



IN BLACK AND WHITE

the week beginning
03/06/2019

A market technician's view

FX
INDICES
EQUITIES

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SUMMARY

From Bullish to bearish in a few Trump tweets.

All facets of Analysis including Macro, Fundamental and Technical are all pointing to a Global slowdown as Trump attempts to rewrite Global trade one tariff at a time.

In terms of retracements the XJO has performed ahead of most global indices.

Australian Gold stocks have continued to find support from the rising Gold price in AUD term as the AUD falls in value.

Australian 200 index – Weekly



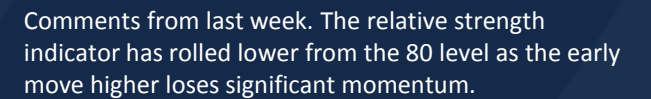
It should be considered the XJO has not matched the decline in US indices.

Consolidation above the WEEKLY support level of 6373.
Further price weakness would target 6200.

The MACD has swung to a sell signal and the RSI remains above the key 50 level however is rolling lower.

Comments from last week:

The post election boost from the banks saw the Index test 6500 to find rejection.
The MACD remains an early sell signal along with the #3 bearish candle 2 weeks ago.
A weekly close below 6373 would set a bearish signal in place.



S&P 500 Index – Weekly

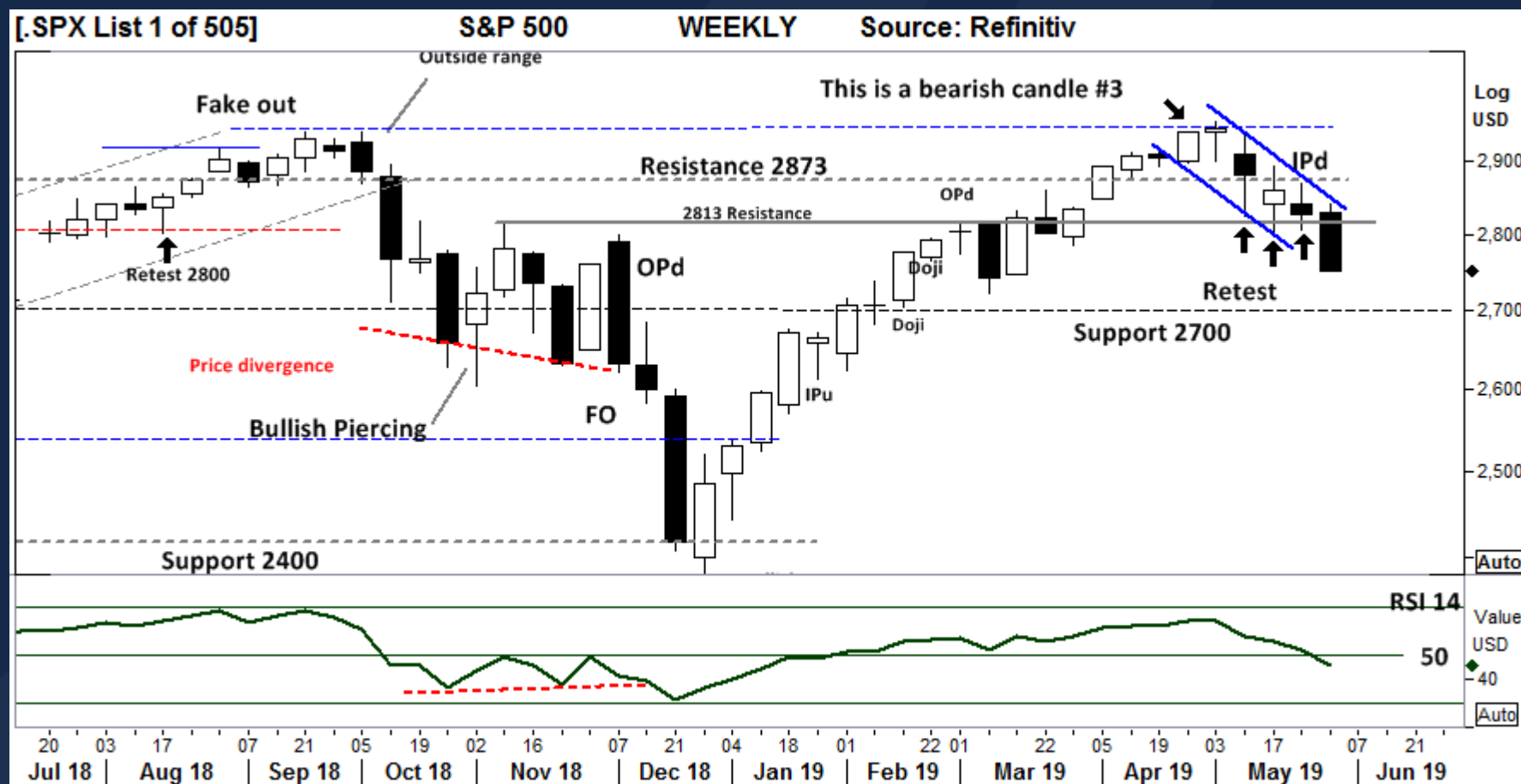
The continued retest of the 2813 support level has given up into a large range breakdown below 2813 historical support / resistance.

A retest of 2700 is underway.

RSI has now moved below the key 50 level showing the loss of positive price momentum

Comments from last week.

This weeks low saw a retest of the 2nd 2813 levels.
A weekly close over 2950 is required to confirm and UP trend in place in the coming week.



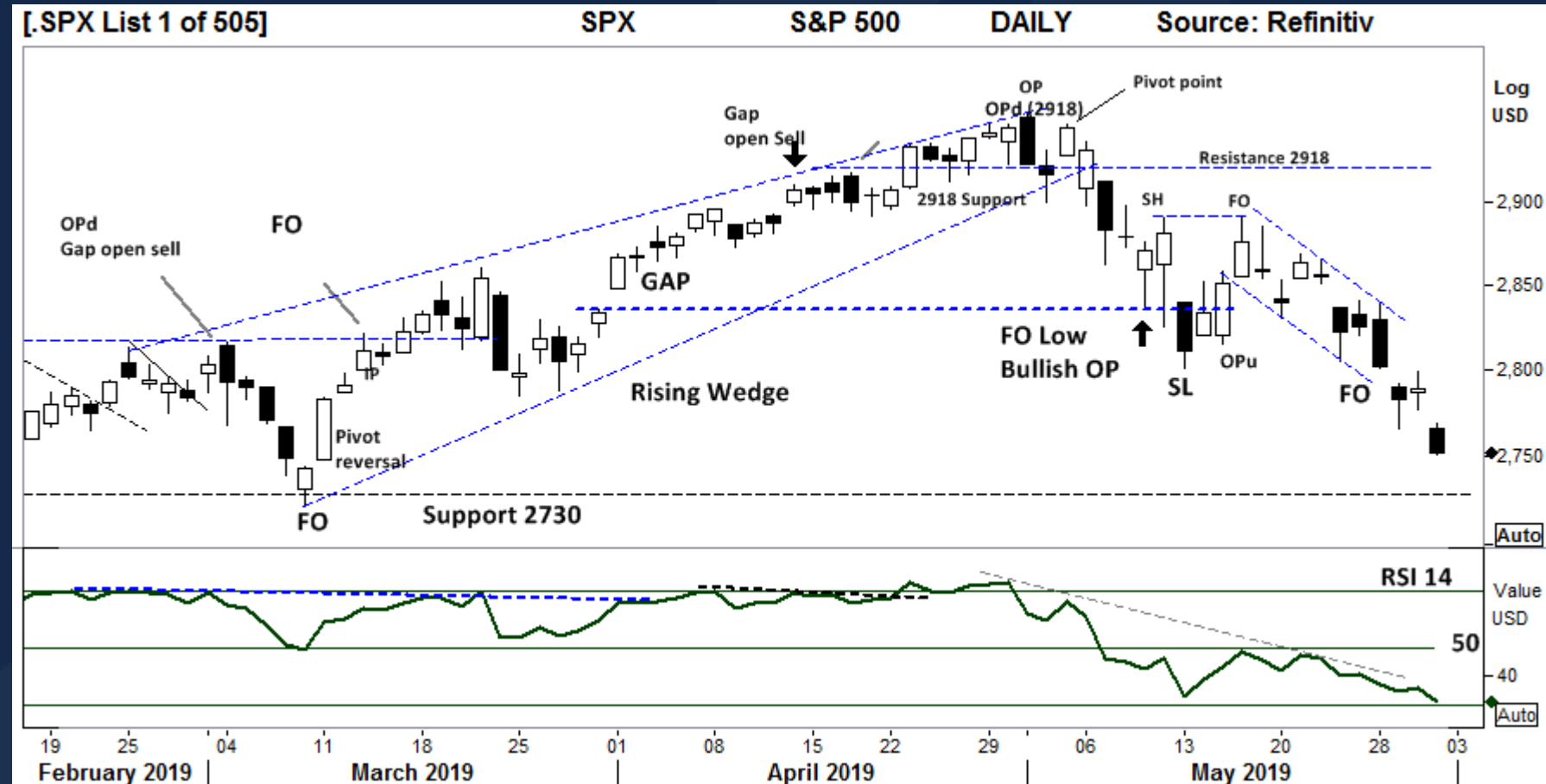
S&P 500 Index - Daily

Tuesdays large range down close saw the retest of 2800 with further Gap down days to follow.

Support may be found at 2730 in the coming days, this will be the key level for traders.

Relative strength has remained below the "50" level showing a decrease in positive price momentum.

Comments from last week. Daily price gaps higher and lower shows the indecision in daily trading. Thursdays FO low is a small bullish sign but needs significant follow through in the coming days. A breakdown lower towards 2730 would be the highest probability this week.



Transports Index

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

A complete breakdown below the right shoulder of what was a bullish head and shoulder pattern.

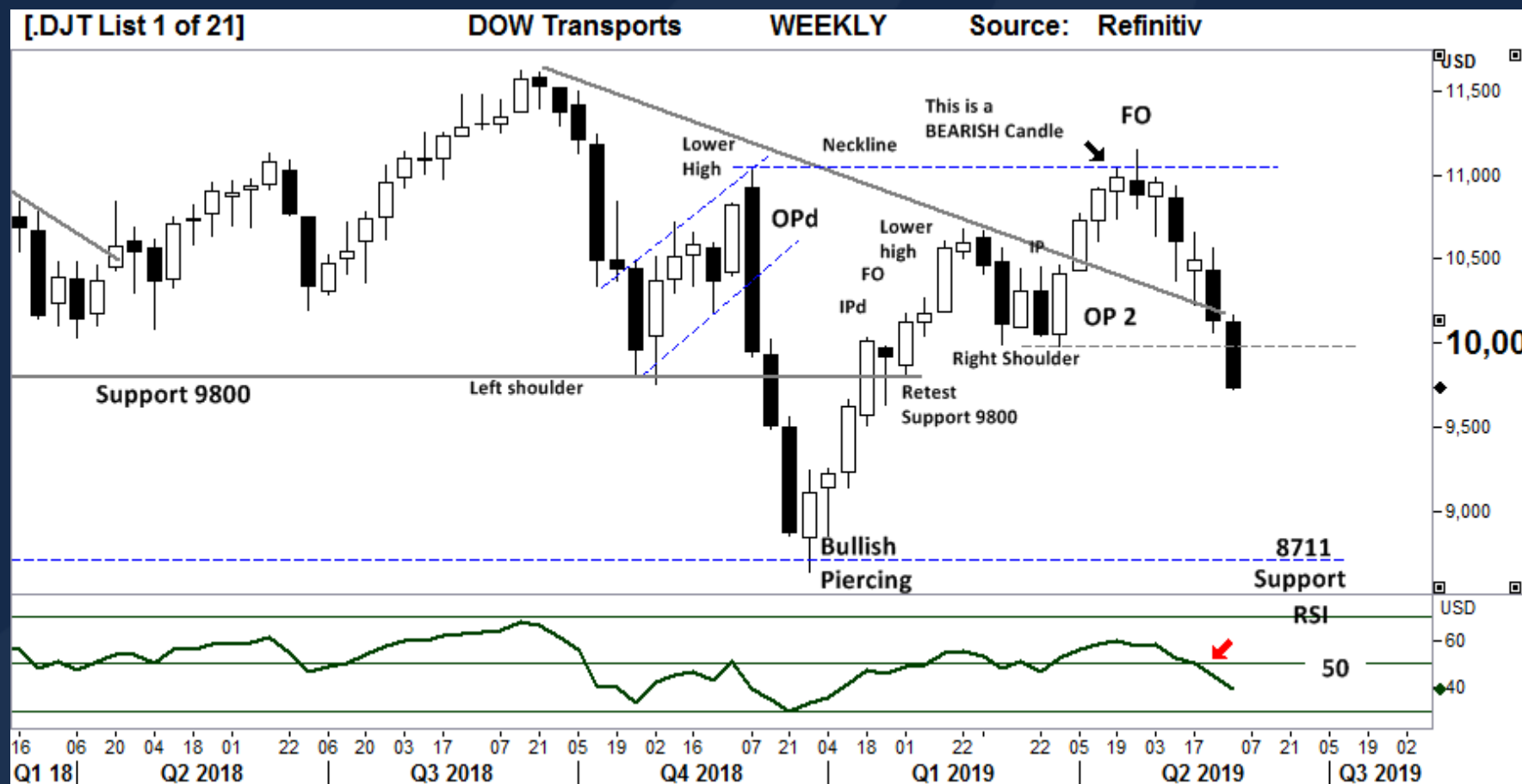
The transports enter a corrective move lower with 8711 the target.

Relative strength falling back below the 50 level and shows a negative swing in momentum as the indicator continues to lower.

Comments from last week.

This week saw the sloping neckline again tested and finally broken in the area of 10230.

The concern for traders as this confirmation with the S&P and DOW30 is also moving lower for a further protracted bear market.



FTSE 100 Index – Weekly

FTSE 100 weekly:

A new closing low below 7200 support is a very bearish signal and suggests a further move lower as the bullish week momentum is discarded.

7100 is the next support level.

RSI swings lower below the 50 level, this now confirms the upside price momentum has been lost.

Comments from last week:

Going forward this 7100 7200 window will be the key levels to hold on any price weakness.

Last week saw a retest of the 7200 level with a midrange close. Consolidation seems the highest prospect in the coming weeks.



The bearish flag remains as the current development of the Right shoulder takes place. Last weeks retest of \$1306 and the close at the high is very bullish for further gains and a retest of \$1367.00.

RSI swings above and below the key “50” level, and this week swung sharply back higher confirming bullish price momentum.

Comments from last week: To build a bullish case, price is required to close over \$1306 on the weekly chart. (Friday close)



Gold Daily

A close over the previous “lower high” is a very bullish as Friday’s range is a large range bar.

Gold enters a daily up trend.

Relative Strength has moved higher from under the 50 level indicating an increase of positive momentum.

Comments from last week:

The chart now display's 3 clear spike lows in place above \$1265. This breakout back towards \$1300 should be viewed as an early bullish sign for further gains.



Australian Volatility Index

Current volatility levels, have just remained above the key “13” level.

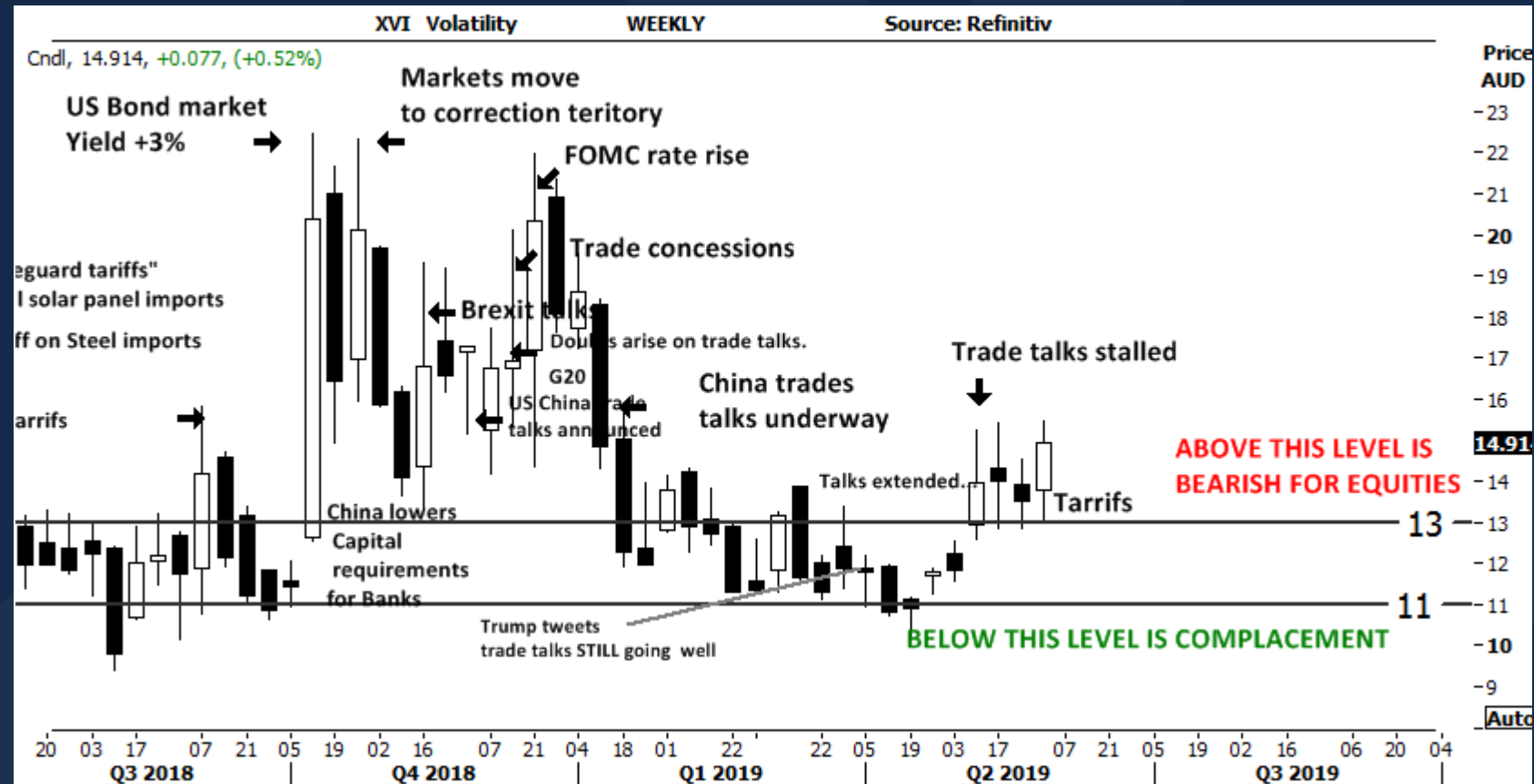
Traders should note this is not an overall positive for equities.

The weeks close (14.91) is the highest for 2019.

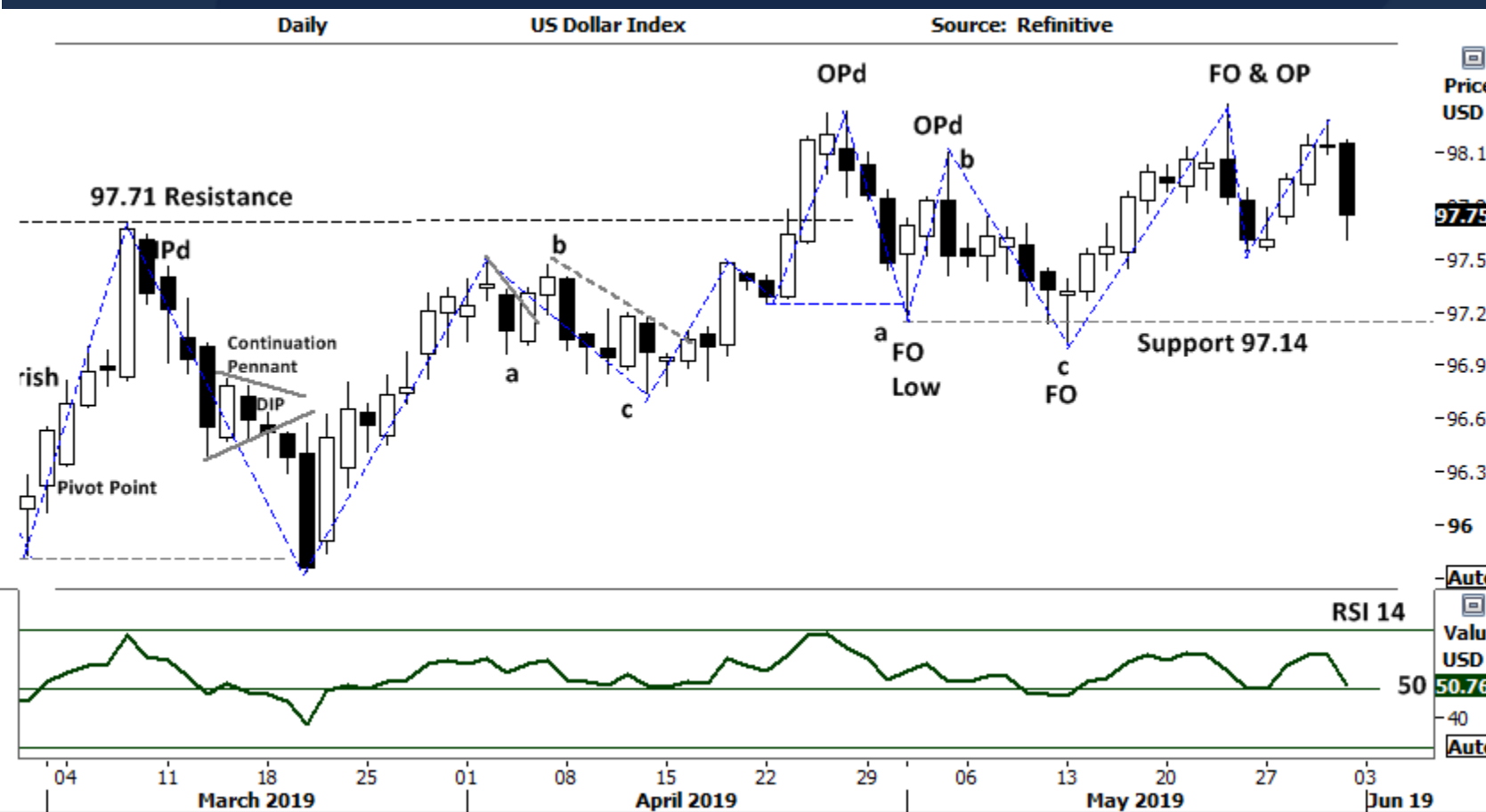
The XVI is the difference of 1 month forward pricing of ETO Options against current month.

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



DXY again finds rejection at the 98 level.

Look for a retest of 97.14 in the coming days.

Strength in the USD had brought pressure onto Commodity prices.

RSI remains above the 50 level but has again rolled lower showing a loss of price momentum.

Comments last week. Rejection of the 98.2 level with the Fake out (FO) and an outside range is a bearish sign. Range confirmation in place with a retest of 97.2 on the lower support level.

WTI Oil WEEKLY

A breakdown below \$61.80 (long position Stops) potentially sets a \$42.0 target.

A large range week sets up a further bearish move in the coming weeks.
A solid close below \$55.38 puts the next support level at \$49.00 in play.

Relative strength has moved sharply below the key 50 level confirming the loss of upward price momentum.



Comments from last week. The FO+OP are playing out as momentum (RSI) breaks sharply lower.
The historical resistance / support level of \$55.38 remains the target this week.

The technical setups

Outside period

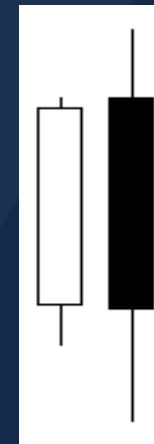
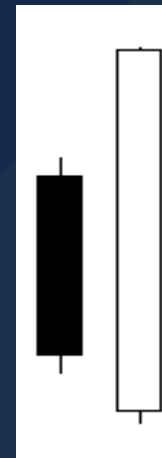
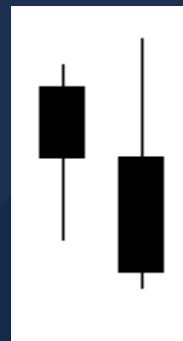
OPu and OPd

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

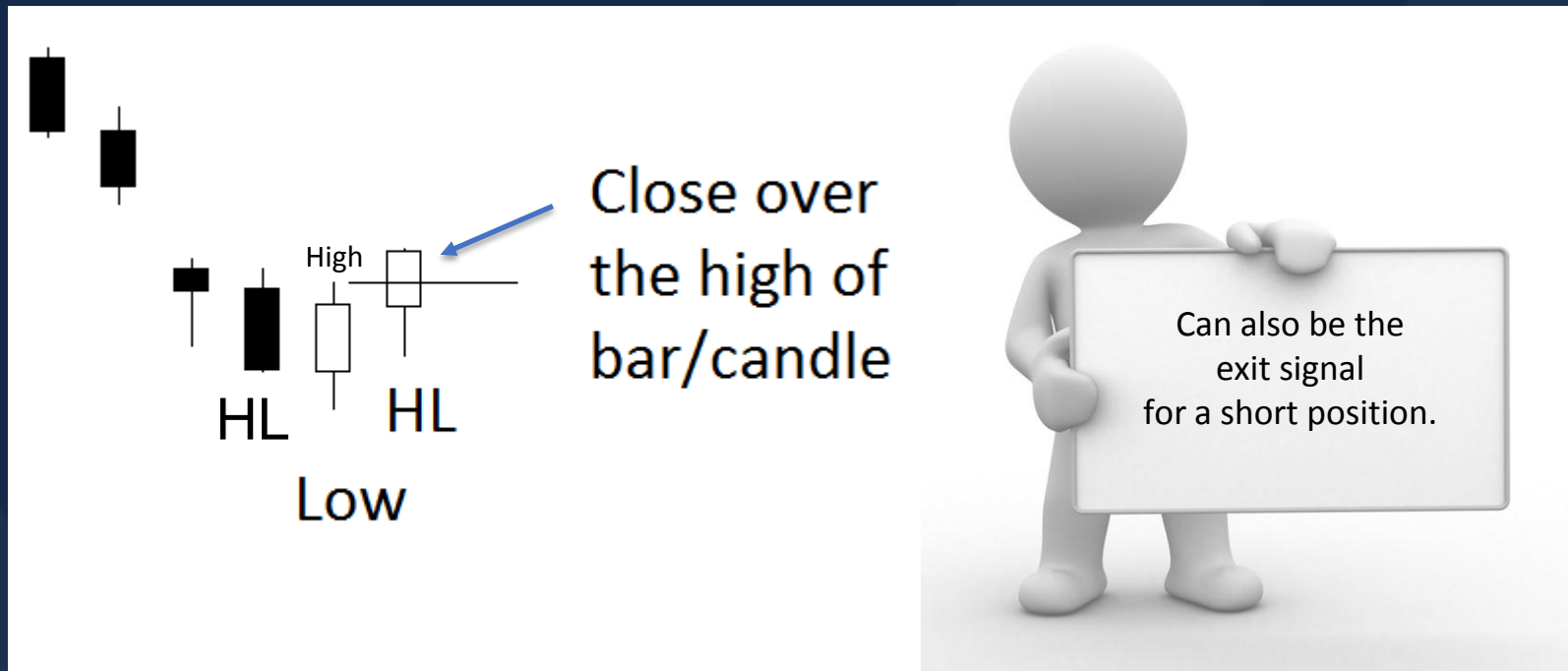
The outside period can mark a significant market turning point at or within 3 bars (93%).

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

The OP period comes in all shapes and sizes.

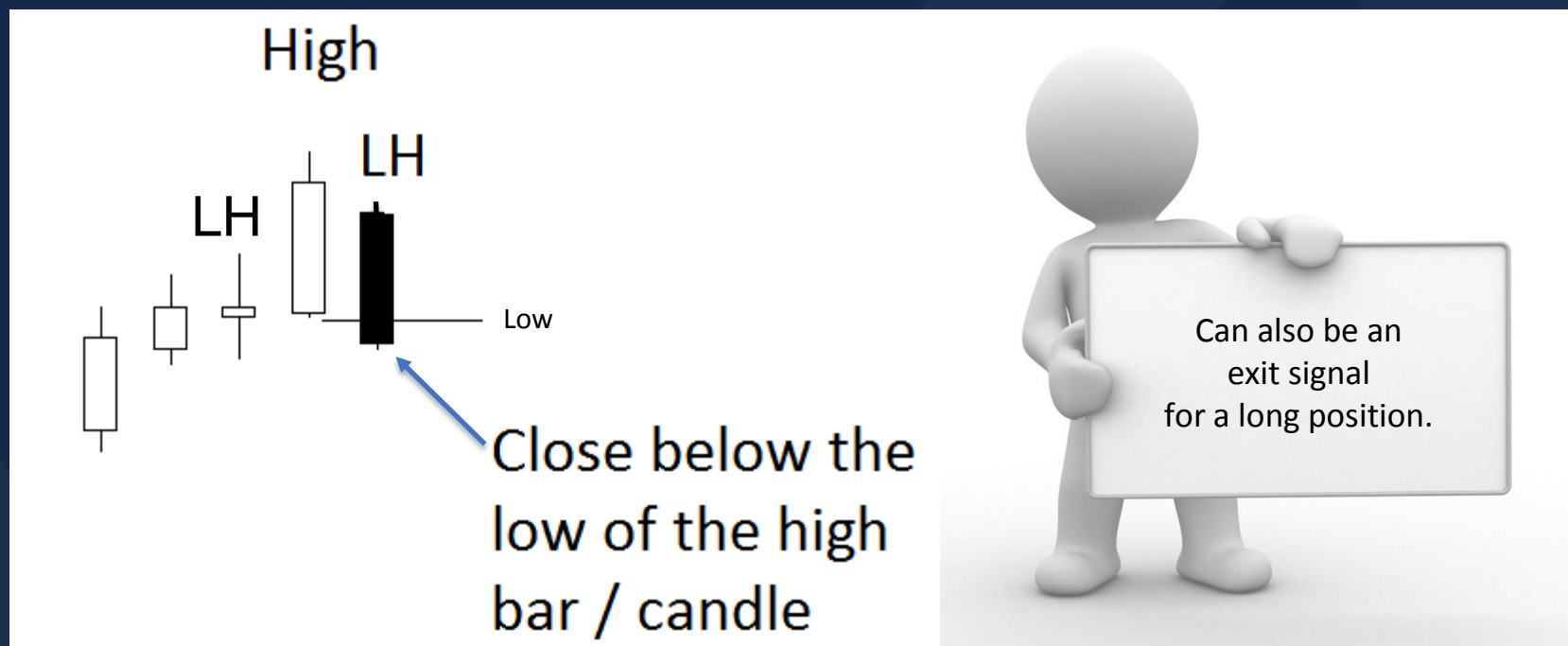


The technical setups. The Pivot point reversal



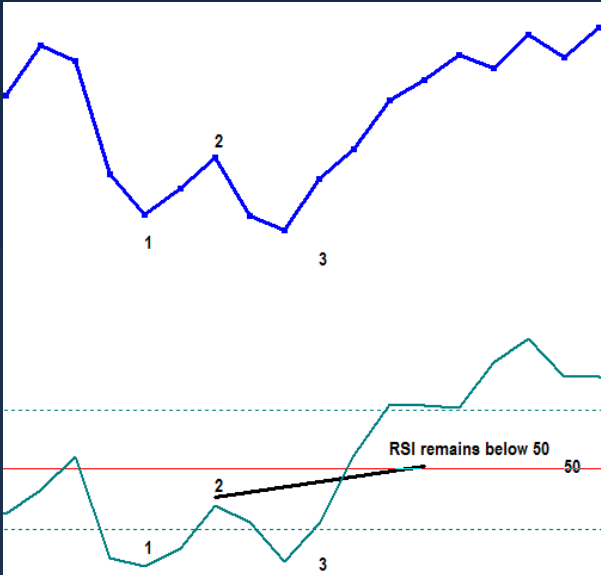
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



Relative Strength Indicator

SWING BUY SIGNAL.

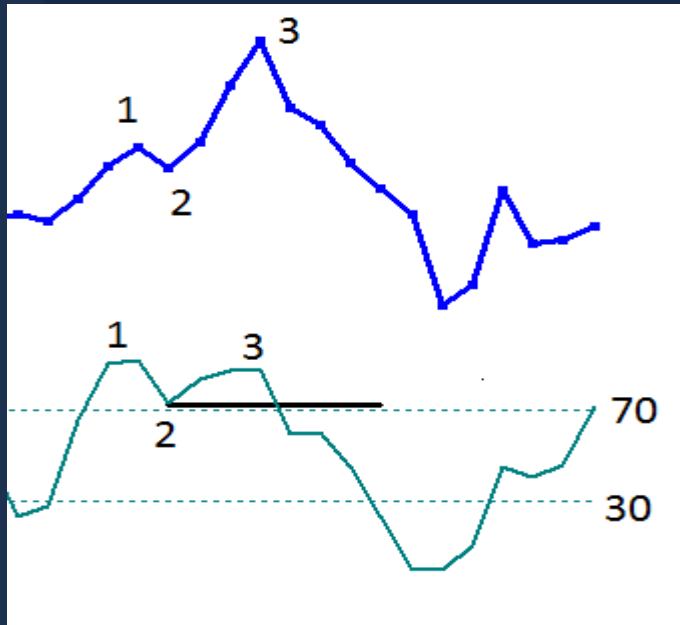
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- 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" **

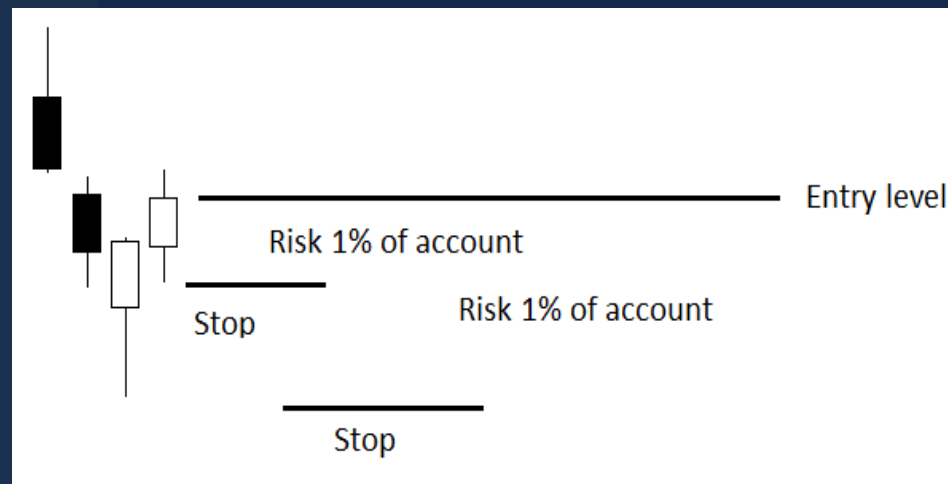
Swing failure is identified with the break of point 2 on RSI

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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