

Hourly Charts Showing Short-Term Sell Signals

The following is the 'Nightly Commentary' piece that was presented to members of TheMarketMessenger.com after the trading session on Tuesday, Mar 25th...

Good evening,

The indices consolidated near the highs today. There weren't big moves on any of the indices. While the minor trend continues to show up as bullish, today's action does bring about the potentiality of at least a small correction of the rally to-date; at least that's what one might derive from developments on the hourly charts of some of the indices.

We'll take a look at the hourly charts of the S&P-500 and the Nasdaq-100 tonight.

S&P-500 Index - **Hourly** Chart...



SPX had rallied 104 points off its Mar 17 lows, at the best levels yesterday. That's pretty good progress for less than a week's worth of trading. Obviously, the rate of progress will not continue at the same clip.

The breaking of minor resistance at 1340 yesterday was a good sign for the index. Today's successful retest of that level was a show of strength and allowed some of the overheated conditions wear off. That level now has to hold strong.

If the index falls beneath it, we might see a couple of days of selling, after which the bulls will hopefully we able to stop the bleeding.

Signs of a potential correction of the short-term rally are seen in RSI, which is showing a potential negative failure swing and in MACD, which is showing a negative MA crossover.

Now, it is important to note that these are only very short-term sell signals, given that they show up only on the hourly charts. Yet, they could be worth 3-5 percentage points, which is enough to shake some short-term traders out of their positions.

If the markets do encounter some selling, the bulls will prefer to see the index finding support at 1325 - 20-day MA - or at the least at 1295.

A breaking of 1295 brings about the possibility that the rally has failed.

Nasdaq-100 Index - Hourly Chart...



NDX broke out above minor resistance at 1805 yesterday.

A close look at hourly RSI, however, shows that there is a potential negative divergence there. MACD is overbought and if there's a bit of a decline tomorrow, a negative MA crossover will be seen.

As long as the index can stay above 1805, the bulls will be comfortable. A move below 1805 is permissible as long as support is found at 1770, or 1750, at the very least. If there is a move below 1750 (20-day MA), the rally will likely have failed.

We've added several new Options Picks tonight. Options might be the way to go, if you've missed getting on board the bull train at or near the lows - or if you're looking at the recent rally as a potential counter-trend move that will very quickly give way to the next bout of selling.

(Mar 25th Nightly Commentary ends here...)

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Good luck with your trading!

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