

S&P/ASX 200 – Technical Perspective

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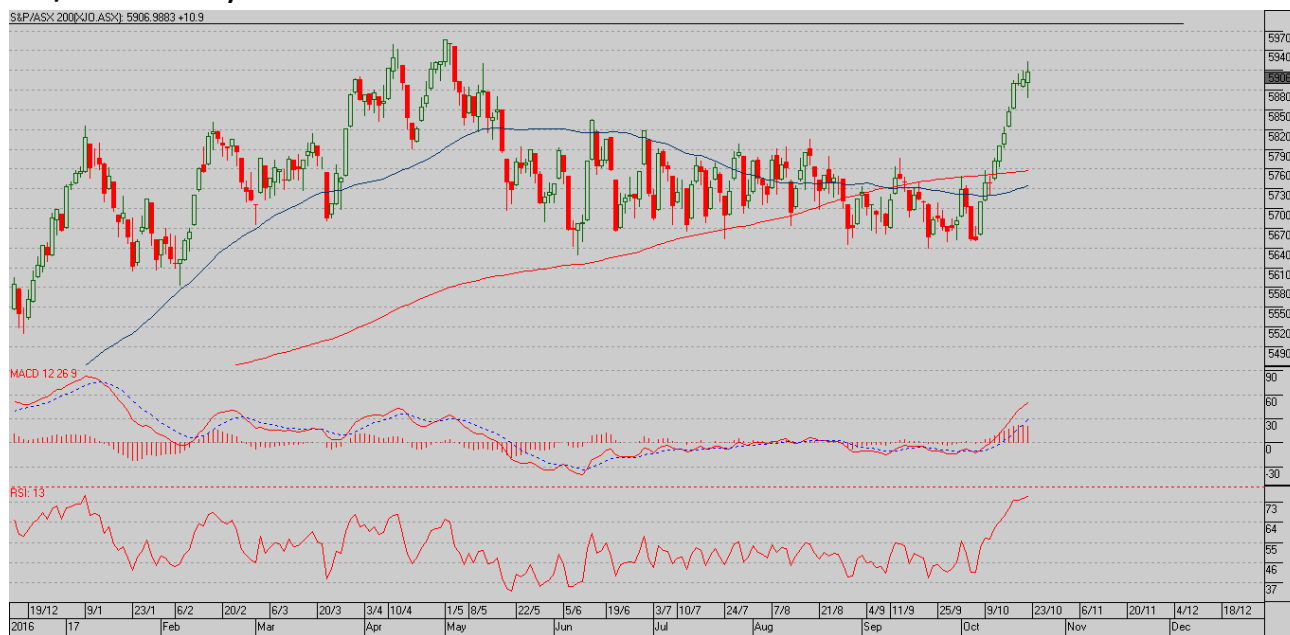
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Away for a week and our market finally breaks out of the narrow channel it has been stuck in for months. The strength and speed of the move which is indicative of a breakout from a lengthy consolidation period would suggest that nothing short of a missile over Hokkaido will stop us hitting 6000. Need to watch how we react around 6000 as the largish outside range on Friday looked as if investors were getting a little nervous. I'd expect some hesitation around the 6000 level and looking at our volatility chart below it looks like it wants to break out to the upside. Otherwise, all other indicators are looking great with a crossover of the MACD on the weekly chart in the making and a good clear breakout above the 60 and 200 day moving averages which are good signs for the medium-term outlook. Our financial sector is also out of its short-term downtrend now that it has set a higher high. A higher low would confirm a move back into an uptrend. The S&P 500 hitting all-time highs again overnight all points in the right direction. Alas the news can't all be good and the Dow Theorists amongst us would say that you need to be wary as investors become exuberant and markets set records. And with the US 10 Year Bond rate taking off overnight, indicating higher rates signaling a warning that things are going to get tighter going forward. Not great for property trusts. The S&P 500 should be looking to have a technical breather very soon. The longer the bull run the worse any market shock will be. Not sure why they are so slow at raising rates as the S&P 500 could come off 10% and still be in a medium to long term uptrend. Better to do it sooner than leave it too late when the pain of a larger correction will be more severe.

S&P/ASX 200 – Daily



S&P/ASX 200 – Weekly

US 10-year Bond Rate – Daily

US - 10 Yr Bond Rate(USBON1R) 2.3848 +0.1



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