



Bearish Divergence S&P 500

O: 1117.12 H: 1120.16 L: 1113.62 C: 1114.33 Net: -1.94

Ok
 Symbol: \$SPX.W
 Date: 12/22/95
 Time: 00:00
 Price: 761.004
 Open: 616.34
 High: 616.34
 Low: 605.05
 Close: 611.95
 RSI(21,C) 74.78

STAGE 2: DETECTION
 At this point in time it is possible to detect the divergence and to anticipate a reversion in the market.

STAGE 4: TARGET REACHED
 The market reaches the level at the divergence in Stage 1 at 923 and the short position taken in Stage 3 is reversed.

STAGE 1: BEGINNING OF THE DIVERGENCE
 The market continues to increase and hit new tops. However the RSI evolves without hitting new highs. It is possible to find a relationship between the resistance lines for the market and for the RSI.
 At the time of the divergence the market is at 923. This is the TARGET of the divergence and gives us the level the market should return towards when the divergence is validated.

STAGE 3: VALIDATION
 The RSI breaks the support line: the divergence is validated and can be played by shorting the market.
 By chance the market breaks its bullish trend which confirms the bearish divergence.



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RSI(21,C)
 Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Aug Nov Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep
 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004