



Daily & Weekly Charts

XJO Close @ 6,806.70 on Feb 12th, 2021.

The rebound over the last 12 months period has approached the Resistance level evident on both the daily and weekly charts above and below.

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 has moved in two broad Support / Resistance bands since recovering from the sell-off in March last year.

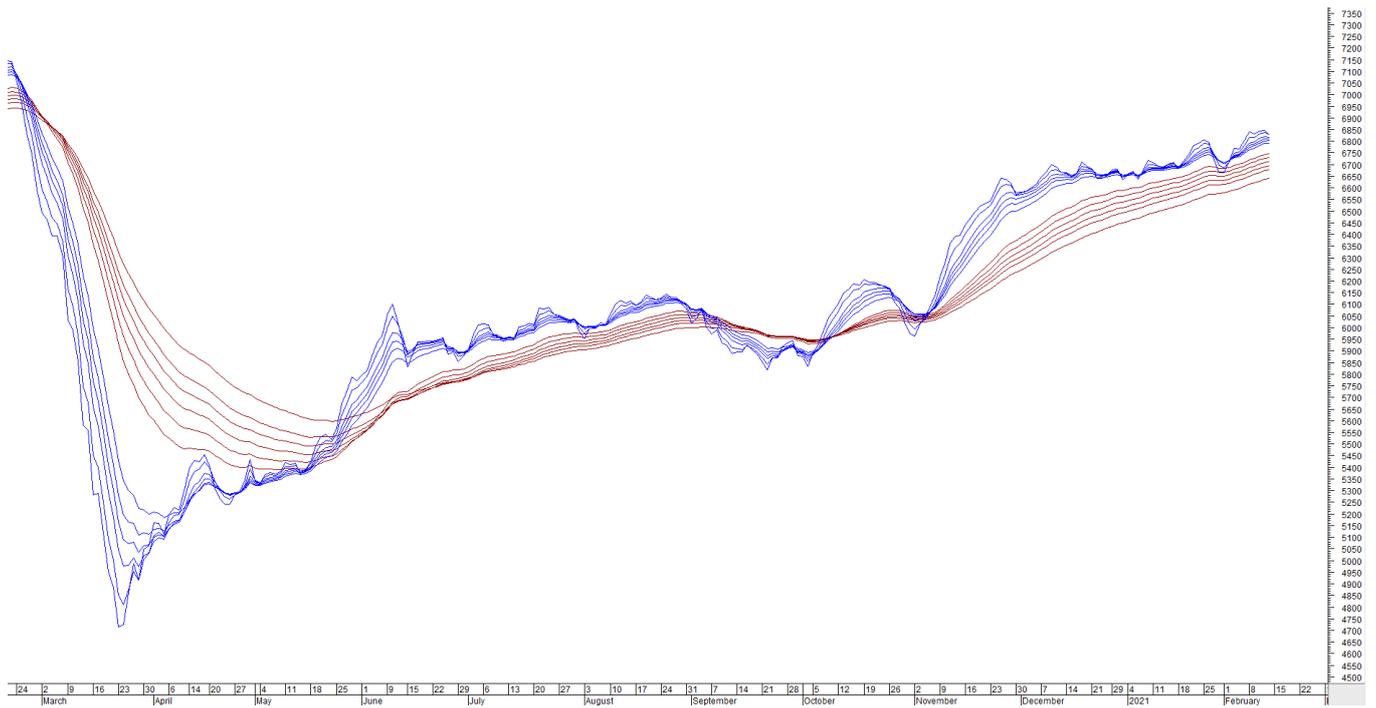
Price is currently testing Resistance around the 6,850 level which can be seen on the Weekly Chart to be historical in nature.

Support sits at around the 6,600 level and last tested at the beginning of February.

Price may continue to move away from Resistance that could be reasonably strong due to the rapid nature of the collapse when the pandemic broke.

A fall may see a retesting of Support at 6,600.

A strong breakout above Resistance at 6,850 may see a new acceleration in the longer-term uptrend.



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 most recently shows a slow but stable uptrend in the long term group of MMAs. The long term group are well spaced and moving parallel and upwards at a gentle pace. The most recent dip of the short term group of averages saw a strong rebound out of the support provided by the upper bands of the long term group.

The short term group of averages have re-spread following the recent rally but are also showing the effects of the Resistance identified at 6,850 previously.

The continued support of the long term group of averages should be monitored as the downwards pressure from the Resistance band is tested again.



Combined Probability Framework

XJO is currently subject to relatively even competing pressures on price and has, as a result, really been locked in a consolidation range since December with a slight upwards bias.

Price is again testing Resistance at 6,850, which could be expected to be significant as a result of the rapid self-off at the beginning of the pandemic. This level is also near the upper band of a longer term uptrend channel which has capped prices in the past.

Investor support in the uptrend, as represented by the longer term group of Guppy MMAs, also continues to push prices upward gently from below. The most recent test of the long term group of averages saw a strong rally indicating the level of support remains in place.

A strong move above Resistance could indicate the beginning of a new faster short term uptrend. A downwards move in price that falls below the Support of 6,600 and the long term MMA group, may see the next Support level around 6,200 and the bottom of the longer term uptrend channel re-tested.

