

the week beginning 28/10/2019

A market technician's view

FX INDICES EQUITIES



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SUMMARY- October the BEAR killer.

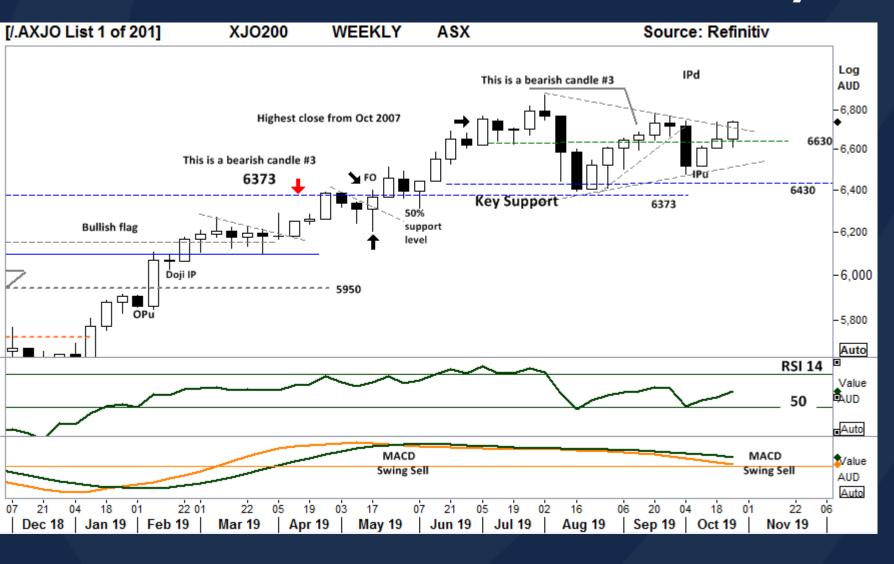
October historically shows a positive bias, with 70% of Octobers of the past 20 years ending positive.

Major Indices are within points of the all time highs, with strong finishes on Friday, follow through is expected to end October sharply higher.

Gold and Silver attempt a new breakout with sellers entering the market at the close of Friday's session will not bode well in the coming week.

Global volatility indicators VIX and XVI have turned bullish for equities.

Australian 200 index - Weekly





With a strong high range close for last week, suggests follow on to retest the 6830 high.

Primary trend remains UP in the Bull market move towards new highs.

The Relative strength Indicator (14) remains positive above the key 50 level.

The MACD indicator remains a swing sell.

(See foot notes on #3 candles.)

Comments from last week: 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.



Australian 200 index - Daily



Last weeks close over Wednesday 16th high is a positive sign for further gains in the coming week.

A daily close over the resistance level of 6780 would be very bullish for further gains.

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

The Relative strength Indicator has swung higher, towards the 70 level indicating strong price momentum.

Comments from last week: 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.

S&P 500 Index – Weekly



The Primary UP trend remains in place.

Last weeks range was small in comparison to recent weeks, with a close very near the all time high resistance level of 3028 is a very positive sign for further gains.

Market is at risk of a significant short squeeze

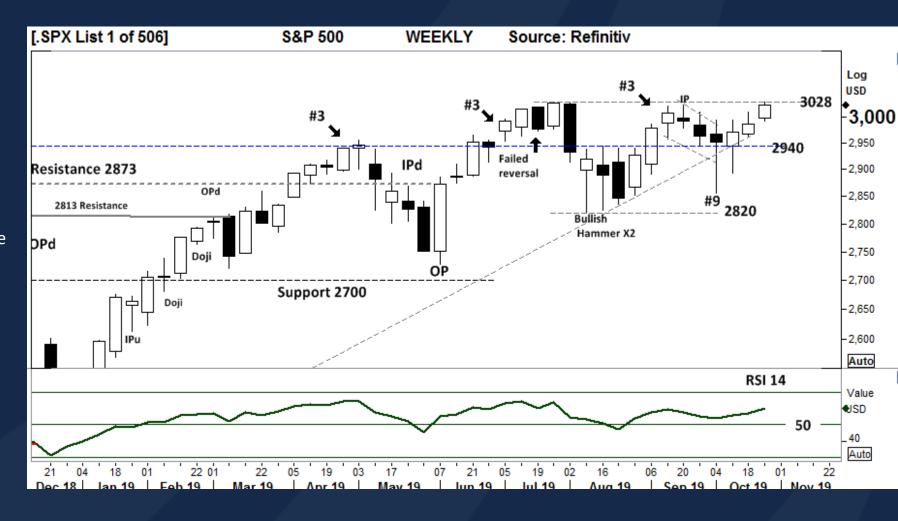
RSI remains positive swinging higher.

(See notes below for #9)

forcing prices higher.

Comments from last week. 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.





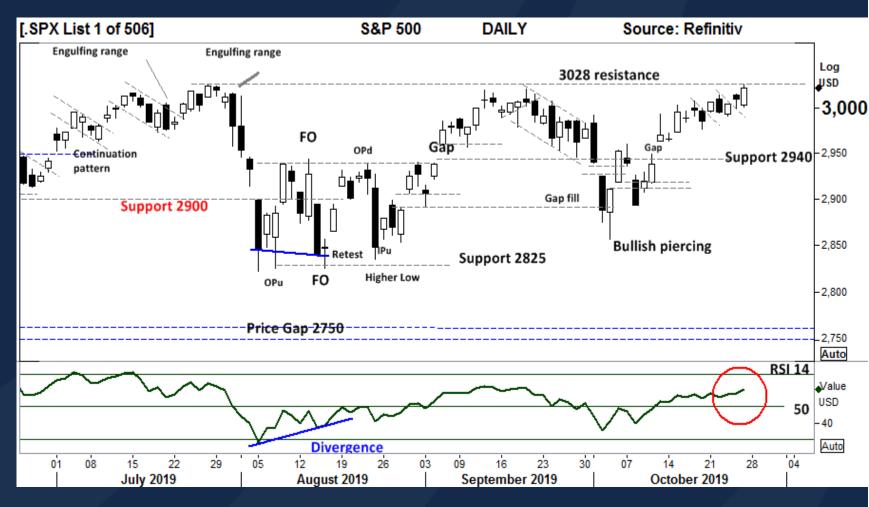


Short overlapping ranges on this Daily chart is not a great Bullish sign, but the Daily close within 5 point of an all time high is an important step for further gains.

A breakout would immediately target 3055 points.

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

Comments from last week: 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.



Transports Index



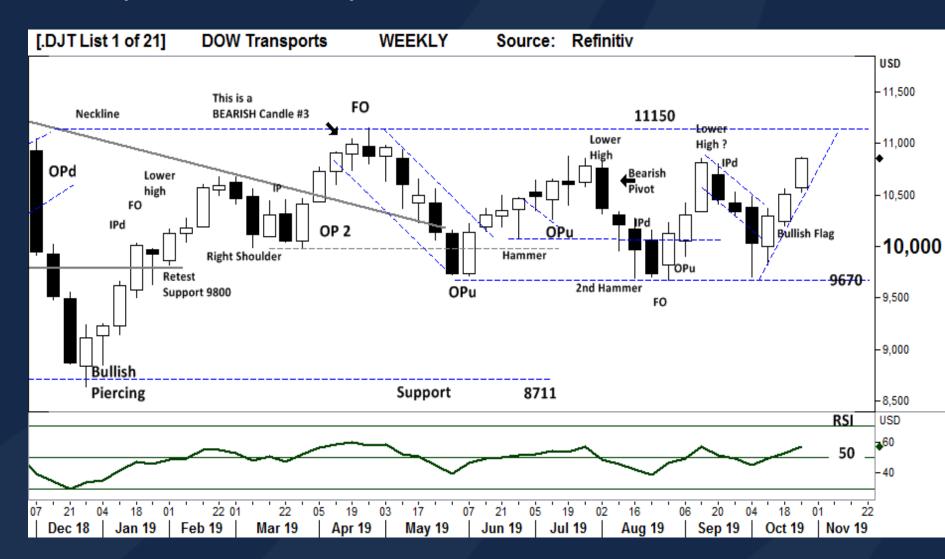
Dow Theory trend analysis states, the transports must confirm major indices.

(This index is now heading towards a CONFIRMATION of the long term Bull market, a break of 11150 points is required.)

Transports have provided a strong Bullish flag 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 over the key 50 level a sign of increasing price momentum.

Comments from last week: Transports have provided a strong Bullish breakout.
Confirming the overall price support shown in the major indices.





GOLD Weekly

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

\$1517 has developed as the MAJOR resistance level with only one Weekly close over this level (10 weeks ago). The Chart favours a retest of \$1450 support.

A weekly close over this level would be very bullish for further gains.

Relative strength turns higher and remains over the 50 level.

Only a significant breakout on news comments from last week: Gold only shows price cwewldtchange that sixtewel and above \$1450. A trading range suitable for traders, but making the long term investors consider the overall market is susceptible to breakdown.





Gold Daily

The sharp 1 day (Friday) retest of \$1517 with immediate rejection back to the \$1504 level.

Gold sits below the short term down trend line, and requires immediate follow through to higher prices to remain Bullish.

Relative strength swings above the key 50 level, this is a bullish sign but requires follow through.

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

Comments from last week: 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.





SILVER Daily

The daily closing price for Silver moves over \$18.00 up from the consolidation level around \$17.50.

Friday was not a strong close and remains susceptible to price weakness in the coming days.

However this is a sign for potential further gains in the coming days.

Price weakness would see the \$17.50 level tested as support.

Relative strength has turned higher a good sign for further positive price momentum.

Comments from last week: 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.





Australian Volatility Index

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

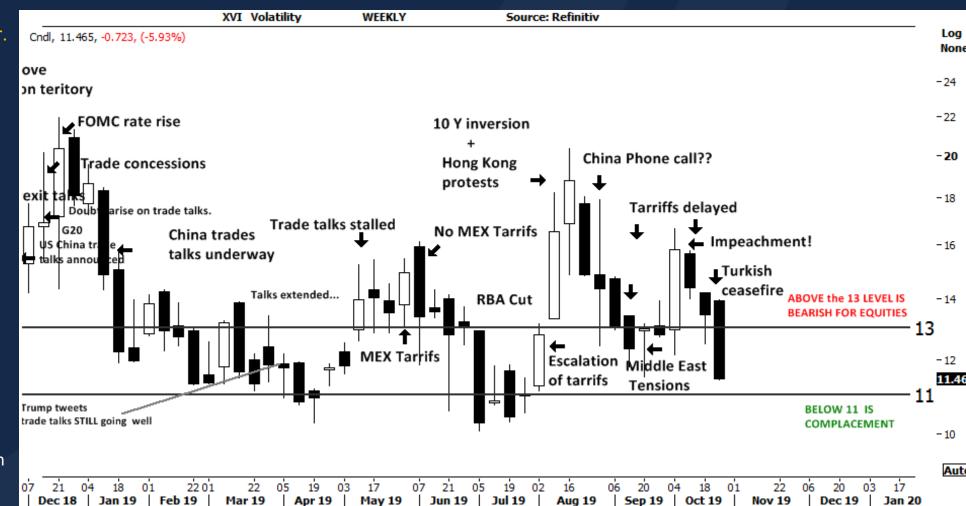
This news driven indicator is reflecting certainty in markets going forward.

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



The FO (fake out) low of Friday 2 weeks ago has followed through from the Monday inside period (IPd) to higher prices.

98.16 historical support level to become the resistance on further price gains.

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

Comments last: 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.

WTI Oil WEEKLY



The WTI weekly price chart has made an important gain inside the larger price channel between \$50 - \$61.80.

With a close at the Friday highs further gains would be expected to follow this week.

Only a breakout above \$61.80 would be a bullish sign for a retest of \$68.00.

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

The Relative Strength Indicator turns higher from below the 50 level, a sign of improving momentum.

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





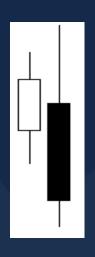


A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

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.

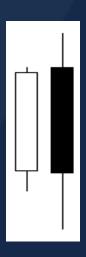
The OP period comes in all shapes and sizes.













The technical setups. The Pivot point reversal





The technical setups Pivot point reversal





The technical setups WEEKLY #3 reversal

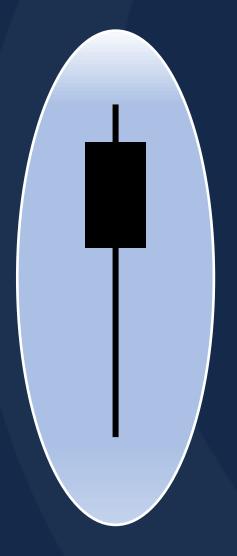
When Line #3 is found at a HIGH PRICE AREA Long positions should be closed within a week.

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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