CHART OF THE DAY

January 25, 2017

Spotlight on : S&P 500 Index

It has been a while since we last looked at the S&P 500 Index as the Chart-of-the-Day. Part of the reason is that the Index, since early December, has been range-bound, an indication of market indecision. This indecisiveness is manifest in the very high level of trading that has occurred over the last 6-7 weeks as the market churned, going nowhere.

In the aftermath of the Trump-Republican election-win, the market spurted higher, buoyed by Trump's pro-business pronouncements. As the market topped out, investors have adopted a wait-and-see attitude to observe just what the Trump Administration will focus on in the early days of his presidency.

The charts begin on the next page.

Chart 1: Two-Year Chart (close at Tuesday, January 24, 2017)

Observations:

I have drawn three trend-lines: a **RED** resistance line (an old friend at 2,194); a **GREEN** support line (another old friend at 2,120); and a **BLUE** up-trend line, that currently intersects at about 2,165. These will all be key parameters going forward.

The **GREEN** line was initially a resistance line, until it was broken to the upside in July 2016. It then became a support line and held twice, in mid-September and mid-October. It did not hold at the beginning of November, but the down-draft proved to be brief. It is now the third line of support in any market pull-back. More on that later.

The **RED** line also initially was resistance beginning last August. It was broken to the upside in late November and tested in early December. It held, and the Index spurted higher. It is now the second line of support in any market pull-back.

COMMENT: *Also note the tremendous increase in trading volume since the beginning of last December. This is very noteworthy and, to my knowledge, no-one has been mentioning this. I will comment later on this significant occurrence.*

<continued>

Chart 2: One-Year Chart (close at Tuesday, January 24, 2017)

Observations:

I have drawn the same trend-lines as were shown in Chart 1.

The three pivotal support points are at 2,194 (**RED** line), 2,165 (**BLUE** line), and 2,120 (**GREEN** line).

Let us move on to the short-term formation that is analyzed in the next chart, the six months chart, and shown on the next page.

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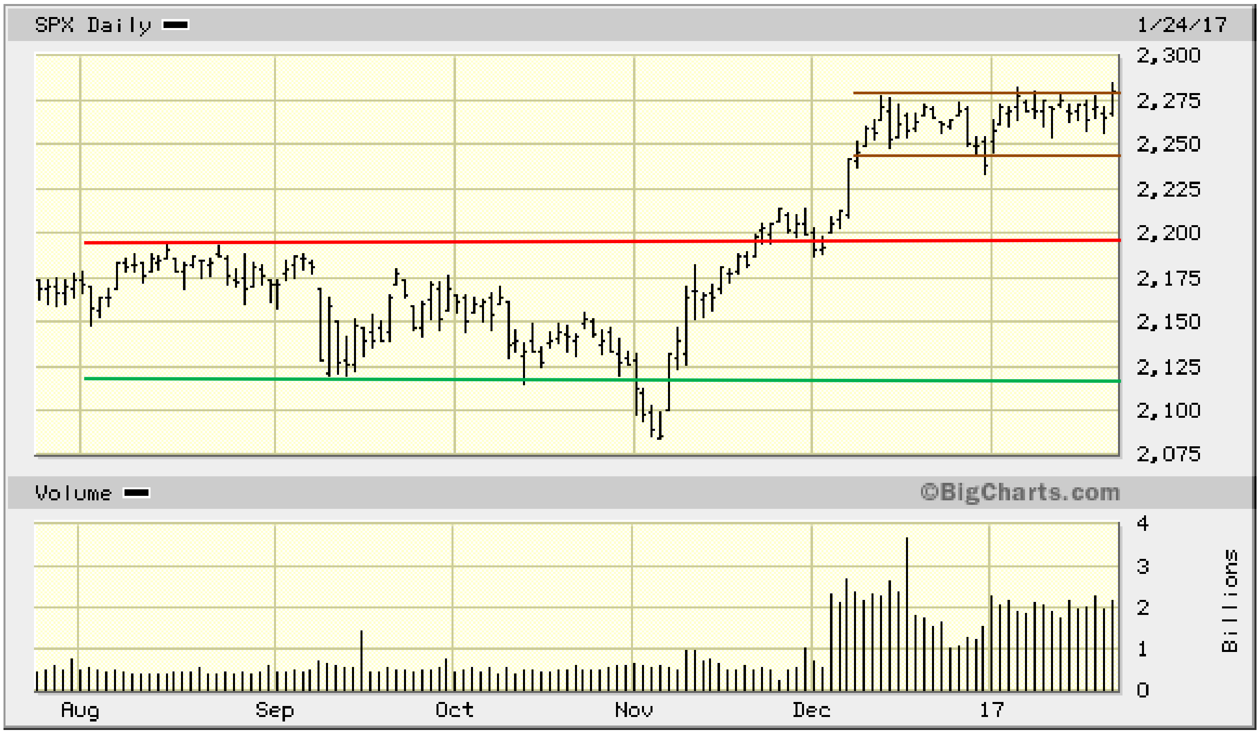
Chart 3: Six-Month Chart (close at Tuesday, January 24, 2017)



Observations:

In addition to the **RED** and **GREEN** trend-lines from the previous charts, I have drawn two parallel **BROWN** lines to form a rectangle, with the upper boundary being at about 2,282 and the lower boundary at about 2,245.

The S&P 500 Index has been range-bound in this rectangle since early December. Given the substantial increase in trading volume, that is a lot of churning with the market going nowhere. It represents significant market indecision as to which direction the market will go next. What will be the catalyst to get the market moving again?

Let us have a look at a three-month chart (on the next page).

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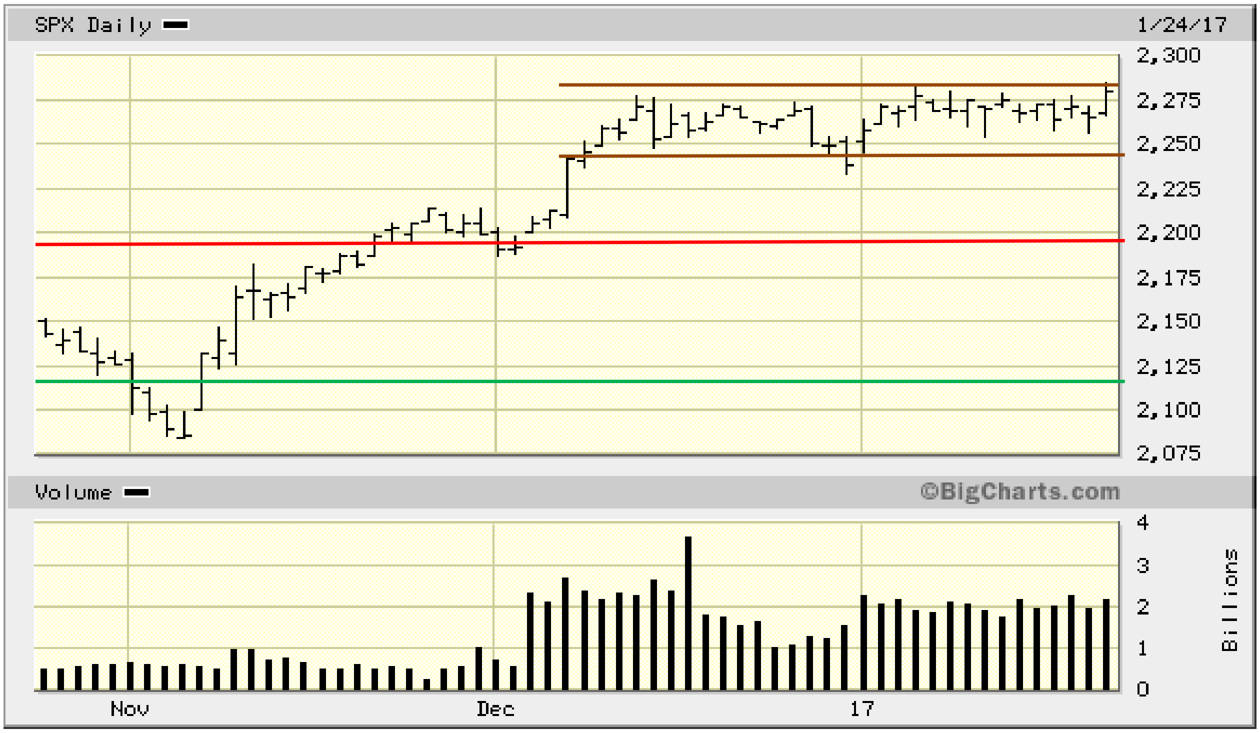
Chart 4: Three-Month Chart (close at Tuesday, January 24, 2017)



Observations:

So, what have we got?

The rectangle (**BROWN** lines) currently defines the trend, which is no trend at all. The market is waiting for a sign, a catalyst, a reason to break out of the rectangle, one way or the other. Since it is now Earnings Season, with many corporations reporting full-year results, cumulative good news could spark an upward move. Alternatively, cumulative missed expectations could cause a retreat. There is no way to know.

Let us have a look at another three-month chart, this one including Moving Averages for 50, 100, and 200 days.

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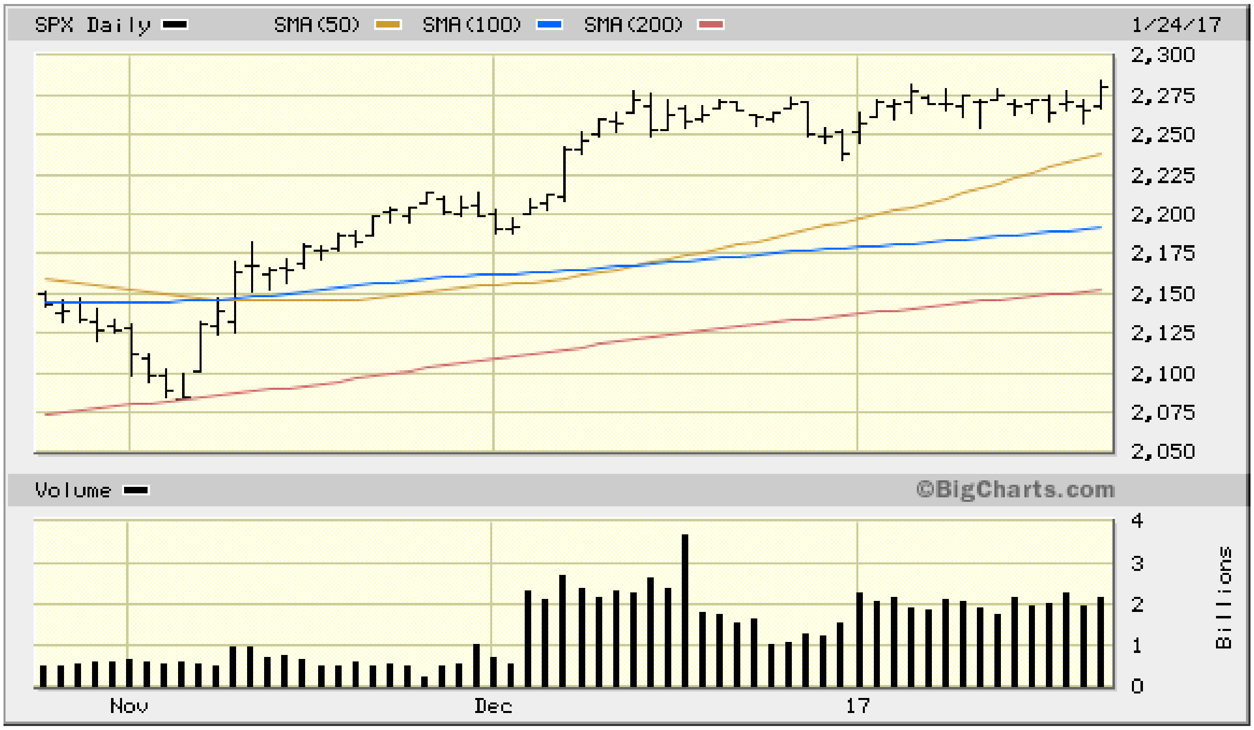
Chart 5: Three-Month Chart (close at Tuesday, January 24, 2017) with MAs



Observations:

The Index is comfortably above all three Moving Averages (MAs) and, therefore, they represent support points. Remember, these points change daily with successive closing values for the Index.

The 50-day (**GOLD** line) is at about 2,238. Not far from the 2,245 point previously mentioned.
The 100-day (**BLUE** line) is just below 2,194. Sound familiar?
The 200-day (**RED** line) is just above 2,150, at about 2,152.

The significantly increased trading volume since early December is very important. Since the beginning of January, volumes have averaged about 2 billion shares a day. Even including these numbers, the 200-day average trading volume is only 0.85 billion.

These kinds of volumes must be highly influenced by institutional trading, not by the average retail investor.

The next chart, on the following page, provides further insight.

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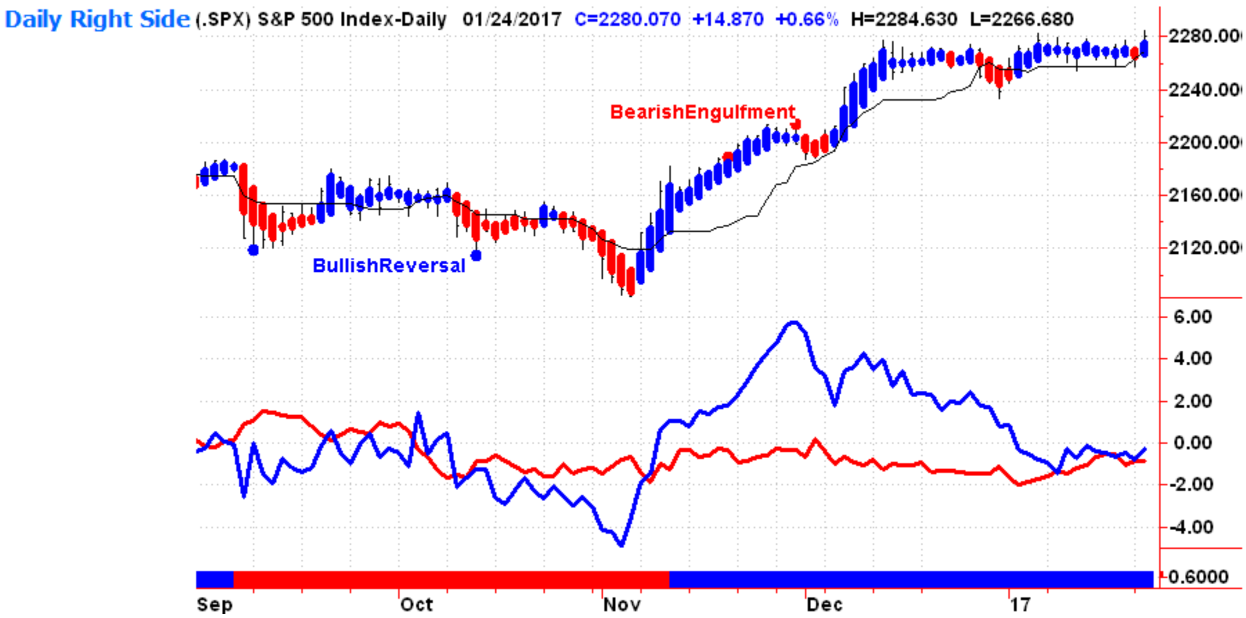
Chart 6: Five-Month Chart (close at Tuesday, January 24, 2017)

(chart courtesy of theUpTrend.com)



Observations:

The two lines at the bottom represent share trading interest.

The **BLUE** line denotes institutional trading interest, and the **RED** line represents the public, or the retail crowd.

As indicated on the chart, since the beginning of December when the significantly increased trading phenomenon began, the institutional factor has shown declining interest. (The public normally does not show large gyrations in trading activity simply because they, collectively, do not buy and sell anywhere near the same quantity of shares as the institutions.)

For the last while, the **BLUE** and **RED** lines have closely tracked each other. Neither group is dominant. This signifies market indecision, mainly on the part of the institutions. Money managers are waiting for a catalyst to provide market direction. They patiently wait. So do we.

LOOKING AHEAD

The following price points represent possible targets for the market. It is not possible to forecast or guess in which direction that will be. (If it were, we would all be rich!!!)

1. Upside Objectives:

The S&P 500 Index is near all-time highs. There are no overhead targets to point at. All that can be said at this juncture is that if the Index breaks to the upside from the **BROWN** rectangle, it is likely to forge ahead with some robustness. How high is up?

Right now, resistance is at the all-time high of 2,284.63 (and 2,282 as the upper boundary of the defined **BROWN** rectangle).

2. Downside Possibilities:

2,245: the bottom boundary of the **BROWN** rectangle
2,238: the 50-day Moving Average (changes daily)
2,194: the **RED** support line, and the 100-day Moving Average (changes daily, but less quickly)
2,165: the **BLUE** up-trend line (Chart 1 and Chart 2)
2,152: the 200-day Moving Average (changes daily, but slowly)
2,120: the **GREEN** support line
2,100: psychological round-number level
2,085: the low that occurred on November 7 and which is a touch-point on the **BLUE** up-trend line
2,040: long-term support line (not shown in this report)
2,000: psychological round-number level
1,960: September-October 2015 Double Bottom (not shown in this report)

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