

the week beginning 05/11/2019

A market technician's view

FX INDICES EQUITIES



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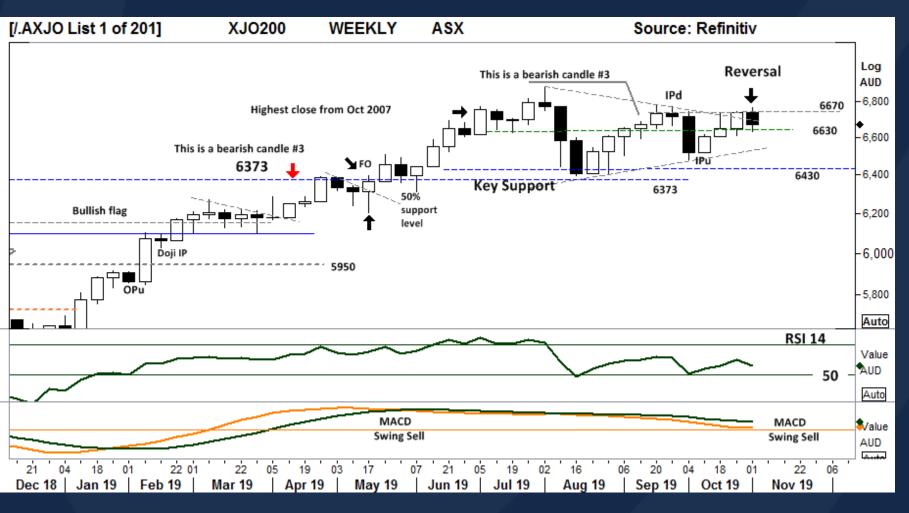
SUMMARY-

With the headwinds of political uncertainty in US, Global equity markets are poised to continue the current Bull run as the US S&P and Nasdaq trade at an all time highs, with the other Majors within points to all time highs.

Gold and Silver re-test recent resistance levels and remain Bullish into the coming week.

Australian 200 index - Weekly





XJO weekly posts a key reversal without closing below 6630 support.

The ascending lows keep the Index in a Primary UP trend.

Bullish traders would look for a close above 6670 as evidence of a continuing trend.

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: 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.



Australian 200 index - Daily



The Daily chart confirms a Bullish hammer at the retest of 6630 support.

6780 remains major resistance on further price gains.

A breakdown below 6630 would signal potential further weakness.

The Relative strength Indicator has swung lower, below the 50 level indicating weak price momentum, however has turned higher.

Comments from last week: 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.

S&P 500 Index – Weekly



The Primary UP trend remains in place. As Volatility measures move to complement lows.

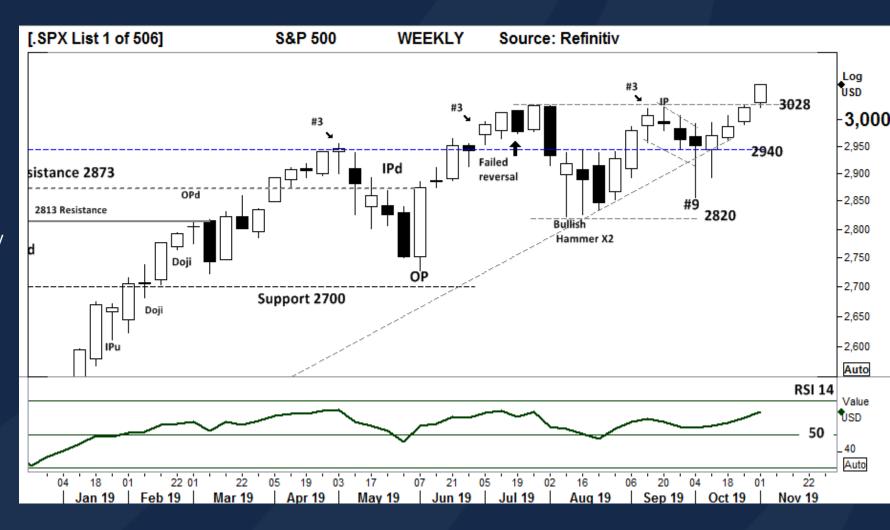
A significant breakout with the close in the high of the weeks range, remains very bullish for further gains.

Traders would look for support at 3028 on any profit taking in the coming weeks.

RSI remains positive swinging higher.

(See notes below for #9)

Comments from last week. 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 forcing prices higher.



S&P 500 Index - Daily

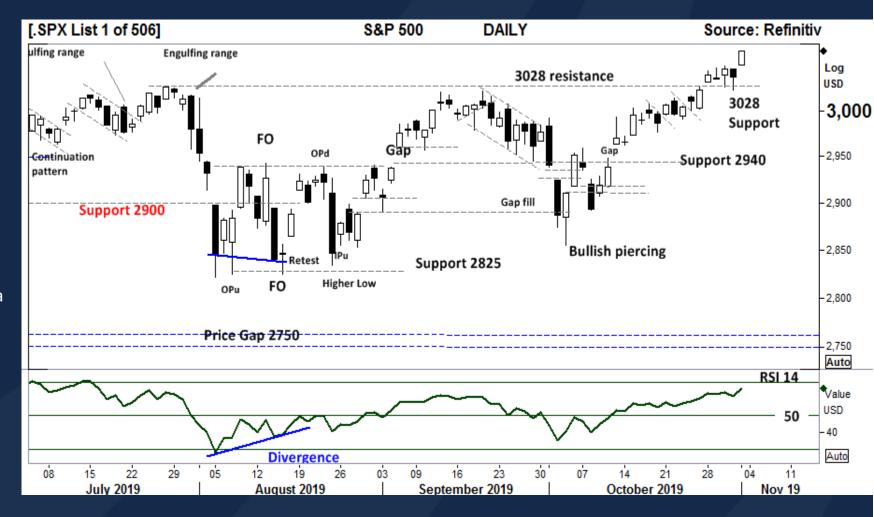


From Mondays breakout, Wednesday and Thursday provided the retest required prior to Fridays bullish finish.

The risk for traders is profit taking entering the market and too see the Index retest 3028. This is the critical level to hold in the coming days.

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

Comments from last week: Short overlapping ranges on this Daily chart is not a great Bullish sign, but the Daily close within 5 points of an all time high is an important step for further gains. A breakout would immediately target 3055 points.



Transports Index



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

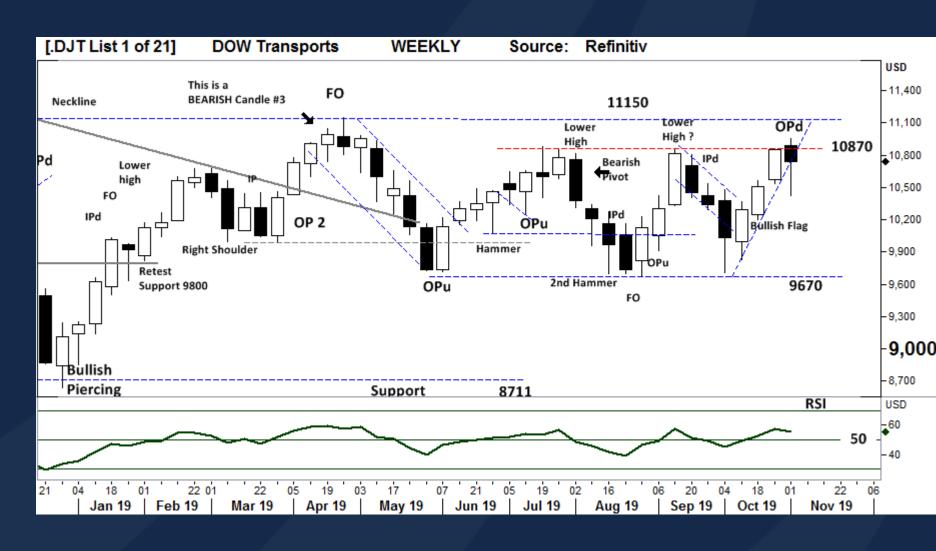
(This index is now heading towards a CONFIRMATION of the long term Bull market, a break of 11150 points is required.)

Transports have staged a strong bullish breakout, however Friday's outside range has the potential to reverse price action.

The Transports are clearly trading within a range between 9670 to 10870.

Relative strength has turned higher over the key 50 level a sign of increasing price momentum.

Comments from last week: Look for retest of the <u>upper range</u> of 11150 in the coming days.



GOLD Weekly



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

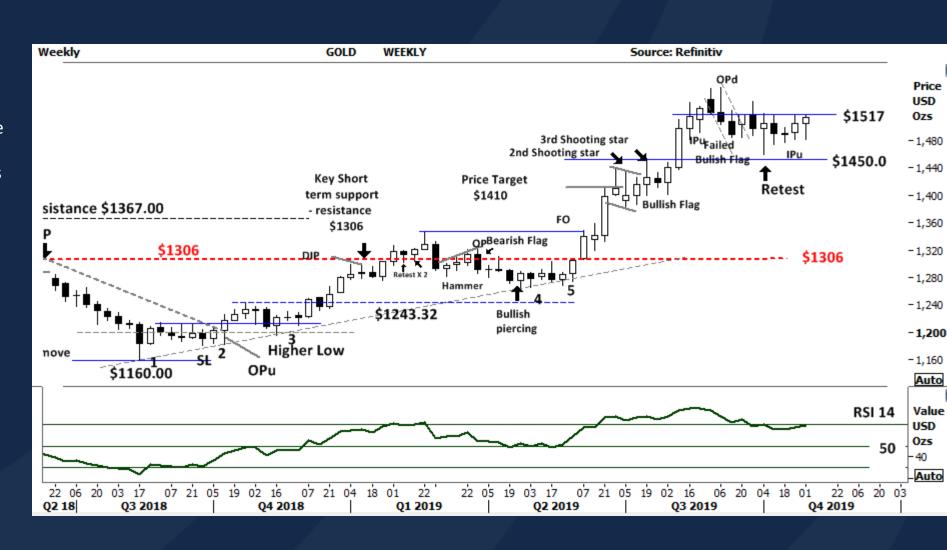
\$1517 remains a significant resistance level on this Weekly basis.

The open – close of the week remains in the high area of the overall range. This can be a bearish signal.

A close below \$1480 would signal weakness.

Relative strength turns higher and remains over the 50 level, indicating positive price momentum.

Comments from last week: \$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.



Gold Daily



With a close over \$1510.0 is a good sign for further gains.

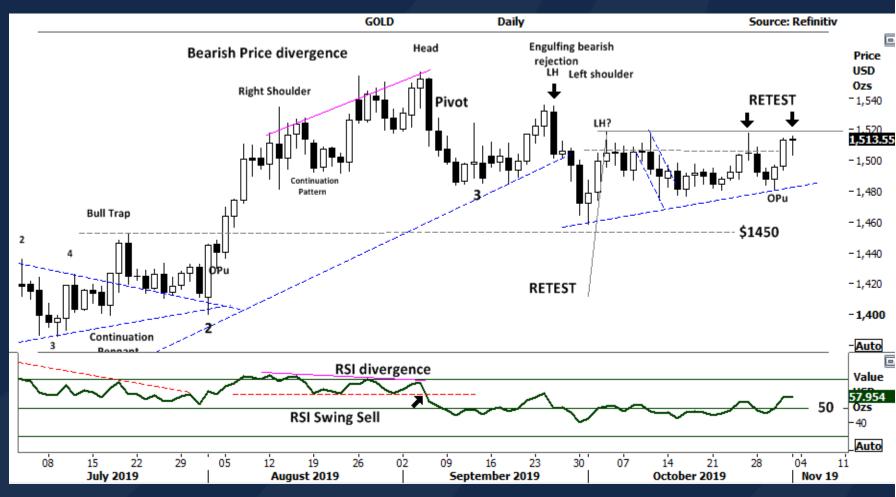
Traders would be aware there have been 4 tests of this \$1517 resistance level in the past 6 weeks.

A breakout would ensure a short squeeze forcing higher prices and an increase in price volatility.

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

Comments from last week: 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. GOLD REQUIRES A CLOSE OVER \$1510 ON A WEEKLY BASIS TO REMAIN BULLISH.





SILVER Daily

A strong move of the \$17.50 congestion level is a good sign for further gains. Friday set an inside day, traders would immediately look for a breakout either way from this small range.

Price momentum, suggests the breakout will be higher.

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

Comments from last week: 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.





Australian Volatility Index

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

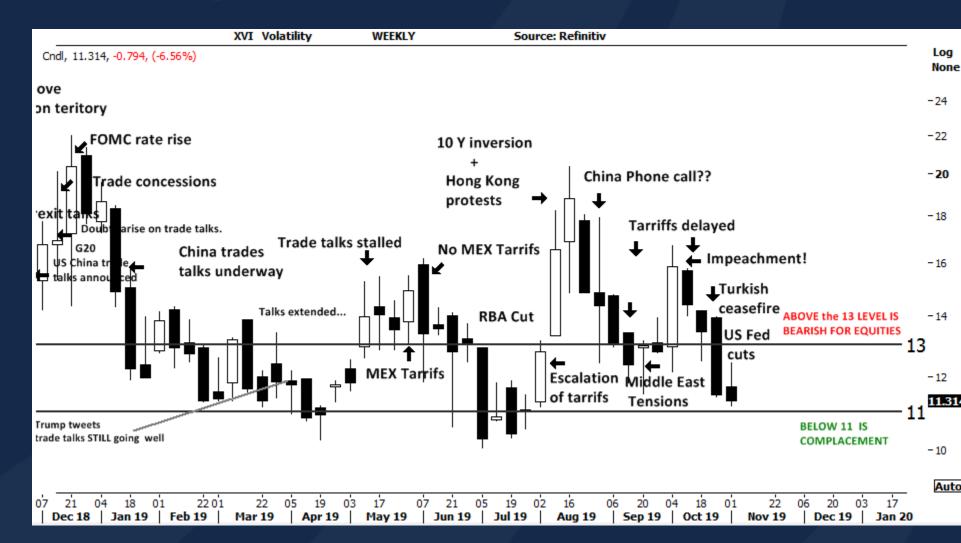
This news driven indicator is reflecting certainty in markets going forward.

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 US Dollar remains in a Primary Down trend. Wednesdays Outside period (down close) has followed through to retest the 91.8 level in Fridays range.

A breakdown below this level would send a very bearish signal to the market for further movements lower.

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

Comments last: 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.

WTI Oil WEEKLY



The developing bearish flag suggests a retest of the support level at \$50.60.

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 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.





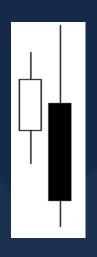


A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

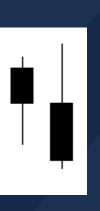
The outside period (OP) can mark a significant market turning point at or within 3 bars (93%).

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

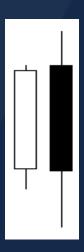
The OP period comes in all shapes and sizes.













The technical setups. The Pivot point reversal





The technical setups Pivot point reversal





The technical setups WEEKLY #3 reversal

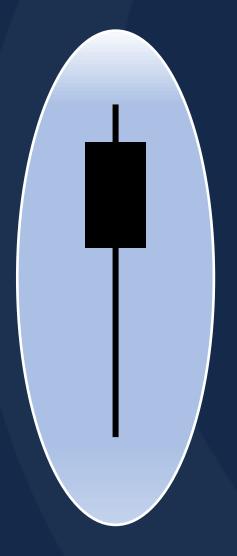
When Line #3 is found at a HIGH PRICE AREA Long positions should be closed within a week.

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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