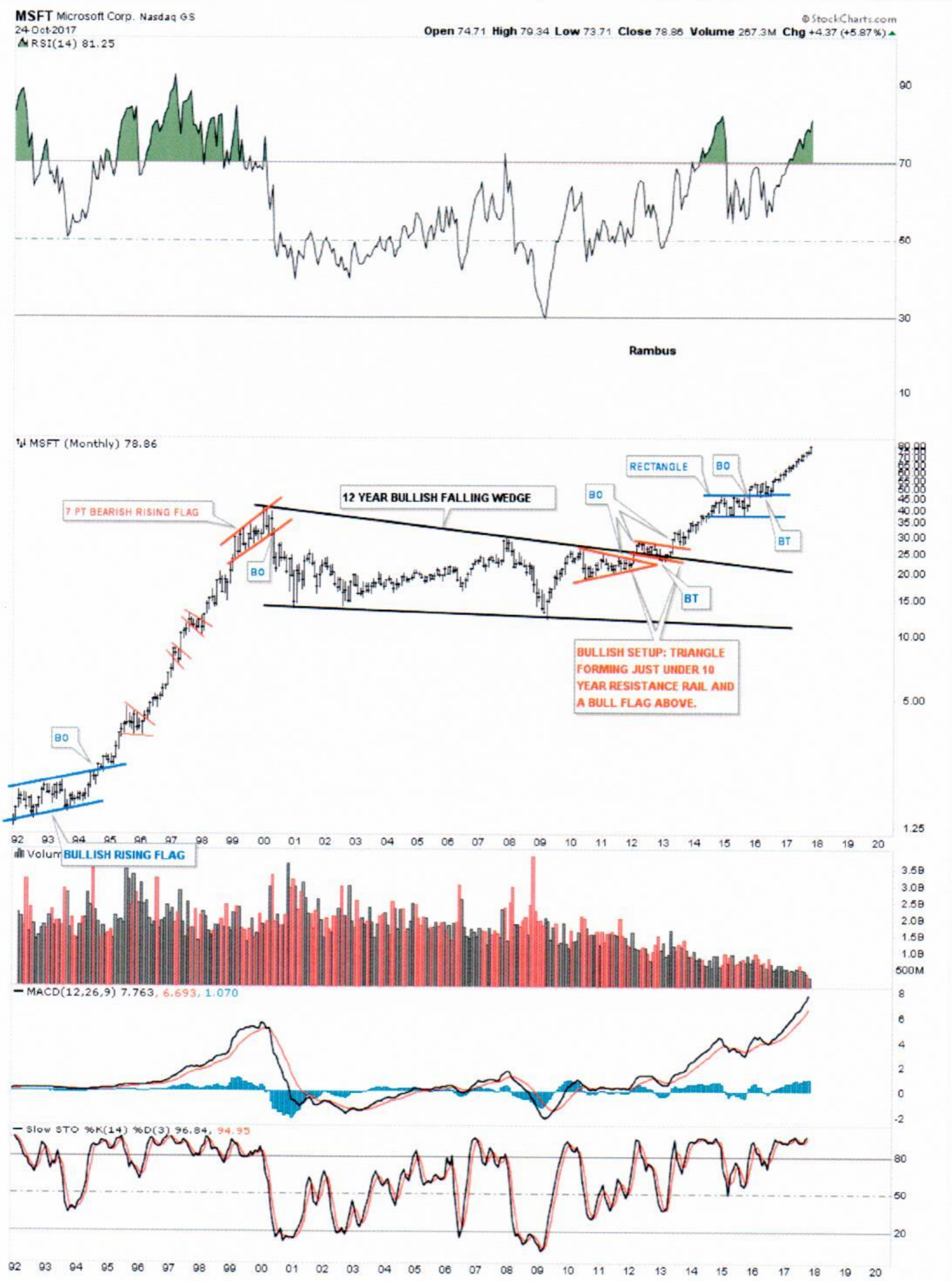


INTU 10 year triangle consolidation pattern.



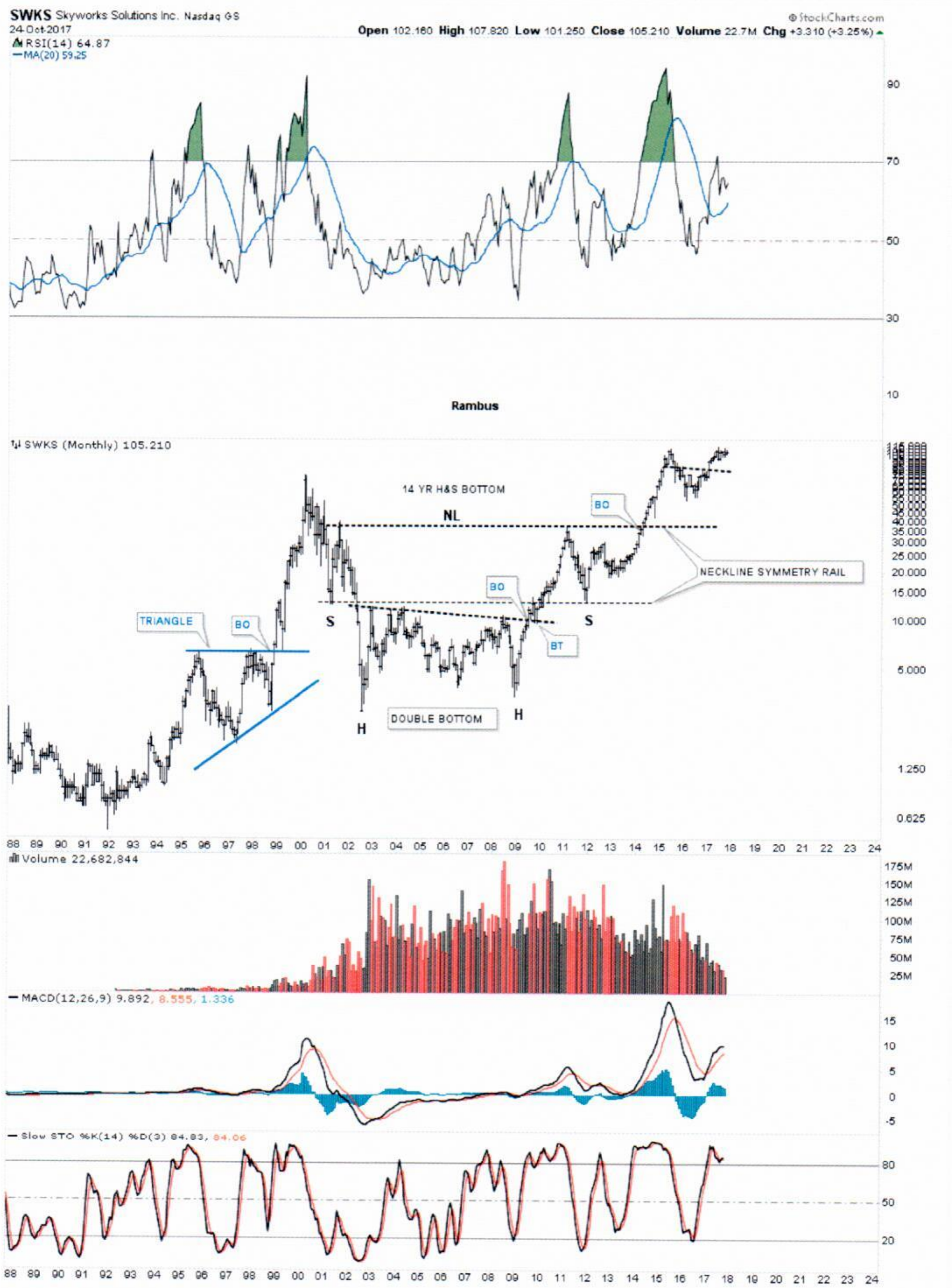
LRCX 14 year triangle consolidation pattern.

MSFT built out a 12 year bullish falling wedge with the classic breakout.

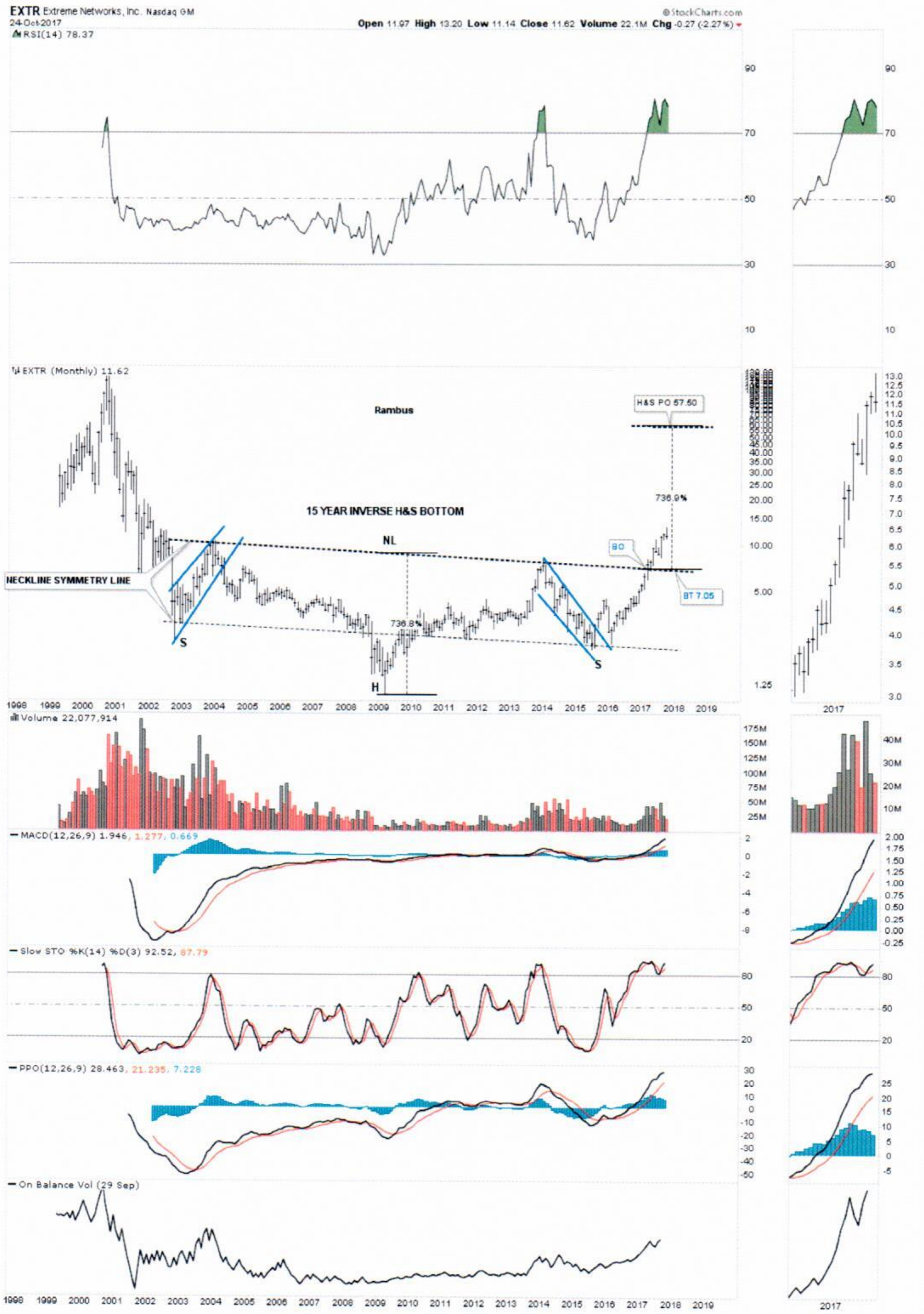


SCHW 13 year triangle consolidation pattern.

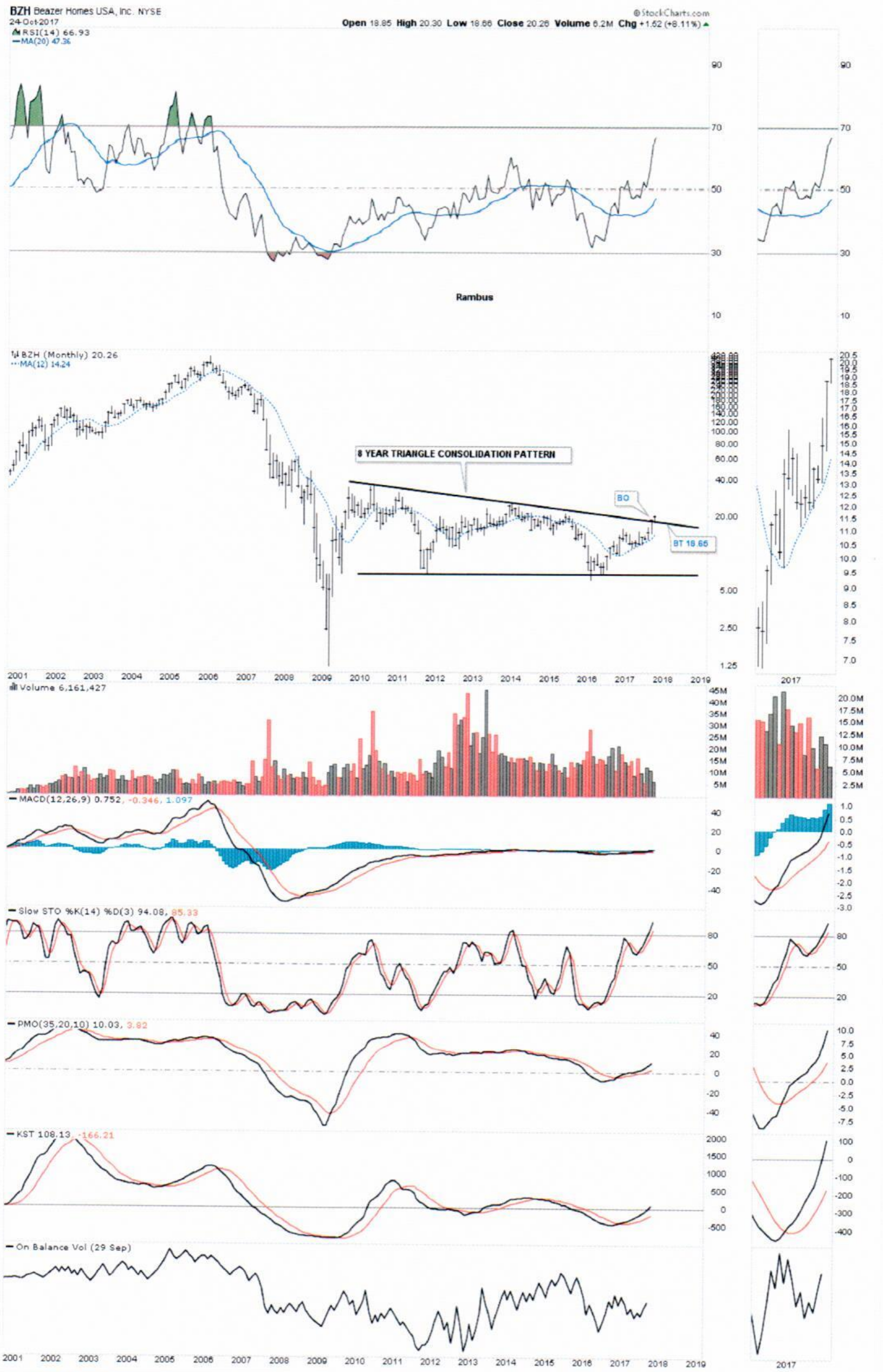
SWKS 14 year H&S bottom.



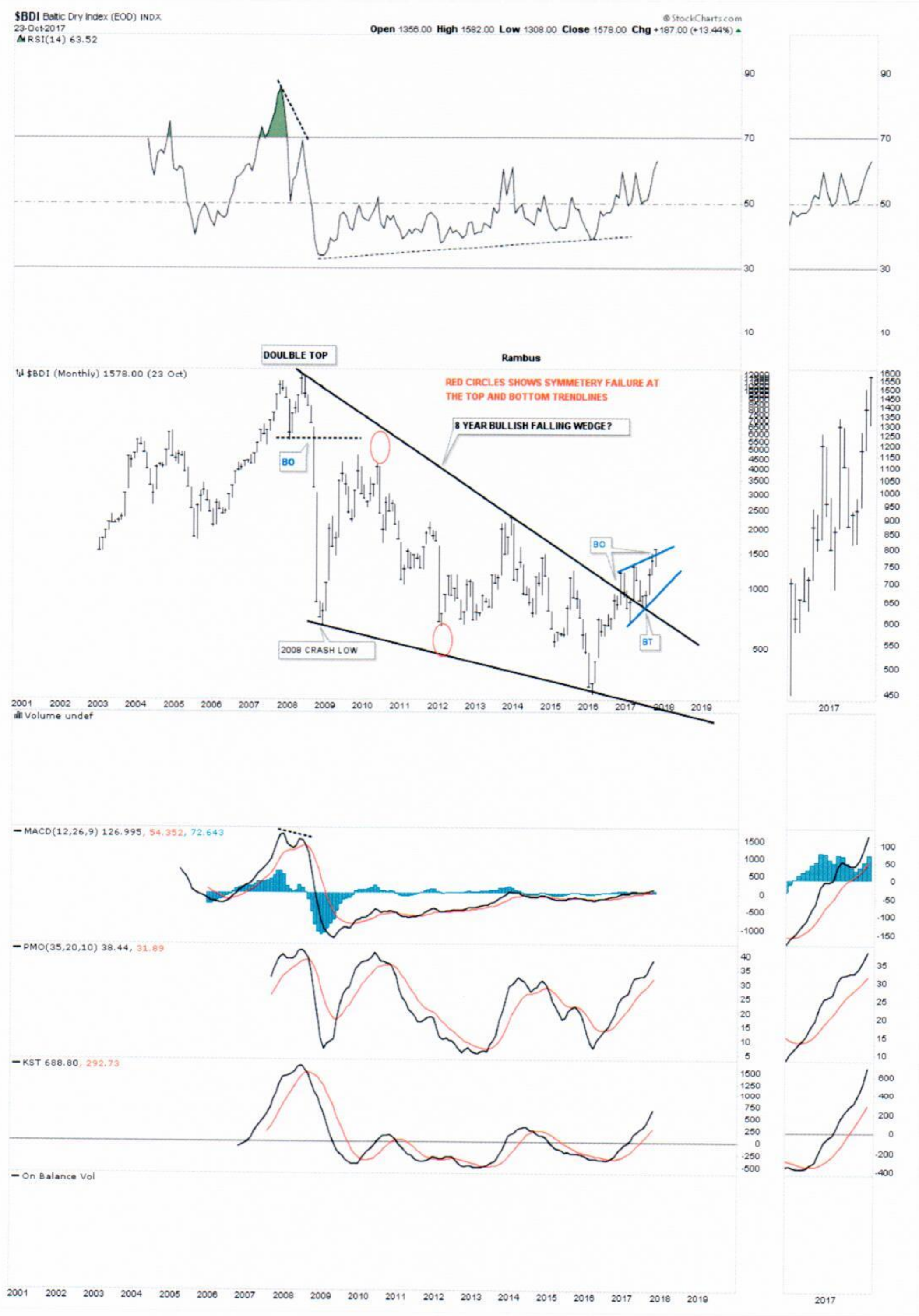
Earlier this year EXTR broke out of a massive 15 year H&S bottom. I was looking for a backtest to the neckline, but didn't get one.



BZH is currently attempting to breakout from an 8 year triangle consolidation pattern.



This last chart for tonight is a long term look at the $BDI, Baltic Dry index, which is breaking out from an 8 year bullish falling wedge.



What I've attempted to do with all these long term charts is to show you that big consolidation patterns do exist and if you can spot one early on it will give you a big heads up. You will know that a big move will take place and allow you to keep your emotions in check. The smaller the time frame you look at the faster things change vs the long term charts. If you're a short term trader then you need to look at the short term charts, but if you are an intermediate to long term trader then you need to look at the longer term charts.

What all these massive consolidation patterns mean to me is that the stock markets are in a secular bull market that began at the 2009 crash low. This is a world wide phenomenon that is taking place so everyone should get a piece of the pie.

The markets never go in a straight line so there will be corrections along the way that will test your patience, but knowing that you're in a bull market should let you sleep better at night. Also knowing that you are in a bull market will save you from an entry point that may not be prefect, similar to what we're experiencing with the BTK, biotechnology index, right now. There is nothing broken on the longer term chart, but the shorter term daily chart is causing a little pain at the moment.

One last point on what these long term charts mean to me. In a hundred years from now when we are all gone, people will look back at this time in history and say that was the birth of the information age that they will take for granted. They will talk about the leaders and innovators like Bill Gates, Steve Jobs and Elon Musk to name just a few, just like we talk about Carnegie, Rockefeller, and Edison who where the movers and shakers that led the world into the Industrial Age.

Technology is growing exponentially, but is still in the early stages of what it will be a hundred years from now. With super computers, artificial intelligence and robotics taking hold, it will lead to new discoveries in medicine and other technologies that we can only dream of now.

From my perspective the future looks bright, but I'm not naive enough to think there will be no problems to solve as technology leads us forward. There will always be problems to solve as a society, which is part of the human conditions. The future is ours to grasp if we choose to do so as the stock markets show us the way. All the best… Rambus

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