

XAO

CORRECTION OR A TREND CHANGE ?

BULL OR A BEAR ?



XAO - Weekly - ALL ORDINARIES

XAO Weekly CI=5,151.800 O=5,172.300 H=5,185.700 L=5,121.200 -33.900 -0.65% XAO Weekly MA(C, S, 50) 5,397.936

13/10/2014 3:00 PM



NEGATIVE : MEDIUM TERM UPTRENDLINE AS WELL AS 50 PERIOD SMA HAD BEEN VIOLATED NOW TURNING INTO A RESISTANCE ON THE WAY UP.

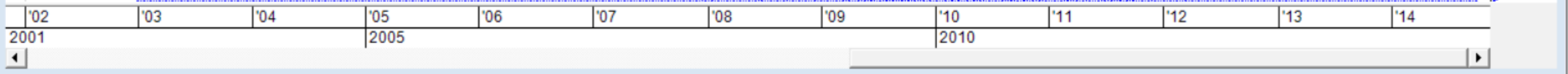
BOTH 1st. as well as 2nd. TF DOW THEORY TRENDS ARE DOWN

POSITIVE : SIGNIFICANT SUPPORT ZONE AROUND 5050 STILL HOLDING.

3rd TF DOW THEORY TREND STILL UP.

PRIOR RESISTANCE TURNING INTO SUPPORT AROUND 5050 ZONE

LONG TERM TRENDLINE



XAO Monthly CI=5,151.800 O=5,288.000 H=5,336.600 L=5,121.200 -145.000 -2.74% XAO Monthly MA(C, S, 12) 5,392.817

DOW THEORY 1st TF (SHORT TERM) TREND DOWN
2nd (MEDIUM)&3rd(LONG) TIME FRAME TRENDS ARE STILL UP. CLOSE BELOW 5037 WOULD TERM MEDIUM TERM TREND DOWN.
PRICE ACTION AS PER WEEKLY HAD VIOLATED THE VALID MEDIUM TERM TRENDLINE AS WELL AS THE 12 PERIOD SMA.

PRIOR RESISTANCE TURNING INTO SUPPORT AROUND 5050 ZONE

LONG TERM TRENDLINE STILL INTACT SUPPORT EXPECTED IF THE PRICE ACTION CONTINUES TO FALL.



5.393K

5.152K

5.0k

4.5k

4.0k

3.5k

3.0k

2.5k

2.0k

1.5k

1.0k

0.5k

0.0k

0.0k

0.0k

40,000M

30,000M

20,000M

10,000M

0.000M

0.000M

0.000M

0.000M

0.000M

0.000M

0.000M

0.000M

2002 '03 '04 '05 '06 '07 '08 May 2008 '09 '10 '11 '12 '13 '14 '15

Australia ASX All Ords Composite (EOD) (\$AORD) INDX

10-Oct-2014, 16:00 ET, daily, O: 5,271.80, H: 5,271.80, L: 5,185.70, C: 5,185.73, Chg: -107.60 (-2.03%)

P&F Pattern Bullish Signal Reversed on 18-Sep-2014

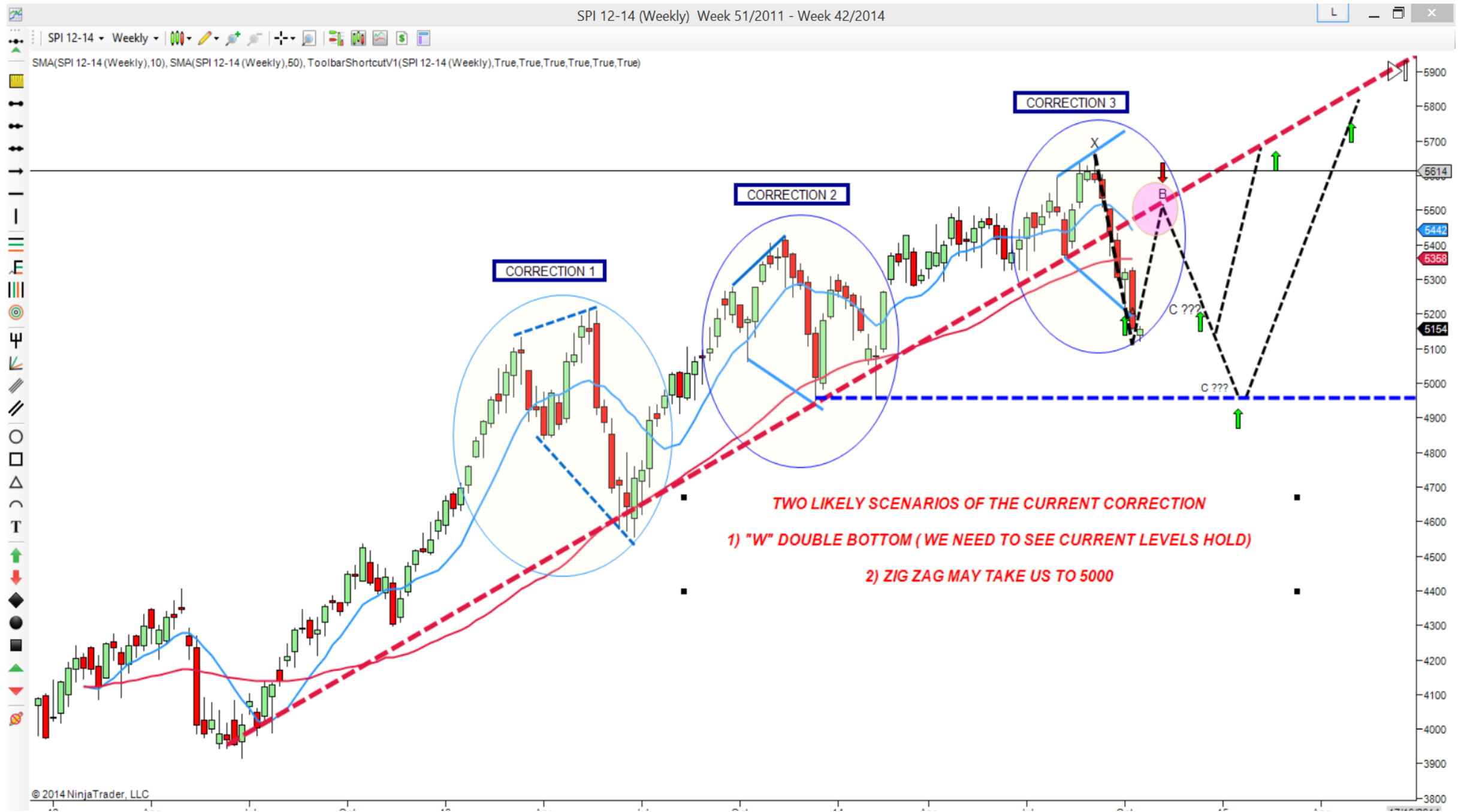
Traditional, 3 box reversal chart

Prelim. Bearish Price Obj. (Rev.): 4700.0

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SMA(SPI 12-14 (Weekly),10), SMA(SPI 12-14 (Weekly),50), ToolbarShortcutV1(SPI 12-14 (Weekly),True,True,True,True,True,True)



CORRECTION 1

CORRECTION 2

CORRECTION 3

TWO LIKELY SCENARIOS OF THE CURRENT CORRECTION
1) "W" DOUBLE BOTTOM (WE NEED TO SEE CURRENT LEVELS HOLD)
2) ZIG ZAG MAY TAKE US TO 5000

SUMMARY (1):

Recent Bearish development of violation of a valid trend line on weekly as well as monthly is a great concern.

SMA violation adds extra weight to this bearish argument.

(250 daily, 50 weekly, 12 monthly)

Zone of a broken trend line as well as simple moving average (SMA) now turning into significant RESISTANCE on the way up.

Formation of a Broadening Wedge, sign of a market top. John J Murphy in his book of Technical Analysis of the Financial Markets describes it as "This situation represents market that is out of control and unusually emotional. Because this pattern also represents an unusual amount of public participation, it most often occurs at MARKET TOPS".

P&F DAILY 3 BOX H/L 50pt. Had a sell signal to close longs. But trend is still up. Target of 4700 is very bearish indeed. 4850 would put us in a bear trend.

Please check XJO chart for past corrections as well as current correction on hand.

SUMMARY (2):

- *If we elect to simplify the definition of a trend change by using the well respected %20 rule, 5672 (high) x 0.80 = 4537 close below will confirm a trend change (BEAR).*
- *Medium as well as Long term DOW THEORY trends on Monthly still UP.*
- *Long term tentative trend line on monthly still intact which may offer support should the price continue to fall further.*
- *Almost every recession hence a BEAR MARKET of past coincided with the rising oil prices. That is not the case now.*
- *Around 11-12% correction on cards which may bring us to 4990 (approx.) with XAO*
- *CASH may be the KING in this current climate.*
- *What would be a technical catalyst to take long positions again?*
- *Close above 5337 would give us a Higher High Close on MONTHLY. Hence turning the SHORT TERM TREND on MONTHLY back to BULL if confirmation is sought as an INVESTOR taking a investing time horizon of minimum few months. Next confirmation would be the CLARING of the 12 period SMA on monthly around 5400 level.*
- *Above represents the views of K.Agaoglu and is not a substitute for a financial advise nor it should be taken as a financial advise. It is for no other reason than educational purposes.*