

Key U.S. Stock Charts

For The Week Ended 2/2/18

After many months of relentless upward momentum, U.S. stock investors were reminded this week that downside is still possible. Since the summer of 2017, the U.S. stock market has been going parabolic as indices continue to climb ever-steepening uptrend lines. With the market becoming so [technically overbought](#), it's no surprise to see a pullback. Is this pullback the start of a larger correction? It's still too early to tell, but here are the key charts that investors should watch to help determine if another bounce is likely or if something worse is ahead. The daily Dow Jones Industrial Average chart shows how the index has been climbing steepening uptrend lines for the past five months. This week's pullback brings the Dow back to its most recent uptrend line that began in late-November. If the Dow is able to remain above this line, the chances of a bounce increase. A break below this line would be a worrisome sign and would put the next uptrend line (that began in late-August) into play as the next most important support level to watch.

\$INDU Dow Jones Industrial Average INDEX

1-Feb-2018

\$INDU (Daily) 26186.71

Open 26083.04 High 26306.70 Low 26014.44 Close 26186.71 Volume 407.7M Chg +37.32 (+0.14%) ▲

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Source: [StockCharts.com](https://stockcharts.com) The weekly Dow chart shows the progression of the parabolic rally over the past two years.



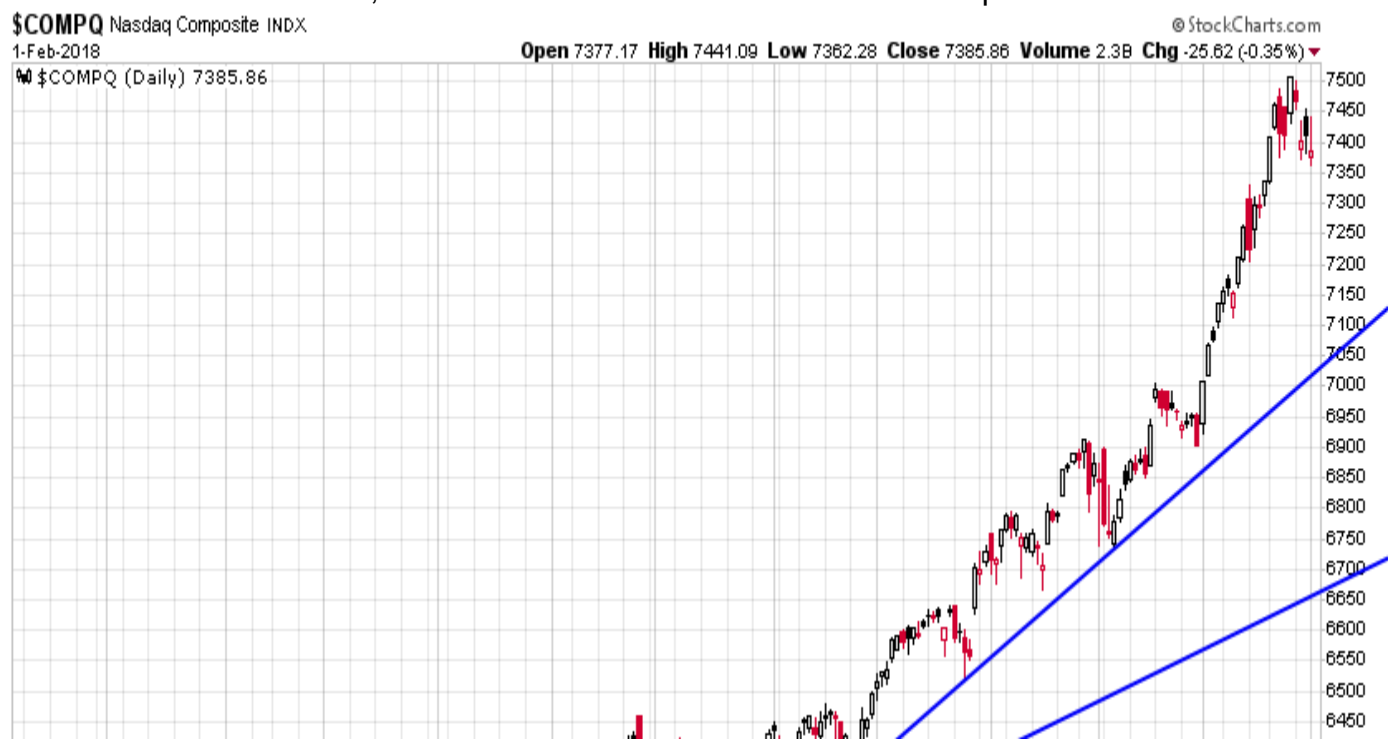
Source: [StockCharts.com](https://stockcharts.com) Similar to the Dow, the SP500 has been climbing steepening uptrend lines since the summer. If the current pullback continues, the next major support level and price target to watch is the uptrend line that began in mid-November.



Source: [StockCharts.com](https://stockcharts.com) The weekly SP500 chart shows the longer-term trendlines to pay attention to:



Source: [StockCharts.com](https://stockcharts.com) The tech-heavy Nasdaq Composite Index remains the most overbought of all the U.S. stock indices, based on how far it is above the nearest uptrend line.



Source: [StockCharts.com](https://stockcharts.com) The weekly Nasdaq Composite chart shows the most important uptrend lines to watch over the last two years:



Source: [StockCharts.com](https://stockcharts.com) The small cap Russell 2000 broke above its key 1,550 level in early-January, which led to a 65-point surge in just a few weeks. Though the Russell 2000 has pulled back this week, the breakout and uptrend is still intact as long as it remains above the 1,550 support level.



Source: [StockCharts.com](https://stockcharts.com) The weekly Russell 2000 chart shows that the index is trading in a rising channel pattern. The longer-term uptrend is still intact as long as the index stays within this channel.



Source: [StockCharts.com](https://stockcharts.com) There is still very little chart damage after this week's pullback. If some of the most recent uptrend lines are broken in the next few weeks, that would be a reason for concern. For now, investors should see if stocks are able to stage a bounce from the current levels or if the indices will try to gun for their closest trendlines. *(Disclaimer: All information is provided for educational purposes only and should not be relied on for making any investment decisions. These chart analysis blog posts are simply market ?play by plays? and color commentaries, not hard predictions, as the author is an agnostic on short-term market movements.)*