



The occurrence of a gravestone doji on 3rd October resulted in a short-intermediate term pullback in DOW. The next line of defense MAYBE found at its triple support zone of its 26th January high, the uptrend drawn connecting the lows of 15th August and 11th September and its green 20-day Moving Average (MA) line (red circle). A further deterioration MAY see DOW decline to the next support area of its 27th February high and its blue 50-day MA line. Confirmation that this bull rally in DOW is still intact can be observed in its 20-day MA line remains above the 50-day MA line which remains way above the 200-day MA line and a seasonal strong final quarter in this midterm election year will see DOW race towards the 30,000 mark.

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As anticipated, the distribution day on 21st September with very high trading volume resulted in S&P 500 experiencing a much overdue pullback. Now a good strong support can be found at its 26th January high of 2,872 and its blue 50-day MA line (red circle). The continuous uptrend of its 20-day MA, 50-day MA and 200-day MA lines confirms the bullishness in S&P 500 and a seasonal strong final quarter in this midterm election year will see it move higher towards the 3,000 level.

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NASDAQ broke below the uptrend line drawn connecting the 28th June, 30th July lows as well as its 50-day MA line with increased volume, thus indicating a short-intermediate term weakness. At this point in time, a good support zone can be found at 7,732-7,873 where its 15th August and 7th September lows are located (red circle). IF this weakness were to further persist, the 2nd line of defense will be at its 13th March high of 7,637. The continuous uptrend of its 50-day and 200-day MA lines is an encouraging sign that this bull in NASDAQ is still alive and kicking.

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IWM (an ETF that tracks Russell 2000 small cap stocks) which led the market higher during the first half the year, is now losing its leadership role. It has fallen to the lowest level in 2 months, and well below its 50-day MA line. That may have something to do with the reduction in trade tensions favoring larger multinational stocks. IWM MAY find cushion at a strong support zone of 161-163.6, where its 28th June and 30th July lows are located. That is also where its red 200-day MA line is situated (red circle). Another factor to watch will be the strength of US\$, a rally in US\$ normally boost the performance of U.S. domestic small cap stocks. Going forward, despite its recent weakness, IWM is still anticipated to challenge and break above its 31st August high of 173 as its 50-day MA line still remains wide above its 200-day MA line.

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