

the week beginning 19/08/2019

A market technician's view

FX INDICES EQUITIES



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SUMMARY-

Markets will remain fixated on the Twitter account of Donald Trump and trade negotiations into the foreseeable future.

Volatility has reached significant bearish level.

Gold and Silver are in consolidation mode above key levels of \$1500 and \$17.0 with a strong continuation pattern developing.

Australian 200 index - Weekly





From the Pivot high 2 down close weeks, into the key support area between 6373 and 6430.

Relative strength now below the 50 level, this market has met an inflection point, a further close lower would target 6000 points.

This market is vulnerable for further weakness.

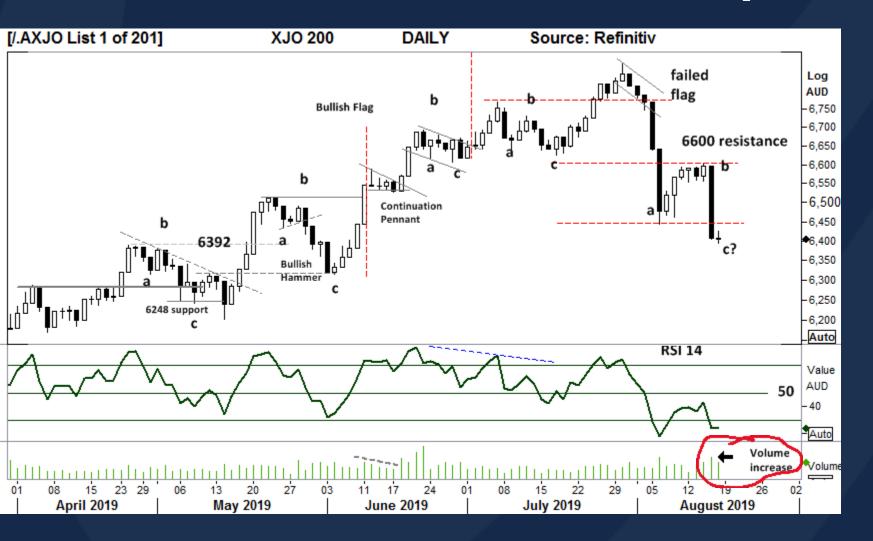
Traders would look for a bullish close above 6500 as a sign of reversal The MACD continues to track sideways and now remains neutral.

Comments from last week:

A bearish signal would show with further weakness and a close below 6430.



Australian 200 index - Daily



From the failed bullish flag the daily chart displays the current a,b,c corrective move. Currently bullish divergence is showing between the RSI and price.

Without a reversal low in place this will need to be reviewed as the week unfolds.

Of concern for the Bulls is the strong Volume down day on Thursday 15th.

Comments from last week:

From the bullish flag the market has made a strong push to close below 6500 on Tuesday.

S&P 500 Index – Weekly



The Primary UP trend remains in place.

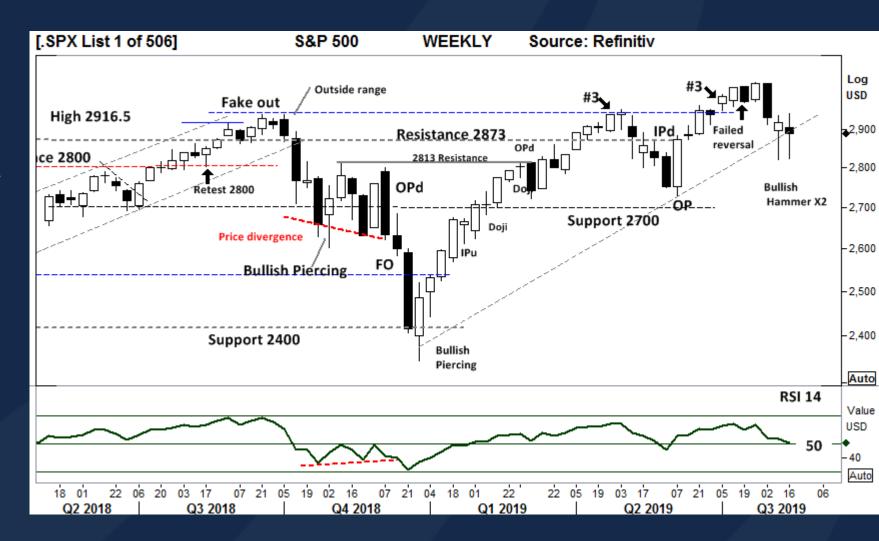
Two bullish hammers in place holding the short tentative trend line.

Historical resistance at 2873 is coming into play as the new Weekly support.

This market has further potential for consolidation before a new leg down.

RSI remains above the 50 level but again turns lower again in line with a short term loss of momentum.

Comments from last week. Last weeks Bullish Hammer closing inside the short trend line, sets the Index up for a momentum retest of the highs.



S&P 500 Index - Daily



The daily chart is giving a strong support signal with a FO low on Friday. This will be the "goto" level in the coming days that would signal further weakness.

RSI is encouraging putting in a higher swing low, although still below the key 50 level.

Comments from last week: With the Relative strength moving below the 50 level the resulting "gap" down on an extended range has tested the 2850 level.

With an immediate recovery above the key 2900 level.

This is a very bullish sign for further gains.



Transports Index



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

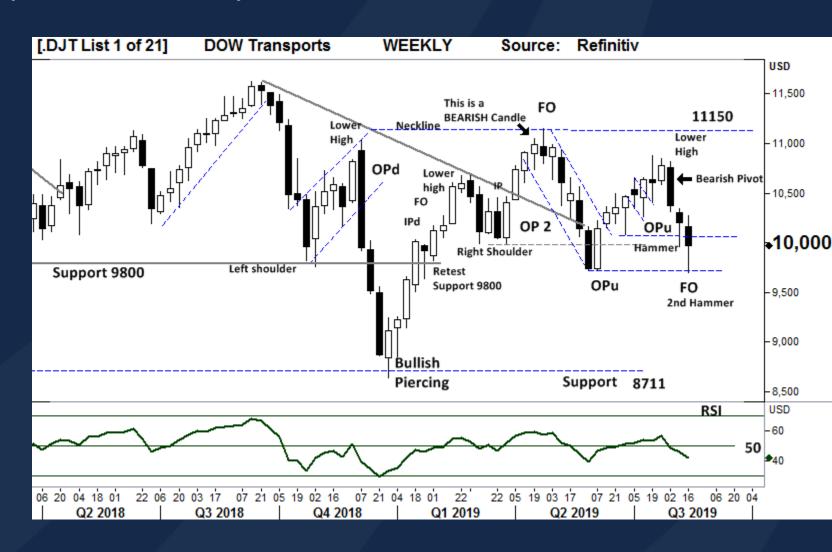
(This index remains a NON CONFIRMATION of the long term Bull market, a break of 11150 is required.)

Another FO low and "hammer" with an indication of short term support.

This market is confirming the weakness in the Major indice's, an overall bearish sign.

Relative strength has moved lower a continuing sign of lost momentum.

Comments from last week. The bearish pivot has played out with a retest of the 10,000 level, the week closed above this level as a bullish hammer.





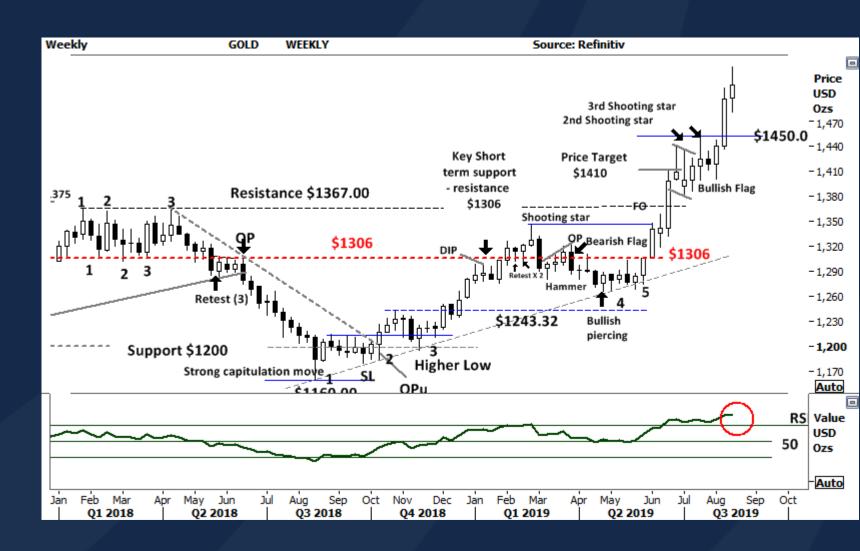
GOLD Weekly

A low close from the high of the range following a very strong move above \$1450.0

Price weakness would be expected to "retest" the breakout (\$1450.0) Primary trend is UP

RSI swings over the "70" level confirming strong price momentum, however the rollover at these levels can result in price retracement as momentum changes..

Comments from last week: Gold remains very bullish with this weeks large range bar closing over \$1500 oz. This is now the key level in the coming weeks, expect consolidation at this level before a move higher.





Gold Daily

With a continuation pattern developing, a retest of the lower boundary (\$1500.0) would be expected to hold.

Failure at this point would leave a lot of late buyers and short sellers, becoming sellers back into support. (\$1450)

In the coming days as momentum is slowing the Relative strength turns lower is at risk of turning back towards the 50 level.

Comments from last week: The daily chart shows a 3 bar triangle, this is a very bullish signal with new highs expected.

Of concern is the Relative strength Indicator NOT making a new high. Potentially a bearish divergence in the short term.





SILVER Daily

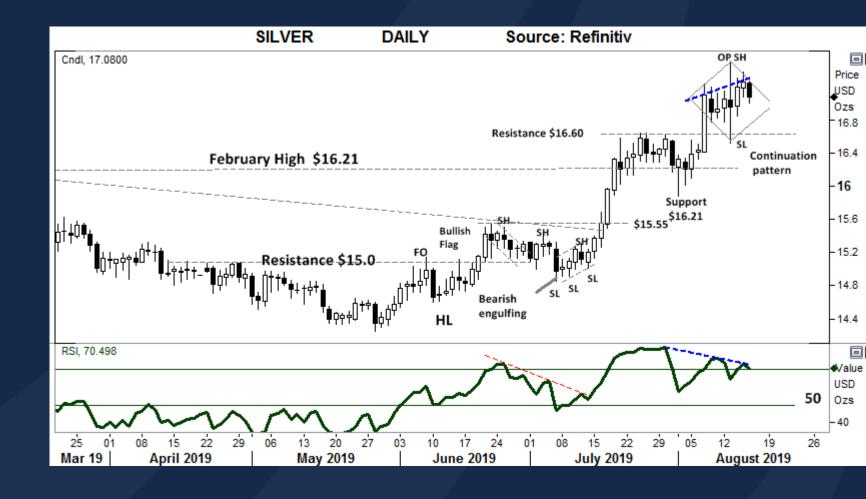
Silver displays the same continuation consolidation as GOLD.

However the retest of the breakout at \$16.60 may be in play as the RSI continues to decline.

RSI displays bearish divergence as consolidation continues.

It should be noted, SILVER has also confirmed the overall precious metals bullish breakout.

Comments from last week: Of concern is the divergence between the price making a new high with the RSI not making a new high.



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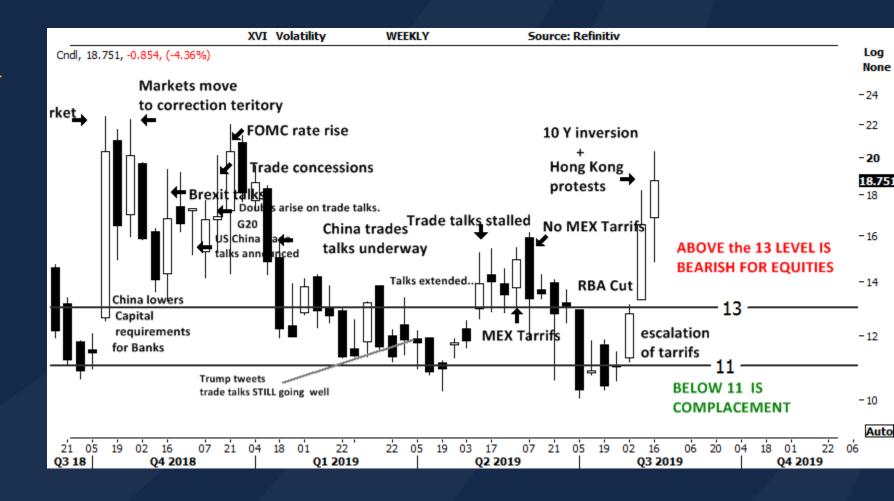
Australian Volatility Index

Current volatility levels, show a significant increase in the volatility indicator. This is moderately Bearish for equities.

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 the retest of 98.4 now complete, look for consolidation following last weeks strong move.

RSI turns flat but remains above the key 50 level.

USD Price pressure on Commodities could restrict further gains in the larger miners.

Comments last week: Friday posted a Fake out (FO) low, this is a bullish sign for a further move higher.

Traders would look for a retest of the 98.4 level.

WTI Oil WEEKLY



WTI remains in consolidation following rejection of the \$50 lows.

The price structure is supportive of further gains.

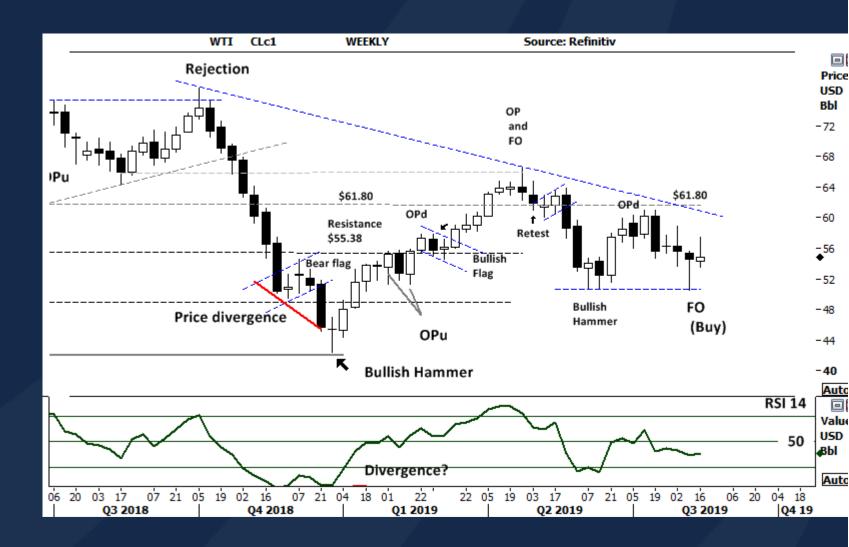
However no real momentum is showing for a breakout above \$61.80.

The Relative Strength Indicator turns flat and remains under the key 50 level on this weeks consolidation candle.

Comments from last week:

WTI Oil posted a Fake out (FO) low this week, with the weeks low price 2 cents below the bullish hammer low of July.

Traders would look for a retest of \$61.80 in the coming days.





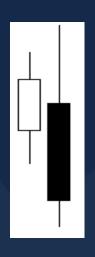


A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

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.

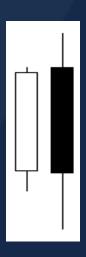
The OP period comes in all shapes and sizes.













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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