



# **IN BLACK AND WHITE**

**The Week Beginning  
08/04/2019**

**A market technician's view**

**FX  
INDICES  
EQUITIES**

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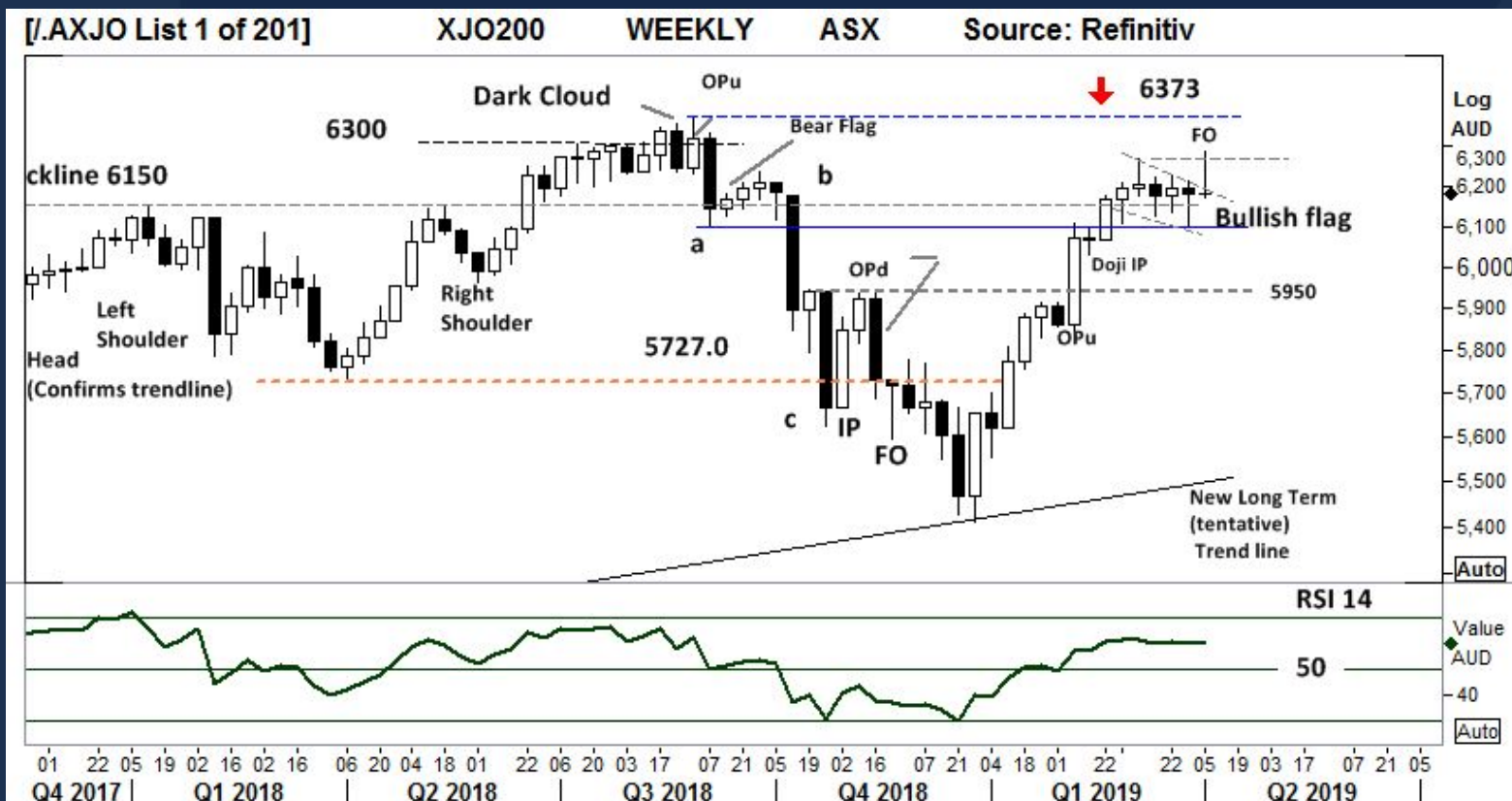
## **SUMMARY**

Equity markets ended the week mixed as the S&P closed on the highs and the Australian XJO ends the week entering a retracement move.

Brexit is shaping up as a hard exit on the 12<sup>th</sup> of April or a delay into June, but the UK FTSE breaks out over 7300 with strong momentum closing at 7447 points.

Commodities remain bullish with continuing strength in Oil, Iron ore.

# Australian 200 index - Weekly



The first move out of the Bullish Flag is met with selling back below the KEY 6200 level.

This weeks FO is a bearish sign.

Relative strength remains positive above the key 50 level, but should be monitored for a turn lower.

## Comments from last week:

A new weekly low this week has developed into a bullish flag pattern. With a breakout expected, the target 6373 is first resistance level. This weeks low of 6097 suggest a retest of the lows are complete.

# Australian 200 index - Daily



A bullish start with rejection and another Friday close below the key 6200 level is an important observation showing a lack of conviction of the Buyers.

The low volume on Friday shows a lack of selling interest, suggesting this price retracement lacks conviction.

An intra week retest of 6100 support on this bearish momentum is underway.

A daily close above 6200 would reverse this view.

Relative Strength has turned sharply lower below the key 50 level.

## Comments from last week:

This week has confirm 3 spike low points in this consolidation, a very bullish pattern overall.

# S&P 500 Index – Weekly High 2813

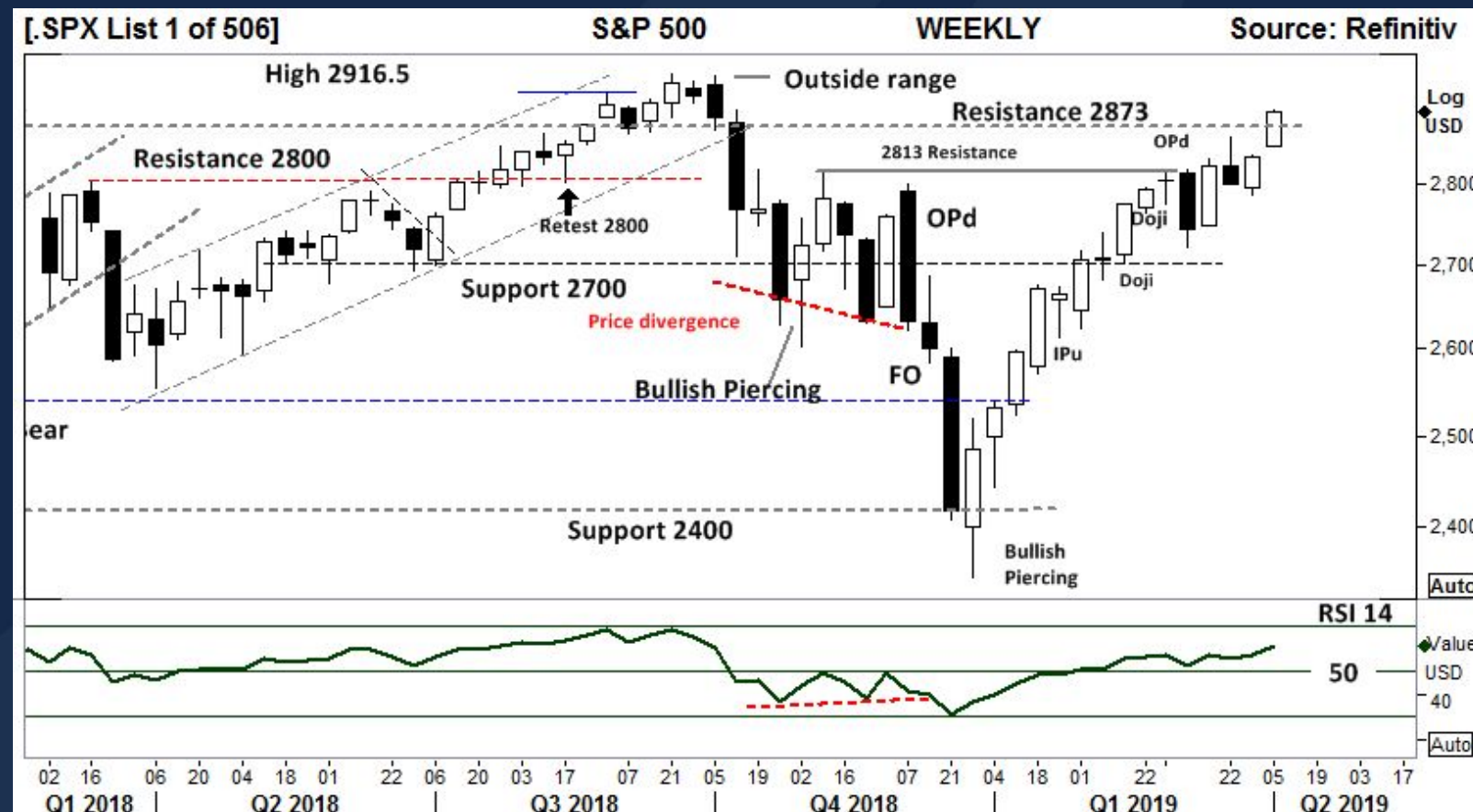
A characteristic of a true BEAR MARKET  
- short sharp price rallies, in this case a  
Christmas / January rally.

The strong breakout above 2873 is very  
bullish with a potential retest of the  
historical Outside range underway.

RSI remains over the key 50 level and  
again rolling higher is a positive  
indication of improving price  
momentum.

## Comments from last week:

With a bullish body to body reversal and a close over  
the internal resistance of 2813 this week, a further  
retest of 2873 is expected.





# S&P 500 Index - Daily

The Daily Chart indicates a rising wedge pattern, ultimately a bearish pattern, although may persist for several weeks.

A strong breakout is required for continuation higher.

Relative Strength has turned higher showing an increase in positive price momentum, but has not made a new high (required).



## Comments from last week:

The breakdown below 2817 is very bearish in this short term view. Current consolidation with the body of the reversal may result in price failure to again test support.



# Transports Index

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

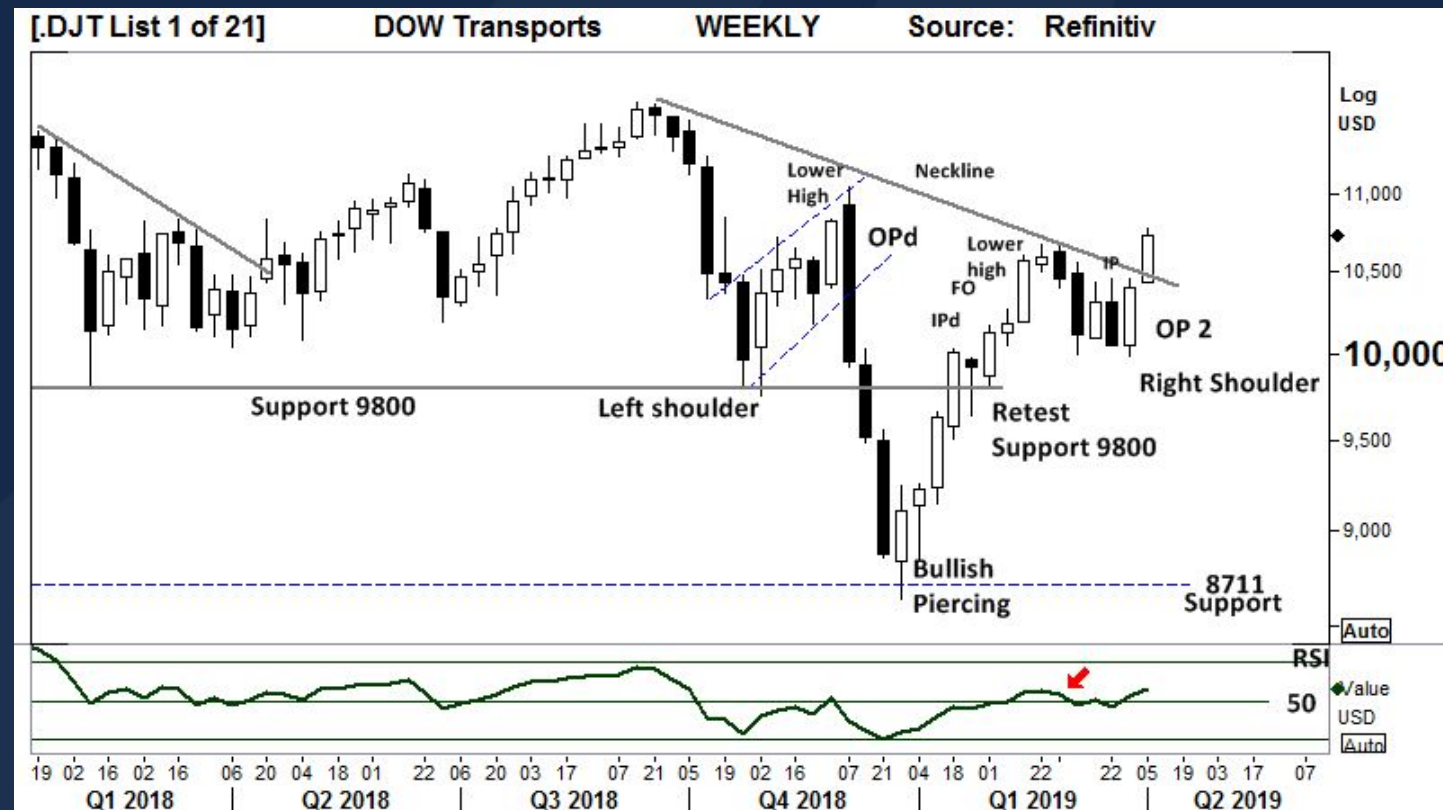
A Strong Breakout past the OP2 and over the neckline is very bullish and supports the bullish continuation of the major Indices'.

The right shoulder "higher low" and this current price movement past the lower high puts the transports into a Primary UP Trend.

Relative Strength dipping and rising above the 50 level shows a positive swing in momentum.

### Comments from last week:

The second OP (2) only indicates widening volatility in the developing right hand shoulder of this inverse bullish pattern. The tentative trend line remains as the resistance point. A bullish close over 10500 is required to confirm a breakout and confirm a bullish view on major equity indices.



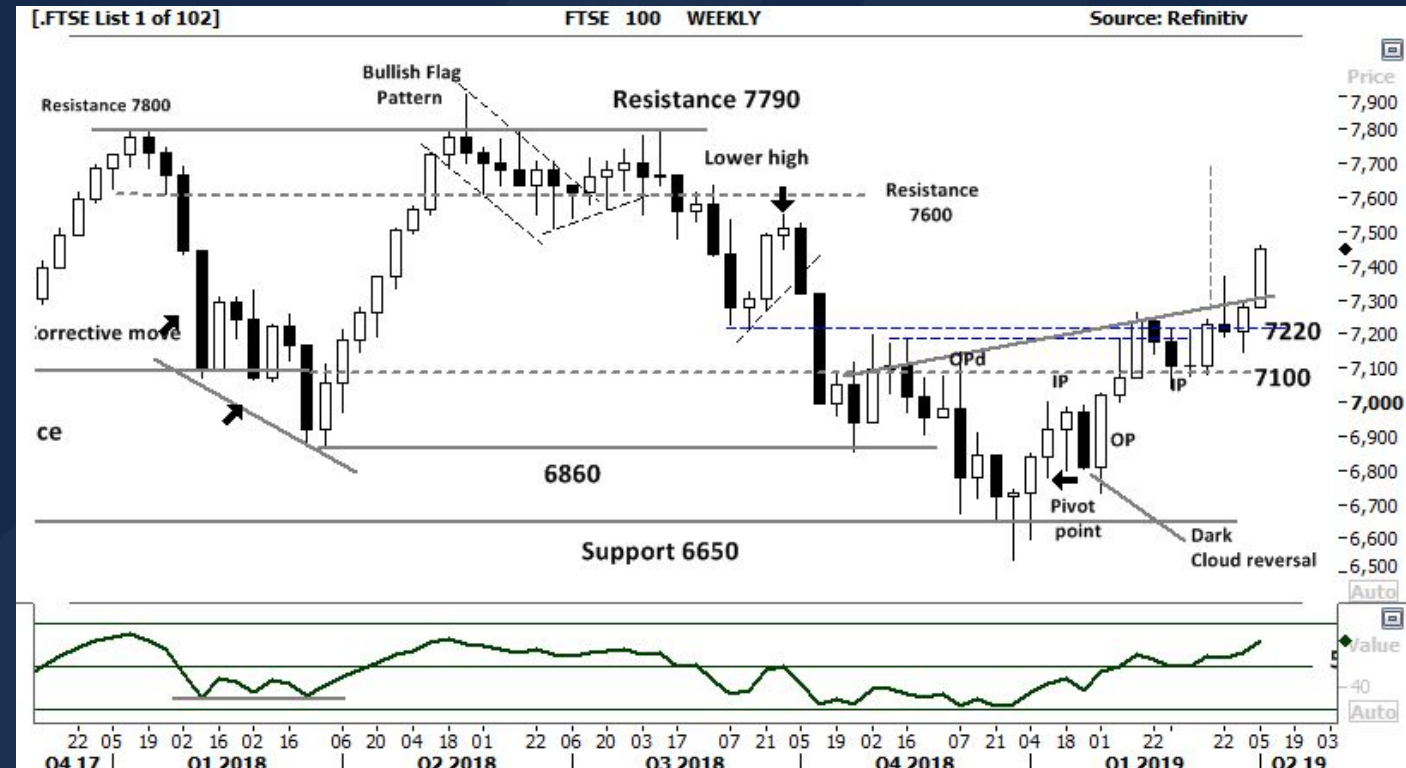
# FTSE 100 Index - Weekly

## FTSE 100 weekly:

The FTSE now breaks out above the neckline on a strong range week.

Primary Trend is UP and very bullish with the price target of 7700 a potential move.

RSI swings higher above the 50 level, this now negates the price consolidation view as momentum accelerates.



Comments from last week:

The shooting star of 2 weeks ago produced a short follow through. This week has resolved into a new multi month closing high. Importantly the neckline remains the resistance to further gains.

# GOLD Weekly

Gold remains in a PRIMARY UP TREND.

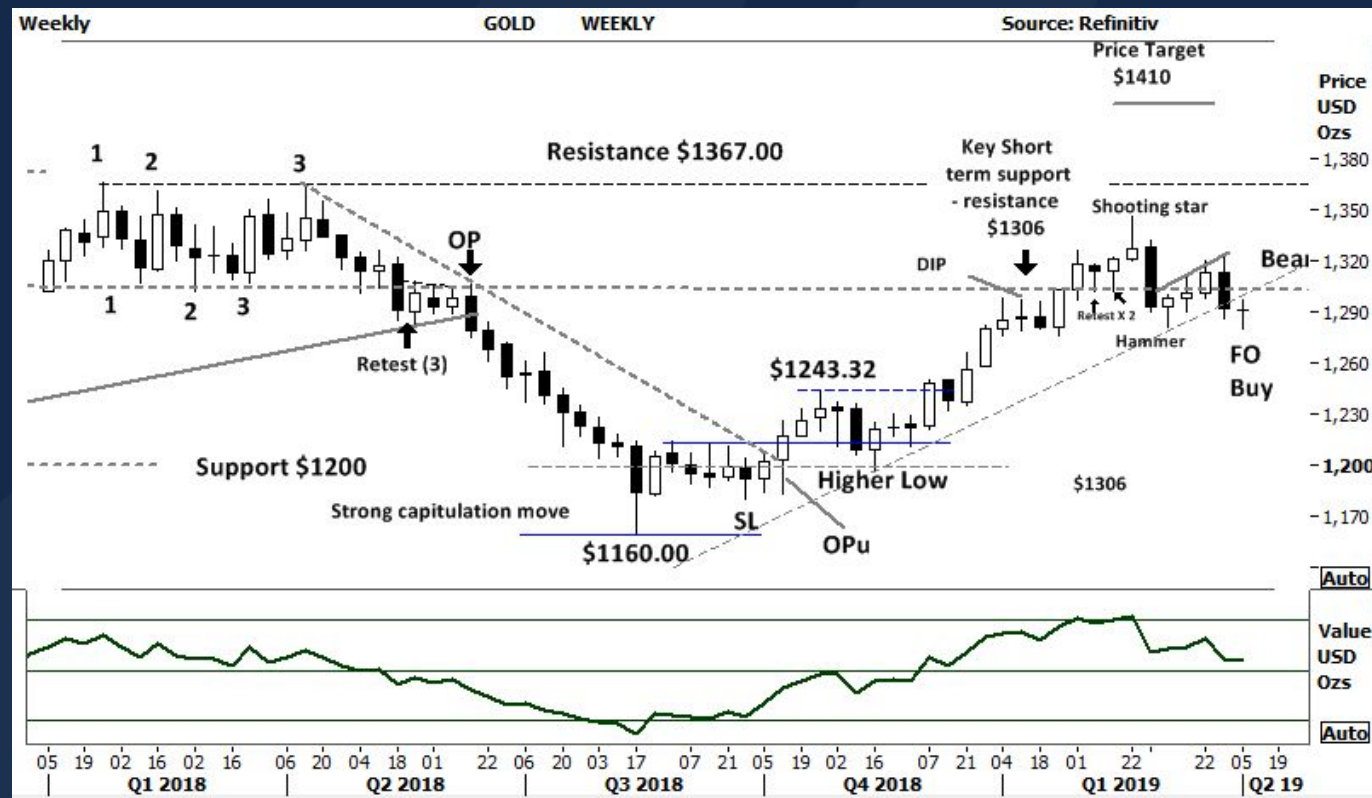
The Longer Term target of \$1410 remains in place.

The Weekly Chart of GOLD displays a Fake Out buy signal as the week made a lower low from the Hammer but closed toward the high of the range.

RSI remains over the key “50” level, although the indicator has turned lower in line with this loss of positive price momentum.

Comments from last week:

Primary Trend remains UP at this point, with a breakdown below the “hammer” bar would break the tentative trend line and place Gold into a primary down trend.



# Gold Daily

Daily Gold on Thursday displayed a Fake out Buy signal followed by the inside range on Friday.

With price remaining above the support level of \$1276.40 this remains the key level in the coming days.

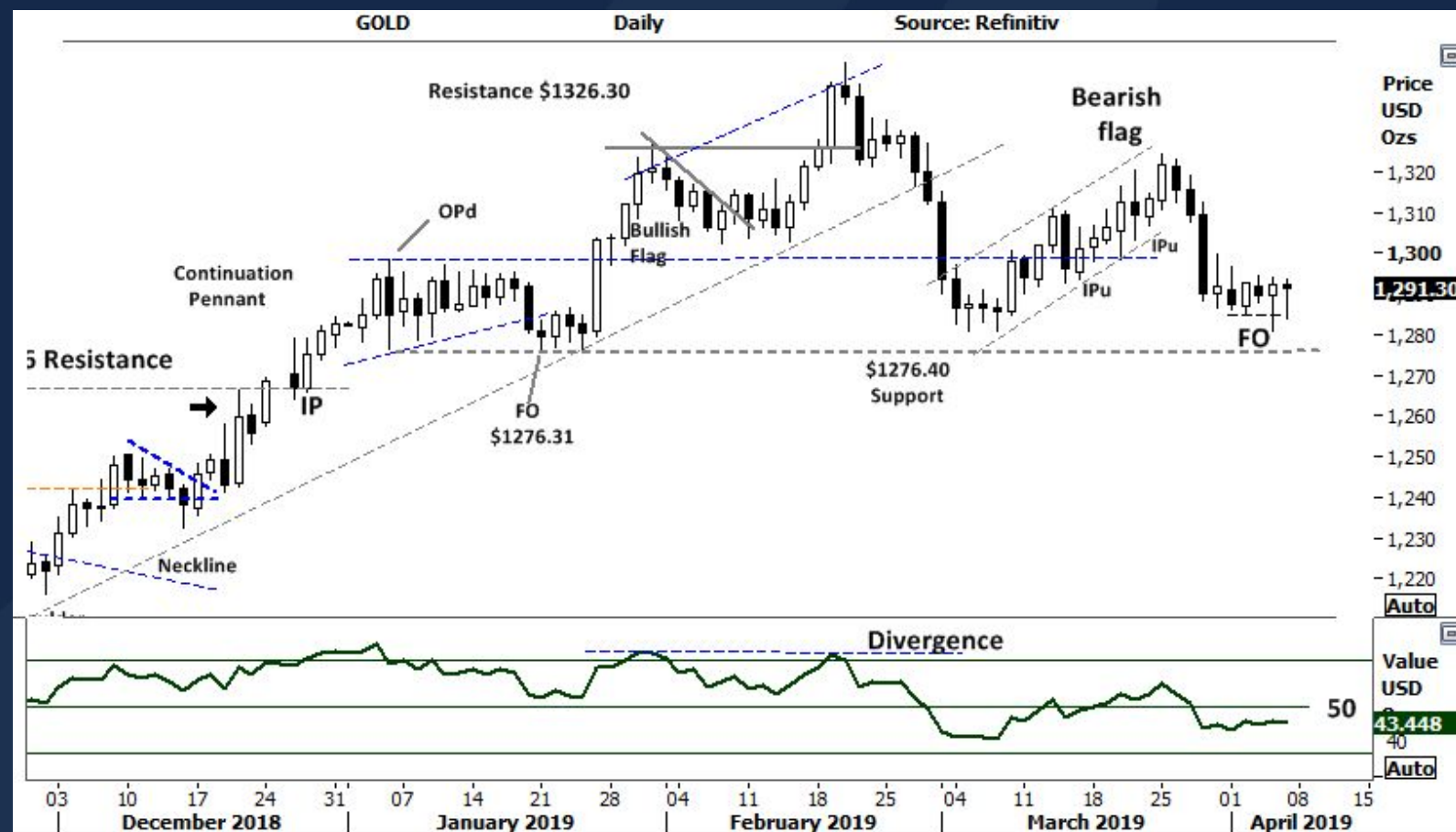
Should a strong close occur below this level, GOLD will have a broad top in place, suggesting no further upside.

Only a daily close above \$1300 would indicate a small base in place and a potential retest of the highs.

Relative Strength remains under the 50 level indicating a loss of momentum.

## Comments from last week:

Follow through is expected with a retest of lows at \$1280, a further close below this level would target \$1243.





# Australian Volatility Index

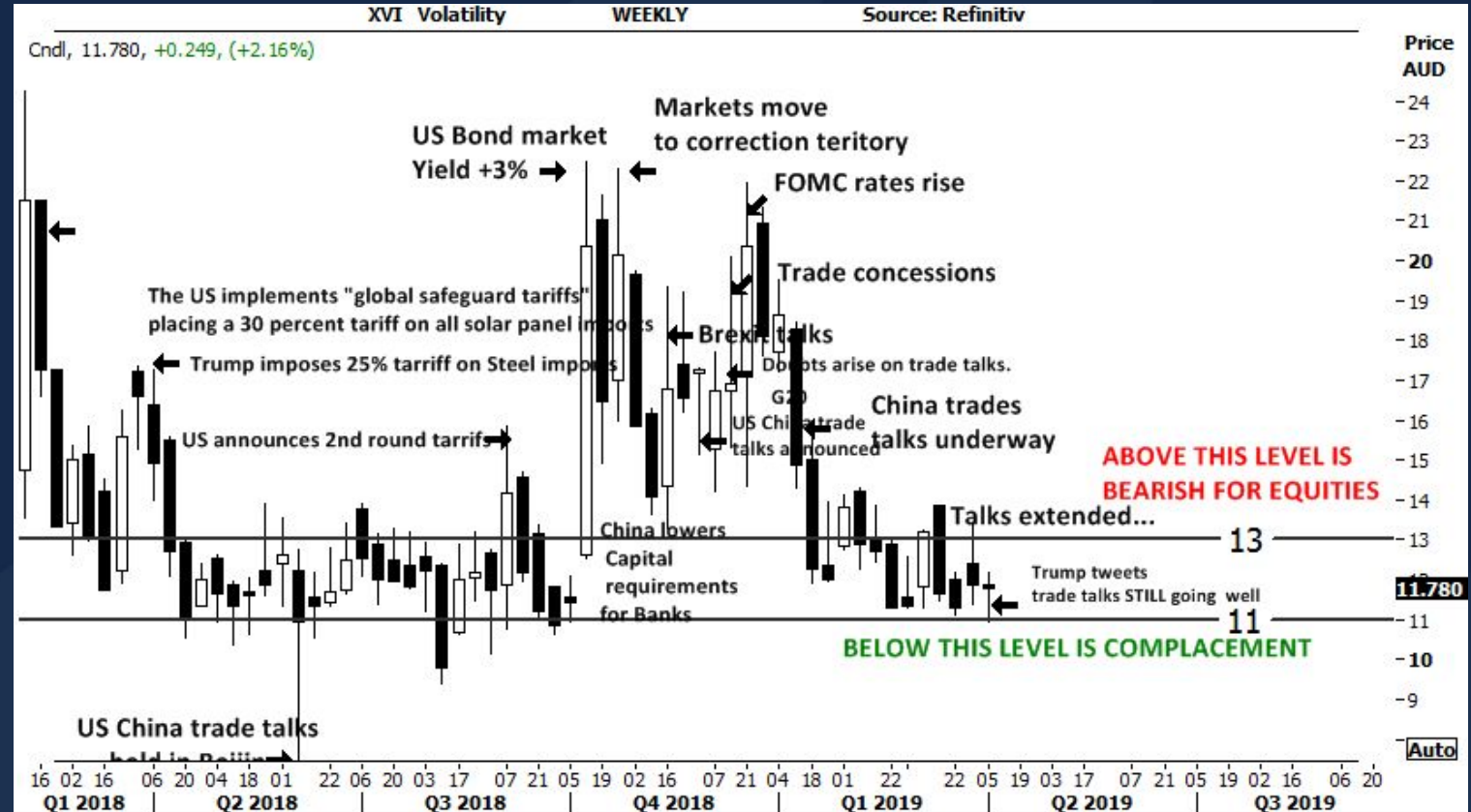
Current volatility levels, have remained below the key "13" level, this is bullish for equities.

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



Friday's breakout has failed to make a new short term high, however Fridays move remains a positive breakout move higher with a retest of the 97.71 underway.

RSI is rising indicating positive price momentum.

The US Dollar index is the weighting of the US Dollar against a basket of other currencies. The Euro, Japanese Yen, British Pound, are just a few. An increase in the "Value" of the US Dollar Index is indicative of the strength of the US Dollar.

As the US Dollar rises other currencies can decline in relative "value".

## Comments last week:

A continuing rally towards 97.71 resistance is underway. RSI is rising indicating positive price momentum.



# WTI OIL WEEKLY

## Weekly OIL show a very significant breakout.

A Strong Weekly Candle with a high close in the range is very bullish for further gains in the coming weeks.

Relative Strength has turned higher showing an increasing and very strong price momentum over the 70 level.

Further to this view, a breakdown below \$56.00 (long position Stops) potentially sets a \$42.0 target.

Comments from last week:

The weekly bullish flag breakout is continuing on with a new multi month closing high. Next resistance level is shown at \$61.80.



# The technical setups

## Outside period

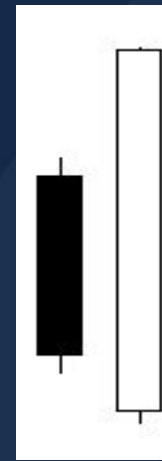
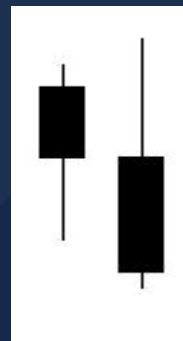
### OPu and OPd

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

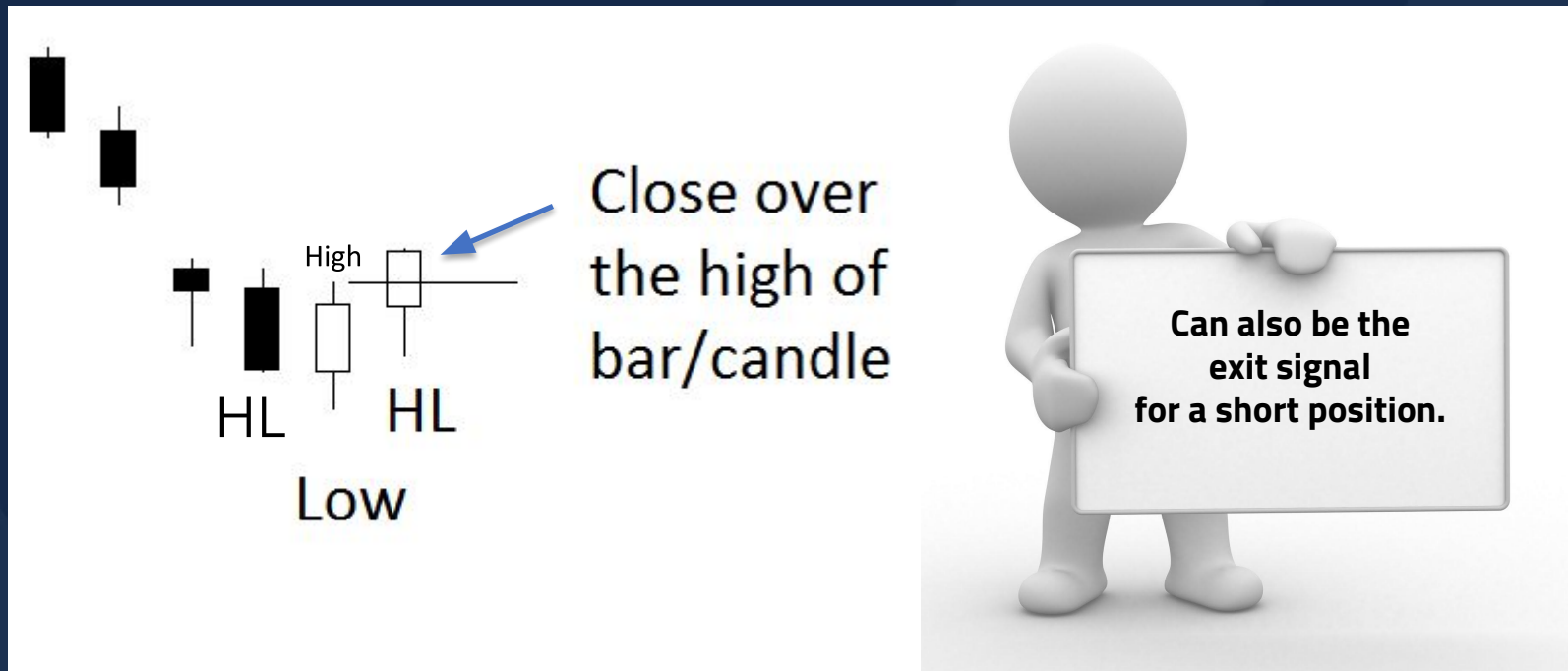
The outside period can mark a significant market turning point at or within 3 bars ( 93%).

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



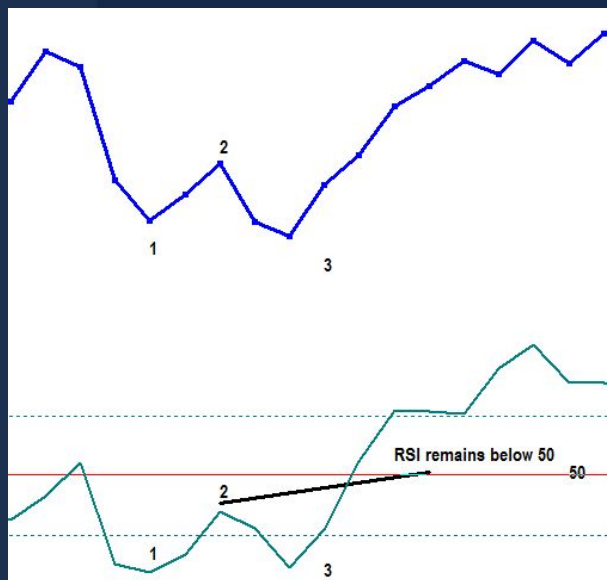
# The technical setups

## Pivot point reversal



# THE TECHNICAL SETUPS

## Relative Strength



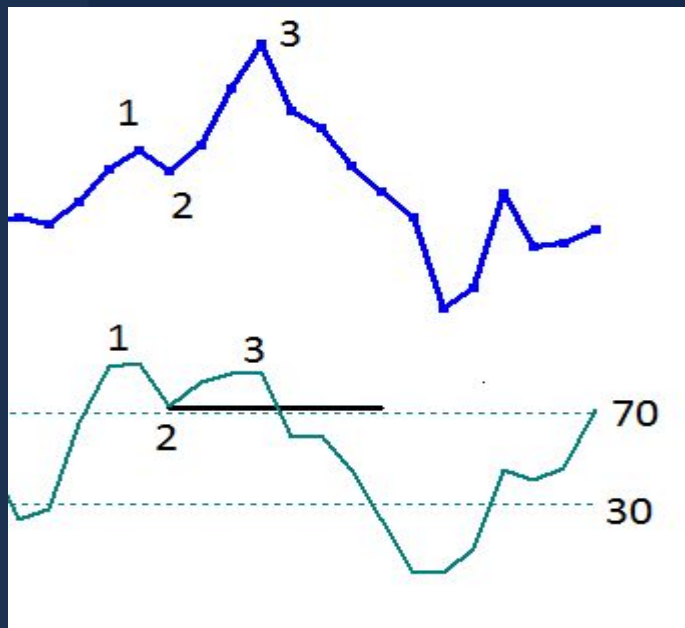
### Relative Strength Indicator

#### SWING BUY SIGNAL.

- The market makes a low, (1)
  - The market closes higher, (2)
  - The market makes a 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. The market makes high price.
  2. Retracement RSI remains above "50" (2)
  3. The market makes a 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 off point 2 on RSI.

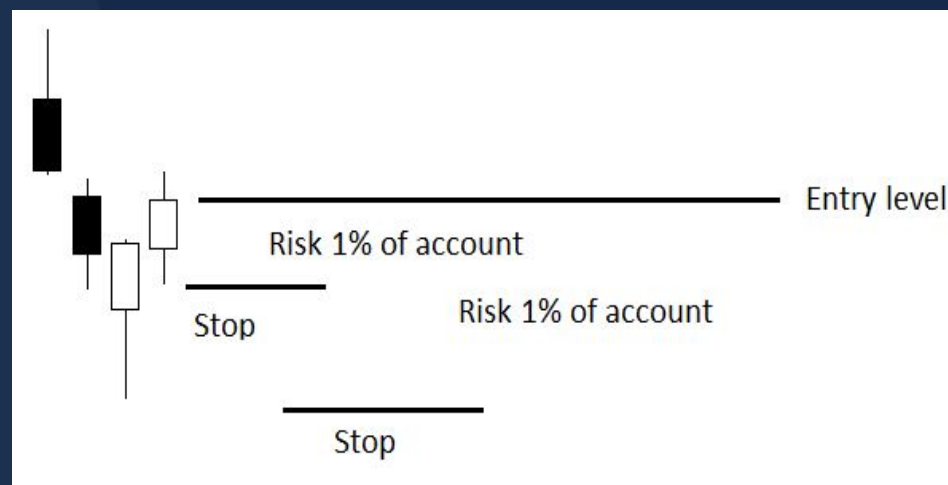


# Position size and management guidelines

## 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.



**Comments and Feedback:**

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**THANK YOU**