

Technical Analysis: DJIA

Showing more signs of a crash

USA | EQUITIES | TECHNICAL ANALYSIS

14 December 2015

- The crash thesis is still in play as mentioned in the [previous analysis](#)
- Price closed back below the 20 and 60 period moving average on the week with a Bearish Engulfing Bar falling 3.44%

Sign of further weakness

Weekly timeframe

Price drifted between the 13 Nov 2015 week ending Bearish Engulfing Bar leaving the 17977.85 swing high untested. The crash thesis still holds as long as the 17977.85 swing high doesn't get taken out.

The 11 Dec 2015 week ending Bearish Engulfing Bar puts us back in the crash camp as price closed back below the 20 and 60 weekly moving average which is a bearish sign



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

Source: Bloomberg

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Daily timeframe

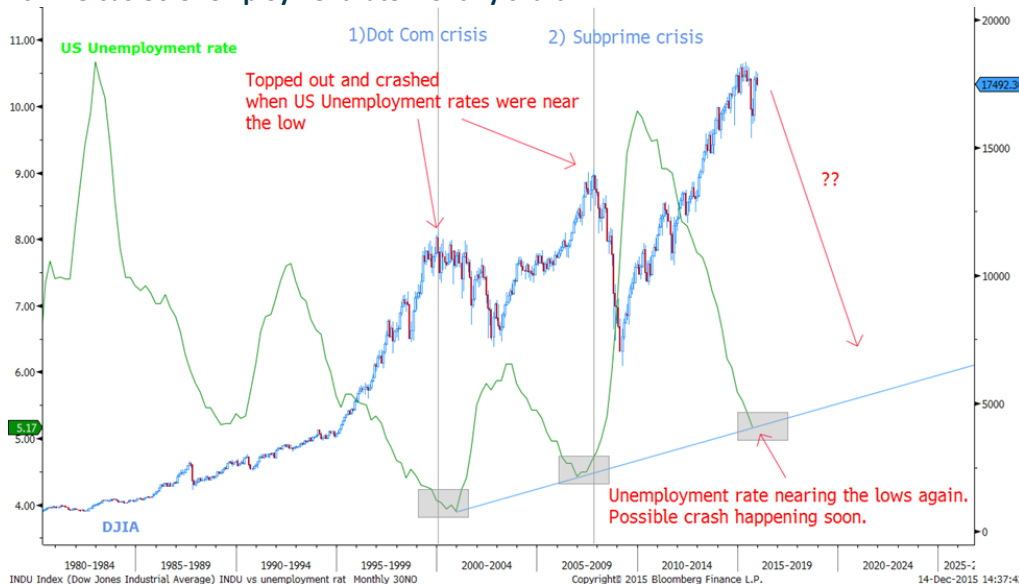
On the daily timeframe, DJIA is exhibiting the M shape double top reversal pattern. The important thing to watch here is for the 17210.50 neckline to be broken to the downside for this pattern to play out. The breakout of the neckline should also take out the immediate uptrend line where we could see a whole new wave of selling coming in.



DOW JONES INDUSTRIAL AVERAGE Index Daily chart, red line = 20 exponential moving average, blue line = 60 EMA, Green line = 200 EMA
Source: Bloomberg

Bonus chart

DJIA versus US Unemployment rate monthly chart



Green line = US unemployment rate, Candlestick = DJIA
Source: Bloomberg

Just before the Dot com crash and the subprime crisis, the DJIA topped out when the US unemployment rate was near the low at 4% and 4.5% respectively

Incidentally, the US unemployment rate right now at 5% might be near the cycle low as it tests the uptrend line. If the US unemployment rate does actually edge up from here and if the negative correlation between the DJIA and the US unemployment rate holds, price could have a long way to fall.

Conclusion

The expectations of a crash is still alive as the 07 Dec 2015 week ending Bearish Engulfing Bar seemed to have taken control over the market. Hence, we stand by our previous analysis on DJIA where a crash is coming.

The previous analysis on DJIA can found here:

[Technical Analysis: Dow Jones Industrial Average – The real crash may be ahead of us](#)

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