

IN BLACK AND WHITE

07/12/2018

A market technician's view

FX
INDICES
EQUITIES

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Aussie 200 index - Weekly



It is important to notice the Relative strength Indicator remains below the key "50" level.

Index weekly chart remains in a Primary DOWN Trend.

2 weeks ago the FO bar, a test of 5600 point support, was again tested this week, with a lower low from last week.

This consolidation is a sign of market support at these levels.

A break down with a close below the FO low would show continuation of the down trend.

Comments from last week:

The Weekly chart remains in a Primary down trend.

It is important to notice the Relative strength Indicator remains below the key "50" level.

Aussie 200 index – Daily

Primary trend remains down.

Resistance remains at 5770 points.
The daily chart requires a close over this key level to confirm a bullish case.

This week is another retracement move in a BEAR trend now completes 3 significant lows in 5600.

A retest of the 5770 level is a strong possibility in the coming days.

The Relative strength indicator has swung above the “50 level”, yesterday.

Comments from last week.

Resistance remains at 5770 points.
The daily chart requires a close over this key level to confirm a bullish case.



S&P 500 Index - Weekly

The OPD has made a significant retest of the lows around 2600 points.

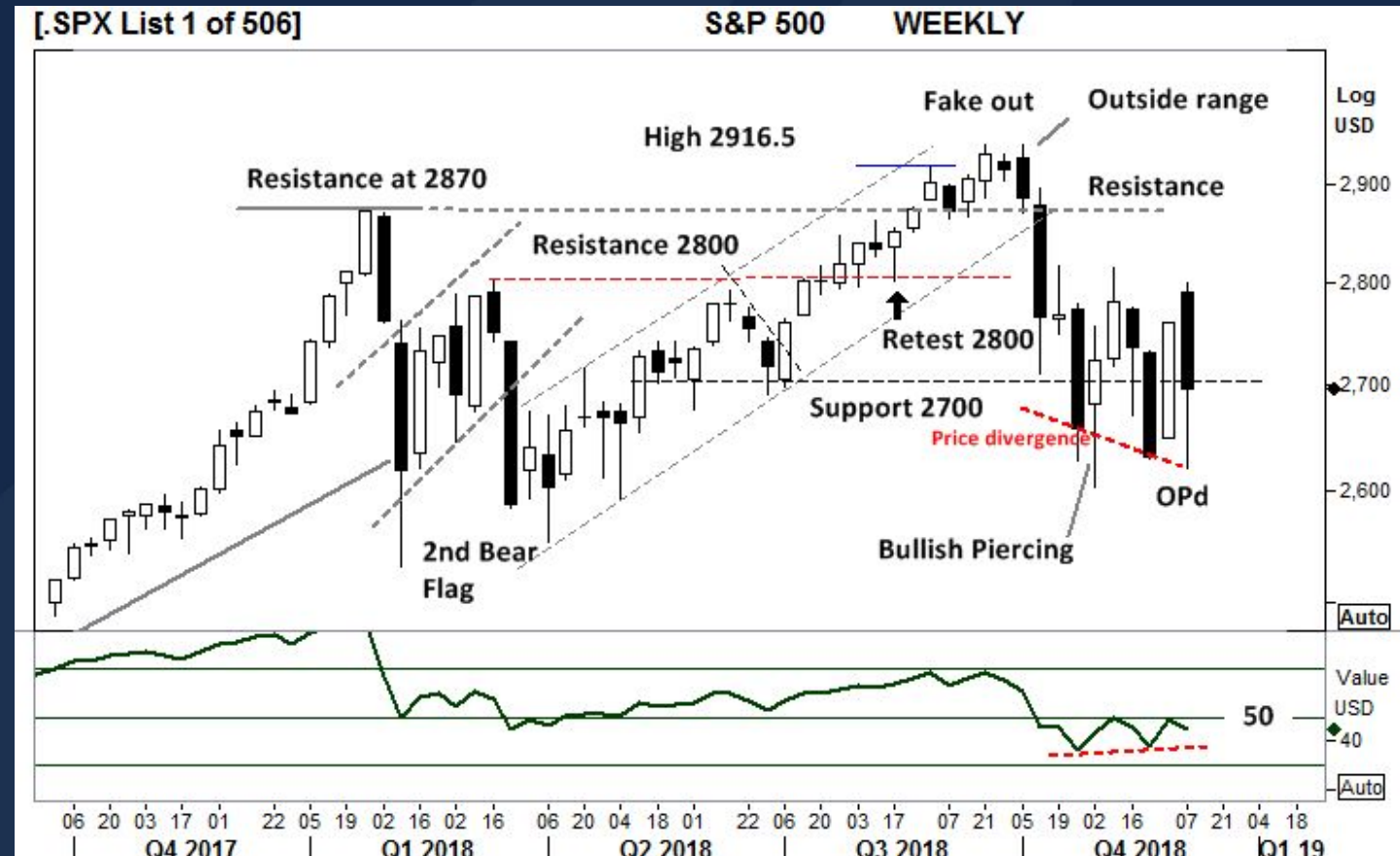
With a closing price moving off the lows a further close over 2700 will be an important win for the Bulls this week.

OP's have a very high completion rate (93%) for marking major turning points in markets.
(Krastins research)

The relative strength indicator remains below the key 50 level, however the higher lows in place show rising positive price momentum.

Comments from last week.

The new pivot point UP bar suggests the retest of the low is complete. Look for a potential breakout over 2800 points in the coming week.



S&P 500 Index - Daily

US markets closed 22/11

The potential inverse Head and Shoulder pattern failed into a new low this week. However, this last bar FO is very bullish in the short term, a retest of the 2817 is in play. With 3 lows in place 5/11, 23/11 and now 6/12 a complex base is in place.

RSI has turned lower under the "50" level on the current price move.

Comments from last week.

What to notice on this chart is the increase in the range of the candle on the current right side compared to the left side of the chart.
(Volatility)



FTSE 100 Index - Weekly

FTSE 100 weekly:

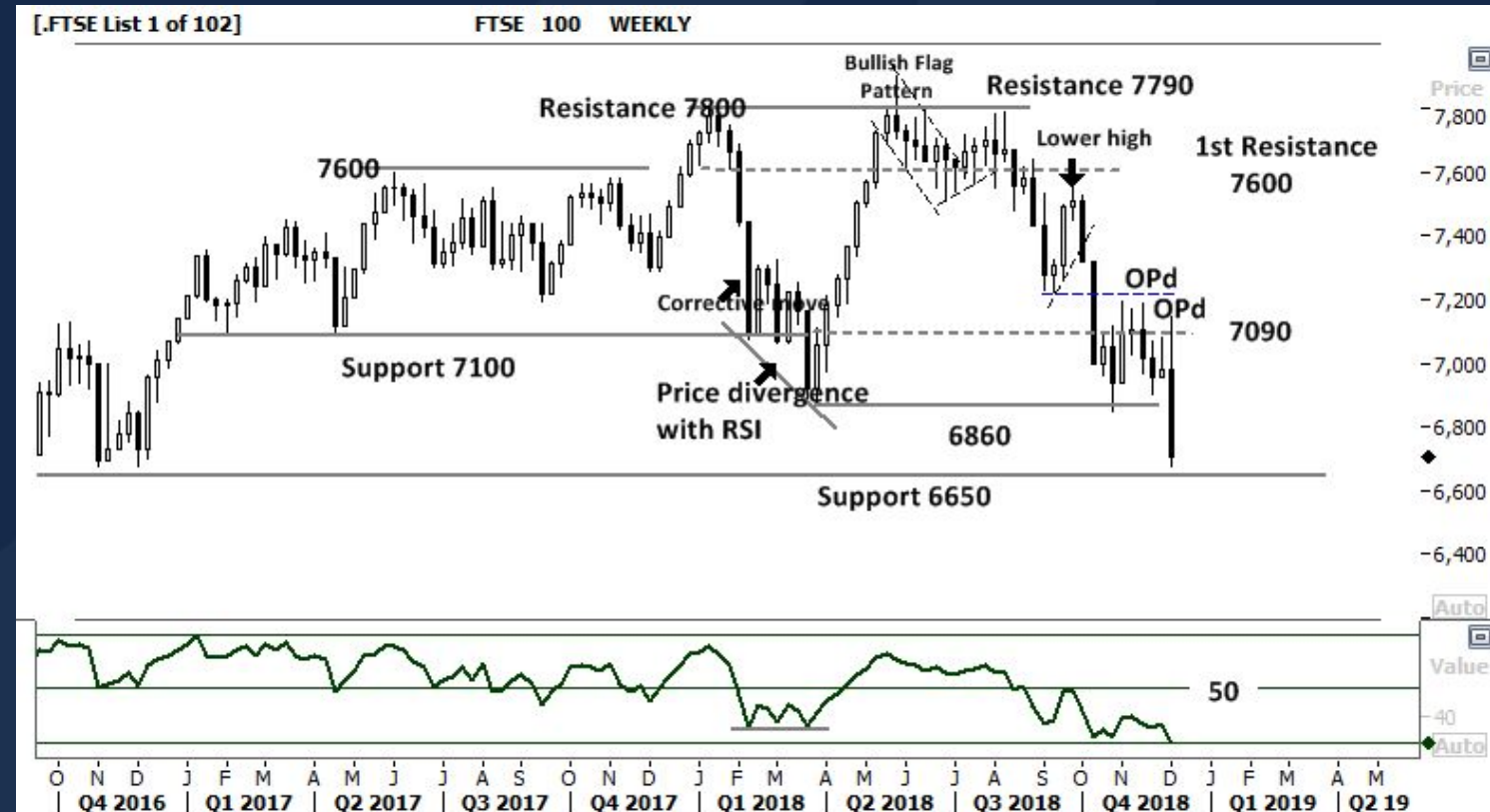
Clear rejection of 7090 levels with a 2nd Outside period (OPD). The primary trend remains down, 6650 support being tested this week. A closing price below this level would be very bearish with a broad top from 2016 complete.

A further closing price over 7090 is required to confirm a bullish view.

The Relative strength indicator 14 has remained below the "50" level, showing negative price momentum.

Comments from last week:

An important retest of 7090 is underway. Rejection at this level would see the 6860 levels retested in the coming weeks.



GOLD Weekly

Gold has changed the Primary trend to UP.

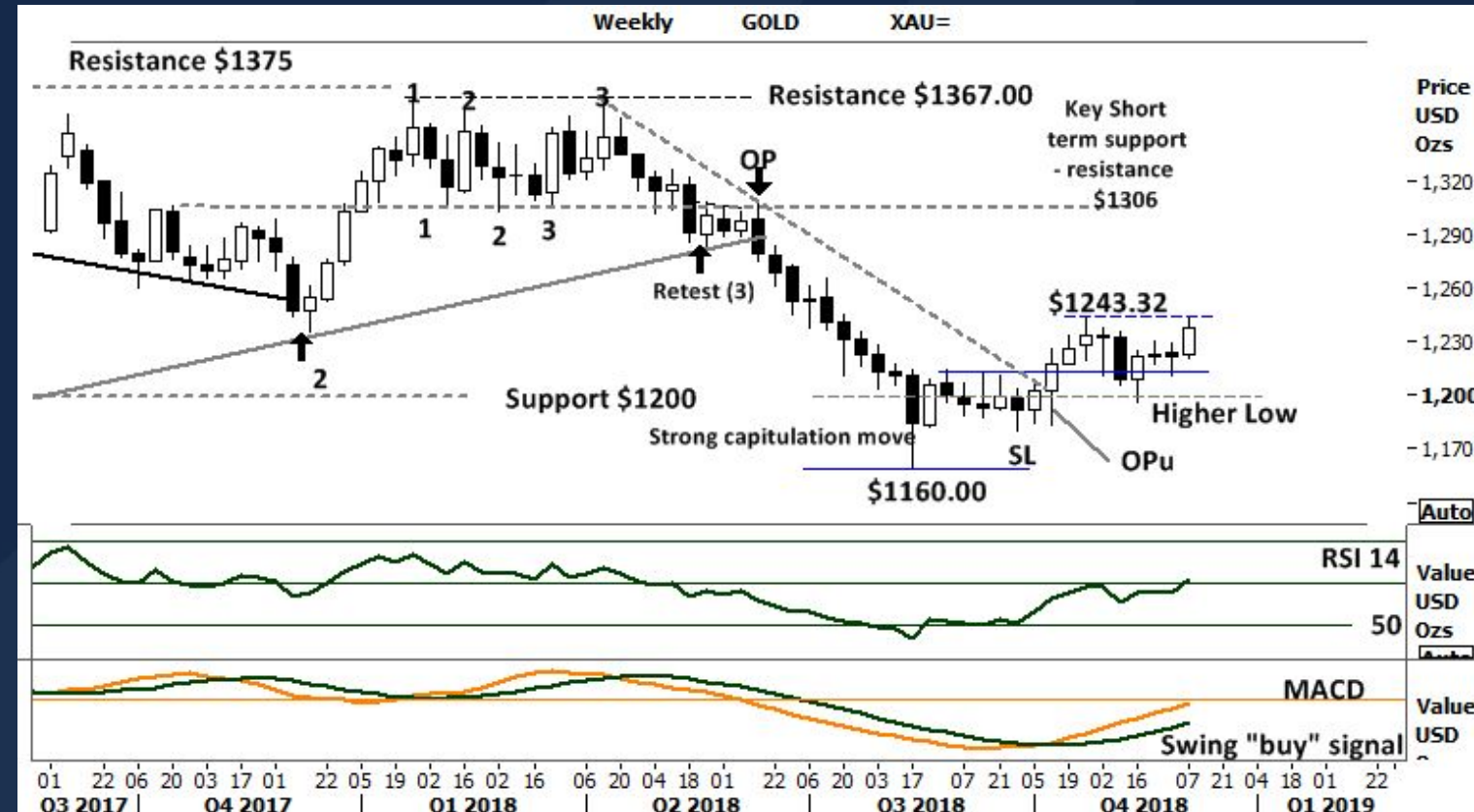
The current consolidation around the \$1200 can be viewed as "Gold is building a base".

The weekly high for Gold exceeded the \$1243.32 level. Further consolidation at this level is expected.

RSI remains over the key "50" level.
The MACD swing buy signal remains in place.

Comments from last week:

The new Higher low in place with the pivot bar further builds the bullish case for Gold making a move over \$1243.32



Gold Daily

Gold has the potential to push higher into the \$1266 level.

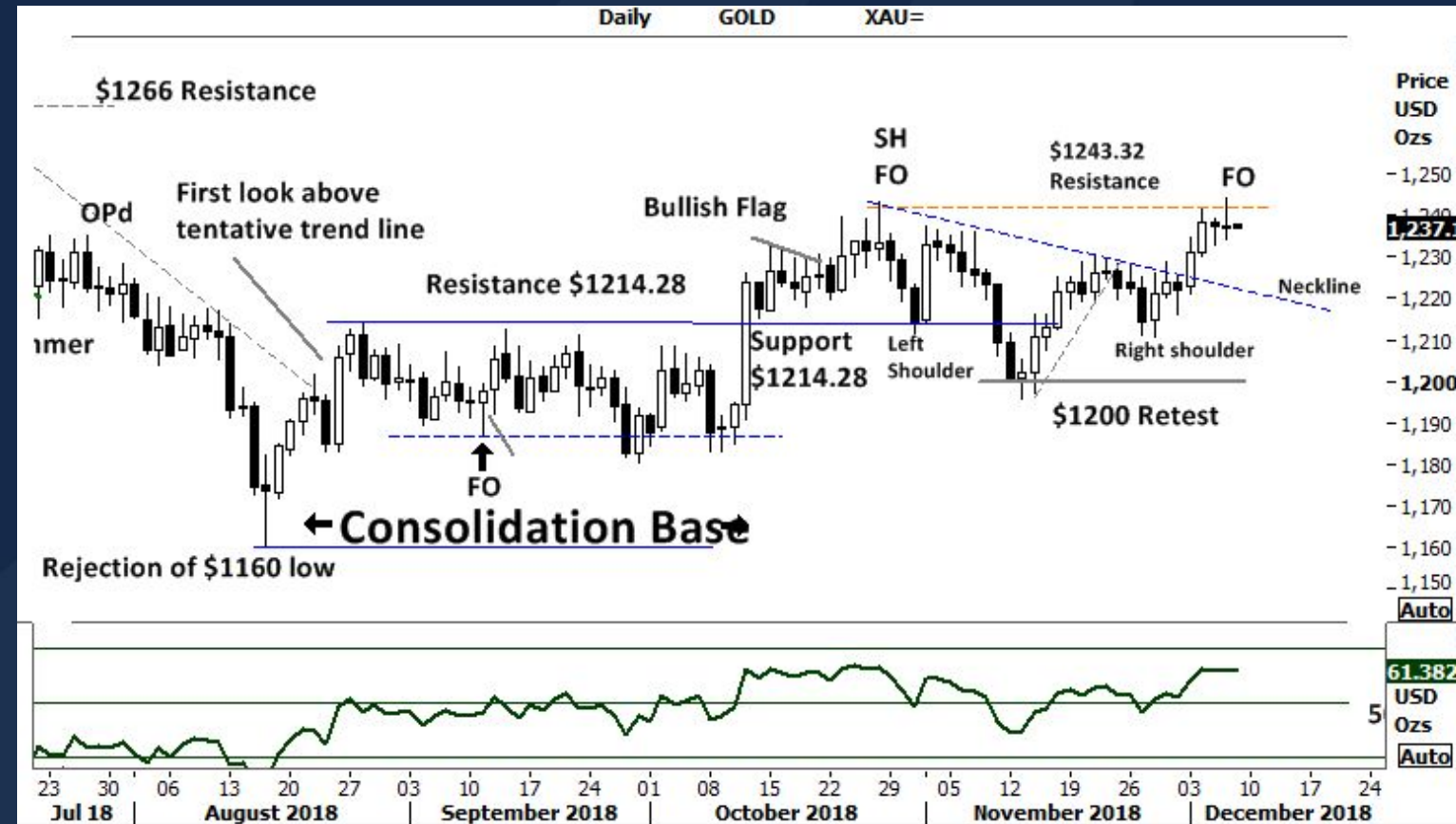
Look for a **daily closing price above \$1243.32** to confirm the bullish movement underway.

Currently the daily movement is displaying a Fake Out (FO) reversal candle with a potential retest of the neckline possible at 1220.0.

RSI remains above the "50" level indicating positive price momentum.

Comments from last week:

Look for a daily closing price above \$1243.32 to confirm the bullish movement underway.



Australian Volatility Index

Volatility is falling, rising to 17.1 up from the 14 last week.

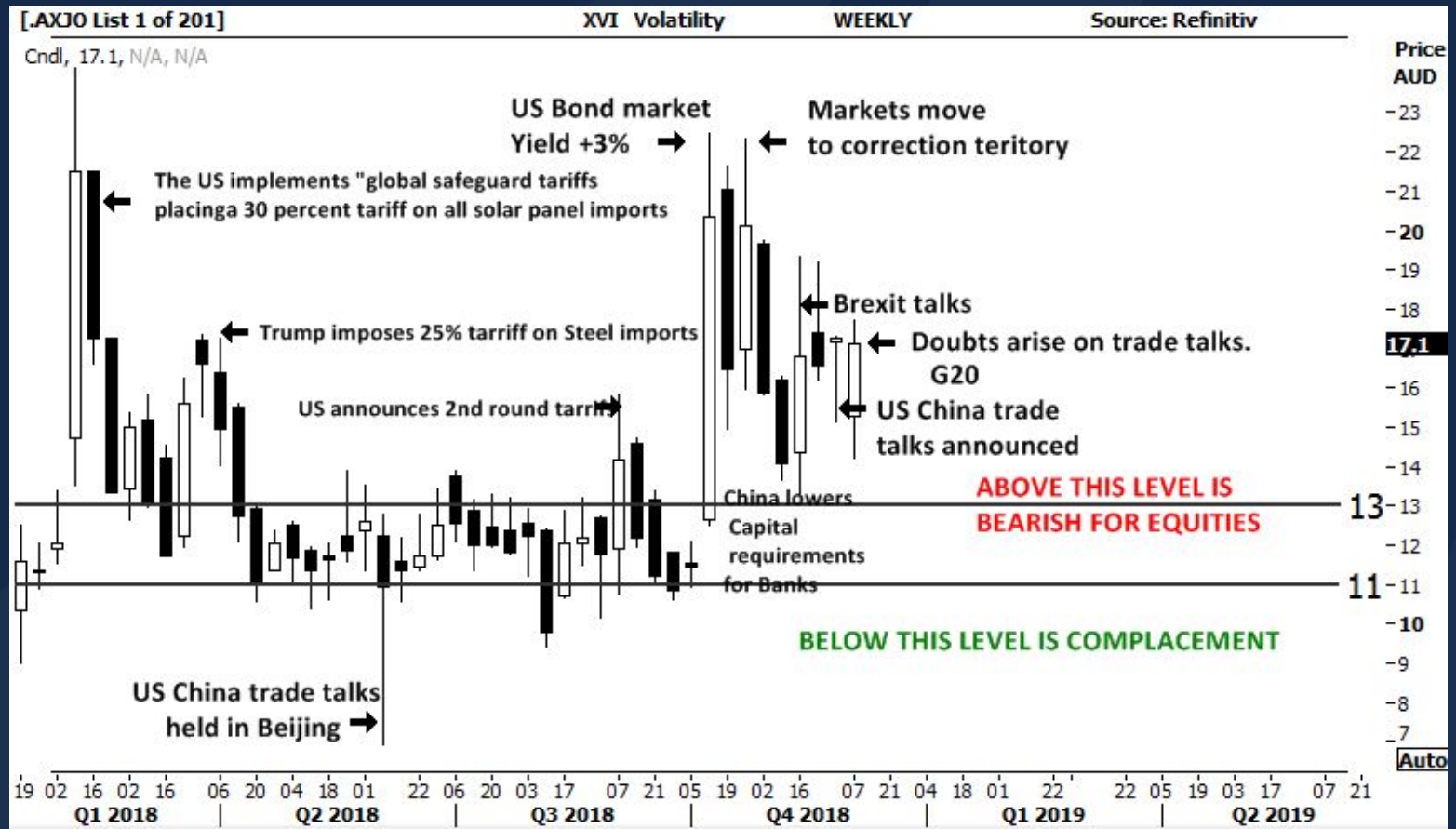
The Australian market volatility indicator XVI.

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

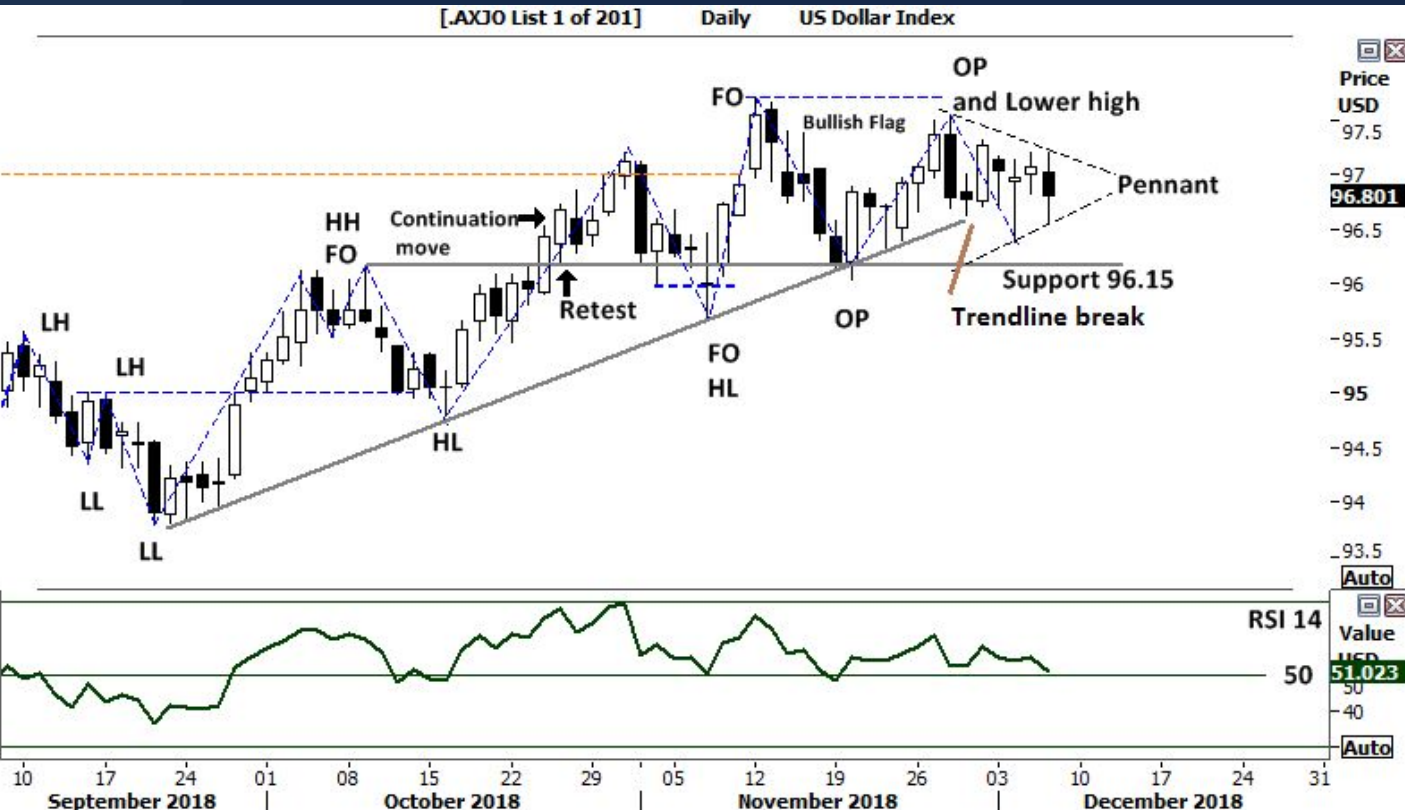
As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this "skew" is pricing is measured in this XVI.

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

A XVI over "13" is generally bearish for equities.



US Dollar Index



US Dollar index enters a consolidation pennant, with the OP lower high set on the 28th November, the current breakdown below the trend line is bearish. A breakdown would see the 96.15 level tested. The USD index remains in price consolidation.

RSI remains above the key "50" level, but turning down shows a loss of upward momentum.

The US Dollar index is 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 decline in relative "value" and visa versa.

Comments last week:

RSI remains above the key "50" level

WTI OIL WEEKLY

Weekly OIL

Oil remains in a ***"corrective"** move with a closing price first below the 22nd June low of \$63.59 and the 17th August \$64.43 low, and this week remaining below these key support levels. Currently WTI has found resistance below the \$58.38 level, this weeks small range with a higher high and higher low from last week is the early stage of a bearish flag.

The next support level is \$42.00

The Relative strength indicator moving below the "30" level may now offer a potential divergence signal in the coming weeks.

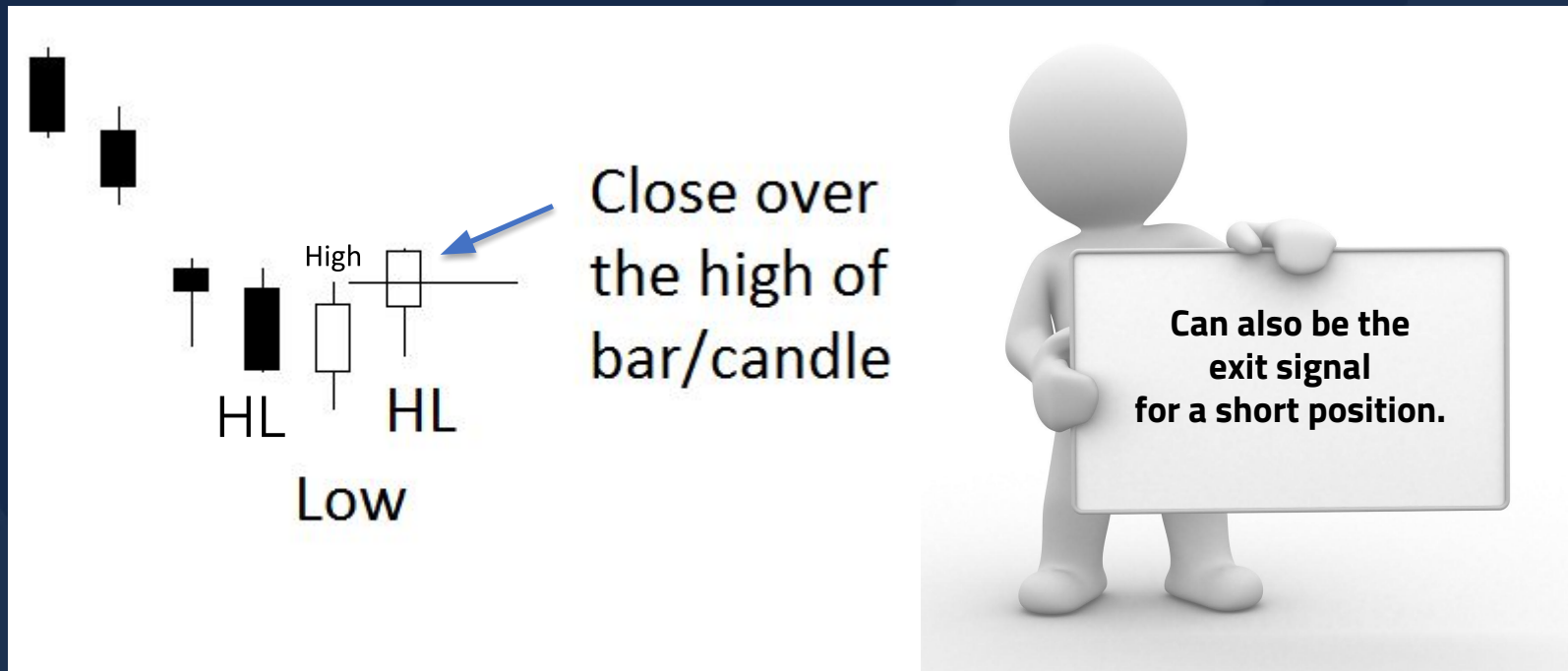
***A corrective movement shows price moving below previous low points without making retracements. This type of movement does not change the current primary trend (UP).**



Comments from last week.

The Relative strength indicator moving below the "30" level may now offer a potential divergence signal in the coming weeks.

The technical setups. The Pivot point reversal



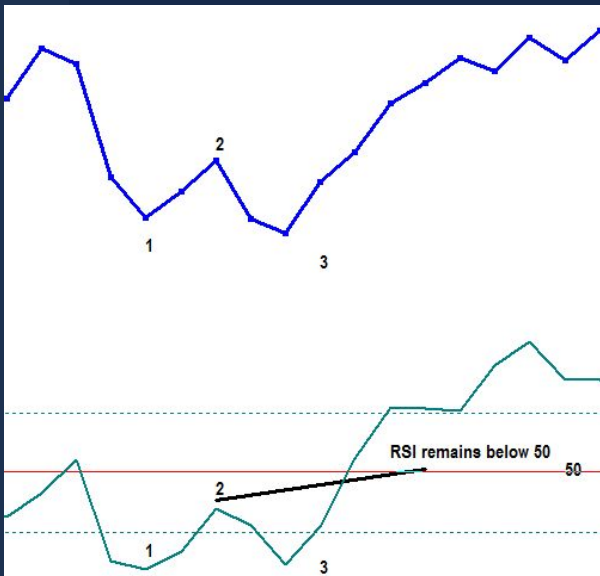
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



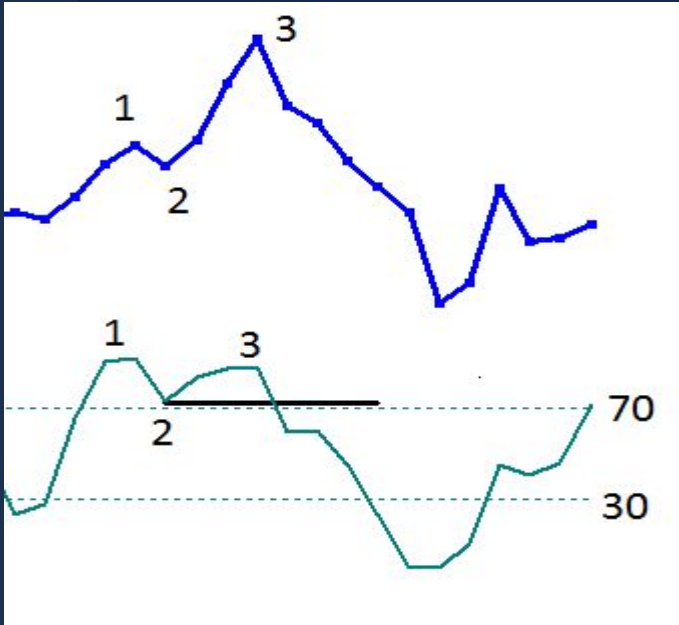
Relative Strength Indicator

SWING BUY SIGNAL.

- The market makes a low, (1) RSI swings below the 30 level. (1)
 - The market closes higher, (2) RSI moves higher, but not over the "50" level. (2)
 - The market makes a new lower low, (3) 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 a 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

The technical setups

Outside period

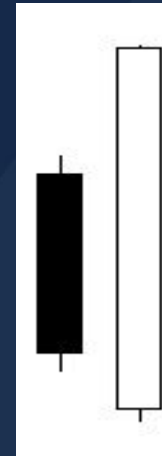
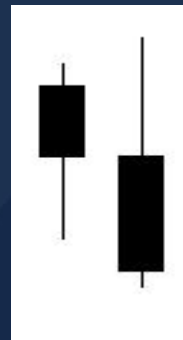
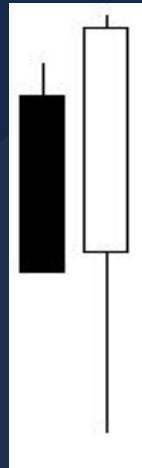
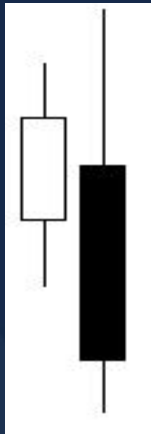
Opu and OPd

A price range larger 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.



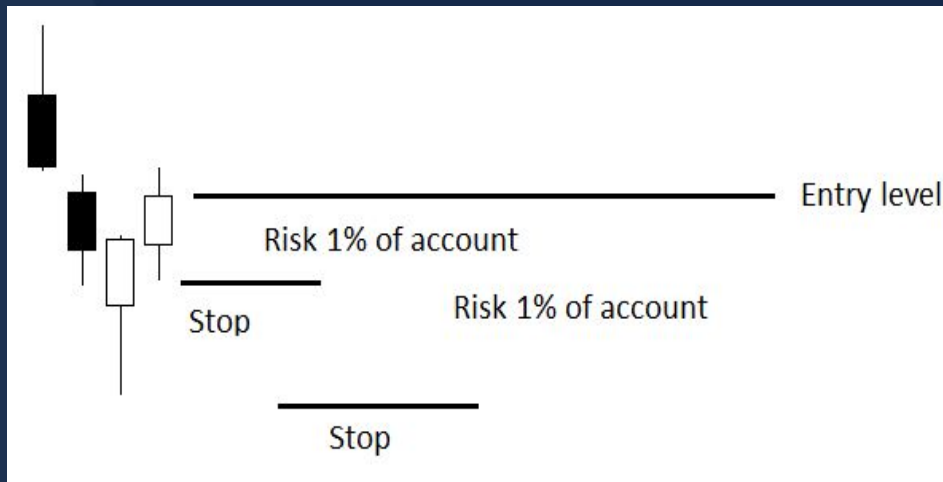
Position size and management guidelines

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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