

the week beginning 13/05/2019

A market technician's view

FX INDICES EQUITIES



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### **SUMMARY**

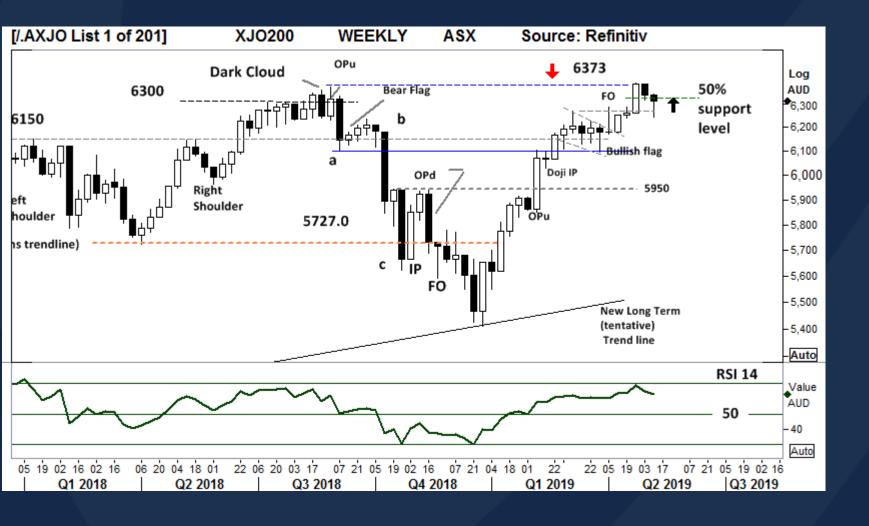
Global Markets have been held hostage to President Trumps twitter account. For 123 days he tweeted trade negotiations are going well, however on day 124 the blame game of talks failure started and extra tariffs have been announced.

Commodity prices continue to consolidate as China trade numbers are supportive of a turnaround in the nations GDP.

Iron Ore continues higher as Vale takes 30 mil Tonnes out of the global supply chain.

Australian Gold stocks have found support from the rising Gold price in AUD terms.

## Australian 200 index - Weekly





With a retest of the breakout the Bull trap reversal is complete as the close at 6310 is in the high part of the weekly range.

This is very bullish for the week ahead.

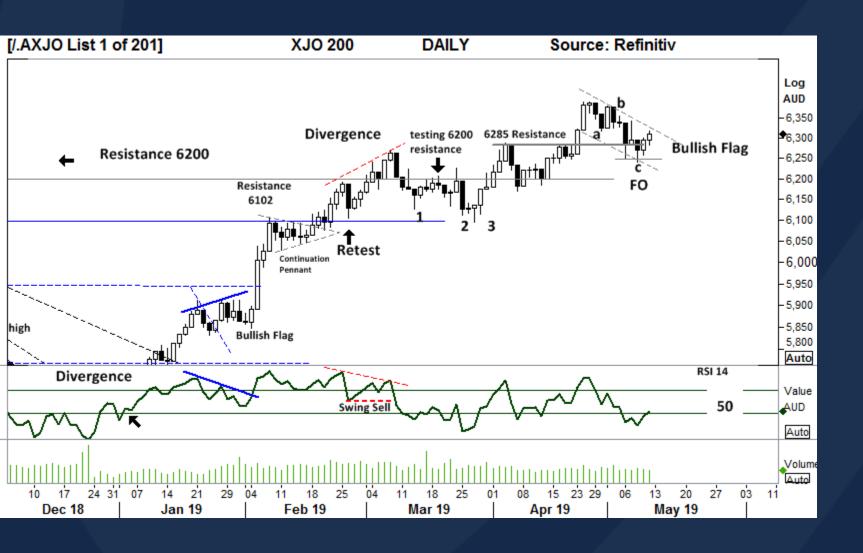
RSI has turned lower and remains above the key 50 level and remains positive for further gains.

#### Comments from last week:

The 50% (6325) mid point of the breakout week was tested this past trading session, this level now becoming intimate support in the coming week

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## Australian 200 index - Daily



The a,b,c retracement is now complete with the FO low followed by the higher close on Thursday and Friday.

The structure is now a bullish flag with 6800 the ultimate target.

Relative strength has moved below the 30 level indicating weakening momentum as price consolidates. The turn higher is a sign of increasing momentum.

Trading volumes remain strong as a sign of continued accumulation.

#### Comments from Last week:

Consolidation during the week although not bearish, any further weakness would test the 6285 support – resistance level.

### S&P 500 Index – Weekly



This weeks low saw a retest of the 2813 levels.

With the close above the 2873 level the sellers have lost control.

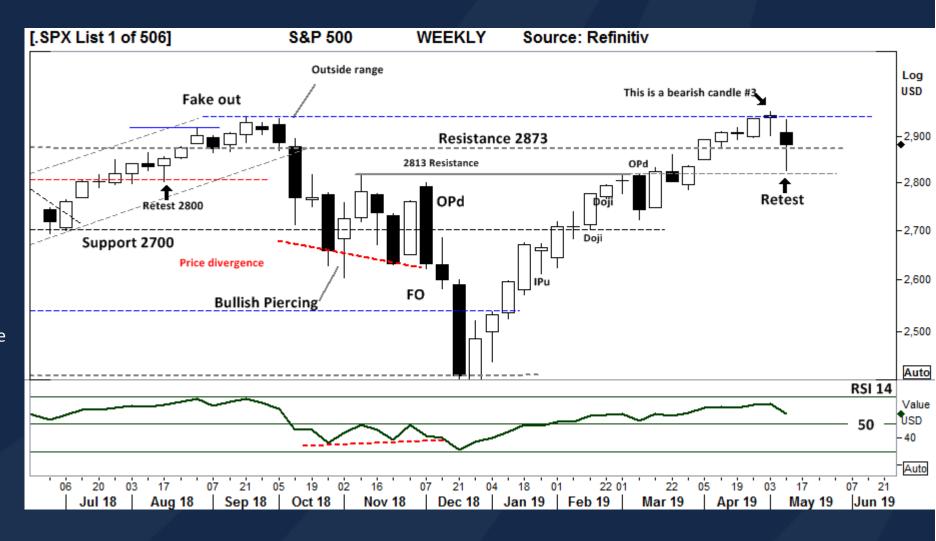
The bearish move setup from #3 seems complete.

The Index requires a strong range continuation week to remain bullish.

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 decline.

#### Comments from last week.

The current Weekly range with a lower shadow is a bearish sign for the coming weeks



### S&P 500 Index - Daily

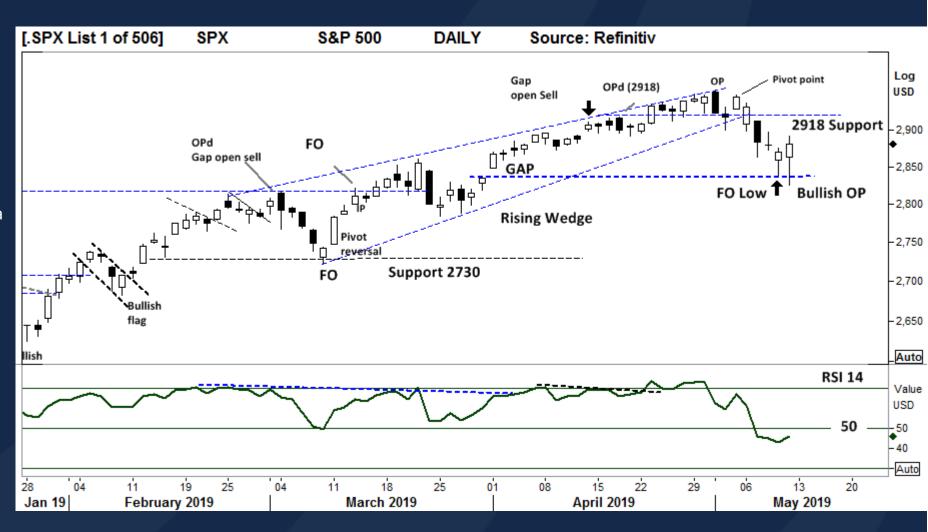


Following the Pivot point from last Friday, price broke lower from the bearish rising wedge pattern.

This week saw the April GAP filled with a bullish hammer day and followed on Friday with an Outside Period (OP) also a bullish sign the low is in.

Relative strength has turned higher showing an increase in price momentum.

Comments from last week. Consolidation above the 2918 support level within the extended wedge pattern. Friday's pivot bar is a bullish sign for early trading this week.



### Transports Index



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

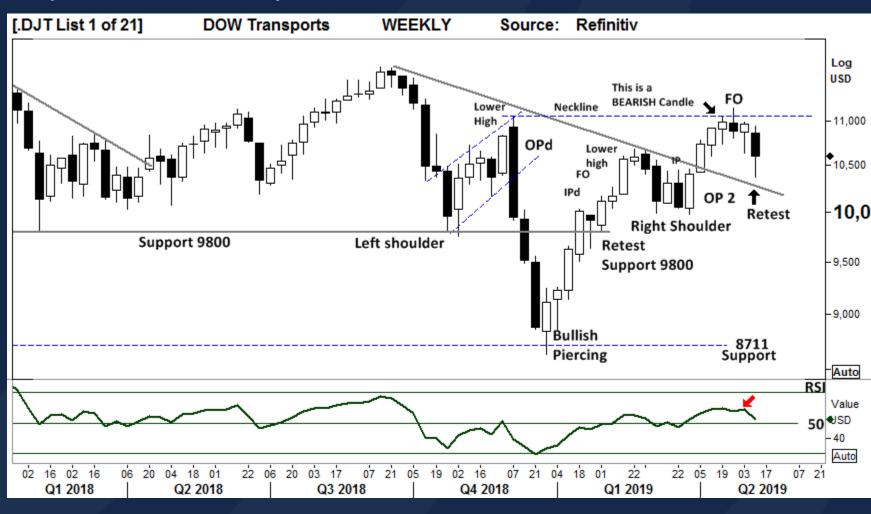
This week saw the sloping neckline tested in the area of 10400. (10375) Buyers having closed the week off from the lows, is a sign of further early gains in the coming week.

The Primary Trend remains UP, confirming the major indices.

Relative strength rising above the 50 level and again rolling over shows a negative swing in momentum as the indicator continues to move sideways.

#### Comments from last week.

Following the bearish candle of 3 weeks ago and last weeks FO bar, this week posts a rejection line of lower prices. Any further price weakness would continue to be monitored for a retest of the neckline at 10400 points.



## FTSE 100 Index - Weekly



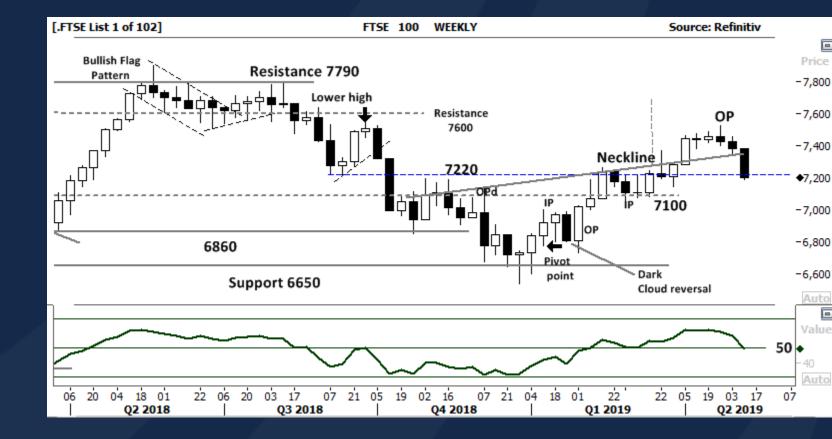
#### FTSE 100 weekly:

The OP from 3 weeks ago continues to play out.

A break of the neckline last week with a large range bar/candle with the close at the lows is a bearish sign for further weakness.

Primary trend is UP, the target of 7700 suggested last week as a potential move is now removed until a price breakout above the neckline.

RSI swings lower below the 50 level, this now confirms the price consolidation and further weakness view as momentum slows.



Comments from last week:

The FTSE continues to hold the break out above the neckline on a 4th consolidation week that has tested the neckline of the Inverse Head and Shoulder pattern.



## GOLD Weekly

#### Gold breaks down from a PRIMARY UP TREND.

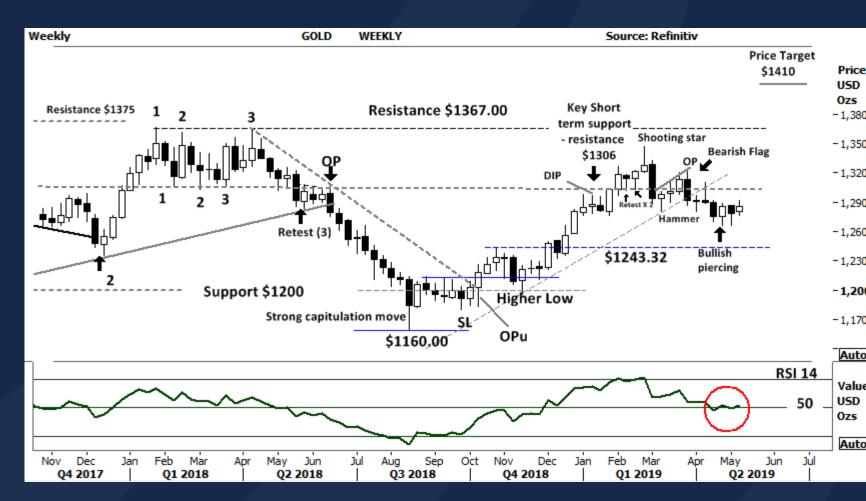
The weekly chart of Gold remains in a tight range.

The bullish piercing continues to hold as the support level at \$1265.

Traders should monitor for a close above the \$1306 level as a further bullish sign of recovery of price.

RSI swings below the key "50" level, and this week swing back higher showing positive price momentum, but is not a strong signal for the past week.

Comments from last week: Support continues to show for Gold . above \$1265.0 Side by side weeks with a retest of the lows this week with a high range close, remains bullish in the coming weeks..





## Gold Daily

The Daily chart of Gold shows a trading range between \$1265 and \$1300.

With the longer term trend line being tested this week a breakout is possible to \$1306.0

Relative Strength has moved from under the 50 level indicating an increase of positive momentum. This must move higher quickly to show the buyer positive momentum and volatility.

#### Comments from last week:

The FO bar on Thursday was followed through on Friday with a strong range bar closing above the high of the FO bar forming a pivot Buy setup.





## Australian Volatility Index

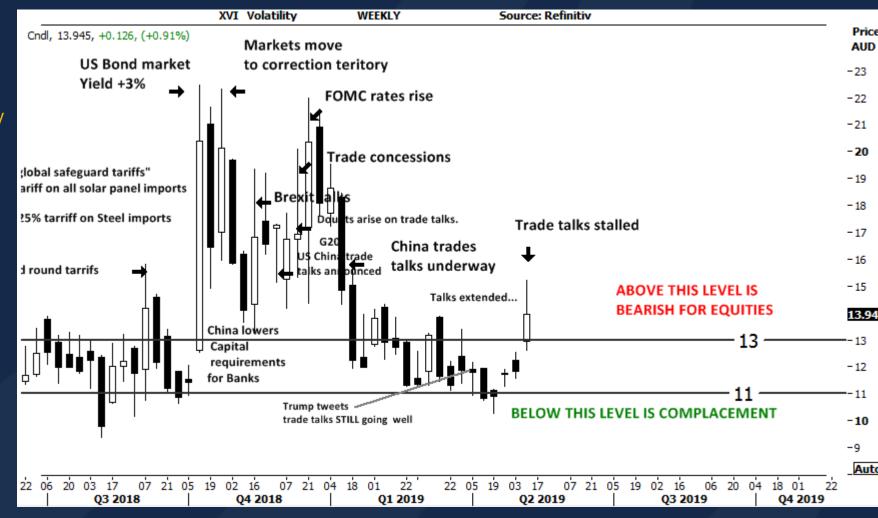
Current volatility levels, have remained below the key "13" level, this remains bullish for equities.

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

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

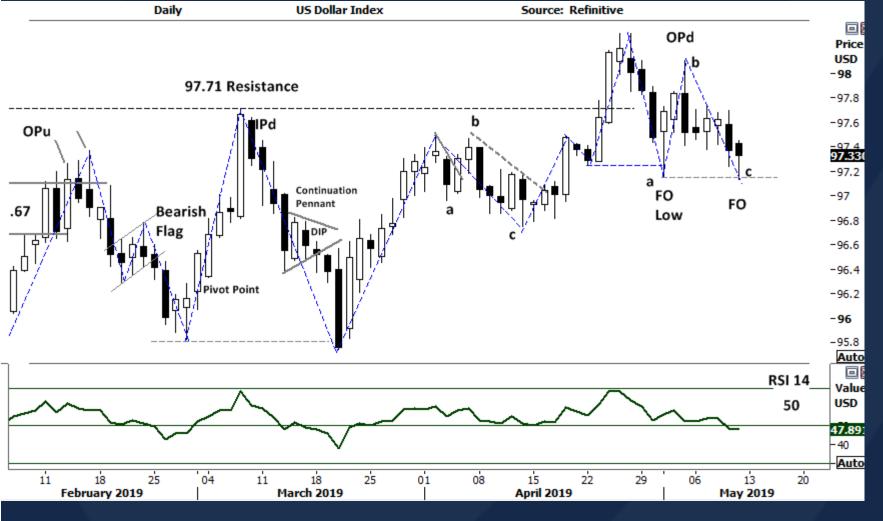
As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this "skew" in pricing is measured in this XVI.

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 a,b,c corrective move may be complete as Friday makes a FO (fake out low)

A further break of this low would be a bearish sign of further lows.

However this is a bullish setup for a retest of the 97.71 level.

Strength in the USD will bring pressure onto Commodity prices.

RSI remains above the 50 level but has turned lower in line with this consolidation pattern.

**Comments last week.** This weeks 2<sup>nd</sup> Opd is a reversal candle with lower values expected in the coming days. Fridays high completes the "b" leg of a potential a,b,c correction.

### WTI OIL WEEKLY



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.

Further to this view, a breakdown below \$61.80 (long position Stops) potentially sets a \$42.0 target.

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.

Comments from last week.
Potential reversal or at best consolidation of price above \$61.80 in the coming weeks.





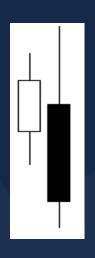


A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

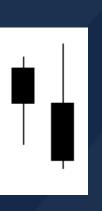
The outside period can mark a significant market turning point at or within 3 bars (93%).

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

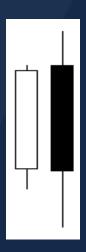
The OP period comes in all shapes and sizes.





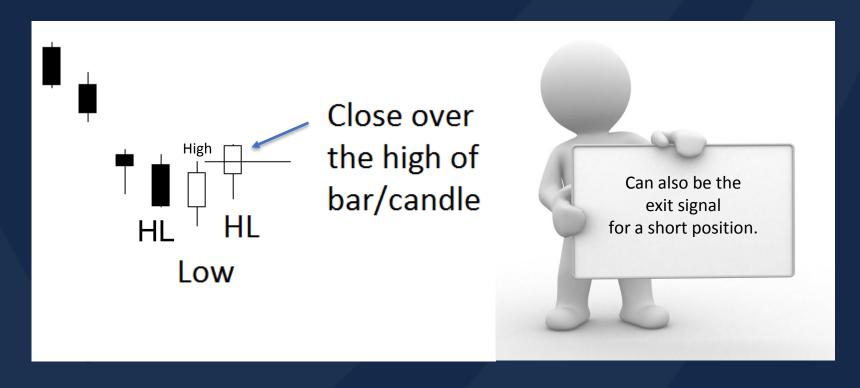






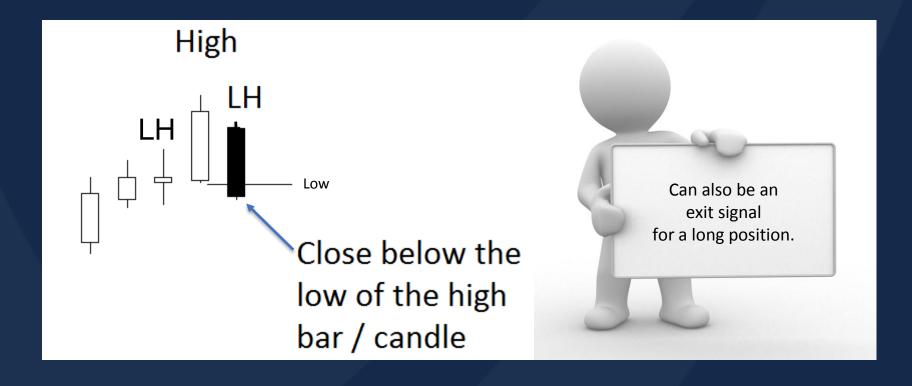


# The technical setups. The Pivot point reversal



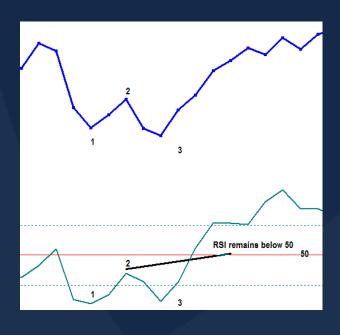


## The technical setups Pivot point reversal



# 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" \*\*

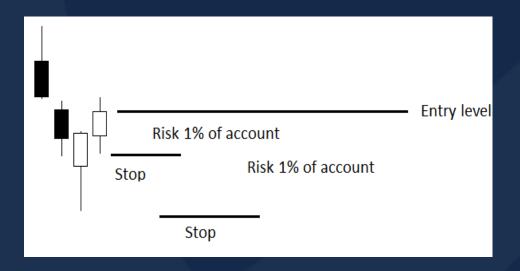
Swing failure is identified with the break of point 2 on RSI



## 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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**Comments and Feedback:** 

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