



Daily & Weekly Charts

XJO Close @ 7,312.30 on Jun 11th, 2021.

The Daily and Weekly Charts display the resumption of the longer term uptrend for XJO as it moved above Resistance and into new high territory.

Toolbox

Support and Resistance / Trendlines

Guppy MMA – Multiple Moving Average





Support and Resistance

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.

Resistance develops in areas where sellers step into the market and outnumber buyers thus providing a ceiling level in price.

Support and Resistance levels typically develop over time and may reflect prices where participants have acted (and have memory of their actions) in the past. Value at these levels could be considered to be approaching 'fair' by the market for a period of time. The balance of probability increases that these levels will continue to act in this way until broken thus allowing buy and sell decisions to be made within this framework.

As price moves above and below such levels, it can often accelerate until it reaches the next respective level. What was Resistance can often then in turn become Support and vice versa when price breaks through these levels.

In fast moving markets it is important to note that these levels can become quite fluid.

Probability Framework

The ASX 200 Index XJO had consolidated under Resistance at the 7,100 level from the middle of April. A breakthrough of this level was a good indication of the resumption of trending activity.

Upwards momentum broke through this Resistance level and the Index is now making new highs.

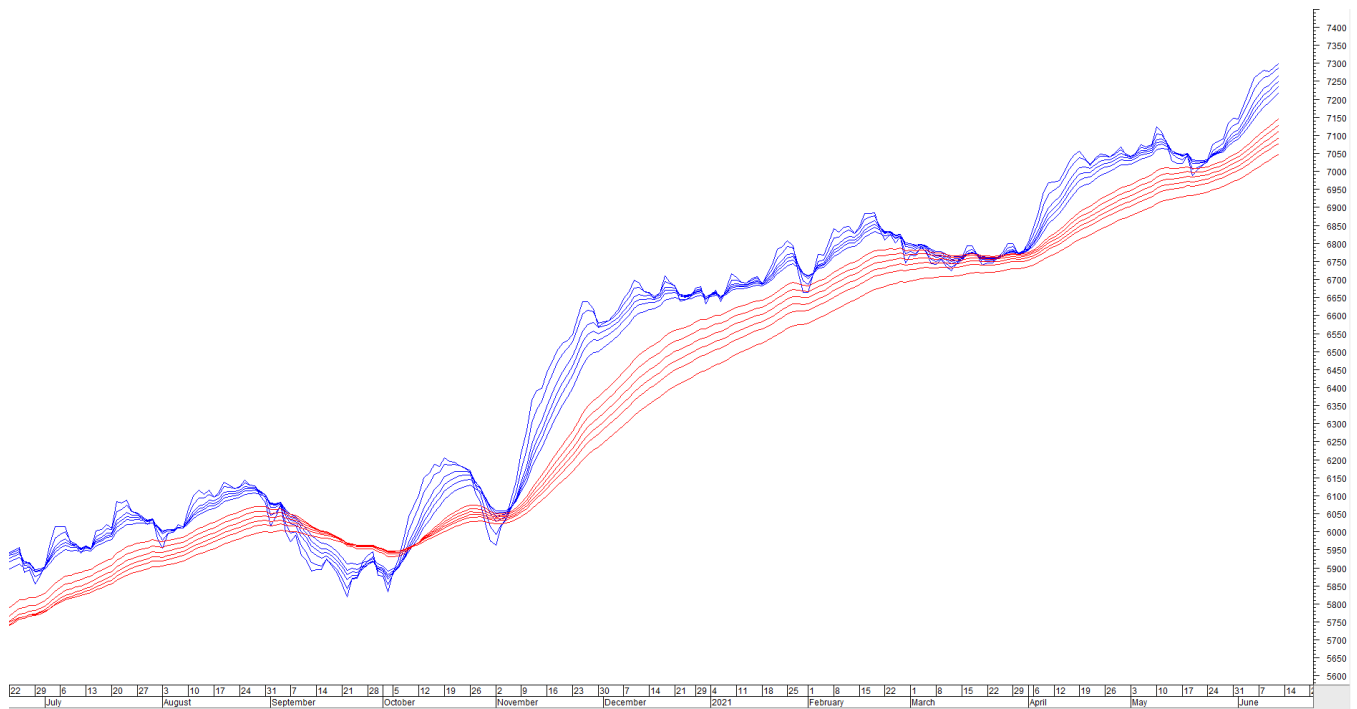
Price has paused within a small band, with Support at around 7,260 and Resistance at 7,320 on the Chart.

A tentative short term uptrend line can be plotted on the Chart to map this new upwards move.

With continued momentum we would expect to see price move above this short term pause and head towards the upper long term trend channel band (dashed line).

A fall below this short term Resistance and a move below the newly plotted trendline would be signs of a loss of this momentum.

More solid Support now sits at the 7,100 level.



Guppy MMA

The Daryl Guppy MMA indicator consists of 2 pairs of 6 Exponential Moving Averages across different timeframes. Namely 3, 5, 8, 10, 12 and 15 day EMAs in the short term group of averages and 30, 35, 40, 45, 50 and 60 day EMAs in the longer term group of averages. The averages are calculated on the closing price.

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.

As the EMAs represent different timeframes they can be argued to be a proxy for the different types of market participants that also trade and invest in those different timeframes respectively.

The short term group of averages (blue) show the activity of traders with often significant volatility present as they trade the emotional value of the security up and down.

The long term group of averages (red) represent the investors who are often making decisions to buy and sell over longer timeframes and staged portfolio movements.

When traders and investors agree, the conditions are typically in place for strong trends in market price. The relationship between the averages and the spacing between them provide opportunities to draw better probability conclusions.

Probability Framework

XJO has been well supported by the longer term group of MMAs which remain parallel, well-spaced and trending upwards on the Chart.

The price retreat in the middle of May, which saw the short term group of MMA averages negatively crossover, was strongly repelled upwards by the longer term group. Investors have continued to support this market.

The short term group, representing Traders, have re-spread quickly and trended upwards in new agreement, sending the XJO to new highs.

The Guppy MMA is a good indicator of trending markets. Both the short term and long term group of averages are now moving in parallel.

Traders, as always, will be looking for the first signs of loss of momentum in this up-move, and price dropping below the short term MMAs would be an indication of this.

The long term group provide lower Support at the 7,100 level consistent with the Daily Chart.



Combined Probability Framework

The ASX 200 Index XJO had consolidated under Resistance at the 7,100 level from the middle of April. A breakthrough of this level was a good indication of the resumption of trending activity.

Upwards momentum broke through this Resistance level and the Index is now making new highs. Price has paused within a small band, with Support at around 7,260 and Resistance at 7,320 on the Chart.

With continued momentum we would expect to see price move above this short term pause and head towards the upper long term trend channel band (dashed line).

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The Guppy MMA is a good indicator of trending markets. Both the short term and long term group of averages are now moving in parallel. The long term group provide lower Support at the 7,100 level consistent with the Daily Chart.

Traders, as always, will be looking for the first signs of loss of momentum in this up-move, and price dropping below the short term Resistance at 7,260 and falling below the short term MMAs would be activity to monitor.

