

Double Top Pattern Ahead...

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The resolution has been solved for the Dow Jones Index after breaking through 13494. On the news of an interest rate cut, the index shot higher which has now changed the landscape at least for the short term.

As mentioned previously, the first week of September provided a signal for traders to be positioned for the upside and 13340 a Fibonacci 0.618% level had been a barrier for five trading sessions. This level may now provide a base support if retested over the coming weeks.

Currently, it also appears that we may be in the making of a five wave formation to the upside and this could allow the Dow to come back down for a retracement before another push higher.

With this scenario in mind, the old resistance level of 14052 may now come back into play and allow the Dow to form a Double Top pattern at this level.

What is interesting is that momentum indicators are not confirming with the recent rally. In fact they are suggesting a weak rally which could just as easily turn the other way. However, on both the weekly and daily timeframes, the index is now in a bullish mode and it will take a sharp thrust lower to turn this market around into bearish territory.

We should remember that September and October can and have in the past surprised traders with volatile moves and this should be a reminder that the path is still not clear for the "longer" term trend on the Dow.

For the coming weeks, we should watch 13550 and 13450 as support and 13015 as a major support level which if broken could take the Dow much lower.

Upside targets are 14052 initially followed by 14448 – 14538.

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