



**IN BLACK AND WHITE**

**The Week Beginning**

**22/04/2019**

**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.

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## **SUMMARY**

Equity markets in the US have reached equal highs from August 2018, with reporting underway, the markets remain at an important nadir.

Brexit goes to the back burner until October. While China lending data and GDP growth remain supportive for economic growth.

Commodities remain bullish with continuing strength in Oil and Copper with Iron Ore consolidating below the recent high price.

This week DXY chart shows potential weakness coming for commodities.

# Australian 200 index - Weekly



The weekly range again remains inside the weekly FO range 2 weeks ago.

A weekly close over the FO bar high is required in the next week would be very bullish.

A further retest of 6373 the key level in the coming weeks.

Relative Strength remains positive above the key 50 level, turning higher is a sign of increasing price momentum.

## Comments from last week:

Closing on its high suggests follow through this coming week.

# Australian 200 index - Daily



Small range trading days last Wednesday and Thursday will be seen as a bullish setup only with a Daily close over 6285 points.

RSI turning lower in line with this daily consolidation period.

Trading volumes remain strong as a sign of accumulation.

## Comments from last week:

The wider structure now forming into a bullish Cup and Handle Pattern.

# S&P 500 Index – Weekly High 2813

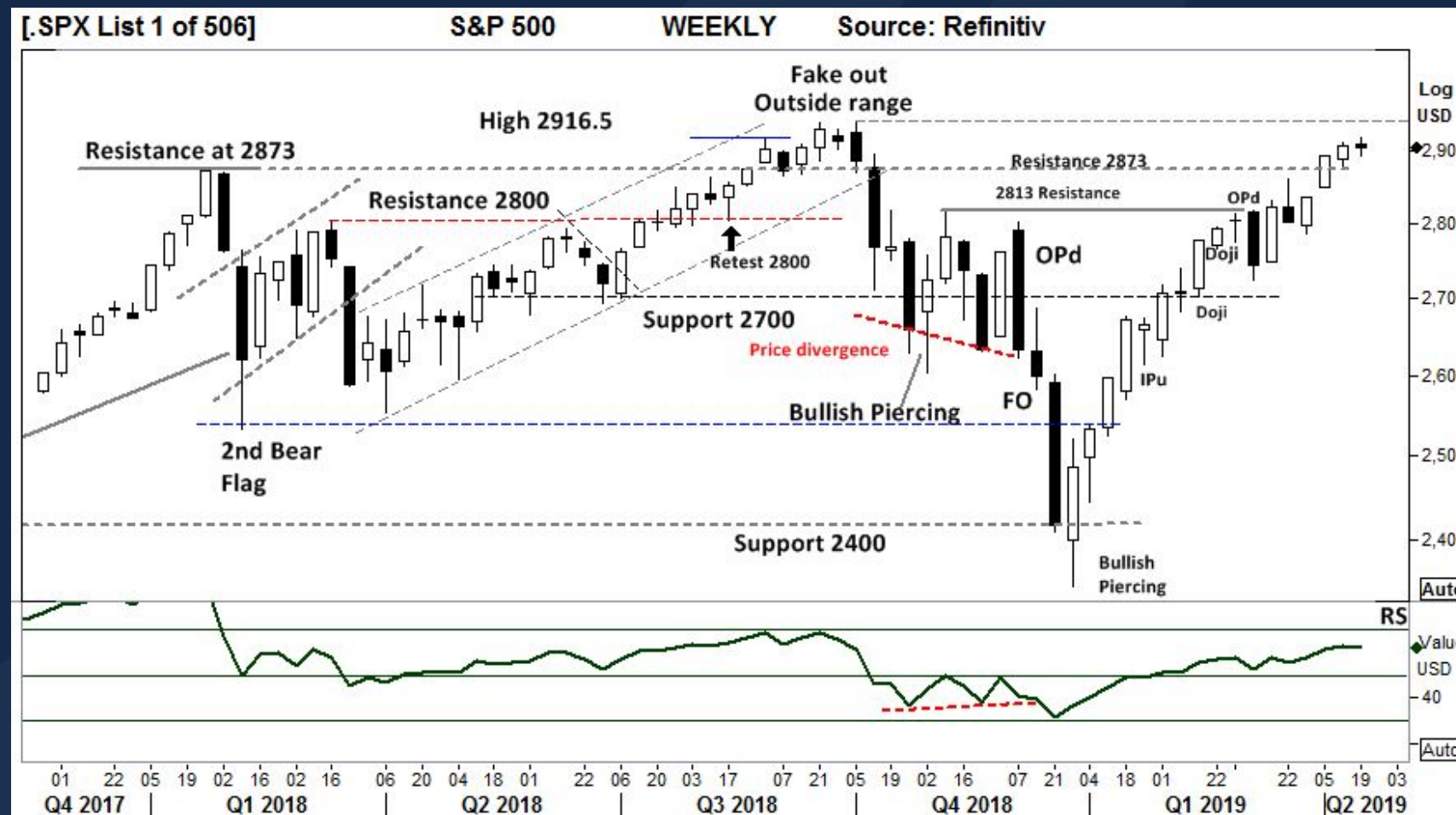
A characteristic of a true BEAR MARKET - short sharp price rallies, in this case a Christmas / January rally. A close outside of resistance will discount this view.

The strong breakout above 2873 is very bullish and remains in place with a potential retest of the historical Outside range underway.

RSI remains over the key 50 level and again rolling higher is a positive indication of improving price momentum.

## Comments from last week.

With a bullish body to body reversal and a close over the internal resistance of 2813 this week, a further retest of 2873 is expected.





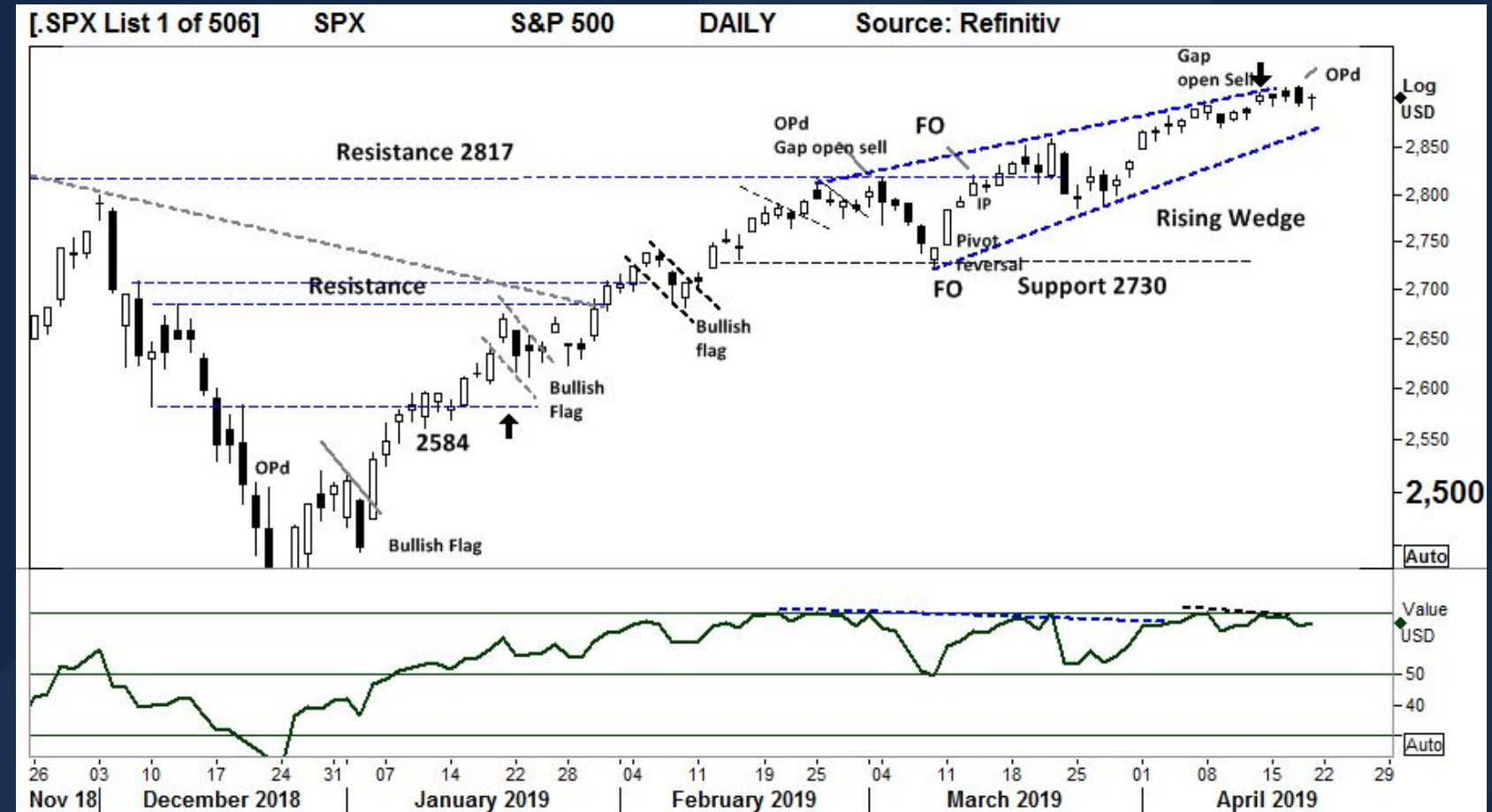
# S&P 500 Index - Daily

The Daily Chart indicates a rising wedge pattern, ultimately a bearish pattern, although may persist for several weeks.

A strong breakout is required for continuation higher.

Last Friday's Gap open sell day, has seen the price action consolidate with a Opd in place

Relative Strength has turned lower showing an decrease in price momentum. (required).





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

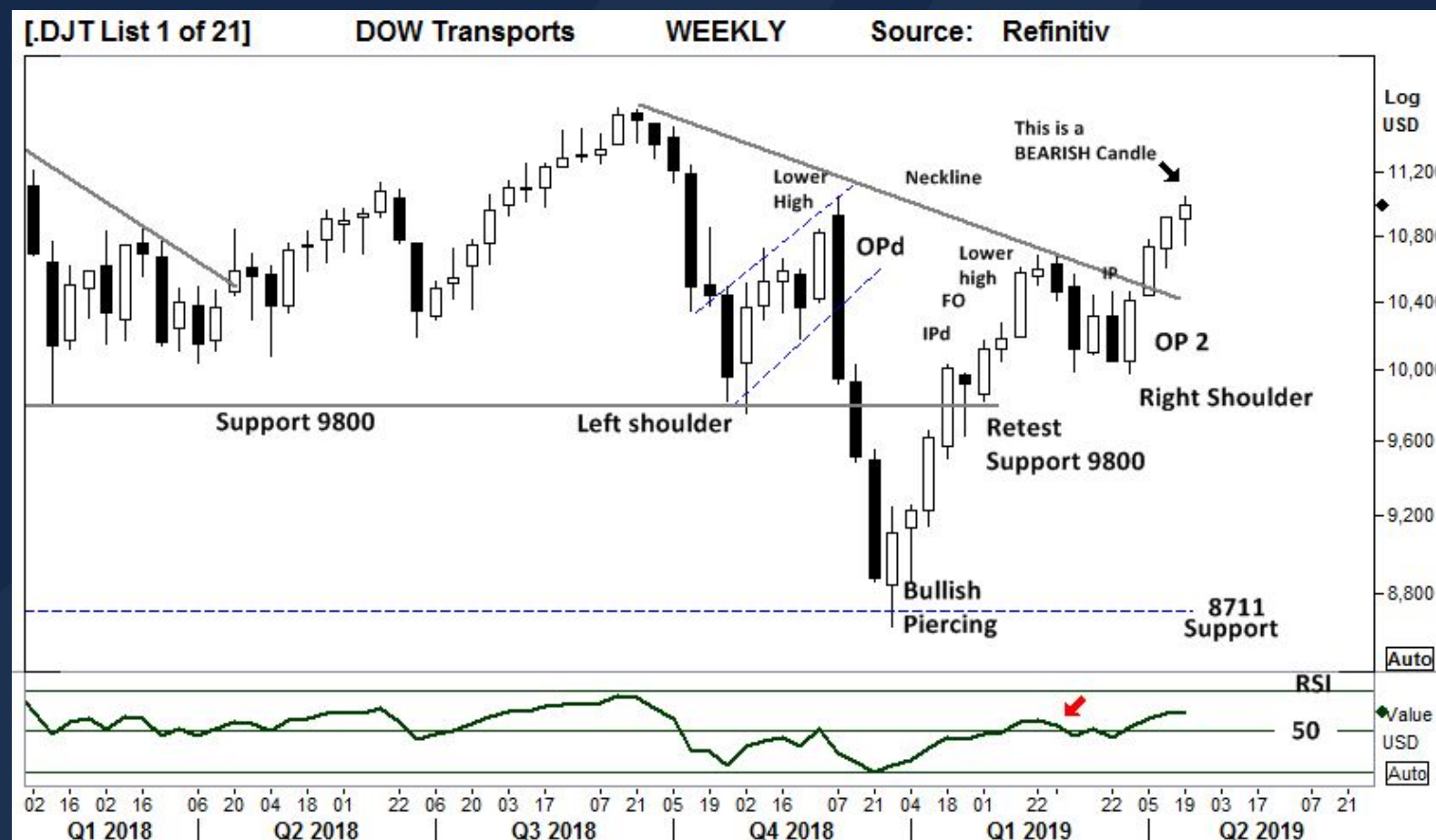
A very strong week testing the lower high from Q4 2018. This confirms the rally in the Primary S&P and DOW.

The lower shadow candle with a high close is a bearish sign after a "rise" in the market.

Relative Strength dipping and rising above the 50 level shows a positive swing in momentum as the indicator continues to rise.

### Comments from last week:

The right shoulder “higher low” and this current price movement past the lower high keeps the transports in a Primary UP Trend.



# FTSE 100 Index - Weekly

## FTSE 100 weekly:

The FTSE holds the break out above the neckline on a 2nd narrow range week. A potential retest of the neckline is possible on any price weakness in the coming weeks.

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

RSI swings higher above the 50 level, this now confirms price consolidation view as momentum accelerates.



Comments from last week:

A potential retest of the neckline is possible on any price weakness.

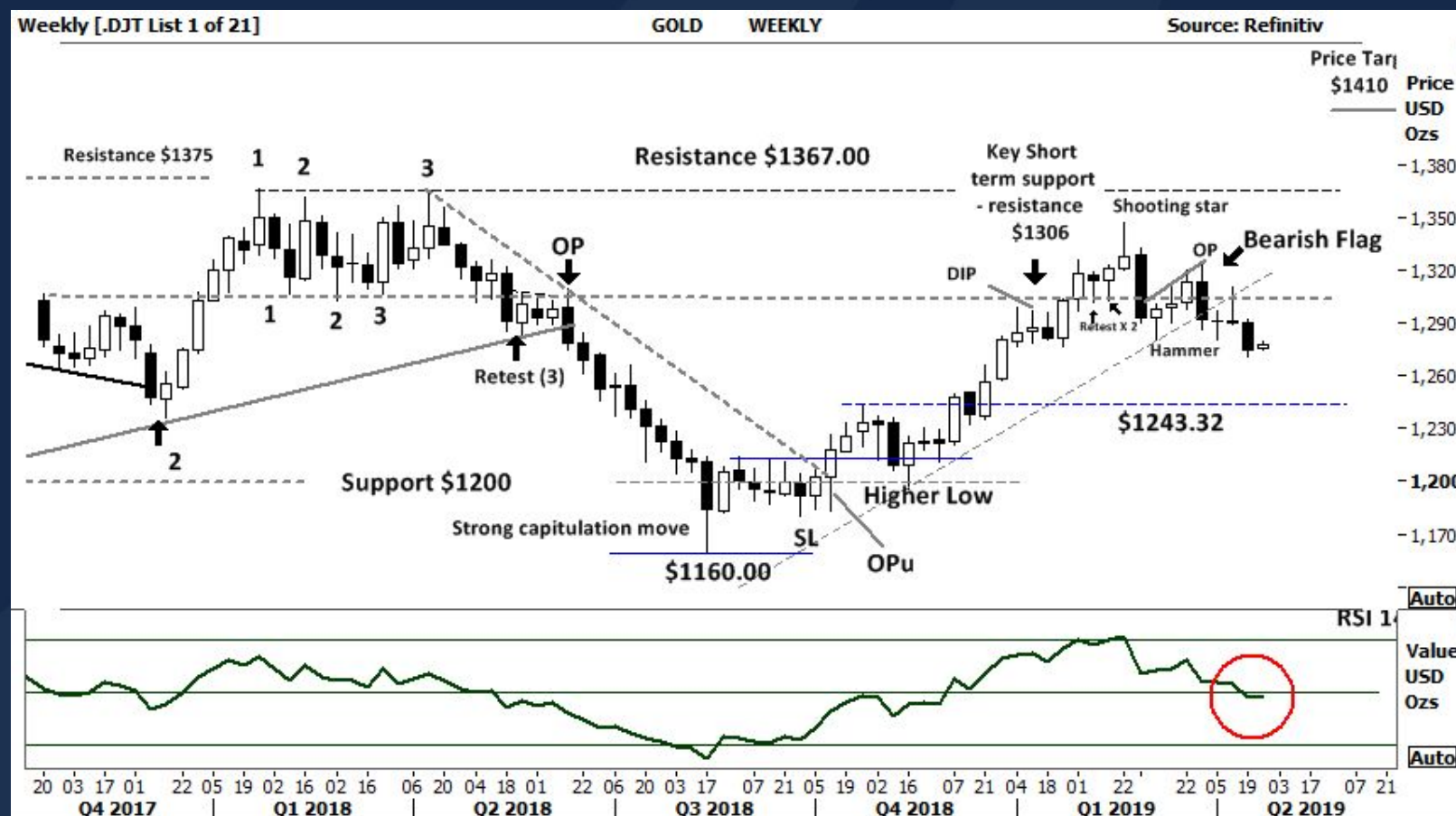
# GOLD Weekly

Gold breakdown from a PRIMARY UP TREND.

Gold now swings to a primary down trend.

Gold has moved lower towards the next support level of \$1243.32.

RSI swings below the key "50" level, the indicator has turned lower in line with this loss of positive price momentum.



Comments from last week:

A short rally followed by price failure to the lows in the week this now shows as the Gravestone doji week, as a further breakdown from the bearish flag.

# Gold Daily

With price remaining above the support level of \$1276.40 this again remains the key level in the coming days.

Should again make a strong close below this level, GOLD will have a broad top in place, suggesting no further immediate upside.

Relative Strength again swings under the 50 level indicating a loss of momentum.



## Comments from last week:

Thursday's pivot reversal suggests a retest of 1276.40 underway. A further close below this level would target \$1240.0

# Australian Volatility Index

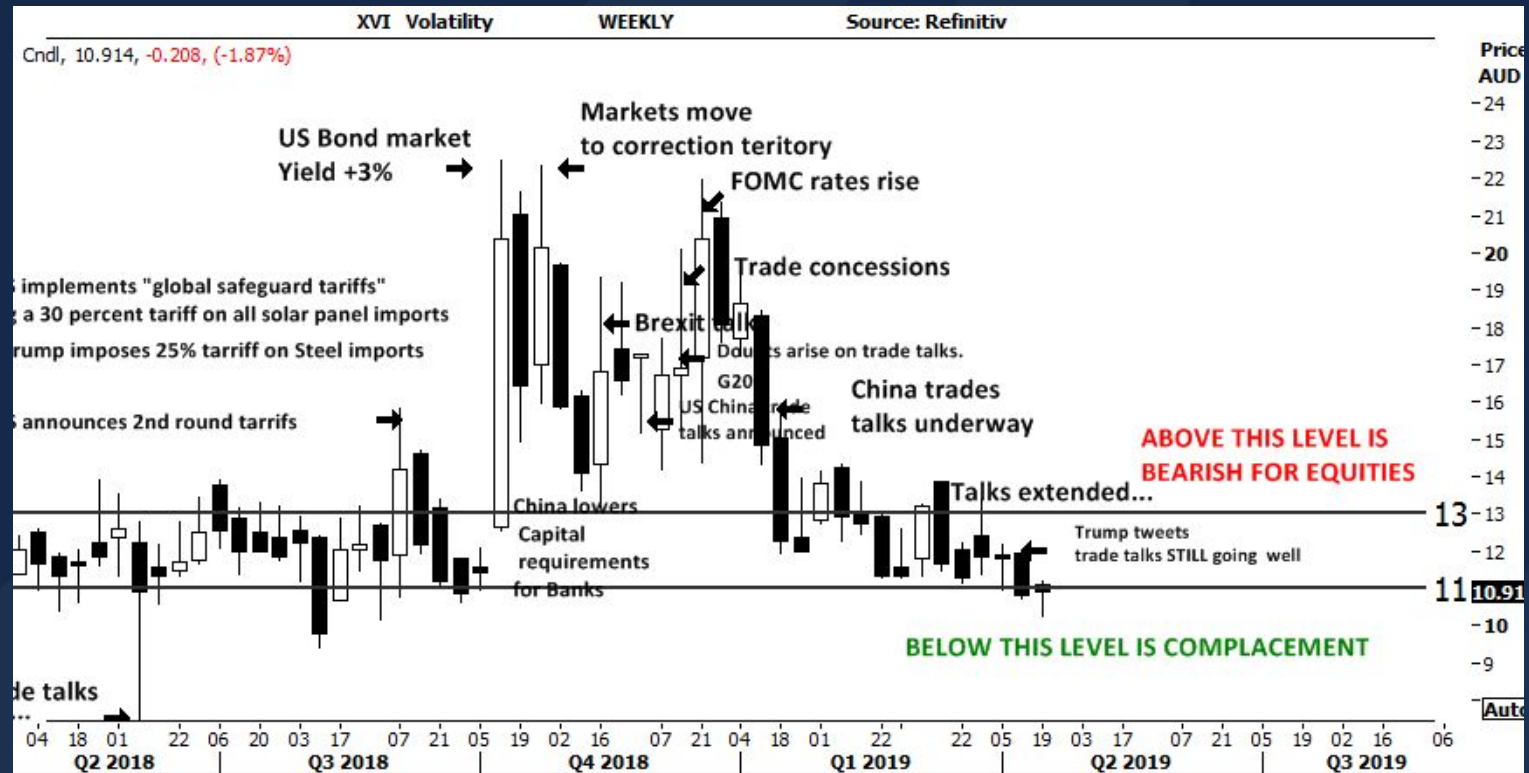
Current volatility levels, have remained below the key "13" level, this is bullish for equities.

This week volatility again fell below 11 showing complacency of risk.

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



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.

Strength in the USD will bring pressure onto Commodity prices.

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

## Comments last week:

A bullish view remains as Fridays fake out low (FO) shows a rejection of lower values.



# WTI OIL WEEKLY

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

Some profit taking has taken place with the upper range testing \$64.50 during the past 2 weeks.

The strong open shown this week is very positive for a breakout over \$65.91.

Relative Strength continues higher showing an increasing overbought level with very strong momentum over the 70 level.

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

Comments from last week:

Previous to last week a strong weekly candle with a high close in the range has remained bullish for further gains.



# The technical setups

## Outside period

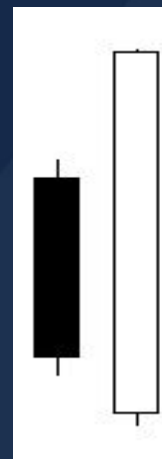
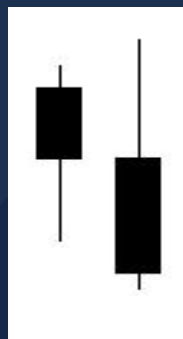
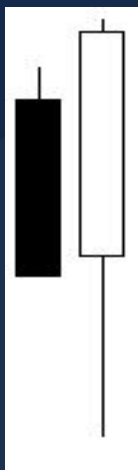
### OPu and OPd

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

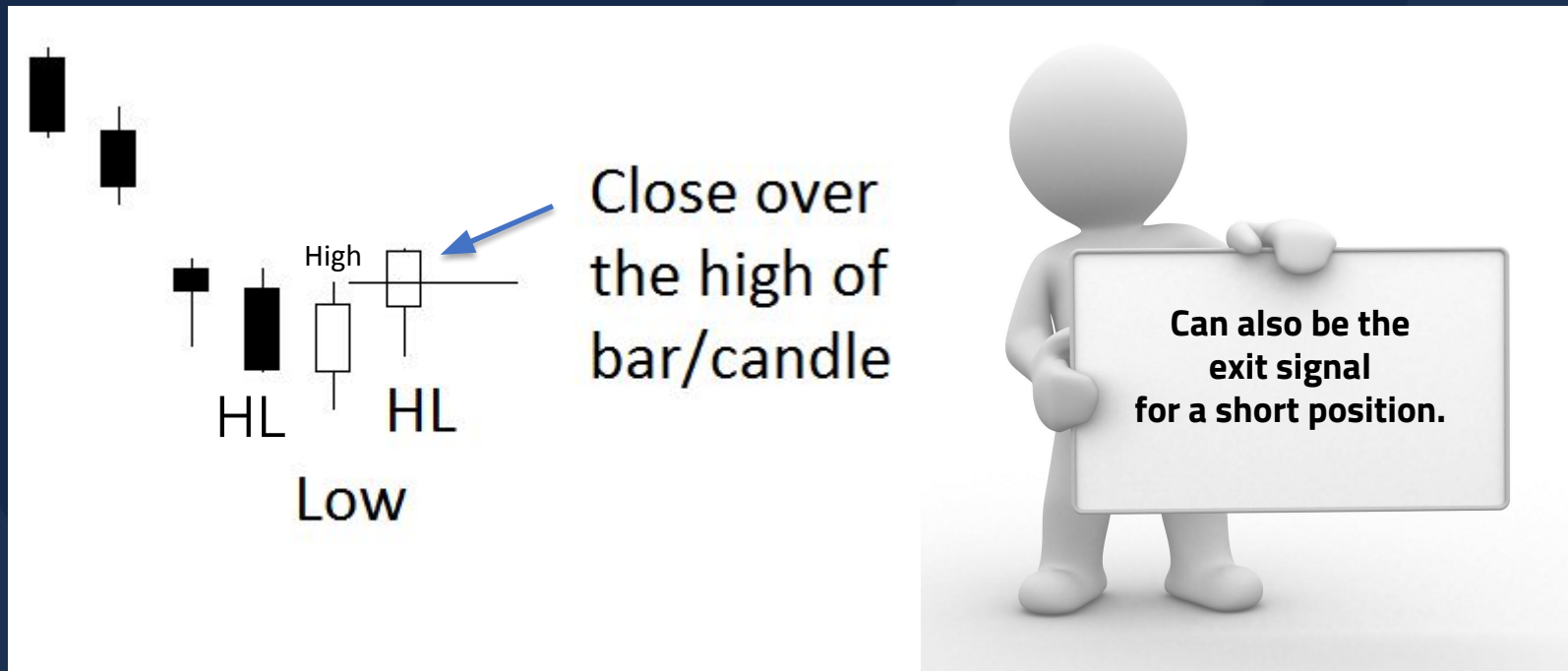
The outside period can mark a significant market turning point at or within 3 bars ( 93%).

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



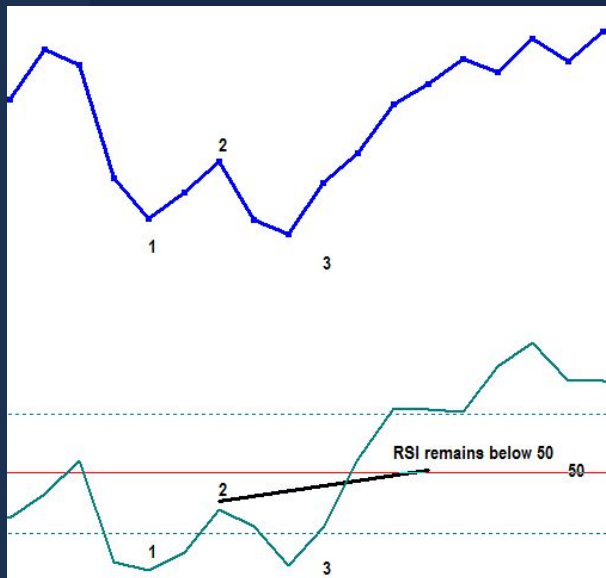
# The technical setups

## Pivot point reversal



# THE TECHNICAL SETUPS

## Relative Strength



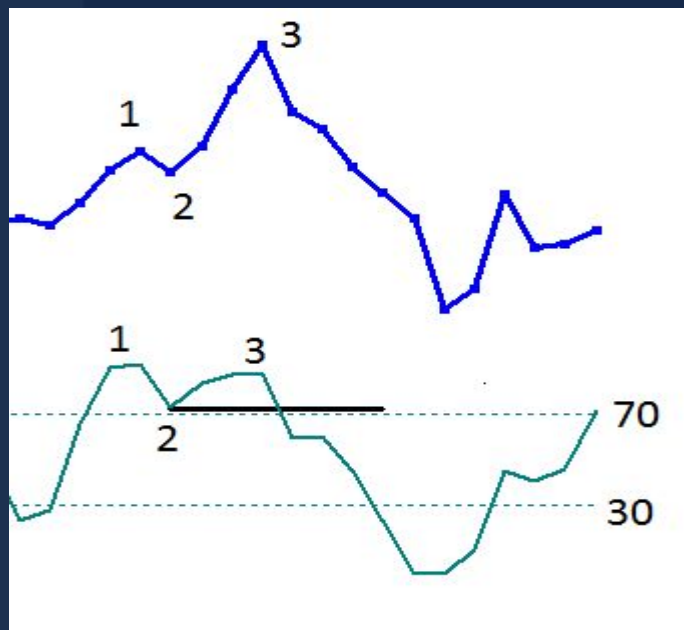
### Relative Strength Indicator

#### SWING BUY SIGNAL

- 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 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



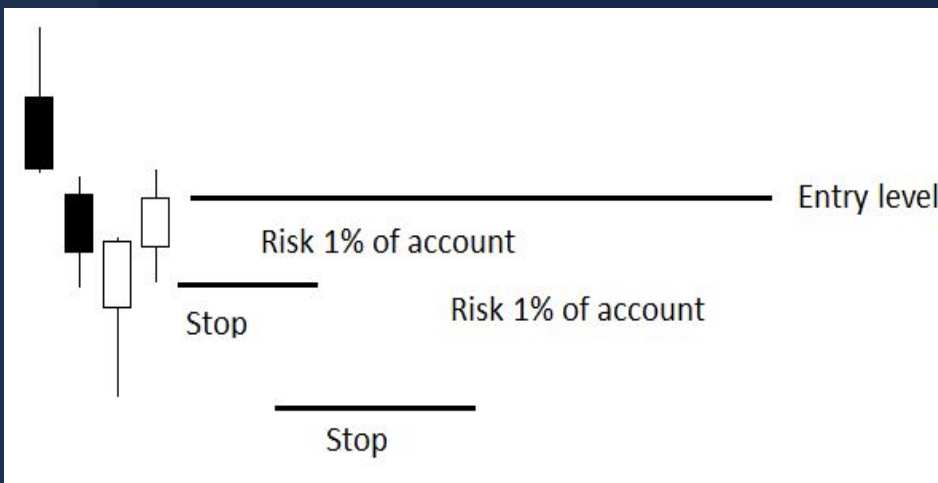
# Position size and management guidelines

## 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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**THANK YOU**