



IN BLACK AND WHITE

14/12/2018

A market technician's view

**FX
INDICES
EQUITIES**

IMPORTANT DISCLAIMER

The information in this report is of a general nature only. It is not personal financial product advice. It does not take into account your objectives, financial situation, or needs.

You should therefore consider the appropriateness of this information in light of these.

The Australian school of technical analysis (ASTA) recommends that you refer to the Product Disclosure Statements of any financial products which are discussed in this report before making any investment decisions.

ASTA accepts no responsibility for your actions and recommends you contact a licensed advisor before acting on any information contained in this general information report.

The information contained in this material is intended for general advice only. It does not take into account your investment objectives, financial situation or particular needs. FP Markets has made every effort to ensure the accuracy of the information as at the date of publication. FP Markets does not give any warranty or representation as to the accuracy, reliability or completeness of the information contained in this material. Examples included in this material are for illustrative purposes only. To the extent permitted by law, FP Markets and its employees shall not be liable for any loss or damage arising in any way (including by way of negligence) from or in connection with any information provided in or omitted from this material. Features of the FP Markets products including applicable fees and charges are outlined in the Product Disclosure Statements available from FP Markets' website www.fpmarkets.com and should be considered before deciding to deal in those products. Derivatives can be risky; losses can exceed your initial payment. FP Markets recommends that you seek independent advice. First Prudential Markets Pty Ltd trading as FP Markets ABN 16 112 600 281, Australian Financial Services Licence Number 286354.

Aussie 200 index - Weekly



It is important to notice the Relative strength Indicator remains below the key "50" level. Index weekly chart remains in a Primary DOWN Trend.

The importance of correct trend lines as this incomplete week tested the short term trend line with a new FO bar and higher close in the range. Look for a reversal "pivot" or inside period (IP) for confirmation of a low in place.

From late October the market now has 3 spike low with weekly closing prices remaining above the key 5600 level.

Comments from last week:

This consolidation is a sign of market support at these levels.

Aussie 200 index - Daily



The Primary trend remains down.

Resistance remains at 5770 points remains. The daily chart requires a close over this key level to confirm a bullish case.

A new low being made this week with an IP with a higher low in the RSI. (divergence)

A retest of the 5770 level is again a strong possibility in the coming days.

The Relative strength indicator is again working the "50 level", a move over 50 again would show positive momentum for price.

Comments from Last week:

This week is another retracement move in a BEAR trend now completes 3 significant lows at 5600.

S&P 500 Index - Weekly

OP's have a very high completion rate (93%) for marking major turning points in markets.
(Krastins research)

This statistic is based on the OP marking the low within 3 bars (weeks).

This weeks Fake out low with a high close is VERY bullish in the short term.

The relative strength indicator remains below the key 50 level, however the higher lows in place show rising positive price momentum.

Comments from last week:

The new pivot point UP bar suggests the retest of the low is complete. Look for a potential breakout over 2800 points in the coming week.



S&P 500 Index - Daily

With 4 lows in place 5/11, 23/11, 6/12 and now 11/12 a complex base is in place.

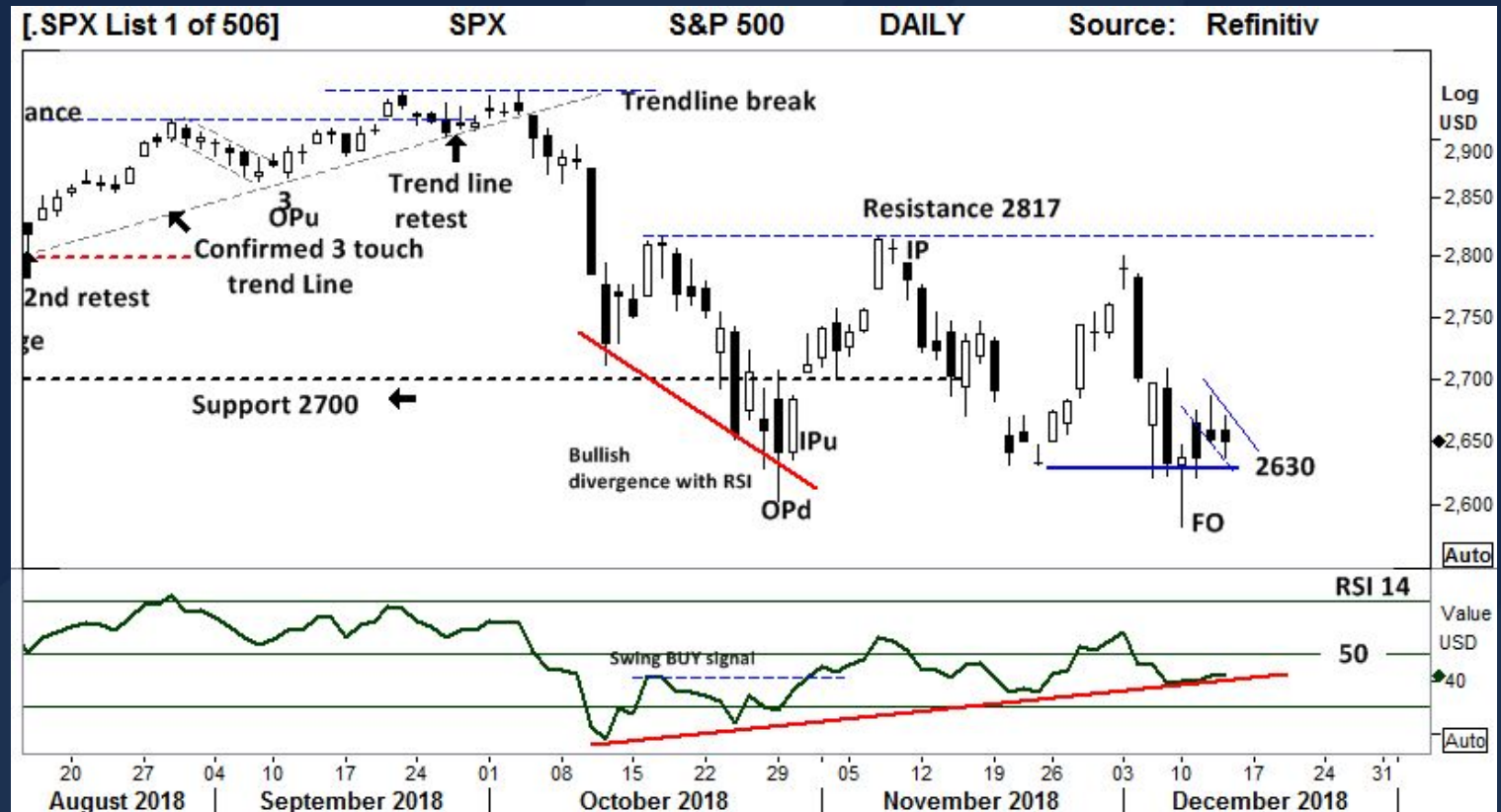
The 4th last bar FO, is very bullish in the short term, an overall retest of the 2817 is in play.

Consolidation above 2630 is an important level of the bullish view to remain.

RSI has turned lower under the "50" level of the current price consolidation base.

Comments from last week:

The potential inverse Head and Shoulder pattern failed into a new low this week.



FTSE 100 Index - Weekly

FTSE 100 weekly:

Clear rejection of 7090 levels with a 2nd Outside period (OPD) remains in place.

The primary trend remains down, 6650 support being tested the prior week. A closing price below this level would be very bearish with a broad top from 2016 complete.

This week's IP is a time of indecision, and provides the early stages of a consolidation base.

A further closing price over 7090 is required to confirm a bullish view with confirmation from the RSI.

The Relative strength indicator 14 has remained below the "50" level, showing negative price momentum. Although now turning up, a crossing of the 50 level is required to form a bullish view.

Comments from last week:

An important retest of 7090 is underway. Rejection at this level would see the 6860 levels tested in the coming weeks.



GOLD Weekly

Gold has changed the Primary trend to UP.

The past consolidation around the \$1200 can be viewed as "Gold having built a price base".

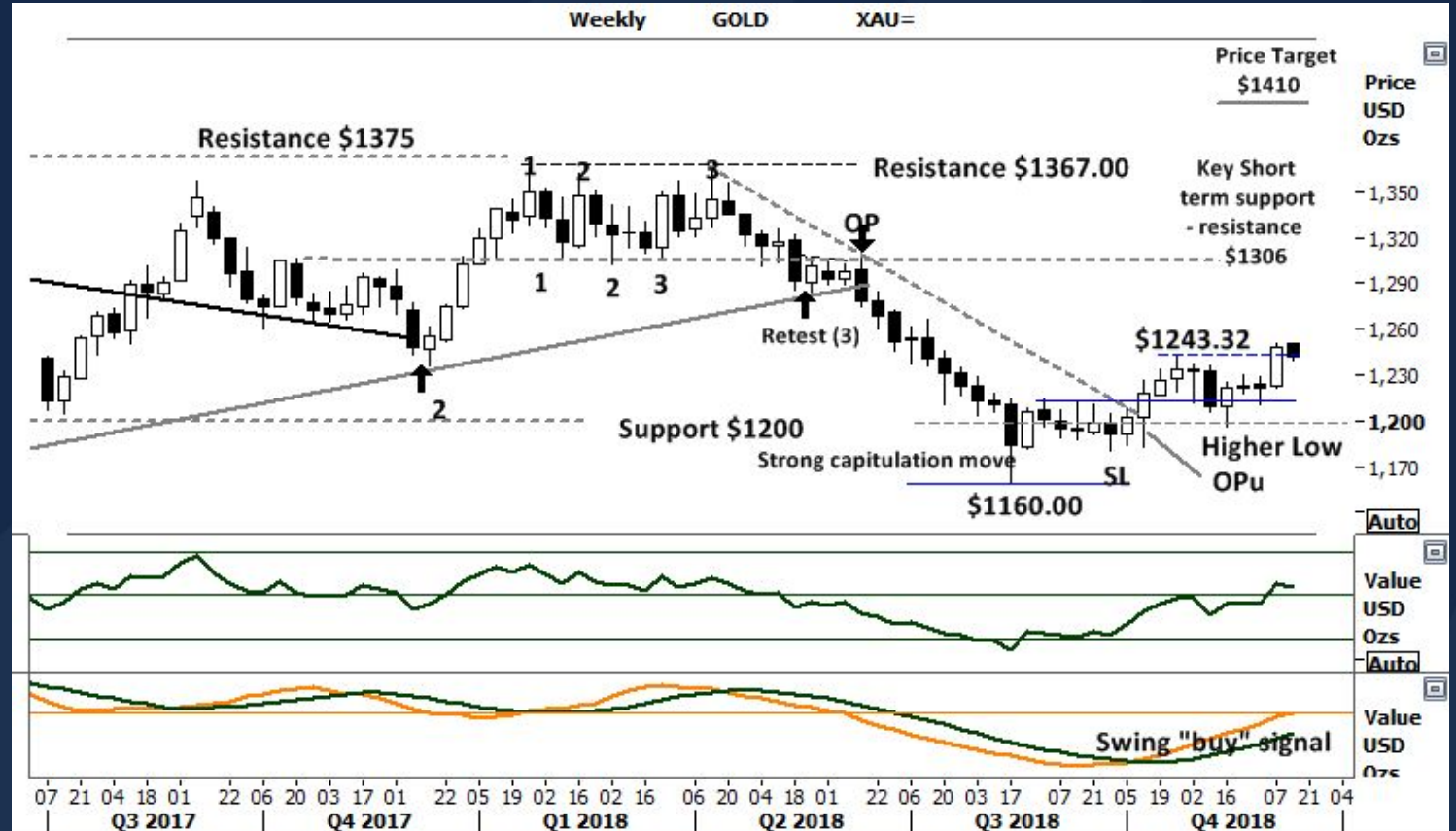
The weekly closing high for Gold exceeded the \$1243.32 level. Further consolidation at this level is expected.

\$1306 price resistance remains the first target price in this **PRIMARY UP TREND**.

RSI remains over the key "50" level.
The MACD swing buy signal remains in place.

Comments from last week:

The weekly closing high for Gold exceeded the \$1243.32 level. Further consolidation at this level is expected.

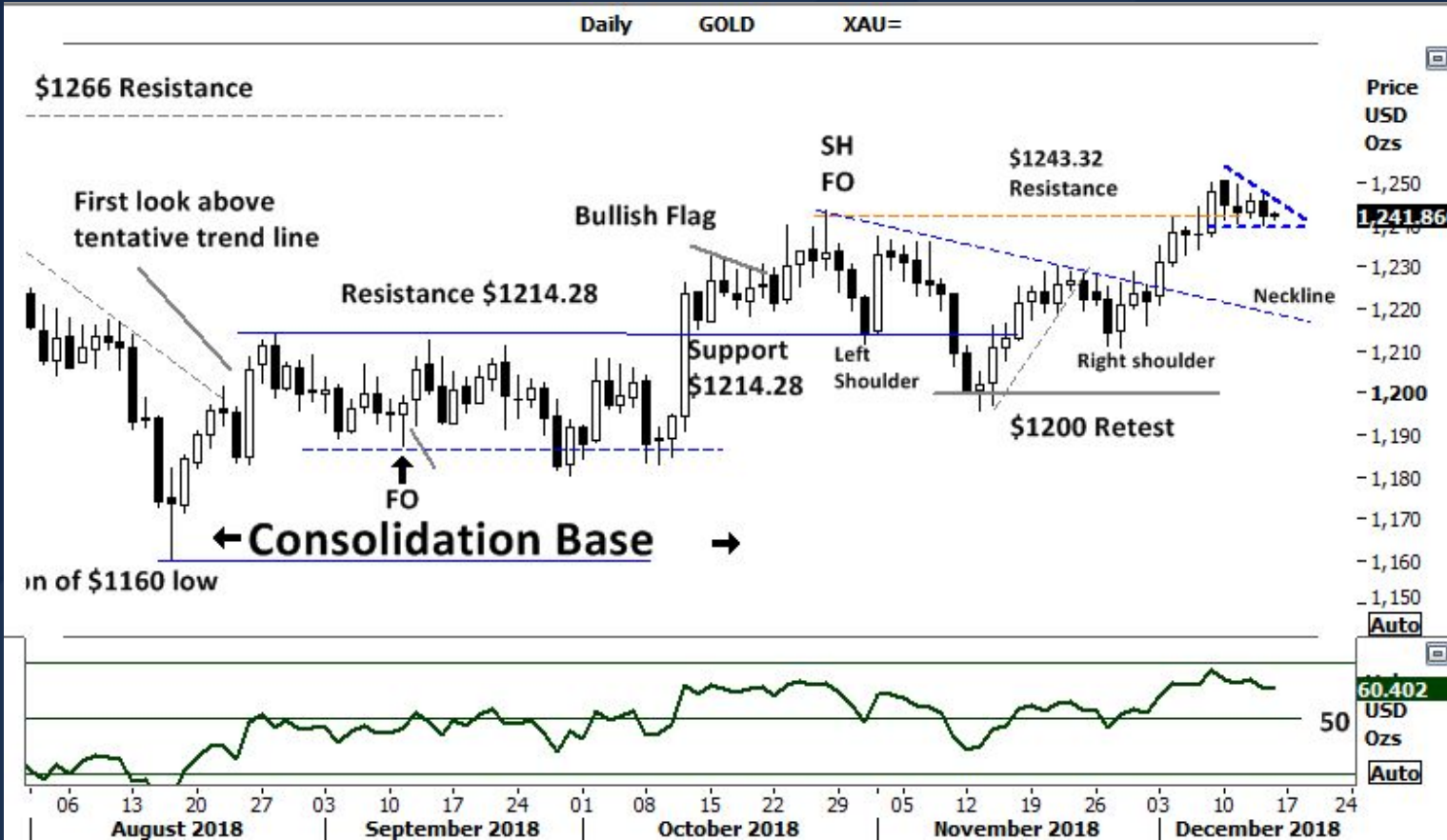


Gold Daily

Gold has the potential to push higher into the \$1266 level.
 Look for a **daily closing price above \$1243.32** to confirm the bullish movement underway.

Currently the daily movement is displaying small pennant, often a continuation pattern of the Primary trend.
 These periods of low volatility will lead to a highly volatile move. A break of \$1238 indicates a potential retest of the neckline circa \$1220.
 RSI remains above the "50" level indicating positive price momentum.

Comments from last week:
 Look for a daily closing price above \$1243.32 to confirm the bullish movement underway.



Australian Volatility Index

The Australian market volatility indicator XVI.

Volatility is falling, after rising to 20 up from the lows of 14 last week.

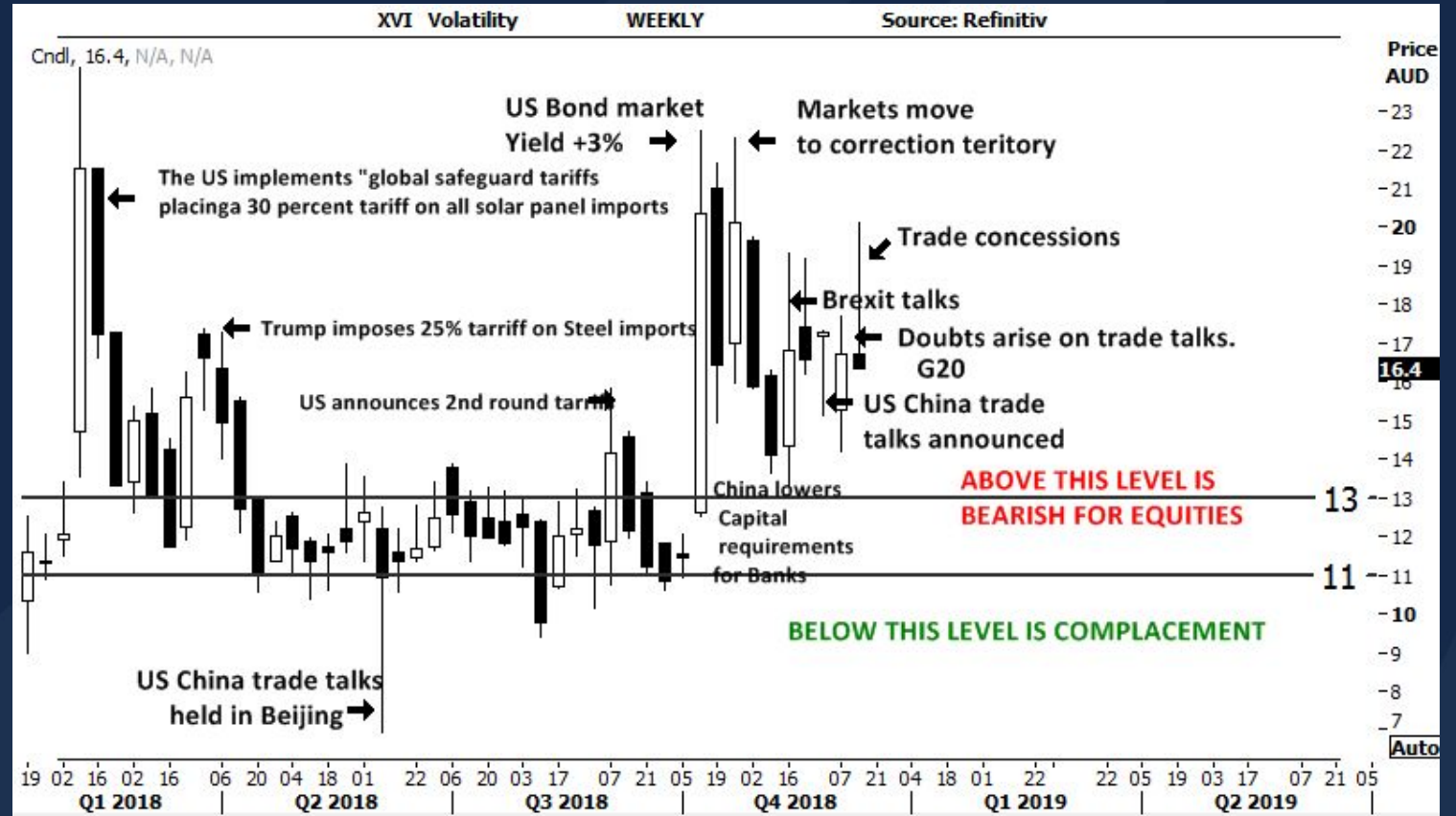
As the world heads into Christmas the VIX may continue to fall on a lack of market centric news.

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" is 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



The US Dollar index retests the high of 94.54 with a FO bar high of 95.55, the current price retracement from this level is further consolidation.

A breakdown would see the 96.15 level tested. The USD index remains in price consolidation.

The US Dollar index is the weighting of the US Dollar against a basket of other currencies. The Euro, Japanese yen, British pound, are just a few. An increase in the "Value" of the US dollar Index is indicative of the strength of the US Dollar.

As the US dollar rises other currencies decline in relative "value" and visa versa.

Comments last week:

RSI remains above the key "50" level, but turning down shows a loss of upward momentum.

WTI OIL WEEKLY

Weekly OIL

Currently WTI has found resistance below the \$ 55.38 level, this weeks small range with a lower high and higher low (IP) from last week remains in the early stage of a bearish flag.

Oil remains in a ***“corrective”** move with a closing price first below the 22nd June low of \$63.59 and the 17th August \$64.43 low, and this week remaining below these key support levels.

The next support level is \$42.00

The relative strength indicator moving below the “30” level may now offer a potential divergence signal in the coming weeks.

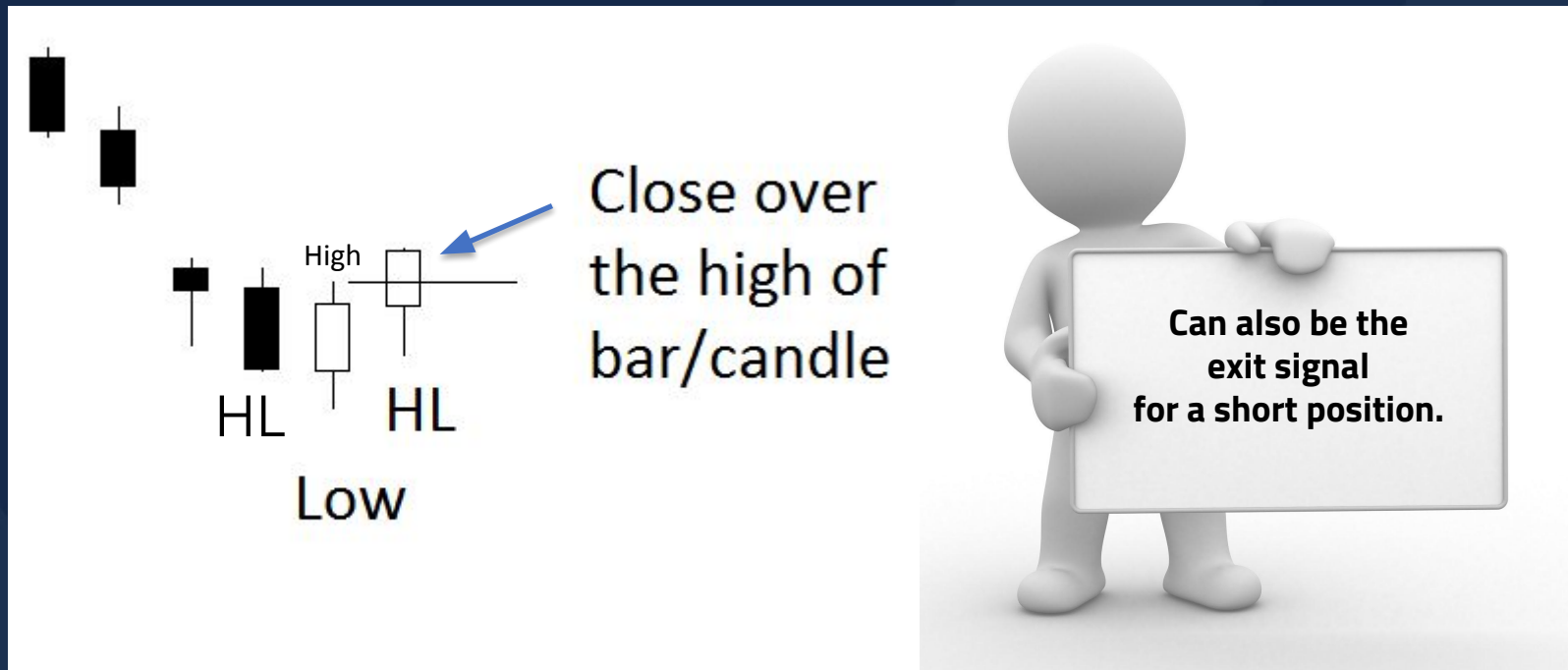
***A corrective movement shows price moving below previous low points without making retracements. This type of movement does not change the current primary trend (UP).**

Comments from last week:

This week small range with a higher high and higher low from last week is the early stage of a bearish flag.



The technical setups. The Pivot point reversal



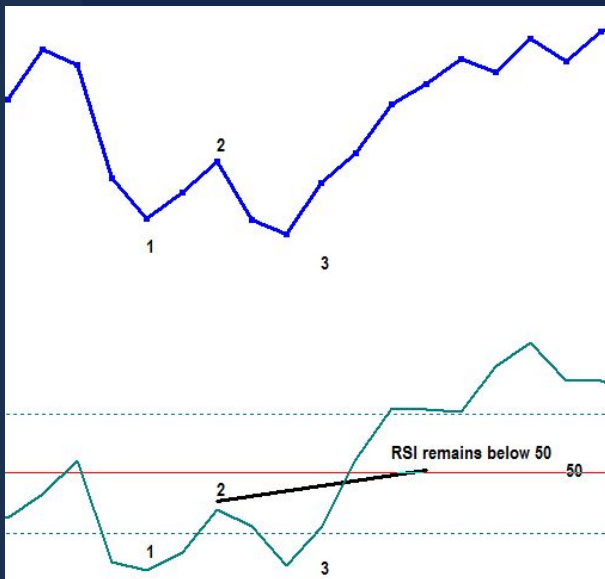
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



Relative Strength Indicator

SWING BUY SIGNAL.

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

RSI swings below the 30 level. (1)

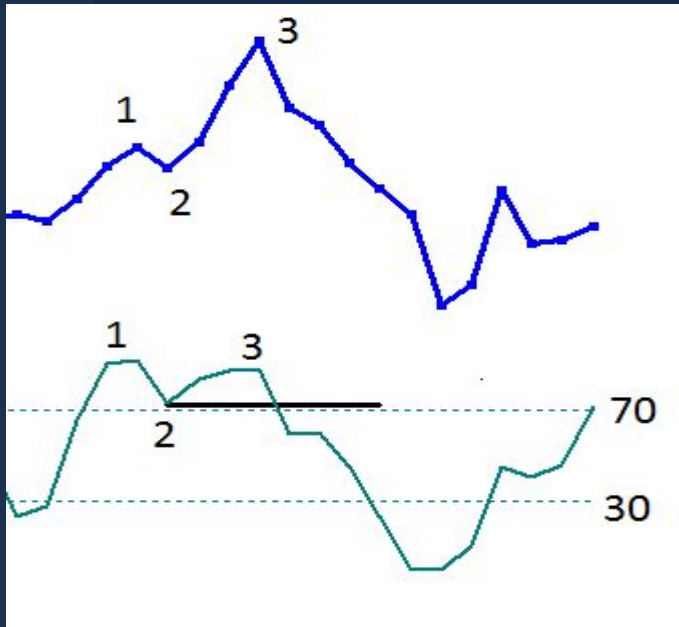
RSI moves higher, but not over the "50" level. (2)

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. 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

The technical setups

Outside period

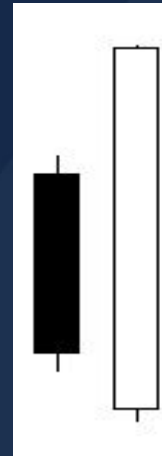
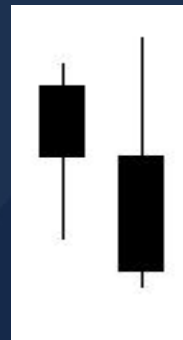
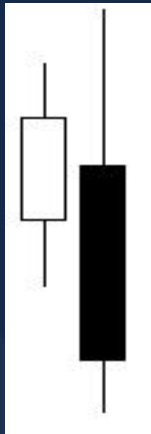
Opu and OPd

A price range larger 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.



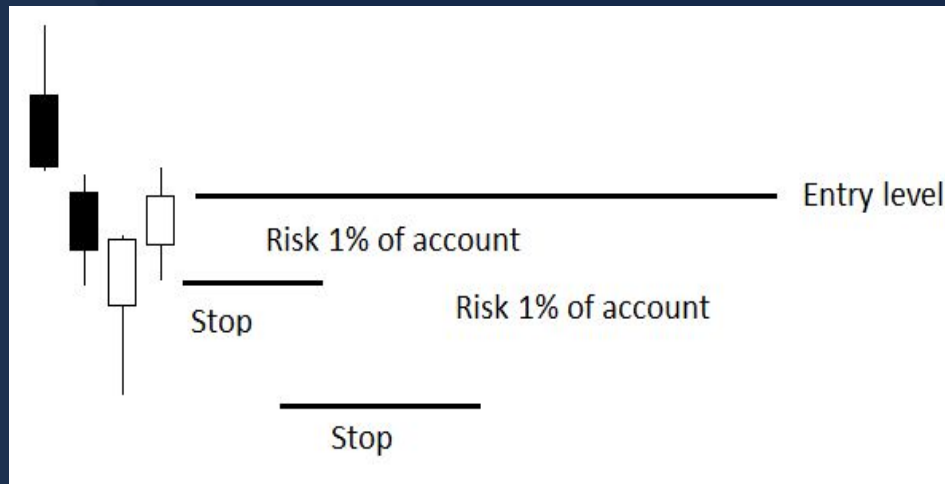
Position size and management guidelines

Position size by account size

Building a trading system of 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.



Comments and Feedback:
support@fpmarkets.com



First Prudential Markets Pty Ltd
Level 5, 10 Bridge Street
Sydney NSW 2000

Phone: +61 2 8252 6800
www.fpmarkets.com

ABN 16 112 600 281
AFS Licence No. 286354



THANK YOU