

the week beginning 22/07/2019

A market technician's view

FX INDICES EQUITIES



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SUMMARY-

US and Australian equities market have entered a consolidation period, small and large resources remain bullish with the Australian XJO setting up a period of consolidation in the banks.

Both Gold and Silver have made a bullish breakout with an important retest lower underway. Keep in view the whole world is bullish Gold.

Oil again shows resistance at the \$61.80 area putting in a few reversal days to retest lower prices.

Australian 200 index - Weekly





The weekly range shows further consolidation inside the breakout renage.

Traders would continue to monitor a reversal on possible profit taking.

Relative strength has turned lower, this is expected in price consolidation periods.

The MACD has remained as a sell signal and the RSI remains above the key 50 level and again moving over the 70 level.

Comments from last week: The past weeks inside range is a sign of consolidation. A positive sign within this Primary UP trend.

A further move higher is expected in the coming weeks.



Australian 200 index - Daily



The daily chart now displays a bullish a,b,c retracement as the Relative strength turns higher on Fridays strong day.

Continuation higher is required immediately for this chart to remain bullish.

Relative strength has swung over the 50 level. A good short term bullish sign.

However trading Volume remain subdued at this breakout point.

Comments from last week:

S&P 500 Index – Weekly

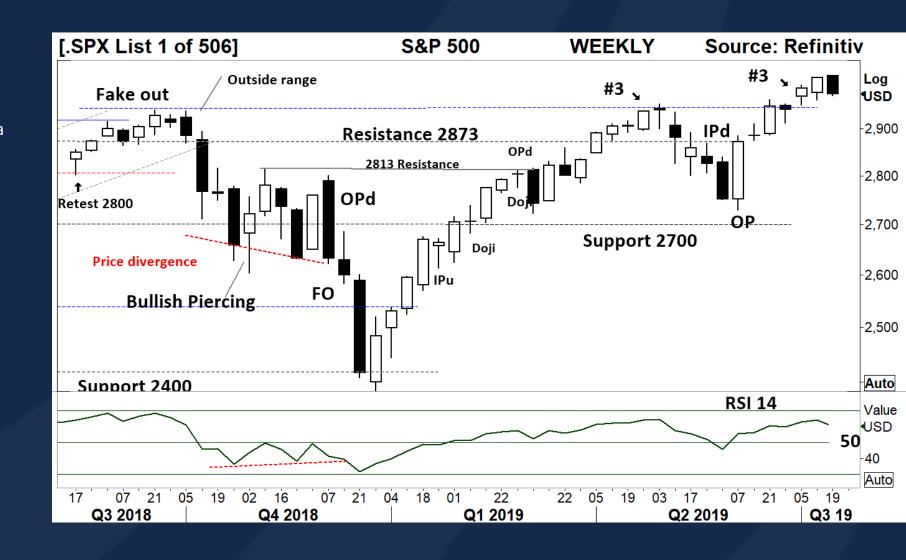


The #3 type candle can take up to 2 weeks to play out. Here we have in place the reversal week. The potential here is for a retest of the Q3 2018 and Q2 2019 highs. A further close below these level would be a significant brearish sign.

A Primary UP trend remains in place.

RSI remains above the 50 level and now falling showing the decrease of positive price momentum.

Comments from last week. With the strong close into the high of the week further price gains are expected, the reversal signal #3 can take up to 2 weeks to play out.



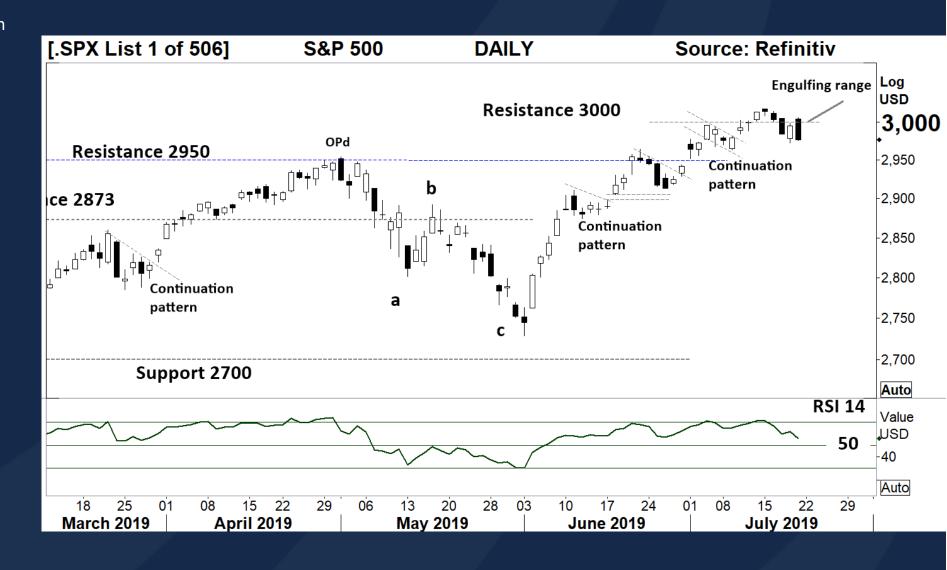


S&P 500 Index - Daily

Friday saw a significant reversal sign in the S&P 500. This close under 3000 should be viewed as a bearish sign in the coming days.

Relative strength has again moved lower towards the "50" level. Following last weeks sudden swing higher, volatility is the rule at the moment.

Comments from last week: Any price retracements would be required to hold the close over 3000 level to remain bullish.



Transports Index



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

A narrow open / close week shows lack of direction.

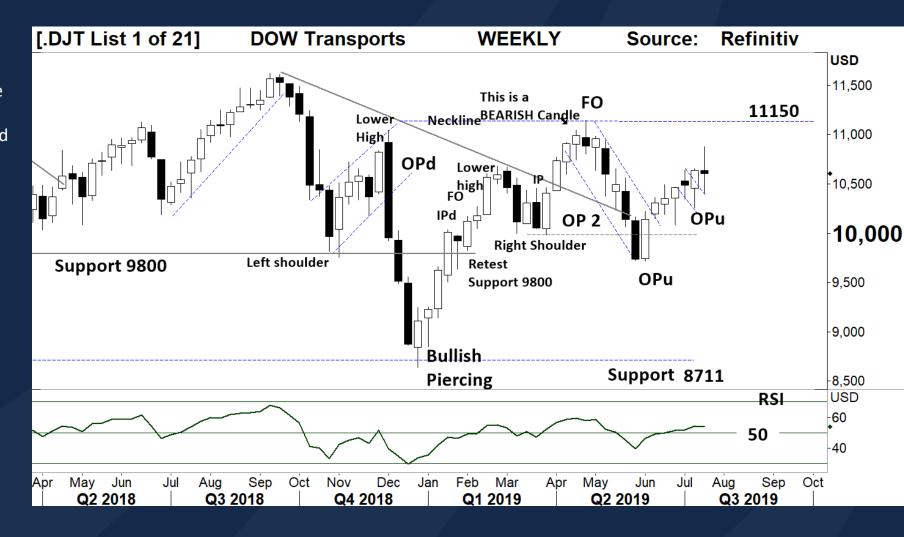
Price consolidation seems imminent in the coming weeks.

11,150 remains resistance to be monitored in the coming week on any higher price movements.

(NON CONFIRMATION of a BULL MARKET)

Relative strength has moved higher but remains on the 50 level and shows a loss of momentum.

Comments from last week. The Opu (outside period) points to the 11150 target in play for the coming weeks.





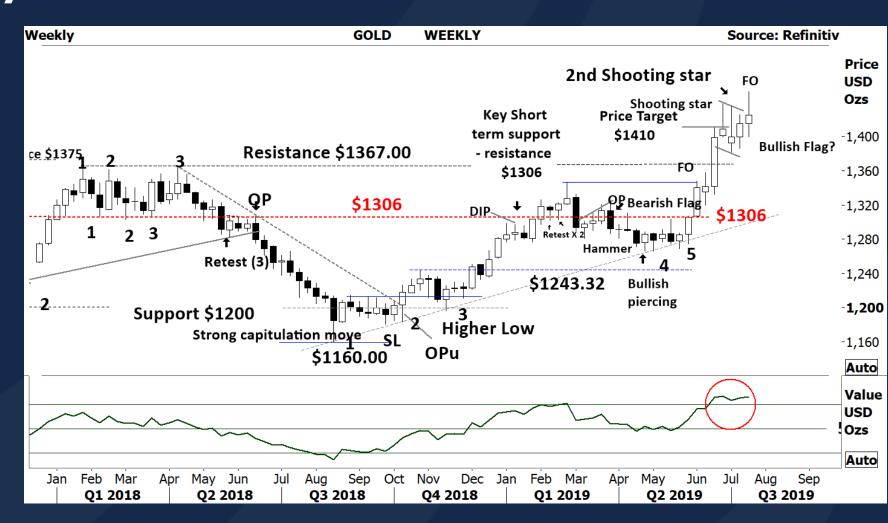
GOLD Weekly

The Bullish Flag breakout to new highs has set a FO reversal suggesting further consolidation in the coming weeks.

The larger picture from June 2018 to June 2019 is a cup and handle pattern, very bullish in the bigger picture.

RSI swings over the "70" level confirming strong price momentum, however the rollover at these levels can result in price retracement as momentum changes..

Comments from last week: With a Bullish flag developing key support remains at \$1367 for any further consolidation in the coming weeks. The larger picture from June 2018 to June 2019 is a cup and handle pattern, very bullish in the bigger picture.





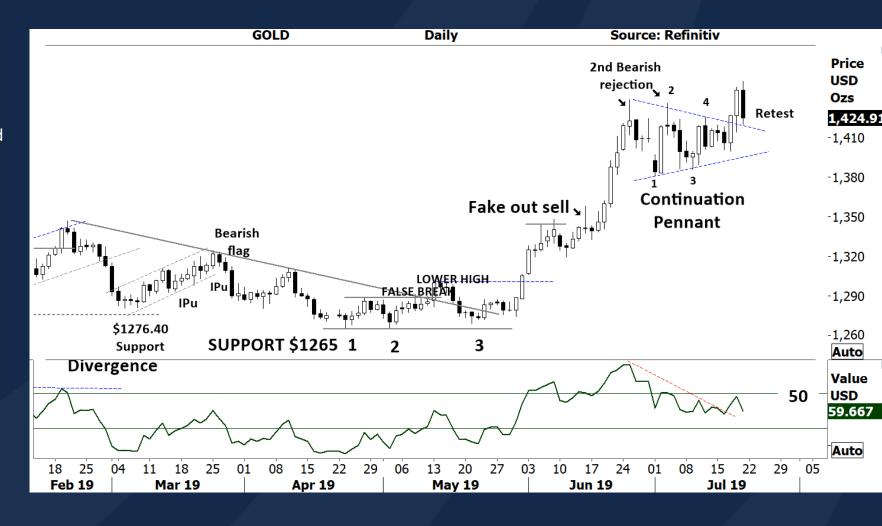
Gold Daily

Friday saw a short term price retest of a volatile breakout over #4, the continuation pennant remains in place.

Price closing below the low point at #3 would signal trend failure.

In the coming days as momentum is slowing the Relative strength turns lower is at risk of remaining below the 50 level.

Comments from last week: A closing price above #4 may signal a breakout move following this consolidation period.





SILVER Daily

Last week saw XAG Silver take out the February 2019 high, a very bullish sign for further gains.

Silver has now entered a Primary UP trend

Relative strength is over the 70 level indicating strong price momentum.

It should be noted, SILVER has also confirmed the precious metals bullish breakout.

Comments from last week: This week the daily movements of Silver failed to move over the high of the bearish engulfing range set 2 weeks ago.





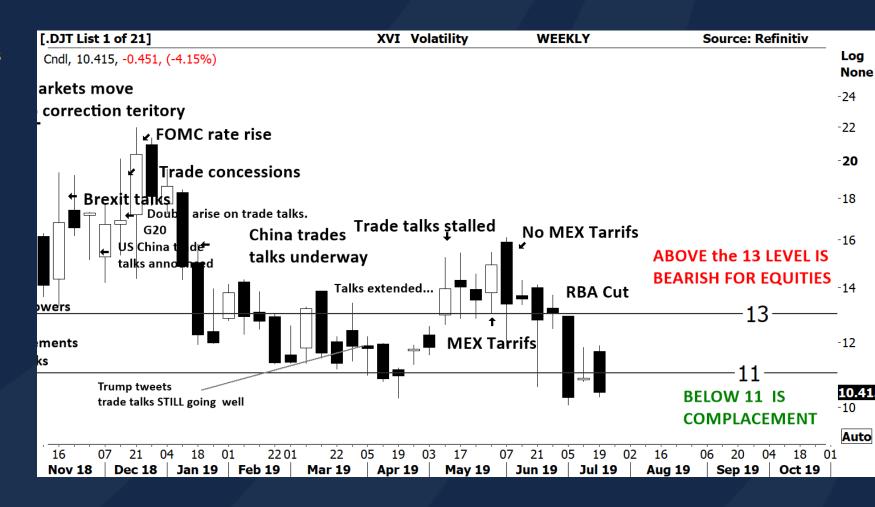
Australian Volatility Index

Current volatility levels, show a significant decline in Volatility into levels regarded as complacent of risk.

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 DXY now remains in a primary down trend and price remains weak with a lower high set again last week as Thursday's lower close / also a FO bar has set a pivot reversal.

RSI swings back above the key 50 level as price turns higher.

USD Price pressure on Commodities could restrict further gains in the larger miners.

Comments last week. The DXY now remains in a primary down trend and price remains weak with a lower high set this week as Wednesdays lower close set a pivot reversal.

WTI Oil WEEKLY



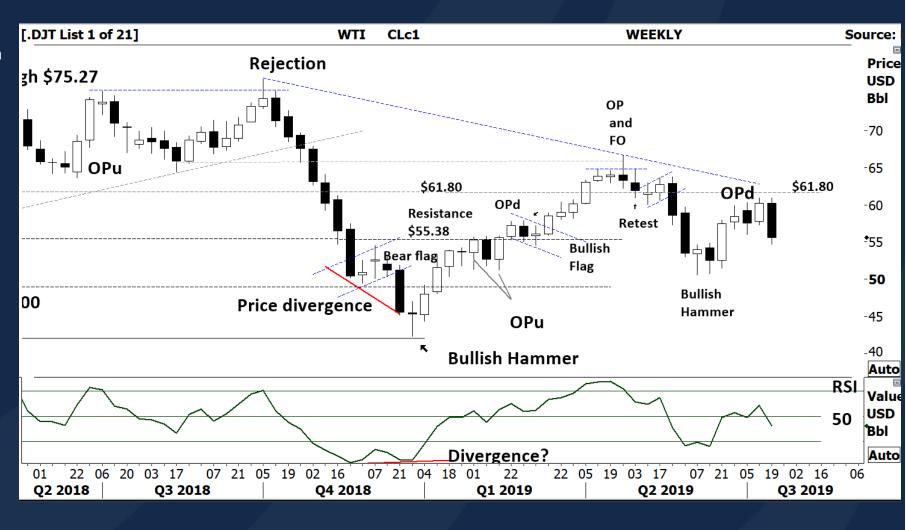
OPEC's continuing comments for production cuts should hold a floor under Oil with price remaining above the key \$50 level.

The \$61.80 level has remained as resistance with last weeks large range reversal taking place.

The Relative Strength Indicator turns lower on last weeks price reversal.

Comments from last week:

The whole structure may now resolve into a trading range between \$50 and \$61.80.





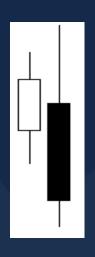


A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

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.

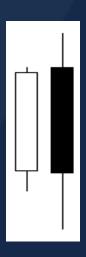
The OP period comes in all shapes and sizes.













The technical setups. The Pivot point reversal





The technical setups Pivot point reversal



THE TECHNICAL SETUPS Relative Strength





Relative Strength Indicator

SWING BUY SIGNAL.

•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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