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## STOCKS NEWS EUROPE-Index charts show bearish divergence

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Charts show an exhaustion of the recent equity rally, at least in the short term, with divergences between a number of stock indexes including the MSCI world and their 'relative strength indexes' (RSIs) and 'moving average convergence/divergence' (MACDs), two widely-used momentum indicators.

The recent RSI and MACD peaks have shown a declining trend over the past few days while the indexes rallied, a signal that the market is ripe for a pull-back.

"The MSCI World has reached a resistance level and has formed a perfect zig zag pattern. There is a clear MACD divergence, calling for consolidation," Valerie Gastaldy, head of Paris-based technical analysis firm Day By Day, says.

Technical divergence patterns are also emerging on U.S. and European benchmarks such as the S&P 500 and the STOXX Europe 600, says Gerard Sagnier, technical analyst at Aurel BGC in Paris.

"We can't exclude a short-term consolidation wave, that could drag indexes down 3 to 5 percent," he says.

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