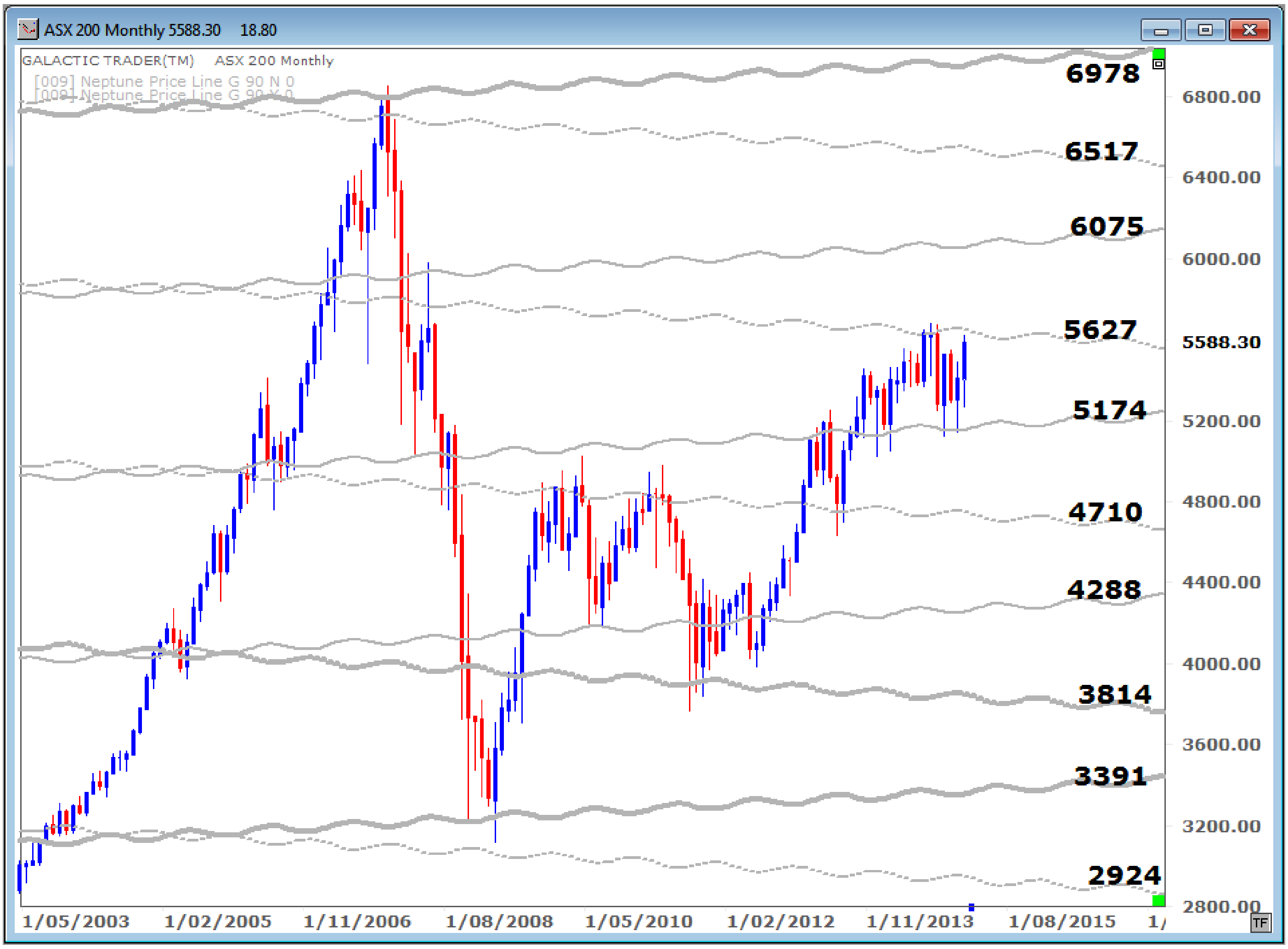
ASX 200 – Australia

Long range and intermediate price targets … and technical conditions

The Australian Stock Market has launched into 2015 with a new attempt to break out from a trading range which has kept it trapped for 17 months.

Regular readers will know that I call the ASX 200 a "Neptune" index, because its long-range moves have a very strong tendency to stall and reverse course once it has made contact with prices calculated from the current planetary position of the planet Neptune in the zodiac.

The proof is in the pudding …



The last Bull peak and the last Bear bottom each had slight overshoots of a primary Neptune price line before dramatically reversing course.

You can see how the index soared from its Bear Lows and made two attempts to break out above a Neptune zone now capped with the $4710 tag … and that it was Neptune lines which stopped the drops.

Seventeen months ago, the index finally broke free of the barrier now priced around $5174 and has spent all the time since, testing the range from around the 5130s to 5630s.

And now, with the first monthly bar for 2015, a new attempt to break free is underway.

Since breaking into the zone currently priced from $5174 to $5627, there hasn't been a single monthly close below the lower level, which has now been "tested" four times.

"Traditional" technical analysis tends to place considerable emphasis on a successful fourth test. It tends to suggest the "floor" is rock-solid.

However, it will be only the second test of the upside Neptune barrier ... and it really isn't "normal" for stocks to break out strongly on only their second test of overhead resistance.

On that basis, we would be inclined to expect at least some stalling in the current advance.

And not only because of the Neptune price chart.

We're sticking with monthly charts for the moment ... and we have two black horizontal price levels and two different trendlines to consider.

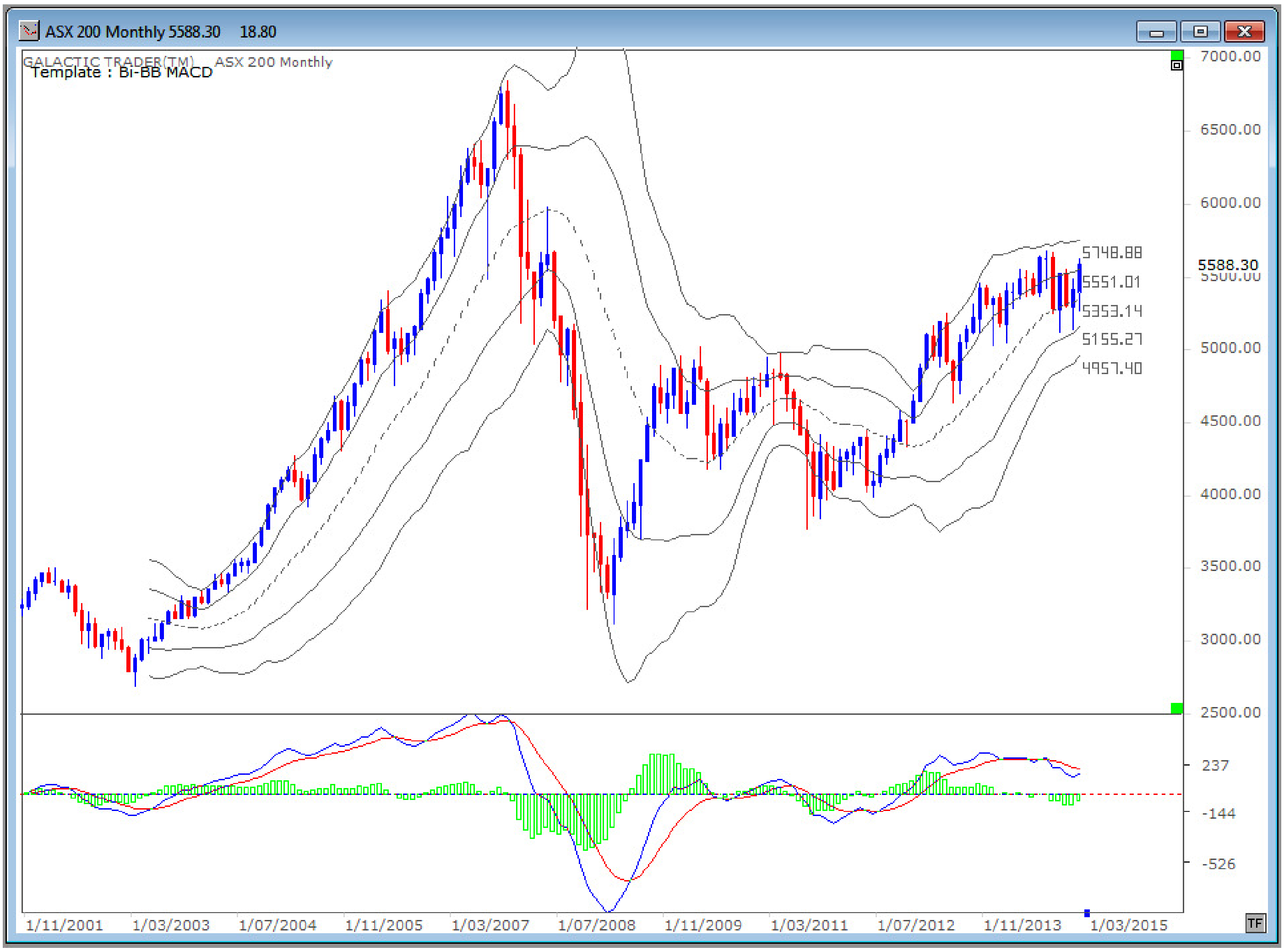
The index has ended January with what is called a "backtest" of the rising red trendline which underlined the rally from June 2012 until it was solidly breached to the downside in September 2014.

At this stage, none of the "Birds" is overjoyed with delight. Green is the Fast Bird (6 CCI), red is the Medium Bird (14 CCI) and blue is Big Bird (50 CCI).

Big Bird's peaks have been in decline since September 2013 and all three Birds ended January negatively stacked.

It's not a "Get the Hell out of Dodge" signal at this stage, but it is a warning sign ... like that little "Check Engine" light on the dashboard which flickers and fades every time you feel like opening-up down the freeway.

And that warning light is also evident in the fast MACD on our Bi-BB chart. The MACD signal lines are in negative mode, and despite the higher prices, the histograms are still on the underside of the Zero line.



In brief, there is Pretty.Big.Resistance just around the next bend. This is an index which has breached the top Bi-BB barrier only once during the entire recovery from the 2009 Bear bottom.

It was a feat the index managed to achieve 5 times during the Bull rush into the 2007 peaks.

But then, during that Bull run it almost never left the full-Bull territory of the upper tier of the Bi-BB layers.

Post-2009 … NOT same-same, as they say in Bangkok!

Unlike indices such as the German DAX, India's Nifty and Wall Street's SP500, the Australian Stock Market, as a whole, has "struggled" to gain higher ground since the Bear went into hibernation in early 2009.

So, putting the flickering warning lights off to one side for a moment, we can't rule out the *possibility* that the index has been coiling like a spring for an explosive move.

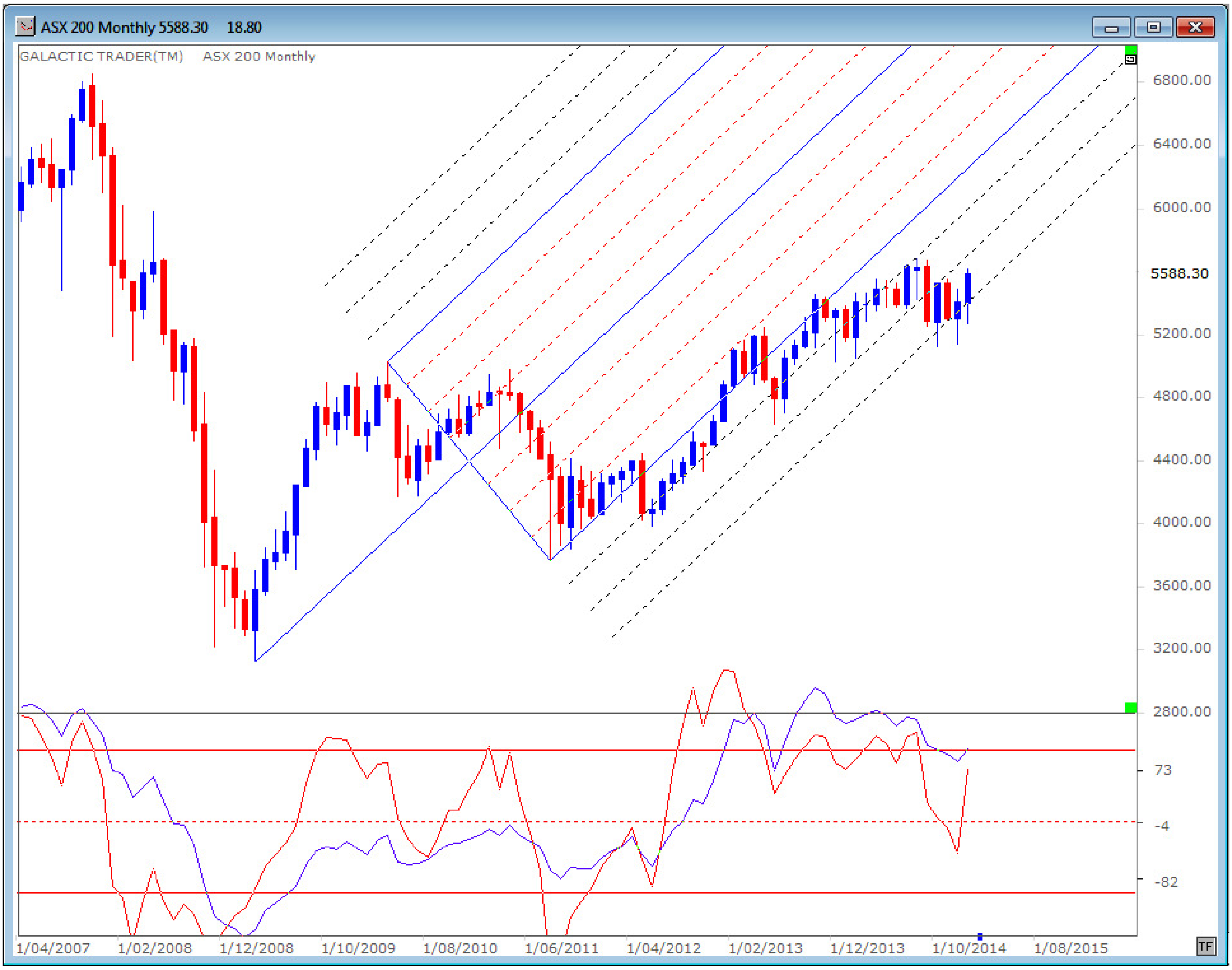
We just need to weigh carefully the difference between possibility and *probability*.

There are often times – long-range, intermediate and short-term … where "possible" and "probable" are in near-perfect alignment. This isn't one of them, so we shouldn't really be betting-the-farm either way.

We do need to be aware, though, of one thing … which I have tried to explain in The Technical Section of *The Idiot & The Moon*.

When the oscillators unwind, while price goes sideways, it can be a *continuation* pattern, rather than a "Get the Hell out of Dodge" signal.

Now it is possible we MAY have that on the chart below. I have kicked Fast Bird off the oscillator panel and we have only Medium and Big Bird showing.



Medium Bird is NOT happy. Big Bird, however, is not unduly Unhappy.

The chart displays a pitchfork. The blue tynes are the *primary* fork.

The red and black dotted lines show Fibonacci relationships with the main fork.

The ASX 200 has not had a single Close below the .764 extension of the primary fork … and it is *just* possible, leaning … a little bit … towards *probable* that Big Bird is going to rule the roost here.

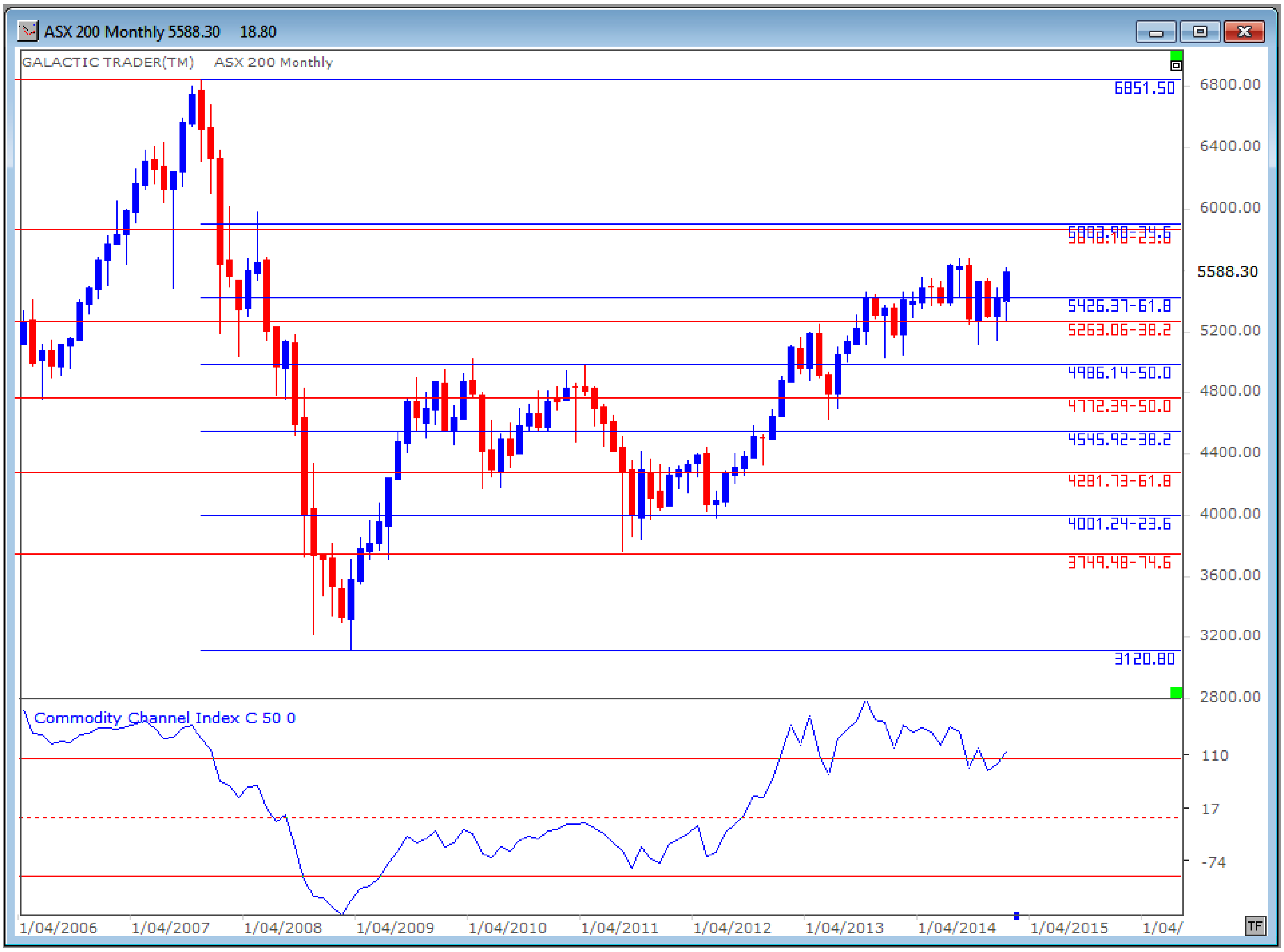
It is very often the case with both Big Bird and the fast MACD that they will make their highest peaks during an Elliot Wave 3 peak … and record a higher *Price* peak, with lower Big Bird/MACD peak, at the Wave 5 High.

(For some rather "iffy" speculation on where we start 2015 in Elliott Wave terms, see my first post for 2015.)

So, in terms of Neptune planetary prices, technical trendlines, Bi-BB targets, and the unhappy status of the monthly Medium Bird, the ASX ends January showing signs of another potential correction nearby.

Two sets of Fibonacci Retracement levels provide a strong guide to where the index is likely to find support

The red lines show the retracement levels from the 2002 Bear bottom to 2007 Bull peak and the blue markers represent the Fibonacci levels from that peak into the 2009 Bear low.



Even a quick "eyeball" glance shows just how important these two sets of Fibonacci numbers have been to the ASX 200's price behaviour during the past few years … and provide a clear price target zone for further upward movement in 2015.

Combined with the Neptune price targets, they should give both traders and investors an edge in broad picture terms.

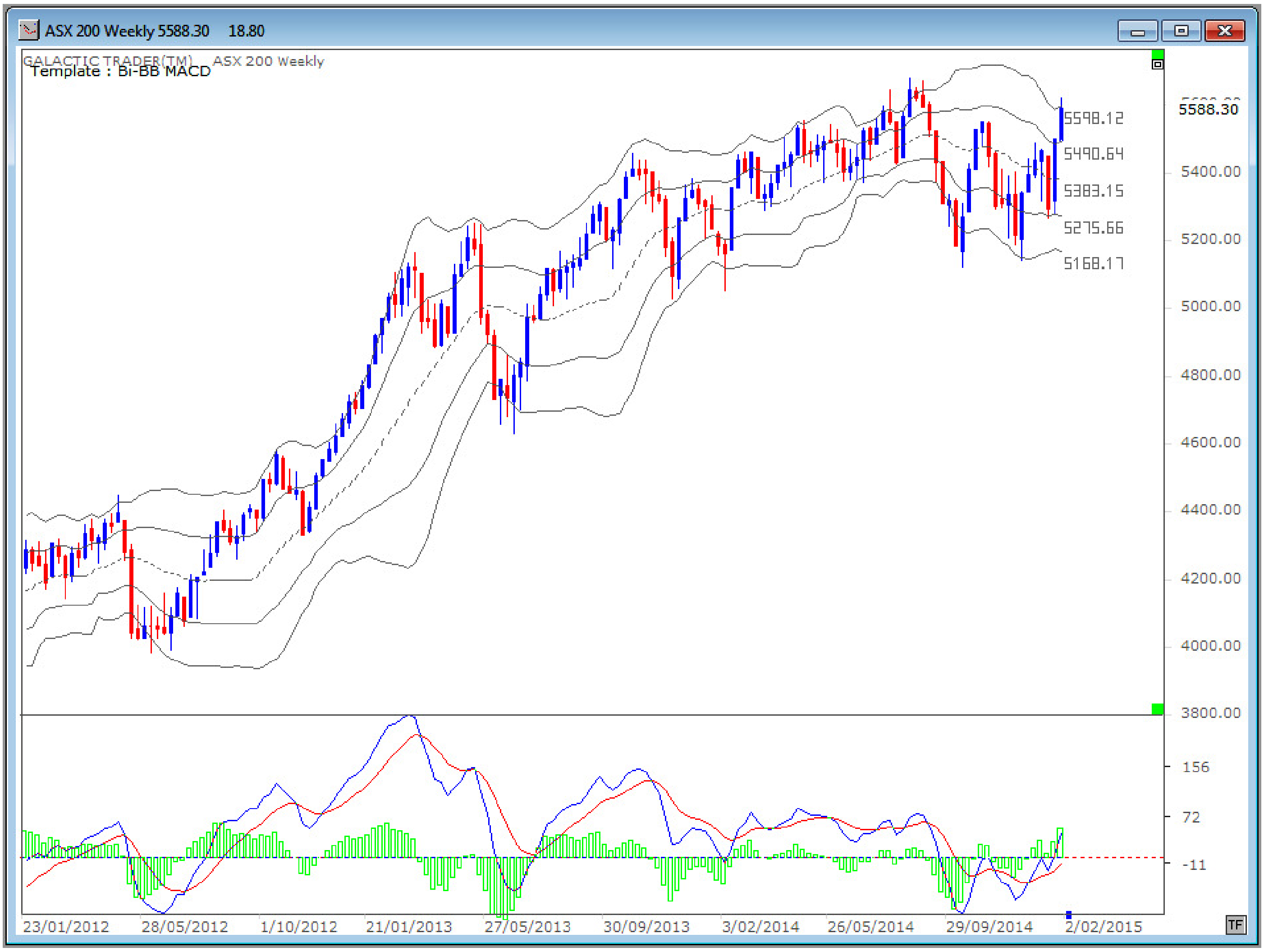
It will, of course, be necessary to monitor the health status of the weekly and daily charts as price nears the long-range targets, whether to the upside or downside.

And that's what we'll take a look at next …

There was some pinching of the Bi-BB bands during December/January and a breach of the top band to finish January.

If you remember the lessons from The Technical Section, a breaking of the outer bands tends to stall, or reverse, the move underway.

And it is usually the case that the *first* move which occurs with tightened bands is in the "wrong" direction.



Still, there are positive signs from the fast MACD oscillator … both the signal lines and the histograms have been climbing quite strongly.

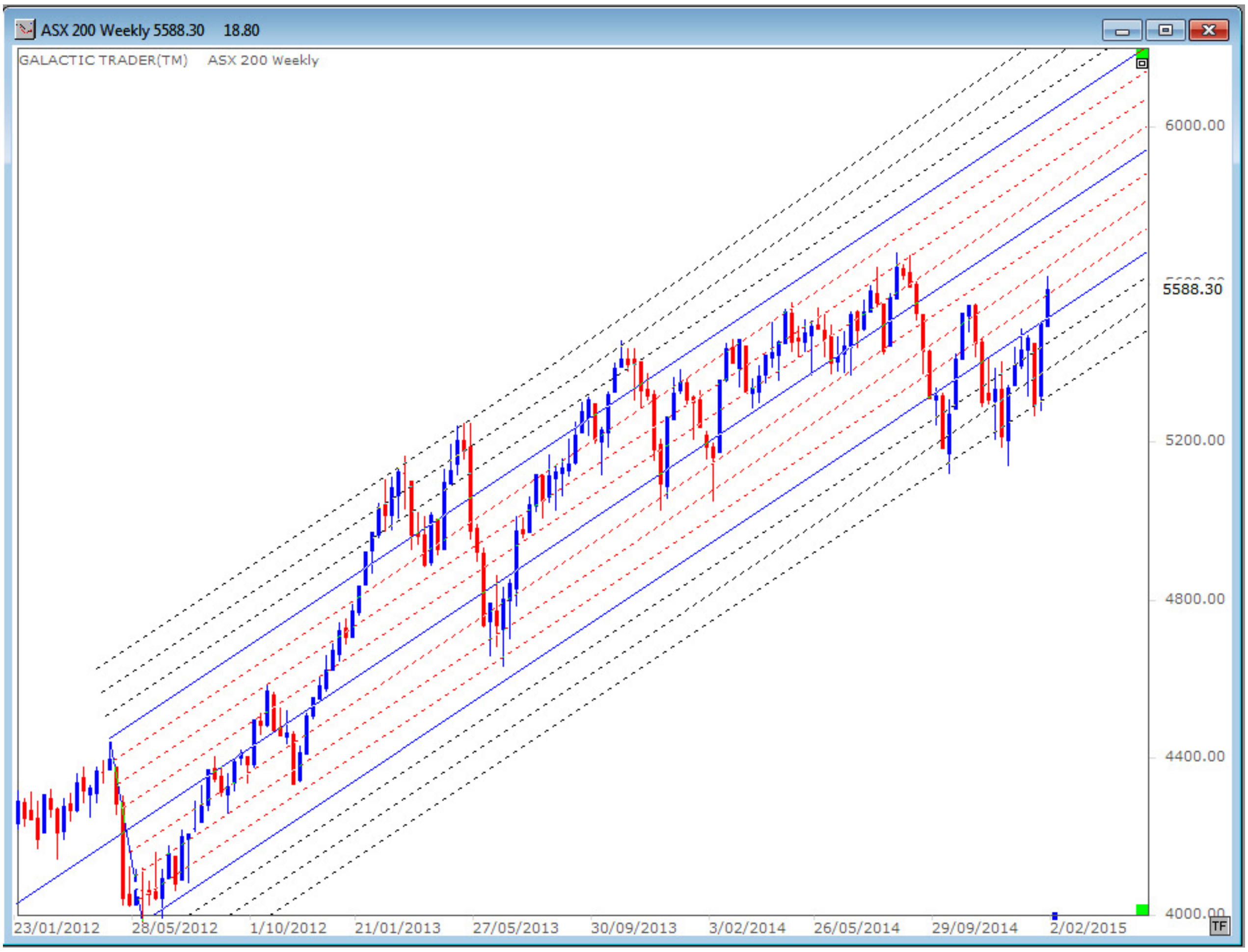
The blue signal line has become a little stretched above the red line, which is further evidence in favour of some stalling or backtracing as February kicks off.

On the following page are two more weekly charts for the index.

The first is a weekly pitchfork, showing again how the price drops over the past few months stalled and reversed after making contact with Fibonacci extensions of the primary blue fork … and how the rally into the end of January has taken price back inside the tynes of it.

The second chart is one you should all be familiar with … the Weekly Planets price chart.

It fine-tunes "expected" price turning points for intermediate moves. There are often relatively minor overshoots or undershoots, but the targets should prove to be highly profitable if you don't try to milk every last cent out of either a rally or decline.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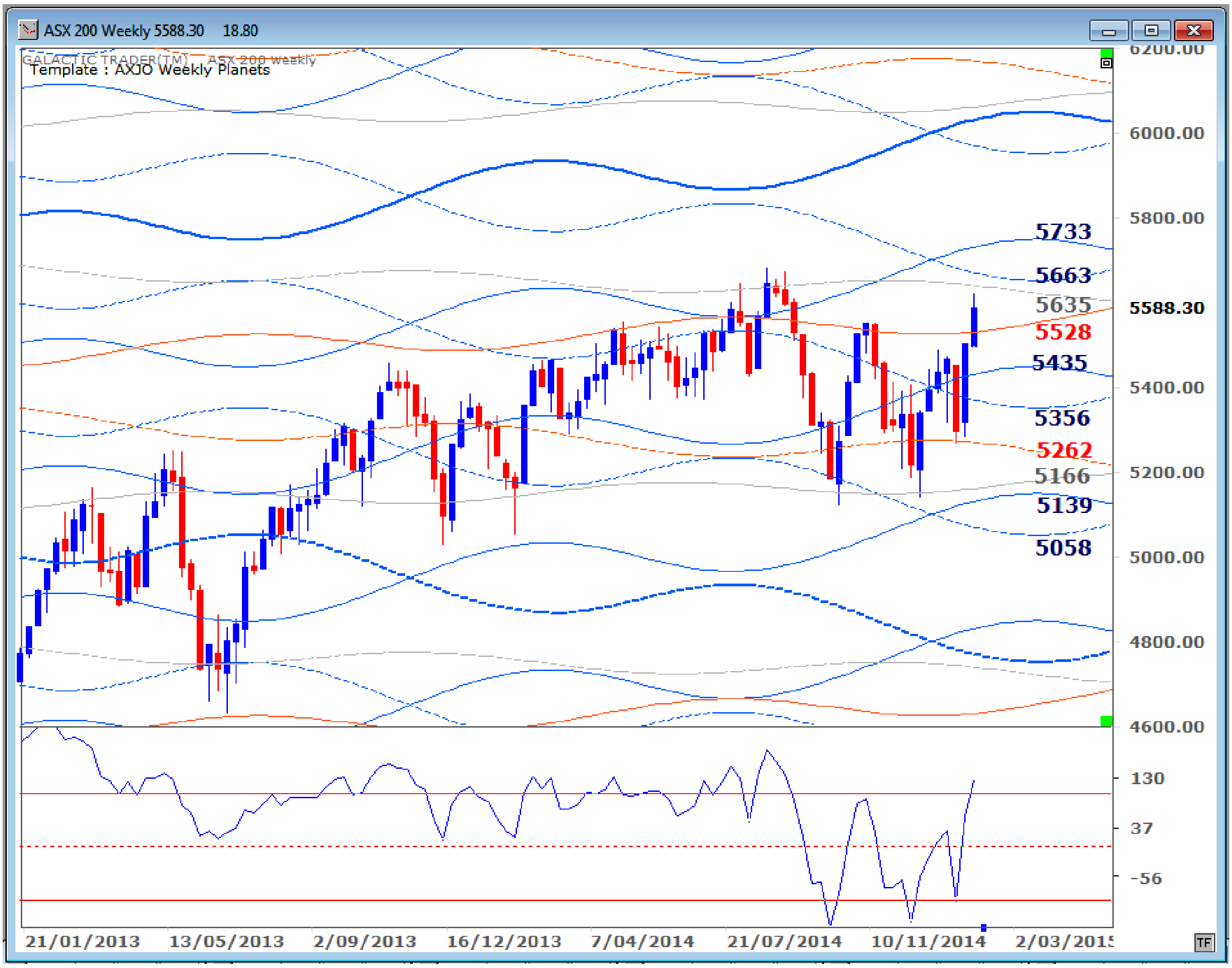
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And, finally, I'll share with you one of my personal trading charts for the ASX 200. If you're planning to print this PDF, you might want to omit this last page since it will run you dry of black ink.

The red lines belong to Mars. You have heard me talk about how Mars is the planet of "drive" and energy and how many indices and stocks tend to move higher and lower within Martian-defined channels.

The grey horizontals are small-scale Neptune prices and the yellow lines belong to Uranus, also set for daily moves rather than intermediate weekly or long-range price targets.

I include the chart simply to help you pick potential Entry or Exit targets, depending on how the oscillators are performing at the time.

The green oscillator is a daily Big Bird … and it has not been at all unhappy with any of the rally since Santa Claus came to the rescue in mid-December.

And that it for the Australian stock market report, folks.

It's quite obvious from the monthly, weekly and daily planet price charts … and the long-range Fibonacci Retracement charts … that the ASX 200 is really not all that difficult to trade successfully and profitably.

Without undue angst and over-analysis!

Safe trading … RA