



IN BLACK AND WHITE

the week beginning
05/08/2019

A market technician's view

FX
INDICES
EQUITIES

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SUMMARY-

Markets again remain fixated on the Twitter account of Donald Trump and trade negotiations.

This week will may see key support levels tested on further moves lower.

Gold, XAU again posts bullish momentum moves, Silver has yet to confirm potential new breakouts.

Australian 200 index – Weekly



The XJO has pushed to new breakout highs, primary trend remains up in the Cyclical Bull market.
Last weeks rejection is setting up a potential retest of 6630.

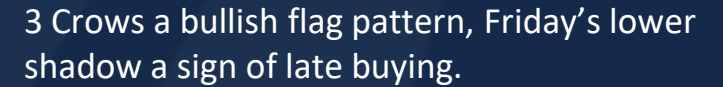
A weekly close below 6600 would be a bearish signal.

Relative strength has turned higher, and remains at an extreme level over 70.

The MACD continues to remain a sell signal.

Comments from last week:

The XJO has pushed to new breakout highs, primary trend remains up in the Cyclical Bull market.
Last weeks strong range can be viewed as a continuation week.



Relative strength has swung below 70 and is at risk of moving below 50.

Trading Volumes have remained at the higher part of the range, a good sign of accumulation.

Comments from last week: Trading Volumes have increased at this breakout point a good sign of accumulation.

S&P 500 Index – Weekly

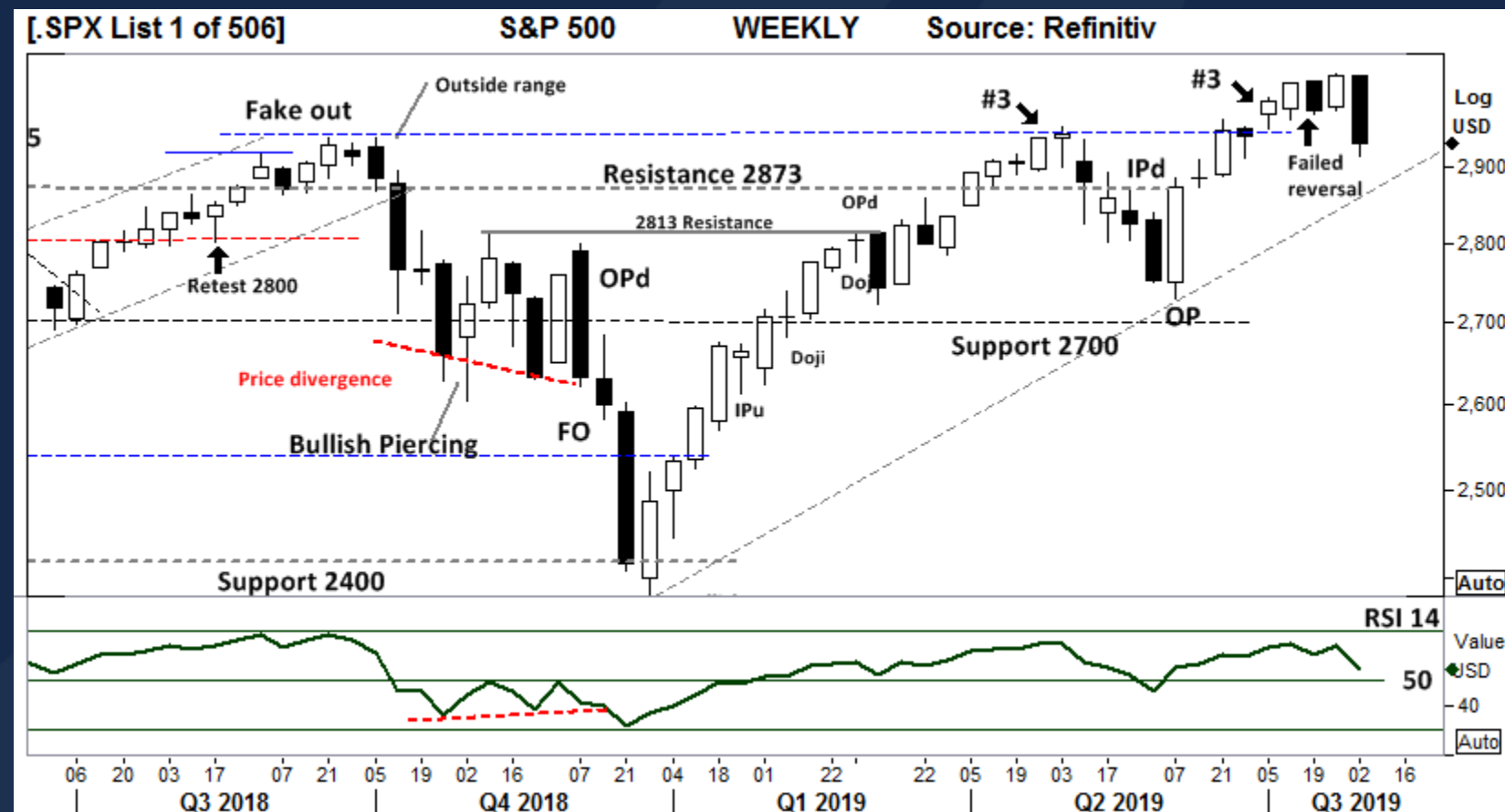
A Primary UP trend remains in place.

This weeks reversal has closed below the highs of April, a bearish sign, with a retest of the short term trend line possible.

The #3 rejection bar of 5 weeks ago continues to influence current price action.

RSI remains above the 50 level and now turns lower again in line with a loss of momentum.

Comments from last week. With the potential reversal of 2 weeks ago now negated the Weekly view is for further gains in this Cyclical bull market.



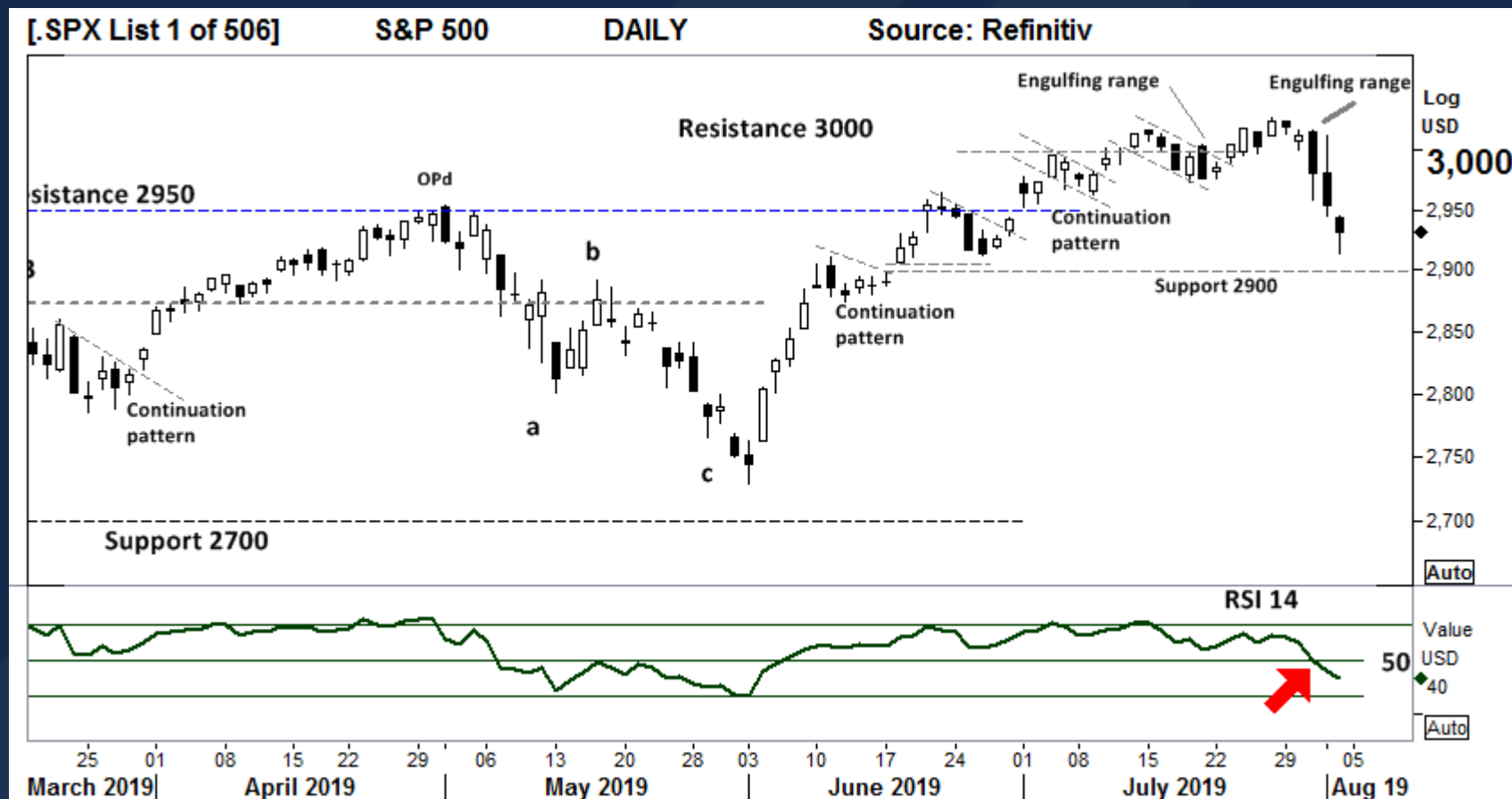
S&P 500 Index - Daily

The bullish view from last week immediately reversed on comments from President Trump.

Important support at 2900 to hold as the Relative strength has turned lower below the key 50 level.

Further consolidation between 2900 and 3000 is expected.

Comments from last week: Continuing closing days above 3000 points shows strong support for the markets at these levels.
The high close of Friday is a good sign for continuation.



Transports Index

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

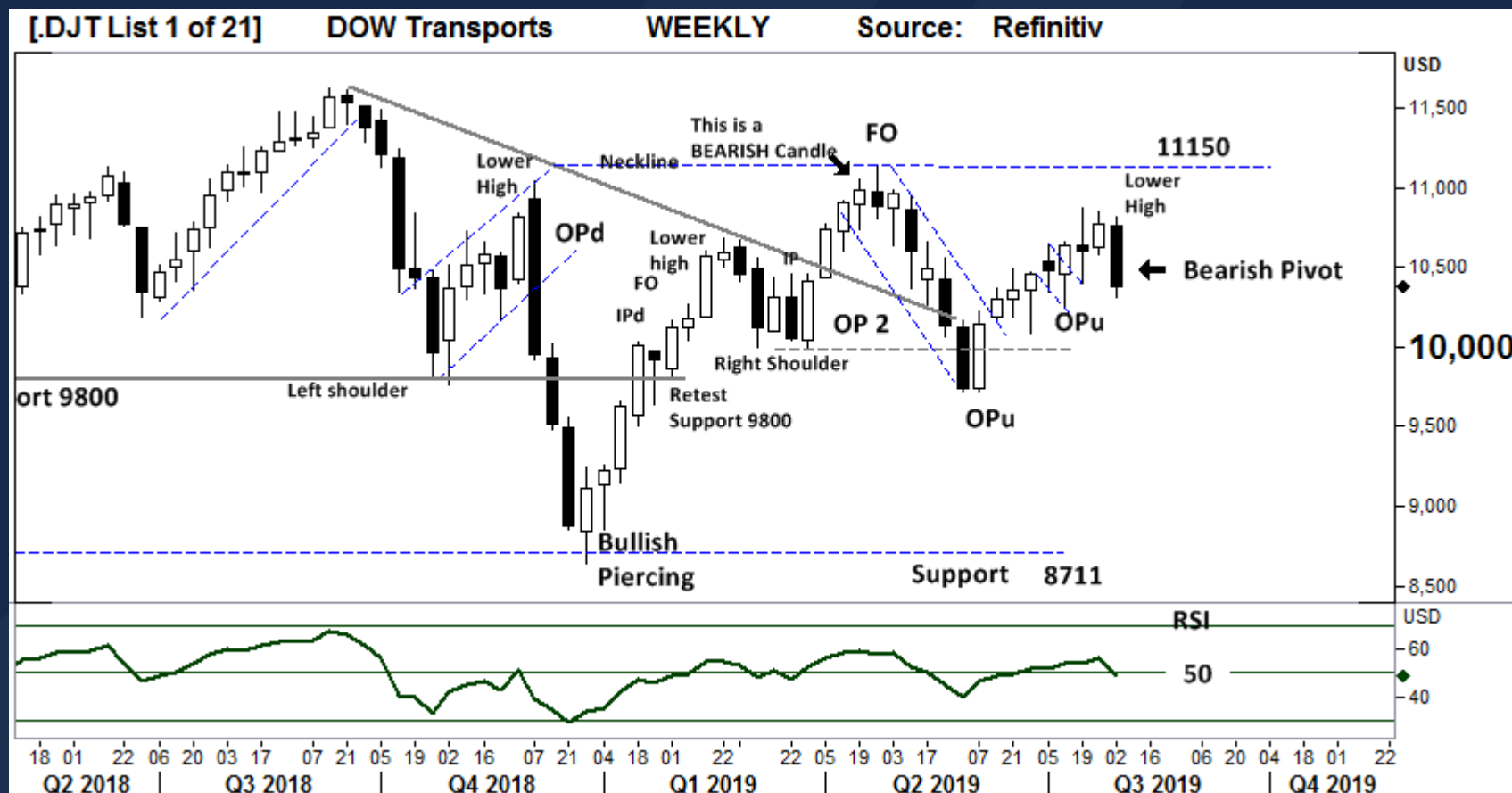
The completed bearish PIVOT has now set up the index for a retest of 10,000 on any further weakness.

Overall this is a bearish sign for the Major US indices.

(This index remains a **NON CONFIRMATION** of the long term Bull market, a break of 11150 is required.)

Relative strength has moved lower a sign of lost momentum.

Comments from last week.



GOLD Weekly

Last weeks price movements have resulted in an Outside period (OP) with a high close. This is very bullish for further price movement higher.

The larger picture from June 2018 to June 2019 is a cup and handle pattern, very bullish in the bigger picture.

RSI swings over the "70" level confirming strong price momentum, however the rollover at these levels can result in price retracement as momentum changes..

Comments from last week: An inside week following the 3rd rejection of higher prices.
The Bullish flag remains in question as a potential retest of \$1367 may follow this week as this consolidation pattern plays out.



Gold Daily

A continued retest of the pattern line with a final retest of \$1400.

The very strong range from Thursday and Friday's high close remains very bullish for further gains with a breakout over the \$1453 expected in the coming week.

Price closing below the low point at #3 would signal trend failure.

In the coming days as momentum is slowing the Relative strength turns lower is at risk of remaining below the 50 level.

Comments from last week: The breakout has turned to a "Bull trap" with immediate reversal, testing the pattern line. This is not a bullish pattern and will require significant buying to stop a potential reversal.



SILVER Daily

Solid price rejection at \$16.60 with closing price support at \$16.21.

Silver remains in a Bullish consolidation range.

The Bearish rejection of Thursday sets up a potential retest of the \$16.60 high.

A further daily closing price over this resistance level would be very bullish.

Relative strength turns higher over the 50 level indicating strong price momentum.

It should be noted, SILVER has also confirmed the overall precious metals bullish breakout.

Comments from last week:



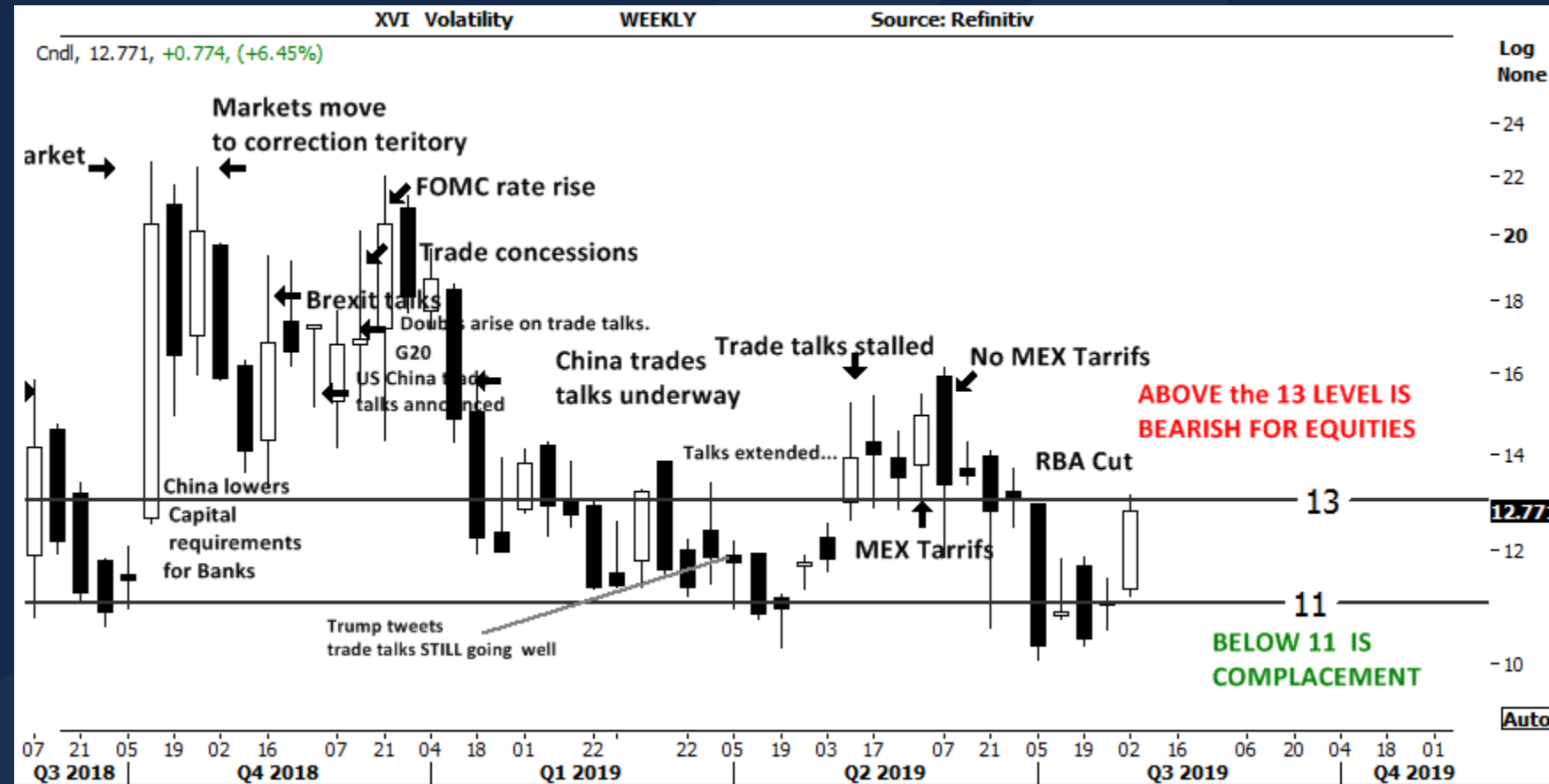
Australian Volatility Index

Current volatility levels, show a significant increase in the volatility indicator. This is moderately Bearish 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



The Daily Bull trap now in place, the close below 98.4 confirms a reversal pivot point in place.

Look for a lower retest of the highs at 97.8

RSI turns lower with a risk of crossing the key 50 level.

USD Price pressure on Commodities could restrict further gains in the larger miners.

Comments last week. The DXY has posted a breakout reversal from the FO bar pivot reversal. The down trend is negated with a break of the July 8th highs. A good sign for further gains.

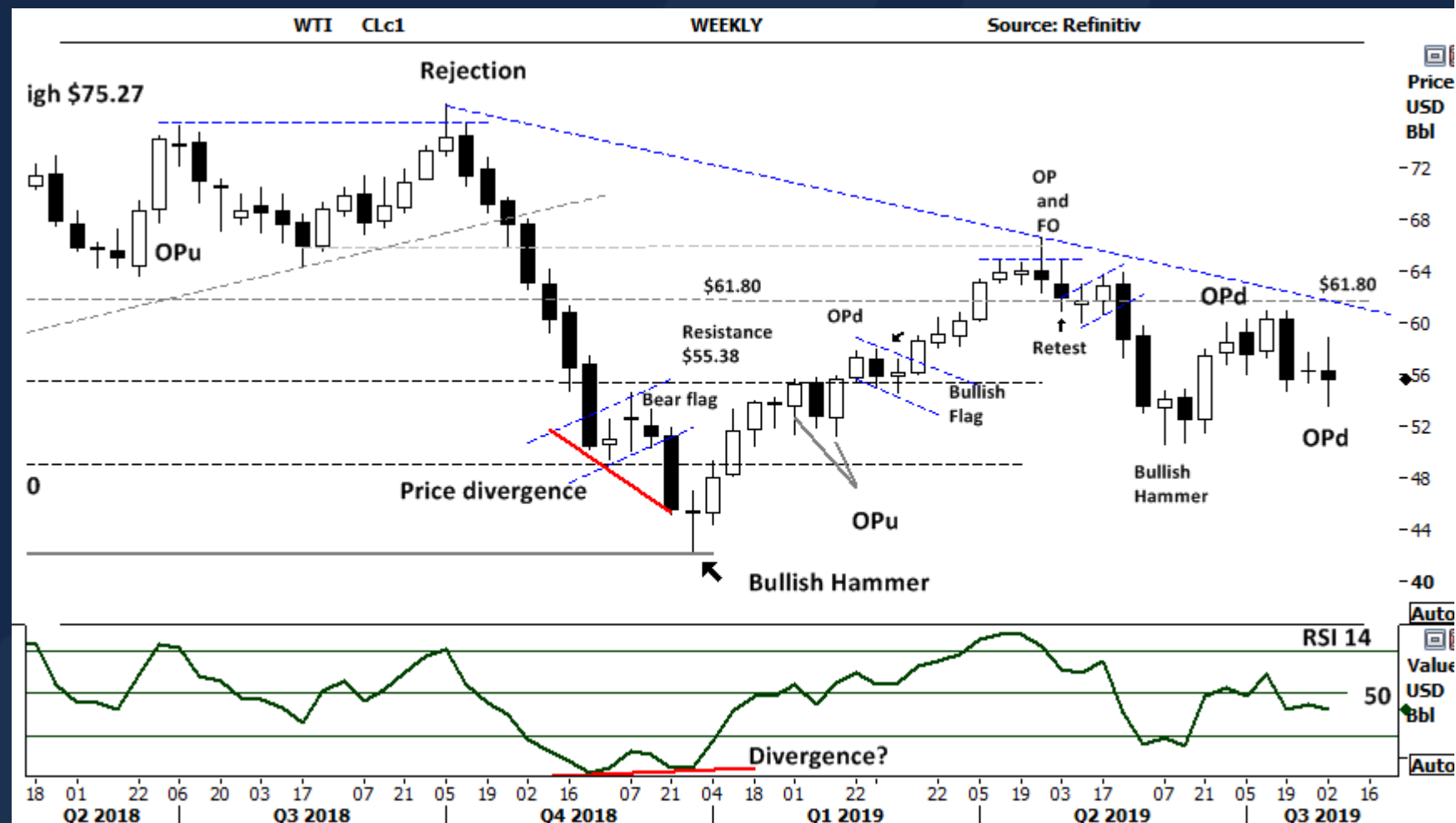
WTI Oil WEEKLY

OPEC's continuing comments for production cuts should hold a floor under Oil with price remaining above the key \$50 level. Loss of price momentum only suggest further consolidation at these levels.

The Relative Strength Indicator turns flat on this weeks inside range.

Comments from last week:

The \$61.80 level has remained as resistance with last weeks large range reversal taking place. The whole structure may now resolve into a trading range between \$50 and \$61.80.



The technical setups

Outside period

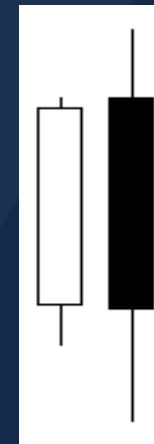
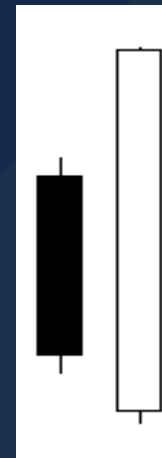
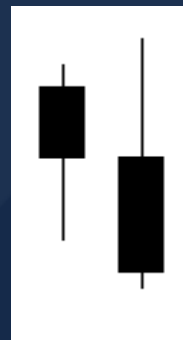
OPu and OPd

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

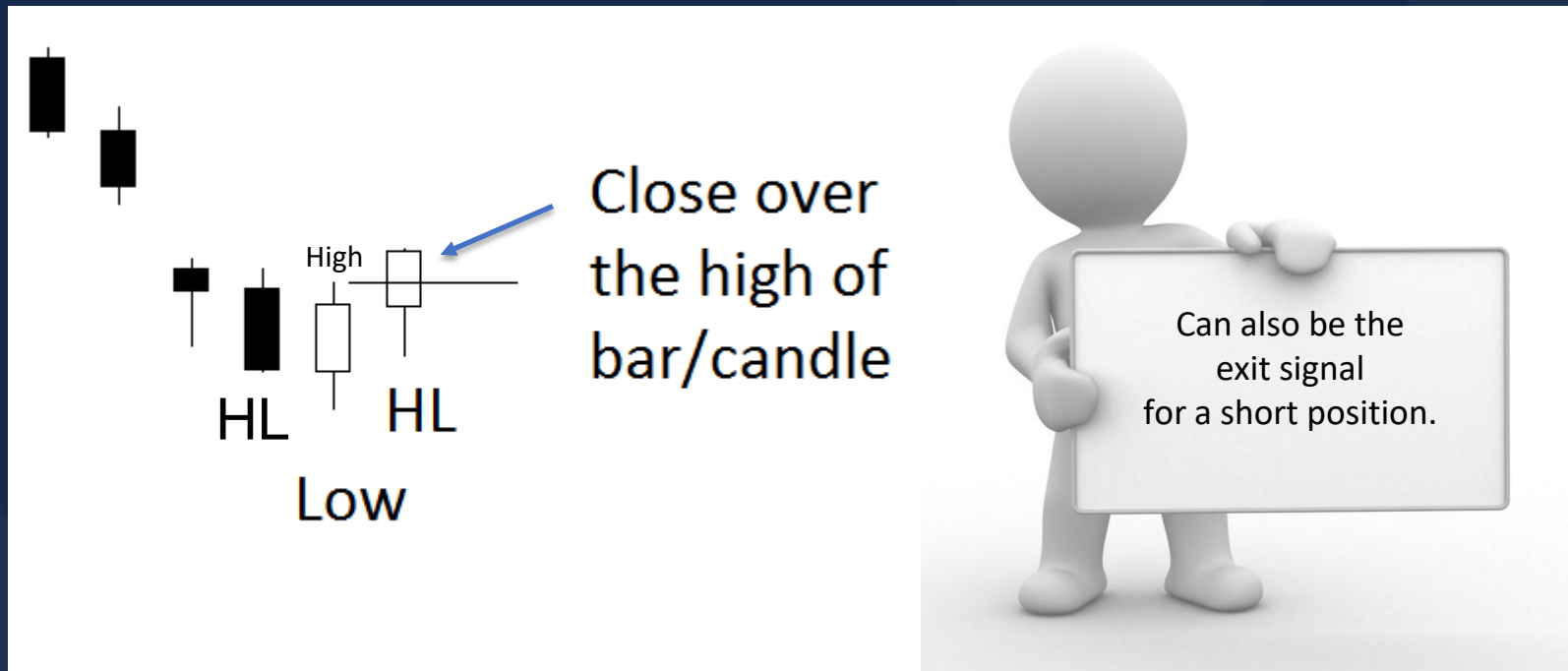
The outside period can mark a significant market turning point at or within 3 bars (93%).

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

The OP period comes in all shapes and sizes.

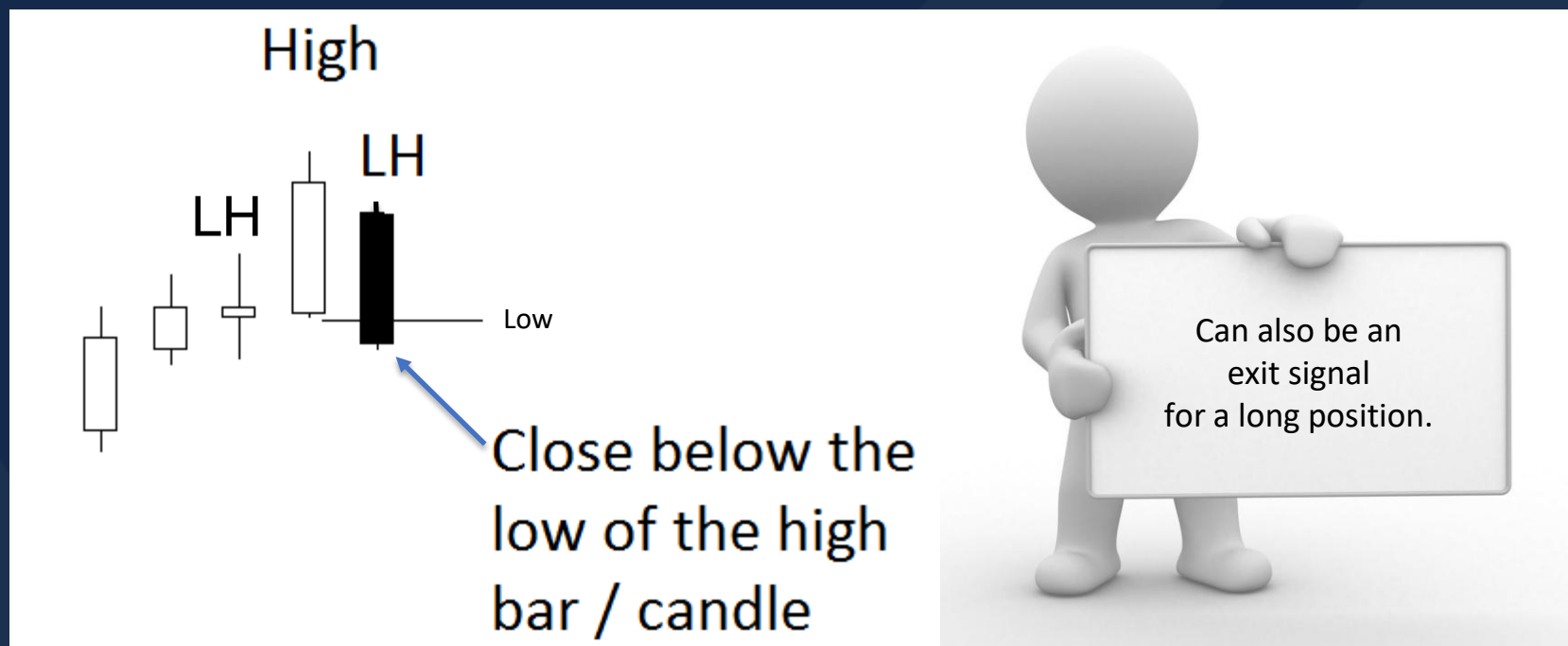


The technical setups. The Pivot point reversal



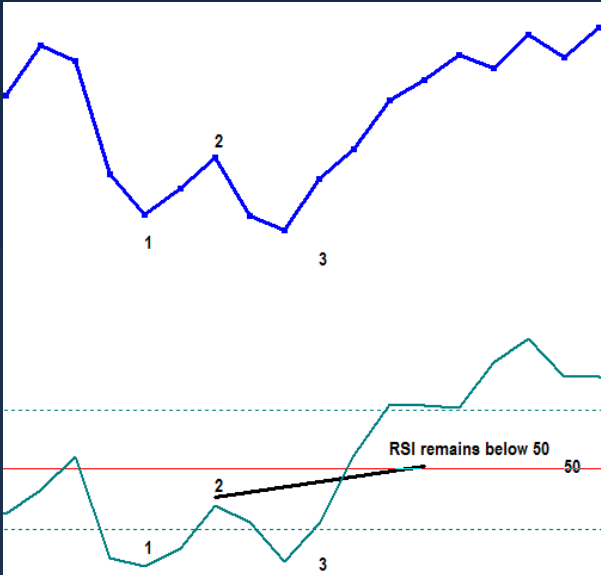
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



Relative Strength Indicator

SWING BUY SIGNAL.

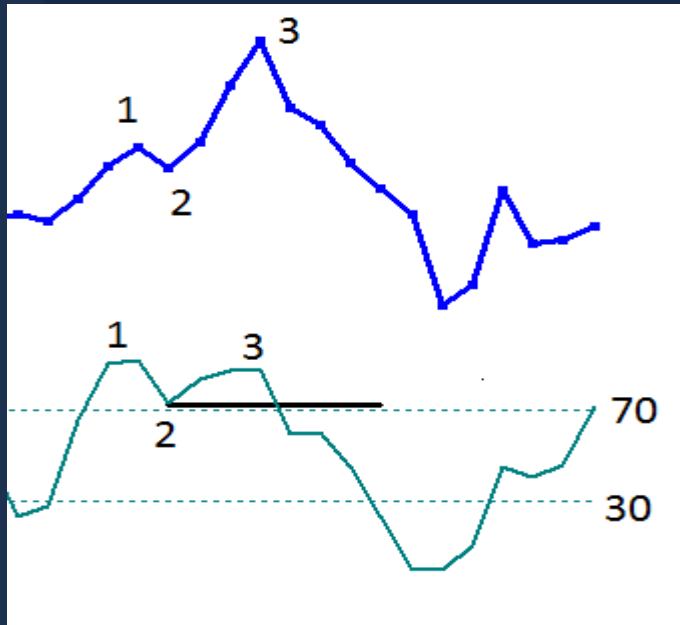
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- 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" **

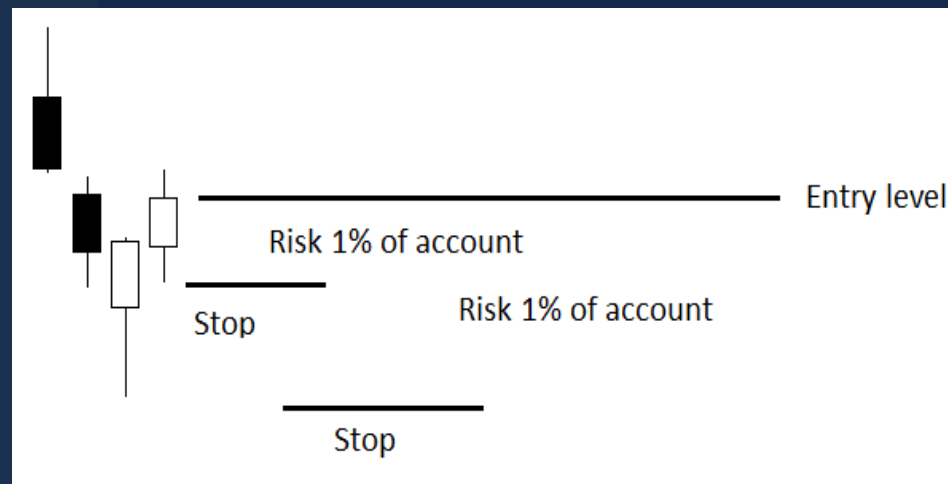
Swing failure is identified with the break of point 2 on RSI

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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