



IN BLACK AND WHITE

26/10/2018

A market technician's view

**FX
INDICES
EQUITIES**

IMPORTANT DISCLAIMER

The information in this report is of a general nature only. It is not personal financial product advice. It does not take into account your objectives, financial situation, or needs.

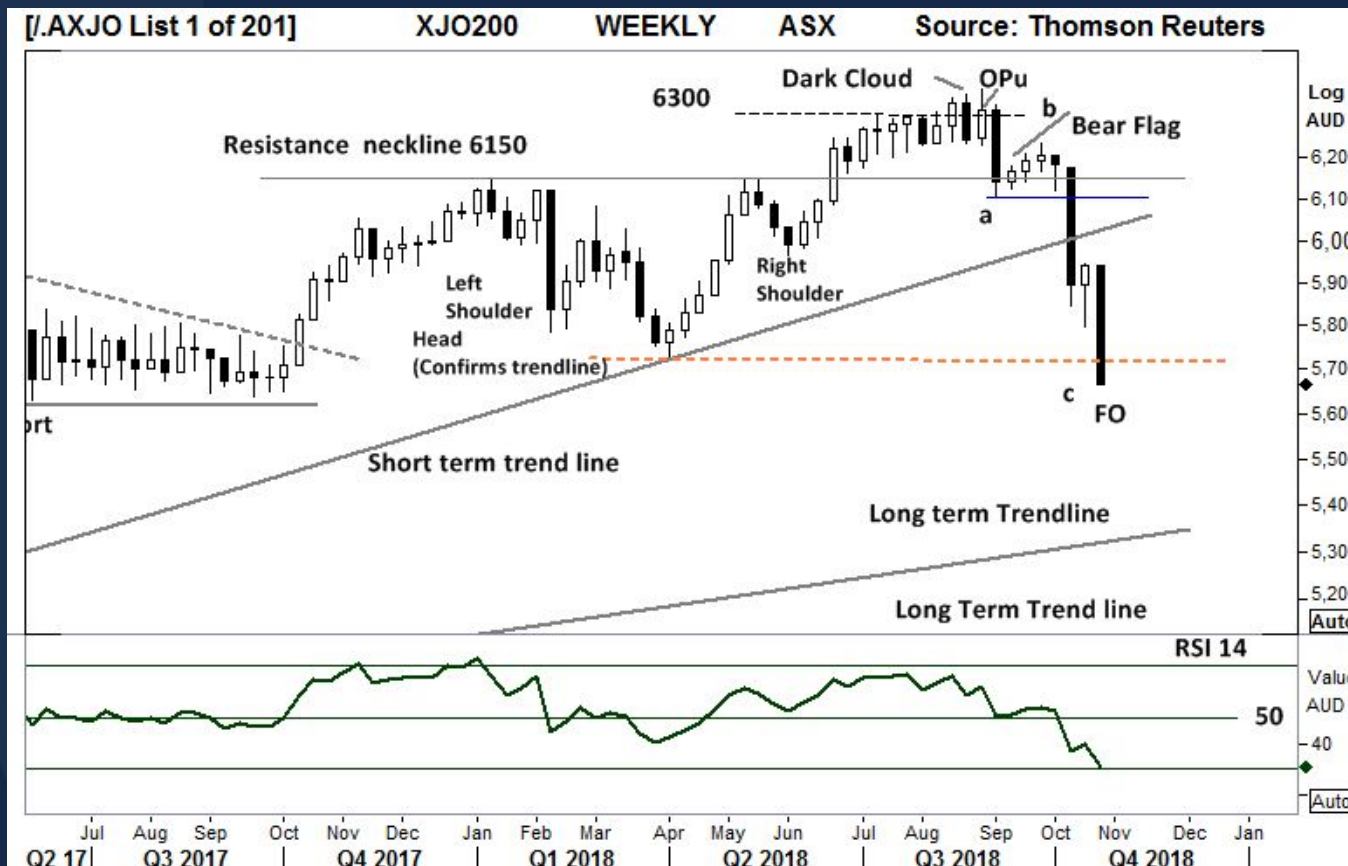
You should therefore consider the appropriateness of this information in light of these.

The Australian school of technical analysis (ASTA) recommend that you refer to the Product Disclosure Statements of any financial products which are discussed in this report before making any investment decisions.

ASTA accepts no responsibility for your actions and recommends you contact a licensed advisor before acting on any information contained in this general information report.

The information contained in this material is intended for general advice only. It does not take into account your investment objectives, financial situation or particular needs. FP Markets has made every effort to ensure the accuracy of the information as at the date of publication. FP Markets does not give any warranty or representation as to the accuracy, reliability or completeness of the information contained in this material. Examples included in this material are for illustrative purposes only. To the extent permitted by law, FP Markets and its employees shall not be liable for any loss or damage arising in any way (including by way of negligence) from or in connection with any information provided in or omitted from this material. Features of the FP Markets products including applicable fees and charges are outlined in the Product Disclosure Statements available from FP Markets' website www.fpmarkets.com and should be considered before deciding to deal in those products. Derivatives can be risky; losses can exceed your initial payment. FP Markets recommends that you seek independent advice. First Prudential Markets Pty Ltd trading as FP Markets ABN 16 112 600 281, Australian Financial Services Licence Number 286354.

Aussie 200 index - Weekly



The Weekly Chart shows the Opu from 5 weeks ago signalling the "high" price level.
(Currently, this type of a,b,c pattern also occurred during Q1 2018.)

So far this week the close is below the 5724 April low, a closing price above this level would be a positive sign for the Bulls.

The index remains in a Primary DOWN Trend.

The Relative strength Indicator remains below the key "50" level indicating a loss of upside price momentum, last weeks uptick has resolved into a new low.

Comments from last week: This current weeks bullish reversal candle has not tested the 5720 level, a sign the buyers have re-entered the market. Only a closing price over the 6150 would provide a bullish case in the coming weeks.

Aussie 200 index - Daily



Capitulation day with price movement below the April low, in the short term a closing price above this key level would be bullish.

A close above 5724 would highlight the last trading period as a potential fake out (FO) low.

The primary trend remains down.

The Relative strength indicator has swung from below the "30 level", but has not moved over the key "50" level,

See notes below on Relative Strength divergence.

S&P 500 Index - Weekly

PRIMARY TREND REMAINS UP in this "corrective move".

With the closing price retreating from the lows and back above the key 2700 level a small win for the Bulls is in place.

This is now a significant support level and will be the resistance level on any further breakdown.

To support a bullish view price consolidation above 2700 is required.

Relative strength (14) had moved below the key "50" level showing a loss of positive price momentum.

Comments from last week.

A breakdown below 2700 would constitute a down trend



S&P 500 Index - Daily

The Index on target to reach 3000 points. Has met significant resistance.

There is nothing else to see on this chart except the bullish divergence developing between the RSI and Price.

The current inside period (IP) following the 2652 low is significant as the RSI makes a higher low.

Should the RSI move over the 42 level (b) a swing buy signal will be in place.

RSI divergence is a high predictive indicator of a change in directional momentum.

Currently the daily price chart is in a down trend.



Comments from last week.

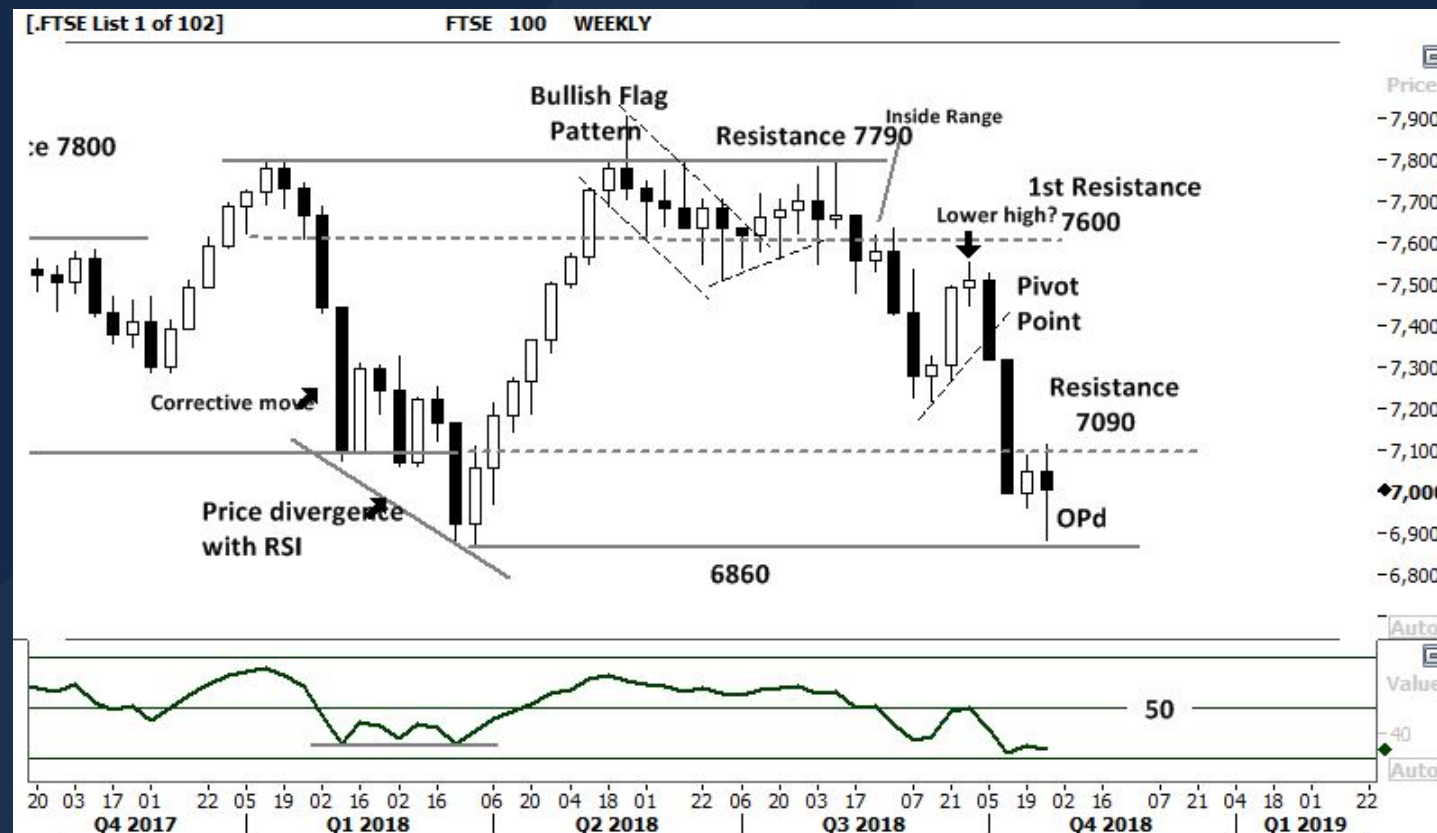
Relative strength (14) had moved strongly below the "30" level, this pivot point pattern is a loss of upward momentum with the RSI turning down again. This will be monitored over the coming days for "bullish divergence".

FTSE 100 Index - Weekly

FTSE 100 weekly:

The Primary trend in the FTSE remains down.
The test of the 6860 low is complete with a high range close on the final price line.
7090 remains the key resistance level, and would require a closing price over this level to offer a bullish view.

The Relative strength indicator 14 has moved below the "50" level, showing negative price momentum.
Although the indicator has turned up this shows a slowing momentum only.



Comments from last week:

This week small range candle with a retest of 7090 is not a strong indication of bullish price recovery.
A continuation lower is expected to test 6860.

GOLD Weekly

Gold has changed the Primary trend to UP.

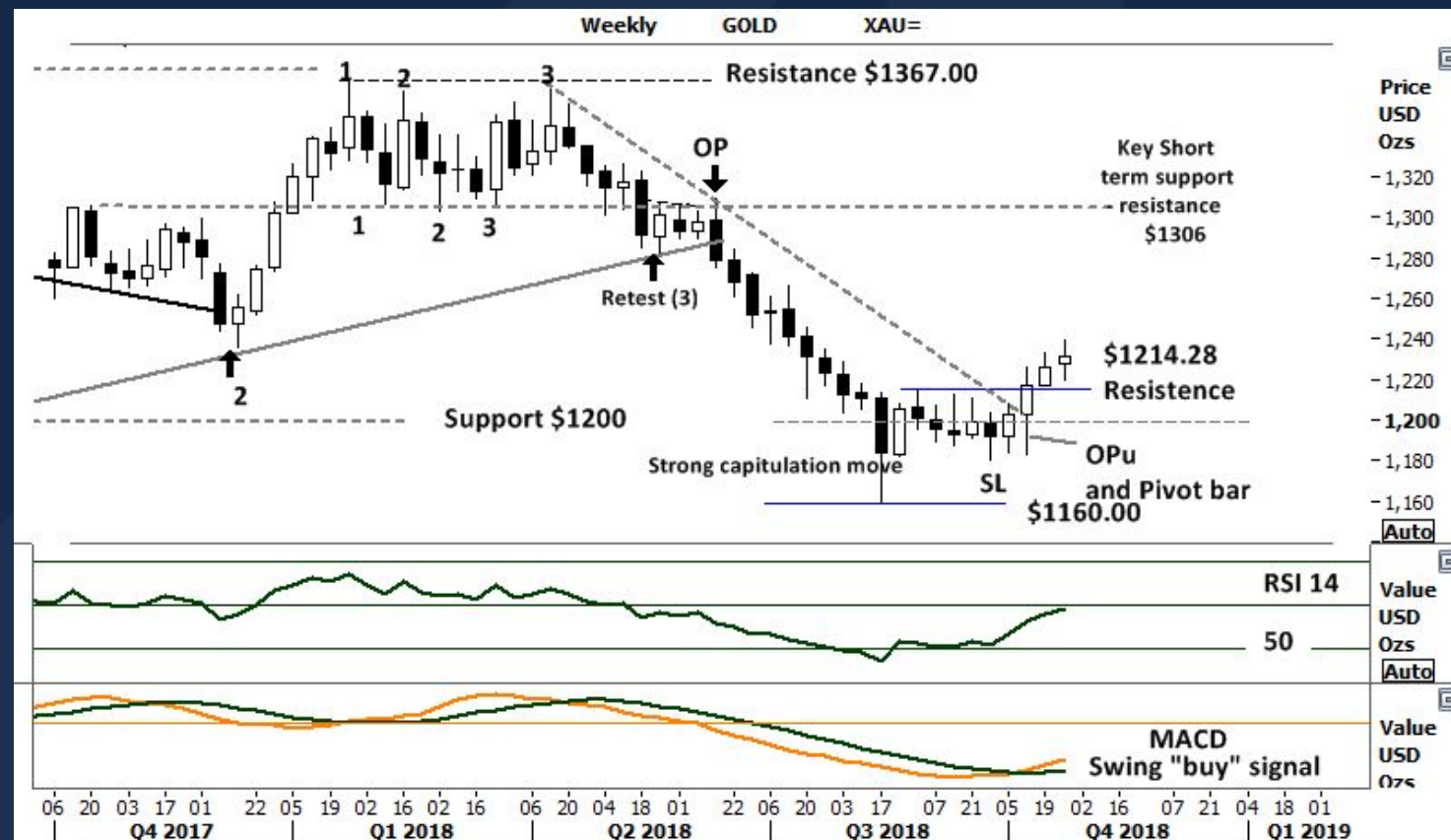
The current consolidation around the \$1200 can be viewed as "Gold is building a base" within the down trend.

The current price breakout has moved to a new high this week, but again on a small range. \$1214 is the current support level.

In the case of price weakness (below \$1214) the \$1200 level will be key support in the coming weeks.

The Outside range is a high percentage reversal, (93% within 3 bars, Krastins.)

An outside range is a time of confusion in the market as a new high has been made and a lower low from last week.



Comments from last week:

This week's close also completes a pivot point reversal from the SL point.

Gold Daily

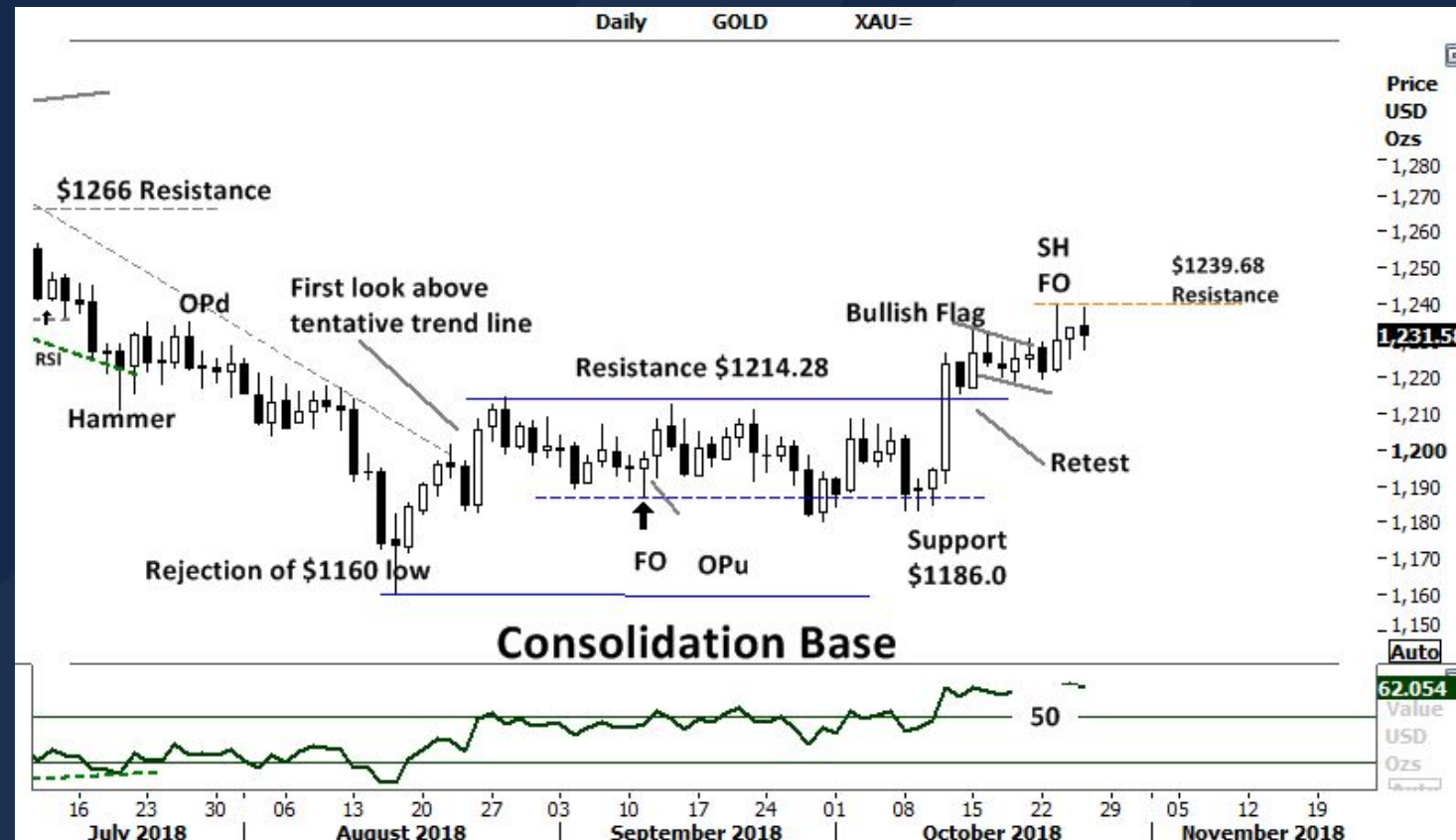
This week has seen further consolidation above the \$1214.28 level.

The bullish flag developing complete with the retest of the breakout level has the potential to push higher into the \$1266 level.

The daily Fake Out (FO) with a high of 1239.68 requires a further higher closing price to confirm any short term bullishness of GOLD.

Failure to move above this level could result in a retest of \$1214.28 support.

RSI has turned higher above the "50" level indicating positive price momentum.



Comments from last week:

This daily chart has entered into an UP trend with \$1266 as the current target price. High volatility has returned.

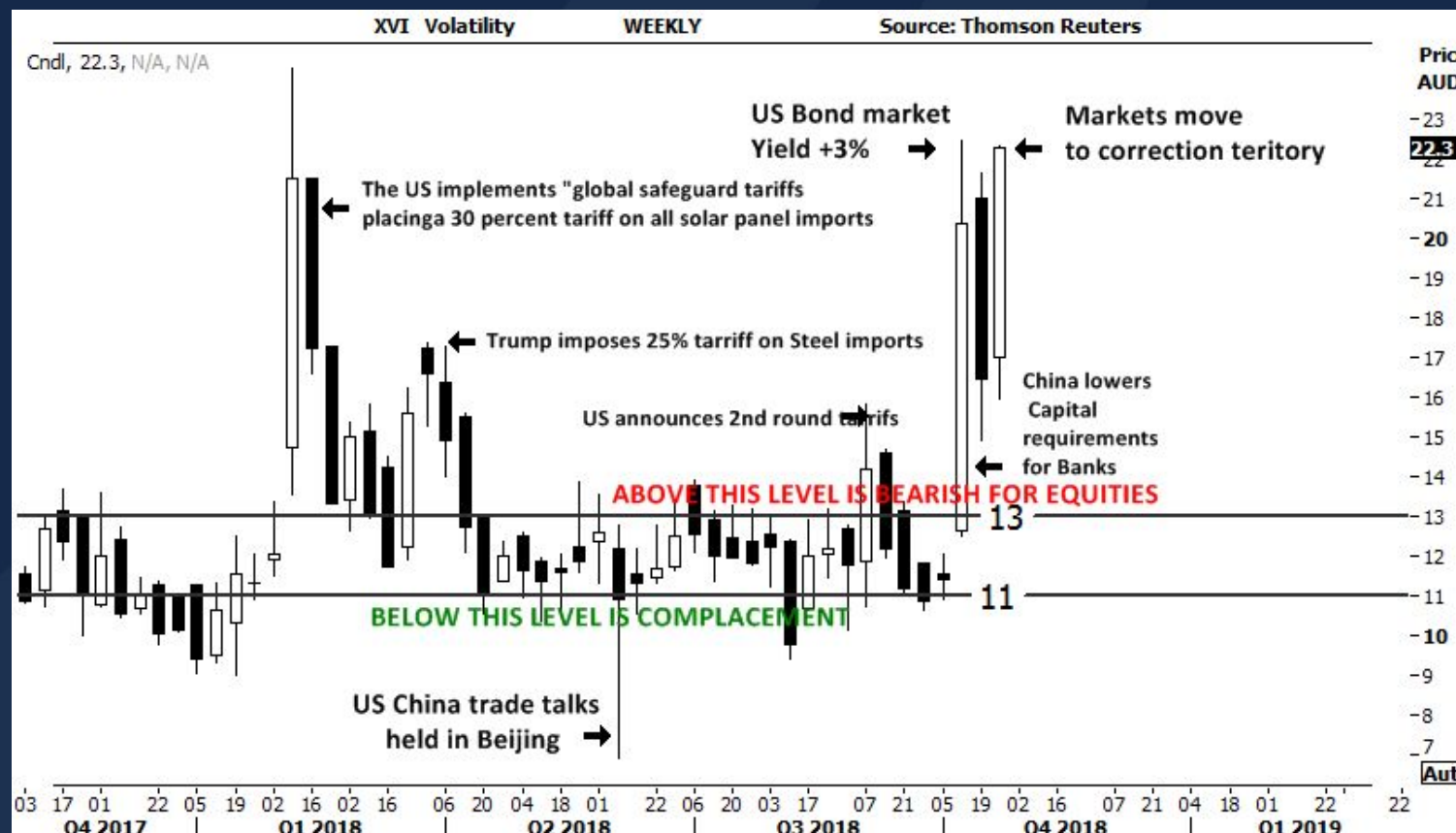
Australian Volatility Index

The Australian market has a volatility indicator XVI. The XVI is the difference of 1 month forward pricing of ETO Options against current month.

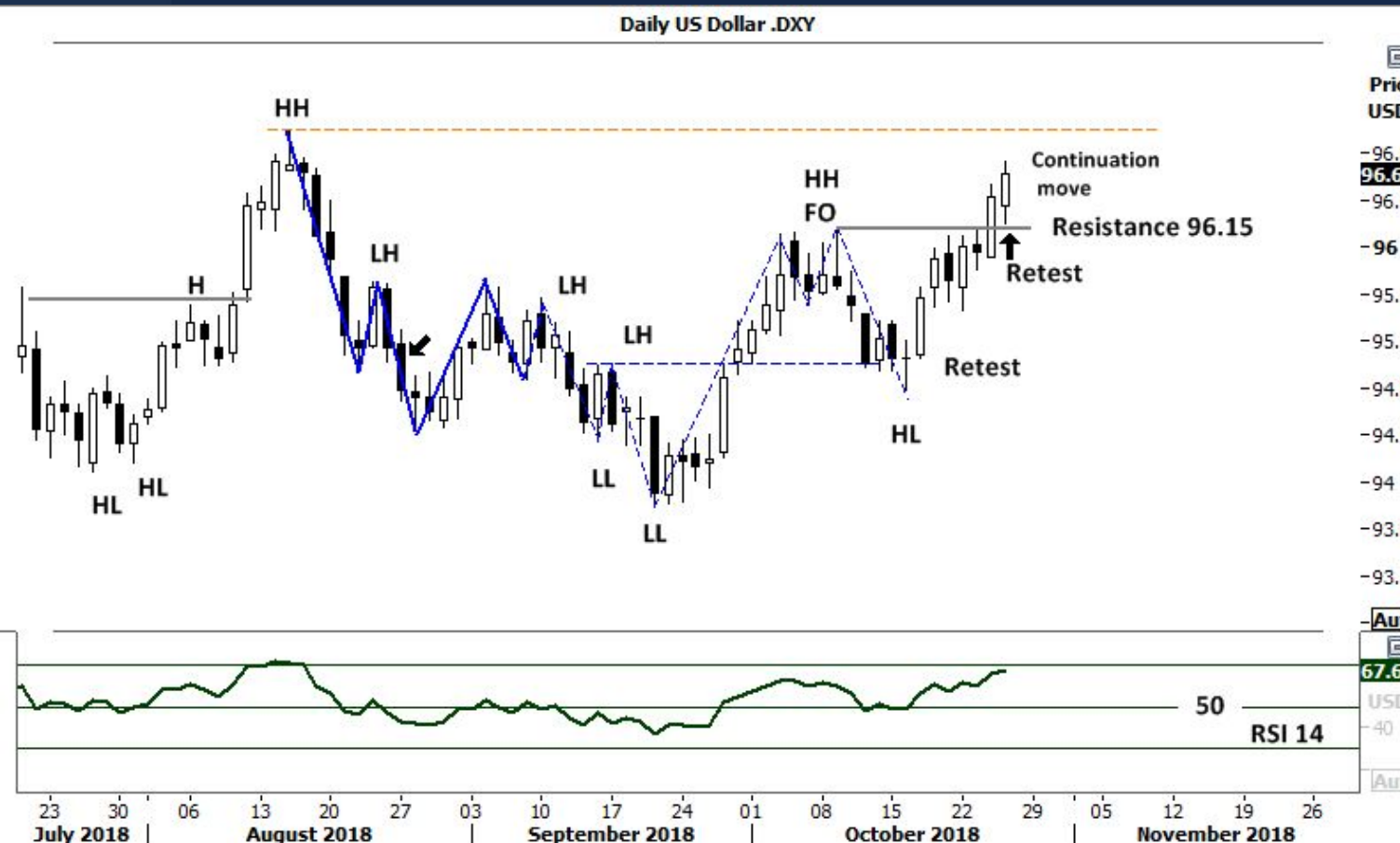
As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this "skew" in pricing is measured in this XVI.

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

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



US Dollar Index



The Relative strength Indicator (14) has turned higher confirming of upward momentum. A retest of the key 95 level on a very strong range, is now complete.

Current breakout sets the 97 level target. RSI suggests momentum is very positive with levels over the key 50 mark.

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:

Last week's commentary suggested the retest is complete

WTI OIL WEEKLY

Weekly OIL

A new trend line has developed, a retest of this line would have oil at \$68.00, this saw a breakdown below this level.

Currently the lower shadow of this week's range is higher than the low at (3).

\$64.00 remains the first major key support level.

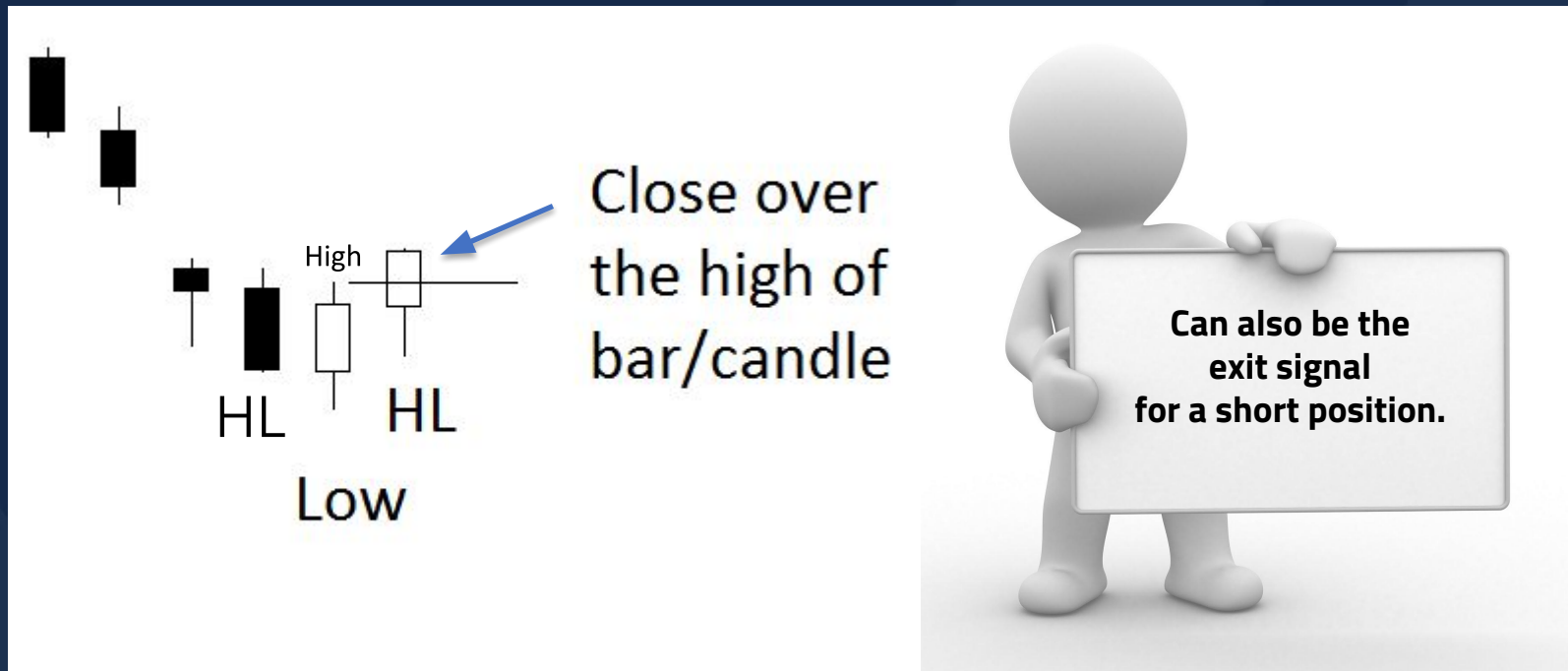
\$75.27 is the next key resistance level on price recovery.

Comments from last week.

The primary trend remains UP during this time of potential price consolidation the retest of \$71.28 and further move down is significant.



The technical setups. The Pivot point reversal



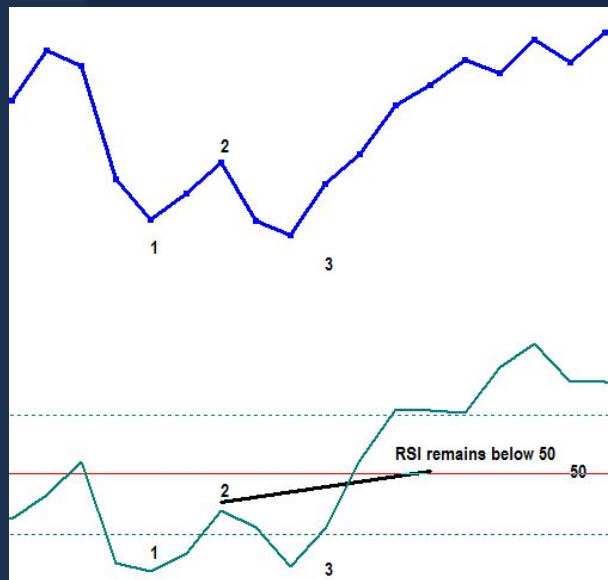
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



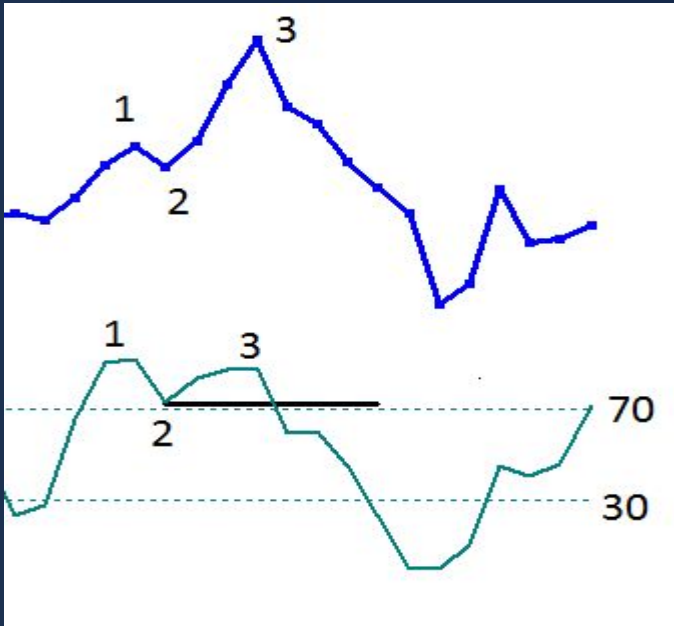
Relative Strength Indicator

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 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 of point 2 on RSI

The technical setups

Outside period

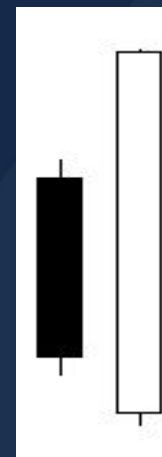
Opu and OPd

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.

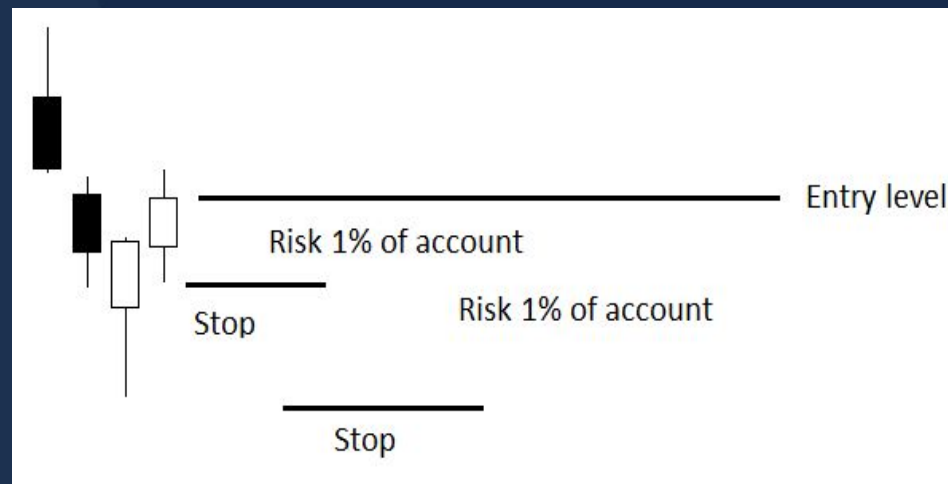
The OP period comes in all shapes and sizes.



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.



Comments and Feedback:
support@fpmarkets.com



First Prudential Markets Pty Ltd
Level 5, 10 Bridge Street
Sydney NSW 2000

Phone: +61 2 8252 6800
www.fpmarkets.com

ABN 16 112 600 281
AFS Licence No. 286354



THANK YOU