

## The StockCharts.com Market Message

Featuring our commentators, John Murphy and Arthur Hill

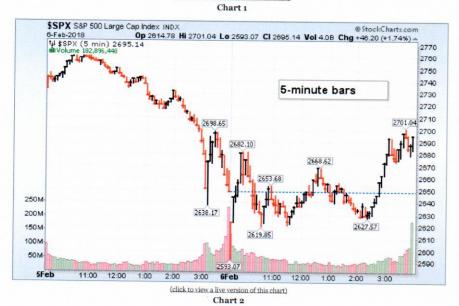
Tue, Feb 6 2018 4:29 PM ET

STOCKS ACHIEVE UPSIDE REVERSAL -- S&P 500 BOUNCES OFF TRENDLINE SUPPORT AND 100-DAY AVERAGE -- THE VIX REVERSES LOWER AFTER FAILING TO STAY OVER 40 LEVEL -- APPLE AND DOWDUPONT BOUNCE SHARPLY OFF 200-DAY AVERAGES -- HOME DEPOT, GOLDMAN SACHS, AND CATERPILLAR REGAIN 50-DAY LINES IN RISING VOLUME

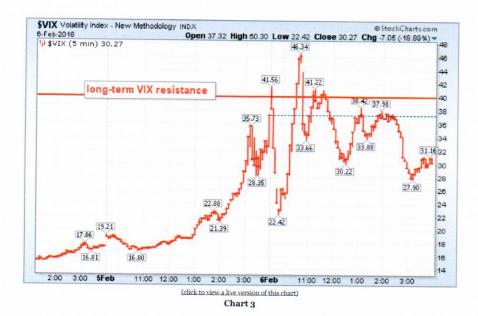
By John Murphy

S&P 500 REBOUNDS OFF CHART SUPPORT... After opening sharply lower, stocks achieved an upside reversal on heavier volume than yesterday. And stock bounced off a couple of important support levels. Yesterday's message showed a rising trendline extending back to late 2016 near the 2600 level. The last daily bar in Chart 1 shows the S&P 500 bouncing off that support line today. It also bounced off the 100-day moving average (green line) that a lot of technical traders watch closely. The S&P 500 came within a whisker of a full 10% correction before turning higher. That suggests that the climactic selling of the last two days may have run its course. That doesn't mean the market is totally out of danger. The steepness of the decline over the last week suggests that a period of backing and filling may still lie ahead to repair short-term technical damage. And today's low may be retested. But upside reversals in a lot of individual stocks suggest that the worst may be over (more on that shortly). The 5-minute bars in Chart 2 shows the SPX ending near the day's high after plunging earlier. Volume picked up late in the day and jumped at the close as prices rallied. We saw the same encouraging pattern in other major stock indexes. A downside reversal in the VIX was also encouraging.

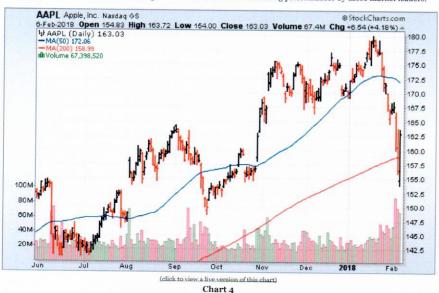


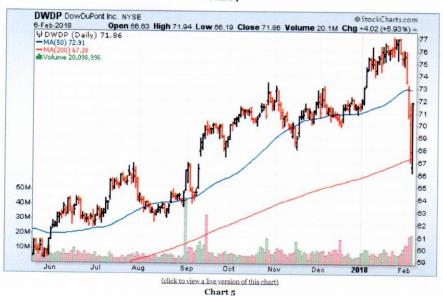


VIX CAN'T HOLD 40 LEVEL ... After reaching the 50 level this morning, the Volatility (VIX) Index reversed lower to end the day closer to 30. While it's too soon to draw any major conclusions from that, it's worth noting that the VIX has had a hard time staying above the 40 level over the last eight years. I mentioned yesterday that its last three moves over 40 proved to be short-term in nature in 2010, 2011, and 2015. The 5-minute price bars in Chart 3 show the VIX ending well below yesterday close (blue dotted line) and the 40 level (red trendline). It will be an encouraging sign for stocks if the VIX stays below that long-term resistance level.



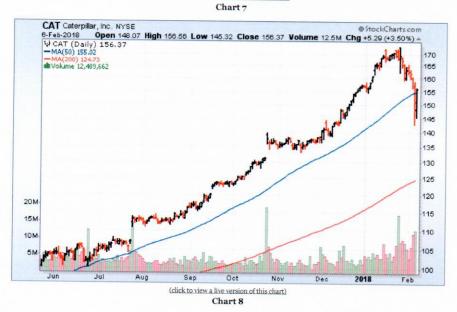
A NUMBER OF STOCKS ACHIEVED BULLISH REVERSALS ON RISING VOLUME... A number of large stocks scored impressive upside reversals today in rising volume. Chart 4 shows Apple (AAPL) bouncing off its 200-day moving average. Chart 5 shows DowDuPont (DWDP) doing the same and on rising volume. The last three charts show Home Depot (HD), Goldman Sachs (GS), and Caterpillar (CAT) regaining their 50-day averages, also on rising volume. It's hard to be too negative on a stock market with strong performances by those market leaders.











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Books and Instructional Videos by John Murphy

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