



**IN BLACK AND WHITE**

**16/11/2018**

**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](http://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



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

Index weekly chart remains in a Primary DOWN Trend.

Closing above 5727 by the end of this week is required to show buyer support for the market.

Further closes below this level bring the long term trend line into play at 5600 points.

## Comments from last week:

This week follow thru from the low (FO) is an important win for the bulls. A further close over this week's high is required to give buyer confidence.

# Aussie 200 index – Daily



The primary trend remains down.

Key resistance at 5960 remains.

The daily chart requires a close over this key level to confirm a bullish case.

Yesterday's close over 5727 is an important step with follow through pivot point completion required to build a view for the retest of 5960 point resistance.

The Relative strength indicator has swung below the "50 level", in the short term a movement higher is required.

## Comments from Last week.

Key resistance at 5960 remains.

The daily chart requires a close over this key level to confirm a bullish case.

# S&P 500 Index - Weekly

**PRIMARY TREND REMAINS UP** in this “corrective move”.

The pivot bar is in place confirming the low is in, a very positive sign for further gains.

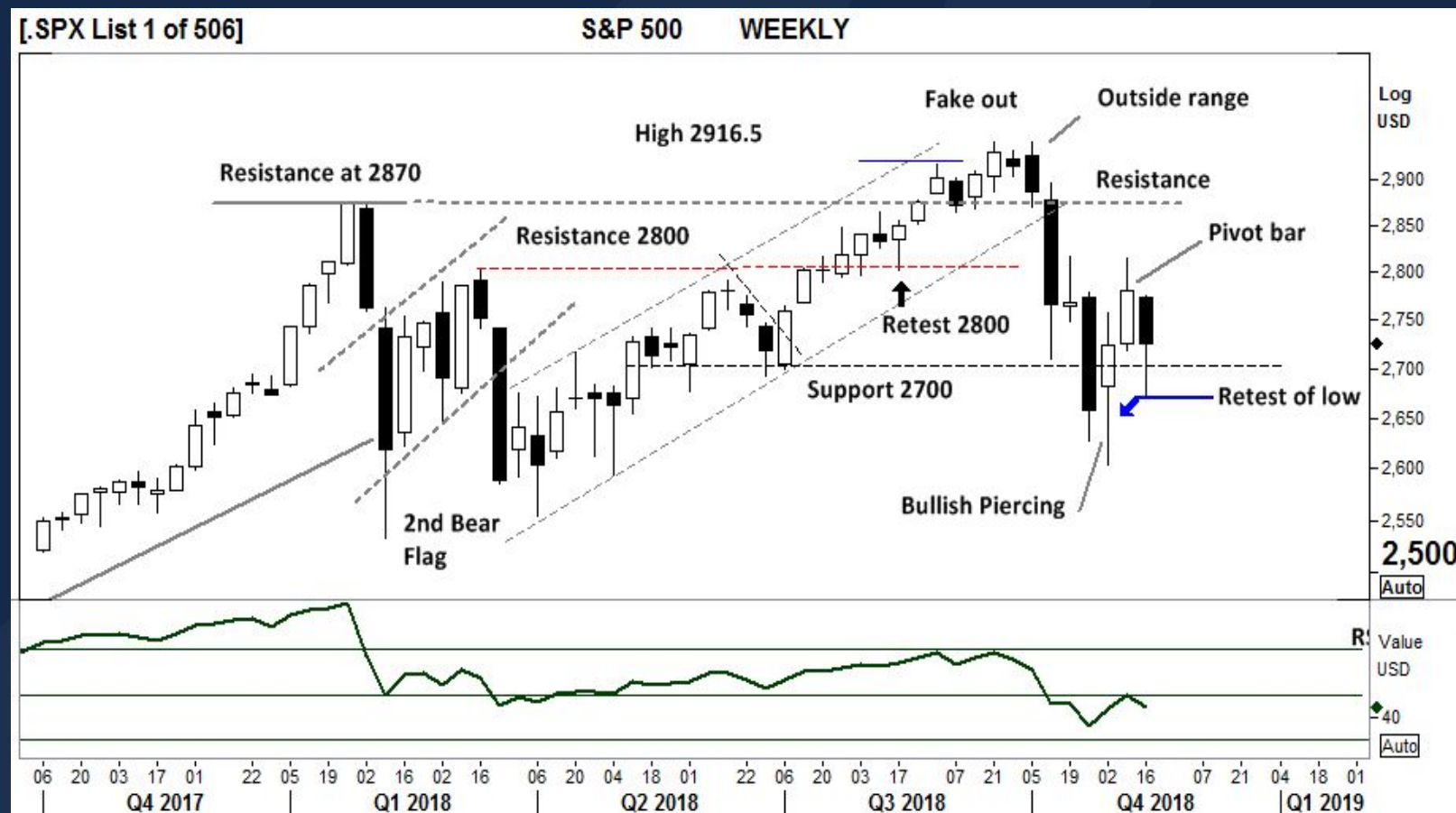
This week with a retest of the low underway, but immediate move back over the 2700 level could be viewed as bullish for future gains.

2670.75 points, the current week's low, a further break of this level would be very bearish and suggest a continued move lower.

Relative strength (14) had moved below the key “50” level reflecting the current week's price weakness.

## Comments from last week:

Resistance at 2870 is the next “go-to” level and should be monitored in the coming week as a resistance point.





# S&P 500 Index - Daily

A potential Inverse head and shoulder pattern will now be monitored for a break of the neckline.

A close over 2816.94 is required to reaffirm the bullish case.

RSI has moved below the "50" level but turned higher on the current price move.

The RSI bullish divergence, although complete is often a precursor to a new primary trend.

## Comments from last week.

The S&P Daily chart has reached an inflection point with a resistance of 2816.94. The IP (inside period) shows indecision of the buyers / sellers.



# FTSE 100 Index – Weekly

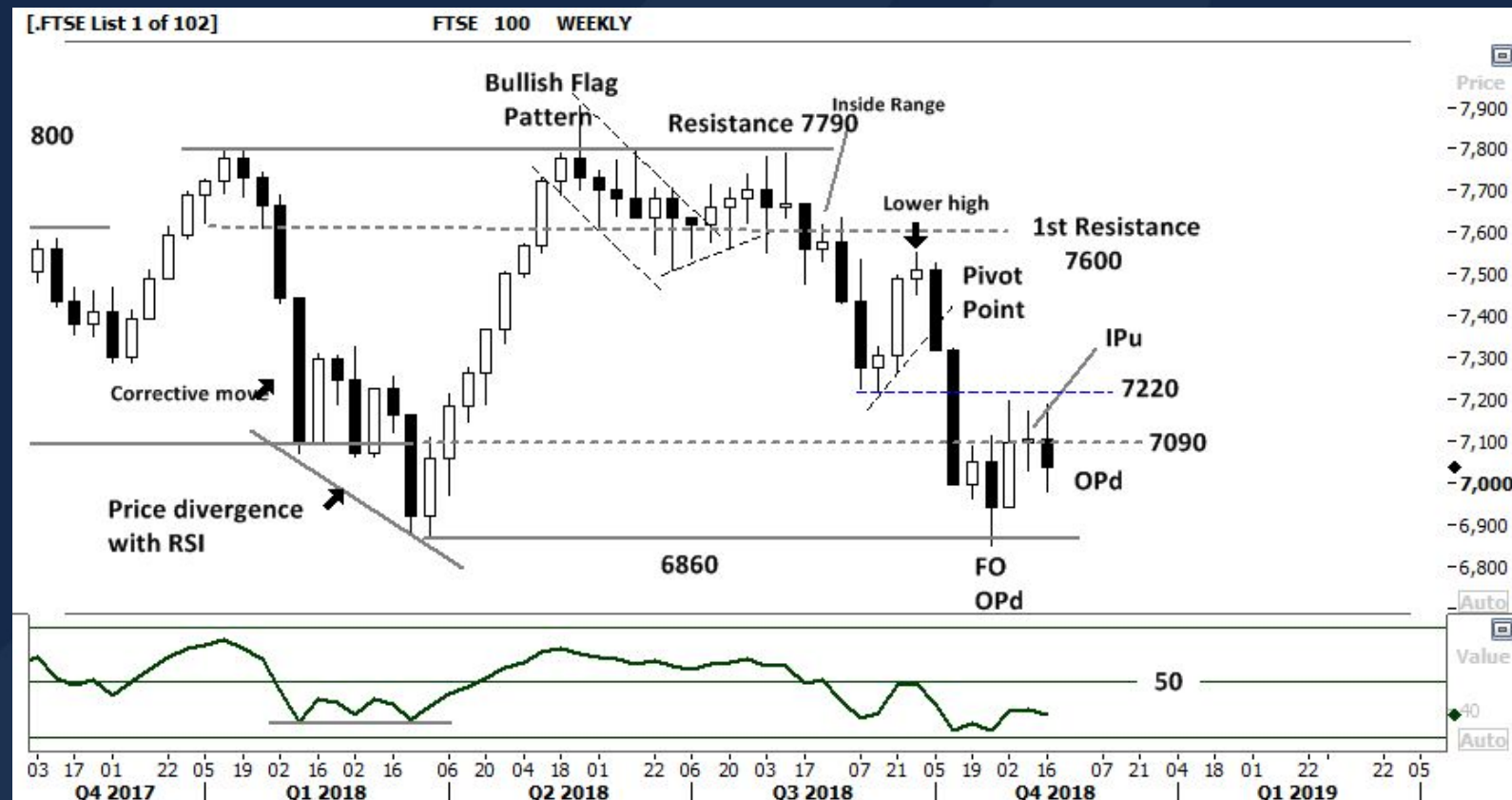
## FTSE 100 weekly:

The Primary down trend in the FTSE remains.

This week, OPd (outside period) is confirming the bearish case. A further closing price over 7220 is required to confirm a bullish view.

Continuation of the down trend is expected.

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



## Comments from last week:

This weeks IPu (inside period) is confirming the bearish case.

A further closing price over 7220 is required to confirm a bullish view.



# GOLD Weekly

Gold has changed the Primary trend to UP.

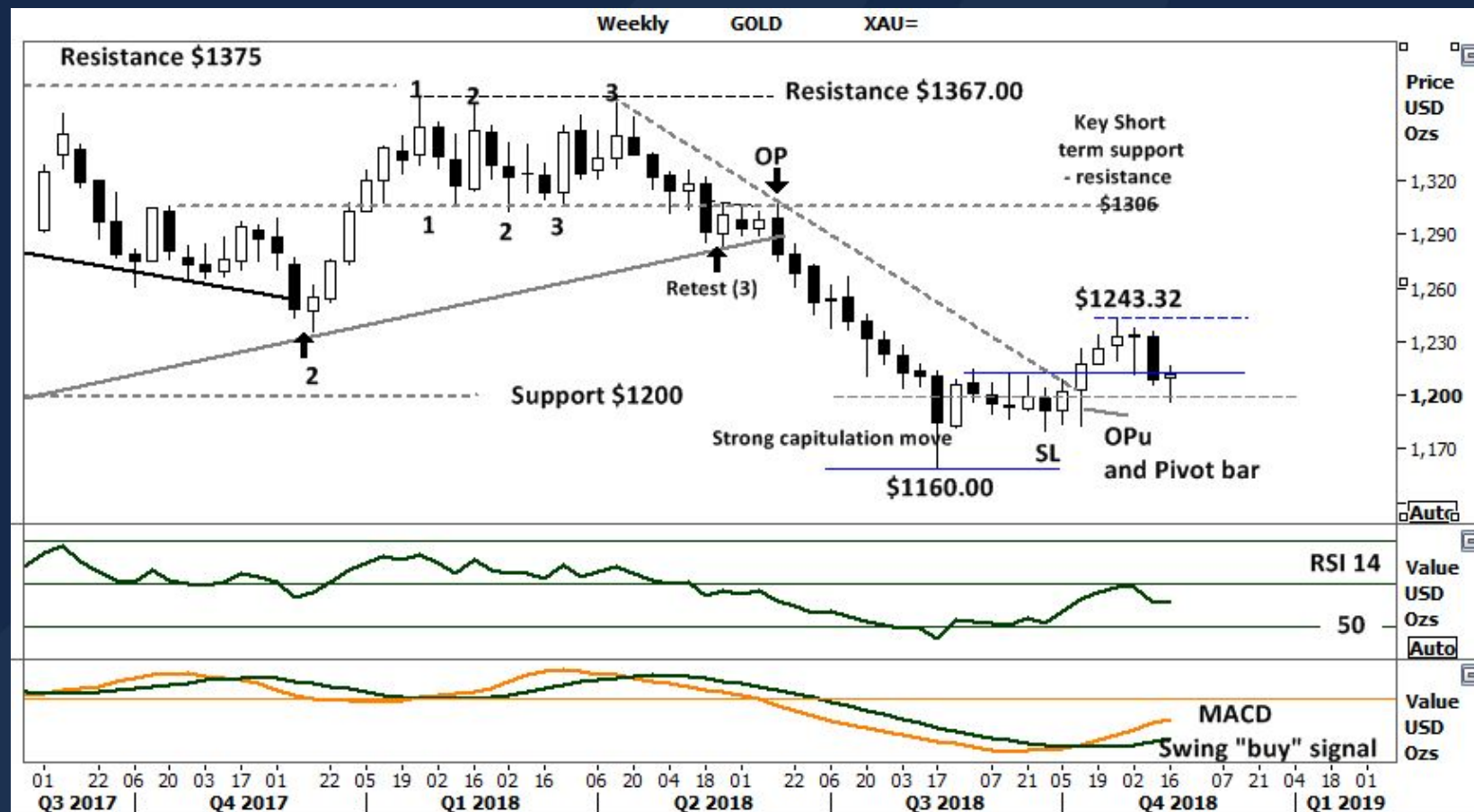
The current consolidation around the \$1200 can be viewed as "Gold is building a base".

A retest of the \$1200 level this week remains bullish for Gold.

This secondary type of price movement can be the precursor to higher prices with a closing candle above \$1243.32 required to confirm.

RSI remains over the key "50" level.

The MACD swing buy signal remains in place.



Comments from last week:

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

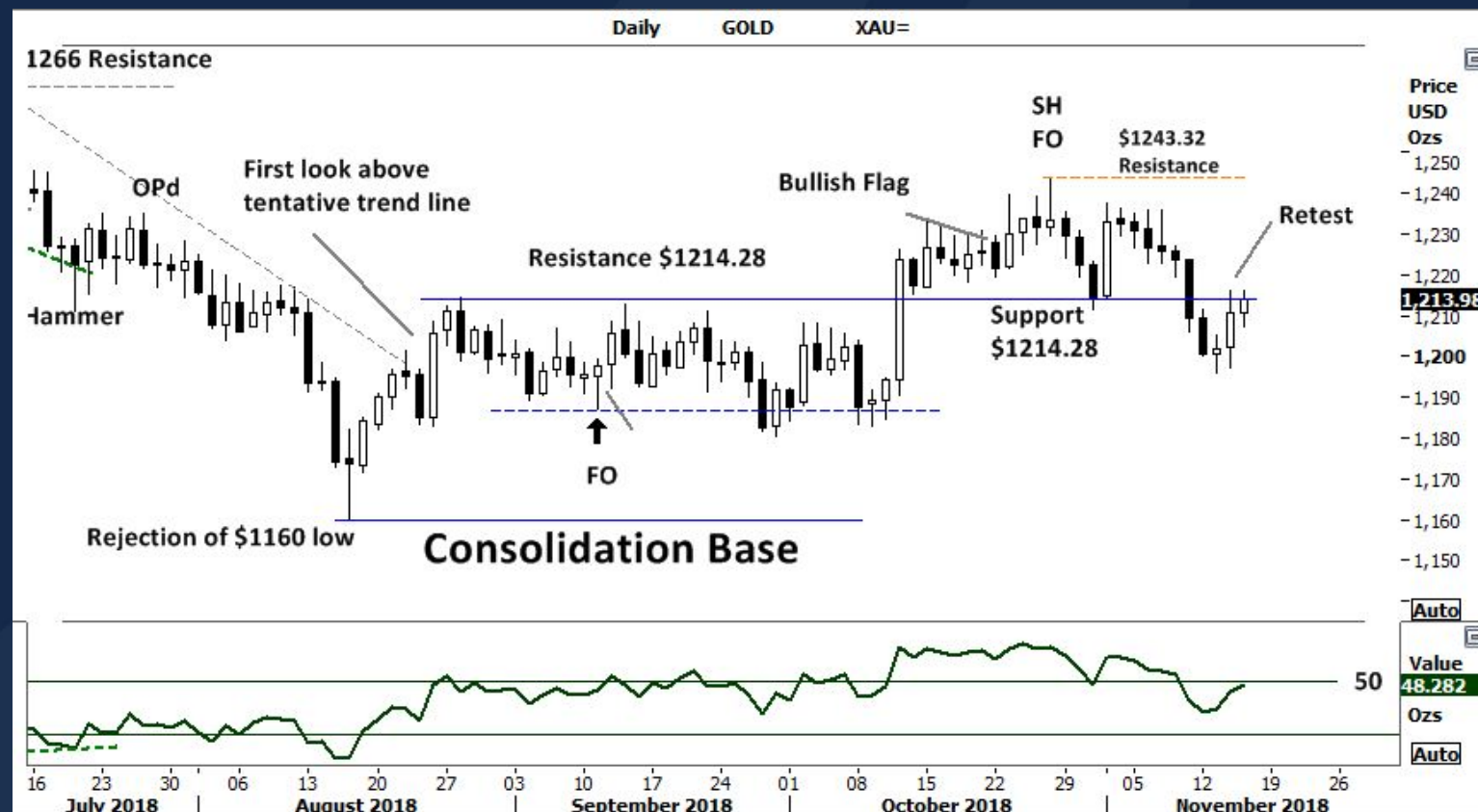
# Gold Daily

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. This daily movement has entered into a down trend with the new low testing the key \$1200 support level.

RSI remains above the “50” level indicating positive price momentum, however moving lower the risk is a cross below the “50” level.

## Comments from last week:

This daily movement has the potential to retest the 1214.28 support level. A daily close below this level would set up a retest of \$1180 - \$1186 support.



# Australian Volatility Index

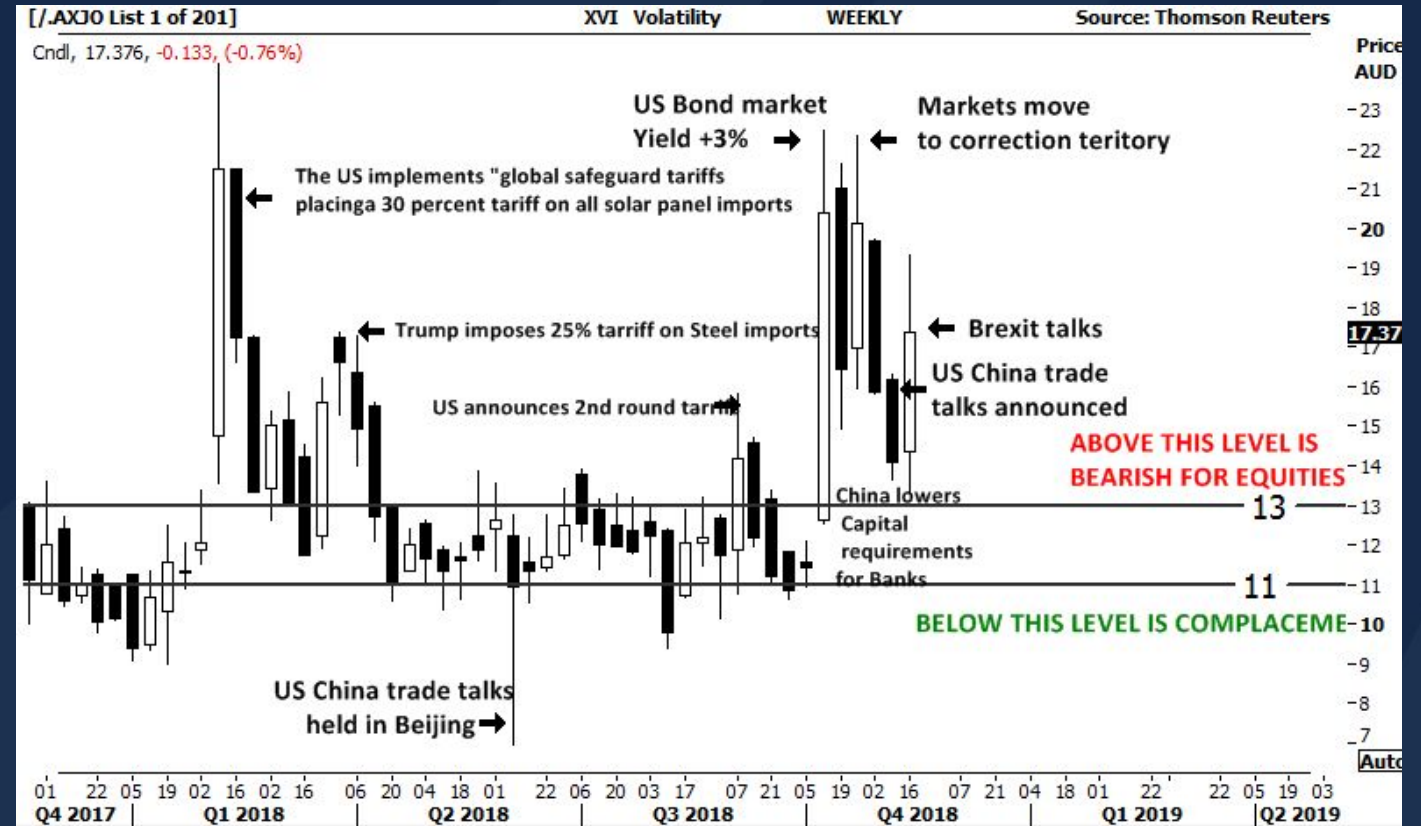
Volatility is falling, currently 13.9

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” is 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



A new FO high has moved into a secondary consolidation (bullish flag). The confirmed trend line is now in place in this primary UP trend. Look for a retest of the trend line towards the 97 level.

With RSI remaining above the key “50” level further positive price momentum is expected.

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.

The FO /HL has followed through with a pivot bar in place. With RSI remaining above the key “50” level further positive price momentum is expected.



# WTI OIL WEEKLY

## Weekly OIL

Oil remains in 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 and this week moving below the key \$58.00 support  
The \$55.38 level is now in play, a closing price below this level could see WTI into the \$40's.

The Relative Strength Indicator moving below the “30” level may now offer a potential divergence signal in the coming weeks.

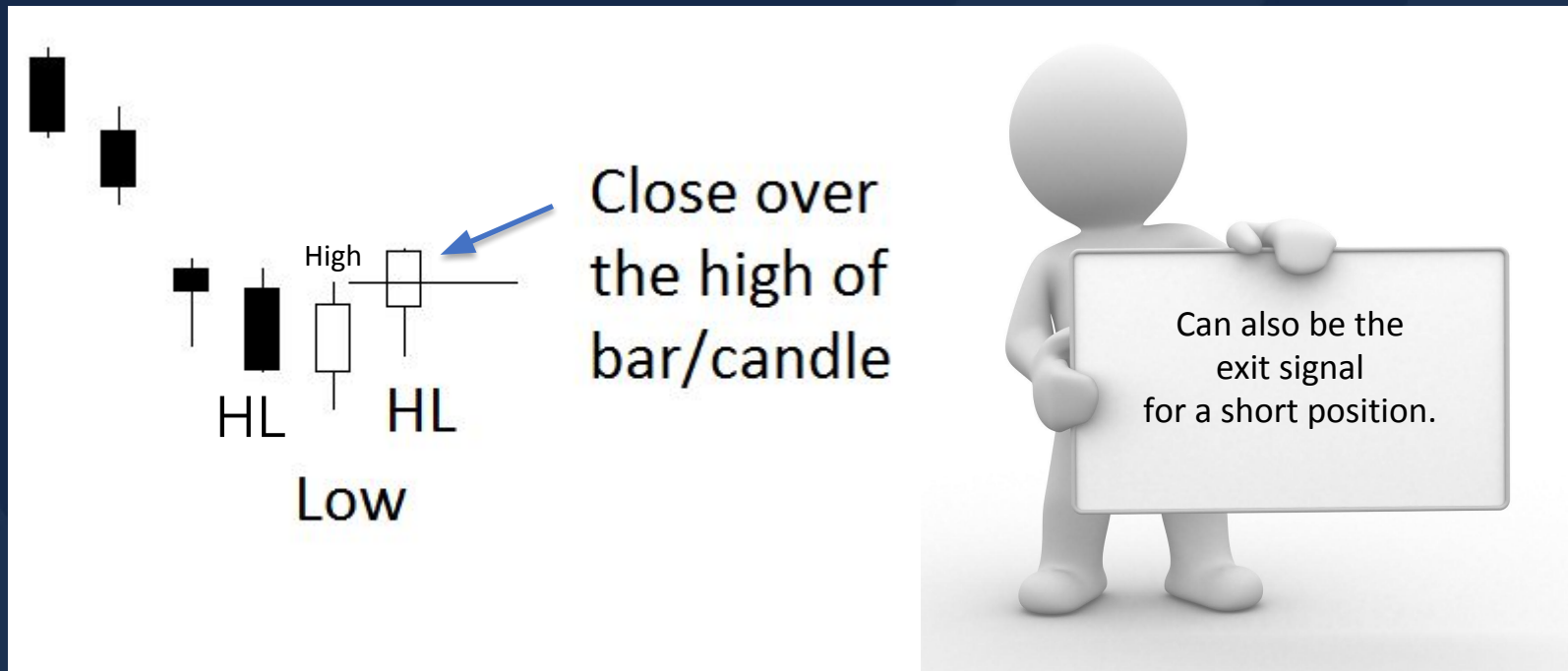
\* A **corrective** movement shows price moving below previous low points without making retracements. This type of movement does not change the current primary trend (UP).

### Comments from last week.

The current Fake out (FO) is now closing in on the next key support level of \$58.00.



# The technical setups. The Pivot point reversal





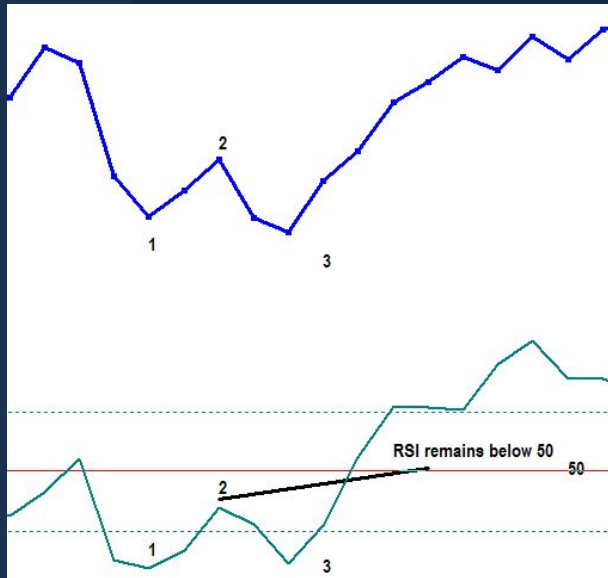
# The technical setups

## Pivot point reversal



# THE TECHNICAL SETUPS

## Relative Strength



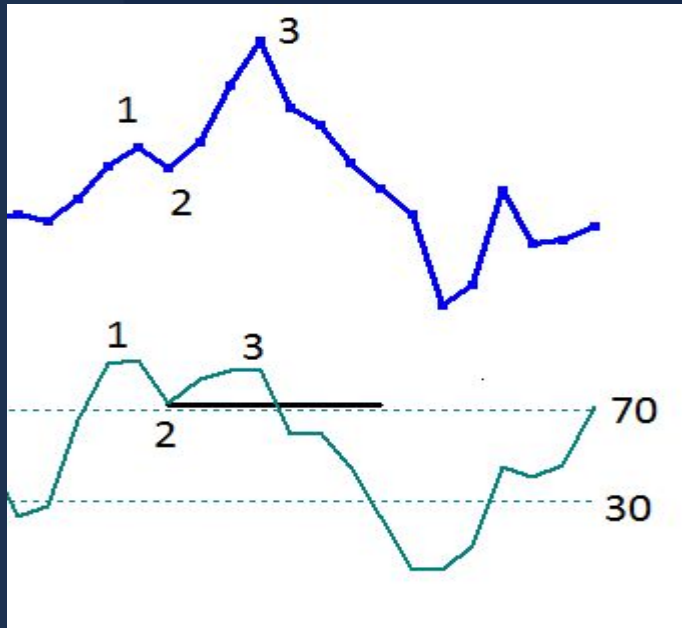
### Relative Strength Indicator

#### 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

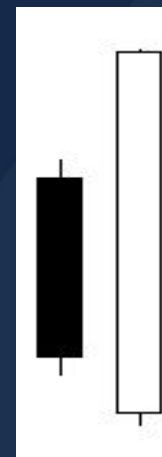
### Opu and OPd

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.

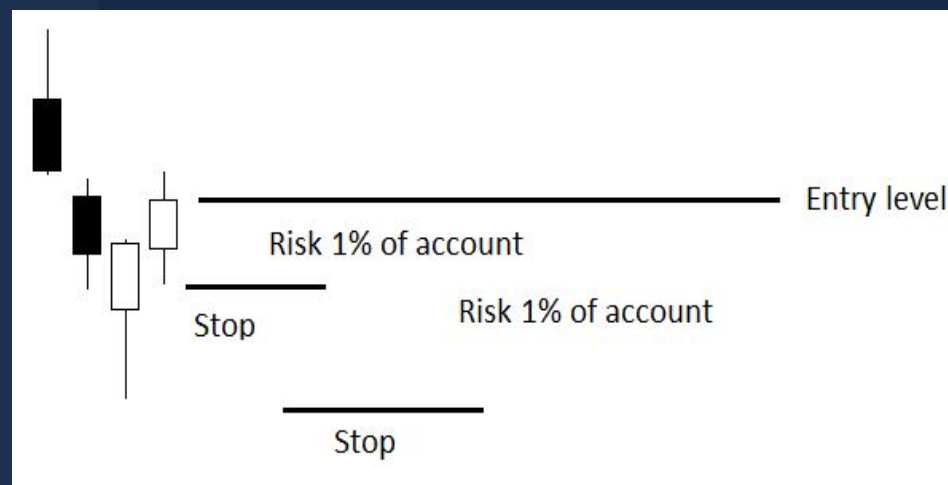


# Position size and management guidelines

## 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:**  
[support@fpmarkets.com](mailto:support@fpmarkets.com)





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

Phone: +61 2 8252 6800  
[www.fpmarkets.com](http://www.fpmarkets.com)

ABN 16 112 600 281  
AFS Licence No. 286354



**THANK YOU**