

# The VIX Warns a Stock Market Decline is Approaching

By Robert McHugh, Ph.D.

July 7th, 2019

The VIX is suggesting a large stock market decline is coming.



The Volatility Index is completing a declining Bullish Wedge. This is suggesting a rise in the VIX to at least 23. This will come only if the stock market plunges.

In the next two charts we show the last two declines in the stock market that were accompanied by a VIX reading of 23. In both cases the stock market fell sharply.



The upside target of the VIX is 23, which is a level that typically accompanies strong declines in the stock market.



Further evidence that a strong stock market decline is approaching, is from the large Megaphone tops from 2017 that are finishing a lot faster than we thought. We show this chart for the Industrials below. This is a reliable topping pattern warning a powerful stock market plunge is coming once finished.

At this time the upside price targets for a top are 27,250 for the Industrials, 3,100 for the S&P 500, and 8,200 for the NASDAQ 100. These are approximations but should be close. If the rise slows, because the upper boundary lines are rising, it could mean stocks top modestly above these upside target levels.



The Industrials could top at the intersection of the Rising Upper Boundary Lines of two different Megaphone top patterns, one a fractile from 2019 and the other larger from 2017. This intersection gives an upside price target of 27,250ish. Timing could be a July/ August Top.

Notice there is also a smaller Megaphone topping pattern that has the same upside price target as the larger pattern does. We show a close up for that pattern next.



The Industrials are finishing a Megaphone Topping pattern formed in 2019 with an upside price target at the rising upper boundary, around 27,250ish.

Other evidence is building for a coming stock market decline. There are Bearish divergences between major stock indices and their 10 day average Advance/Decline Line Indicators. There is also a 10 observation Hindenburg Omen on the clock through September 2019.

Gold is on a trek toward 1650, with corrective declines along the way. Gold could provide a safe haven once stocks begin their coming decline.

At McHugh's [www.technicalindicatorindex.com](http://www.technicalindicatorindex.com) we have developed several proprietary indicators that help us identify when the next significant move is starting for the stock market, Mining stocks, and precious metals, as well as which direction the move will develop. We publish these indicators in every Daily Newsletter to subscribers.