



**IN BLACK AND WHITE**

**28/12/2018**

**A market technician's view**

**FX  
INDICES  
EQUITIES**

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# Australian 200 index - Weekly



## Short weekly view

It is important to notice the Relative strength Indicator **still remains below the key "50" level**. Index weekly chart remains in a Primary DOWN Trend.

An important move for a short term bullish view as the Index moves back over the long term trend line and engulfs last week candle body.

The first resistance level is shown at 5727

## Comments from last week:

This current move below the long term trend line is VERY BEARISH and confirms not only the Primary down trend, but also a BEAR MARKET underway.

# Australian 200 index - Daily



The Primary Trend remains down and in a BEAR MARKET.

The daily chart of the XJO shows an accelerating down trend, with a break of the long term trend line adding to the bearish view.

Thursday's bullish candle retesting the down trend line.

The market is at an important juncture, with the Relative strength indicator moving over the 50 level, price momentum has turned positive, with a potential retest of 5727 is on offer.

Now with 4 significant low in place, the diverging RSI ( higher) may be the earliest indication of a trend reversal.

## Comments from last week:

The breakdown below point (3) and the long term trend line only adds weight to the potential of a capitulation move lower in the coming days.

# S&P 500 Index - Weekly

## Short weekly view.

A characteristic of a true BEAR MARKET - short sharp price rallies.

The S&P 500 now enters and remains in a PRIMARY DOWN TREND.

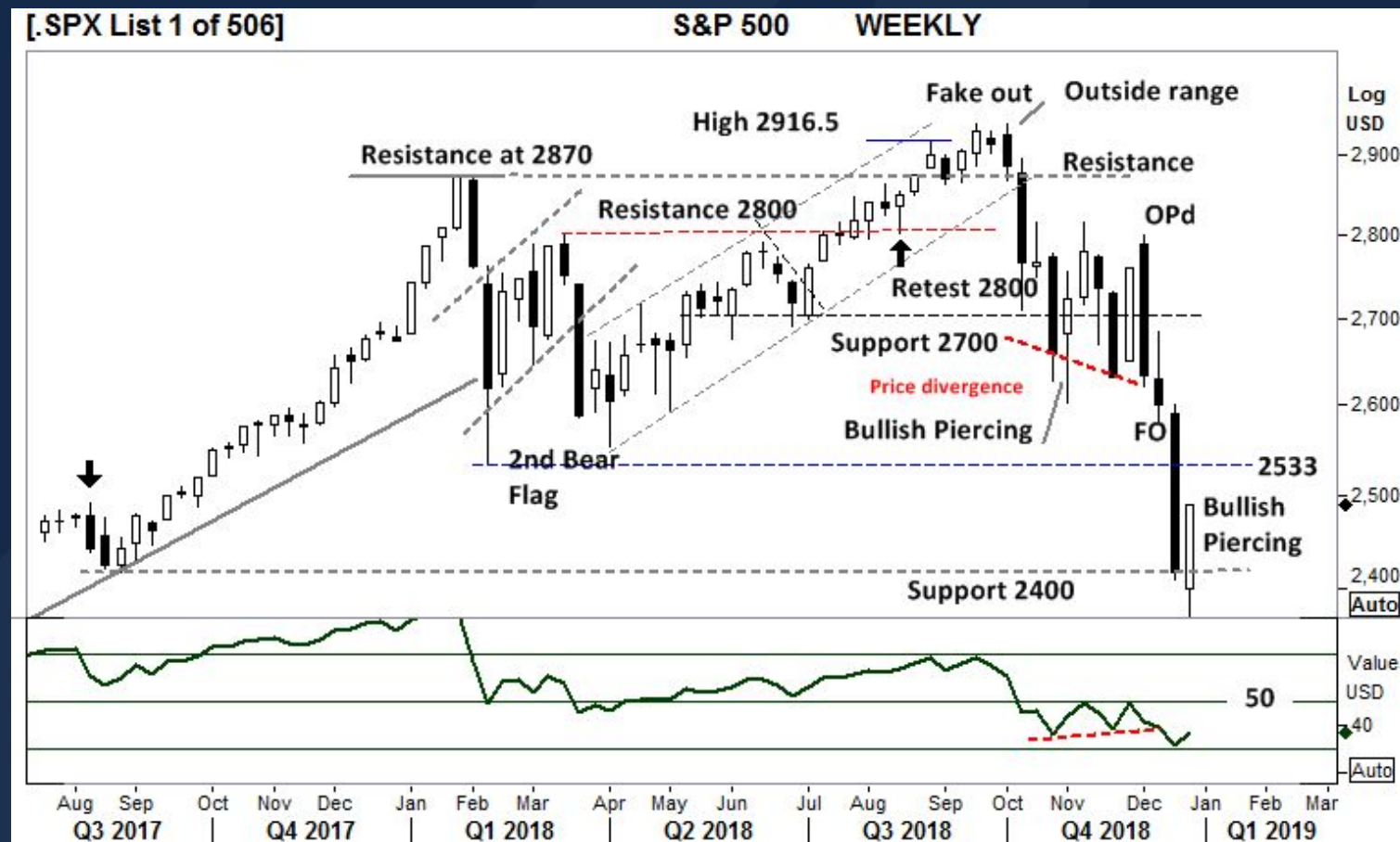
With the retest of a downside target of 2400 complete followed with the bullish piercing candle developing, look for an important retest of 2533 as the first resistance in any continuation move higher.

Price divergence in the Relative strength indicator has failed, with the indicator moving towards the 30 level. (the futility of indicators!)

(Only a Presidential tweet could change the view.)

### Comments from last week:

Currently a large range weekly bar in place with a potential retest of 2400 underway.





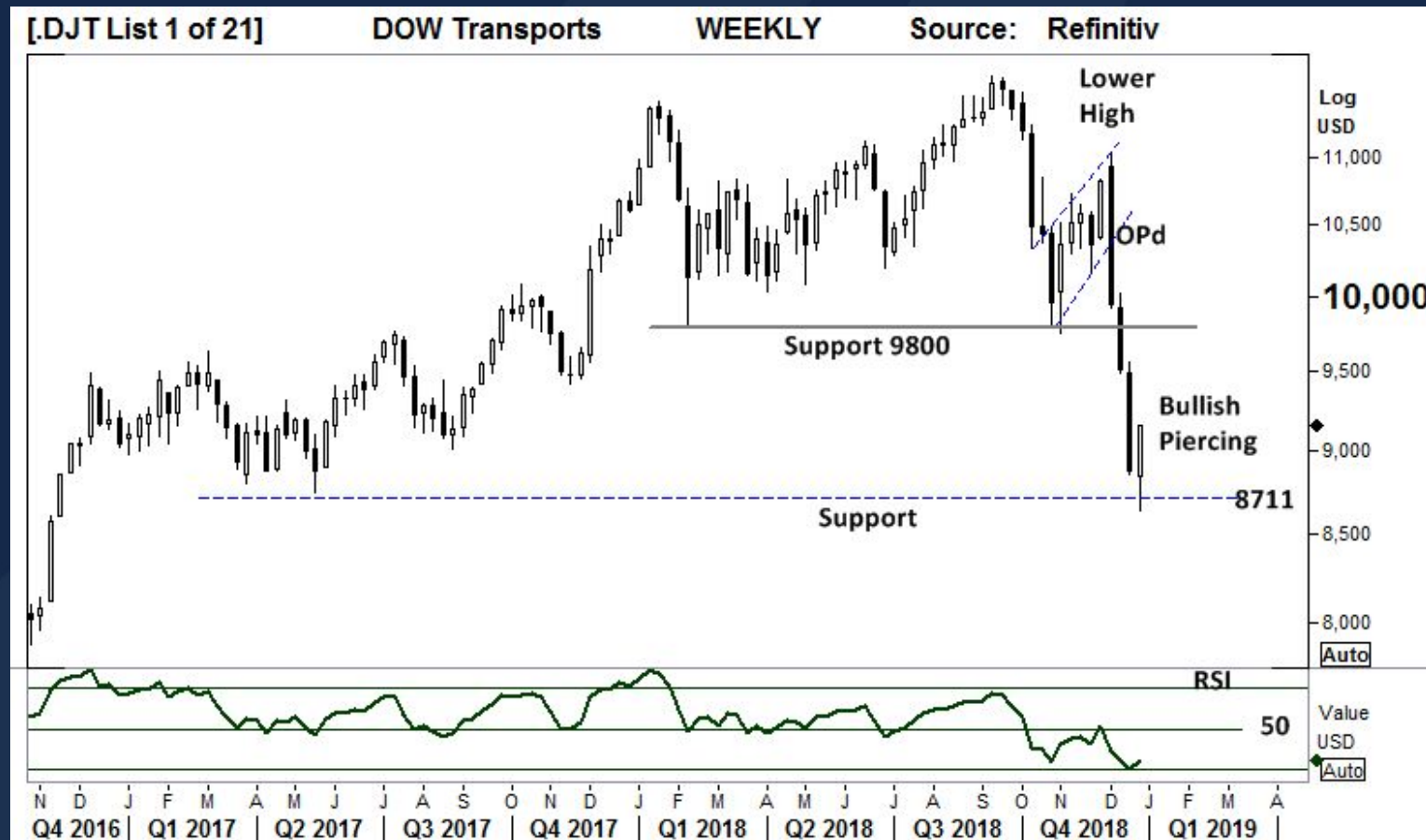
# Transports Index

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

The DOW Transports now confirm with the other indices of a **BEAR MARKET** underway.

The Lower high and the move below the previous low of 9800 confirms the down trend.  
This week retest of 8711 historical support should lead to a retest of 9800 resistance.

The relative strength indicator remains below the key 50 level.



# S&P 500 Index - Daily

A characteristic of a true BEAR MARKET - short, sharp price rallies.

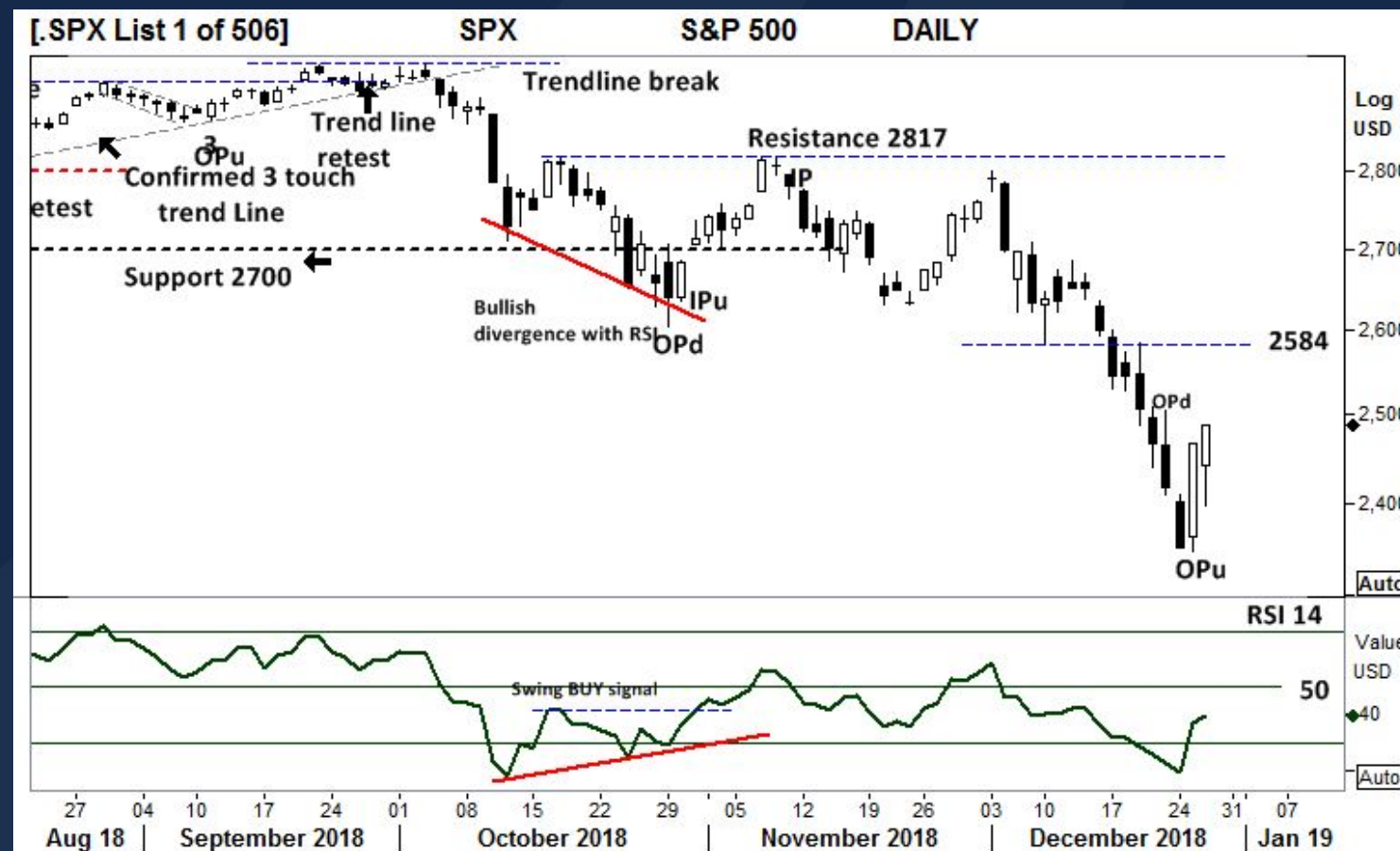
From the 4<sup>th</sup> October Trend line break the S&P 500 has now moved below the consolidation level between 2584 and 2817.

The daily trend remains down.

The current OPu a large range bar has seen a follow through in current potential retest of 2584. RSI had turned lower under the "30" level on the current price capitulation move lower, and remains under the key "50" level. A bullish view requires the RSI to move over the 50 level.

## Comments from last week:

From the 4<sup>th</sup> October Trend line break the S&P 500 has now moved below the consolidation level between 2584 and 2817.





# FTSE 100 Index - Weekly

## FTSE 100 weekly: Short weekly view.

Clear rejection of 7090 levels with an Outside period (OPd) in place.

The Primary Trend remains down, 6650 support broken this week.

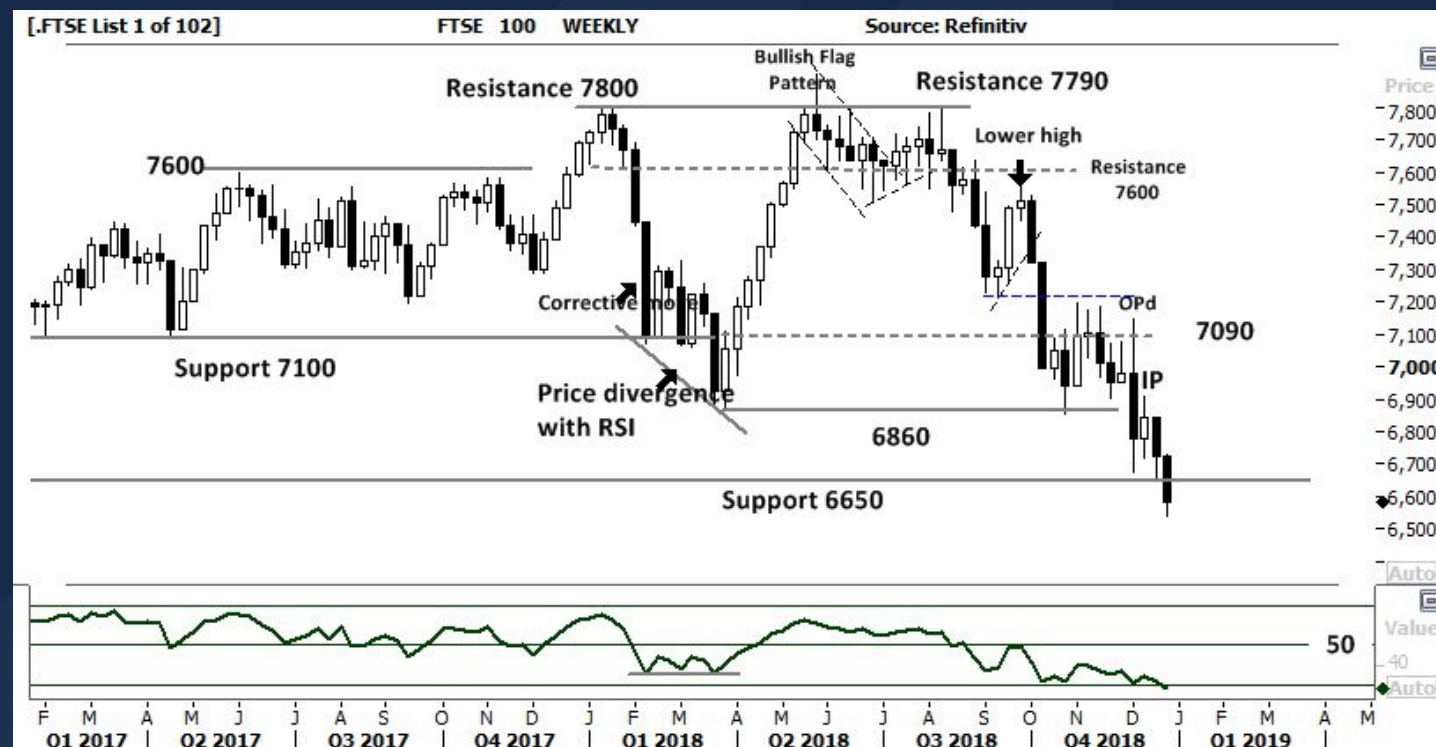
A continuing closing price below this level would be very bearish with a broad top from 2016 now complete with a further downside target of 6000.

A further closing price over 6860 is required to confirm a bullish view with confirmation from the RSI.

The Relative strength indicator 14 has remained below the "50" level, showing negative price momentum and continues lower with a break of the "30" level making new lows along with price making new lows.

## Comments from last week:

Last week's IP was a time of indecision, now confirms further weakness.



# GOLD Weekly

## Short weekly view.

Gold remains in a **PRIMARY UP TREND**.

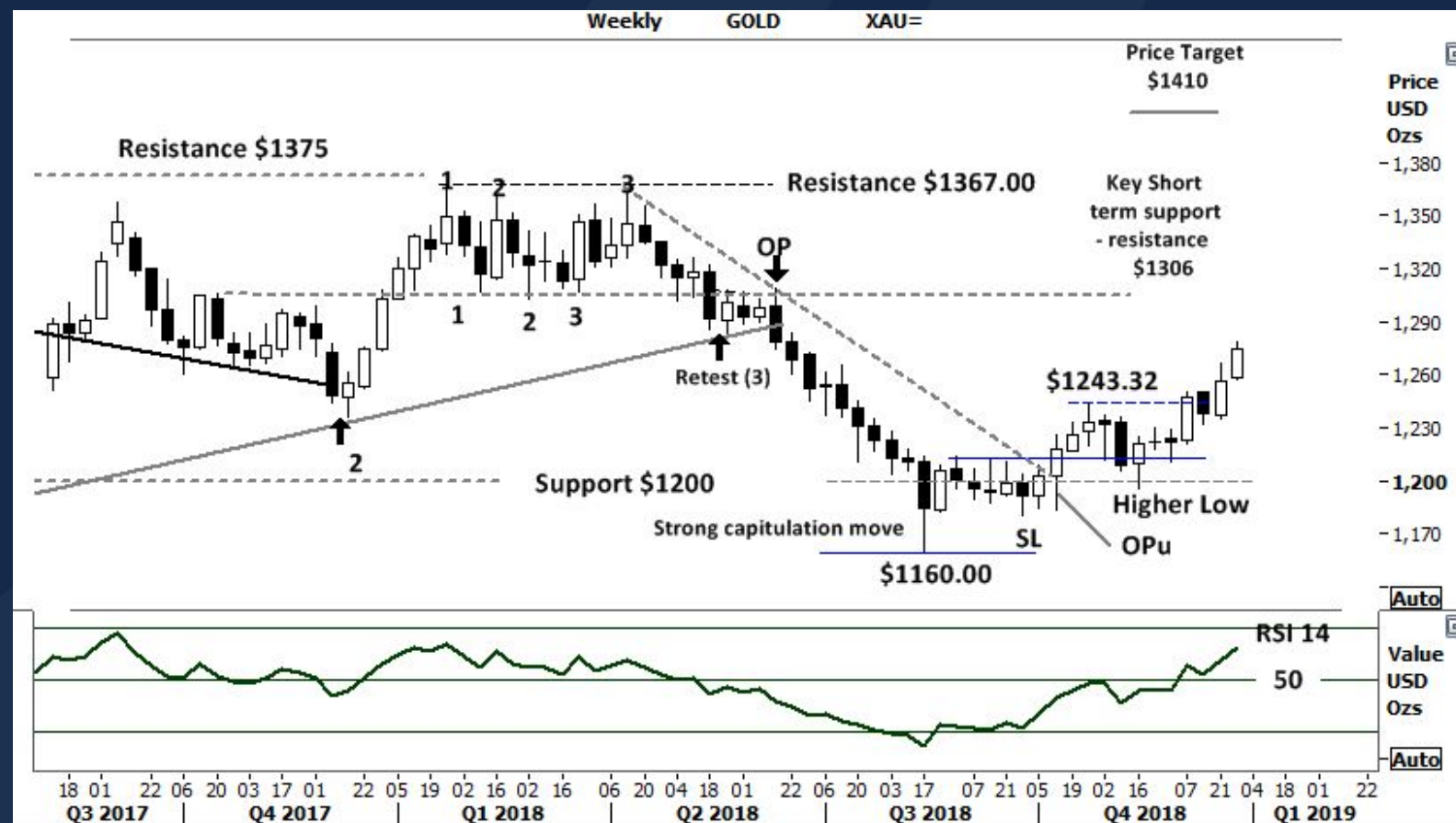
The new weekly closing price highs continue for Gold as the price moves away from the \$1243.32 level.

On this weekly basis, resistance at \$1306 is the current target price.

Long term target of \$1410

RSI remains over the key "50" level.

Comments from last week:  
\$1306 price resistance remains the first target price in this **PRIMARY UP TREND**.



# Gold Daily

Wednesday's breakout over \$1266 with a strong range points to higher prices in the coming days.

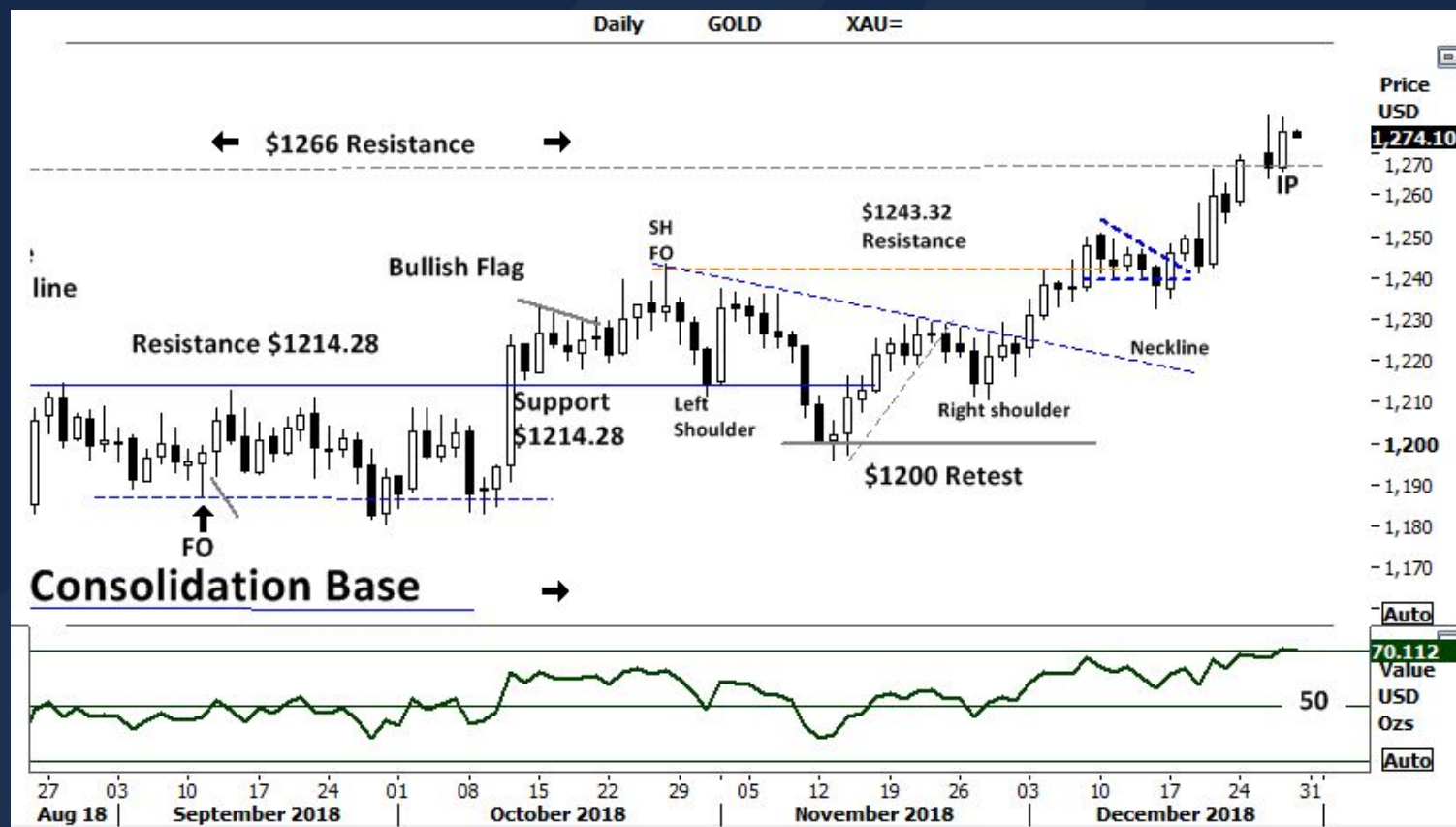
The current IP (inside period) may invoke a retest of the \$1266 breakout level before a move higher.

Significant resistance levels ahead at \$1306 and \$1367.

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

## Comments from last week:

Gold has the potential to push higher into the \$1266 level and this week will reaffirm the Primary UP trend.



# Australian Volatility Index

The Australian market volatility indicator XVI.

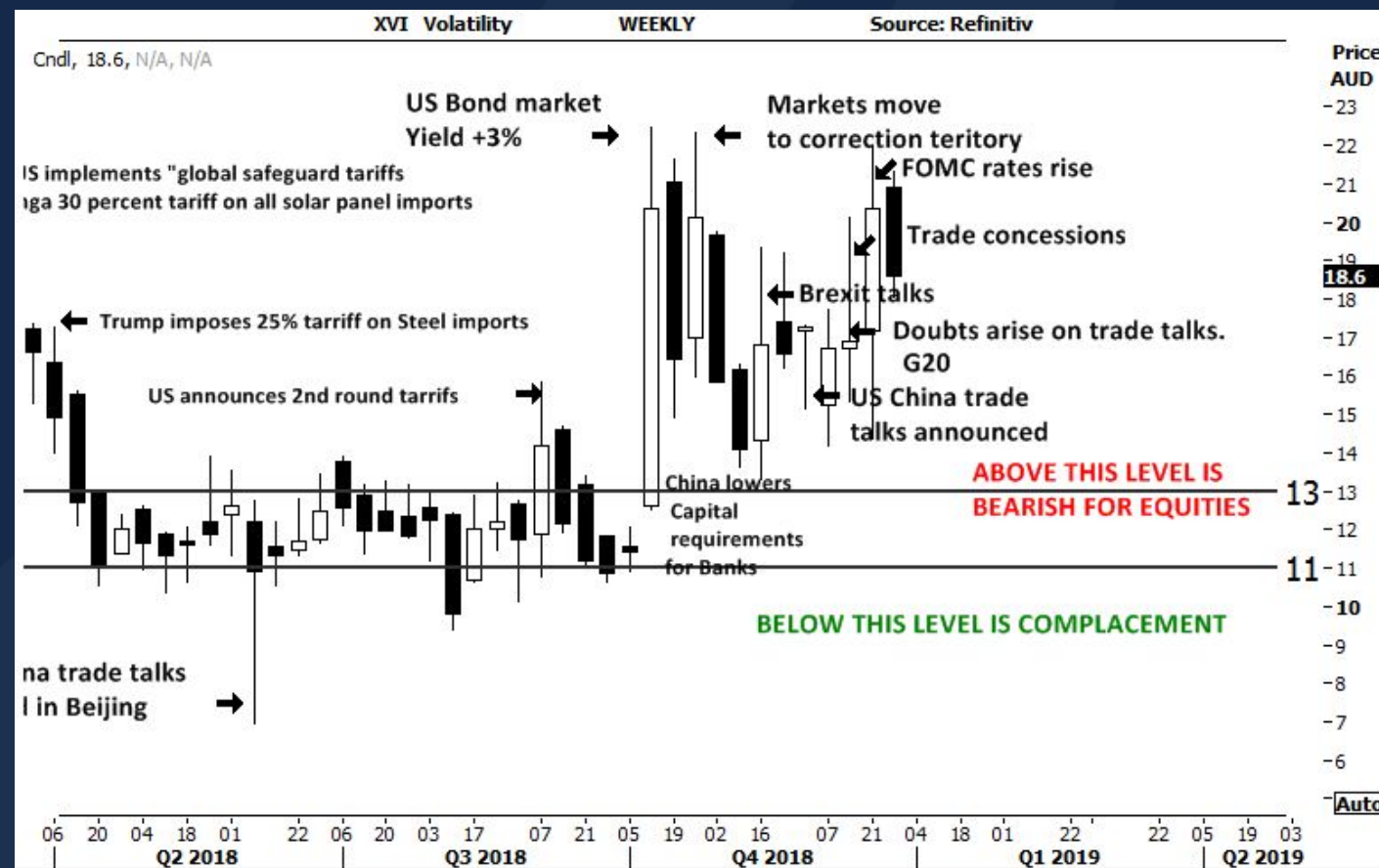
The US rate rise, and bearish sentiment around global growth has pushed the XVI back over the "20" level.

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



With the retest of 96.15 levels complete, the dollar index remains in a consolidation zone with 97.54 resistance. Short term resistance shown at 97.11.

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 decline in relative "value" and vice versa.

## Comments last week:

The USD index remains in price consolidation.



# WTI OIL WEEKLY

## Weekly OIL

### Short weekly view.

Oil moves from a **\*"corrective"** move with a closing price first below the 22<sup>nd</sup> June low of \$63.59 and the 17<sup>th</sup> August \$64.43 low, into a Primary down trend.

The test of the \$42.0 historical support level is complete with a bullish hammer in place. A higher close in this weeks range would be bullish with a potential retest of resistance at \$55.38.

Further to this view, a breakdown below \$42.00 (long position Stops) potentially sets a \$39.0 target.

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



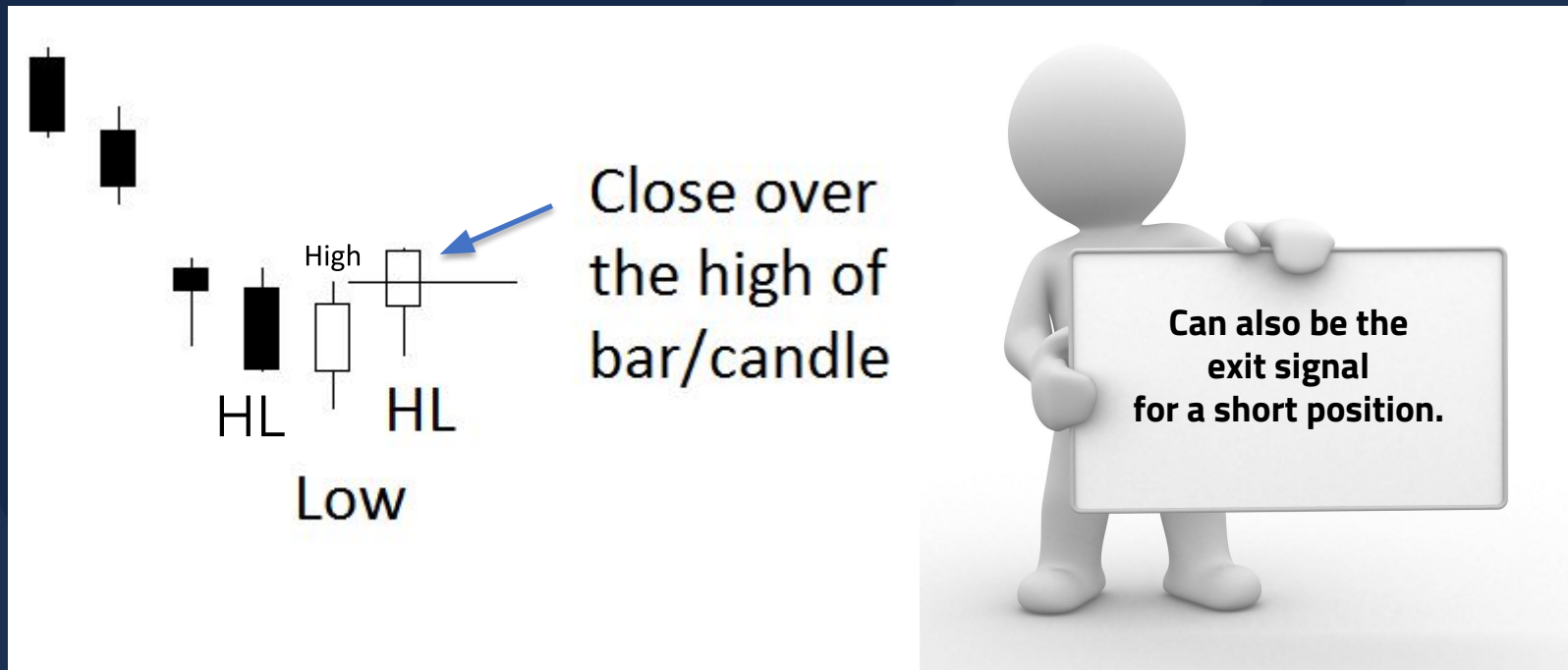
Comments from last week:

Resistance at the \$ 55.38 level, confirmed last weeks bearish flag. The current breakdown now puts Oil into a Primary down trend as the new low is made.

The next support level is \$42.00



# The technical setups. The Pivot point reversal



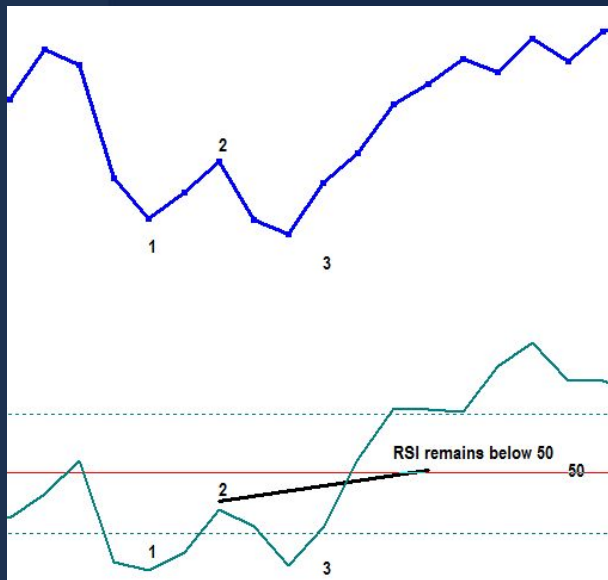
# The technical setups

## Pivot point reversal



# THE TECHNICAL SETUPS

## Relative Strength



### Relative Strength Indicator

#### SWING BUY SIGNAL.

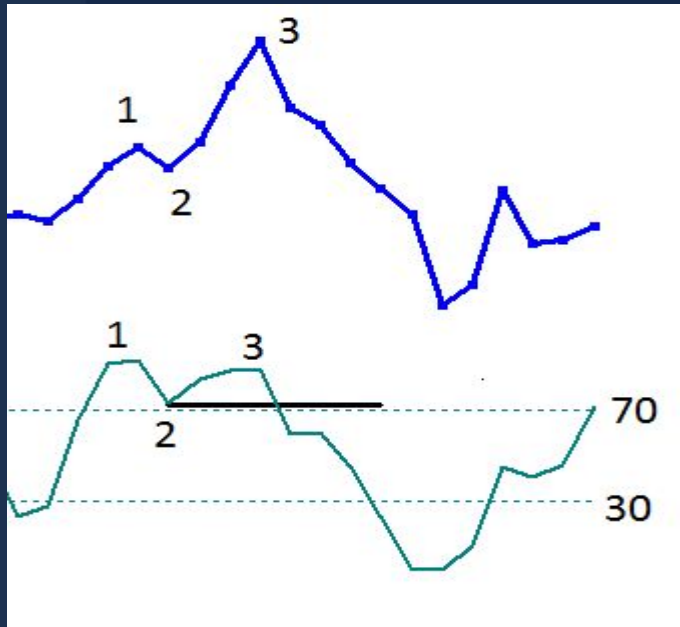
- The market makes a low, (1)
- The market closes higher, (2)
- The market makes a new lower low, (3)

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 off point 2 on RSI

# The technical setups

## Outside period

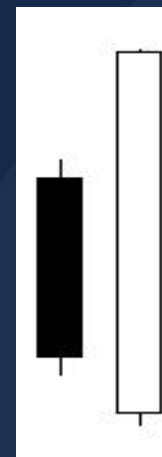
### Opu and OPd

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.



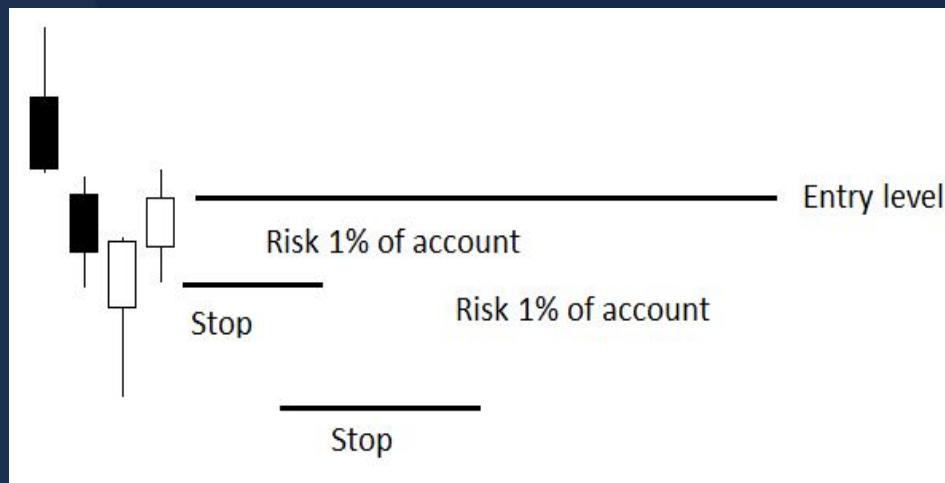
# Position size and management guidelines

## 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.





**Comments and Feedback:**

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