



Daily & Weekly Charts

WBC Close @ 26.88 on Jun 18th, 2021.

The WBC Daily and Weekly Charts display a relatively stable uptrend that developed following a break of Resistance in November last year.

Toolbox

Trendlines / Support and Resistance

Moving Average Crossover





Trendlines / Support and Resistance

Trendlines, like Support and Resistance levels, are fundamental concepts to be applied in Chart Analysis. A basic approach to understanding them is as follows.

Support develops in areas where buyers step into the market and outnumber sellers thus providing a floor level in price. An uptrend can be considered an inclining support line where buyers are finding themselves having to bid increasingly higher to have their orders filled each day. An uptrend line is represented on the chart connecting the lows of multiple price bars.

Resistance develops in areas where sellers step into the market and outnumber buyers thus providing a ceiling level in price. A downtrend can be considered a declining resistance line where sellers are finding themselves having to offer increasingly lower prices to have their orders filled each day. A downtrend line is represented on the chart connecting the highs of multiple price bars.

It is important to understand that a trendline is not controlling the price in any way but rather is a graphical illustration of what the price has already done. A change in the nature of the price action and a subsequent break of a trendline can be the indication traders and investors need to register this change in real time.

Trendlines may be well defined and give a good indication of the balance of probability, or sometimes better represented as ranges and channels. Support from an uptrend line may become resistance following a break and vice versa for downtrend lines.

Probability Framework

The WBC Chart enables a medium term uptrend line (green) to be plotted reasonably well to encompass the major points of price retreat and rebounds away from it over the time period.

The more times price touches a trendline without breaking it, the greater its validity for basing future trading decisions around it.

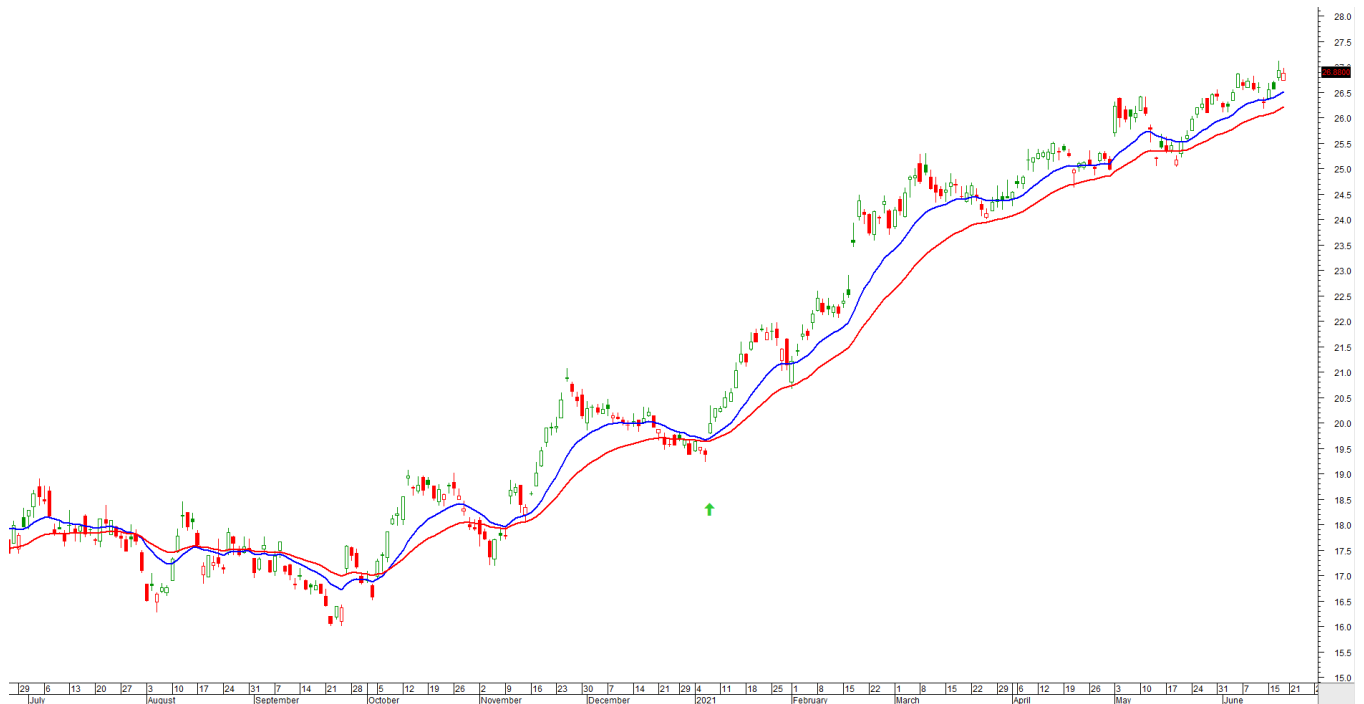
Again, it is important to understand that the trendline is not controlling the price in any way but rather is a graphical illustration of what the price has already done.

Price has trended upwards over time with occasional periods of stronger momentum as it moved between relative Support and Resistance levels.

Traders and Investors will be monitoring the price action as it approaches the next major Resistance level of around 27.50 on the Chart.

A fall of price below the uptrend line would be a sign of failing trend momentum as it nears this Resistance level.

Continued advance in price with some consolidation under 27.50 and then a break above, would be expected if the uptrend is to continue.



Moving Average Crossover

The Moving Average Crossover indicator applied here uses a 15 day EMA (Blue) and a 30 day EMA (Red).

A Moving Average smooths price data over the length of the average with an Exponential Moving Average giving greater weight to the most recent (relevant) price action in the calculation. With a smoothed representation, some of the daily fluctuations in price movement can be reduced to give a more filtered view on price movement.

When prices are trending, it is visually apparent by comparing today's price with that of the recent range. The shorter the term of the Moving Average, the more closely it will hug the most recent price. By utilising the two Moving Averages of differing timeframes, the crossover points can be indicators that a trend direction may have changed. We would expect price to remain above both averages in a strong uptrend, with the averages themselves rising but with the longer term average rising more slowly and therefore lagging for example.

A classic BUY signal is given when the short term average crosses above the long term average, and a classic SELL signal is given when the short average crosses below the long term average. This of course applies when trading from the LONG side. A SHORT trade would apply the principles in reverse.

Moving Average Crossover signals work well with trending stocks but often give false signals for stocks in consolidation ranges. It is recognised as a lagging indicator that is best used in combination with other analysis techniques.

Probability Framework

The Moving Average Crossover is a simple indicator that can still provide for profitable trading outcomes in trending stocks.

WBC provides another good example of this.

The strong upwards momentum in January provides the BUY signal as price rebounds away from the critical Support / Resistance level at 19.00. The Blue 15 day EMA diverges positively away from the Red 30 day EMA signalling that the bulls are on the run.

More bullish Traders may have taken positions in November as price broke through Resistance at 19.00, but the entry in January could be taken with greater confidence.

With price now well above these levels, Traders and Investors are patiently waiting for a future SELL signal should the averages crossover in a negative fashion.



Combined Probability Framework

The WBC Chart enables a medium term uptrend line (green) to be plotted reasonably well to encompass the major points of price retreat and rebounds away from it over the time period.

Traders and Investors will be monitoring the price action as it approaches the next major Resistance level of around 27.50 on the Chart. A fall of price below the uptrend line would be a first sign of failing trend momentum as it nears this Resistance level.

Continued advance in price with some consolidation under 27.50 and then a break above, would be expected if the uptrend is to continue. Short term Support currently sits at 26.50 on the Chart. The long term group of Guppy MMAs are well spread and running parallel with the uptrend line, indicating Investors continue to support WBC.

Our Moving Average Crossover analysis showed an excellent entry point for a long side trade in January as price retested and moved strongly away from the critical Support level that was 19.00 on the Chart. With price now well above these levels, Traders and Investors are patiently waiting for a future SELL signal should the averages crossover in a negative fashion.

