CHART OF THE DAY

May 15, 2018

Spotlight on : **S&P 500 Index**

This report looks at the S&P 500 Index ETF (SPX) by analyzing where the Index stands relative to its key Moving Averages (MAs): 50-day, 100-day, and 200-day. I also look at the much-discussed triangle that recently was broken to the upside.

Chart 1, below, is a one-year chart as at mid-day on Tuesday, May 15, 2018.

Chart 2, on the next page, is the same chart with the 50-day and 200-day Moving Averages provided.

Chart 1: Chart (mid-day Tuesday, May 15, 2018) with its ►

Observations:

The chart shows the oft-quoted triangle formation that formed since the end of January 2018. Coincidentally, the bottom of the triangle (the **green** line) is also the intermediate-term up-trend line that dates back to August 2017. It is currently at 2600. The down-trend (**red**) line is currently at 2680.

Chart 2: One-Year Chart (mid-day Tuesday, May 15, 2018) with MAs

Observations:

Chart 2 shows that the Index (SPX) bounced off its 200-day MA support (**blue** line) six times since mid-February. This is bullish. Its support level is currently at 2623. The 50-day MA (**gold** line) represents the next level of downside support. It stands at about 2680.

Chart 3: Three-Month Chart (mid-day Tuesday, May 15, 2018) with MAs

Observations:

Chart 3, on the previous page, shows the SPX with its 50-day MA (**gold** line, at 2680), its 100-day MA (**rust** line, at 2712), and its 200-day MA (**blue** line, at 2623). Let us have a look, in Chart 4 below, at a six-month chart that includes the three MAs and the triangle previously analyzed.

Chart 4: Six-Month Chart (mid-day Tuesday, May 15, 2018) with MAs and the ►

Observations:

Chart 4, above, albeit somewhat cluttered with all the coloured lines, is currently sitting on its 100-day (**blue**) support line and just above the (**red**) down-trend line. All of the MAs and the two sides of the triangle are currently acting as support. With these many support levels, this suggests that the near-term outlook for SPX is positive. However, if the Index drops below all of these levels, and the range is a fairly narrow (2712-2623) 89 points (3.3%), then a steep decline should surely follow. Downside objectives could be to 2500 (a psychological level) or to 2400 (another psychological level, but also a level that acted as support a few times in 2017).

CONCLUSION

As always, investors need to be vigilant. Although the near-term outlook appears to be positive because of the triangle break-out to the upside, a sudden break-down could easily occur, in which case, the downside risk could be considerable. Caveat: the SPX, although an important Index, is just one of many market indexes and sole reliability on it would not be prudent.

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