

Technical Analysis: S&P 500

Another 40% more to the downside?

USA | INDICES | TECHNICAL ANALYSIS

20 January 2016

- The crash thesis is still in play as outlined in the [previous analysis](#)
- 1867.00 – 1820.66 support area will be the last line of defence for the bulls
- Dow Transport Index, Russell 2000 and S&P MidCap 400 suggests a break below the crucial support at 1867.00 – 1820.66

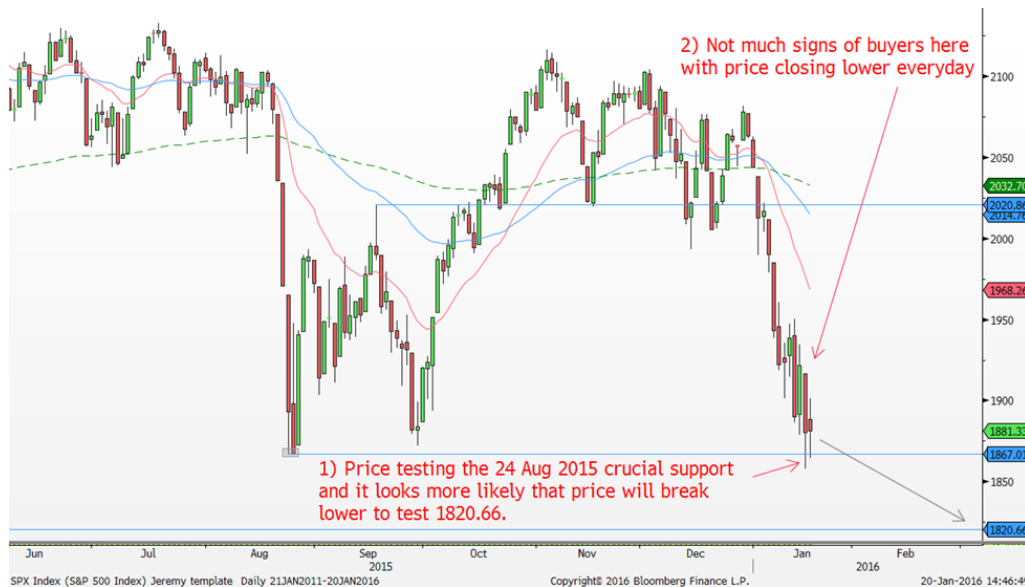
Tradable instrument:
DBXT S&PShort US\$x@ - SGX:HD6

Proshares Short S&P 500 – AMEX:SH

Breaking Down

S&P 500 has been testing the 1867.00 support lately and the price action around this area suggests lack of buying interest. Price has yet to see any up days after it tested the 1867.00 support area and the closing are all weak.

The bearish price action indicates further downside in the near term with 1820.66 as the target.



S&P 500 Index daily chart, red line = 20 exponential moving average, blue line = 60 EMA, Green line = 200 EMA
Source: Bloomberg

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Dow Transport, Russell 2000, MidCap 400 index paving the path

Dow Transport, Russell 2000(Small Cap) and S&P MidCap 400 indexes are all leading the S&P 500, Dow Jones Industrial Average and Nasdaq composite indexes.

Dow Transport, Russell 2000(Small Cap) and S&P MidCap 400 indexes have all taken out their 28 August 2015 low whereas the 28 August 2015 low is still holding up in the S&P 500.

Moreover, Dow Transport is taking the lead by a great deal and it has already broken all the key support area. The crash is already underway there.

- Dow Transport is down **28%** from its all-time high of 9310.22.
- Russell 2000 is down **24%** from its all-time high of 1296.00.
- MidCap 400 is down **19%** from its all-time high of 1551.28.
- S&P 500 is down only **13%** from its all-time high of 2137.1

In other words, **S&P 500 should have a lot of catching up to do which implies the break of the crucial support area around 1867.00 – 1820.66.**

Dow Transportation leading the crash



DOW Transportation Index Weekly chart, red line = 20 exponential moving average, blue line = 60 EMA, Green line = 200 EMA

Source: Bloomberg

Russell 2000



Russell 2000 Index Weekly chart, red line = 20 exponential moving average, blue line = 60 EMA, Green line = 200 EMA

Source: Bloomberg

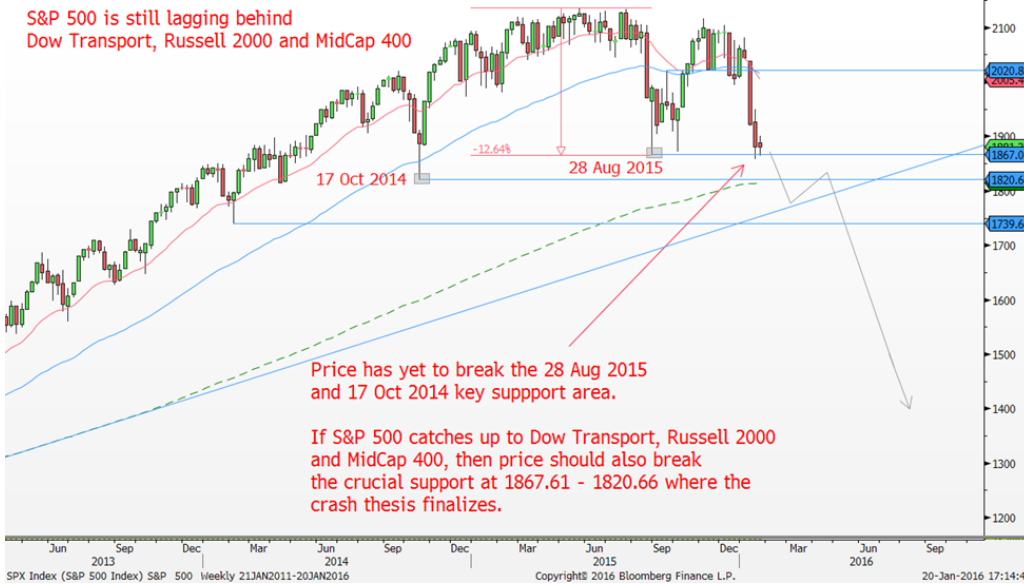
S&P MidCap 400



S&P MidCap 400 Index Weekly chart, red line = 20 exponential moving average, blue line = 60 EMA, Green line = 200 EMA

Source: Bloomberg

Laggard S&P 500



S&P 500 Index Weekly chart, red line = 20 exponential moving average, blue line = 60 EMA, Green line = 200 EMA
Source: Bloomberg

Conclusion

We still stand by our crash thesis as mentioned, please refer to our previous reports [16 November 2015: Dow Jones Industrial Average – The real crash may be ahead of us](#) and [14 December 2015: Dow Jones Industrial Average – Showing more signs of a crash](#).

Once the last line of defense is cleared at around 1867.00 – 1820.66, the last piece of the crash puzzle will be finalized and we should see further market turmoil.

Price could tumble down 50% from the 2134.72 all-time high to around 1067.00 in the long run.

Related Reports:

[Technical Analysis: Gold – Limited downside and it's time to start loading up](#)

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