



IN BLACK AND WHITE

the week beginning
14/10/2019

A market technician's view

FX
INDICES
EQUITIES

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SUMMARY- October the BEAR killer

Deal or no deal? Brexit and China.

This will be the theme in the coming weeks as the Whitehouse portrays a deal with no paperwork as proof.
And the European Union starting to negotiate with Britain in the face of the looming hard exit date.

A late sell entered the markets in the closing hours of Friday, with Gold finding late support avoiding a distressed sell signal.

Australian 200 index – Weekly



Primary Trend remains UP. Market requires a close below 6400 to enter a down trend.
Last weeks inside range shows the market trapped between 6630 and 6430.

The MACD remains a sell signal.
RSI continues to show a potential bearish downturn, a further crossing of the key "50" level will highlight a loss of momentum to the upside.

(See foot notes on #3 candles.)

Comments from last week: Last weeks strong bearish candle closing below 6630 and above the key level of 6430, now places the market into a consolidation period
Look for support at 6430 to hold during the next week.

Australian 200 index – Daily



Wednesday saw a retest of the lows with Friday recovering to the high for the week. This is a bullish finish with follow through expected this week.

A further close over 6630 would be very bullish for further gains.

The Relative strength Indicator has swung higher a good sign for further upside momentum.

Comments from last week: Last week saw 2 very strong trading periods move the Index lower from the earlier wedge pattern.

With Thursday moving lower on strong volume. Consolidation is favoured as the market downside momentum slows, indicated by the RSI turning higher.

S&P 500 Index – Weekly

The Primary UP trend remains in place.

The past weeks consolidation has closed in the high part of the range, a bearish indication for the coming week.

The larger 4 week bullish flag again closing above 2940 indicates strong support at this level.

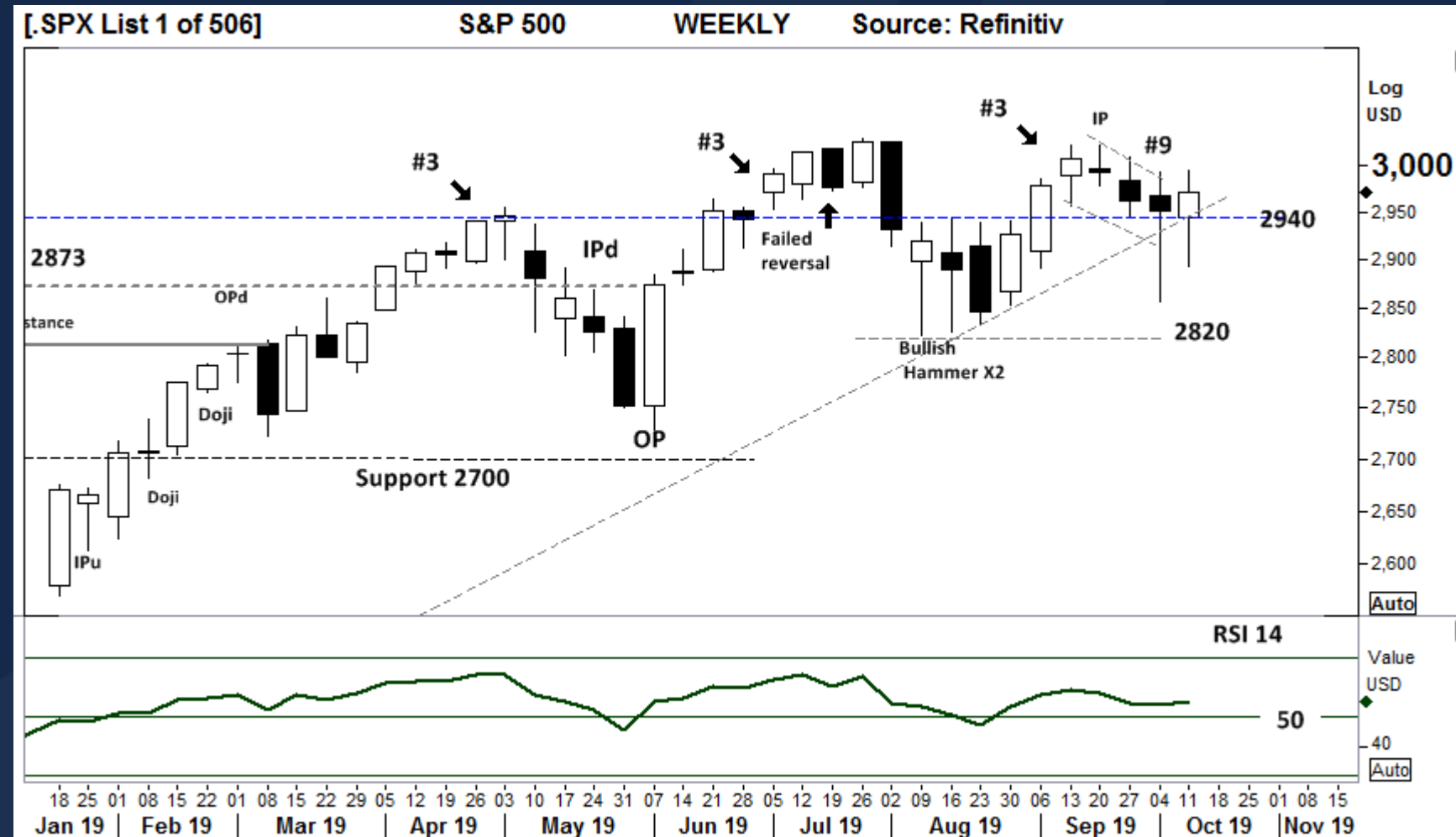
This same 2940 level will be the support to break for the bears.

(See notes below for #9)

Comments from last week. With the lower shadow in place, the view is for a consolidation of price at these levels in the coming week.

RSI turns flat reflecting the past decrease of upward positive momentum.

The RSI continues to make lower highs over the past 6 months from the high made during April 2019.



S&P 500 Index - Daily

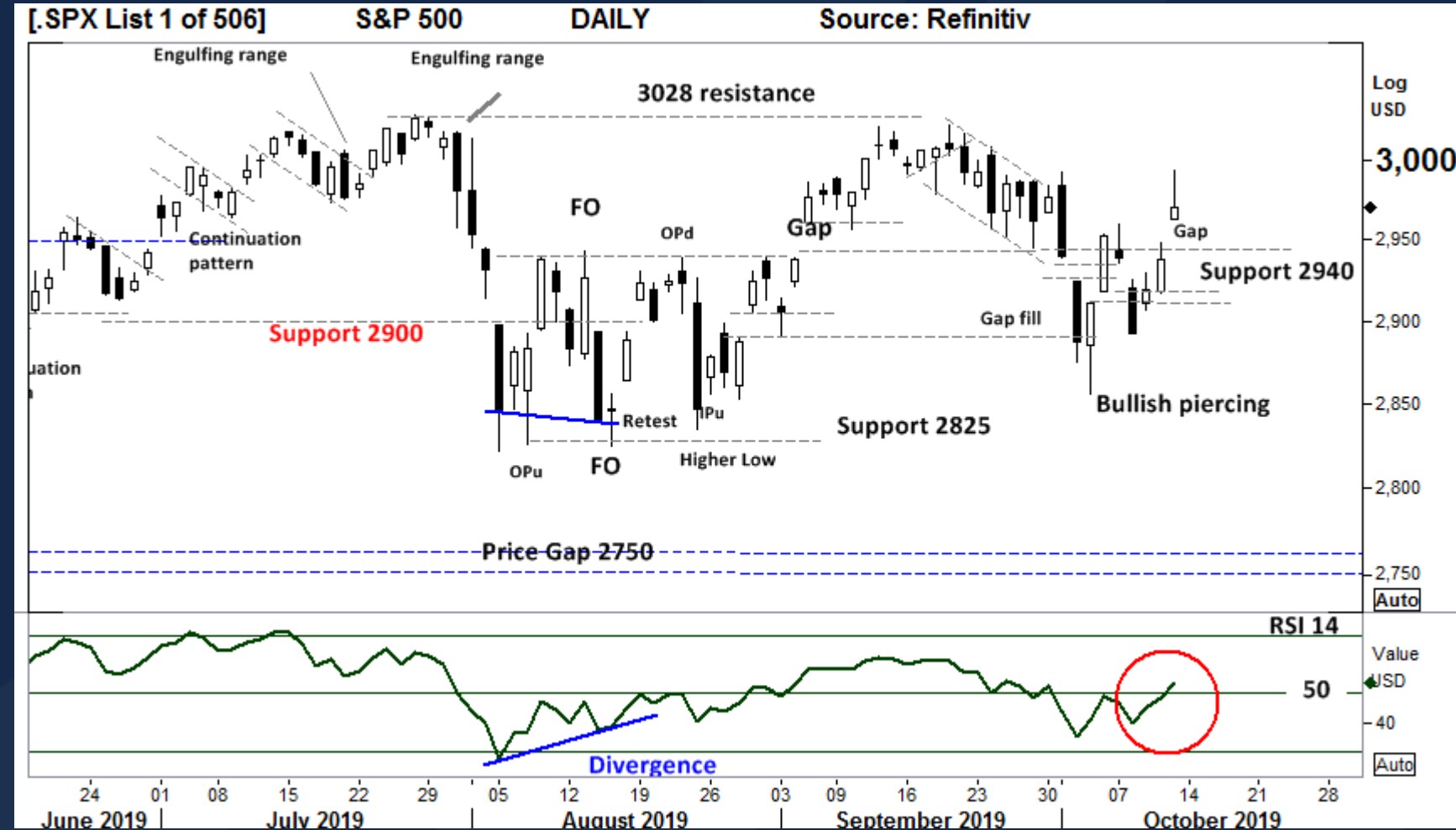
Price action from the past 4 months only shows consolidation between 2800 and 3028 range. Fridays gap open and close in the lower part of the daily range, signals weakness as a risk off move before the weekend. Traders should look for the Gap to be filled in the coming days as further consolidation below 3000 takes place.

The RSI has turned sharply higher and has moved to remain below the key 50 level, and remains only a sign of increasing price momentum.

Comments from last week:

A Gap fill complete with Wednesday's lows, followed by a sharp reversal higher. The buyers have control and will need to close the market back towards the 3000 point level in the coming week.

Consolidation below 3000 points is expected in the coming day's.



Transports Index

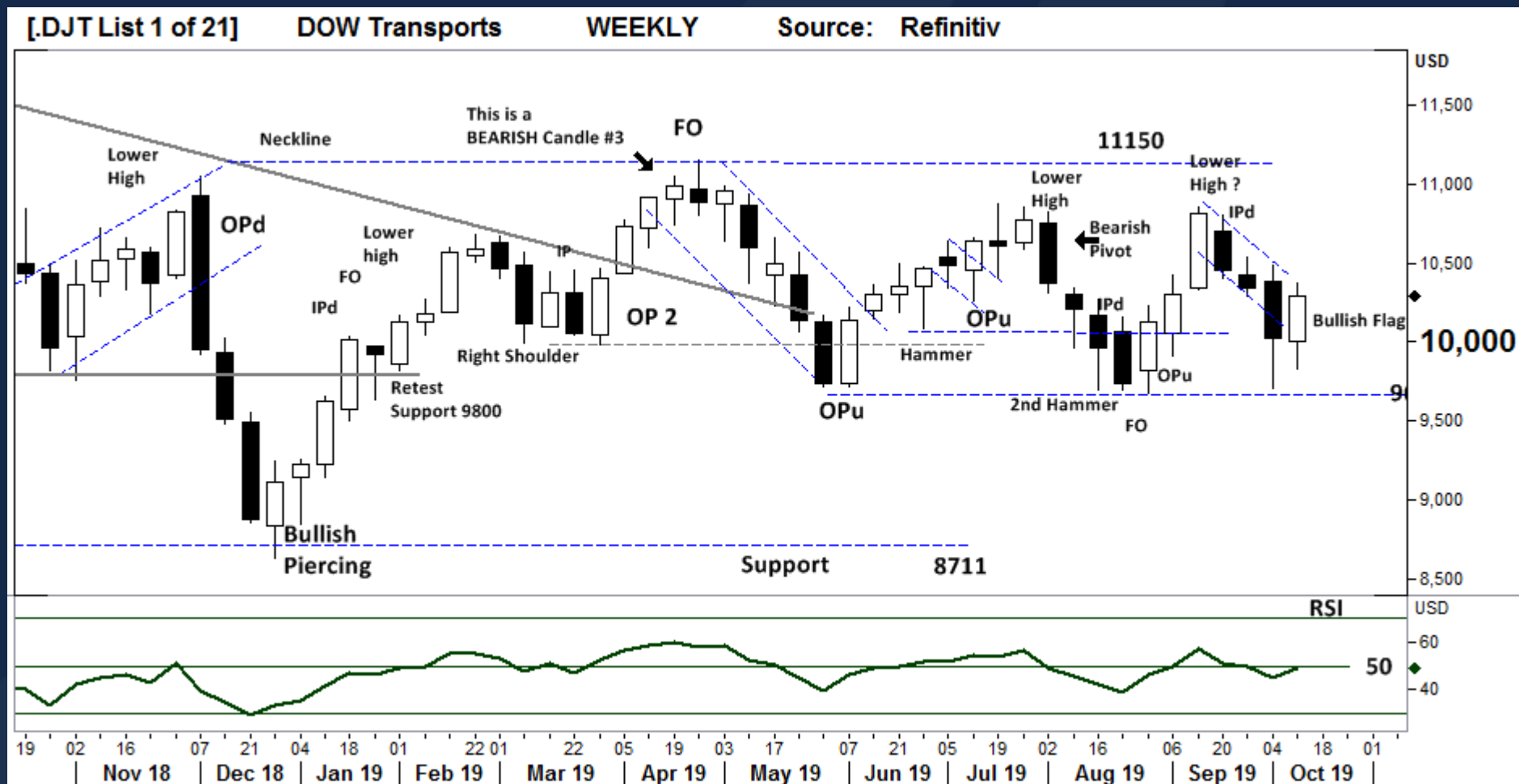
Dow Theory trend analysis states, the transports must confirm major indices.

(This index continues to remain a **NON CONFIRMATION** of the long term Bull market, a break of 11150 points is required.)

A Bullish flag continues to develop in the Transports. Last weeks inside range with the high close in the range suggest follow through to higher prices.

Look for retest of the upper range of 11150 in the coming days. Relative strength has turned higher but remains just below the key 50 level.

Comments from last week: With the retest of 9670 during the week, strong recovery to close over the 10,000 point level is a win for the Bulls.



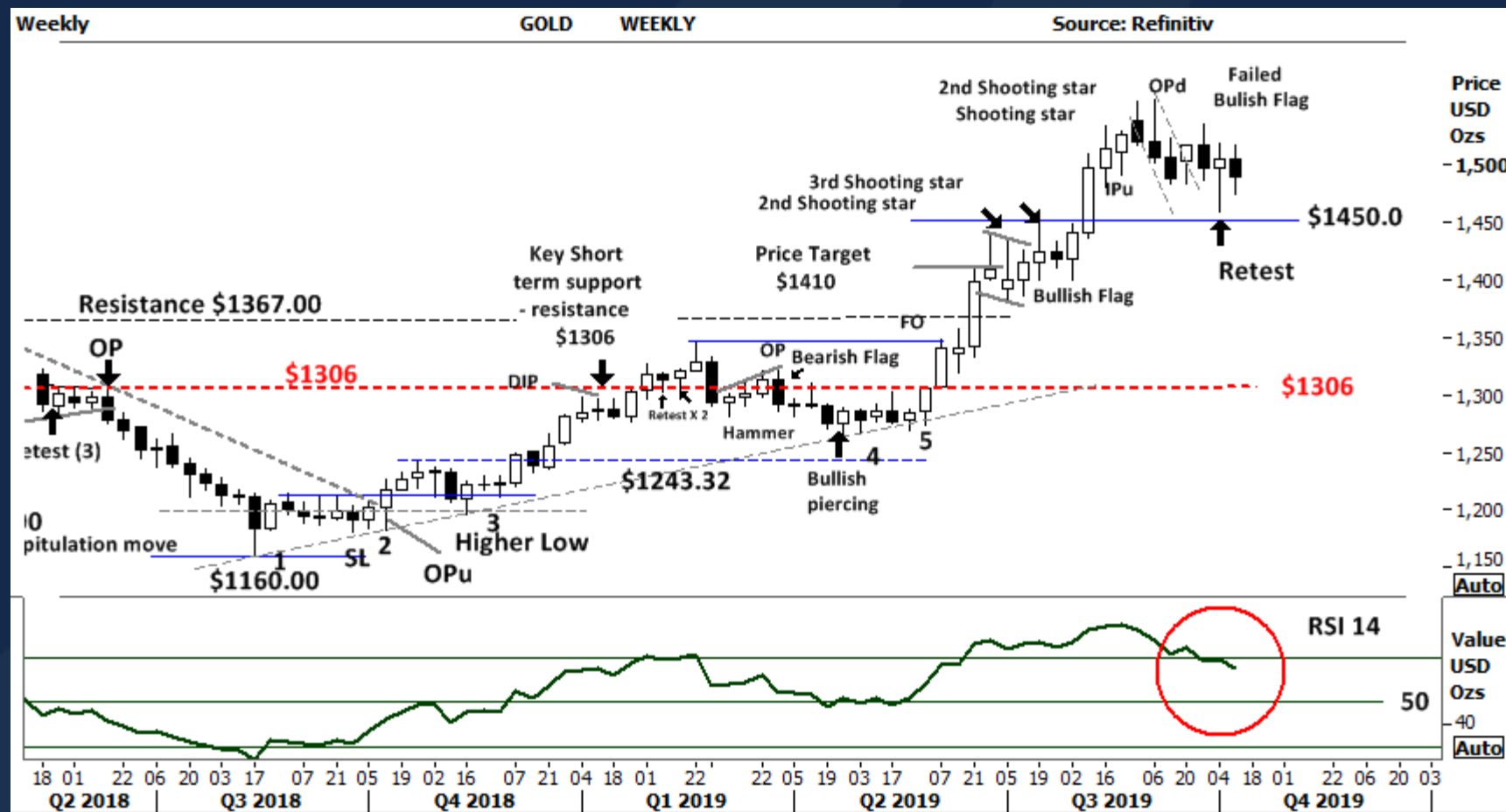
GOLD Weekly

The underlying Primary trend is UP with \$1650 as the potential target.

The high close of 2 weeks ago candle/bar following the retest of near \$1450 level may encourage further buying in the short term, however further consolidation between \$1450 and \$1550 is the outlook going forward.

Only a significant breakout on news would change this view.

Comments from last week:



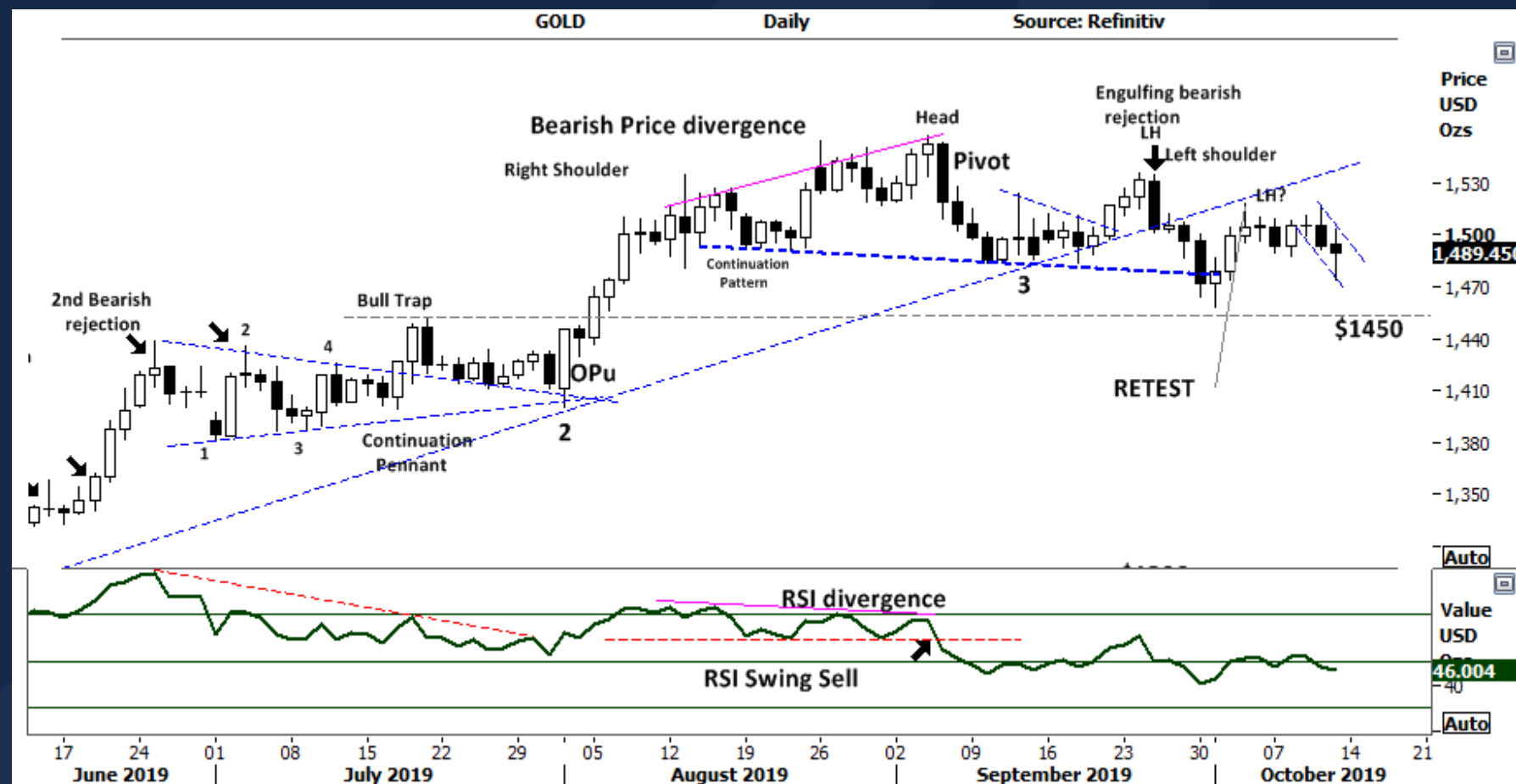
Gold Daily

With a potential bullish flag developing, the daily Gold chart remains in consolidation.

In the coming week a retest of \$1450 remains, as the flag pattern develops. In this scenario a lower high would again be identified with the risk of further breakdown.

GOLD REQUIRES A CLOSE OVER \$1510 ON A WEEKLY BASIS TO REMAIN BULLISH.

Comments from last week: The Daily chart shows a clear 2nd lower high set with a retest of the underside of the trend line extension. Last week the head and Shoulder pattern has failed to breakdown lower with this trendline retest underway. The potential here is for a 2nd lower high and a further retest of \$1450. Relative strength remains neutral at the 50 level.



SILVER Daily

With a potential bullish flag developing and confirming the daily Gold chart, Silver has established \$17.50 as the support level to be respected in the coming days.

Should price close below this level in the coming days a retest of \$16.0 is the favoured move.

Relative strength has again moved lower and remains below the key 50 level, a sign of weak price momentum.,

Comments from last week: A 2nd bearish flag and lower high, a breakdown of this current closing price level would be a very bearish sign, with the sellers in full control. \$17.50 remains the key support level as price closes in the on the highs of the week. Silver favours a retest of \$16.60 on further price weakness.



Australian Volatility Index

Current volatility levels, show a decrease in the volatility indicator. This is moderately Bullish for equities.

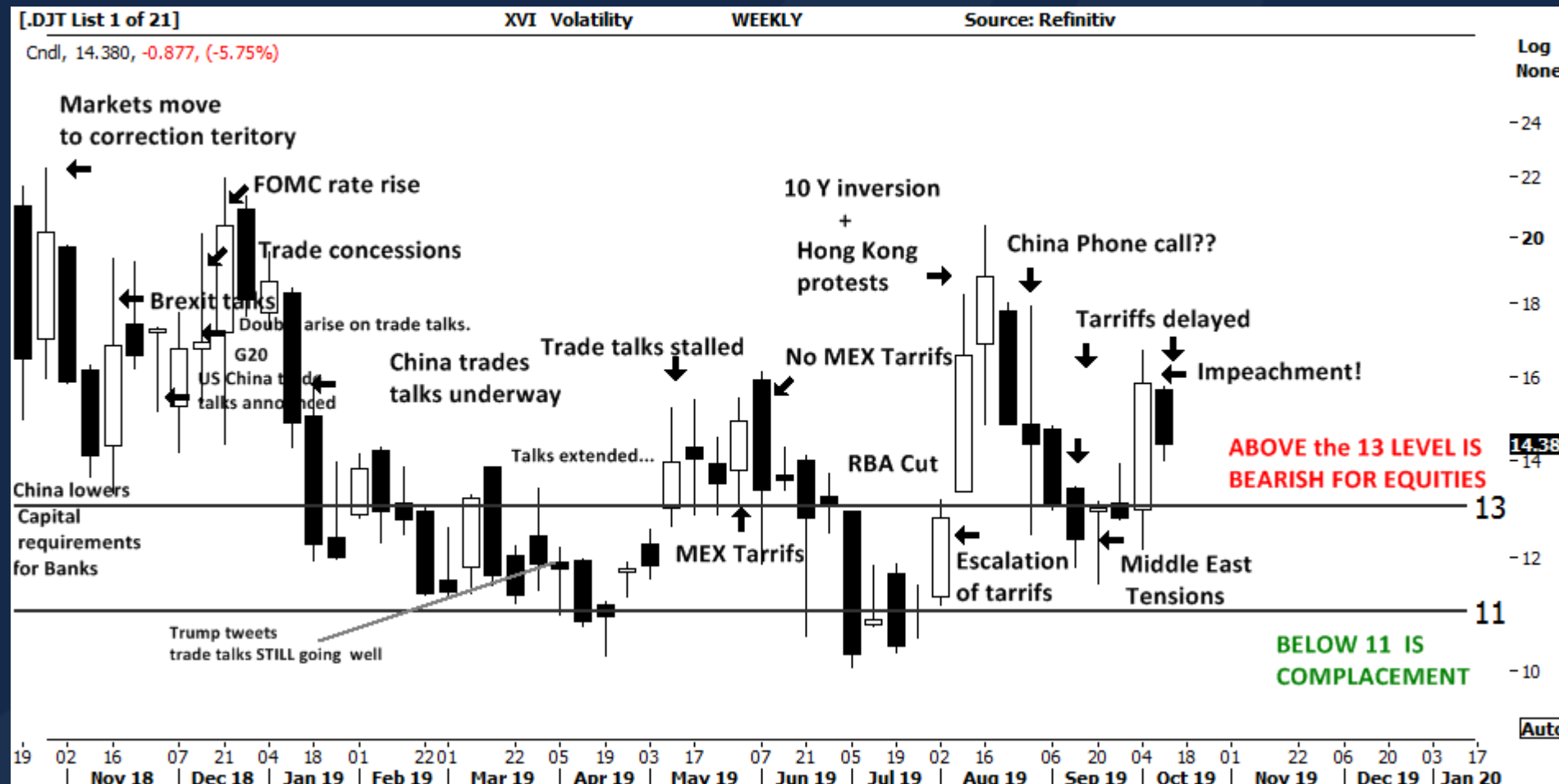
This news driven indicator is reflecting uncertainty in markets going forward.

The XVI is the difference of 1 month forward pricing of ETO Options against current month.

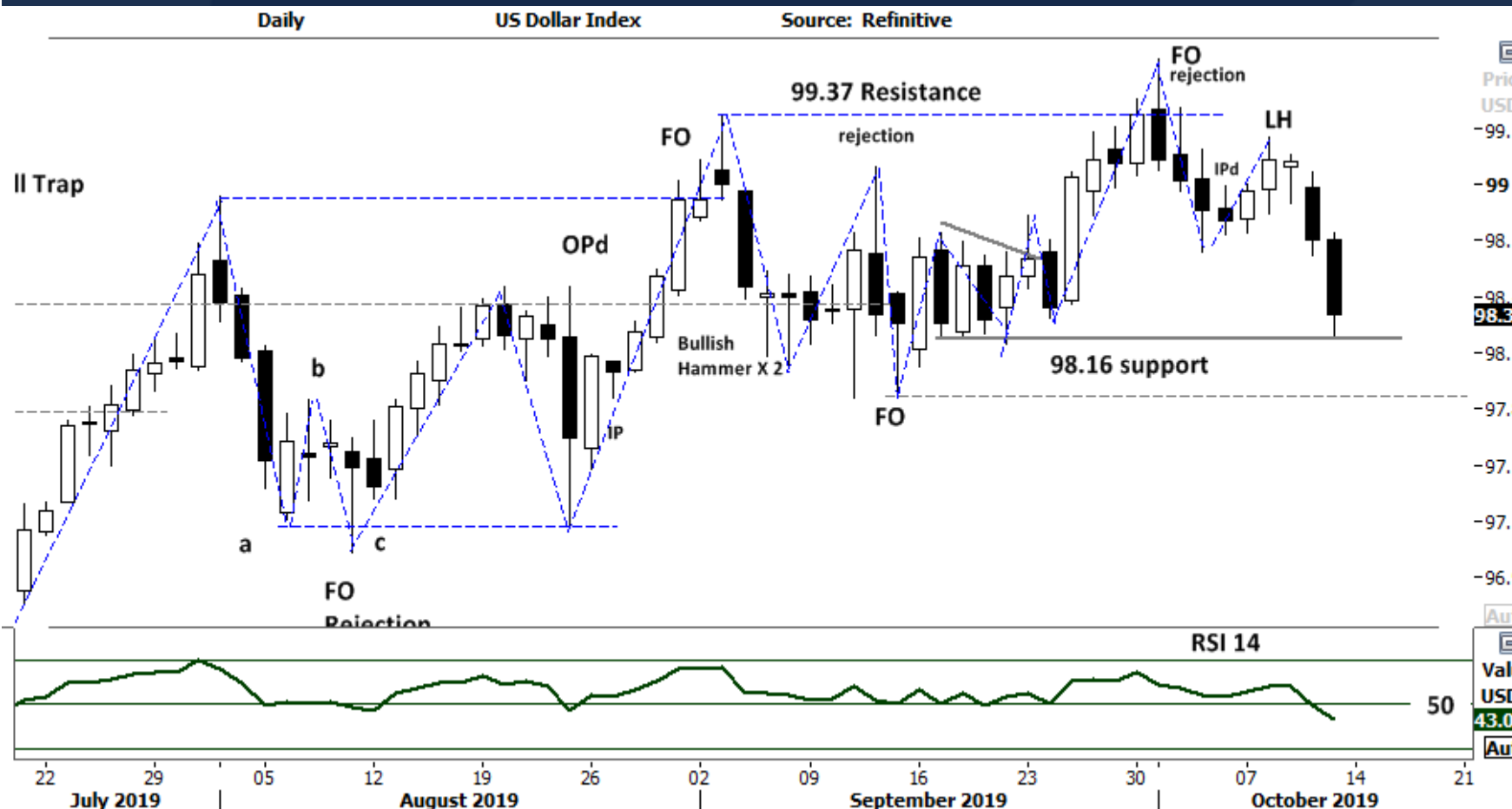
As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this “skew” in pricing is measured in this XVI.

The XVI value works as an inverse observation to the underlying market.

An XVI over “13” is generally bearish for equities.



US Dollar Index – Daily



US Dollar index has confirmed the lower high with Fridays low testing the 98.16 level. Thursday and Friday are two strong range days, further close below 98.16 would suggest further selling to follow.

Relative strength remains below the key 50 level showing a loss of price momentum.

Comments last: Rejection again at the 99.37 level with a FO (fake out) rejection day +1. The current inside period (IPd) suggests balance in price. Traders would monitor the IP breakout to give further direction. Lower support can be seen at 98.16.

WTI Oil WEEKLY

The Weekly chart of WTI now displays 3 significant lows along the \$50 support level. Following the 3 crows last weeks inside period with a close towards the high of the week is a good sign for further bullish gains.

A breakdown below the \$50 level would be a very bearish sign with a potential to test \$42.0

The Relative Strength Indicator turns lower below the 50 level, a continuing sign of weak momentum.

Comments from last week: (3 crows is usually a bullish sign.) Rejection of higher prices as the \$61.80 level leads to continued selling below this key level. Intra week support has been found at the \$50.0 level. Further consolidation is expected between \$50.60 and \$61.80.



The technical setups

Outside period

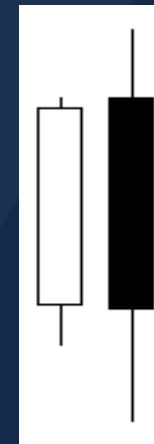
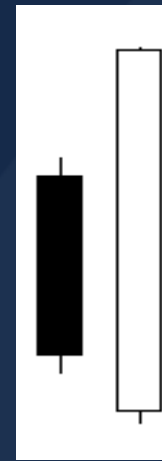
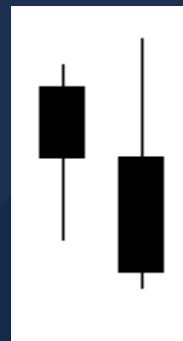
OPu and OPd

A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

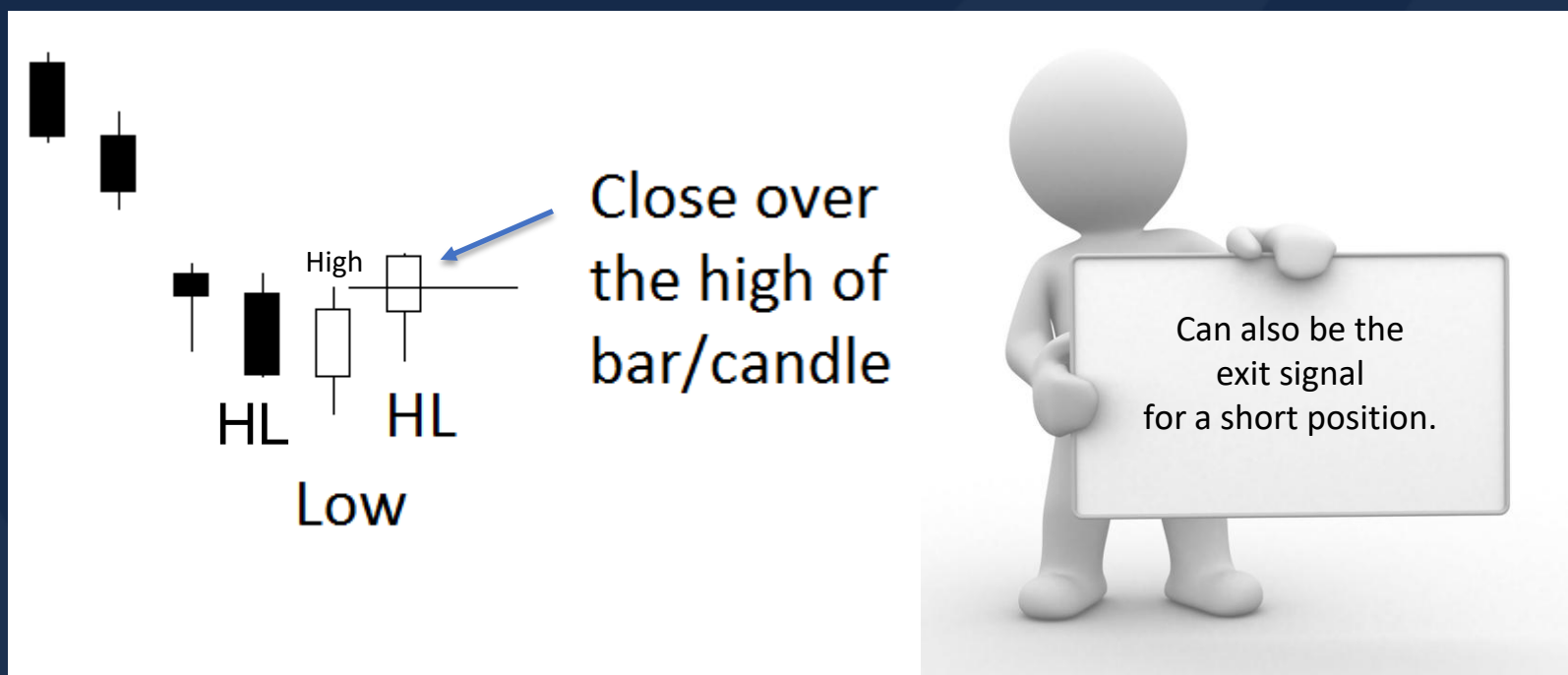
The outside period can mark a significant market turning point at or within 3 bars (93%).

OPu is an up close bar OPd is a down close bar.

The OP period comes in all shapes and sizes.

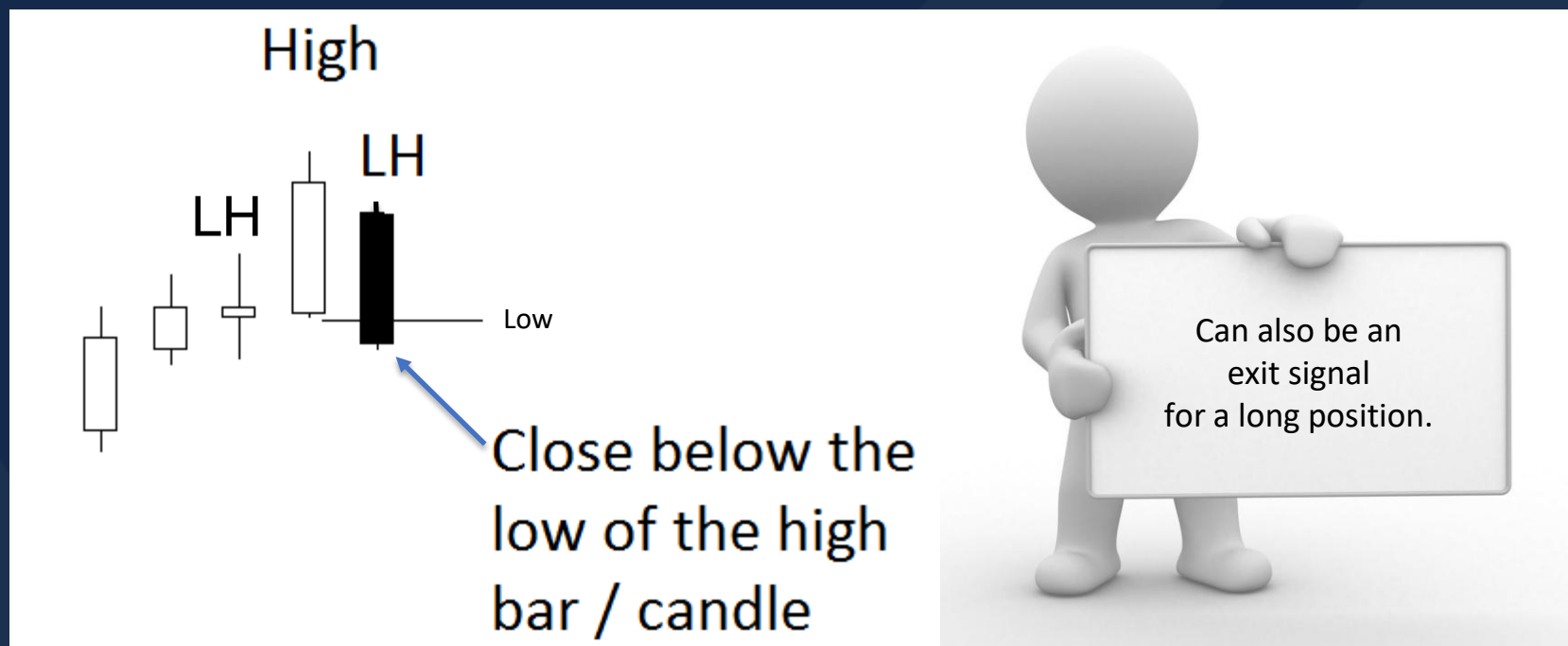


The technical setups. The Pivot point reversal



The technical setups

Pivot point reversal



The technical setups WEEKLY #3 reversal



When Line #3 is found at a **HIGH PRICE AREA** Long positions should be closed within a week.

If the opening price of the following week is above the Midpoint selling is still indicated, **this often shows a high with 2 weeks warning.**

Short positions would be closed with a closing price above the high price.



The technical setups WEEKLY #9 reversal

When Line number #9 appears, the body is above the Mid-point. With the closing price lower than the Open.

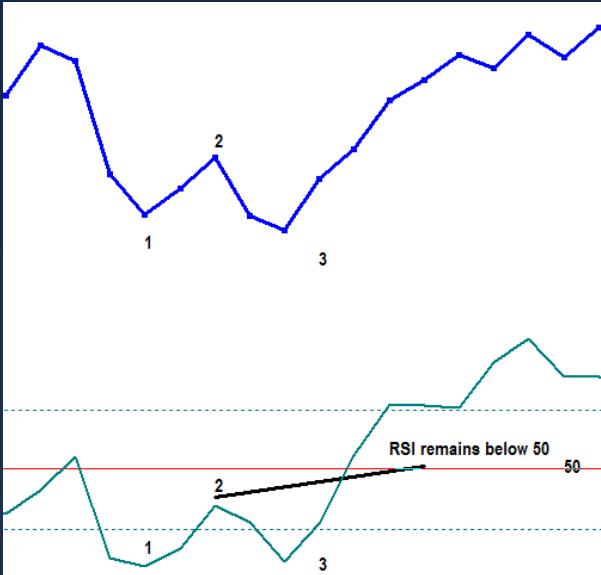
If this is a short line the trader should wait for the market to show direction.

Following Price movements can “engulf” this short movement.



THE TECHNICAL SETUPS

Relative Strength



Relative Strength Indicator

SWING BUY SIGNAL.

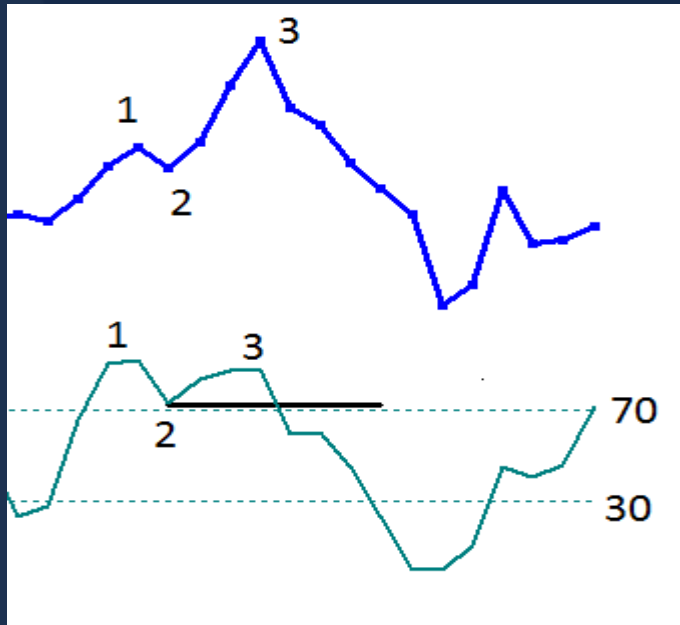
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- RSI swings below the 30 level. (1)
- RSI moves higher but not over the “50” level. (2)
- RSI makes a higher low (3)

- The swing buy signal occurs when the RSI moves and finishes over point 2

THE TECHNICAL SETUPS

Relative Strength



The RSI Failure Swing

1. Market makes high price.
 2. Retracement RSI remains above "50" (2)
 3. Market makes higher high.
 3. RSI makes lower high. (3) Must be over the 70 level.
- ** The Swing failure sell signal occurs as RSI swings below "2" **

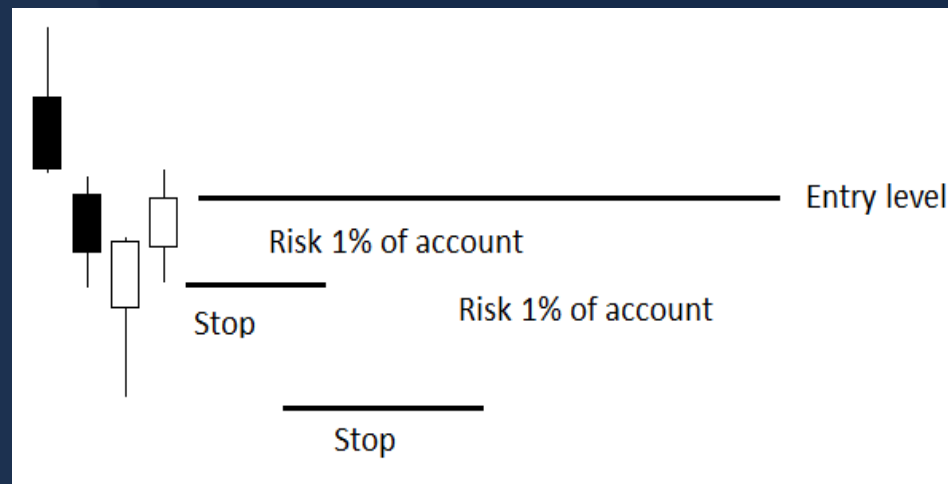
Swing failure is identified with the break of point 2 on RSI

Position size and management guidelines

Position size by account size

Building a trading system on simple rules requires a money management process.

As an example, should 1% of the account size be risked on an individual position, the position size can be calculated. Here is the guideline, this allows the trader to build an R- (risk) based return.



The distance-to-stop is the \$ amount risk.

Dividing the distance to stop into 1% of the account size gives the position size.

The lower stop displayed will have a smaller position size.

Profit taken on the trade can then be measured against the risk.

For example:

The distance-to-stop is 20 cents and the account size is 10,000.

Using 1% (\$100) of the account, divide the \$100 by 20c.

This gives a position size of 500 units.

The lower stop loss is 50 cents away. Using the same methodology of a 1% of account risk, the position size is 200 units.



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