

Analysis for Wednesday 28th November 07

By Sebastian Manby

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A; Test of a previous shallow low in the background, the traders who matter knew that the data today would be soft, and I thought that the market would sell off on the news as prices were marked up, but there was little change.

B; This bar appears weak, because we have an up bar followed by a down bar. A true top reversal has a wide spread, and this is clearly not a top reversal. The market easily absorbs this and continues upwards.

C; Supply is starting to swamp demand, we have an up bar closing off the high, and look at the volume, it is very high, it appears that liquidation has set in.

D; No Demand, this bar confirms that at this point the market is weak and you would expect a decline from here, but the previous 2 bars are not really showing much weakness, they are down on low volume.

E; Now we have a surprise, because we have weakness in the background, but here we have strength, so if we thought that the market was weak, we must now assume that the market cannot be that weak, else we would not have testing here. Shown by 2 green arrows.

F; Because of the strength shown at E, the market can rally to this point, but we have an up bar into point C, but with lower volume, but the volume is higher than the previous few bars, and the close is off the high, this is showing that supply is still around.

G; More testing, the weakness at point F was not strong enough to reverse the direction of the market, only enough to knock it sideways, giving bulls time to regroup and support the market. We now have a serious sign of strength, and if you were bearish before these green arrows, then you should not be now.

H; Another test in a rising market, this sign of strength is confirmation that the market is bullish and that you should follow the path of least resistance, up. Incidentally, this would be one of Tom's favorite signals, and one he talks about in his book, The Undeclared Secrets.

I; Weakness has hit the market on the previous 2 bars, and this bar is weak as the high is higher than the high of the previous bar, you would now be looking for No demand to short or close out.

J; A test after weakness has appeared, this market is still strong, else it would not be tested like this after a sign of weakness has appeared.

The second red arrow after point I shows that the buyers and sellers are evenly matched here and indicates a possible turning point in the direction of the market. The second red arrow after point I is a bottom reversal, but the volume is quite high and could indicate a lower open Thursday.



I also predicted that the market would test the low of the 14th Nov, at 1470 low, the market has breached this today, and I am expecting the market to bounce lower, and possibly retest if it is still bullish on the daily chart at point A, if prices stay above this, then I expect point B to become resistance.