# Rambus Chartology

Moving forward

## Stock Market Update…

Posted on February 5, 2018, 9:57 pm by Rambus

Well today we got the panic selling which hopefully will brings us one step closer to an important low. The first step was the breakdown from the small H&S top last Friday. Step two occurred today with the panic selling. The final step will be to see the markets start to reverse back up tomorrow or at the latest on Wednesday. I will be looking for a possible small double bottom or inverse H&S bottom on the minute charts.

This first chart I would like to show you is the long term monthly line chart for the SPX which gives us our long term buy and sell signals. What I want to focus in on is the price action of the bull markets. Lets start in 1995 which was the last impulse move into the bubble top in 2000. The first thing to notice is that the five year impulse leg up made a series of higher highs and higher lows right into the 2000 top on a monthly closing basis.

There was one whipsaw in 1998 on the MACD, but the price action never closed the month below the 21 month simple moving average so no sell signal was given. Leading into the 2000 bull market high there was another small whipsaw on the MACD that was again negated because the price action failed to close below the 21 month ma.

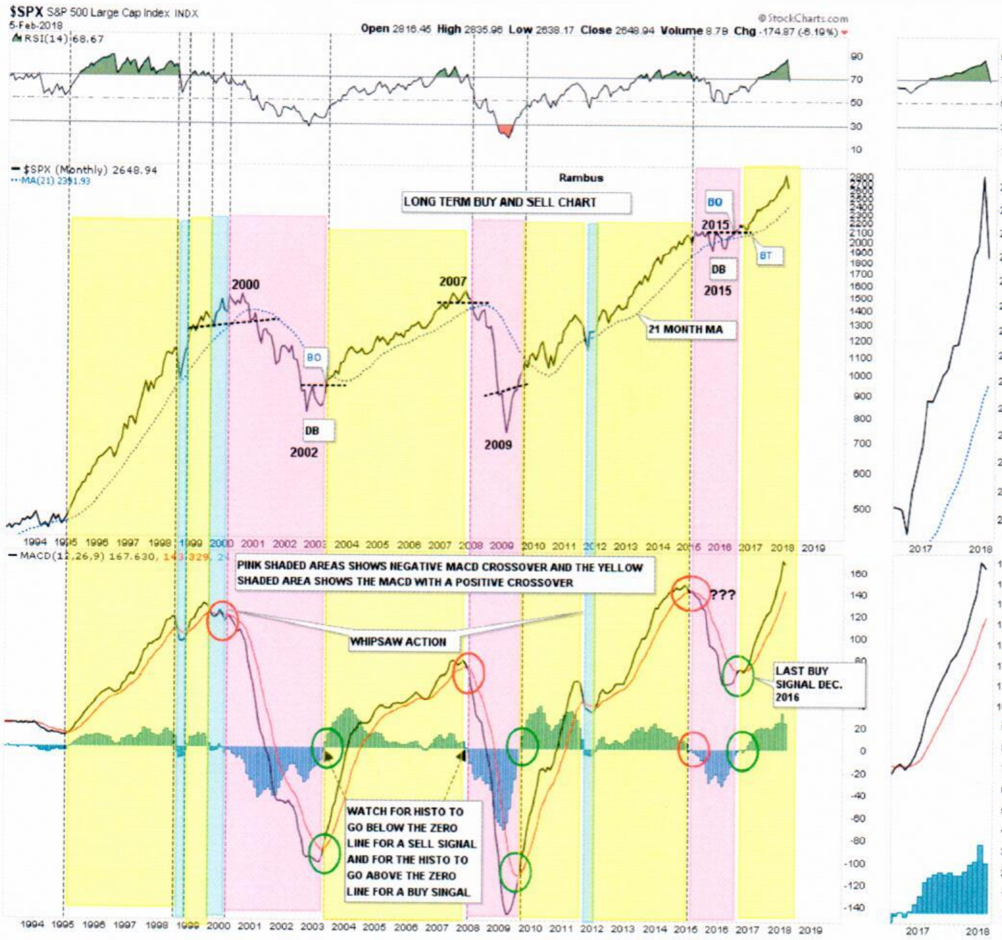
In mid 2000 is when all the pieces of the puzzle came together to offer a sell signal. First note how the price action finally closed below the 21 month ma while the MACD had a negative crossover with the histogram trading below the zero line. The SPX then had a small countertrend rally back to the underside of the 21 month ma with the next move down breaking the neckline which completed that massive secular bull market top.

That bear market ended in 2002 when the SPX formed the small double bottom while the MACD had a positive cross to the upside with the histo trading back above the zero line. All was right with the world until the 2007 top began to build out when the price action closed below the double top trendline and the 20 month ma, while the MACD had a negative cross to the downside with the histo trading back below the zero line.

The 2009 crash low experienced the same price action as the 2002 low, which led to the 2015 high. There was one whipsaw in 2011 where the SPX closed the month below the 21 moving average which just lasted one month before prices reversed again to the upside into the 2015 high. The 2015 correction was actually one of the harder areas to find support because the price action closed two separate months below the 21 ma which hadn't happened in a very long time. The last buy signal was generated in December of 2016 when again, all the pieces of the puzzle fell into place to bring us up to our current price action.

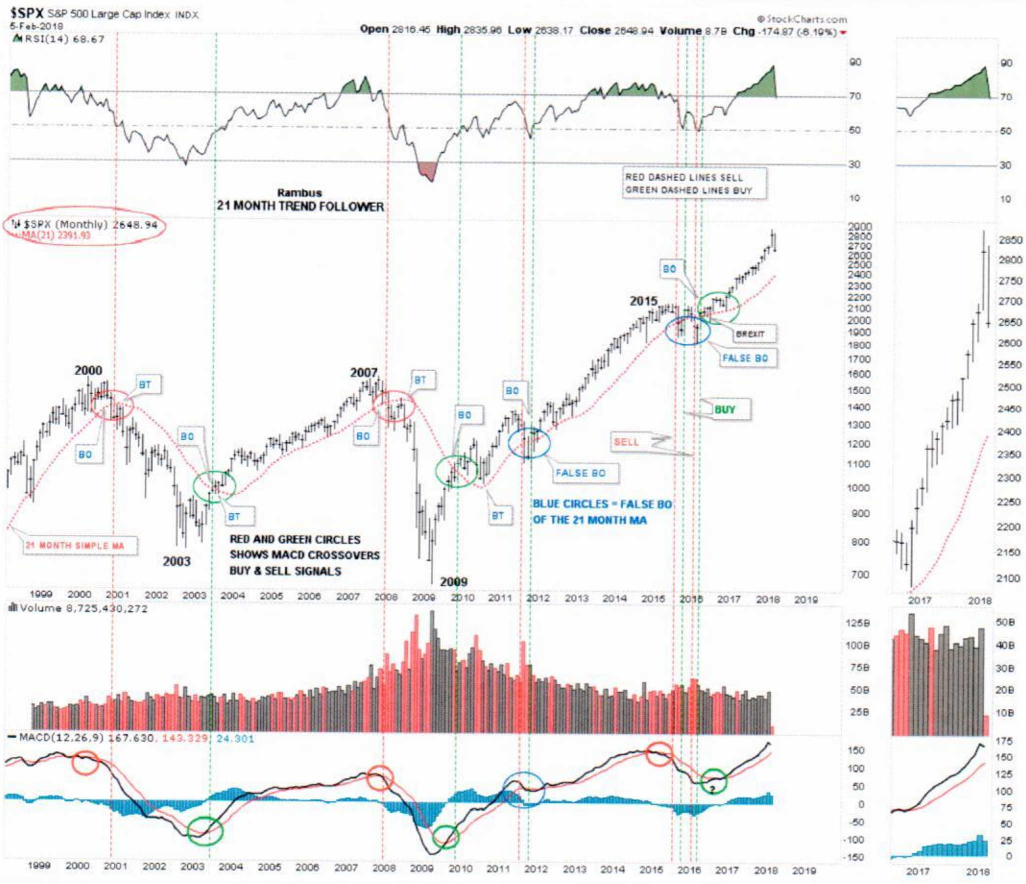
Take a second to look at the three drivers for a buy or sell signal. Currently the price acton is trading well above its 21 month moving average. Second the MACD is still trading in a positive crossover while the histo, at the bottom is still very high above its zero line.

Next I would like you to take another look at just the price action for the 2000, 2007, 2009 and the 2015 bull markets. Keep in mind this is a monthly line chart so the line is added at the end of each month. As we discussed earlier each bull market made a series of higher highs and higher lows, but you can see there were some months when the price action had a lower monthly close below the preceding monthly high, which gives the chart a little sawtooth look. Now compare our 2016 bull market to the other bull markets and you can see we haven't had one month yet with a close below the previous monthly high, which makes the price action smooth. February is still very young yet, but maybe we'll see a monthly close below the previous month high which would be the first time since the bull market began in 2016.



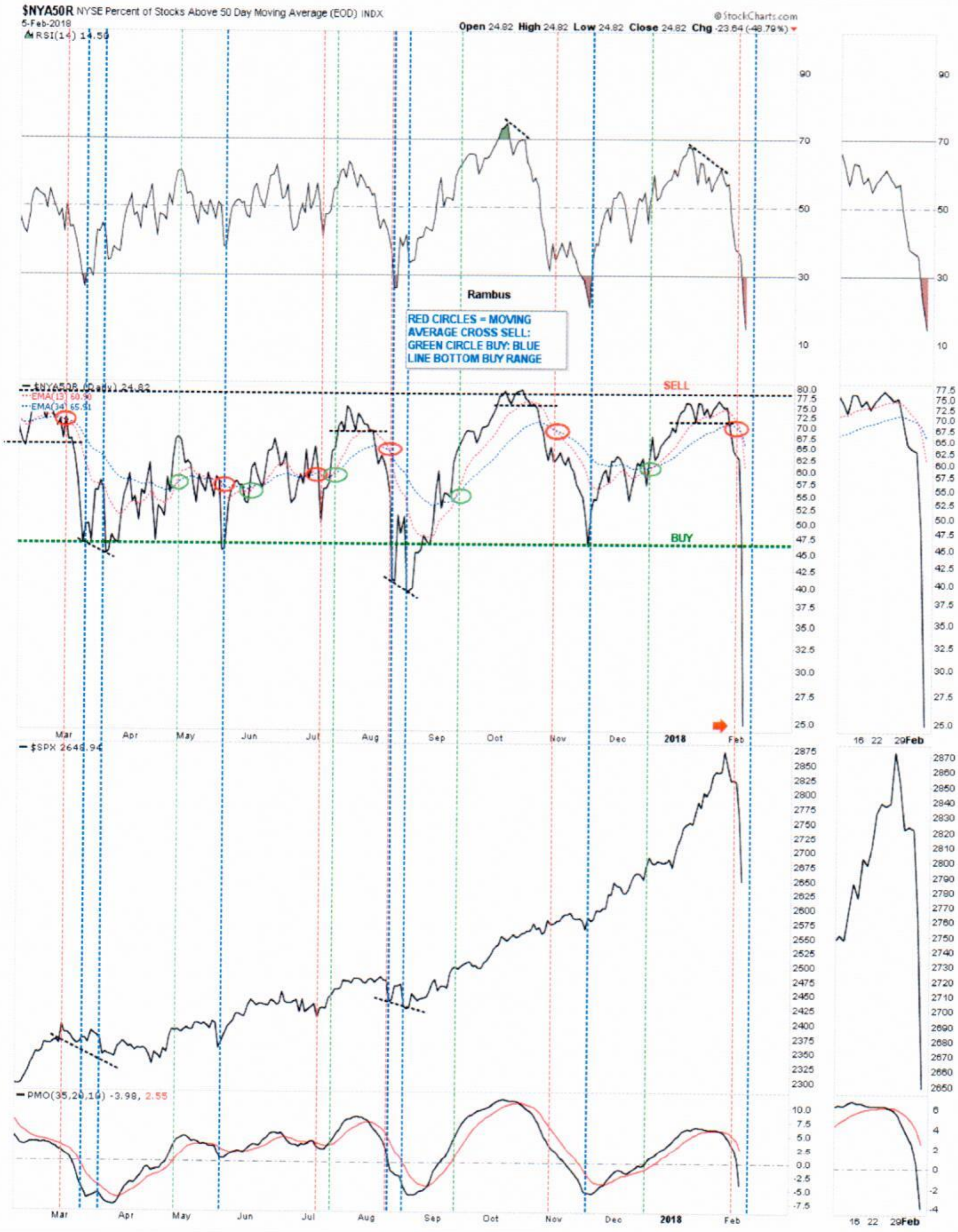

Below is the other long term chart we use for long term buy and sell signals that uses just the 21 month simple moving average. I won't go into a lot of detail as we've been over this chart many times in the past. The main thing to understand is how the 21 month ma works as a moving trendline. As long as the price action is trading above the 21 month ma you are on a buy signal, and below it and you are on a sell signal. Note how the 21 month ma reverses its role to resistance once the price action trades below it and vice versa. In the last 20 years there were only three false signals. The first one appeared in 2011 when the price action closed below the 21 month ma, which was quickly reversed the next month when the SPX closed back above the 21 month ma, which stayed on the buy signal until the 2015 top. You can see there were two false breakout signals during the 2015 correction when the price action closed the month below the 21 month ma.

Lets take one last look at the 21 month moving average chart below. Just before the 2016 rally took off there was one month where the price action traded below the 21 month ma, but by the end of the month the price action closed back above the 21 month ma and hasn't looked back, BREXIT annotation. The 21 month simple moving average is now all the way up to 2392 and rising.




Below is a 10 year monthly chart which shows the bull market uptrend channel for the SPX which began in 2009. Roughly four months ago the price action traded above the top rail of the original 2009 bull market uptrend channel. In a very strong bull market many times we can see a doubling of the lower channel which creates a bigger uptrend channel as shown by the blue rectangles. A backtest to the top rail of the original 2009 uptrend channel, now dashed, would come in to play around the 2600 area. I'm still viewing the 2015 consolidation pattern as a possible halfway pattern. The first leg up started at the 2009 crash low and ended at the first reversal point in the blue expanding falling wedge. The second leg up would start at the fourth reversal point and would give us a price objective up to the 3265 area.


This next chart is a combo chart which has the $NYA50, percent of stocks above their 50 day moving average on top, with the SPX below. For the last year every time the $NYA50 traded below the buy line at 46 the SPX got a decent rally as shown by the blue dashed vertical lines. On the other hand the sell signals, red dashed vertical lines, didn't amount to very much downside price action as the bull was so strong. Note the huge spike down today which took the $NYA50 all the way down to 24 which is very oversold.

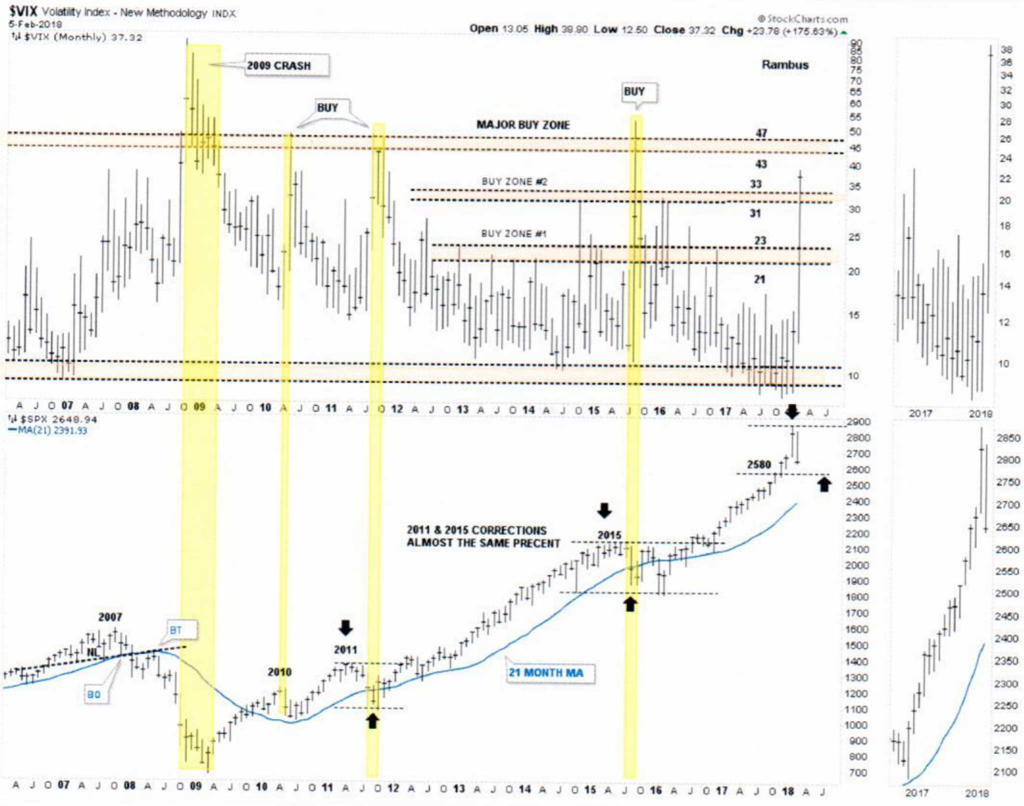



This last chart for tonight is another combo chart which has the VIX on top and the SPX on the bottom. This 12 year monthly chart shows how the SPX interacts with the VIX at important turning points as shown by the yellow shaded areas. I believe the 2009 crash saw the VIX at its all time high and it stayed high for almost six months before it began to decline in earnest.

Generally if the VIX spikes up to the 43 to 47 area a good bottom is found. There was a big spike in 2015 which showed the low of the correction, but it still took another year before the SPX was able to trade into new all time highs. Before the 2015 spike you would have to go all the way back to the 2011 correction to see a spike into the 43 to 47 level.

The yellow shaded areas show each VIX spike above the major buy zone and the height of the correction as shown by the horizontal black dashed lines. If the SPX traded down to the 2580 area it would match the corrections in 2011 and 2015 in price. Once an impulse move gets started the 21 month ma does a good job of holding support.

We are currently in the third correction since the bull market began in 2009. I think we should expect to see some type of consolidation pattern start to build out over the coming weeks and possibly months. We know where the top of the trading range is, now we need to find the bottom to start the consolidation process. Lets see what happens on "Turn Around Tuesday." All the best…Rambus




This entry was posted in **Alert** by **Rambus**. Bookmark the **permalink [https://rambus1.com/2018/02/05/stock-market-update-9/]** .