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IN BLACK AND WHITE

The Week Beginning 27/05/2019

A market technician's view

FX INDICES EQUITIES



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SUMMARY

Global Markets have again been held hostage to President Trump's twitter account around China Trade and Iranian Oil.

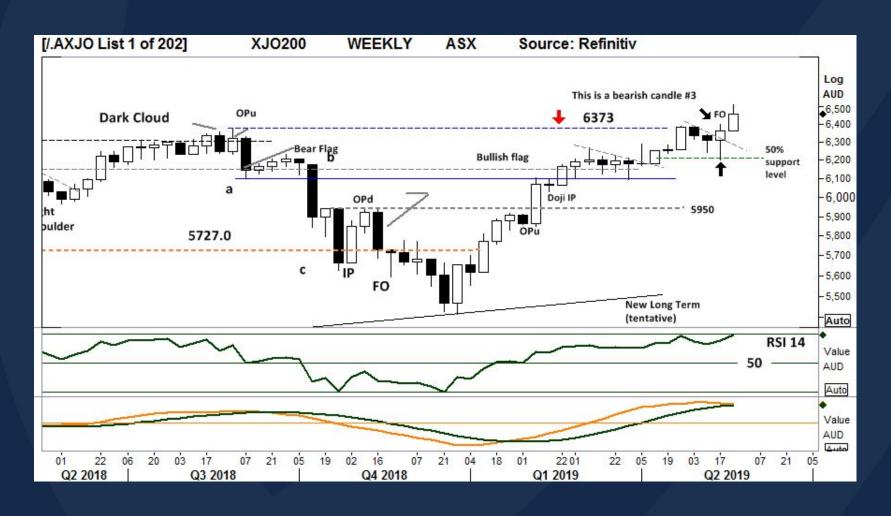
Australian market may get a short boost, post election, keep in mind the Banks still need to find \$10B to hand back to clients.

Commodity prices continue to consolidate as China trade numbers are supportive of a turnaround in the nations GDP, Iron Ore on a tear as Vale removes market supply.

Australian Gold stocks have continued to find support from the rising Gold price in AUD terms. This may be coming to an end with potential strength in the AUD.

Australian 200 index - Weekly





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.

RSI remains above the key 50 level and remains positive for further momentum gains.

Comments from last week:

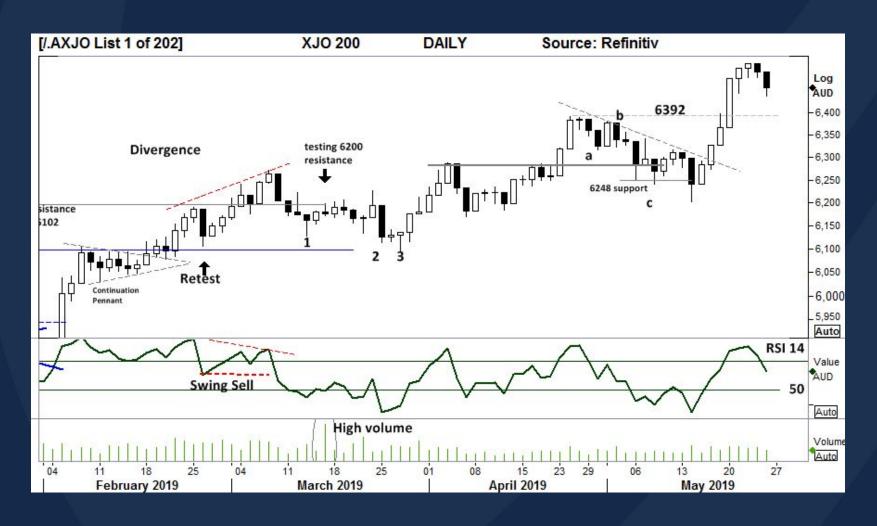
The XJO displays the #3 type candle, this is a bearish sign for this week and next.

A strong close over 6373 is required to suggest a test of 6800 is possible.

The MACD (lower) is swinging to a "sell" but has not completed as yet.



Australian 200 index - Daily



The Relative Strength Indicator has rolled lower from the 80 level as the early move higher loses significant momentum.

Friday's large range candle set a low above the midpoint of the Monday's range.

This can be a bullish signal but must resolve higher immediately.

A breakdown below 6392 (daily support) would set a bearish signal for further weakness.

From the Bullish flag breakout on Thursday, Friday's continuation move above the SH and retracement close (from the high) puts the Fake out (FO) bear signal in play. Trading volumes remain strong (ish) as a sign of continued accumulation.

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S&P 500 Index – Weekly

The continued retest of the 2813 support level sets up the bullish flag pattern.

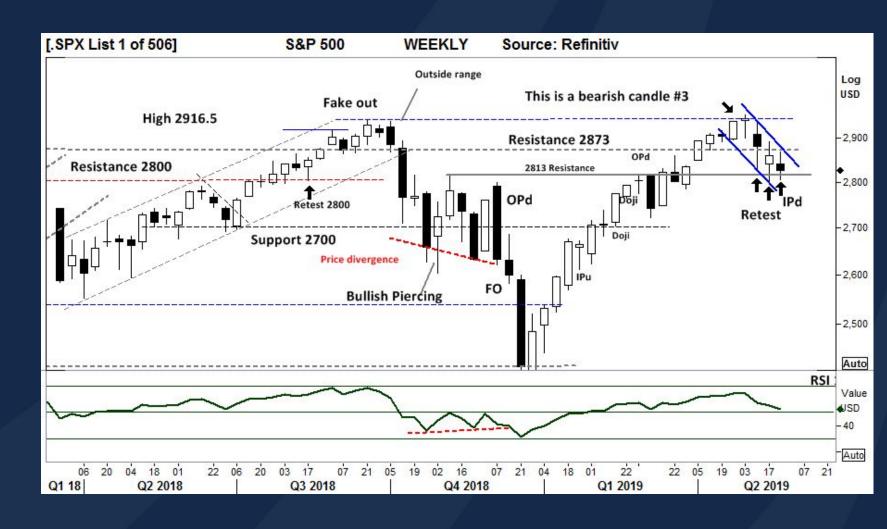
A significant break out higher is required to confirm this setup.

The Weekly candle bodies remain small and indecisive, with this week an inside period down close. (IPd)

RSI remains over the key 50 level and now moving sideways - lower as momentum has been lost. This would be expected given the mid week declines.

Comments from last week:

This week's 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.







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.

A close over the FO high this week is required for the chart to remain bullish.

Relative Strength has again turned lower in this case below the "50" level showing a decrease in price momentum.

Comments from last week:

Following Wednesday's Outside period (Opu) and Thursday's FO high in place the Index is setting up to retest the lows at 2800.



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



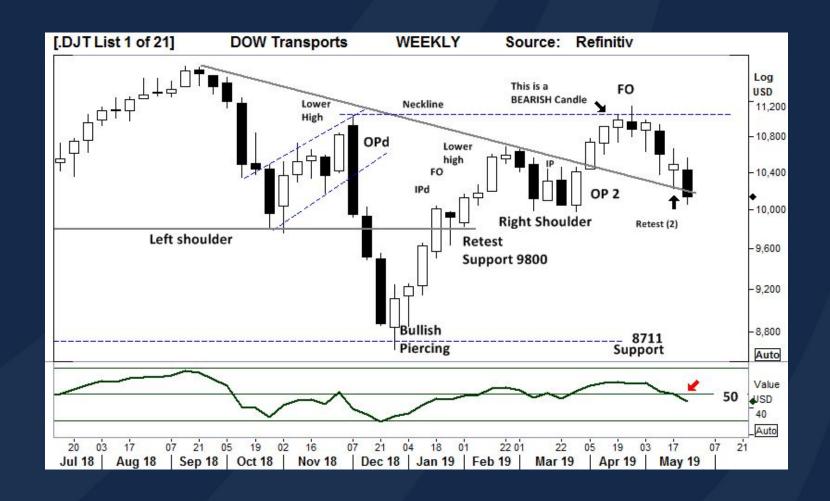
This week saw the sloping neckline again tested and finally broken in the area of 10230.

The concern for traders as this confirmation with the S&P and DOW 30 is also moving lower for a further protracted bear market.

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:

The Primary Trend remains UP, confirming the major indices. However the "neckline" must hold as support in the coming week.



FTSE 100 Index - Weekly



FTSE 100 weekly:

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 mid range close.

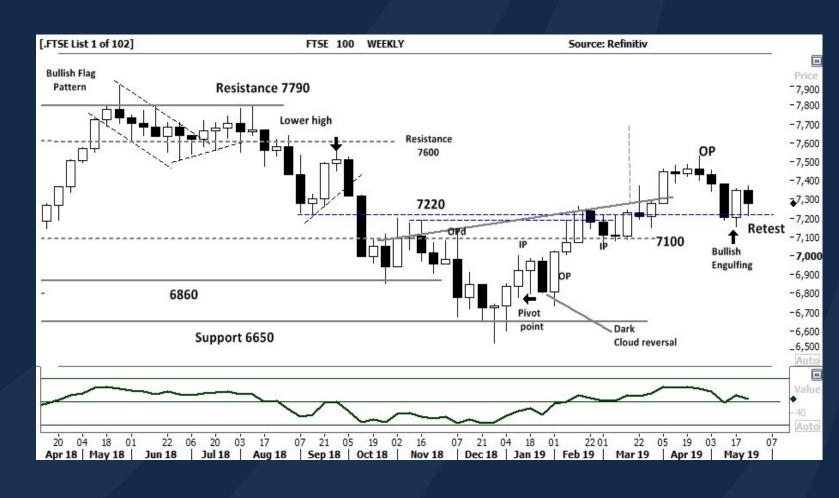
Consolidation seems the highest prospect in the coming weeks.

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

Comments from last week:

The bearish signal from 2 weeks ago saw early weakness as new low was made this week, but a strong close for the week as an engulfing period can only suggest the low is in.

A follow through this week is critical to again confirm a 7700 price target.



GOLD Weekly



Gold breaks down from a PRIMARY UP TREND.

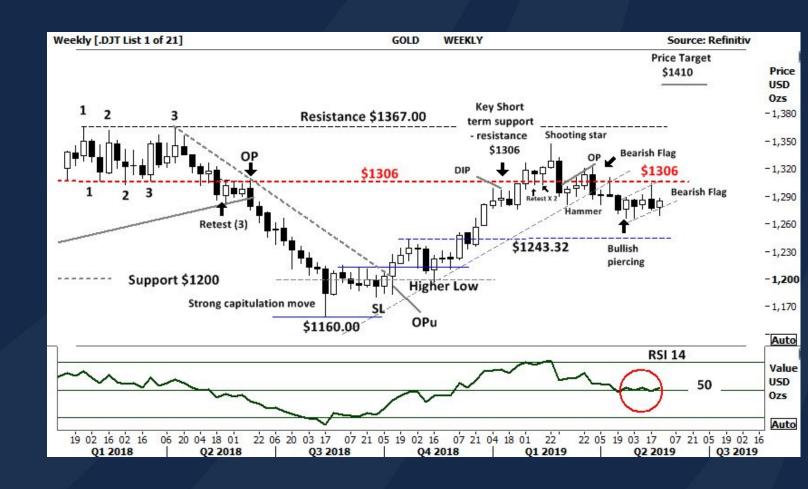
Sideways consolidation within a Bearish flag. A further breakdown below \$1266 could be expected, look for a retest of \$1243.32

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

RSI swings above and below the key "50" level, and this week swung back higher confirming flat price momentum.

Comments from last week:

This week saw the \$1306 level rejected as the Bearish flag is now developing. With a price breakdown look for support at the \$1243.32 level.





Gold Daily

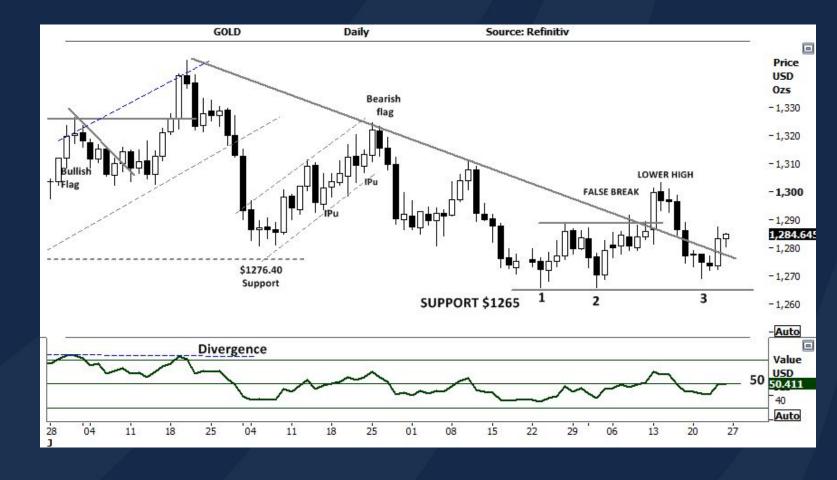
With last weeks retest towards \$1265 followed by strong gains on Thursday / Friday.

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.

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

Comments from last week:

The expected breakout has failed at \$1303 as the lower high is now confirmed. With price again moving below the trend-line only a retest of \$1265 could be expected.





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.

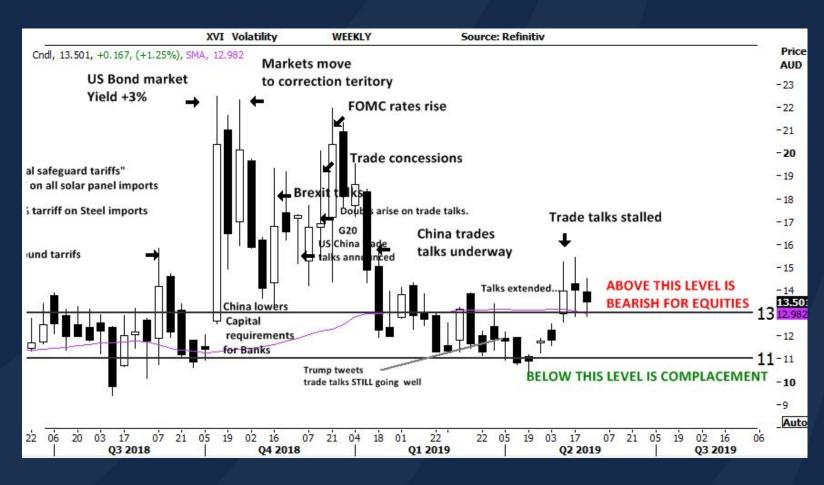
The sudden spike in Volatility 3 weeks ago looks to be short lived as the daily XVI moves lower away from the highs of the week.

Traders should note this is not an overall positive 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.

A XVI over "13" is generally bearish for equities.





US Dollar Index - Daily



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.

Strength in the USD had brought pressure onto Commodity prices.

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

Comments last week:

The USD index has now made a 2nd strong close above the key level of 97.71 on the back of strong range moves Tuesday and Thursday. A continued momentum move higher is expected into the 98.2 level.

WTI OIL WEEKLY



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

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.

This flag breakdown puts WTI Oil into a Bear Phase.

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

Comments from last week:

Again this week OIL has held the \$61.80 price area. The indecisive open and close ranges suggest Oil will remain at these levels in the coming weeks. Relative strength has rolled over showing decreasing price momentum. This should be monitored for a move below the "50" level as a sign of further price weakness.





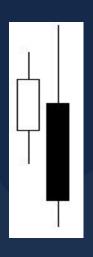


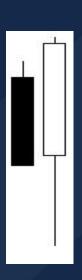
A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

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.

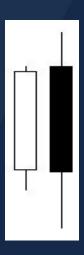
The OP period comes in all shapes and sizes.





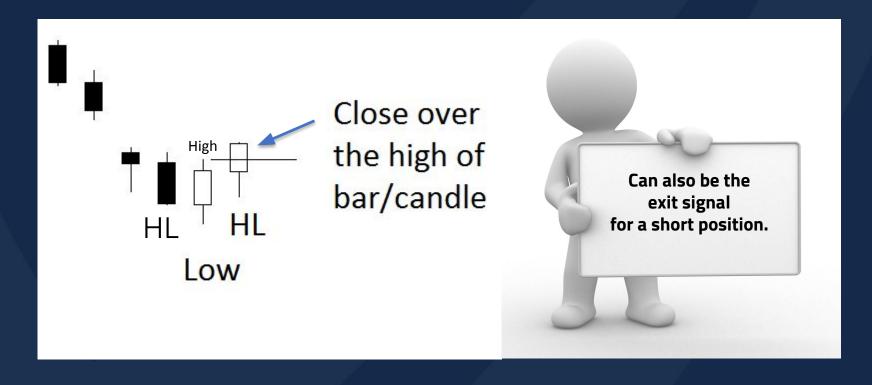






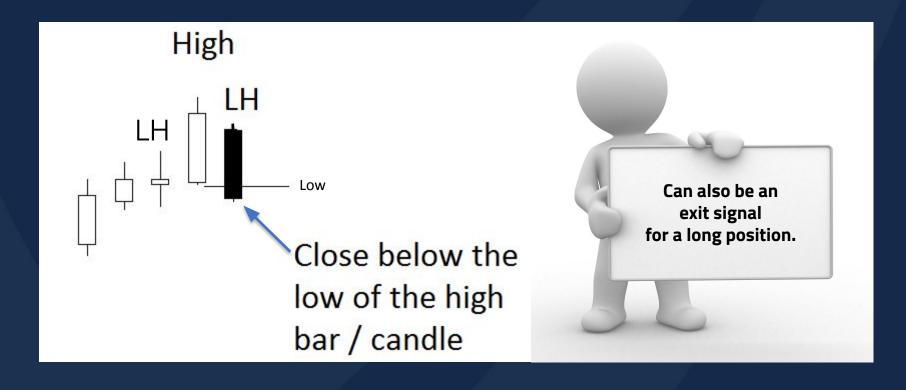


The technical setups. The Pivot point reversal



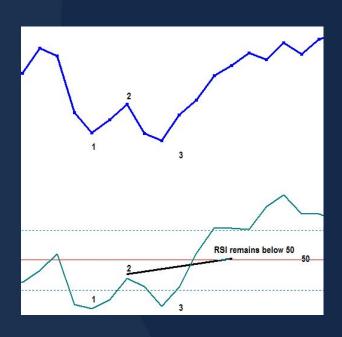


The technical setups Pivot point reversal



THE TECHNICAL SETUPS Relative Strength





Relative Strength Indicator

SWING BUY SIGNAL.

■ The market makes a low, (1) RSI swings below the 30 level. (1)

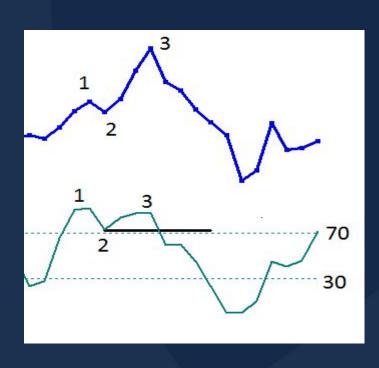
■ The market closes higher, (2) RSI moves higher, but not over the "50" level. (2)

■ The market makes a new lower low, (3) 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.

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THANK YOU