

# Technical Analysis: S&P 500

## Topping Out, Tapping Out

USA | INDICES | TECHNICAL ANALYSIS

28 June 2016

- Overwhelming bearish signals appearing in the US Equity markets
- The triple top formation on the S&P500 should take price lower from here to test the 1803.25 crucial support
- The crash thesis is still in play as outlined in [our first report published on 16/Nov/15](#)

### Triple Top confirmation on the Weekly timeframe

After the much talked about Brexit event occurred last Friday, we saw a huge sell off in the equity markets.

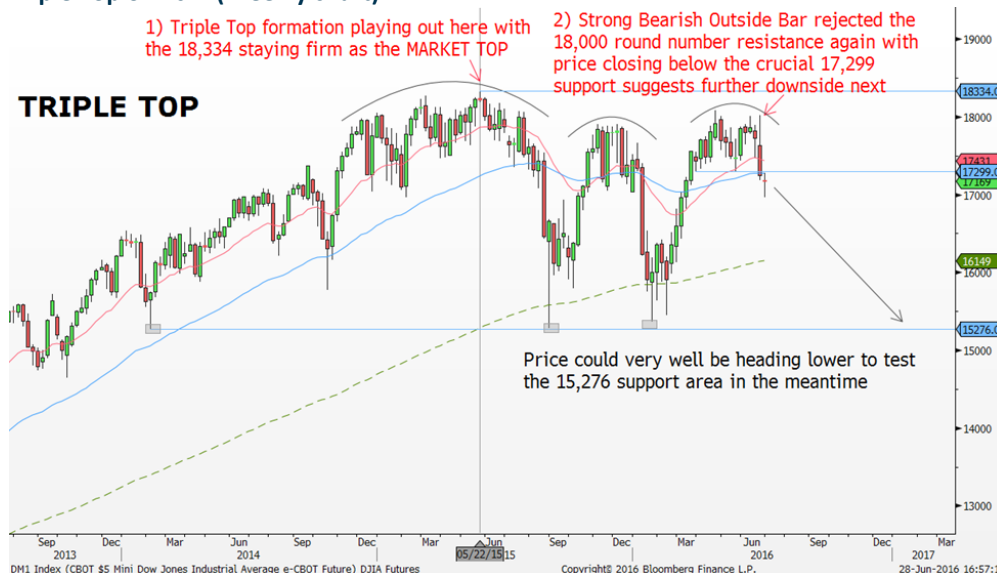
- Dow Jones Industrial Average(DJIA) Futures fell 4.11% on the day
- S&P 500 futures fell 4.5% on the day
- Nasdaq 100 futures fell 4.9% on the day

The sharp decline in the US equity markets have established some strong bearish reversal signals on the weekly timeframe.

A Triple Top pattern is playing out in the DJIA and S&P 500 while a Head and Shoulders pattern is apparent in the Nasdaq 100, reaffirmed our belief that the US Equity market has peaked in May 2015.

Sellers succeeded in closing price below the 17,299 for DJIA, 2019.25 for S&P 500 and 4271.00 for Nasdaq 100 which was required to confirm the bearish reversal patterns.

### Triple Top on DJIA (Weekly chart)



Red line = 20EMA, Blue line = 60EMA, Green line = 200 EMA, Source: Bloomberg

### Tradable instrument:

#### Inverse ETF:

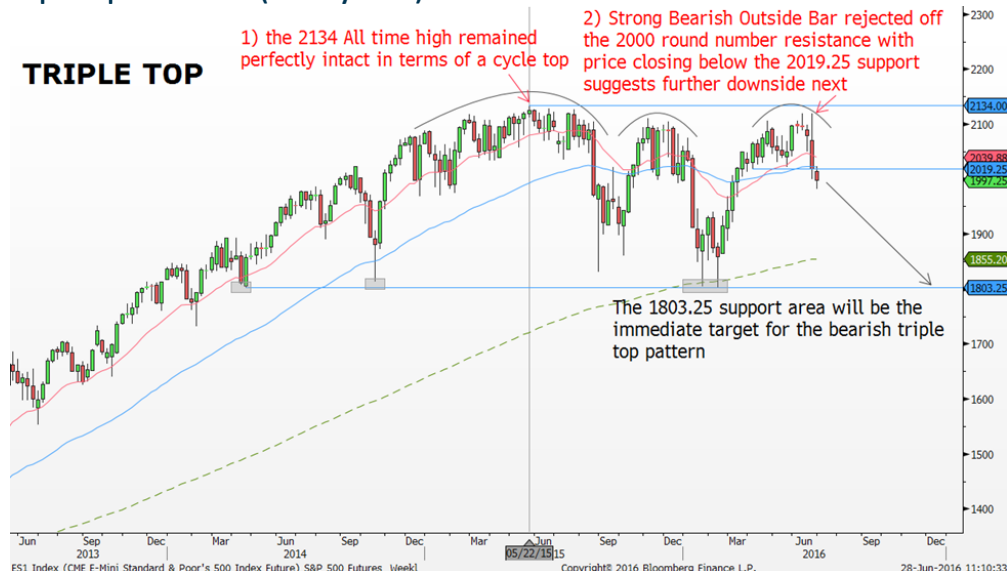
- Short Dow30 Proshares – AMEX:DOG
- Proshares Short S&P 500 – AMEX:SH
- Proshares Short QQQ – AMEX:PSQ

#### CFD:

- Wall Street Index USD1 CFD – YMU16
- US SP 500 Index USD5 CFD – ESU16
- US Tech 100 Index USD5 CFD – NQU16

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Triple Top on S&P 500 (Weekly chart)



Red line = 20EMA, Blue line = 60EMA, Green line = 200 EMA, Source: Bloomberg

Head and Shoulders on Nasdaq 100 (Weekly chart)



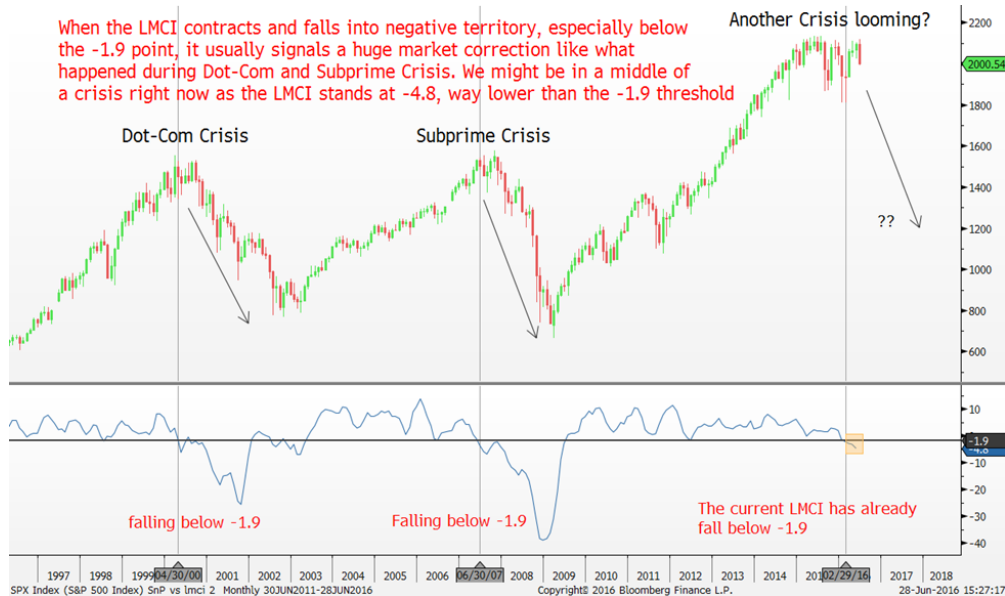
Red line = 20EMA, Blue line = 60EMA, Green line = 200 EMA, Source: Bloomberg

With the US equity market broadly showing immense sign of weakness, there is a high chance that price will revisit 15,276 for DJIA, 1803.25 for S&P 500 and 3908.25 for Nasdaq 100.

We remain bearish in the long term and expect a massive correction in the near future as outlined in the very first report [“The real crash may be ahead of us”](#)

## Bonus chart

### S&P 500 versus Labor Market Condition Index



Source: Bloomberg

The S&P 500 index is overlaid on the top panel while the Federal Reserve Labor Market Condition Index (LMCI) is overlaid on the bottom panel.

The Federal Reserve Labor Market Condition Index is calculated as a weighted average based on 19 monthly labor market indicator to gauge improvements in the labor market and it measures the strength of US job market. A reading above 0 indicates improving labor market activity while a reading below 0 indicates deteriorating activity.

Notice how every single time when the LMCI falls below the 0 level, **especially below the -1.9% mark, the S&P 500 fell with it.** The contraction in the LMCI signaled the market was due for a correction and a crisis might be looming in the background. The LMCI seemed to be able to predict the Dot-Com and Subprime crisis even before the panic unfolds.

Fast forward to today, **the LMCI is yet again contracting significantly and it has recently dipped below the -1.9 mark.** If history repeats itself, then we could very well be expecting a sharp fall in the S&P 500 in the magnitude of the Dot-Com and 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?](#)
- [05 May 2016: S&P 500 – Here we go again, Bears edition](#)

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