

## What To Watch On The Dow ETF Chart Right Now

eResearch Corporation is pleased to provide an article, authored by Bernie Schaeffer, for Schaeffer's Investment Research. Today's article looks at the Dow Jones Industrial Average ETF.

The article begins on the next page and is entitled: "What To Watch On The Dow ETF Chart Right Now".

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## WHAT TO WATCH ON THE DOW ETF CHART RIGHT NOW

The rapid-fire rebound in stocks from the worst of their late-December lows slowed a bit last week, just as the small-cap Russell 2000 Index (RUT) closed in on a double-digit percentage return for 2019. But the Dow Jones Industrial Average (DJI) outperformed its equity benchmark peers for the period, ending Friday up 0.1% from the prior week's close, while the S&P 500 Index (SPX) fell 0.2%, the RUT advanced 0.02%, and the Nasdaq Composite (IXIC) edged up less than 0.01% on the holiday-shortened week.

The pause in the market's bullish momentum came on the heels of an S&P test of its overhead 80-day moving average, in addition to the RUT's face-off with its round 10% year-to-date gain. Both of these levels bear watching in the short term as stocks look to prove their comeback has legs -- and this week, we'll submit a few levels for the SPDR Dow Jones Industrial Average ETF (DIA) that should also be on the radar of technicians in the short term.

Regular readers of this space are already well aware of our affinity for the longer-term 320-day moving average -- which is not widely followed on Wall Street, but which often steps up to catch the kind of deep, panic-driven pull-backs that can drive stocks and indexes cleanly through their attention-grabbing 200-day trend-lines. In the case of DIA and its 320-day MA, this moving average previously provided a cushion for the blue-chip tracker from March through June 2016 (save for a very brief Brexit-driven breach toward the tail end of that period) after a wildly volatile start to that year. More recently, DIA's 320-day trend-line caught its October 2018 lows before finally giving way in the face of December's bearish onslaught.

This past Friday marked the first time since December 13 that DIA traded above its 320-day moving average on an intra-day basis. The exchange-traded fund (ETF) pared its gains fairly quickly after the brief excursion above this trend-line, and ultimately closed at \$247.39 -- flat with its bull-gap opening levels of the day, but just below its 320-day at \$248.07.

Currently, DIA's 320-day moving average is located in the same vicinity as its 2017 year-end close of \$247.38, and also nearby is the formerly supportive 12-month moving average, at \$248.81. Plus, while it is not pictured on the accompanying chart, DIA joins the S&P in staring down its 80-day moving average; DIA's is at \$247.53.

Note that over the past few months, when the 14-day Relative Strength Index (RSI) for DIA has hit 60, it has coincided with short-term price peaks. As of Friday's close, this metric was at 60.5, suggesting the ETF has yet to work off its latest bout of "relatively overbought" status. A bit of continued choppiness from here would not be surprising then, given the confluence of technical levels in play -- and given the headline-driven nature of this market, for that matter.

Previously, DIA's only major pause in its rally over the last month occurred around the \$240 level. This round-number price point is both 10% above its December 24 closing low, and 10% below its October 3 closing high. As such, any pullback or drawdown that sends DIA into a meaningful break of the freshly retaken \$240 level should be viewed as cause for concern among stock market bulls. Conversely, a breakout above -- and subsequent successful retest of support at -- the 320-day moving average would be a welcome confirmation of the market's reversal from those blistering fourth-quarter losses.

DIA since July 2015 with **320-day moving average** and **14-day RSI**

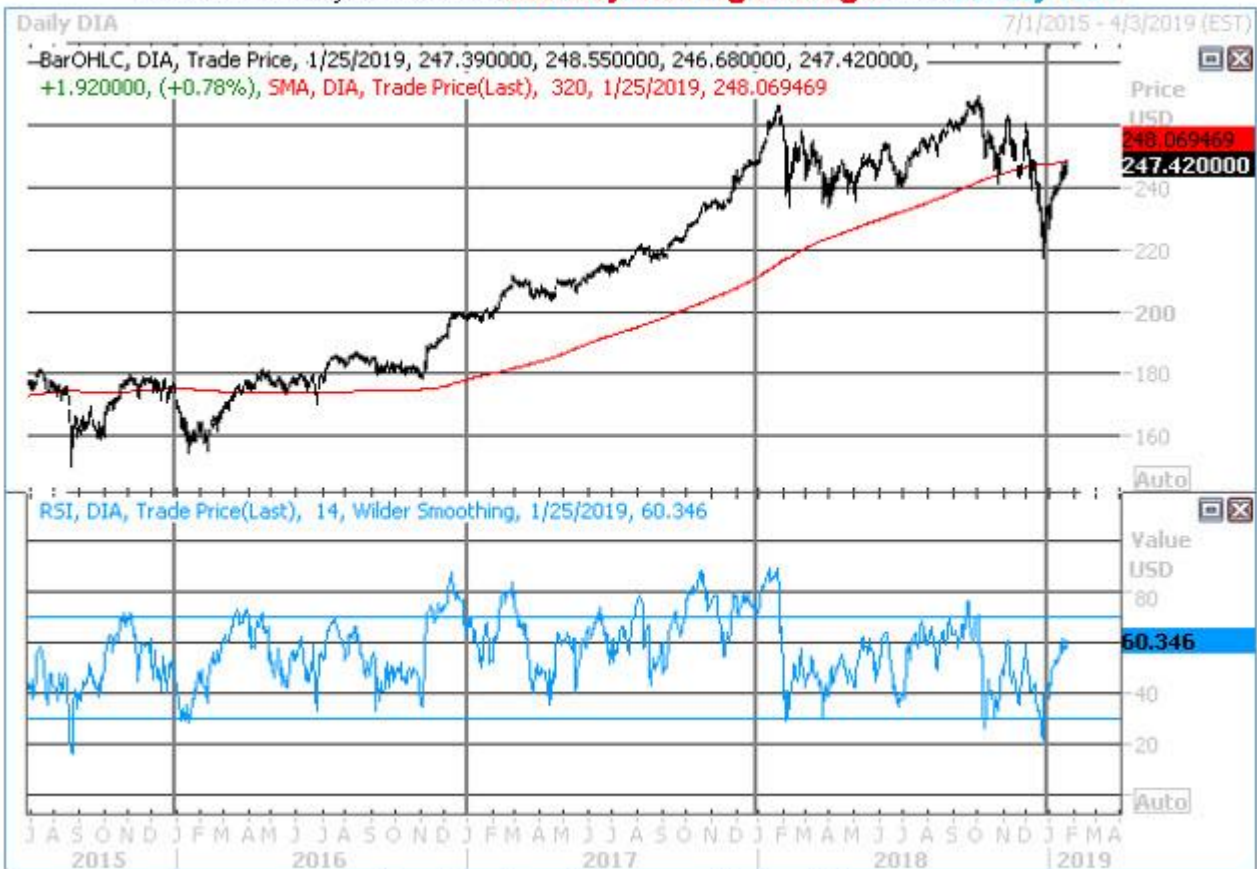


Chart courtesy of Thomson Reuters Eikon

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