

the week beginning 23/09/2019

A market technician's view

FX INDICES EQUITIES



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SUMMARY-

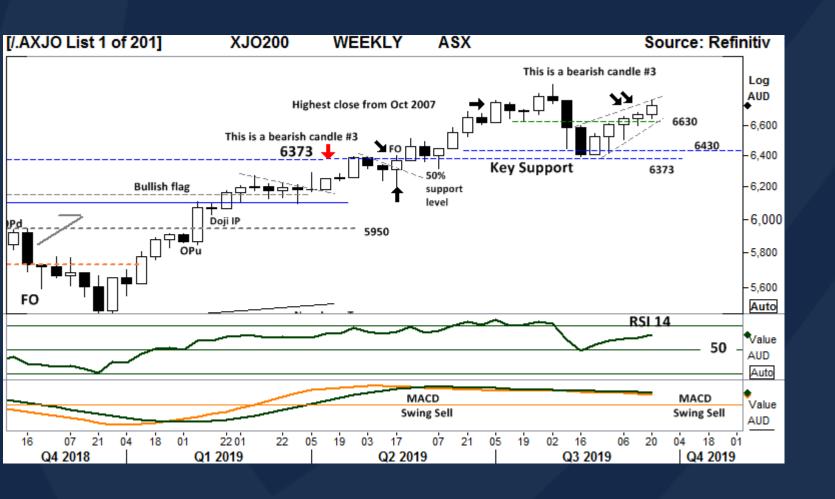
Equity markets have reached an inflection point as Global Trade issues and Middle east tensions remain.

Gold and Silver have made Bullish moves as the major Global indices face consolidation.

Last week saw Volatility indicator levels rise to indicate a short term bearish view.

Australian 200 index - Weekly





Primary Trend remains UP.
The developing Bearish wedge with two #3 candles has developed.

Current price movements have remained below the rejection high of 8 weeks ago. A breakdown of price would be evident with a weekly close below 6630 points.

The MACD remains a sell signal.
RSI continues to show a bullish upturn,
however has turned "flat" showing a loss of
momentum.

(See foot notes on #3 candles.)

Comments from last week: The #3 type of Weekly Candle (see foot notes) is a warning of impending price weakness when found in a high area.



Australian 200 index - Daily



This rejection of higher prices at 6780 resistance may target the short trend line back at 6630 in the coming days.

A further breakdown from this level would be very bearish in the coming days.

Fridays high volume at the rejection level of 6780 adds further concern this move is exhausted.

RSI has crossed the key "70" level and remains an indication of exhaustion at higher prices.

Comments from last week:

Thursdays Fake out (FO) followed by Friday's inside period (IP) shows "balance" in price above 6630. This rejection of higher prices may target the short trend line back at 6630 in the coming days.

S&P 500 Index – Weekly



The Primary UP trend remains in place.

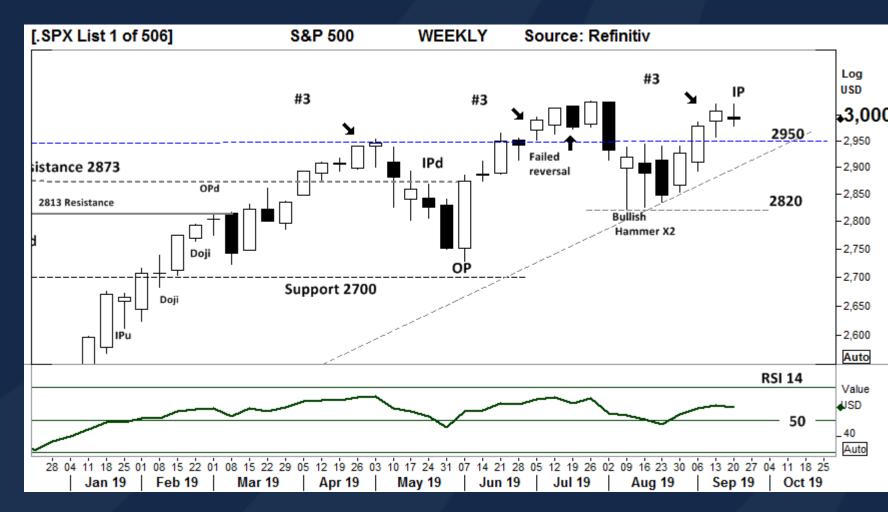
Candle #3 a warning of price weakness in the coming weeks remains in place. The Inside period of last week suggests price balance at this level.

A potential retest of the trend line at 2950 is now underway.

RSI turns flat reflecting the past decrease of upward positive momentum.

The RSI continues to make lower highs over the past 6 months from the high made during April 2019.

Comments from last week. The #3 type of Candle sets a bearish tone when it shows after a persistent move higher, the lower shadow confirms selling in the earlier stage it's formation.



S&P 500 Index - Daily

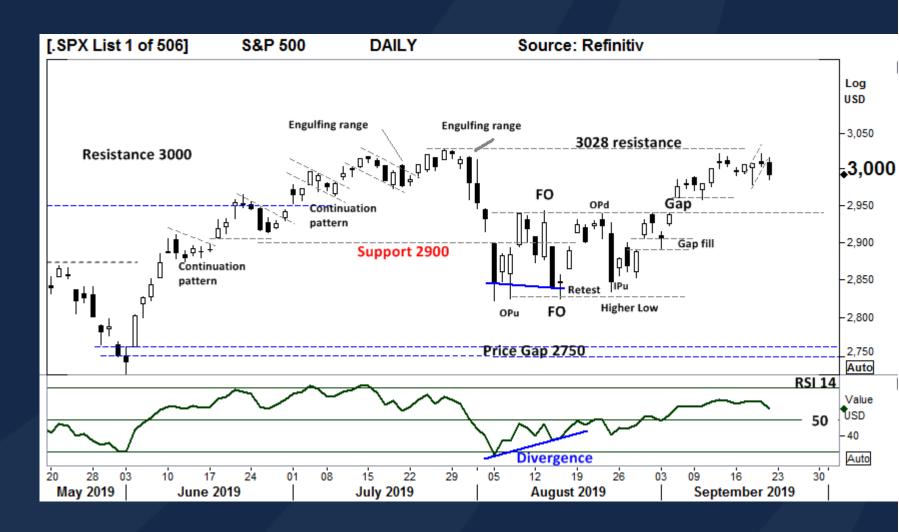


With current resistance at 3028 remaining in place, price rejection at this level would again this past week will target the unfilled price Gap in the 2950 area.

A strong close is required over this level to remain bullish in the short term.

The RSI has turned lower and remains over the key 50 level a sign of decreasing price momentum.

Comments from last week: Tuesday last week, a small retest of the Price Gap set the bullish view for the week.



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 points is required.)

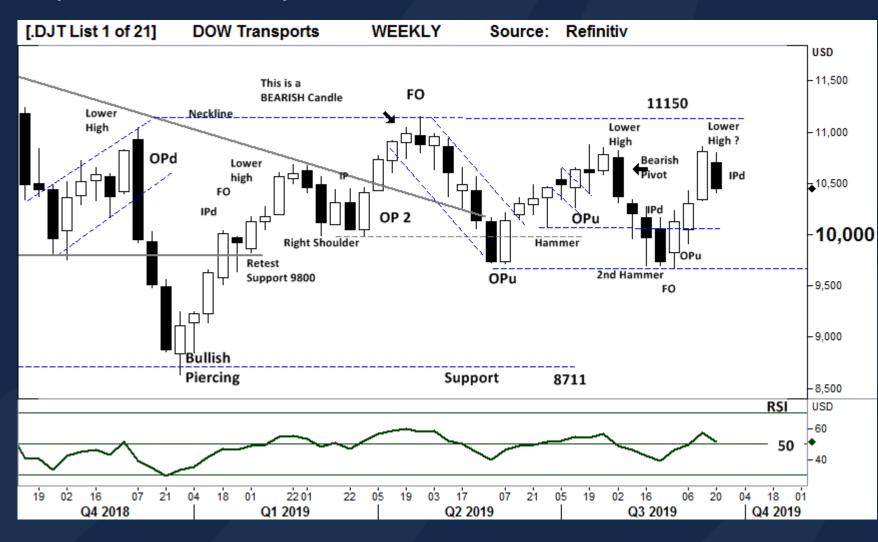
With a potential 2nd "lower high" in place, a potential retest of 10,000 is in play.

The transports remain in a consolidation range between 9600 – 11150 points.

Relative strength has turned lower but remains above the key 50 level.

Comments from last week: The expanded range of last week sets the continued bullish view for a retest of the highs.

A breakout over 11150 would give a very bullish signal to the overall market picture.





GOLD Weekly

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

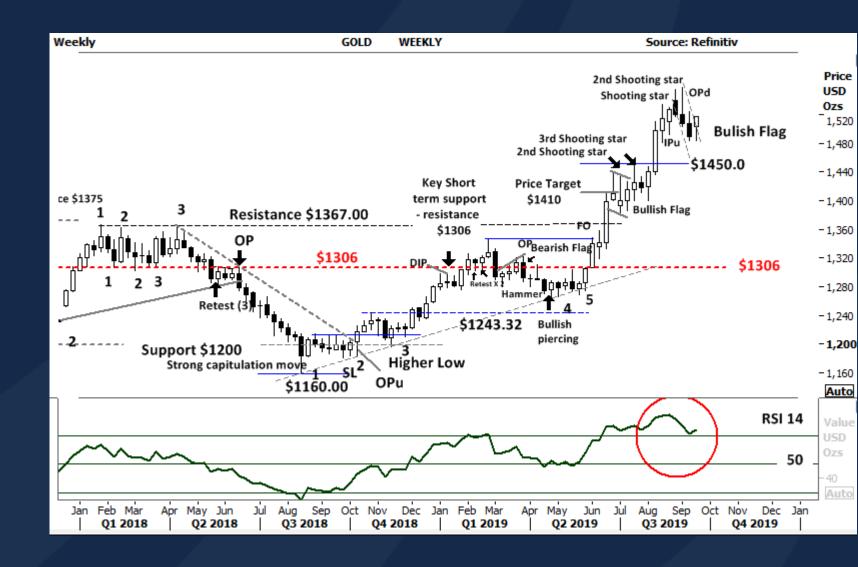
The current breakout would immediately target the recent highs of \$1555.0

This Bullish flag break has the potential to target \$1650 as a continuation of the underlying Primary trend.

RSI remains over the "70" level confirming strong price momentum, the a second turn higher can be very Bullish for price in the short term.

With any form of roll over in price, traders should consider the \$1450 level as significant support.

Comments from last week: Last week confirms the potential for a bullish flag formation with the higher target of \$1650 in place.





Gold Daily

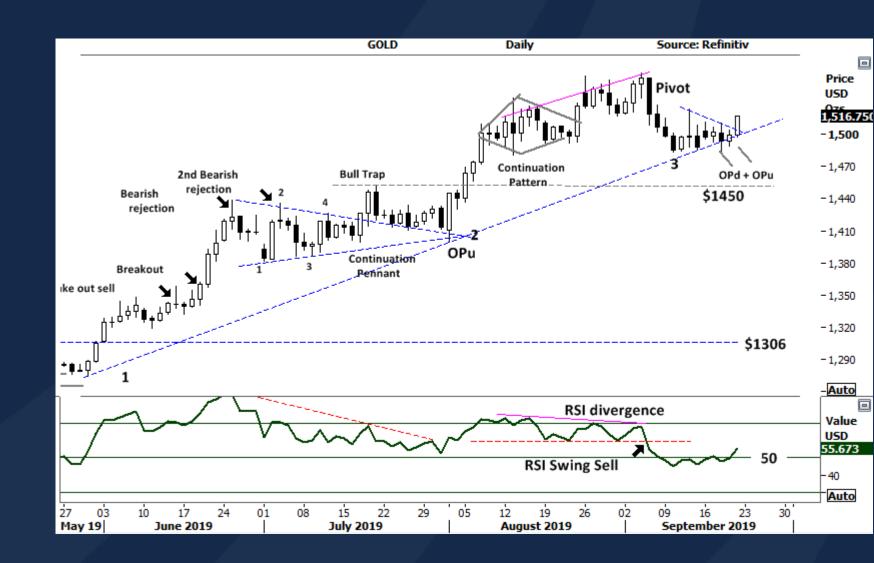
The importance of drawing accurate trendlines is high lighted in this weeks daily price movements prior to Fridays breakout higher.

However \$1500 will remain key support for a bullish view to hold.

RSI turns higher over the "50" level. Momentum to the upside is increasing.

Comments from last week: The short term Trend line is now in place with the touch at point 3.

Current consolidation represents a Bear flag pattern with \$1450 as the target.





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The breakdown of the trend line 2 weeks ago has recovered in the form of a Bullish continuation Pennant. This is a very Bullish consolidation with a move higher expected.

\$17.50 remains the key support level as price closes in the on the highs of the week.

Relative strength has moved higher along the key 50 level.

Comments from last week: Last weeks "Bear Flag" has completed and played into the price target of \$17.50. Friday's extended range has the potential to follow through into the key support level of \$16.60.



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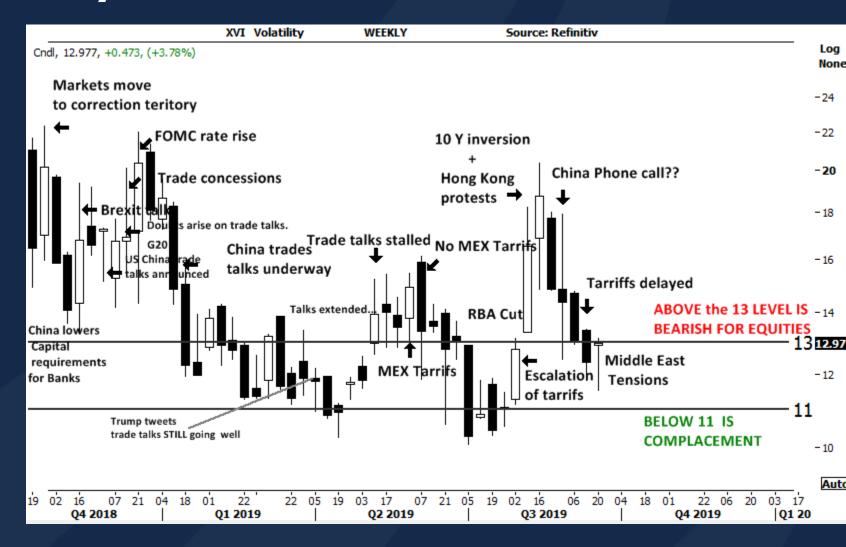
Australian Volatility Index

Current volatility levels, show a increase in the volatility indicator. This is moderately Bearish for equities. Look for a move back above the 13 level.

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



This consolidation around the 98.4 level is significant, for the bullish view to remain in place.

This level will need to be maintained in the coming days.

Lower support can be seen at 98.16.

Relative strength remains above the key 50 level during this consolidation period.

Comments last: Friday's FO move, is a bullish sign of further gains to come as price closes in the upper 30% of the day's range.

WTI Oil WEEKLY



Events in the Middle east have the potential to move Oil to the 2018 highs of \$75 plus.

Last weeks Gap open faced immediate selling below the \$61.80 level. Consolidation remains between \$50 and \$61.80.

The Relative Strength Indicator turns higher on last Mondays GAP higher and remains above the key 50 level on this weeks consolidation candle.

Comments from last week: Remaining with the technical picture.
WTI begins a bullish move outside of the Flag with \$61.80 the first target.





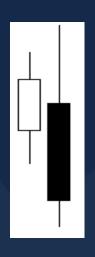


A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

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.

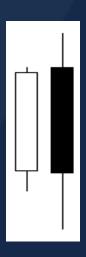
The OP period comes in all shapes and sizes.













The technical setups. The Pivot point reversal





The technical setups Pivot point reversal





The technical setups 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 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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THANK YOU