

the week beginning 18/11/2019

A market technician's view

FX INDICES EQUITIES



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SUMMARY-

US markets continue to trade at all time highs, while the Australian XJO is within striking distance to retesting October highs, a very bullish lead in to the Xmas trading period.

Gold and Silver remain in a Primary down trend with a bearish chart setup for retesting the recent lows.

West Texas Oil continues to build a bearish picture for next trading week.

Australian 200 index - Weekly





The strong Weekly close is a good indication for further gains as the Pennant breakout continues.

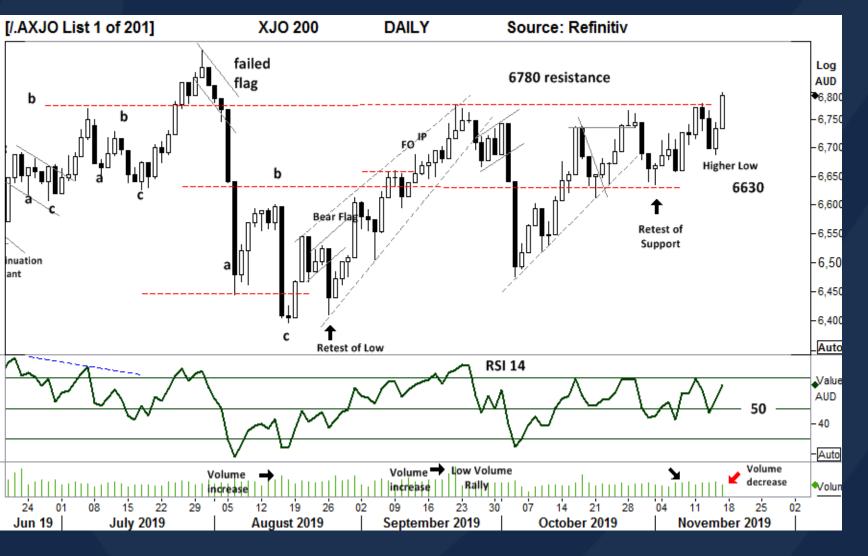
A retest of the October high is underway as the potential early start to the Xmas rally.

The Relative strength Indicator (14) remains positive above the key 50 level.
The MACD indicator remains a "swing sell".
(See foot notes on #3 candles.)

Comments from last week: Last week posted an inside period (Ipu) following the reversal period. Overall the positive price move is a Pennant breakout with 6670 being the first resistance and 6830 the target level in the coming week.



Australian 200 index - Daily



A strong price breakout closing above 6780 resistance is a good sign for further gains.

Traders should be aware the breakout was completed on LOW volume and will require an increase in Volumes to remain strongly bullish.

A retest of the July highs towards 6850 would be a potential level of rejection. Bears would look for a daily close below 6780 for a retest of 6630.

The Relative strength Indicator has swung sharply higher, above the 50 level indicating increasing price momentum.

Comments from last week: The daily movements remain between Support of 6630 and Resistance shown at 6780.

A breakout either way will set direction. The underlying momentum suggests a move higher over

Resistance.



S&P 500 Index – Weekly

The Primary UP trend remains in place. As Volatility measures, move to complement lows.

2 Week ago the #3 type candle showed and an early warning of a potential price retracement.

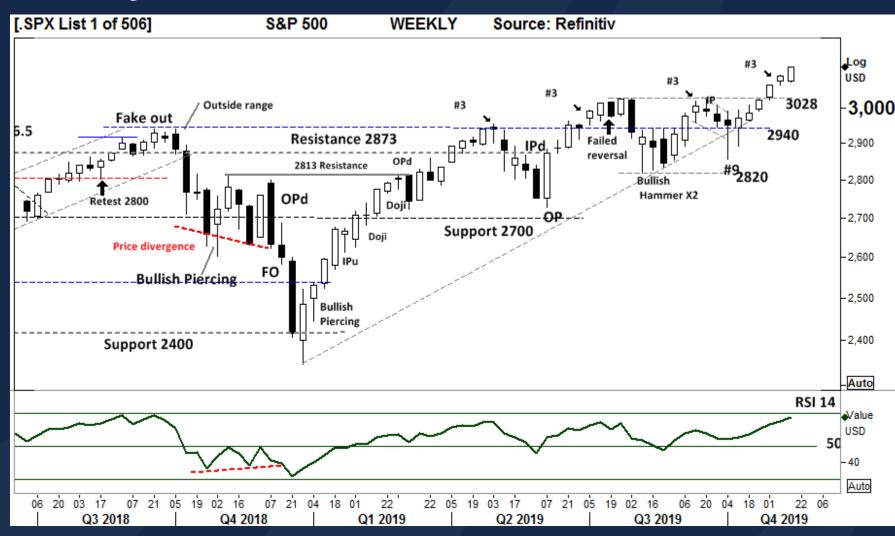
This past weeks strong range in line with the Primary movement is a significant breakout.

RSI remains positive swinging higher.

(See notes below for #3)

Comments from last week. The current short range week suggests some consolidation. Price weakness may see the 3028 level tested as support.

A break of this level would be the 1st Bearish signal.



S&P 500 Index - Daily



Underlying PRIMARY Trend remains UP.

The daily chart of the S&P500 shows the GAP OPEN Sell bar on Friday following the earlier consolidation.

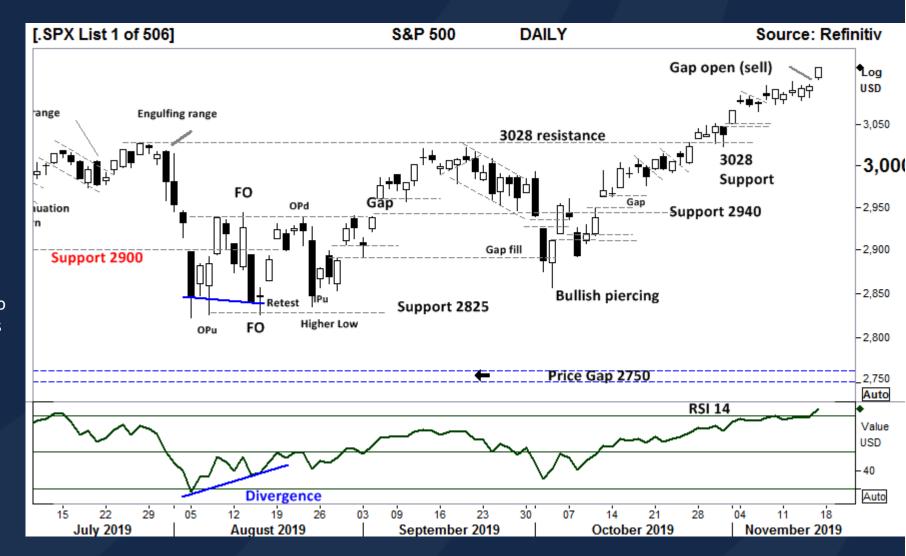
This can be a precursor to a bout of selling, to fill the GAP.

However should a retest of the small lower Gap at 3050 take place further selling may enter the market.

The RSI has turned higher and has moved to remain above the key 50 level, and remains high as a signal of strong price momentum.

Comments from last week: Last Friday's very strong close, sets up the potential for a further bullish move in the coming week.

A small Gap remains around the 3050 level, traders would monitor this level on any price retracement.



Transports Index



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

(This index is now heading towards a CONFIRMATION of the long term Bull market, a break of 11150 points is required.)

Immediate rejection of the key level 11150 but support at 10870 put the DJI into a short consolidation.

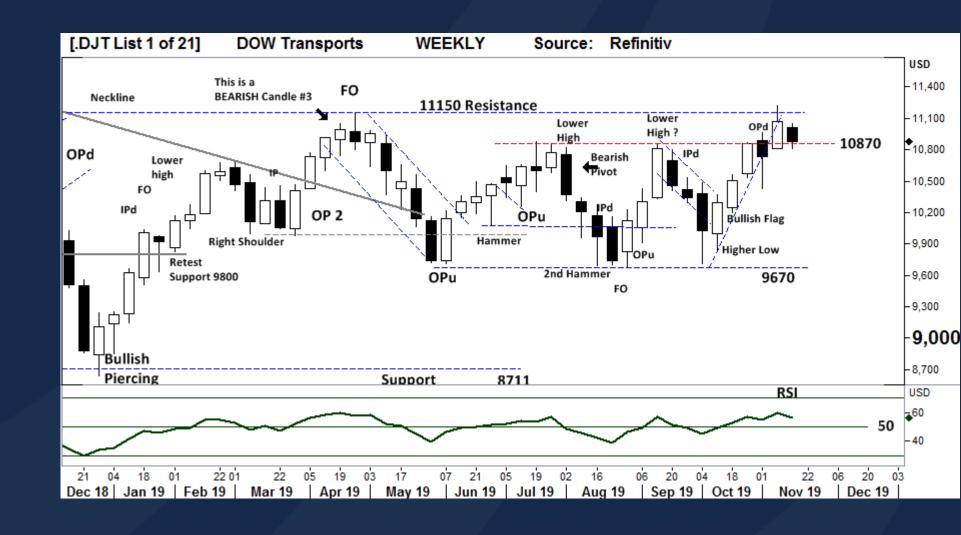
The chart remains bullish at these levels and remains supportive of the underlying Bull market represented in the Indice's.

Relative strength has turned lower and remains over the key 50 level a sign of decreasing price momentum.

Comments from last week:

Last weeks retest of 11150 is a bullish sign for further gains.

Traders would remain bullish with a close over this level in the coming week.



GOLD Weekly



GOLD enters a Primary DOWN TREND.

With a strong Weekly down range 2 weeks ago, last weeks price action has not moved higher into the "mid range".

Gold requires a Weekly close towards \$1517 to regain a bullish bias.

Relative strength remains over the 50 level, however the indicator is trending down.

Comments from last week: With a strong WEEKLY range closing on the low for the week and testing \$1450, sets the momentum to the downside. A further breakdown below \$1450 has the potential to see the original breakout tested at \$1360.



Gold Daily



GOLD enters a PRIMARY DOWN TREND.

With a retest of the \$1450 the resulting short rally is testing the lows set during October (Magenta line).

The current "bearish flag" suggests a further move lower below the \$1450 level.

Relative strength again swings below the key 50 level, this is a bearish sign but suggests further follow through.

Comments from last week: Last Thursday saw the breakdown of the ascending pattern with strong price ranges. Support at \$1450 is now critical in the coming days.





SILVER Daily

No Bull market here:

The Daily chart shows Silver has developed into a Bearish flag below the \$17.50 resistance level.

A further breakdown is expected back towards the \$16.0 level.

Relative strength has turned lower a sign for further weaker price. momentum.

Comments from last week: During the 1st week of November Silver was set to breakout higher. This past week has seen strong range bars breaking below \$17.00 and closing below the late September low. Momentum is to the downside, traders would look for a retest of \$16.60





Australian Volatility Index

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

This news driven indicator is reflecting risk ON certainty 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



The Strong breakout over 98.16 was expected to follow through.

The current retest back to 98.0 is a bearish move.

A breakdown below 98.0 would set the target at 97.2.

Supportive of commodities prices.

Relative strength swings below the key 50 level showing a decrease of price momentum.

Comments last: US Dollar Index makes a significant bullish move from the 97.1 support level with a FO (fake out) low to set up the strong move to breakout above 98.16. This strong "corrective" move sets the Index up for higher gains to test 99.37 resistance.

WTI Oil WEEKLY



The continued development of the bearish flag suggests a retest of the support level at \$50.60.

Only a breakout above \$61.80 would be a bullish sign for a retest of \$68.00.

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

The Relative Strength Indicator turns higher from below the 50 level, a sign of improving momentum.

Comments from last week: The developing bearish flag suggests a retest of the support level at \$50.60.





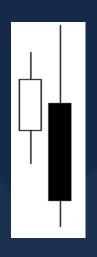


A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

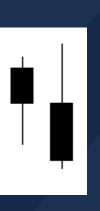
The outside period (OP) can mark a significant market turning point at or within 3 bars (93%).

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

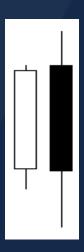
The OP period comes in all shapes and sizes.













The technical setups. The Pivot point reversal





The technical setups Pivot point reversal





The technical setups WEEKLY #3 reversal

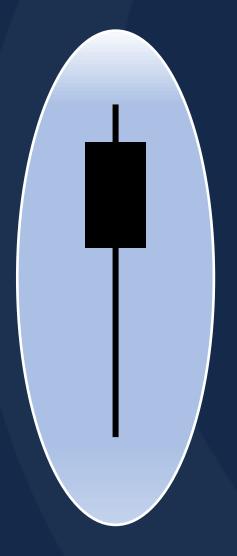
When Line #3 is found at a HIGH PRICE AREA Long positions should be closed within a week.

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 Midpoint. 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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