



IN BLACK AND WHITE

The Week Beginning

25/02/2019

A market technician's view

**FX
INDICES
EQUITIES**

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SUMMARY

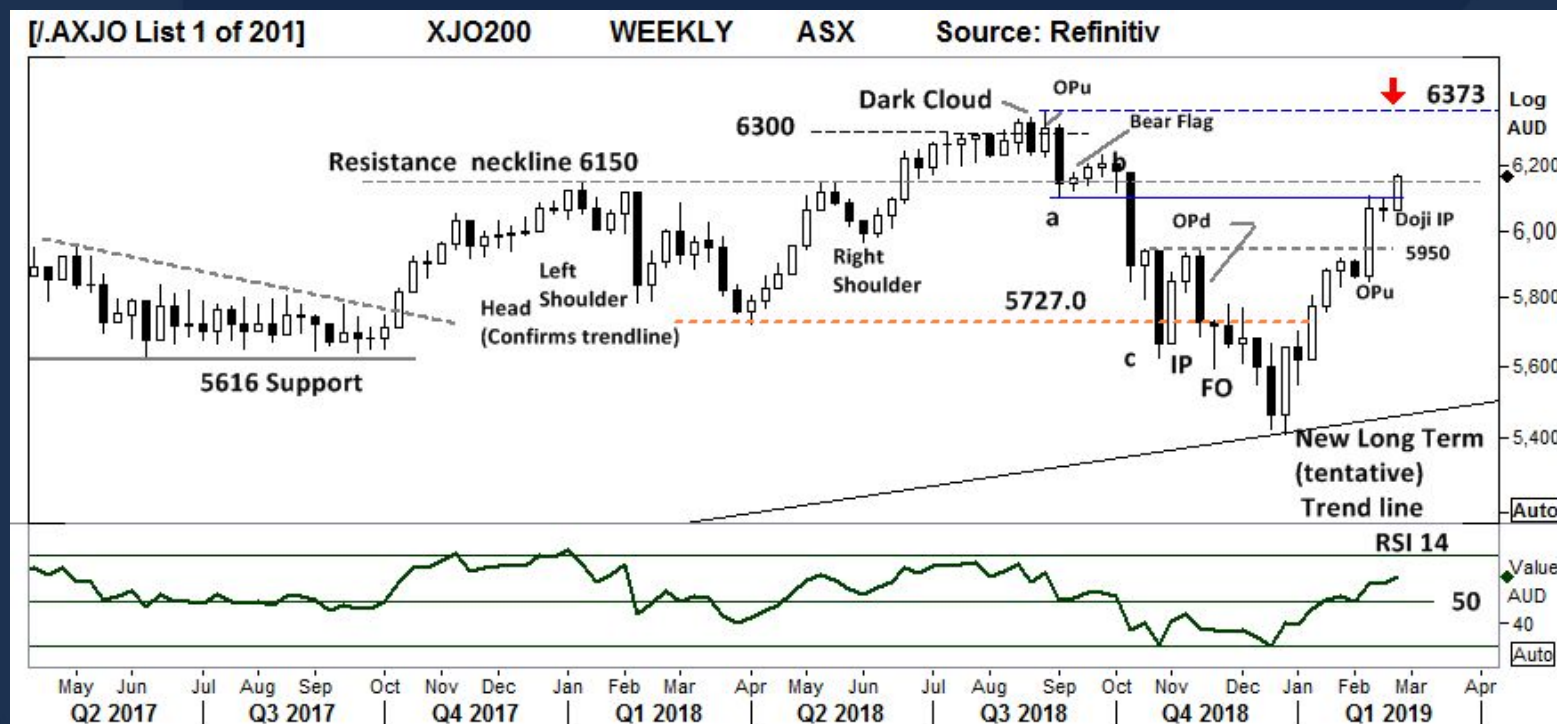
Global Indices have staged a further rally this week against early reversal signals of 2 weeks ago. This week's movements are showing signs of a tired bullish move, with some reversal signs at key resistance levels.

Australian indices have enjoyed support from the financial, commodities and energy resources again this week.

With Brexit and the China US trade tensions remaining in the background for now.

The US FOMC has indicated US interest rates may remain at current levels for now, the markets have viewed this a buying signal in the short term.

Australian 200 Index - Weekly



The XJO remains in a **primary** down trend as this Bear market rally takes place.

Without a retracement in price of 5% or more this move remains a strong corrective move higher.

6373 Resistance remains the next target in this very strong retracement move.

The Index heavily weighted with the 4 banks is currently being driven by a rise in commodities and financial.

Relative Strength has turned sharply higher above the key 50 level.

Comments from last week:

Relative Strength has turned sharply higher above the key 50 level.

Australian 200 Index - Daily



Daily Trend is "UP".

This week's price breakout out of the continuation pennant on high volumes suggest accumulation and continuation as the Index moves towards the minor resistance of 6200 points.

The Relative Strength has moved higher in line with the consolidation pattern breakout.

Comments from last week:

The XJO has developed a "Continuation" pennant with a potential move to 6200 points in the coming weeks.

S&P 500 Index - Weekly

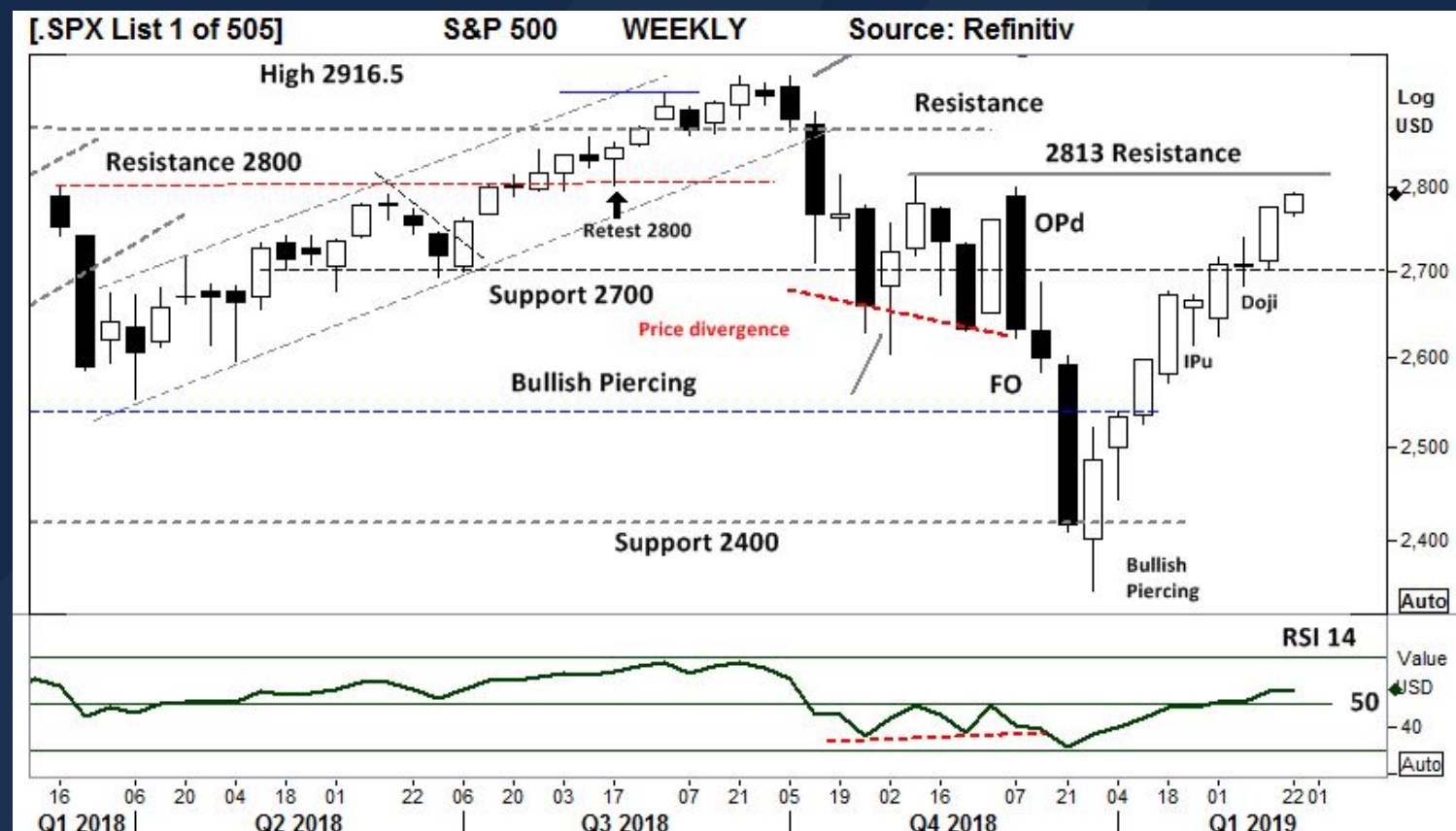
A characteristic of a true BEAR MARKET - short, sharp price rallies, in this case a Christmas / January rally.

This market needs a retracement of 5% + and a further rally to be called an UP trend.

The S&P and the Transports Index are confirming a strong bullish run underway with potential to continue to the 2813 resistance level.

This short trading week has produced a shorter range candle, however, the high close suggests a continuation move.

RSI remains over the key 50 level.



Comments from last week:

The S&P 500 has posted a strong candle following the indecision Doji from the previous week.

S&P 500 Index - Daily

Continuation patterns only suggest a higher market within this daily grind higher.

Resistance is shown at 2817, this strong resistance level setup during October, November and December 2018 will be the key level to break in the coming days for a continuation of this market higher.

RSI remains above the key "50" level.

The short term bullish view remains while the RSI remains over this key level.

Comments from last week:

The S&P daily chart displays the continuation bullish flag breakout with a strong close into the week's closing moving towards 2817.

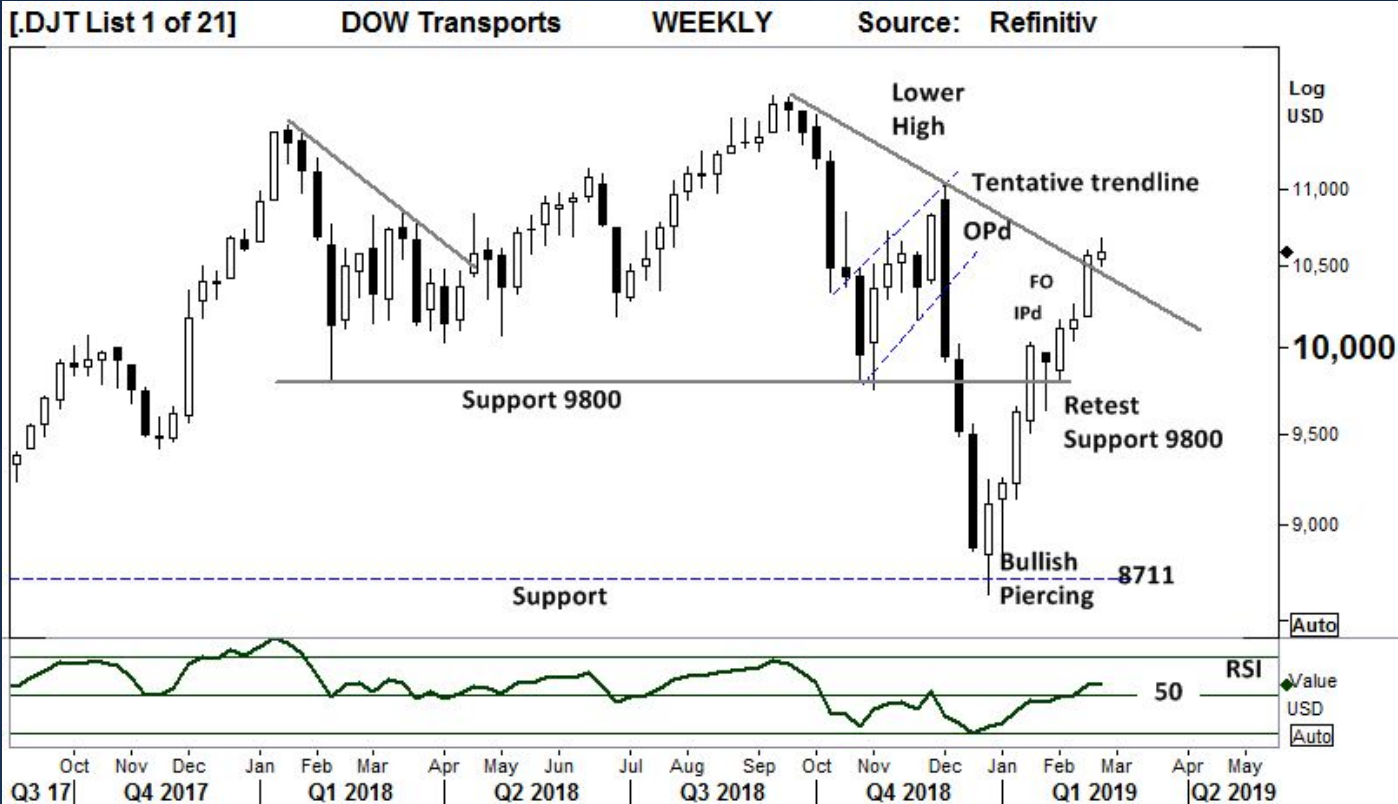


Dow theory trend analysis states the transports must confirm major indices.

This week's small range candle is the consolidation above the down trend line, required to give the Bulls confidence of a higher market to come.

This confirmation with the Dow 30, along with the S&P 500 markets are beginning to confirm signals of an emerging Bull market.

The Relative Strength Indicator has moved from below the key 50 level this shows increasing price momentum.



Comments from last week:

This week's closing price over the tentative trend line is very bullish for higher prices.

FTSE 100 Index – Weekly

FTSE 100 weekly:

This week's IP (Inside Period) is a sign of consolidation within a potential move higher.

Further retracement will be required to hold the 7100 level to provide a bullish view going forward.

The Relative Strength Indicator 14 has now moved above the "50" level, showing positive price momentum.



Comments from last week:

This is the surprise chart of the week, with a breakout over the 7220 level.

GOLD Weekly

Gold remains in a PRIMARY UP TREND.

The longer term target of \$1410 remains in place.
RSI shows strong momentum with readings, moving around the 70 level.

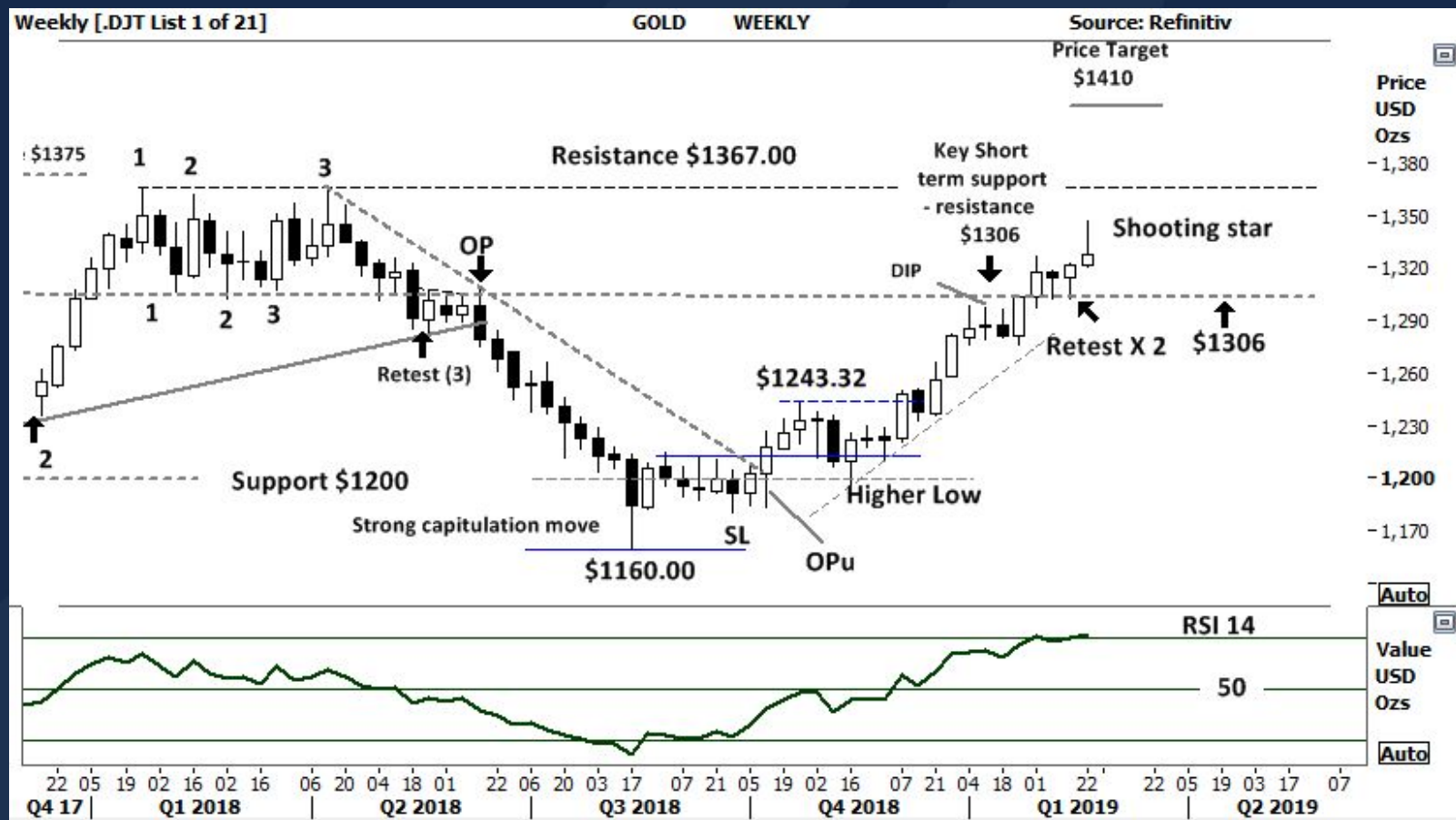
This week's "shooting star" is showing exhaustion of buyers.

A retest of \$1306 is expected on further short term weakness.

RSI remains over the key "50" level, but moving into the 70 level indicating very strong price momentum.

Comments from last week:

This week's lower shadow retesting the \$1302 - \$1306 level is a sign of strong support.
Continuation of the Primary UP Trend is expected.



Gold Daily

Underlying Primary Trend is UP.

Short term rejection of higher prices, results in a retest of the \$1326.30 level, further price weakness may see the 3 month trend line tested (\$1320.0).

This will be critical to hold in the coming days.

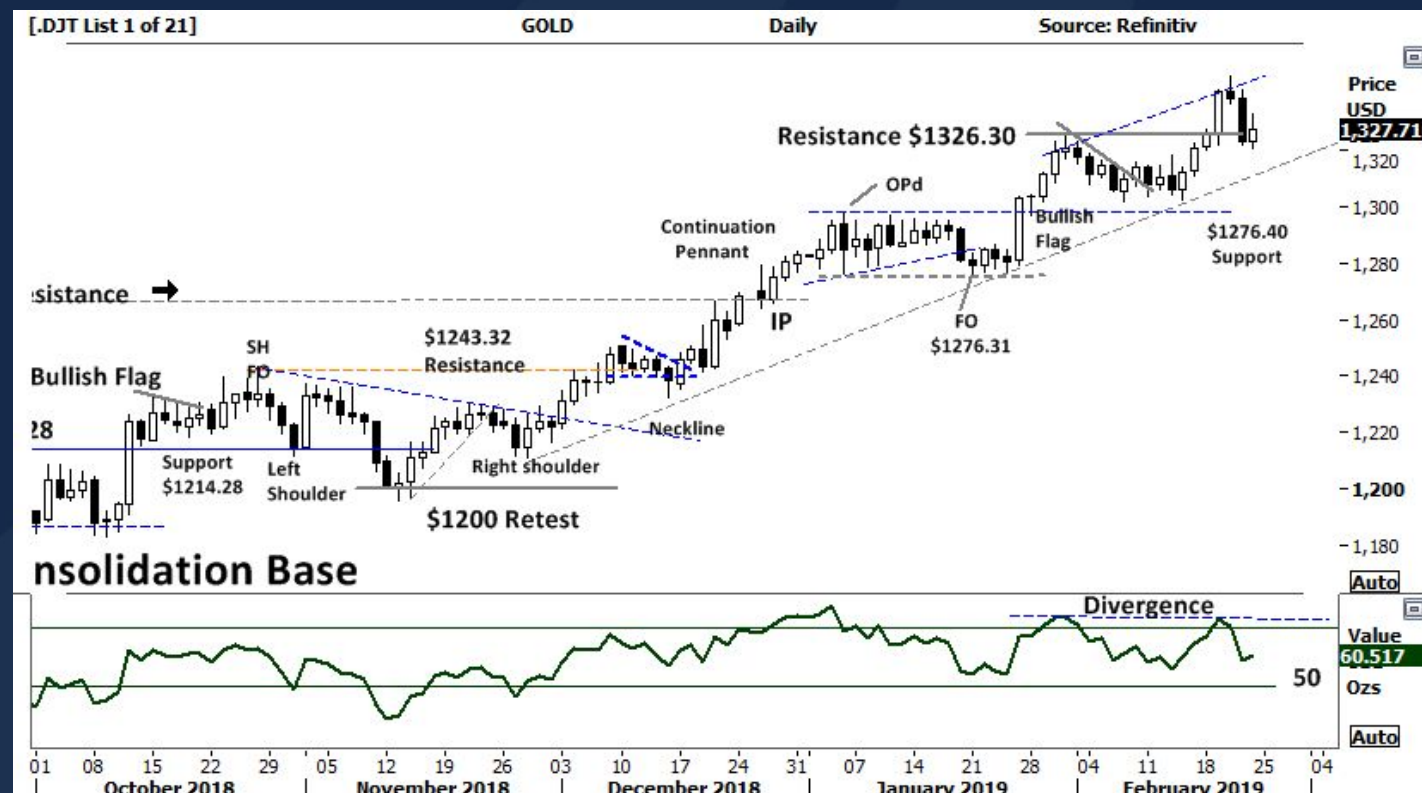
Relative Strength (RSI) is showing divergence from the new high made between January and February in this daily chart.

This can be viewed as a strong trend reversal signal.

(Relative Strength is a momentum indicator.)

Comments from last week:

The daily bullish flag with a retest of the \$1300 level (\$1302) is a strong continuation pattern within this Primary Up Trend and remains an underlying support pattern for this current breakout into higher prices.



Australian Volatility Index

The Australian Market Volatility Indicator XVI.
The US rate rise, and bearish sentiment around global growth has kept the XVI over the key "13" level since September 2018.

Current Volatility Levels, now, below 12 confirm the "risk on" move underway in the equities markets.

The XVI is the difference of 1 month forward pricing of ETO Options against current month.

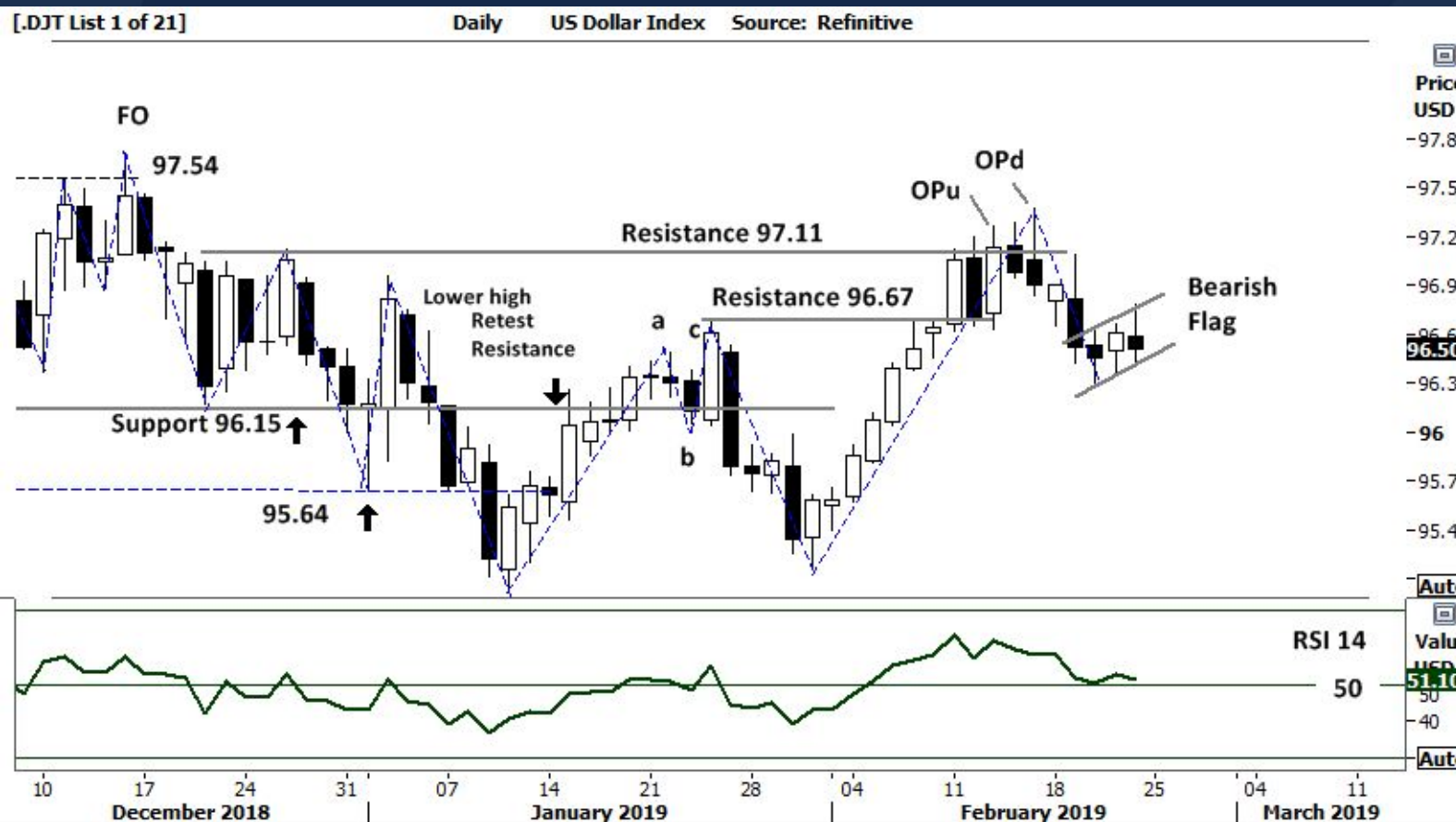
As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this "skew" in pricing is measured in this XVI.

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 US Dollar Index is developing a bearish flag formation, showing a potential retest of 95.4 underway.

This week and last week's rejection of higher values, now confirms the DXY is within a trading range between 95 and 97.

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:

Resistance at 96.67 will be key again this week, a closing value over this level is required to continue with a bullish view.

WTI OIL WEEKLY

Weekly OIL

Resistance at the \$55.38 level has, again, been tested this week with an OPu.

A further move higher is expected from the bullish price divergence from November – January, bullish momentum prevails as the Relative Strength Indicator shows strength.

Current value = 59.85

The next resistance level is shown at \$61.80.

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

Comments from last week:

The OP has been the opportunity for the sellers to enter the market, this failure to close towards the low only builds the bullish case.



The technical setups

Outside period

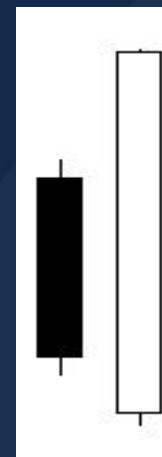
Opu and OPd

A price range larger than the previous range
often indicates a market turning point. (Krastins research)

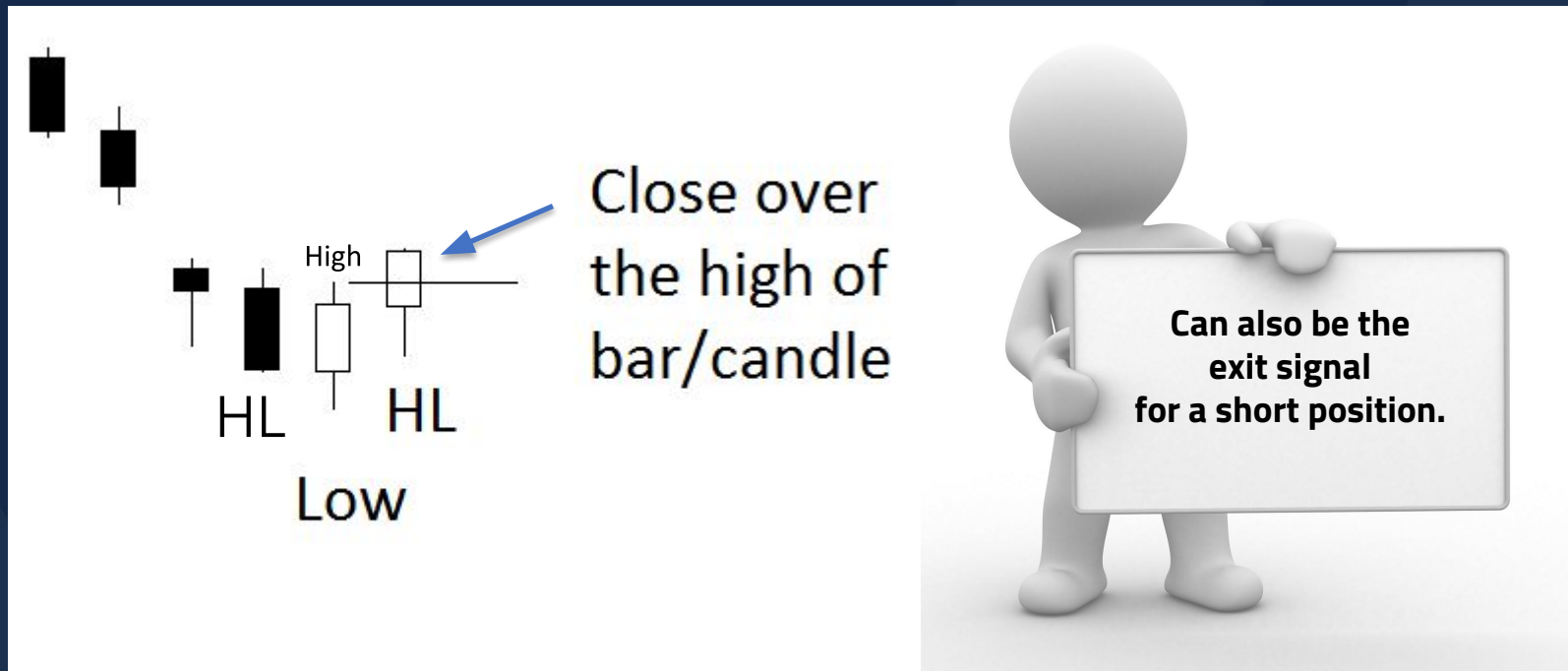
The outside period can mark a significant market turning point at or within 3 bars (93%).

Opu is an up close bar OPd is a down close bar.

The OP period comes in all shapes and sizes.



The Technical Setups. The Pivot Point Reversal



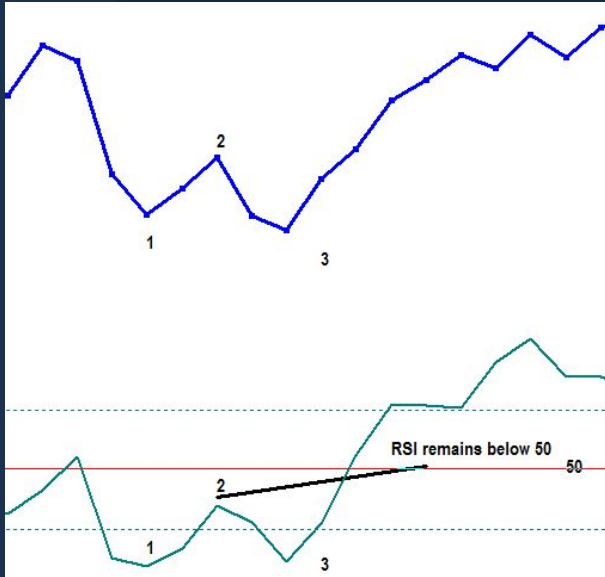
The Technical Setups

Pivot Point Reversal



THE TECHNICAL SETUPS

Relative Strength



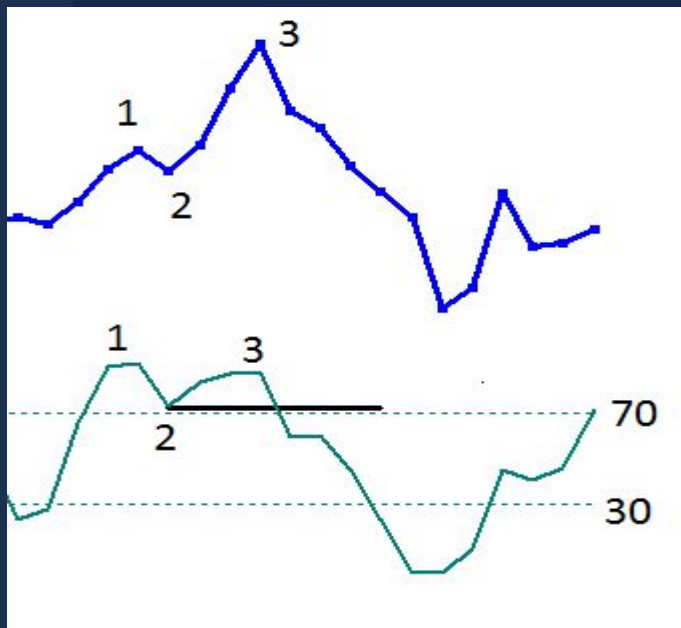
Relative Strength Indicator

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" **

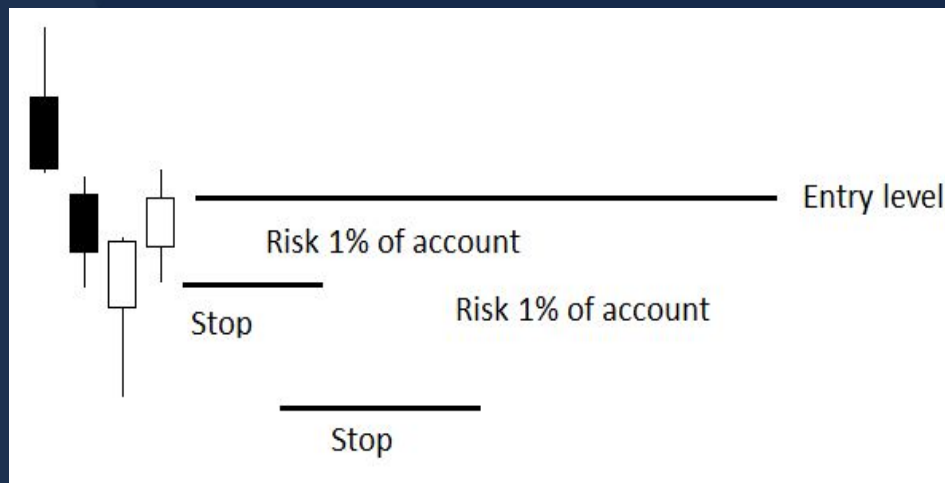
Swing failure is identified with the break off point 2 on RSI.

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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