

the week beginning 06/05/2019

A market technician's view

FX INDICES EQUITIES



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### **SUMMARY**

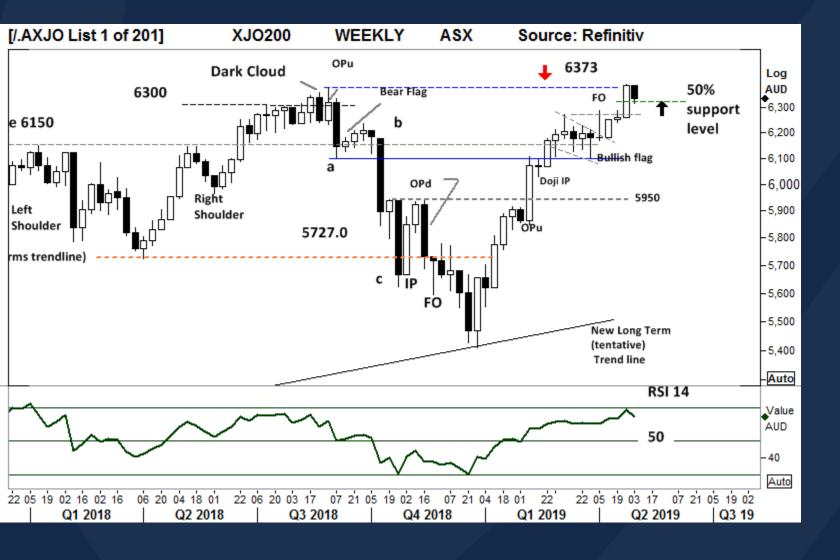
Equity markets are showing continuing bullish movements as US job data prompted the S&P500 to new highs.

The XJO is within striking distance of an all time high over 6800 level.

Commodities remain bullish the strength in Oil and Copper with Iron Ore has the two metals and Oil consolidating below the recent high prices.

This weeks DXY chart again shows potential big picture weakness coming for commodities as the US dollar move higher.

## Australian 200 index - Weekly





With the breakout over 6373 a bull trap became the risk in the current trading session.

The 50% (6325) mid point of the breakout week was tested this past trading session, this level now becoming intimate support in the coming week.

RSI remains positive for further gains.

#### Comments from last week:

The Weekly chart shows a very strong test of the 6373 level.

With the RSI not yet over brought has turned higher.

With last weeks strong range a further move high is expected to test the 6800 all time highs in the coming weeks.

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## Australian 200 index - Daily



Consolidation during the week although not bearish, any further weakness would test the 6285 support – resistance level.

Relative strength has moved below the 70 level indicating weakening momentum as price consolidates.

Trading volumes again remain strong as a sign of continued accumulation.

**Comments from Last week:** RSI turning higher in line with this daily breakout over the key 6285 resistance level.

A long consolidation from late January has the potential to make an extended move to 6800 points and higher.

### S&P 500 Index – Weekly



The current Weekly range with a lower shadow is a bearish sign for the coming weeks.

The Index requires a strong range continuation week to remain bullish.

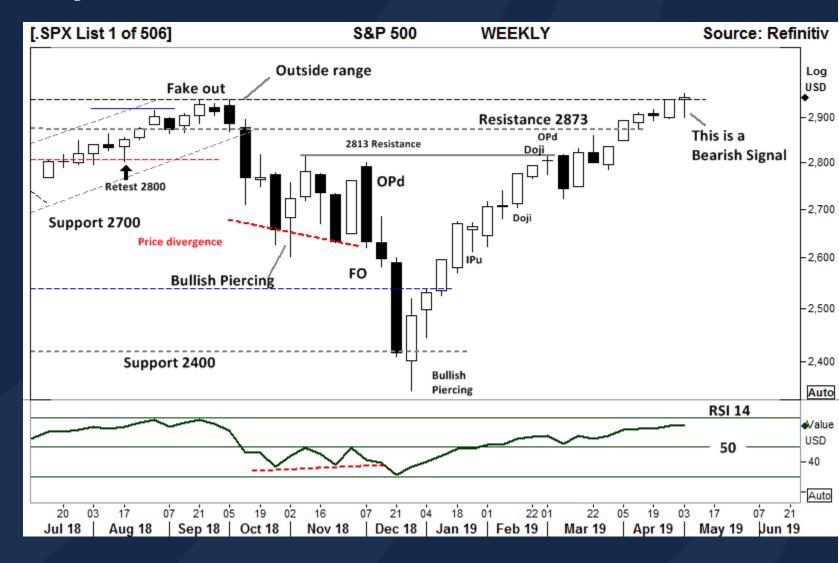
RSI remains over the key 50 level and now moving sideways as momentum has been lost.

#### Comments from last week.

A significant resistance level has been broken on strong momentum.

This remains very bullish going forward.

Traders should monitor these current levels for a potential reversal as a retest of the breakout over 2873 points.



### S&P 500 Index - Daily

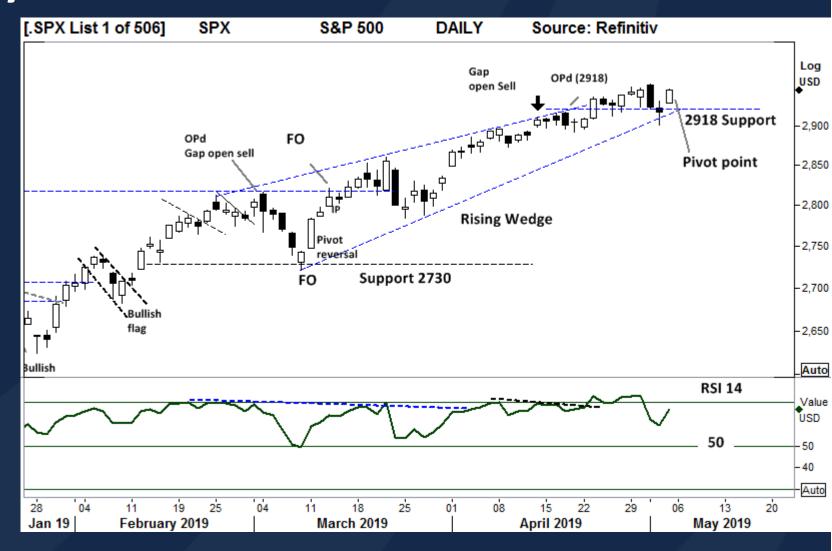


Consolidation above the 2918 support level within the extended wedge pattern.

Friday's pivot bar is a bullish sign for early trading this week.

Relative strength has turned higher showing an increase in price momentum.

Comments from last week. A breakout above the "wedge pattern" will begin a new leg of the current trend and be monitored for a "Bull trap" in the coming days. 2918 is the important support level in the coming days.



### Transports Index



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

Following the bearish candle of 3 weeks ago and last weeks FO bar, this week posts a rejection line of lower prices.

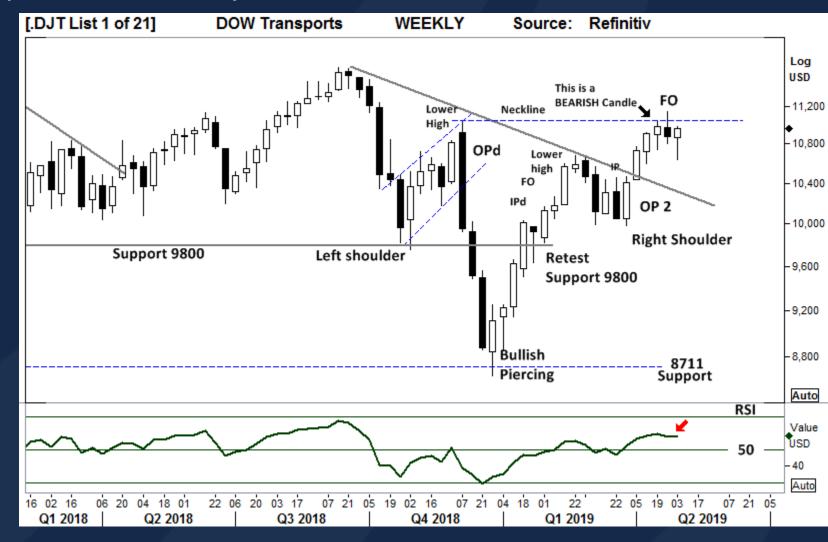
The Primary Trend remains UP, confirming the major indices.

Any further price weakness would continue to be monitored for a retest of the neckline at 10400 points.

Relative strength rising above the 50 level and again rolling over shows a negative swing in momentum as the indicator continues to move sideways.

#### Comments from last week.

Following the bearish candle of 2 weeks ago this week posts a rejection line.
Of concern is the Transports not following the major indices and closing on the highs for the week.



## FTSE 100 Index - Weekly



#### FTSE 100 weekly:

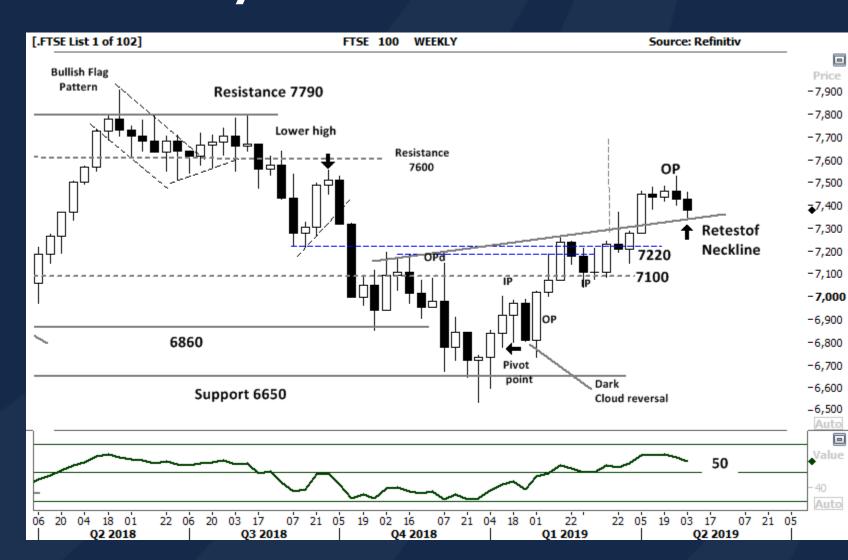
The FTSE continues to hold the break out above the neckline on a 4th consolidation week that has tested the neckline of the Inverse Head and Shoulder pattern.

Primary trend is UP and remains very bullish with the price target of 7700 a potential move.

RSI swings higher above the 50 level, but turned flat, this now confirms the price consolidation view as momentum slows.

#### Comments from last week:

A potential retest of the neckline is still possible on any price weakness in the coming weeks following this week OP (outside period)





## GOLD Weekly

#### Gold breaks down from a PRIMARY UP TREND.

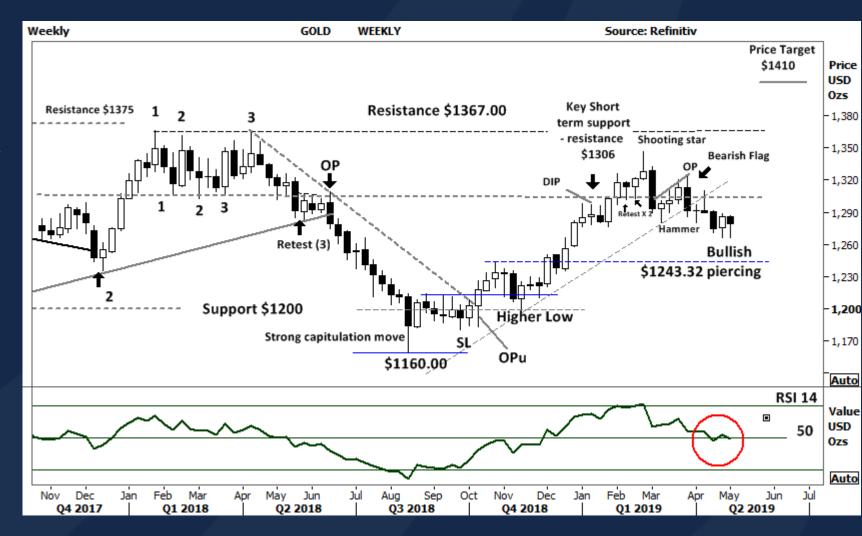
Support continues to show for Gold . above \$1265.0

Side by side weeks with a retest of the lows this week with a high range close, remains bullish in the coming weeks..

Traders should monitor for a close above the \$1306 level as a further bullish sign of recovery of price.

RSI swings below the key "50" level, and this week swing back higher showing positive price momentum.

Comments from last week: With a Bullish piercing week Gold has found some support earlier than the lower support level of \$1243.32..





## Gold Daily

The FO bar on Thursday was followed through on Friday with a strong range bar closing above the high of the FO bar forming a pivot Buy setup.

Relative Strength has moved under the 50 level indicating a loss of momentum, but again turned sharply higher.

#### Comments from last week:

The FO (fake out) low, is a sign of short covering, followed by the Pivot candle is a very bullish sign for higher prices in the coming days.





## Australian Volatility Index

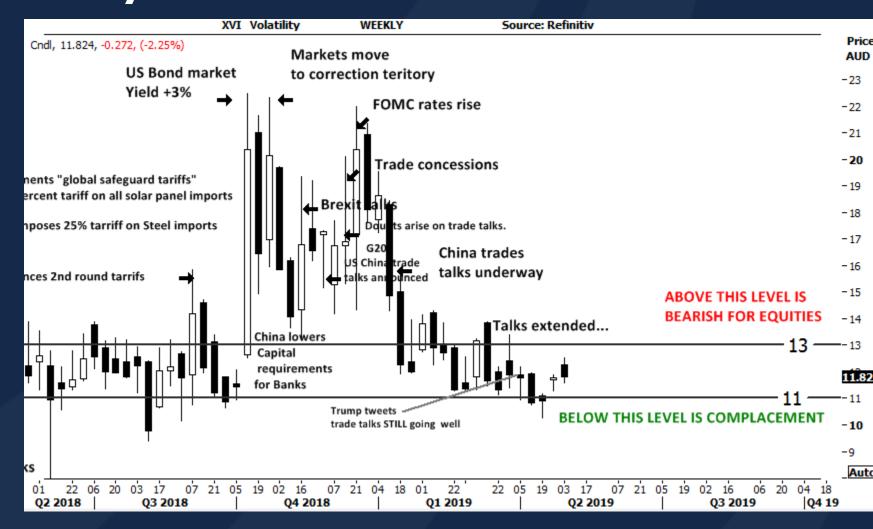
Current volatility levels, have remained below the key "13" level, this remains bullish for equities.

Last week volatility again fell below 11 showing complacency of risk with a rise back 11.77 showing a small increase in the price of insurance.

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



Strength in the USD will bring pressure onto Commodity prices.

This weeks 2<sup>nd</sup> Opd is a reversal candle with lower values expected in the coming days. Fridays high completes the "b" leg of a potential a,b,c correction.

RSI remains above the 50 level but has turned lower in line with this consolidation pattern.

Comments last week. With 97.71 remaining as resistance during this past week as the a,b,c pattern has unfolded in this secondary type of retracement followed last Wednesday with a strong move higher. This type of momentum is very positive for further gains.

### WTI Oil WEEKLY



Weekly OIL shows a very significant recovery from the December lows.

This weeks retest and close above the \$61.80 level is a strong bullish sign for further gains as consolidation take place.

Further to this view, a breakdown below \$61.80 (long position Stops) potentially sets a \$42.0 target.

Relative strength has rolled over showing an increasing over brought level with very strong momentum over the 70 level.

Comments from last week.
Potential reversal or at best consolidation of price above \$61.80 in the coming weeks.





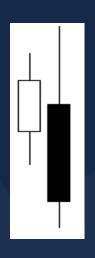


A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

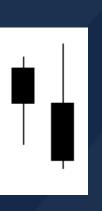
The outside period can mark a significant market turning point at or within 3 bars (93%).

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

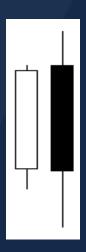
The OP period comes in all shapes and sizes.





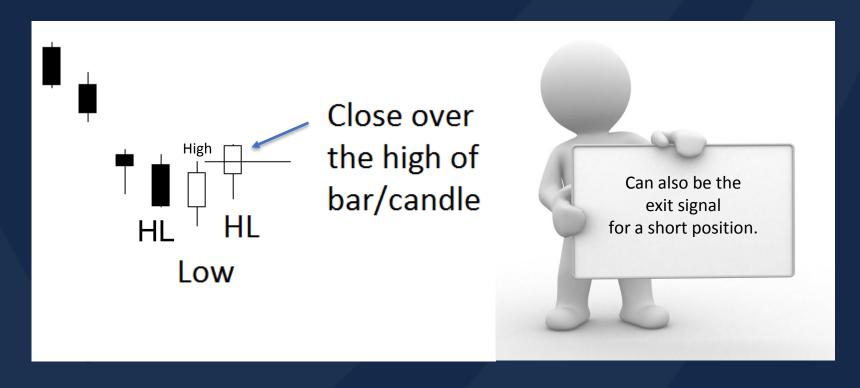






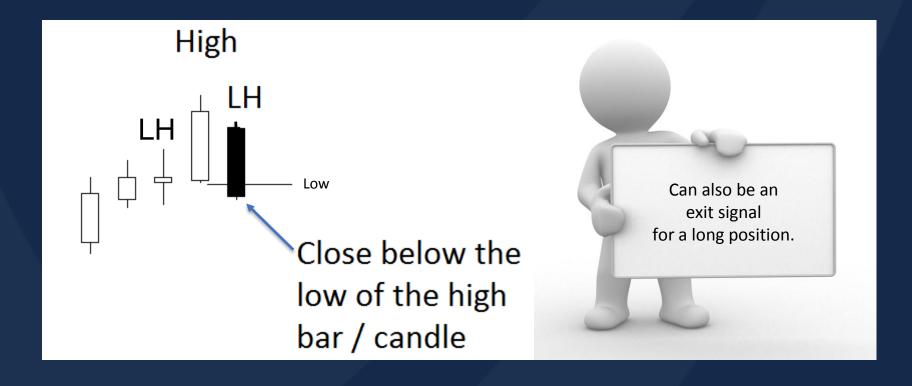


# The technical setups. The Pivot point reversal



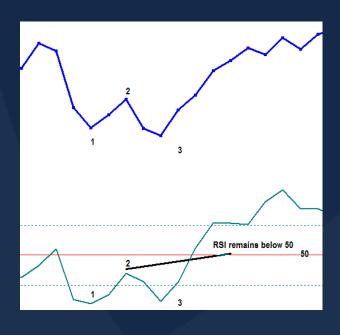


## The technical setups Pivot point reversal



# THE TECHNICAL SETUPS 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" \*\*

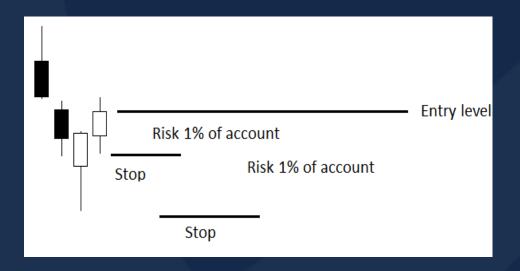
Swing failure is identified with the break of point 2 on RSI



## 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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**Comments and Feedback:** 

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