

Off-line Edition

# Guppytraders.com

# TIATA REPORT

*Tutorials In Applied Technical Analysis*

Weekly for Saturday March 7<sup>th</sup>, 2025. Based on Thursday's Close

- [35 YEAR INDECISION pg1](#)
- [SHAKEN, NOT STIRRED pg7](#)
- [THE GRIND pg10](#)
- [HOW MARKET PSYCHOLOGY WORKS FOR TRADERS pg19](#)
- [REJECTING TRADE RECOMMENDATIONS pg22](#)
- [NEWSLETTER OUTLOOK: SMASHING pg25](#)

## **35 YEAR INDECISION**

For the first time in 35 years of trading we are at a point of indecision, not exactly sure which strategy is appropriate for these market conditions. Is this a temporary dip which makes now the time to buy? Is this part of a much longer market and economic readjustment and realignment which means we should wait until things settle down? Is this a rapid fall and recovery like 2008?

The answers to these questions determine how and what we trade. The answers are unclear and we would mislead readers if we suggested otherwise.

Markets are shaken by the impetuous actions of President Trump. It's not just tariffs. Its walking away from NATO and from any other alliance of agreement entered into by the United States. He has repudiated the free trade agreements with Mexico that he himself made when he was last President.

This is unprecedented instability. We think his actions pose a greater threat to global stability than those of North Korea. Australian leaders ignore this, desperately hoping that things will quickly return to normal.

The market does not agree which is why it is collapsing so rapidly. People are rushing for the exits and there is no strong indication of a bottom

As readers know, we prefer not to trade short and this means there are slim pickings for the methods we use to trade long. That puts us in cash and gives us time to consider some broader market issues. These priorities are reflected in the newsletter notes, so we take a broader look at the influences on our market.

As our politicians are fond of telling us, we live in very uncertain times, but the driver of that uncertainty is not located to the north of Australia.

There are two important protagonists in this US-led trade war. China and America. We look at the S&P in another article. But before we do also need to factor in the cycle of Trumps belligerence, as shown in the diagram.



Here we update the Shanghai Index because China's strength or weakness has an impact on our economy and outlook.

The Shanghai Index breakout lost momentum and pulled back to the lower edge of the long term group of moving averages in the Guppy Multiple Moving Average indicator. This did not trigger compression in the long term GMMA and this shows that investors absorbed the sell-off. Investors used this as an opportunity to join the developing uptrend at advantageous prices.



The GMMA indicator relationships continue to suggest the trend is sustainable as it has tolerated the pullback without threatening the underlying trend activity.

The index did dip below the uptrend line, but quickly recovered and is testing the value of the uptrend line as a resistance feature.

Although the trend continues, the significant pullback shows there is some weakness in the trend behaviour. This is obviously triggered by tariff announcements coming out of the United States. What is important is how the support features hold when the market reacts to these announcements. The current pullback has rebounded from support. In other markets, like Australia, the retreats have been much more severe at around 4%. This minor 2% retreat in the Shanghai index confirms trend strength.

The GMMA indicator is used to understand the behaviour and character of the two groups in the market – traders and investors. These groups of moving averages show the level of confidence in the developing trend.

The long term group of averages shown in red have maintained a steady degree of separation despite the index plunge. Improved trend strength is indicated when the long term GMMA is more widely separated and investors will wait for this development. The current steady separation shows steady support for the trend development.

The support and resistance features on the chart coupled with trend line analysis provide the structure of the market and help the trader to set index objectives.

The first significant barrier to a rising trend is the value of the upper edge of the trading band near 3435.

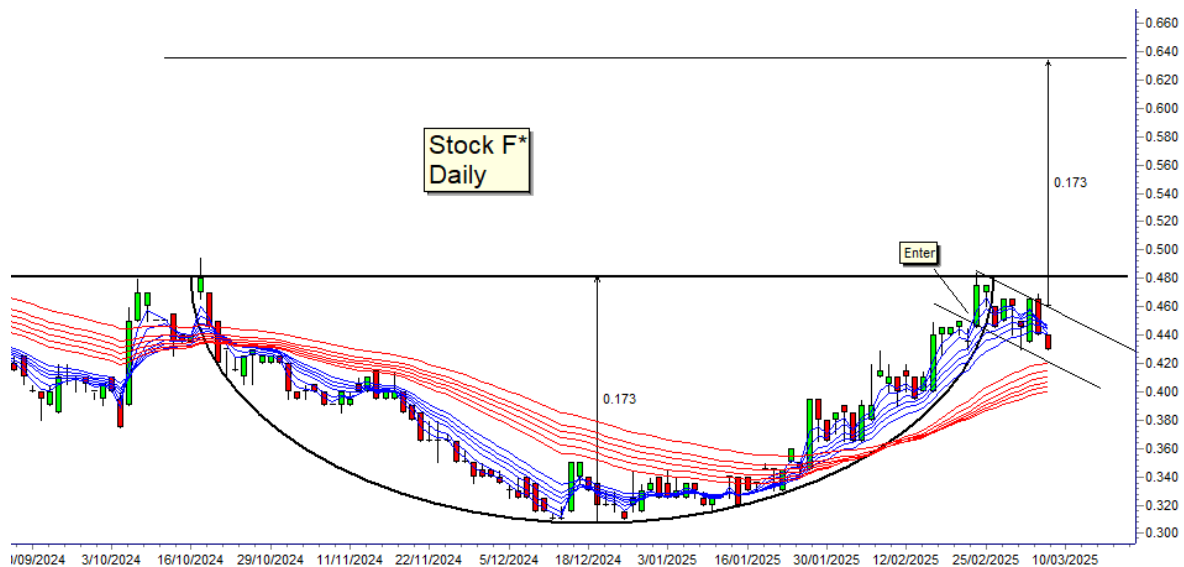
This remains a bullish breakout environment but traders will be alert for sustained moves below the trend line. This would signal a move towards temporary support near 3230.

### STRENGTH IN WEAKNESS

Perhaps because of these uncertain conditions, we are attracted to stocks showing strength when the market is weak, and even better if they show chart patterns.

Stock F\* was entered last week as it moved towards the top of the saucer pattern. It has now developed a handle on its saucer. This is a common though frustrating. We can see how if we took the saucer and handle lines off the chart price is pulling back to the long term GMMA where we might expect a bounce and trend continuation. This is often the function of a handle.

We move our exit target lower as the breakout is now measured from the breakout of the handle rather than the lip. Price looks to have found support at \$0.43 where we hope price will gather strength and rebound.



Stock F\* was entered at \$0.45 with a stop at \$0.42 putting \$1,333.33 or 1.33% of total trading capital at risk. Stock F\* is currently trading at \$0.43 putting this trade in a loss of \$888.89 or 4.44%

Stock code	<b>Stock F*</b>
Total investment pool money in account	100,000
Your investment risk for this trade	20,000
<b>Average entry price</b>	<b>0.450</b>
<b>Stop loss</b>	<b>0.420</b>
Cost of trade	<b>20,000.00</b>
Number of shares buy	<b>44,444</b>
Loss if sell at stop loss	1,333.33
Risk % of total investment pool money	1.33%
Planned Profit exit price	<b>0.630</b>
Planned Profit	<b>8,000.00</b>
Planned Trade profit %	40.00%
Current price	0.430
Current profit -	<b>888.89</b>
Current trade profit %	<b>-4.44%</b>

### NOT-QUITE-NETFLIX VIDEO SERVICE- RENT

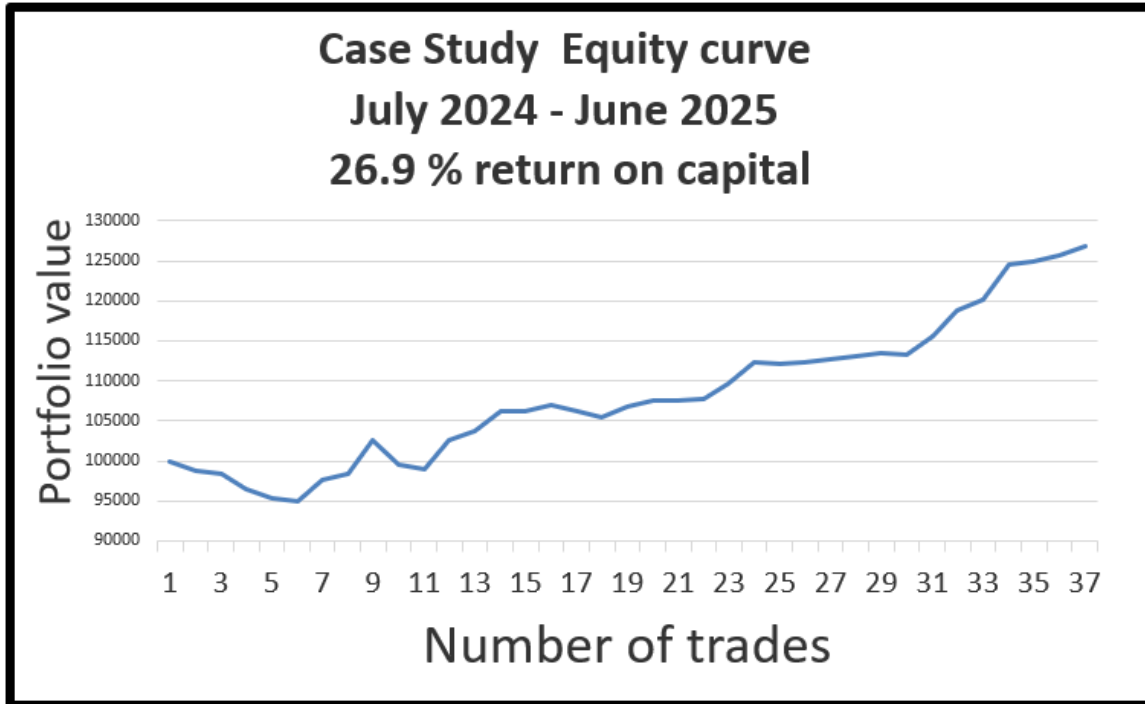
We have thrown out our DVDs and replaced them with an on-line video that can be rented.



You can download the **ATR indicator for MT4** Use this to improve your trade risk management. Download at <https://www.mql5.com/en/market/product/29683>

### CASE STUDY EQUITY CURVE

The case study trade VLUE\* (c) is closed for a profit of \$731.88 or 3.66%  
 The case study trade ARN\* (e) is closed for a profit of \$1219.51 or 6.10%. For the year starting July 1, 2024 the case study portfolio return is \$26,892.15 or 26.9%



For the year starting July 1, 2023-24 the case study portfolio return is \$148,774 or 148.7%. For the year starting July 1, 2022-23 the case study portfolio return is \$52,319.09 or 52.3%. For the year starting July 1, 2021 – 2022 the case study portfolio return is \$64,650 or 64.65%. For the year starting July 1, 2020 – 2021 the case study portfolio return is \$84,496.29 or 84.49%. For the year starting July 1, 2019 – 2020 the case study portfolio return is \$69,233 or 69.2%. For the year July 1, 2018 – 2019 the case study portfolio return is \$91,794 or 91.79%. The year July 1, 2017-2018, the case study portfolio return is \$115,330 or 115.3%. The year July 1, 2016-2017, the case study portfolio return is \$92,464.15 or 92.5%. For the year July 1, 2015- 2016, the case study portfolio return is \$156,450 or 156.45%.

Equity trade size is generally kept constant at \$20,000 in the case study portfolio so it is easier to compare the case study trades over this and other years. Unless otherwise noted in the trade management notes, all equity case study trades are managed on an end of day basis, with the exit taken at the best reasonable price on the day after the stop loss is triggered.

Warrant and CFD trades are generally kept constant at \$10,000. Warrant and CFD trades are closed on an intraday basis using a guaranteed stop loss as this is a primary method of managing derivative risk.

FX trades are generally kept constant at \$5000. Stops are managed intraday. This capital allocation reflects the risk in each of these asset classes



# **SHAKEN, NOT STIRRED**

By Daryl Guppy

Apart from everything else, the explosive meeting between Zelensky and President Trump confirms that the global environment is being shaken rather than stirred. As James Bond was apt to note, the difference is important.

A market that is stirred is agitated within its existing parameters. It may be stirred by unexpected inflation figures, by employment changes or other well-known market moving data points. A 'stirred' market offers well known opportunities and the strategies required to take advantage of them.

A shaken market is a different beast because it implies that the environment is changing. The sudden 'Big Bang' deregulation of UK financial markets in 1986 shook the foundations of the market. The decade-long abolition of open outcry market trading in the US shook the foundations of the market and enabled new approaches such as high frequency trading which rested on the efficiency of electronic transactions done in fractions of a second.

Markets are shaken by the extraordinary range of action initiated by President Trump. Although not yet unenacted, the ferocity of proposed tariffs strikes a body blow to economic activity. There is no question that this will fuel an inflationary surge in the United States because it is consumers who bear the burden of tariffs.

This shaken environment leads to new concerns and one of the more intriguing is questioning the veracity of US gold holdings. Many bullion dealers believe that US gold reserves are much smaller than thought. They suggest that over the decades the gold was "leased" to bullion dealers who sold it into the gold market, thereby protecting the value of the dollar by holding down the gold price.

"Leasing" the gold means that the US can still claim to own the gold. A sale has to be reported, but not so a "lease."

They believe gold might also have disappeared through rehypothecation, which is the use by one party of another party's asset to back their own financial or borrowing practices. The gold of other countries is also in Ft. Knox.

Elon Mask announced a gold audit and holders of gold contracts, perhaps fearing the worst, are demanding settlement in gold delivery rather than in cash.

The rise in the price of gold is driven by the increase in physical purchases in a market. The gold chart confirms this buying pressure with a strong breakout above US\$2800. The chart is dominated by trading bands. These are used to define the limits of each new move. They also help define the limits of any market retracement. The trend line defines how the trend develops.



This is a solid and sustainable uptrend with the trend line acting as a support feature for the rally rebound. By projecting the width of the trading band, the upside target is calculated at near US\$3000. Using the same projection methods, the longer term target is near US\$3450.

The retreat in the gold price has two strong support features. The first is the top of the previous trading band near US\$2800. The second support feature is the value of the uptrend line, currently near US\$2760. The gold chart suggests there is a low probability of a trend retreat and a high probability for trend continuation and breakout above US\$3000.

Shaken market are uncomfortable markets so investors look for patterns of behaviour that suggest the development of a trend reversal or a change in trend. The S&P 500 is beginning to develop a pattern of concern.

Of the handful of chart patterns that are often associated with market reversal, the rounding top is one of the most reliable. The pattern is identified with a line joining the highs of the rising trend. If they can be connected with a straight line then it confirms strong trend continuation. However when the highs are most accurately joined with a curved line as seen on the S&P 500 chart, then it suggests a weakening of momentum.



If continued the curve develops a downward aspect and creates a rounding top. This pattern is useful in two ways.

First is a long term warning of a trend reversal.

Second, the depth of the pattern is measured. This calculation is used to set the potential downside target around 5200. This is near to the April 2024 resistance level and the August 2024 low. This helps to confirm the accuracy of the downside projection.

These two charts provide evidence the market is shaken, not stirred. The continued strength in gold tells us investors are increasingly worried about the future. The beginnings of a rounding top in the S&P 500 tells us smart money investors are quietly taking profits.

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## **THE GRIND**

By Alexander O'Malley

We had some pretty unsatisfying exits this week. Time in the market is becoming a measurable risk factor. We are currently doing some testing on ways to manoeuvre around this new factor. The exits were in a profit which is nice, but no where near where we had planned. Price targets aren't being met, do we need to temper our expectations in the current market?

### **VLUE\*(C\*)**

#### **Entry**

Stock C\* was found the same way by using a simple GMMA trend search. We searched though all the ETFs which had a positive long term GMMA with the 15ema above 30ema and the 10ema above the 15ema. Stock C\* was following the trend line pretty closely. A rebound from the trend line gave us both momentum and a pretty tight stop. This reduced the risk on the trade and made it more appealing. We entered at the trend line to reduce the risk further.

Additionally we had a few charts that looked very similar during this search. Another reason for taking this trade as it was a different chart pattern. This way we were diversifying the types of trades we were taking.

#### **Management**

Stock C\* continues to adhere to the trend line. Price pulled back and have bounced off the trend line as the trend continues in the face of the market volatility. We move our stop loss up as the trend continues.

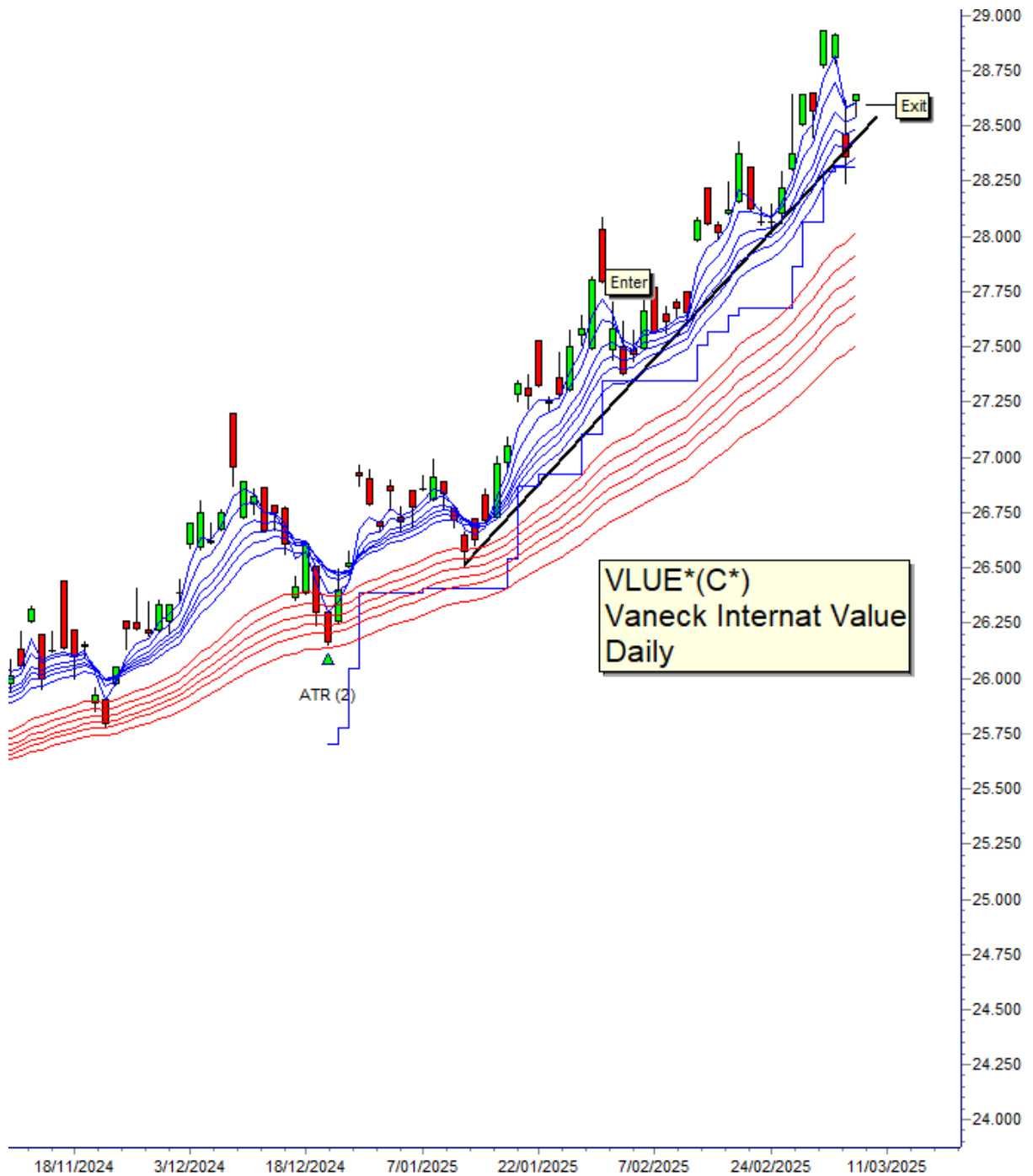
#### **Exit**

This exit makes me sad. We follow our trading plan. The trend line has been a key feature of this chart. The trend line has been tested on multiple occasions and held up. Now we have a close below the trend line.

We wait for confirmation of the close below the trend line and exit the trade the follow day – however price gaps back up above the trendline. The GMMAs look good and strong. However the trend line has been broken.

Traders would be well within their right to allow the trade to continue. Simply re-adjust the trend line or just take note that the trend line is no longer as strong as it once was.

We have opted to exit the trade as per our trading plan. Consistency is key, even in these frustrating situations.



VLUE\*(C\*) was entered at \$27.60 with a stop at \$28.17, putting no trading capital at risk. VLUE\*(C\*) closed at \$28.61, putting this trade in a profit of \$731.88 or 3.66%.

Stock code	VLUE*(C*)
Total investment pool money in account	100,000
Your investment risk for this trade	20,000
<b>Average entry price</b>	<b>27.600</b>
<b>Stop loss</b>	<b>28.360</b>
Cost of trade	<b>20,000.00</b>
Number of shares buy	<b>725</b>
Loss if sell at stop loss -	550.72
Risk % of total investment pool money	-0.55%
Planned Profit exit price	<b>32.000</b>
Planned Profit	<b>3,188.41</b>
Planned Trade profit %	15.94%
Current price	28.610
Current profit	<b>731.88</b>
Current trade profit %	<b>3.66%</b>

### Stock D\* Entry

Stock D\* was found using the Guppy Index search. We have a good trend that is continuing the move upwards while the market is falling. This shows some added strength or at the very least that local market activity does not have an impact on this chart.

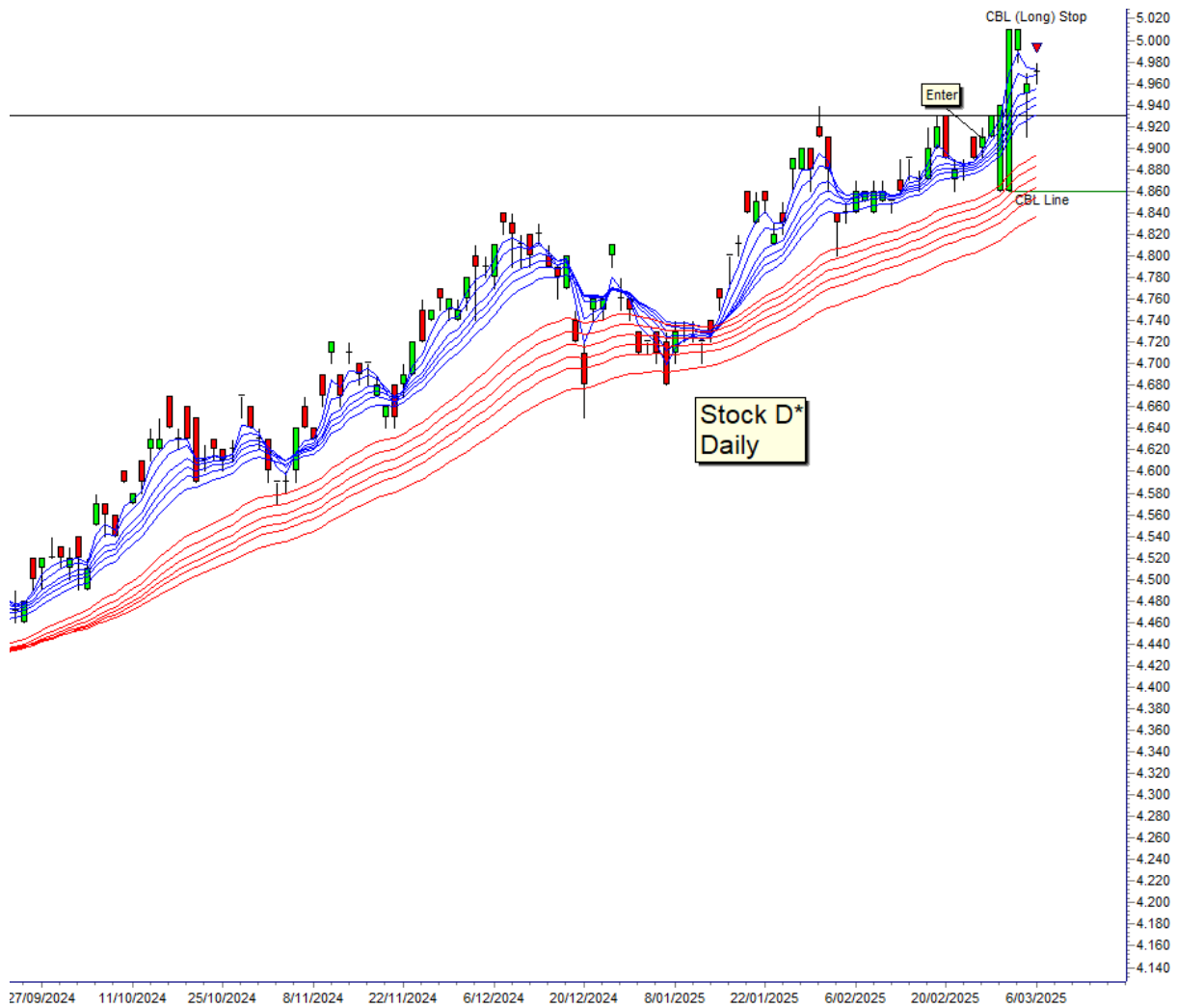
We found this opportunity after market close so we enter the following day at the open. There is light resistance at \$4.93 but with the trend looking as strong as it is we hope price will be able to push through this level and gain some momentum.

### Management

Do you have heart problems? Then look away from this chart because I was dying all week. We our stop at \$4.86 as per the CBL. Price gapped down and traded at that price at the open! Our conditional order went in but wasn't filled cause there was no one to take it up. Price then rallied hard and close above the resistance level. We were still in the trade.

We then remove the sell order after seeing price rally. Crisis averted? It then gaps down the next day and doe the same thing! How are you meant to do this chart?

Price has remained above the support level – if you can call it that – and the trade remains open. I can't even...



Stock D\* was entered at \$4.90 with a stop at \$4.86, putting \$163.27 or 0.16% of total trading capital at risk. Stock D\* is currently trading at \$4.97 putting this trade in a profit of \$285.71 or 1.43%.

Stock code	<b>Stock D*</b>
Total investment pool money in account	100,000
Your investment risk for this trade	20,000
<b>Average entry price</b>	<b>4.900</b>
<b>Stop loss</b>	<b>4.860</b>
Cost of trade	<b>20,000.00</b>
Number of shares buy	<b>4,082</b>
Loss if sell at stop loss	163.27
Risk % of total investment pool money	0.16%
Planned Profit exit price	<b>5.400</b>
Planned Profit	<b>2,040.82</b>
Planned Trade profit %	10.20%
Current price	4.970
Current profit	<b>285.71</b>
Current trade profit %	<b>1.43%</b>

## **ARN\*(E\*)**

### **Entry**

Stock E\* was found using the weekly percentage move search. We performed a search to look for stocks that had moved 5% in the last week, hoping to find some strength amongst the falling market. We found Stock E\* which had just broken out of a trading band.

The following day price gapped up and we waited to see whether price would come back which it did and we made our entry. The closer we could get to the top of the trading band the better, as that is where our support is.

### **Management**

This trade is a full momentum trade. We are looking for price to reach its trading band projection, where we have a sell order in just below the level to ensure we get filled. As long as price doesn't fall back into the trading band the trade should remain open within reason.

With a momentum movement like this, there isn't really a trailing stop we can employ as it would be so far away from price activity you might as well not have it. At the moment we wait to see how price develops.

We set out exit target but measuring the width of the trading band and projecting this upwards. This gives us a target of \$0.52. We set our exit at \$0.515 to ensure getting filled.

### **Exit**

This is where frustration almost becomes too much. We had a strong momentum run but price was unable to push above \$0.47. Was this a warning sign? Perhaps. Price crashed out and hit our conditional stop. We got out at some profit but these are the types of trades that make you throw stuff in the air.



ARN\*(E\*) was entered at \$0.41 with a stop at \$0.44, putting no total trading capital at risk. ARN\*(E\*) was closed at \$0.435, putting this trade in a profit of \$1,219.51 or 6.1%.

Stock code	<b>ARN*(E*)</b>
Total investment pool money in account	100,000
Your investment risk for this trade	20,000
<b>Average entry price</b>	<b>0.410</b>
<b>Stop loss</b>	<b>0.440</b>
Cost of trade	<b>20,000.00</b>
Number of shares buy	<b>48,780</b>
Loss if sell at stop loss -	1,463.41
Risk % of total investment pool money	-1.46%
Planned Profit exit price	<b>0.515</b>
Planned Profit	<b>5,121.95</b>
Planned Trade profit %	25.61%
Current price	0.435
Current profit	<b>1,219.51</b>
Current trade profit %	<b>6.10%</b>

### Stock G\* Entry

We haven't had much luck with patterns of late but this is a pattern I can always get behind. The head and shoulders pattern is traditionally an end of trend pattern. We see this development main on index's as they near the end of their current runs. They rally strong, pull back and rally again and everyone says everything is fine and the economy I strong. Then it falls, followed by a final gasp rally before the inevitable fall.

They can however also be used at the end of a down cycle. In this example we have an inverted head and shoulders pattern. We enter on the confirmation of the neck line as price closes out the right shoulder.

### Management

Traditionally head and shoulder happens are very accurate when applied to an index. On an individual stock like this they can be less accurate. Funnily enough this is an ETF which has many of the characteristics of an index – a basket of stocks – so we expect and increased level of accuracy.

Given that we are still traders and we have a stop loss in place. We are using a CBL in this example. There is not much to at this stage other than wait for price development.



Stock G\* was entered at \$8.50 with a stop now at \$8.50 putting no trading capital at risk. Stock G\* is currently trading at \$8.59, putting this trade in a profit of \$211.76 or 1.06%.

Stock code	Stock G*
Total investment pool money in account	100,000
Your investment risk for this trade	20,000
<b>Average entry price</b>	<b>8.500</b>
<b>Stop loss</b>	<b>8.500</b>
Cost of trade	<b>20,000.00</b>
Number of shares buy	<b>2,353</b>
Loss if sell at stop loss	-
Risk % of total investment pool money	0.00%
Planned Profit exit price	<b>9.000</b>
Planned Profit	<b>1,176.47</b>
Planned Trade profit %	5.88%
Current price	8.590
Current profit	<b>211.76</b>
Current trade profit %	<b>1.06%</b>

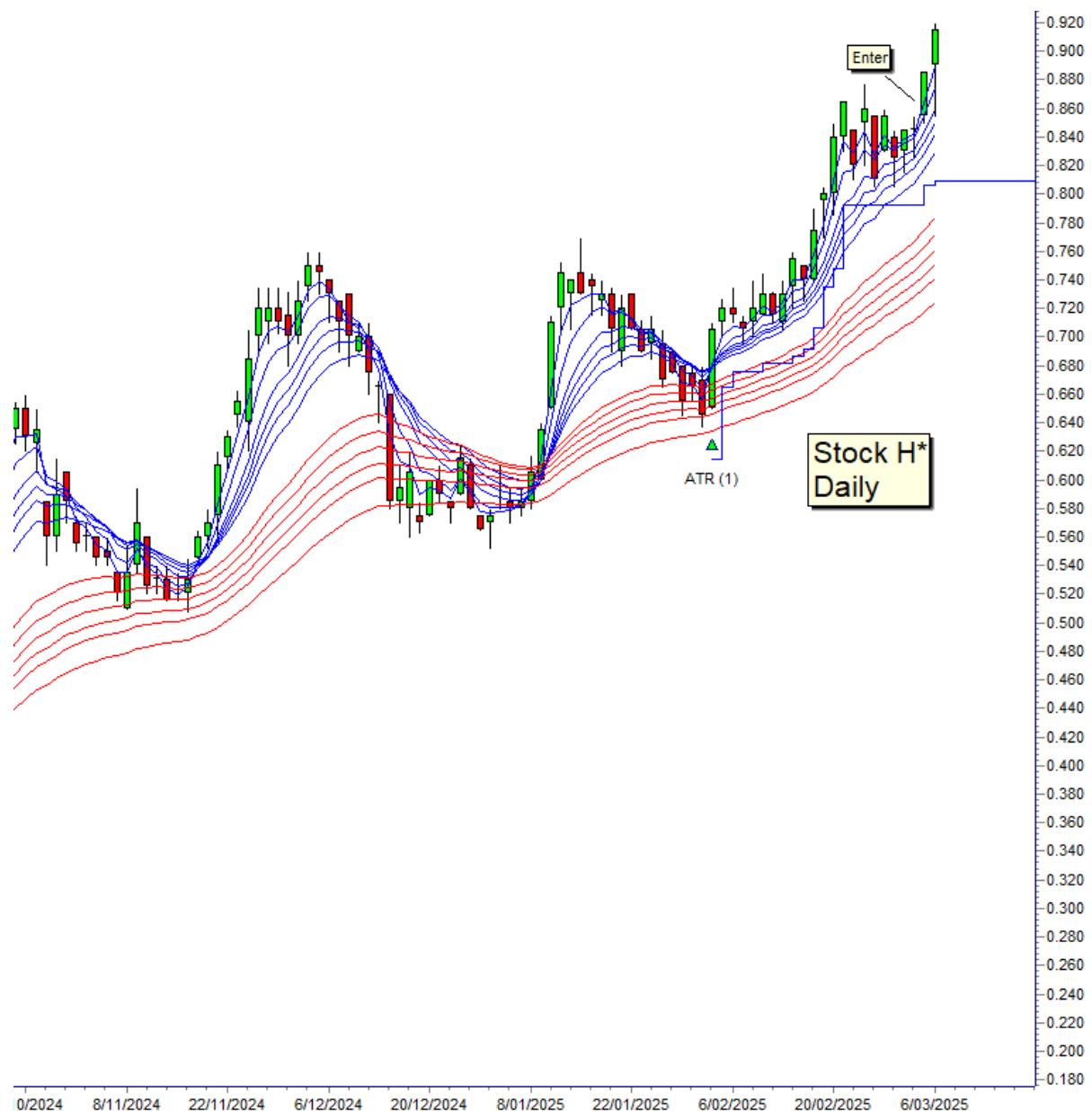
## Stock H\* Entry

Stock H\* was founded using the GMMA eyeball search. This search simply looks for a positive GMMA relationship which in the current market finds an appropriate number of results.

We have a strong up trend and good GMMA relationships during the current market conditions. Price has paused after a good rally and consolidated which put it onto our watch list. When we saw price starting to move we entered the trade to join the momentum. The hope is momentum will carry us into a profit quickly.

## Management

This looks to be a trend continuation so we manage it with our traditional trend trading tools. We are using the 1xTraders ATR however our stop will be a little tighter until the ATR moves into positive territory. We will be looking at the bottom of the short term GMMA as our warning sign for this trend continuation.



Stock H\* was entered at \$0.86 with a stop at \$0.83, putting \$697.67 or 0.7% of total trading capital at risk. Stock H\* is currently trading at \$0.915, putting this trade in a profit of \$1,279.07 or 6.4%

Stock code	Stock H*
Total investment pool money in account	100,000
Your investment risk for this trade	20,000
<b>Average entry price</b>	<b>0.860</b>
<b>Stop loss</b>	<b>0.830</b>
Cost of trade	<b>20,000.00</b>
Number of shares buy	<b>23,256</b>
Loss if sell at stop loss	697.67
Risk % of total investment pool money	0.70%
Planned Profit exit price	<b>0.950</b>
Planned Profit	<b>2,093.02</b>
Planned Trade profit %	10.47%
Current price	0.915
Current profit	<b>1,279.07</b>
Current trade profit %	<b>6.40%</b>

## **HOW MARKET PSYCHOLOGY WORKS FOR TRADERS**

By Daryl Guppy

The psychology of fear is driving this market. This is reflected, not just in blind selling, but in trend behavior. In these notes we take a closer look at the relationships, and it starts with you.

What's the first thing you do after entering a trade? For many traders it's the profit calculation. Formally, or informally, they set an exit target designed to lock in a profit. This single decision encapsulates the motivation for market involvement. This calculation lies at the heart of market psychology.

The slew of modern books about Behavioral Economics largely miss the point when it comes to trading. Sure its interesting the way people have reward biases, the way they make less than optimal choices, and the way choice behavior is modified. These are an interesting observation on human foibles but it doesn't contribute to our understanding of market psychology and the way this impacts on price behavior.

The reactions of student test subjects risking \$10 cannot be realistically compared to traders routinely taking \$10,000 or \$50,000 or \$100,000 positions. What is more important is the way these individual biases, these individual behaviors, combine to become a group or crowd reaction and the way that shapes the behavior of price in the market.

Understanding your personal psychology is important. How you react to greed, to fear, to a string of losses or a run of wins is an important part of your evolution as a trader. However, this is personal development, and doesn't help us in understanding market psychology. Alexander Elder, Mark Douglas, Van Tharp and others cover these personal development aspects for traders very well in their books.

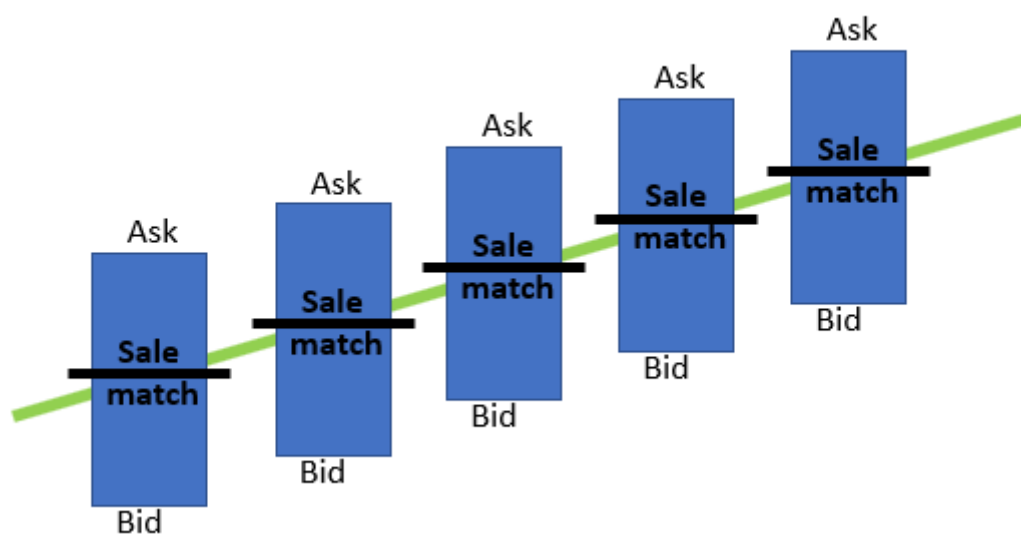
I use market psychology here as a simple shorthand to describe how the market crowd thinks and behaves. Not surprisingly, most of them think pretty much the same way as you do. It's this combination of the same, but independent, thinking that creates the patterns of market behavior – the psychology of the market. This is the lens through which I viewed charting and technical analysis in CHART TRADING because I wanted to examine what each pattern or indicator, is telling us about the way traders and investors are thinking.

Resistance, support and trend activity are the three basics of chart analysis. They are successful because they display the underlying psychology of market participants. These features also combine into essential chart patterns, and it's the psychology of these patterns that make the patterns so useful for projecting reliable price targets.

In the schematics in this article we have extracted the key amalgamated behavior of individuals. In the real market these behaviors are subsumed as part of the broader market behaviors. Market noise from thousands of buyers and sellers dilutes this exact observable behavior but the underlying motivations of individuals remain intact. The analysis conclusions hold up under market conditions and are the foundation of the three basics of chart analysis. This helps to explain why chart pattern and price projection techniques have a high success rate.

### TREND PSYCHOLOGY

A trend develops because all market participants have growing expectations. Consider a rising trend. The buyer can only get a position by bidding slightly higher than the previous sale. As each sale takes place, the next seller lifts his price because he thinks he can do slightly better than the last sale. This is individual greed in action. The buyer wants to get a position, so he has to bid a little higher to get the stock. This is fear in action because he worries that if he doesn't bid higher then he will miss out. The fact that the next sale price is at a slightly higher reinforces this fear. It proves to him that the price is rising and that he would miss out if he held out for his lower entry price.



The result is a steady rise in the price. This is trend behavior. Sellers believe they can get a higher price, so they lift their asking price. Buyers worry about

missing out, so they chase the price up, bidding higher to make sure they get a position. The buyers come up to meet the sellers and the match price – the price we see on our course of sales record.

It works in reverse in a falling trend. Sellers worry they will not be able to get out, so they lower their asking price. Buyers realize they don't have to bid as high, so they wait for the market to fall. The sellers come down to meet the buyers.

Buyers eventually become sellers, and it's the psychology of individual sellers that sets the up trend in this example. Why do sellers sell? They sell because they believe that ;

- a) they have sufficient profit, or
- b) that there is limited upside for the stock. The price is as good as it gets.
- c) In a bear market there is a third factor. They sell because they have to. They sell because they have to meet margin calls.



In this diagram we assume that each buyer becomes a seller when they reach a 10% profit. Remember each successful buyer is just like you. You buy in anticipation of a profit, and when your profit conditions are met, you sell. In a bull market others buy from you because they believe that even at your selling price there is still upside and a profit for them. This is why stock trading is not a zero sum game. Every trader can make money in a rising trend if they sell into the rising trend.

The individual motivation for buying and selling remain exactly the same amongst all individual traders and investors – to capture a profit. The mechanism that triggers the decision to buy or sell is variable – technical, fundamental, news-based - but the motivation remains the same. Its this common individual motivation that, when combined with the same motivation with thousands other traders, creates the psychology of the market.

This is the psychology that drives chart pattern behavior, that creates trend lines and support and resistance levels.

Next week we look at support and resistance.

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## **REJECTING TRADE RECOMMENDATIONS**

By Daryl Guppy

The purpose of these notes is to take a pre-selected list of potential trades and subject them to closer chart analysis to identify the high probability opportunities. The starting point is supplied by broker recommendations.

We are looking to add another two trade examples, but again this week none of the broker recommendations met the entry criteria for long side trades. In these notes we want to show you why we reject these suggestions. Knowing this is just as important as accepting other suggestions. (The arrow shows the date of buy recommendation)

Rejection is not a complicated process, so there is no need to extensive notes. Just a simple two or three word summary is all that is required. (Remember these are all broker buy recommendations even though you have to wonder why)

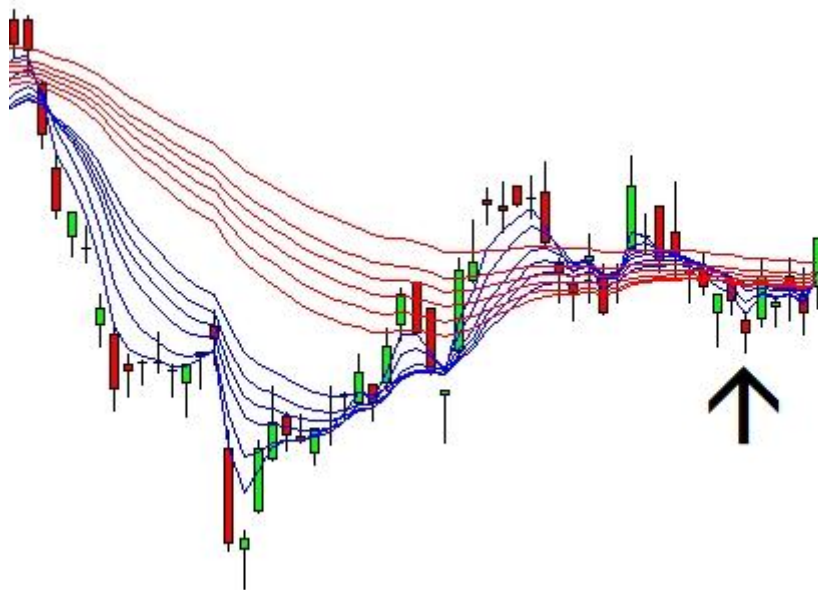
REJECT 1 – prolonged downtrend and no evidence of a rebound rally developing



REJECT 2 – Rapid sell-off. No evidence of consolidation.



REJECT 3 – Failed breakout so no change of recovery in a bearish market



REJECT 4 – Downtrend and no indication of rebound



REJECT 5 – Gap down and no support or consolidation development



## REJECT 6 – Clear break below uptrend line



What do we learn from this?

- Rejection is often clear and rapid. No need for complicated analysis
- Stocks that might or might not offer opportunities are rejected because the overall market condition is bearish. It requires exceptional breakout strength to overcome this pressure. This type of breakout gives a clear and unambiguous signal.
- Unless there is clear and genuine trend strength, stocks are rejected because the bearish pressure in the market is so strong.
- Stocks selected based on fundamental analysis should also be confirmed with chart and technical analysis to improve the probability of success

All is not lost. It has been a tough week. We continue to assess and track ways to use this 'recommendation' approach in coming newsletters.

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## **NEWSLETTER OUTLOOK: SMASHING**

**Support failed at 8220, the lower edge of the trading band. The move below support is testing the next support level near 8050. We noted last week that testing this level was not beyond the bounds of possibility, although we did not expect the fall to be so dramatic. The behaviour of the US market is tilting the balance.**

The key message here is that volatility rules the day but is constrained by the trading band levels shown on the chart.

The 8050 level is a strong support level, successfully tested several times. A fall below 8050 has support near 7880.

The market could develop a fast rebound from 8050 as it did in December 2024. However the cyclone near Brisbane and a uncertain election date all conspire to drive the market lower.



The GMMA provides few analysis insights beyond the obvious in this situation.

However, the clear move below the long term GMMA by the short term GMMA makes this fall different from the December 2024 retreat. It is more determinedly bearish.



## **SUBJECT SUMMARY**

### **XJO INDEX**

We use the S&P ASX 200, or XJO, in these notes because this is the benchmark index followed by fund managers and institutions. The All Ordinaries is a popular headline figure, but it is the XJO that underpins professional assessment of the market.

Each week we make a choice about the material we include and the subjects we cover. The selection is based on our outlook for the current and coming market. Our objective is to illustrate effective trading strategies that readers can apply to current market conditions. We do not identify recommended individual stocks. We identify opportunities and appropriate trading methods for them. Our outlook is not a forecast. It is a probability framework. Use it as just one part of the other information you are reading about the market. Our summary outlook will be included each week.

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