

Technical Analysis: S&P 500

Here we go again, Bears edition

USA | INDICES | TECHNICAL ANALYSIS

05 May 2016

- The Bearish Engulfing Bar on the Weekly timeframe might be putting in a top
- Expect price to fall back to the 1820 key support area next
- The crash thesis is still in play as outlined in [our first report published on 16/Nov/15](#)

Weekly Timeframe showing sign of weakness

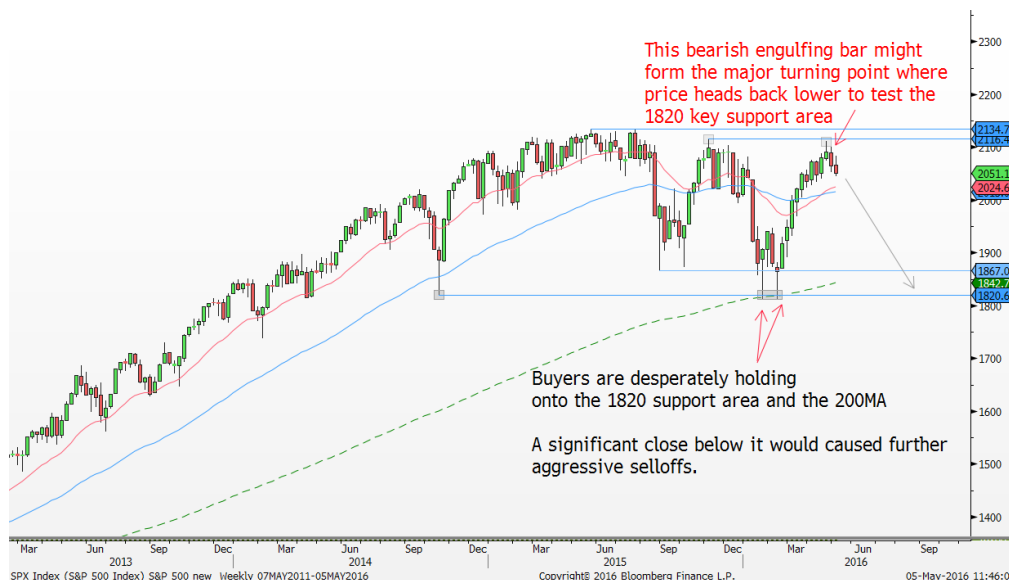
The hammer on the S&P 500 worked perfectly once again based on our [last update on 25/01/16](#). However, the short term rebound went further than our expectations as it rose to a high of 2114.4 on 20/04/16.

As price was just 18 points(1%) shy of the all time high on the S&P 500, the sellers returned with the help of the 2116 resistance area on 20/04/16. Since then, price started drifting lower which formed a Bearish Engulfing Bar on the week ending, 25/04/16.

The inflection point might be in based on the bearish price action and we are expecting further downside to the 1820 critical support area.

The 1820 support area will be a extremely important area to watch as that is the only pillar that is proping price up. We have seen that level supporting price up for the past 2 occasions on 18/01/16 and 08/02/16, showing how desperate the bulls are. Moreover, the 1820 area coincides with the 200 weekly moving average. A significant break and close below it would seal the fate for the buyers and violent selloffs would take place thereafter.

S&P 500 Weekly timeframe



red line = 20 exponential moving average, blue line = 60 EMA, Green line = 200 EMA

Source: Bloomberg

Tradable instrument:

Inverse ETF:

DBXT S&PShort US\$X@ - SGX:HD6
Proshares Short S&P 500 – AMEX:SH

CFD:

US SP 500 Index USD5 CFD – ESM16

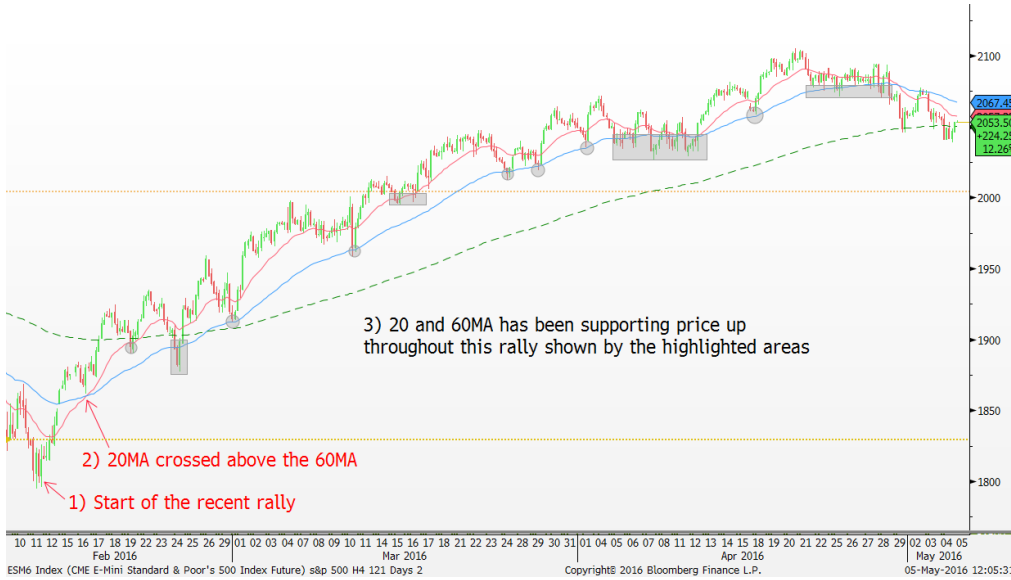
Jeremy Ng (+65 6212 1857)
Investment Analyst
jeremyngch@phillip.com.sg

Bearish Sentiment taking over (H4)

Taking a closer look into the 4-hourly timeframe, since the start of the recent rally on 11/02/16, we have seen how the 20 and 60 Moving Average succeeded in lifting price up in this correction where the 20 Moving Average stayed above the 60 Moving Average.

In total, there were around 11 occasions where the 20 and 60 Moving Average supported price up but that movement might be coming to an end.

S&P 500 H4 timeframe



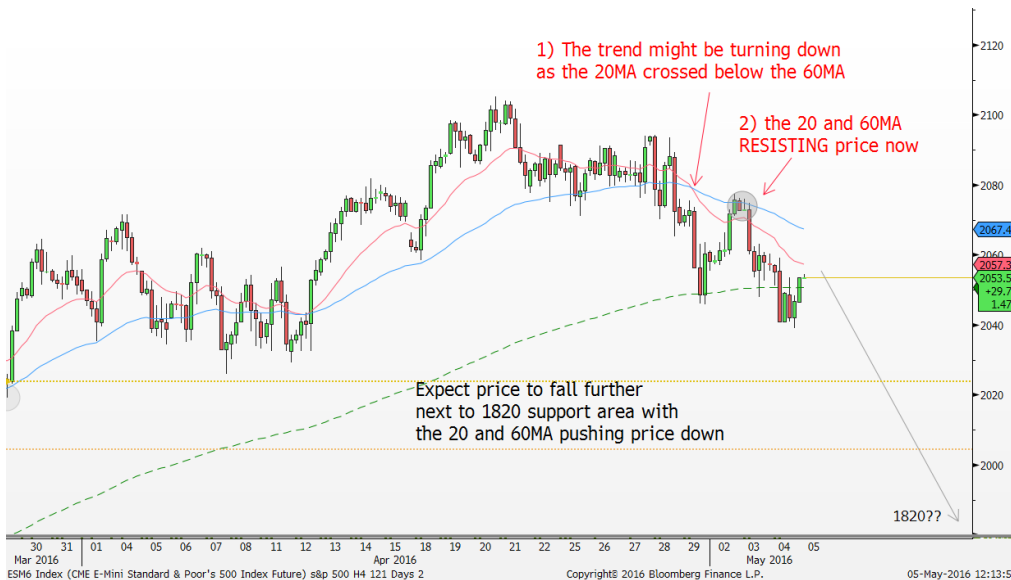
S&P 500 Index Weekly chart, red line = 20 exponential moving average, blue line = 60 EMA, Green line = 200 EMA
Source: Bloomberg

On 29/04/16, the 20 Moving Average finally crossed below the 60 Moving Average warning about a trend reversal and the confirmation came when price got resisted by the 20 and 60 Moving Average on 02/05/16. Additionally, price also broke below the 200 Moving Average subsequently which is yet another bearish sign.

Hence, we believe price is transitioning into a downtrend where the 20 and 60 Moving Average would act as resistance now instead of support.

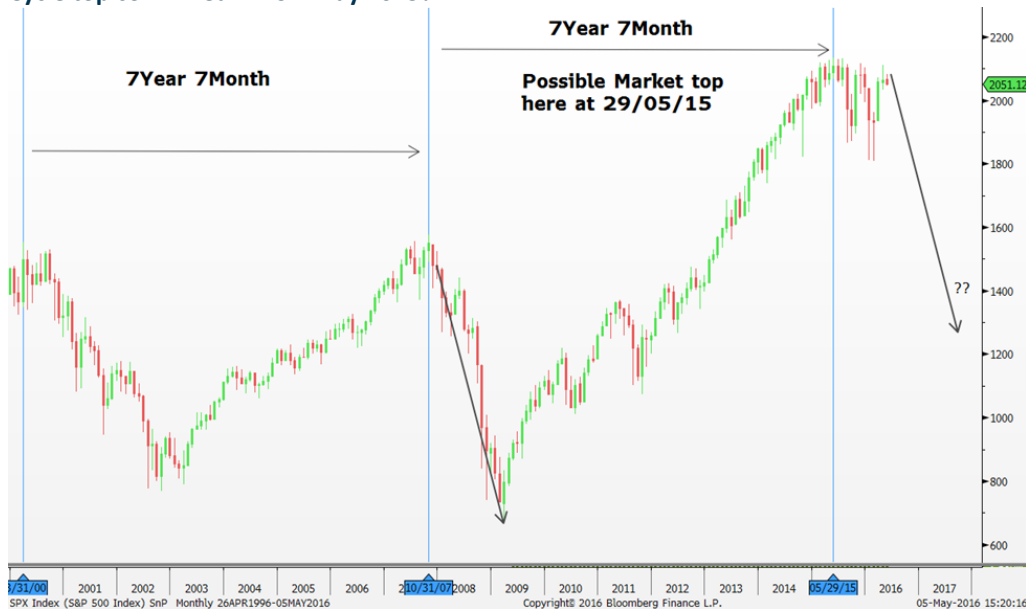
The target for this current downswing is the 1820 crucial support area.

S&P 500 H4 timeframe



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

Cycle top confirmed in 29th May 2015?



S&P 500 Monthly chart,
Source: Bloomberg

By looking at the cycle tops during the Dot Com crisis and subprime crisis, it took approximately 7 Year and 7 month to establish the full cycle.

Using the same cycle analysis, adding 7 year 7month to the most recent cycle top to 31st October 2007 takes us to 29th May 2015 which happened to be the current all-time high on the S&P 500.

As of now, the May 2015 High is still valid even after the recent rally. If this cycle top remains intact, there is a high chance that price might be experiencing a whole new bear cycle where sharp falls are expected, in the magnitude of the subprime crisis.

Related Reports:

- [16 November 2015: Dow Jones Industrial Average – The real crash may be ahead of us](#)
- [14 December 2015: Dow Jones Industrial Average – Showing more signs of a crash](#)
- [14 January 2016 : Gold – Limited downside and it's time to start loading up](#)
- [20 January 2016: S&P 500 – Another 40% more to the downside?](#)
- [25 January 2016: S&P 500 – The worst is yet to come?](#)

Contact Information (Singapore Research Team)

Management

Jacky Lee (CEO & Head, Research) -
jackyleecw@phillip.com.sg

Research Operations Officer

Mohamed Ghazali - ghazali@phillip.com.sg

Consumer | Healthcare

Soh Lin Sin - sohls@phillip.com.sg

Infrastructure | REITs (Hospitality)

Peter Ng - peterngmc@phillip.com.sg

Macro

Pei Sai Teng - peist@phillip.com.sg

Transport | REITs (Industrial)

Richard Leow, CFTe, FRM -
richardleowwt@phillip.com.sg

REITs (Commercial, Retail, Healthcare) | Property

Dehong Tan - tandh@phillip.com.sg

Technical Analysis

Jeremy Ng - jeremyngch@phillip.com.sg

Banking and Finance

Jeremy Teong - jeremyteongfh@phillip.com.sg

US Equity

Ho Kang Wei - hokw@phillip.com.sg

Oil & Gas | Energy

Chen Guangzhi - chengz@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd
 Raffles City Tower
 250, North Bridge Road #06-00
 Singapore 179101
 Tel +65 6533 6001
 Fax +65 6535 6631
 Website: www.poems.com.sg

MALAYSIA

Phillip Capital Management Sdn Bhd
 B-3-6 Block B Level 3 Megan Avenue II,
 No. 12, Jalan Yap Kwan Seng, 50450
 Kuala Lumpur
 Tel +603 2162 8841
 Fax +603 2166 5099
 Website: www.poems.com.my

HONG KONG

Phillip Securities (HK) Ltd
 11/F United Centre 95 Queensway
 Hong Kong
 Tel +852 2277 6600
 Fax +852 2868 5307
 Websites: www.phillip.com.hk

JAPAN

Phillip Securities Japan, Ltd.
 4-2 Nihonbashi Kabuto-cho Chuo-ku,
 Tokyo 103-0026
 Tel +81-3 3666 2101
 Fax +81-3 3666 6090
 Website: www.phillip.co.jp

INDONESIA

PT Phillip Securities Indonesia
 ANZ Tower Level 23B,
 Jl Jend Sudirman Kav 33A
 Jakarta 10220 – Indonesia
 Tel +62-21 5790 0800
 Fax +62-21 5790 0809
 Website: www.phillip.co.id

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd
 No 550 Yan An East Road,
 Ocean Tower Unit 2318,
 Postal code 200001
 Tel +86-21 5169 9200
 Fax +86-21 6351 2940
 Website: www.phillip.com.cn

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
 15th Floor, Vorawat Building,
 849 Silom Road, Silom, Bangrak,
 Bangkok 10500 Thailand
 Tel +66-2 6351700 / 22680999
 Fax +66-2 22680921
 Website www.phillip.co.th

FRANCE

King & Shaxson Capital Limited
 3rd Floor, 35 Rue de la Bienfaisance 75008
 Paris France
 Tel +33-1 45633100
 Fax +33-1 45636017
 Website: www.kingandshaxson.com

UNITED KINGDOM

King & Shaxson Capital Limited
 6th Floor, Candlewick House,
 120 Cannon Street,
 London, EC4N 6AS
 Tel +44-20 7426 5950
 Fax +44-20 7626 1757
 Website: www.kingandshaxson.com

UNITED STATES

Phillip Futures Inc
 141 W Jackson Blvd Ste 3050
 The Chicago Board of Trade Building
 Chicago, IL 60604 USA
 Tel +1-312 356 9000
 Fax +1-312 356 9005
 Website: www.phillipusa.com

AUSTRALIA

Phillip Capital Limited
 Level 12, 15 William Street,
 Melbourne, Victoria 3000, Australia
 Tel +61-03 9629 8288
 Fax +61-03 9629 8882
 Website: www.phillipcapital.com.au

SRI LANKA

Asha Phillip Securities Limited
 2nd Floor, Lakshmans Building,
 No. 321, Galle Road,
 Colombo 03, Sri Lanka
 Tel: (94) 11 2429 100
 Fax: (94) 11 2429 199
 Website: www.ashaphillip.net

INDIA

PhillipCapital (India) Private Limited
 No.1, 18th Floor, Urmi Estate
 95, Ganpatrao Kadam Marg
 Lower Parel West, Mumbai 400-013
 Maharashtra, India
 Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
 Website: www.phillipcapital.in

TURKEY

PhillipCapital Menkul Degerler
 Dr. Cemil Bengü Cad. Hak Is Merkezi
 No. 2 Kat. 6A Caglayan
 34403 Istanbul, Turkey
 Tel: 0212 296 84 84
 Fax: 0212 233 69 29
 Website: www.phillipcapital.com.tr

DUBAI

Phillip Futures DMCC
 Member of the Dubai Gold and
 Commodities Exchange (DGCX)
 Unit No 601, Plot No 58, White Crown Bldg,
 Sheikh Zayed Road, P.O.Box 212291
 Dubai-UAE
 Tel: +971-4-3325052 / Fax: + 971-4-3328895

CAMBODIA

Phillip Bank Plc
 Ground Floor of B-Office Centre,#61-64,
 Norodom Blvd Corner Street 306,Sangkat
 Boeung Keng Kang 1, Khan Chamkamorn,
 Phnom Penh, Cambodia
 Tel: 855 (0) 7796 6151/855 (0) 1620 0769
 Website: www.phillipbank.com.kh

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's licence under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.