# The Technical Indicator

Dec. 6, 2011, 11:19 a.m. EST

## Market recovery meets technical resistance

Focus: Transports, IYT, ANSS, ALK, CAT, VRSK, SUN, IMAX

Stories You Might Like

- FAA's Babbitt takes leave after DUI arrest
- Europe stocks edge down after S&P warning
- This Bargain Stock Pays a 9.5% Dividend Yield Top Stock Analysts (Sponsored)

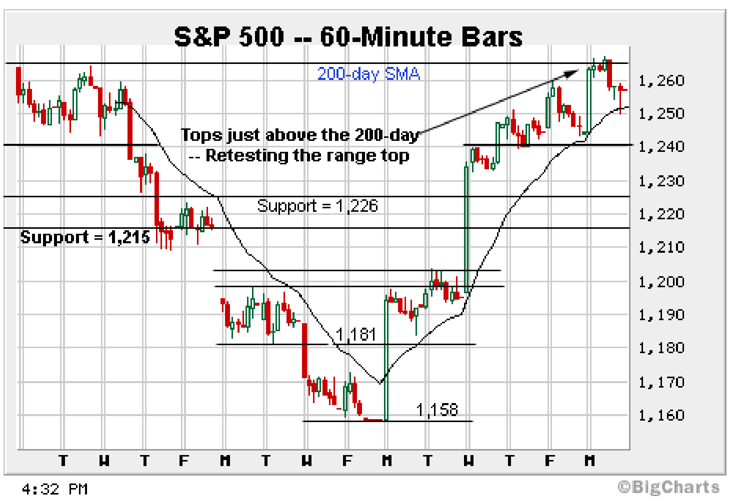
2 Comments | Like Confirm | Tweet 0 | Share | Email | Print

By Michael Ashbaugh, MarketWatch

*Editor's Note: This is a free edition of The Technical Indicator, a daily MarketWatch subscriber newsletter. To get this column, including 100 technical stock picks every month, click here .*

CINCINNATI (MarketWatch) — While the market backdrop remains volatile, it's also distinctly technical.

Consider that each benchmark is vacillating near major resistance, and the response to these areas should set the near-term technical tone.

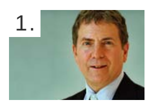



The S&P 500's hourly chart details the past three weeks.

As illustrated, the S&P is retesting resistance at its 200-day moving average, currently 1,264.

On further strength, next resistance holds at the November peak of 1,277, while its first notable support rests around 1,240.

## Most Popular

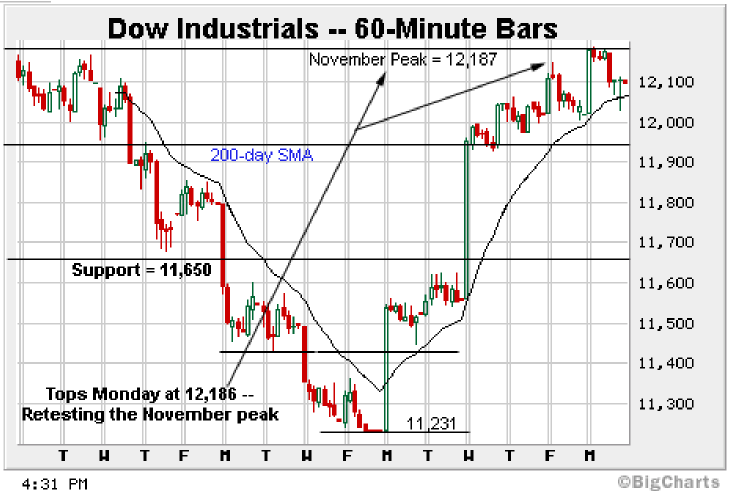
1.  MARK HULBERT — Don't get mad at Wall Street, get even
2.  PAUL B. FARRELL — Super Rich vs. 99%: Class war will explode
3. INDICATIONS — U.S. stock-index futures hold gains
4. Green Bay Packers open stock sale
5.  THERESE POLETTI'S TECH TALES — Tablet pricing now set by iPad and Kindle Fire

## Join the Conversation

2 Comments

My comments...

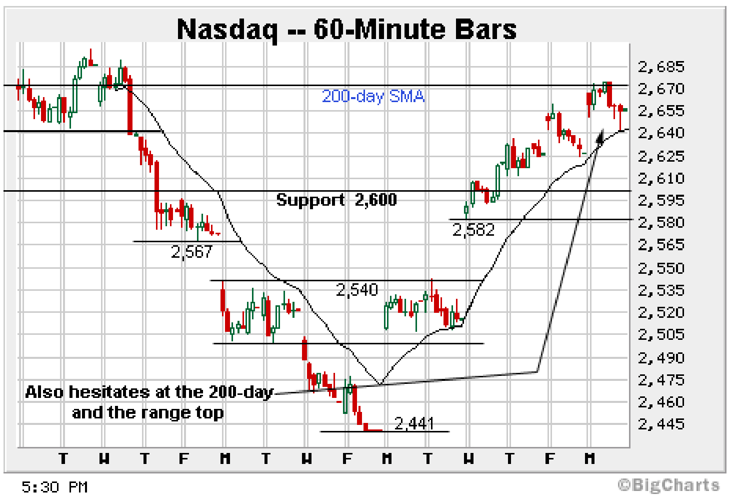
Add Comment | Community guidelines »




Meanwhile, the Dow industrials' near-term backdrop is similar.

In its case, the index topped Monday at 12,186.5, matching the November peak.

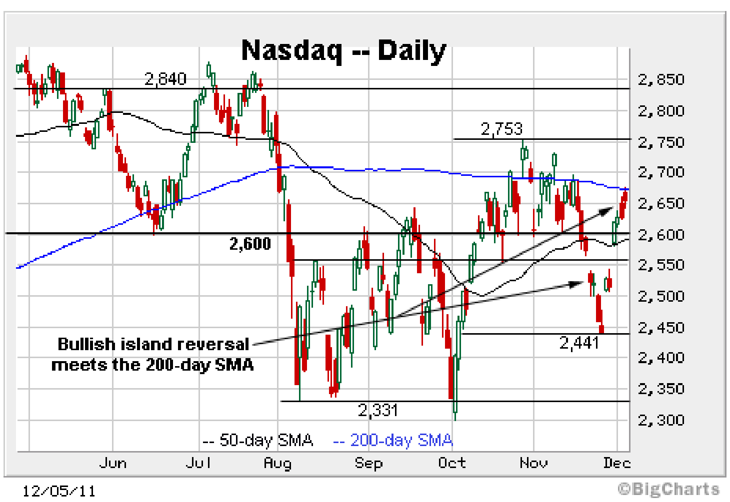
This area remains first resistance, and is followed by significant overhead at its four-month high of 12,284.




And the Nasdaq Composite has also risen to major resistance.

Namely, its 200-day moving average, currently 2,672.

On further strength, additional overhead holds at the mid-November peak of 2,695.




Widening the view to six months adds perspective.

As illustrated, the Nasdaq has extended its break from a bullish island reversal.



## Breaking Insight

OUTSIDE THE BOX
The sad tale of a Packer stockholder

THE TECHNICAL INDICATOR
Market recovery meets technical resistance

PAUL B. FARRELL
Super Rich vs. 99%: Class war will explode

MARKETWATCH FIRST TAKE
Corzine and the top-dog rule

## Partner Center »

Find a Broker



## Video

Asia week ahead: Chinese data dominates

Europe's Week Ahead: EU Summit, ECB meeting

Trading Strategies: Holiday Head Fake

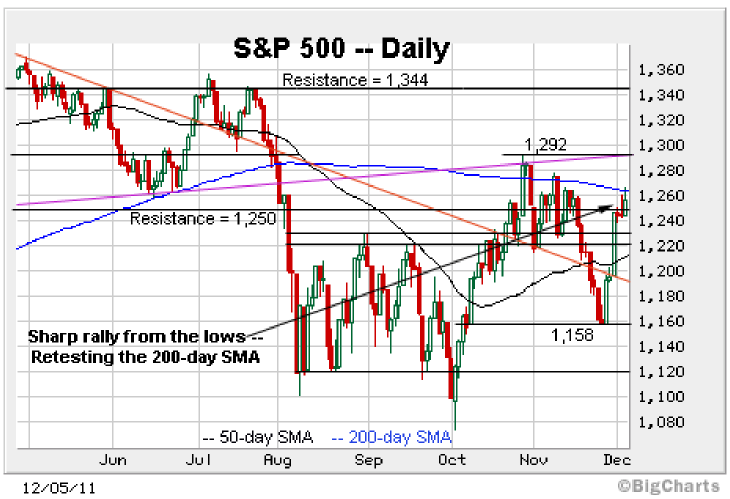
Gold Will Glitter In December

Its sustained rally attempt is constructive, and again, the 200-day moving average, currently 2,672, marks the next technical test.


Moving to the Dow, its six-month backdrop is stronger.

Consider that the blue-chip benchmark has sustained a slight break atop its 200-day moving average which currently holds at 11,944.

On further strength, significant resistance holds at 12,284, matching its four-month high.




And the S&P 500 has also rallied to significant overhead.

Namely, it’s undertaking the third test of its 200-day moving average, and major resistance is typically cleared on the third or fourth approach.

### The bigger picture

While the market backdrop remains volatile, it’s also distinctly technical.

Consider that each benchmark has closely observed significant resistance as follows:

- S&P resistance at its 200-day moving average, currently 1,264. The S&P topped Monday at 1,266.
- Dow resistance at the November peak of 12,187. The Dow topped Monday at 12,186.5.
- Nasdaq resistance at its 200-day moving average, currently 2,672. The Nasdaq topped Monday at 2,674.

So more plainly, each benchmark has topped this week within two points of obvious resistance.

And technically, the response to these areas should be a useful bull/bear gauage.

To the extent that the major benchmarks hold tightly to resistance, the chances of an eventual break higher improve. Conversely, a sharp sell-off from these areas keeps the bull/bear debate alive.


Against this backdrop, consider two additional points.

To start, the SPDR Trust S&P 500's SPY +0.10% major moving averages — its 50-day, and 200-day moving averages — are converging, as detailed last week. ( See Dec. 1 column. )

As they converge, the bull or bear case "should" strengthen. A posture higher signaling a positive bias and vice versa.

And within this band, the S&P's third test of its 200-day moving average is currently underway.

Major resistance is typically cleared on the third or fourth approach, and this is widely-tracked technical territory.

Page 1 Page 2



Suggested stories

Don't be fooled: Get short now

Bears unbudged by big bounce

AMR shares will go to zero: analysts

Irwin Kellner: How low can oil prices really go?

Don't get mad at Wall Street, get even

What happens in Europe won't stay in Europe



## Comments on this story 2 Comments

Oldest comments listed first

**Mowz** 1 hour ago    0 Votes

My feeling is that this is a good time to keep your powder dry. As Benny Franklin said years ago, "A penny saved is a penny earned." With inflation, that penny is now worth ~$4575.

Reply | Link | Track Replies | Report Abuse

**chalannnnn** 41 minutes ago    0 Votes

In my last post I commented that the daily charts of the markets and long ETFs were in a downtrend BUT the weekly chart were in control of this bounce in the markets and ETFs will try to retest the last peak due to short covering rally as the bears were clearly trapped, one only had to look at the weekly charts of the SPY and IWM to notice that, along with the Santa rally and IMO the same comment still applies once the move gets digested..

Repost:
Indeed the daily charts look like a dead cat bounce but the weekly charts of the SPY and IWM are in a sideways trend with a bias for the next leg higher IMO. The shorts are trapped on gap from yesterday judging by the red candle being traded over on their weekly charts.
... more

Reply | Link | Track Replies | Report Abuse

## Join the Conversation; Add a Comment 2 comments

1,000 characters

Post to Facebook
Track Responses

View Community guidelines »
Use Community Commons for off-topic discussions »

Add Comment

## Featured Stories

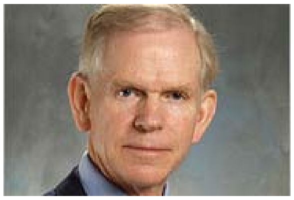
U.S. stocks up after Europe-related

Protect your home when hosting a

How to pay less for your medications

rattling

Wall Street curbs some of its enthusiasm after headlines involving Europe shake up nerves again.



GMO's Grantham: Risk doesn't pay

Merkel, Sarkozy seek new EU treaty

bash

As a host, you're thinking of decorations, food and music when you plan a holiday party. But you might also...

If you take prescription or over-the-counter medicine, you could be overpaying if you're not part of a...