

the week beginning 21/10/2019

A market technician's view

FX INDICES EQUITIES



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SUMMARY- October the BEAR killer.

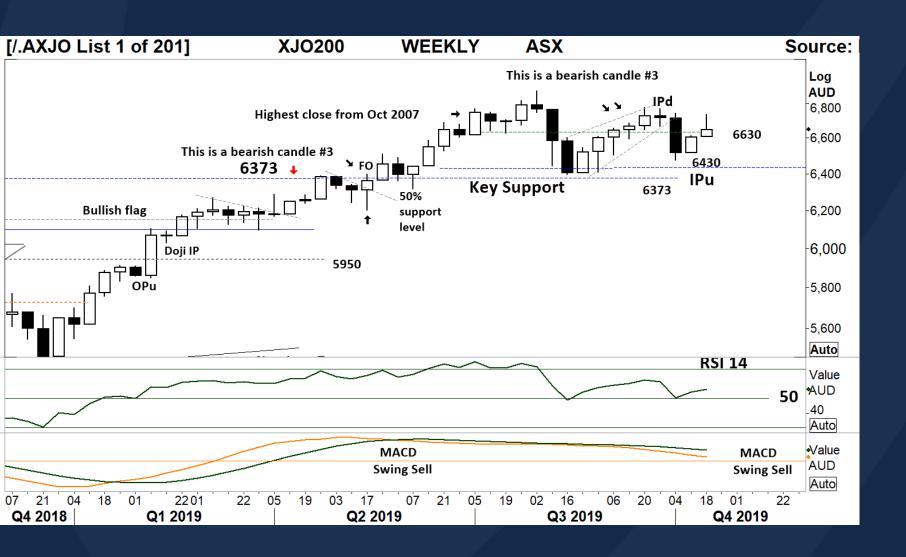
October historically shows a positive bias, with 70% of Octobers of the past 20 years ending positive.

The past week has been a time of price consolidation as the US earning season gets underway, with mixed results coming through.

As Brexit (or not) draws closer, traders have shown a cautious approach to the metals and FX markets.

Australian 200 index - Weekly





Primary Trend remains UP.

With a high shadow in this weeks price range, BUT a close over 6630 for the week, the Index values has remained within a significant trading range for 2 quarters.

Support above 6430 is a positive sign for further gains to retest the 6800 highs.

The MACD remains a sell signal. RSI, shows a further crossing below the key "50" level will highlight a loss of momentum to the upside.

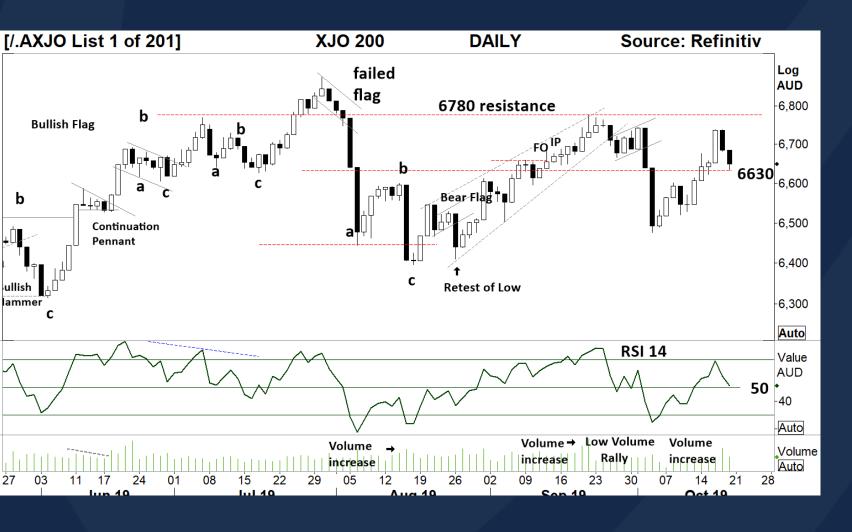
(See foot notes on #3 candles.)

Comments from last week: This market requires a close below 6400 to enter a down trend.

Last weeks inside range shows the market trapped between 6630 and 6430.



Australian 200 index - Daily



The low of Friday has retested the breakout over the key 6630 level. (6633 low).

This is now a short term critical level for the market to hold.

Traders would look for a retest of the daily resistance at 6780 in the coming days.

A daily close below 6630 would be a short term bearish signal.

The Relative strength Indicator has swung lower, however remains just above the key 50 level..

Comments from last week: Wednesday saw a retest of the lows with Friday recovering o the high for the week. This is a bullish finish with follow through expected this week.

A further close over 6630 would be very bullish for further gains.

S&P 500 Index – Weekly



The Primary UP trend remains in place.

Last weeks small bullish flag breakout is not a sign of commitment from the bullish.

However It is difficult to see any REAL sell signals developing in this consolidation period.

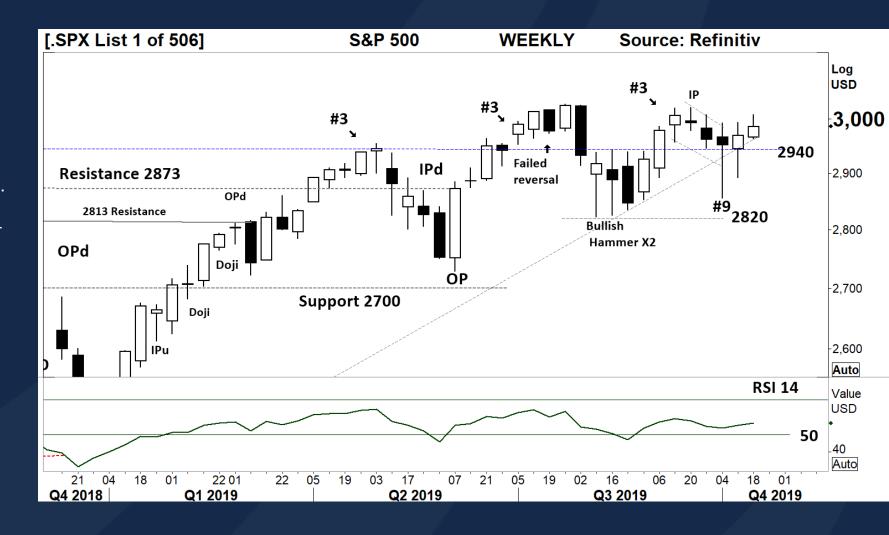
The 2940 level will be the support to break for the bears.

RSI remains positive.

(See notes below for #9)

Comments from last week. The past weeks of consolidation has closed in the high part of the range, a bearish indication for the coming week.

The larger 4 week bullish flag again closing above 2940 indicates strong support at this level.



S&P 500 Index - Daily



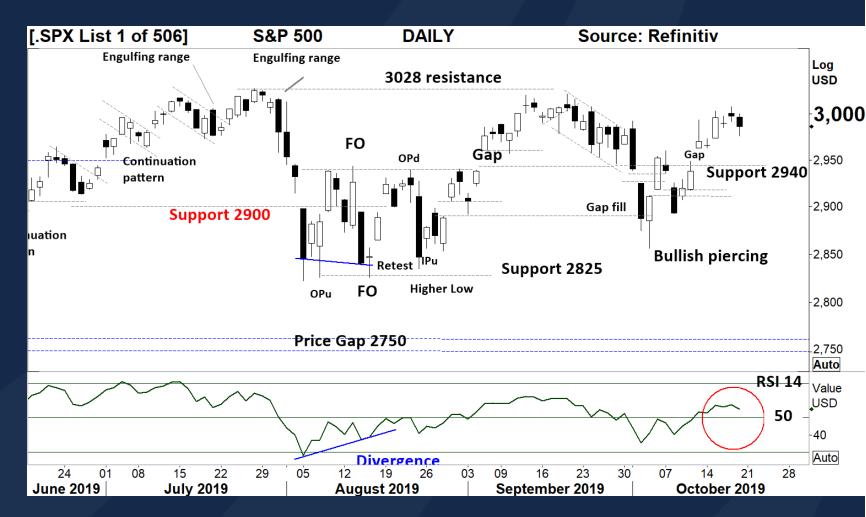
Again Traders should look for the Gap to be filled in the coming days as further consolidation below 3000 takes place.

A closing price below the GAP level (2941) would be a strong bearish sign.

The RSI has turned sideways and has moved to remain above the key 50 level, and remains as the only sign of increasing price momentum.

Comments from last week:
Price action from the past 4 months only shows
consolidation between 2800 and 3028 range.

Fridays gap open and close in the lower part of the daily range, signals weakness as a risk off move before the weekend.



Transports Index



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

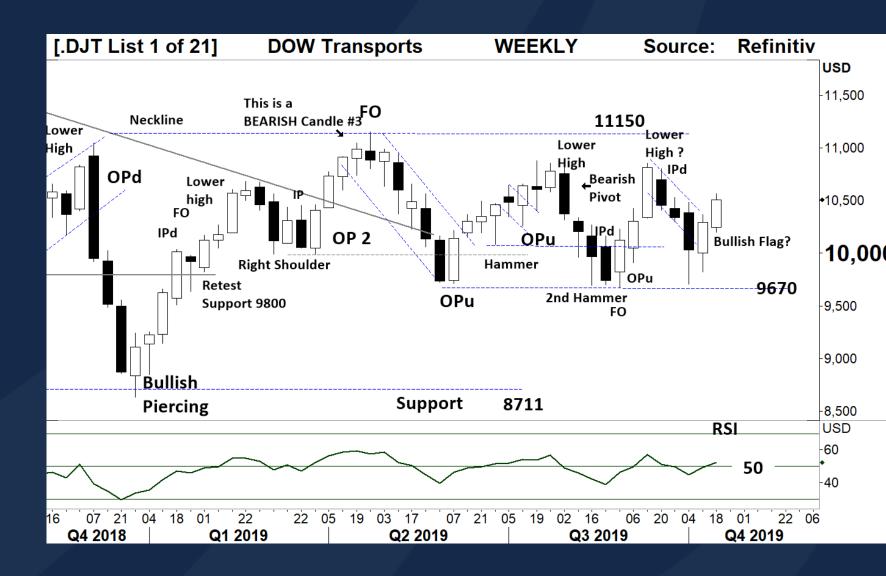
(This index continues to remain a NON CONFIRMATION of the long term Bull market, a break of 11150 points is required.)

Transports have provided a strong Bullish breakout.

Confirming the overall price support shown in the major indices.

Look for retest of the upper range of 11150 in the coming days.
Relative strength has turned higher but remains just below the key 50 level.

Comments from last week: A Bullish flag continues to develop in the Transports. Last weeks inside range with the high close in the range suggest follow through to higher prices.





GOLD Weekly

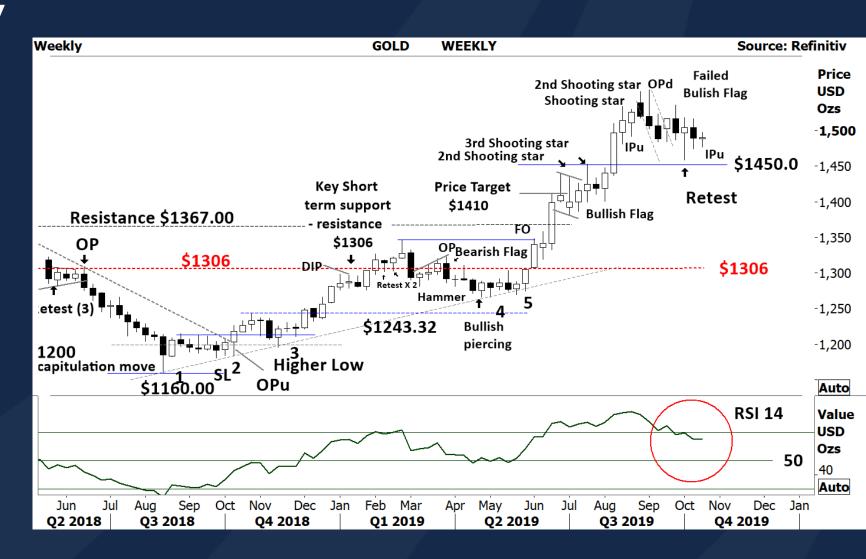
The underlying Primary trend is UP with \$1650 as the potential target.

Gold only shows price consolidation below the \$1500 level and above \$1450.

A trading range suitable for traders, but making the long term investors consider the overall market is susceptible to breakdown.

Only a significant breakout on news would change this view.

Comments from last week: The high close of 2 weeks ago candle/ bar following the retest of near \$1450 level may encourage further buying in the short term, however further consolidation between \$1450 and \$1550 is the outlook going forward.





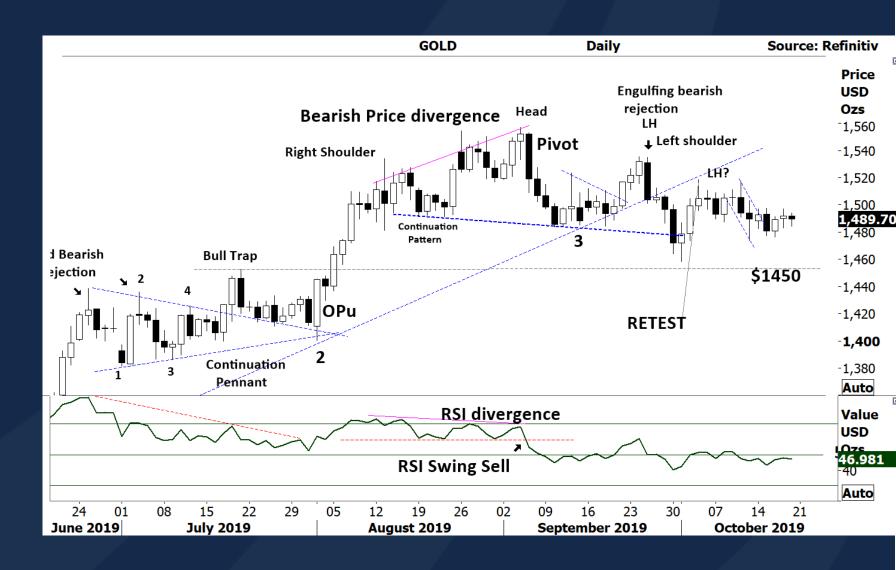
Gold Daily

In the coming week a retest of \$1450 remains, as the flag pattern develops. In this scenario a lower high would again be identified with the risk of further breakdown.

Relative strength Remains BELOW the key 50 level, this is not a bullish sign.

GOLD REQUIRES A CLOSE OVER \$1510
ON A WEEKLY BASIS TO REMAIN BULLISH.

Comments from last week: With a potential bullish flag developing, the daily Gold chart remains in consolidation.



SILVER Daily



Bullish Flag develops into the Bearish Flag = consolidation along the \$17.50 level.

Should price close below this level in the coming days a retest of \$16.0 is the favoured move.

Relative strength has again moved sideways and remains below the key 50 level, a sign of weak price momentum.,

Comments from last week: With a potential bullish flag developing and confirming the daily Gold chart, Silver has established \$17.50 as the support level to be respected in the coming days.





Australian Volatility Index

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

This news driven indicator is reflecting uncertainty 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.

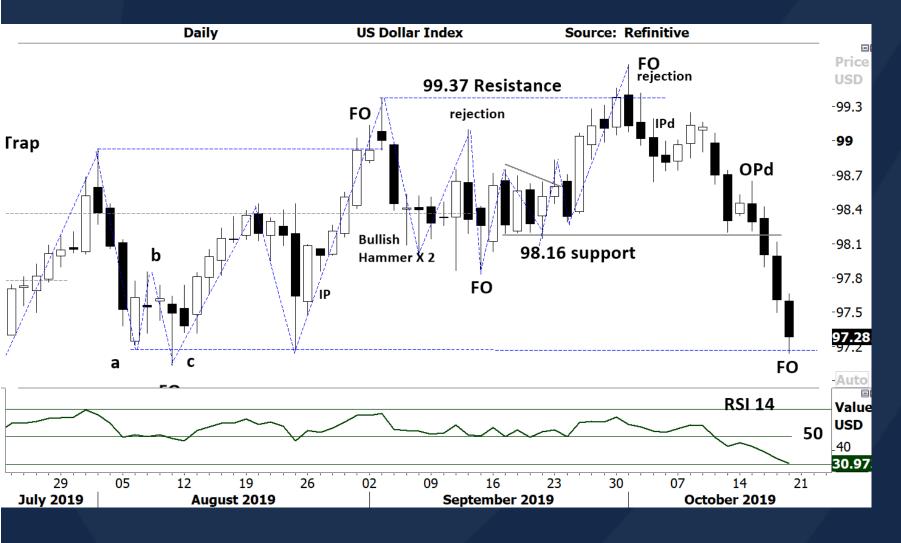
The XVI value works as an inverse observation to the underlying market.

An XVI over "13" is generally bearish for equities.





US Dollar Index - Daily



USD Index has displayed a very directional move towards the historic support level at 97.2 with the RSI falling towards the 30 level a sign of further weakness to come. In the short term look for consolidation above the 97.2 level.

Relative strength remains below the key 50 level showing a loss of price momentum.

Comments last: US Dollar index has confirmed the lower high with Fridays low testing the 98.16 level.

Thursday and Friday are two strong range days, further close below 98.16 would suggest further selling to follow.

WTI Oil WEEKLY



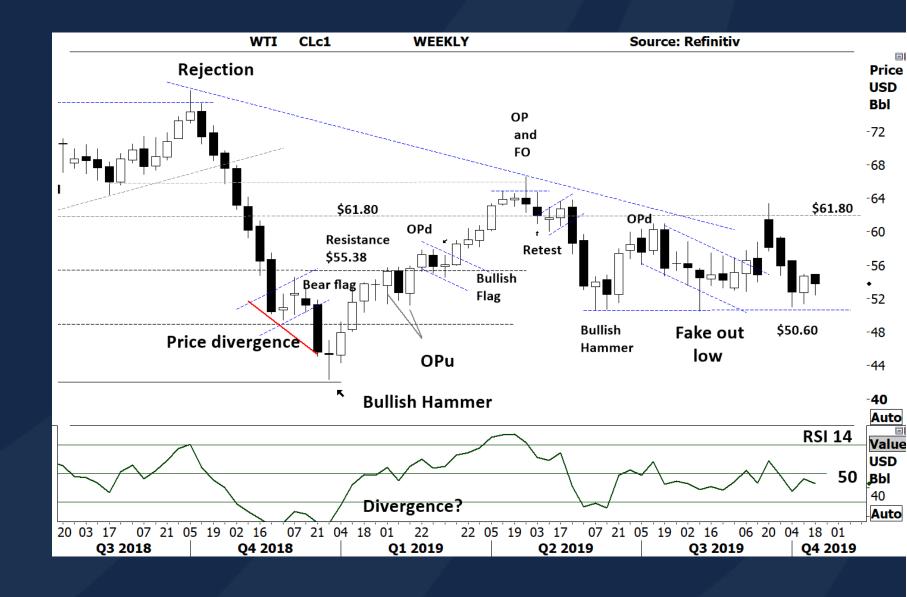
The WTI weekly price chart is consolidating in the \$50 - \$55 range and shows no directional indication.

Only a breakout above \$61.80 would be a bullish sign.

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

The Relative Strength Indicator turns lower below the 50 level, a continuing sign of weak momentum.

Comments from last week: The Weekly chart of WTI now displays 3 significant lows along the \$50 support level. Following the 3 crows last weeks inside period with a close towards the high of the week is a good sign for further bullish gains.





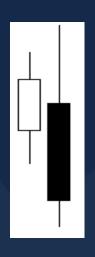


A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

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.

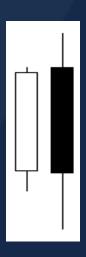
The OP period comes in all shapes and sizes.













The technical setups. The Pivot point reversal





The technical setups Pivot point reversal





The technical setups WEEKLY #3 reversal

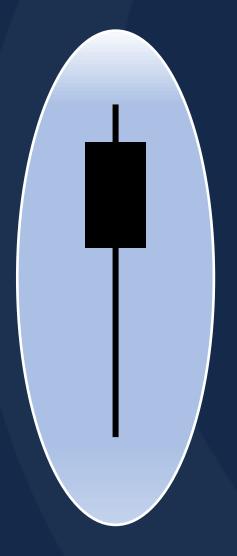
When Line #3 is found at a HIGH PRICE AREA Long positions should be closed within a week.

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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