

S&P 500, NASDAQ break price, volume trend lines

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January 26, 2010: The S&P 500 and NASDAQ 100 have broken their long term price and volume trends that began back in March 2009. Dow broke its price trend but not the volume trend.

We will look at the exchange traded funds (ETFs) of three indices which are SPY (for S&P 500), QQQQ (for NASDAQ 100) and DIA (for the Dow). We prefer the ETFs to the indices as they are traded and have volume.

All the three ETFs have broken their up trend line that began in March 2009 as shown in the charts below. The ETFs have also broken their 50-day moving average. A look at the volume chart will show that volumes have been falling through out the rally, which began in March 2009. However, the down trending volume line on SPY and QQQQ were broken when the markets fell last week. This is good news for the bears.

The above factors indicate that the markets may be entering a corrective phase. Note that the markets have not corrected significantly during the rally that began in March 2009. It must however be noted that market's uptrend is still intact.

All the three ETFs have medium term uptrend line which is still intact. This is good news for the bulls. Additionally, both the 50 and 200 day moving averages are sloping up, indicating that the markets are still in an uptrend. If the 50-day average begins to turn lower, it will be bad news for the bulls and prices may be head to test the 200 day moving average.

At this time we would short rallies and only go long for intra-day or one or two day swing trades. We will publish support and resistance areas on the SPY, QQQQ, DIA and other ETFs and stocks in a separate report for subscribers.

Chart Analysis

[Trendline break on SPY, DIA, QQQQ](#)