



**IN BLACK AND WHITE**  
**The Week Beginning**  
**18/02/2019**

**A market technician's view**

**FX**  
**INDICES**  
**EQUITIES**

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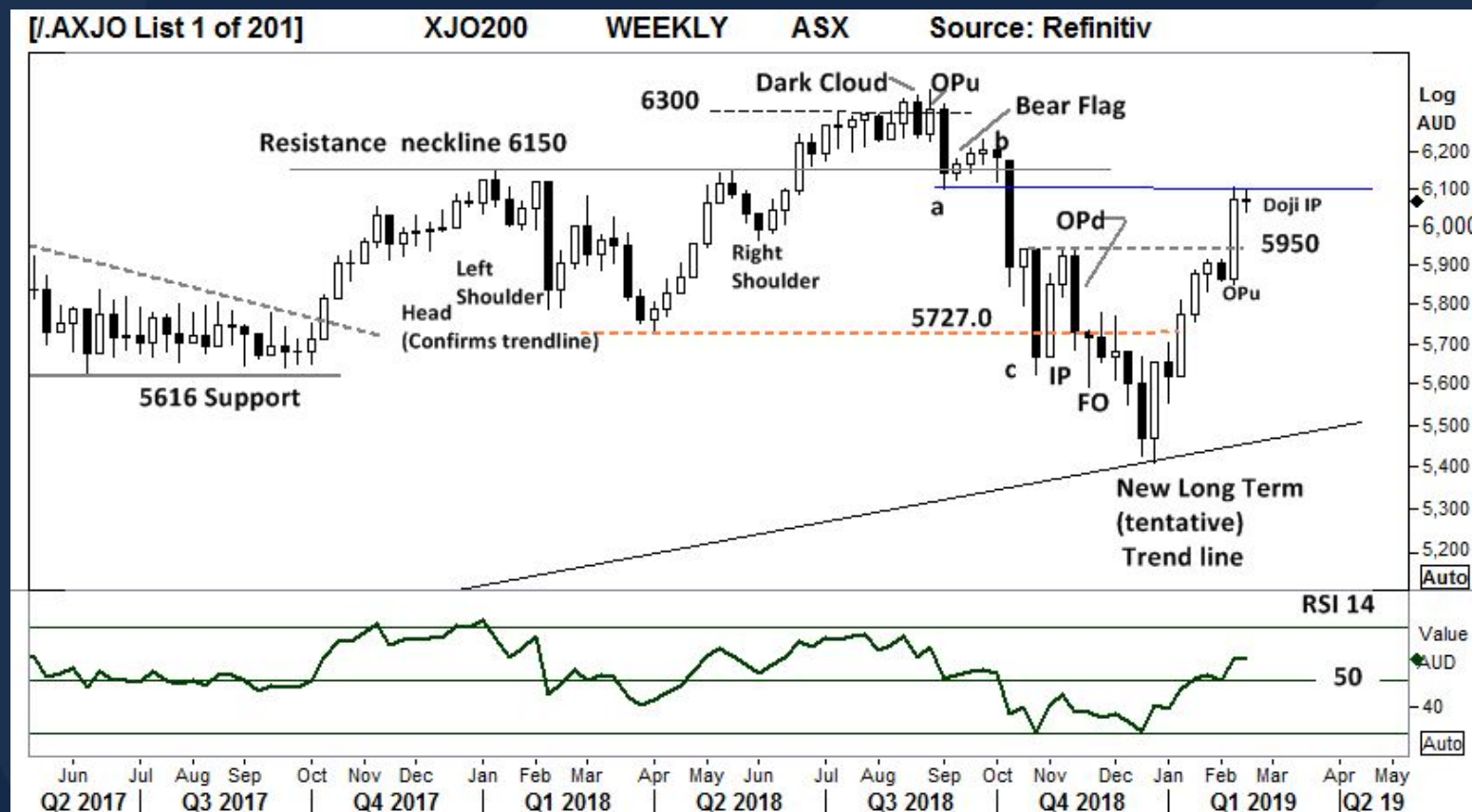
## **SUMMARY**

Global Indices have staged another strong rally this week against early reversal signals last week. Australian indices have enjoyed support from the financial, commodities and energy resources.

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.

# 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 corrective move albeit higher.

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:

The weeks OPu is showing the potential to retest historical resistance at 6300.

# Australian 200 index - Daily



Past support at 6102 continues to provide daily resistance.

Relative Strength divergence is, now, negated with this move higher.

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

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

## Comments from last week:

From a "RSI divergence swing sell" in place this daily chart shows a significant reversal higher as a result of strong price momentum within the leading Banks heavily weighed in the Index.

# S&P 500 Index - Weekly

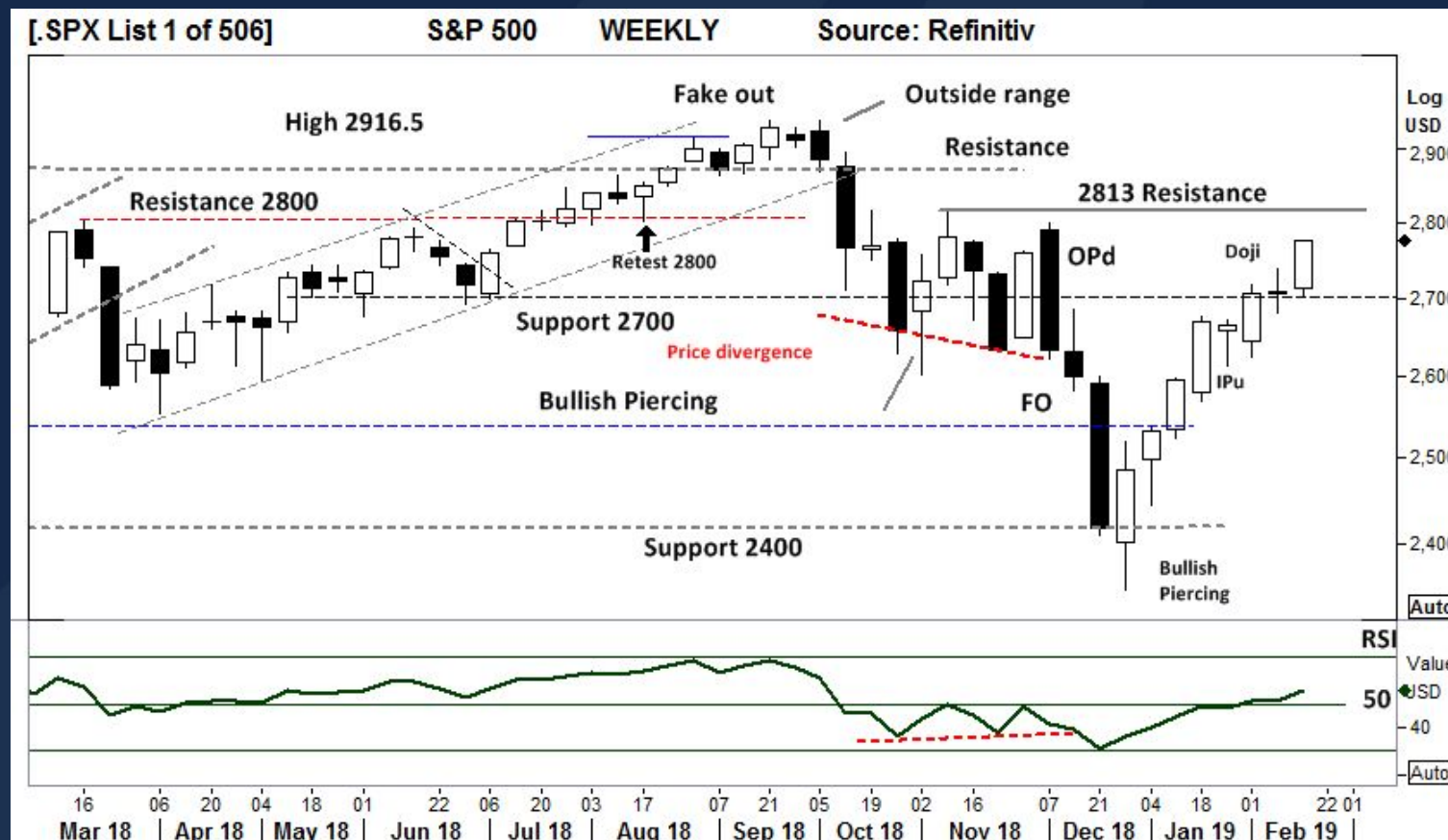
A characteristic of a true BEAR MARKET - short, sharp price rallies, in this case a Christmas / January rally.

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

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

RSI remains over the key 50 level.

Next resistance at 2813.



## Comments from last week:

A continuing close over this 2700 level would be very bullish in the short term.



# S&P 500 Index - Daily

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

RSI remains above the key "50" level.

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



## Comments from last week:

The S&P daily chart displays a potential continuation bullish flag.



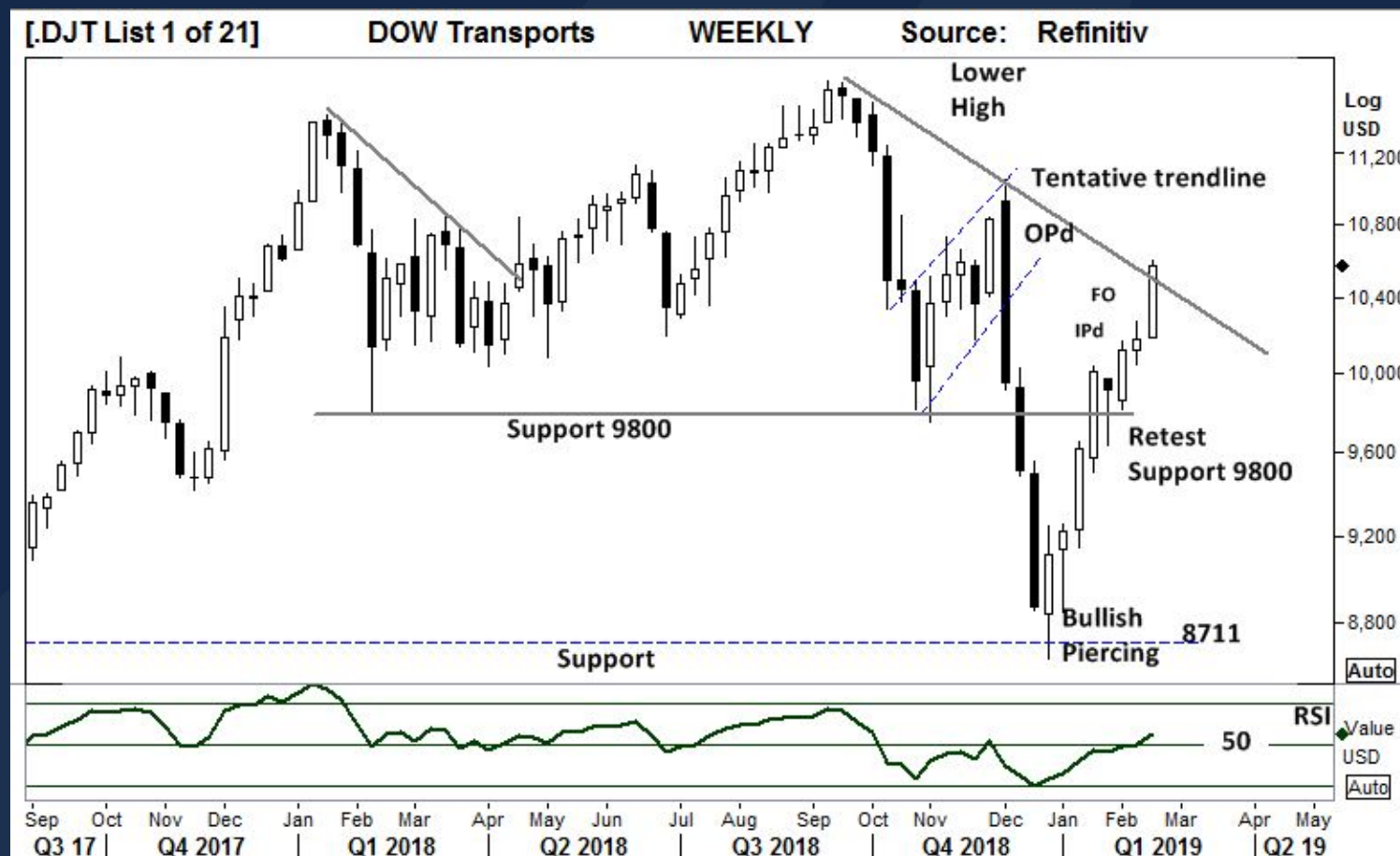
# Transports Index

The Dow Theory Trend Analysis states the transports must confirm major indices.

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

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

As confirmation of the Dow 30 along with the S&P 500 markets are beginning to show new signs of an emerging Bull market.



## Comments from last week:

To create a strong bullish view RSI requires over 50 **AND** the market is required to close over 9800 points.

# FTSE 100 Index - Weekly

## FTSE 100 Weekly:

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

This week's strong range candle with a closing level towards the high of the range suggests further momentum to the upside.

There is a potential for a retest the 7600 resistance level.

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



## Comments from last week:

The shooting star Fake Out (FO) is a very strong reversal candle. Q4 2018 resistance was again tested this week with rejection.

# GOLD Weekly

## Short Weekly View

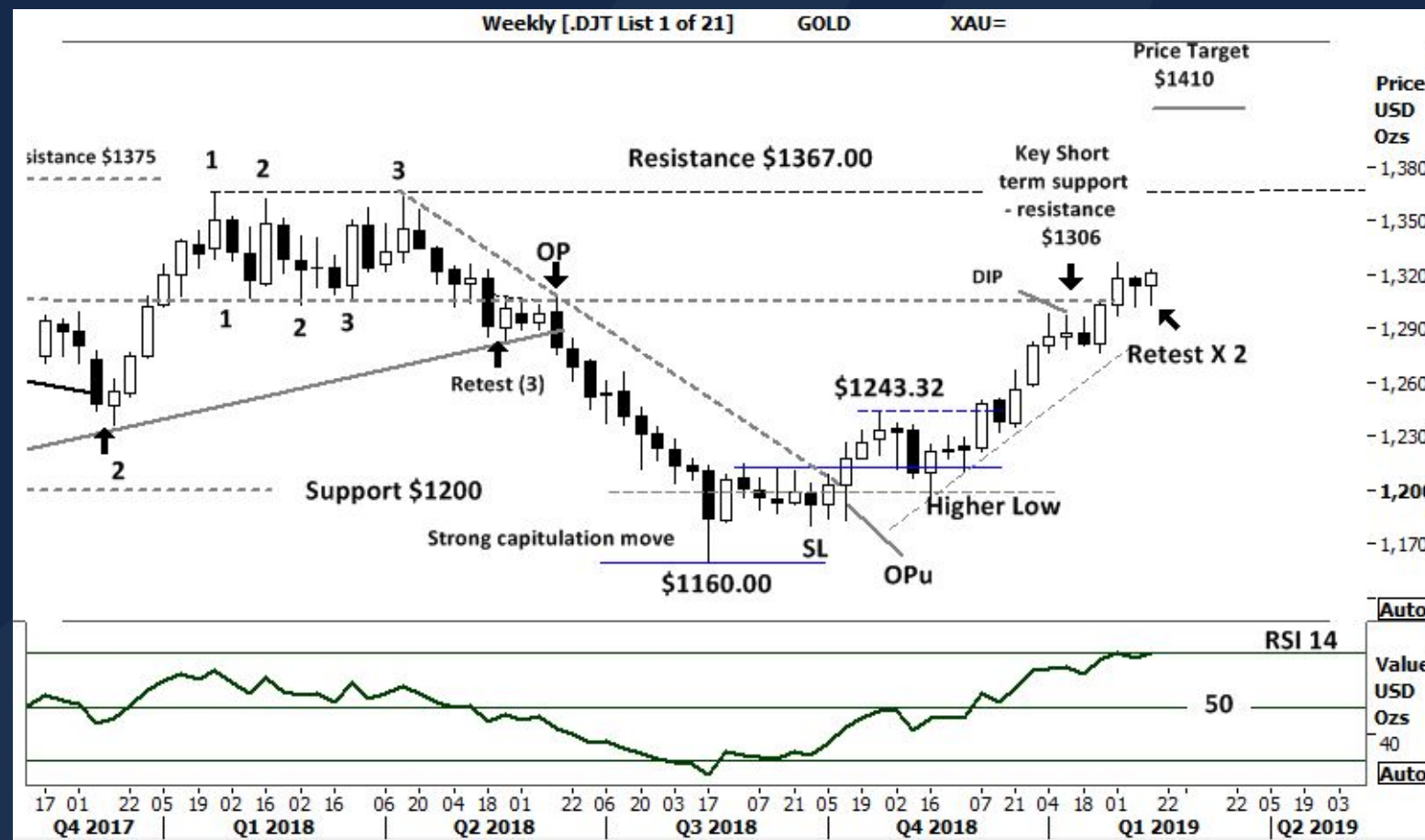
Gold remains in a **PRIMARY UP TREND**.

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

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

Continuation of the primary UP Trend is expected.

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



# Gold Daily

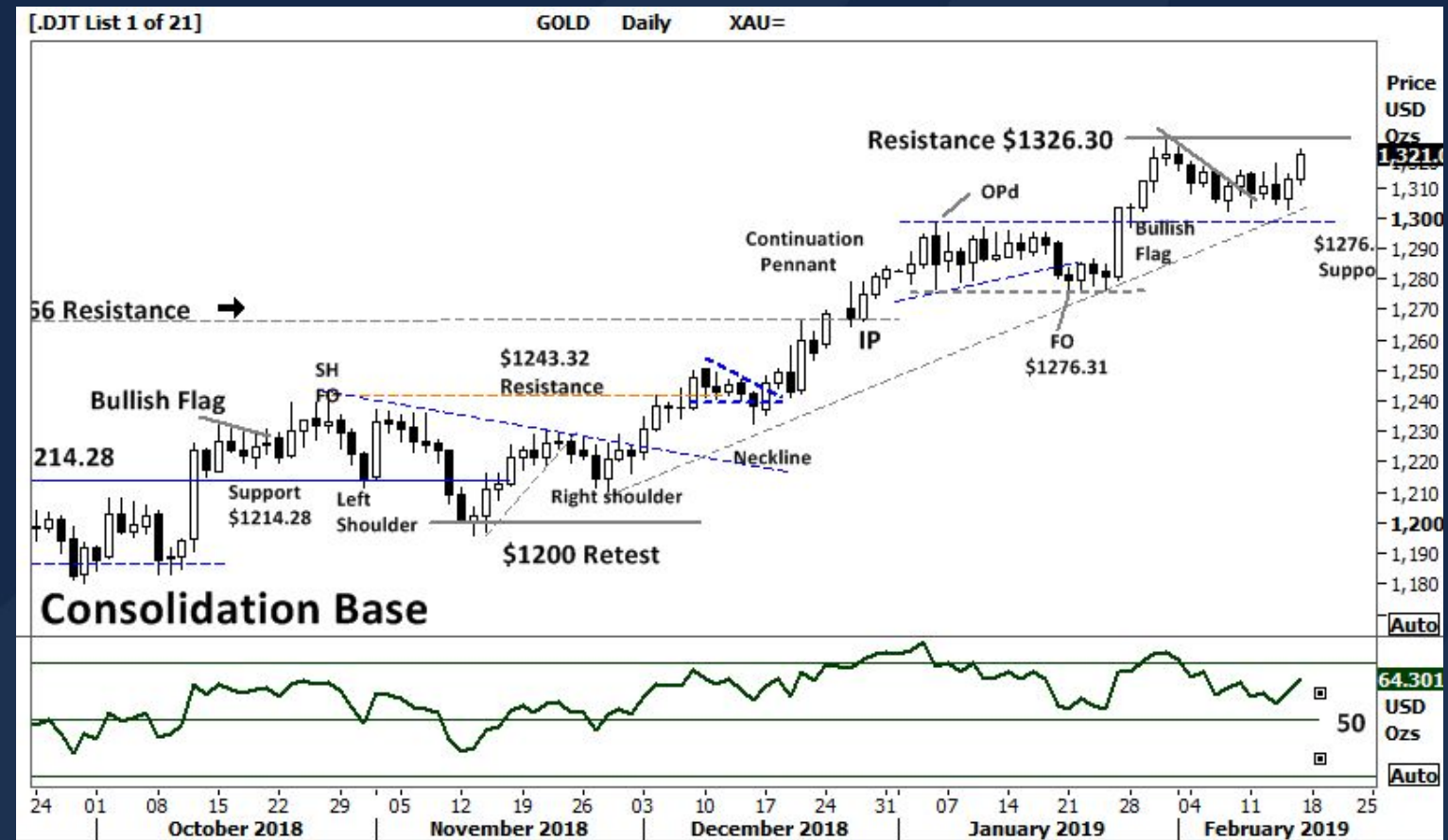
Intraday resistance remains at \$1326.30.  
Underlying Primary Trend is UP.

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.

Relative Strength ( RSI ) moved lower consistent with this type of consolidation pattern.

(Relative Strength is a momentum indicator.)





# 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.

The current move back above 13 was reversed last week. The closing value below the key 13 level again this week will remain bullish 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



Resistance at 96.67 will be key again this week, a closing value over this level is required to continue with a bullish view. A weekly close over 96.67 would be very bullish with the potential to move to 97.11.

RSI remains over the key 50 level and suggests further positive price momentum.

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:

The Relative Strength Indicator has turned higher above the key "50" level showing an increase of positive price momentum.



# WTI OIL WEEKLY

## Weekly OIL

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

A further move higher is expected as the Relative Strength Indicator moving from below the "30" level has offered a bullish divergence, however the failure of this momentum indicator to cross the "50" level decisively remains concerning.

Current value = 55

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

### Comments from last week:

The corrective move to \$42.0 followed by the rally back to the historical resistance of \$55.38 only suggests WTI to remain within a trading range in the coming weeks.



# The technical setups

## Outside period

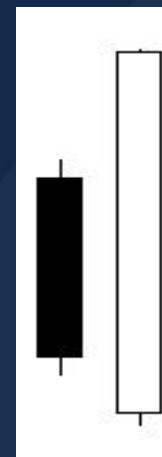
### Opu and OPd

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

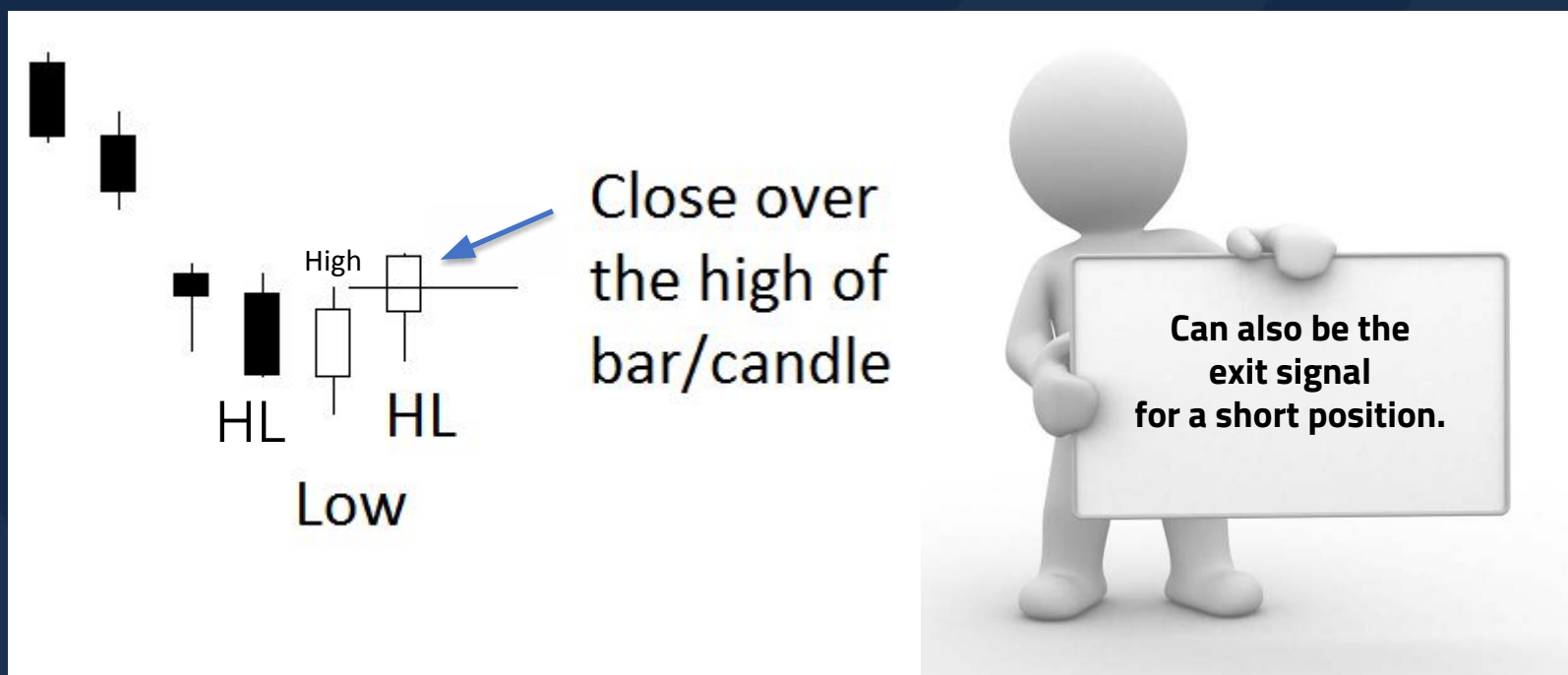
The outside period can mark a significant market turning point at or within 3 bars ( 93%).

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



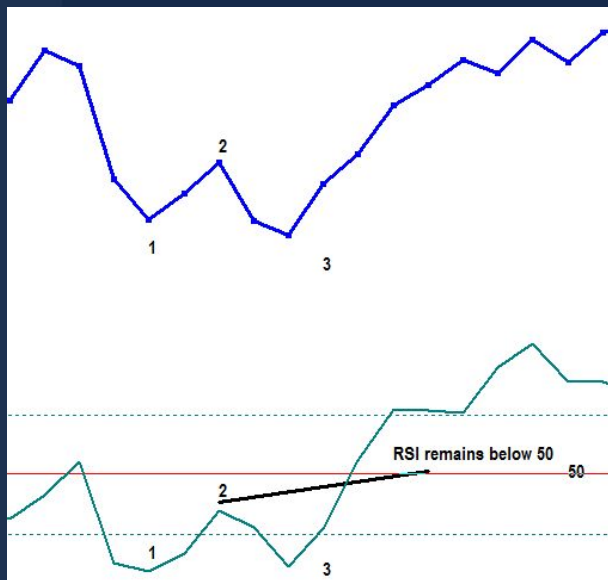
# The technical setups

## Pivot point reversal



# THE TECHNICAL SETUPS

## Relative Strength



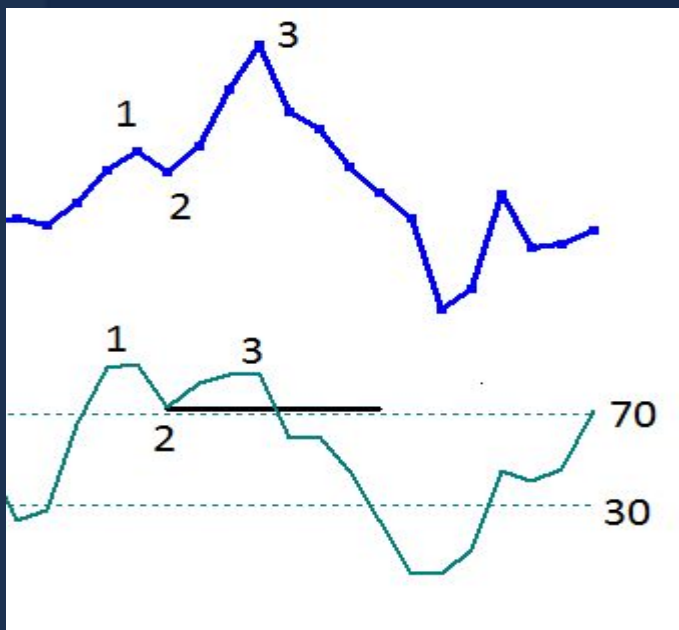
### Relative Strength Indicator

#### 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.

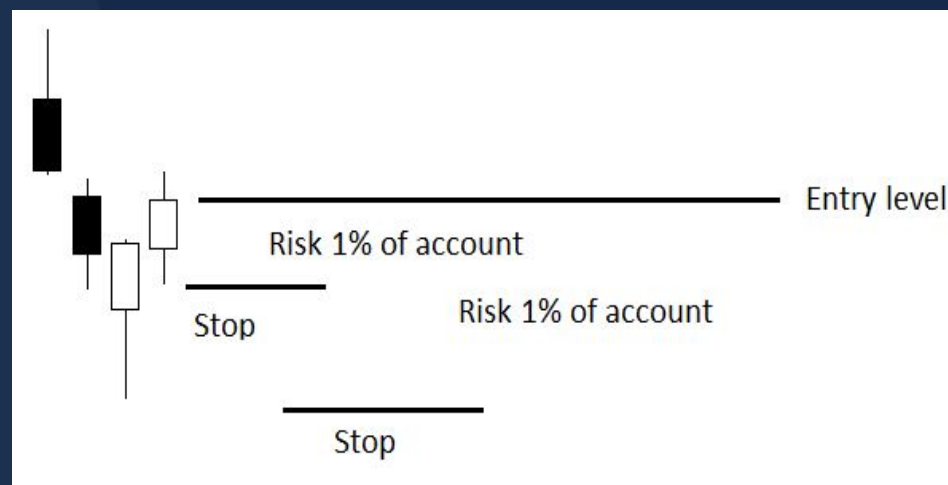


# Position size and management guidelines

## 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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**THANK YOU**