



IN BLACK AND WHITE

the week beginning
23/12/2019

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) recommend 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.

SUMMARY-

Christmas rally in equities is being supported the liquidity injections from the US Fed.

The Australian Index XJO is trading at a significant resistance level, a breakout would be very positive in the coming weeks.

Gold and Silver remain poised for further gains.

WTI Oil trades o the high of the 2019 range.

Australian 200 index – Weekly



The WEEKLY chart of the XJO remains in a Primary UPTREND.

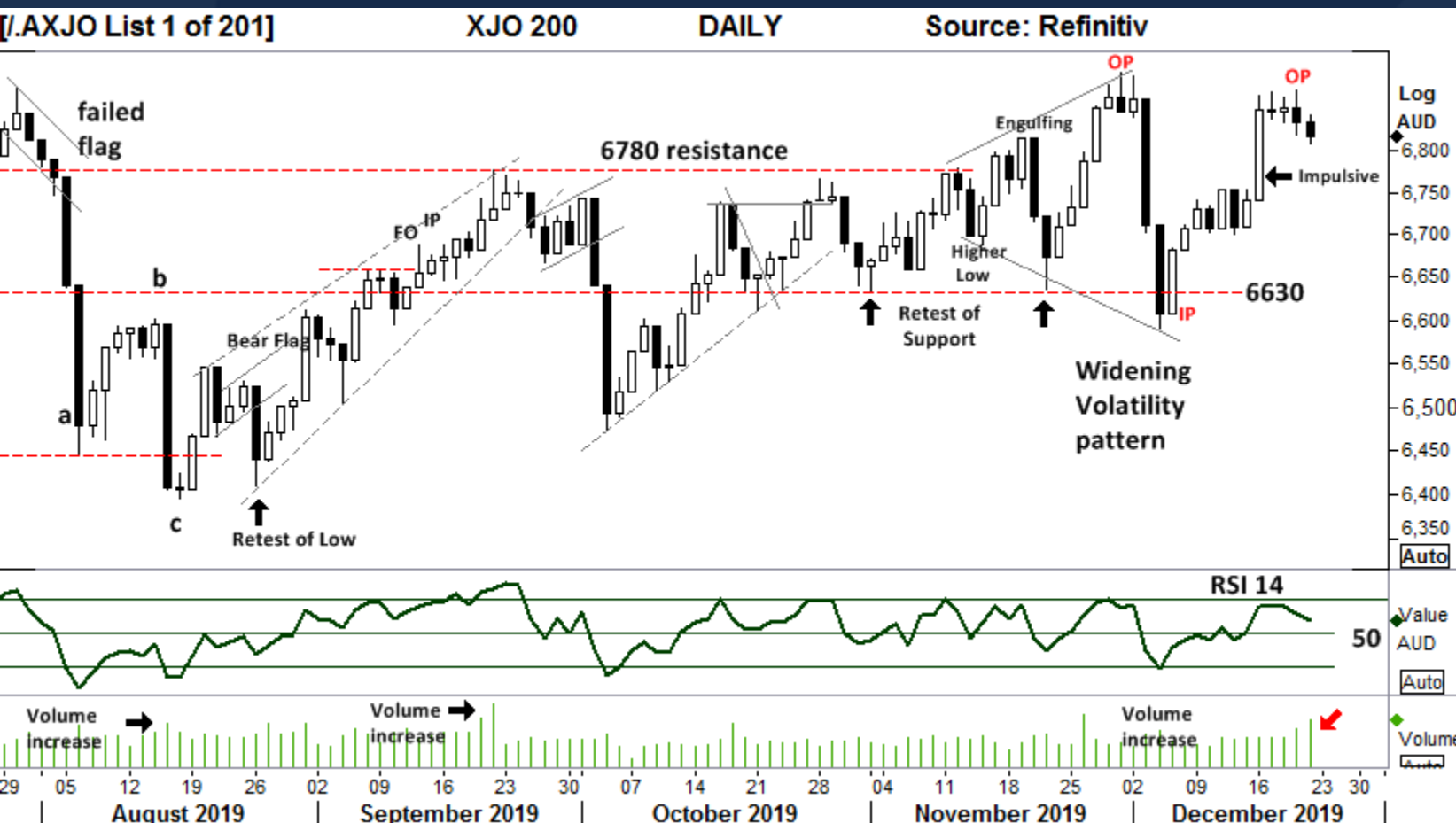
The weekly chart now displays solid resistance at the 6890 level.
The XJO has ranged 6% since April /19 this is not a good sign for Bullish continuation.

Traders would look for a close over 6890 to confirm a longer term Bullish view.

RSI remains over the key 50 level but moving sideways.
MACD has turned neutral as it moves lower.

Comments from last week: The large range bar of two weeks ago continues to provide resistance at the “mid point” of 6740.
This level is now a significant resistance level for the buyers.
As last weeks small range shows indecision and low momentum, a bearish reversal is possible in the coming weeks

Australian 200 index – Daily



The impulsive move on Monday has failed to follow through to higher prices.

Concerning the Widening volatility pattern, price may take several weeks to work outside of this Volatility.
The current high volume daily decline suggests distribution at this level.

The Relative strength Indicator has turned lower, however momentum remains positive while over the 50 level.

Comments from last week: The high volume inside day last Friday is at risk of reversing lower in the coming days. A further breakout over 6750 is required to remain bullish. Overall the XJO now displays a Widening volatility pattern, a retest of the lower edge below 6630 is possible in the coming days

S&P 500 Index – Weekly

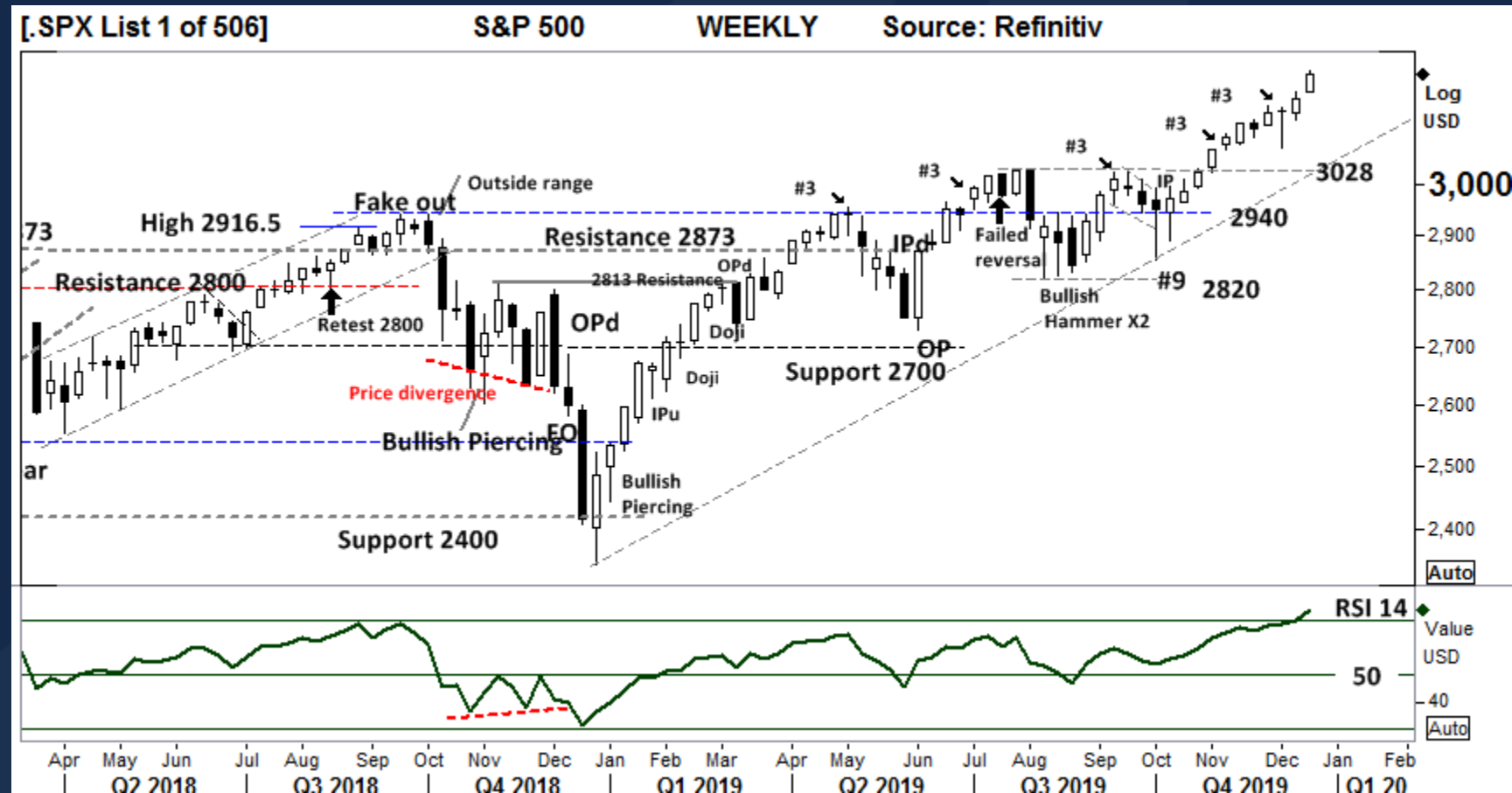
The Primary UP trend remains in place. As Volatility measures remain high.

Exceptionally bullish price moves only suggest further gains.
Trader should be aware of impending profit taking moving the market lower.
The key level remains 3028 and a potential test of the short term trend line.

RSI remains positive swinging higher over 70.

(See notes below for #3)

Comments from last week. #3 2 weeks ago is a bearish indicator. A move below last weeks low of 3126 would signal a potential reversal within this up trend. (Not a new bear market) 3028 remains the major support level on any further retracement moves.



S&P 500 Index - Daily

STRONG bearish divergence is now in play.

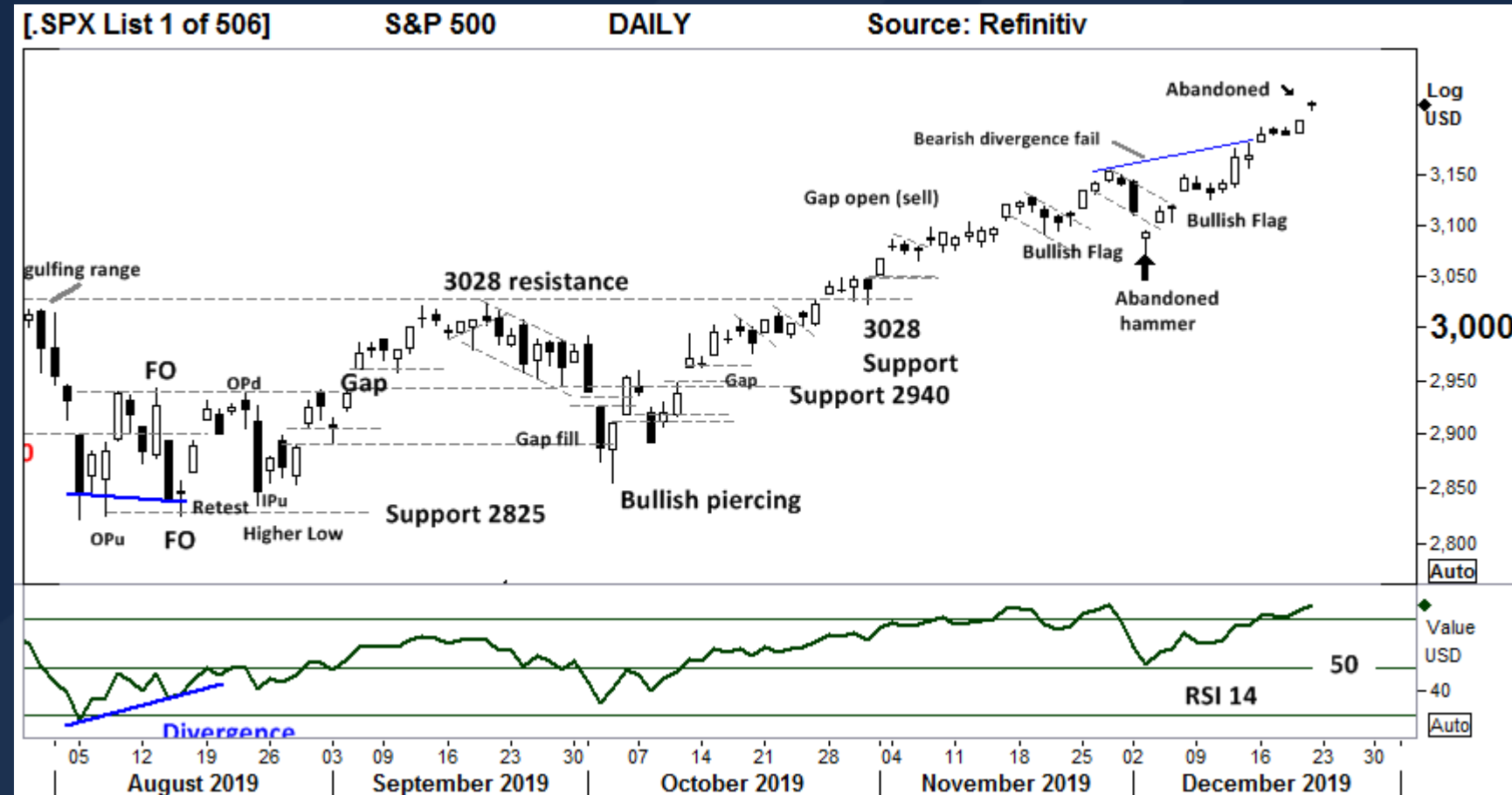
The potential Bearish divergence has failed to play out.

Friday's gap higher leave an abandoned Doji.

Traders would look for a Gap down in the next trading session to confirm a short term top is in place.

The RSI has turned higher over the 70 level, and remains a strong signal of positive price momentum.

Comments from last week: Last Fridays short trading range suggest the market is in balance.
The RSI suggests momentum is significantly weakening in this bullish price run.



Transports Index

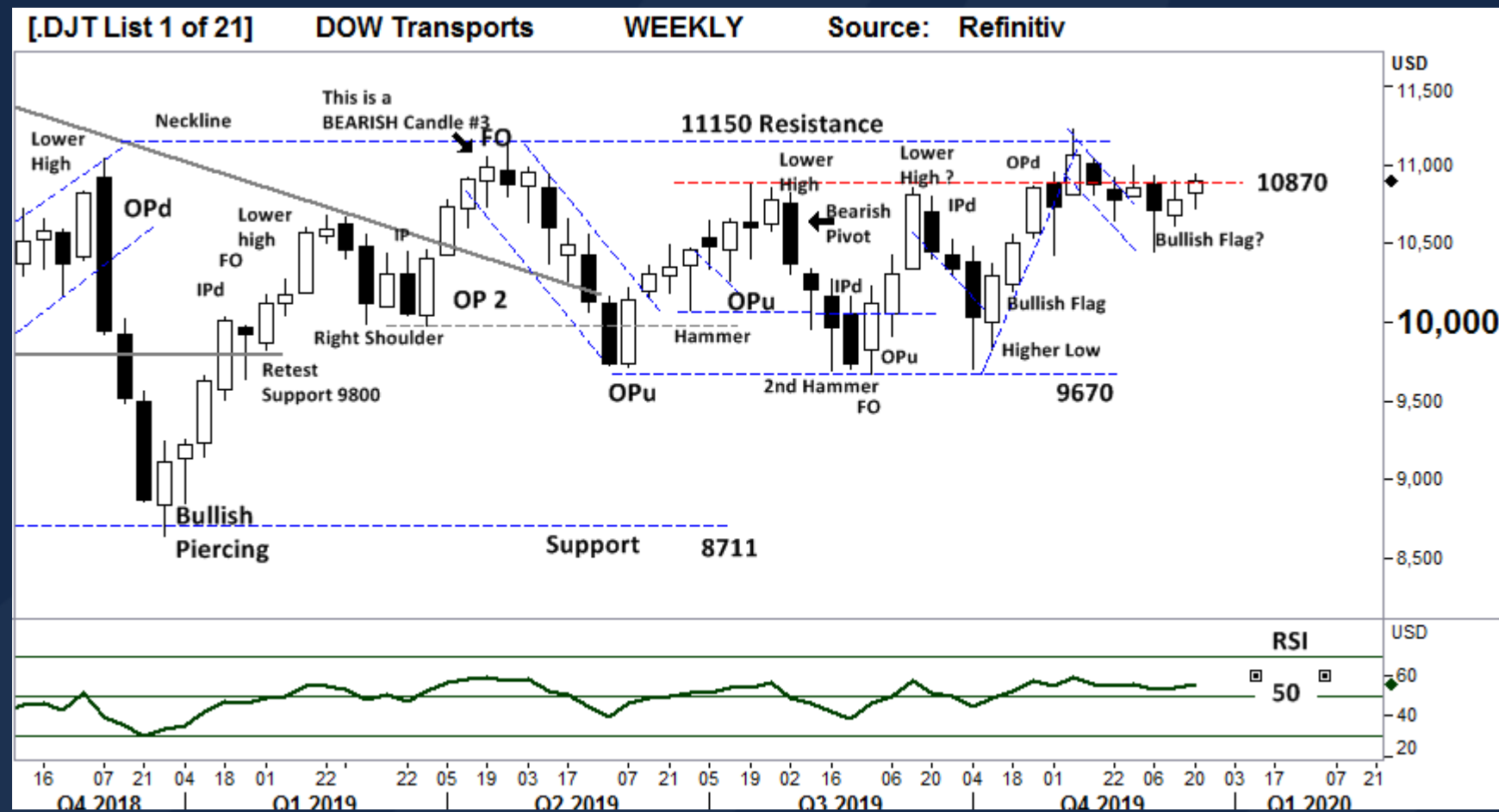
Dow Theory trend analysis states, the transports must confirm major indices.

(This index is now heading towards a **CONFIRMATION** of the long term Bull market, a break of 11150 points is required.)

Transports remain below the key level of 11150. Fridays close over 10870 is a small sign of a continued move higher. It remains concerning this Index has not moved in line with the larger Indices'.

Relative strength has turned sideways and remains over the key 50 level a sign of decreasing price momentum inside this current consolidation pattern..

Comments from last week: Transports have now set 10780 as immediate resistance. The bullish flag breakout is at risk of failing to move over this resistance level and test 11150.



GOLD Weekly

fpmarkets 

GOLD remains in a Primary DOWNTREND.

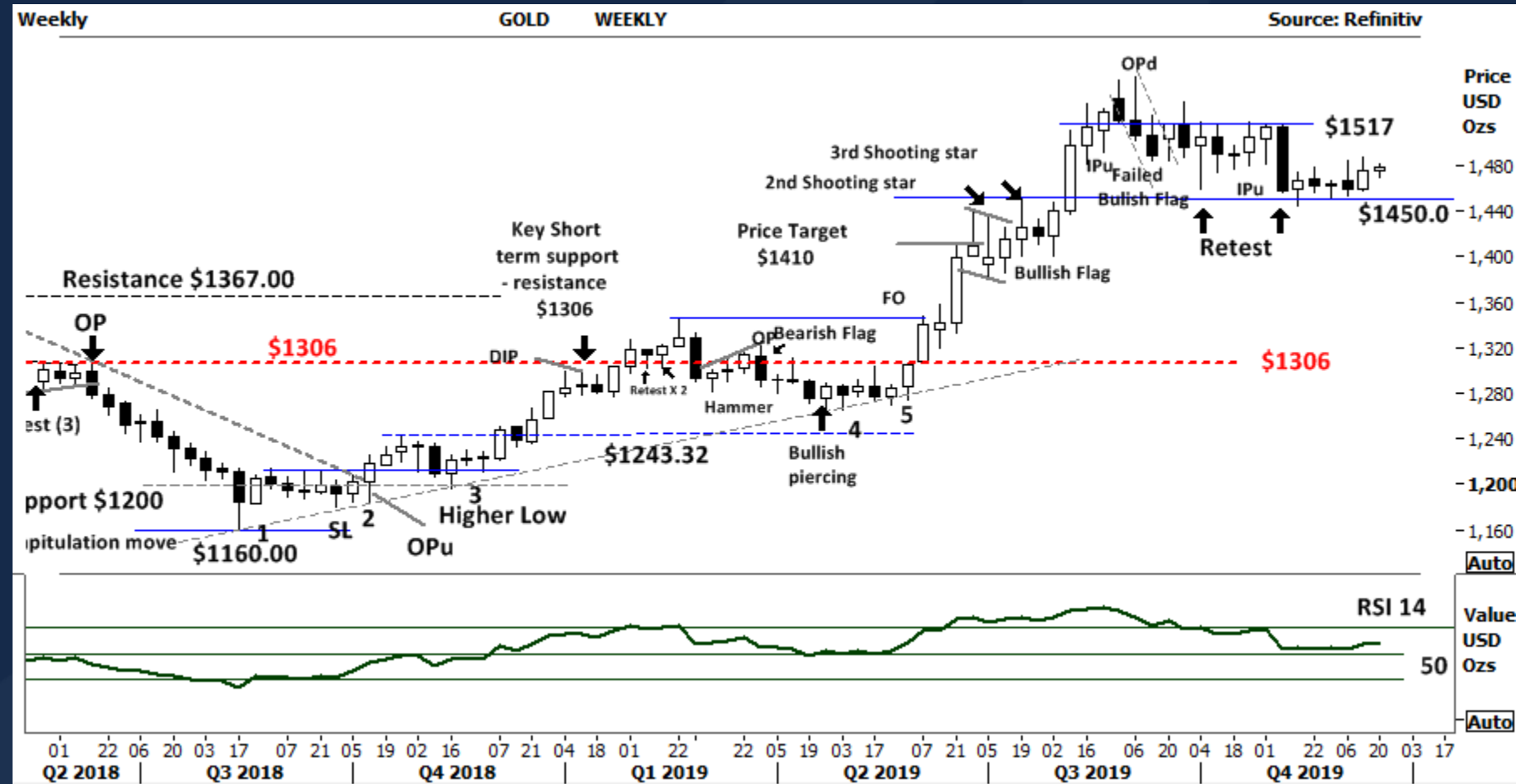
This support level remains a SIGNIFICANT level to hold in the coming weeks.

The large down close range 7 weeks ago has remained a major price obstacle, current movements towards the \$1480 level are a small sign of a potential retest of \$1517 in the coming weeks.

Relative strength remains over the 50 level, however the indicator is trending down.

Comments from last week: Again solid support along the \$1450 level last week.

Last weeks higher close in the range is a short term bullish signal.



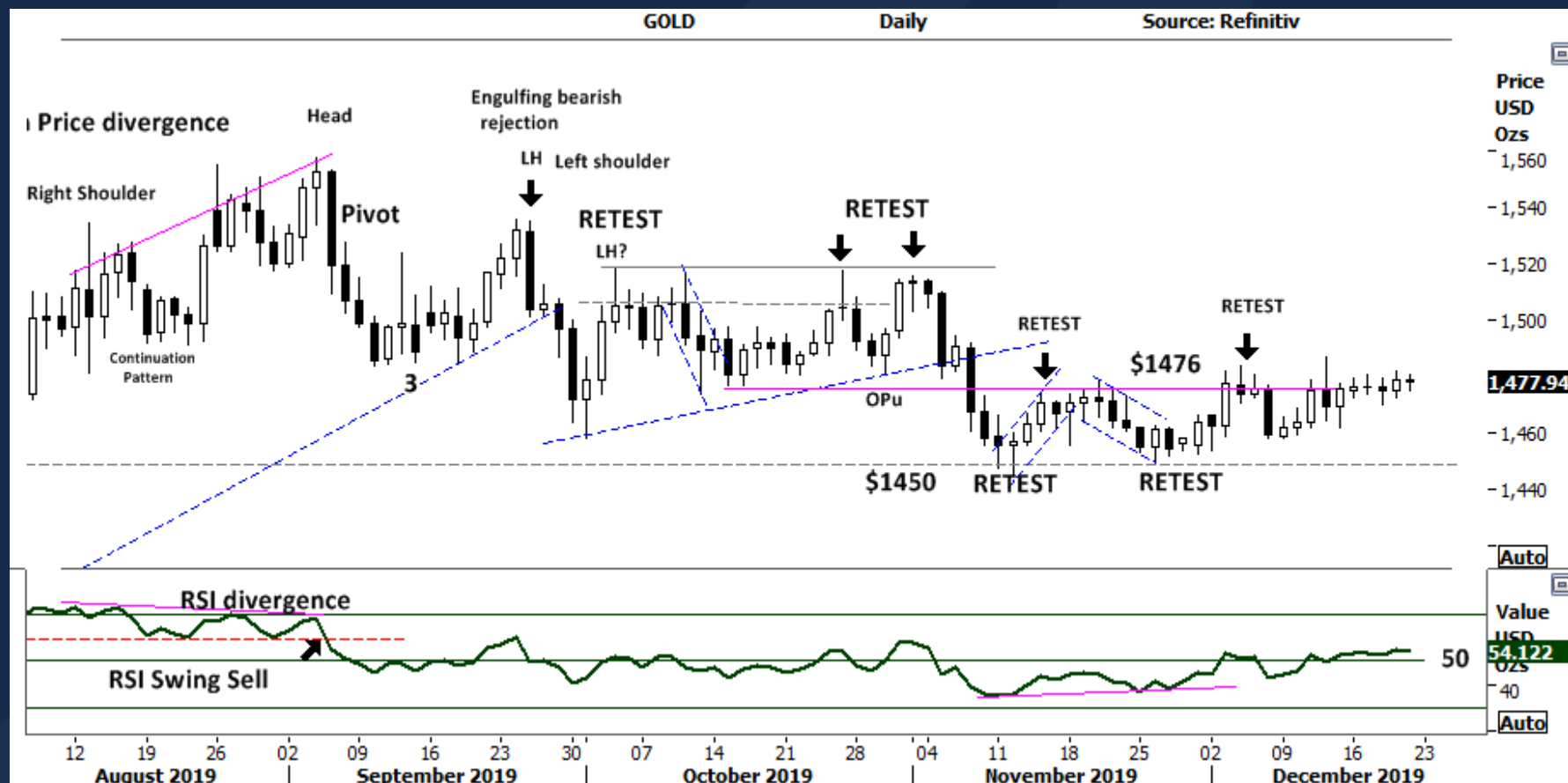
Gold Daily

GOLD remains in a PRIMARY DOWN TREND.

Small daily ranges have moved over the key \$1476 daily resistance. Traders should consider that low volatility leads to high volatility. The potential is a breakout higher in the coming days.

Relative strength again swings above the key 50 level, this is a bullish sign and suggests further positive momentum.

Comments from last week: The intimate inverse Head and Shoulder pattern with the higher low right shoulder has closed on interim resistance at \$1476.00. This is a very bullish sign for further gains in the short term



SILVER Daily

The current retest of \$17.30 is a small sign of increasing upward momentum as is the current first break of the short down trend line.

An early trend change may be underway, but requires further confirmation with a strong closing prices over the \$17.30 level.

\$18 and \$18.73 remain the upside targets.

The Relative Strength Indicator is rising overall, the current move over the 50 level indicates increasing price momentum as bullish divergence remains in place.

Comments from last week: No Bull market here: The closing low of 2 weeks has failed to see a lower price follow through. Traders would look for a close over the \$17.30 level in the coming days.



Australian Volatility Index

Current volatility levels, show a significant decrease in volatility values, this is a Bullish sign the market has discounted the immediate risk.

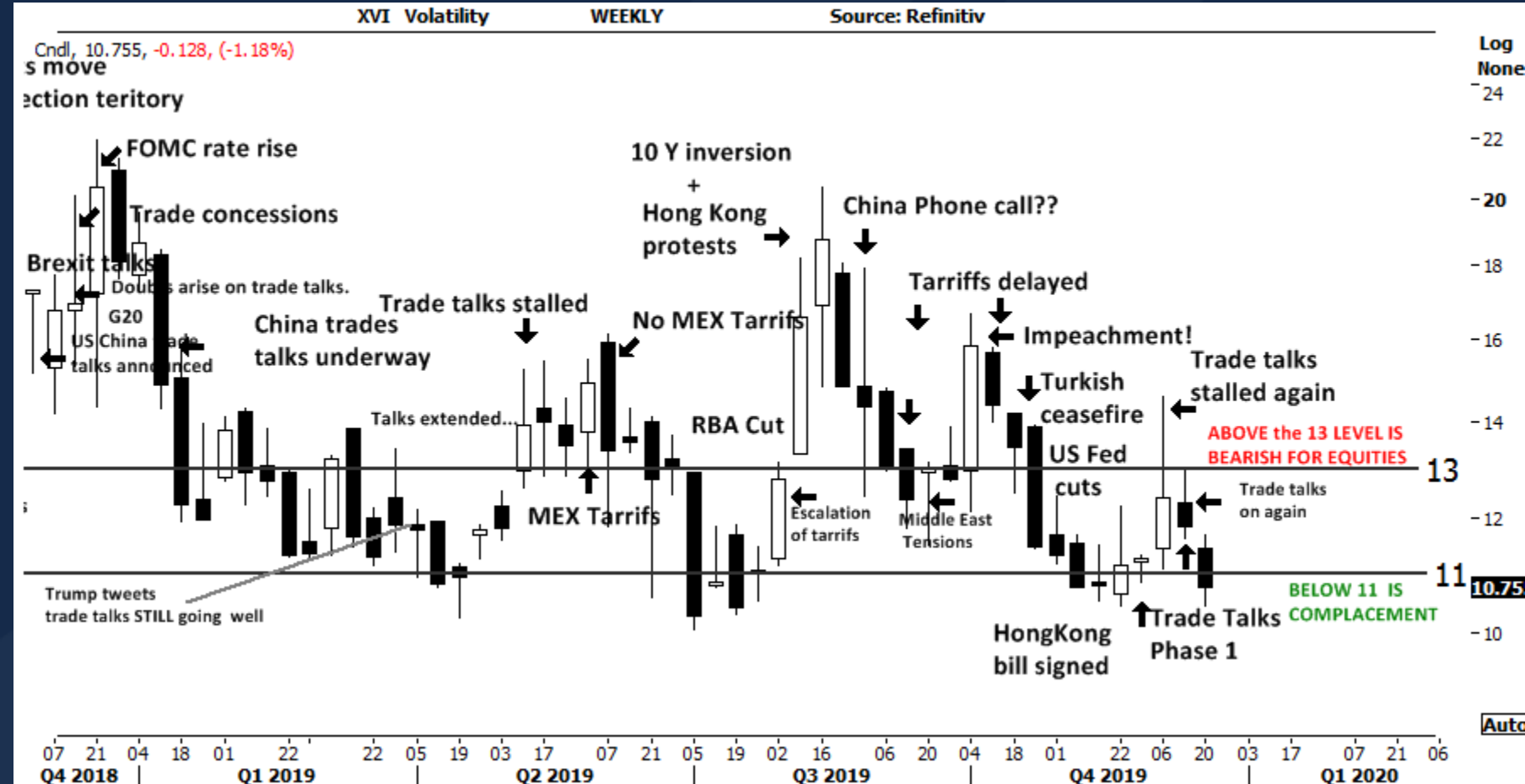
This news driven indicator is reflecting an decrease in risk and uncertainty in markets going forward.

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

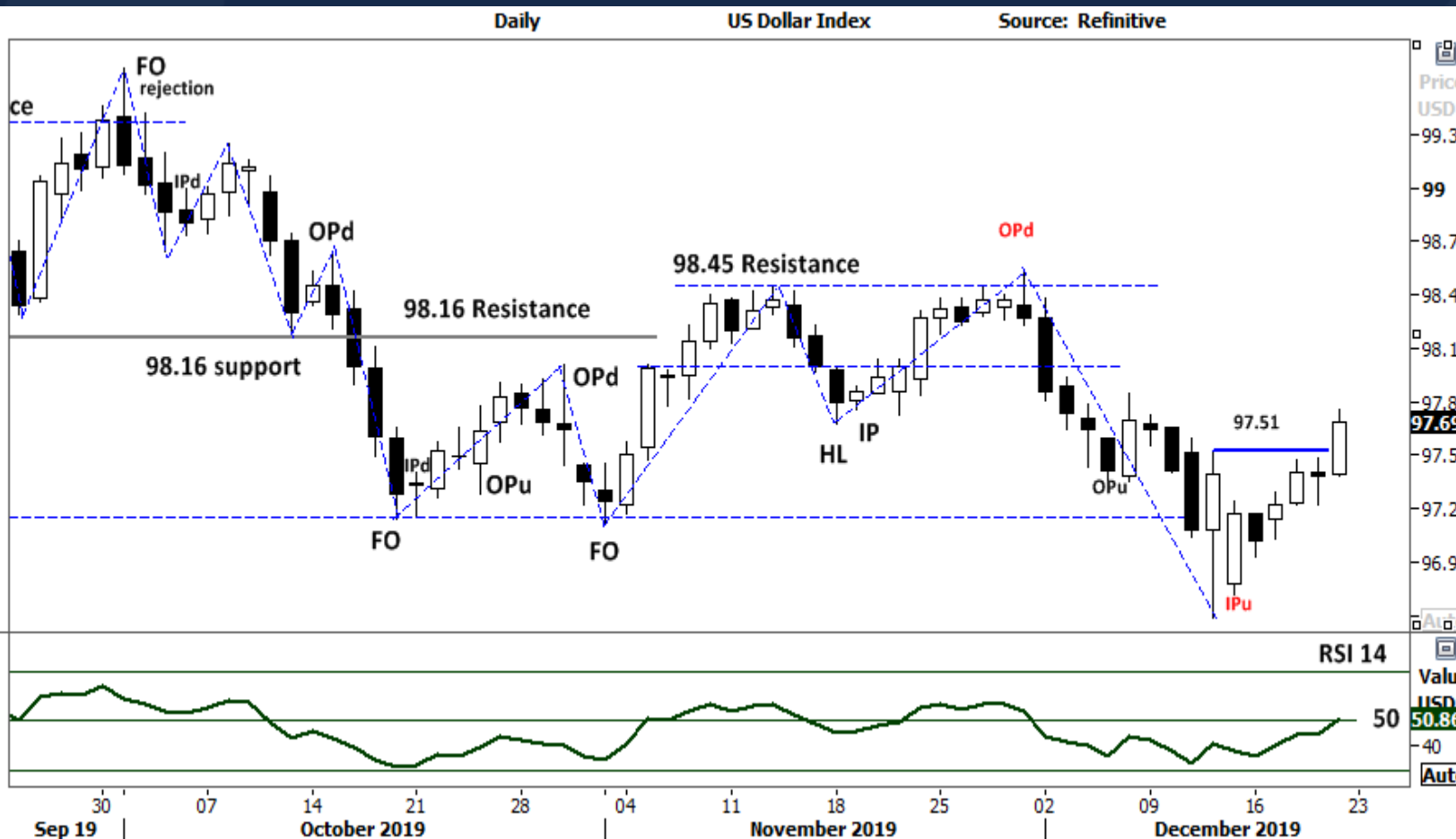
As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this “skew” in pricing is measured in this XVI.

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 inside range (IPu) has confirmed the low. The current breakout over 97.50 is a significant momentum move. The underlying PRIMARY trend remains benign and range bound.

Look for a retest of Major resistance at 98.45.

RSI turns higher crossing the “50” level a good indication increasing positive price momentum.

Comments last: The failed reversal at 97.2 support with the DXY setting a new low. A Daily down trend is now in place. Fridays inside range may provide a turning point as the close remained over the key 97.2 level. Traders would look for a close over 97.50 to remain bullish.

WTI Oil WEEKLY

The continued development of the bearish flag suggested a retest of the support level at \$50.60.

WTI has now completed the retest of the \$61.80 level. The current small range weeks do not suggest further gains over resistance.

WTI remains in the consolidation range of \$50.60 support to \$61.80 resistance.

The Relative Strength Indicator turns higher above the 50 level, a sign of increasing Upside momentum.

Comments from last week: Last Week posted a small rise as WTI approaches the key resistance level of \$61.80. This pattern now confirmed as a side by side or Horn reversal, a bullish continuation pattern.



The technical setups

Outside period

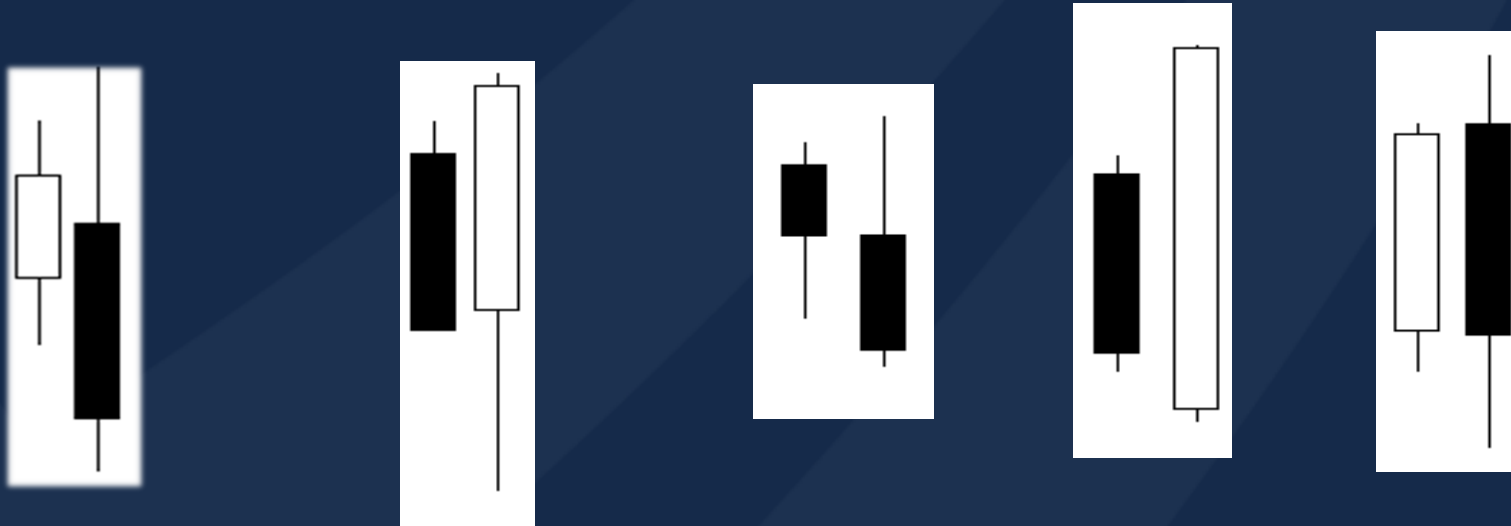
OPu and OPd

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

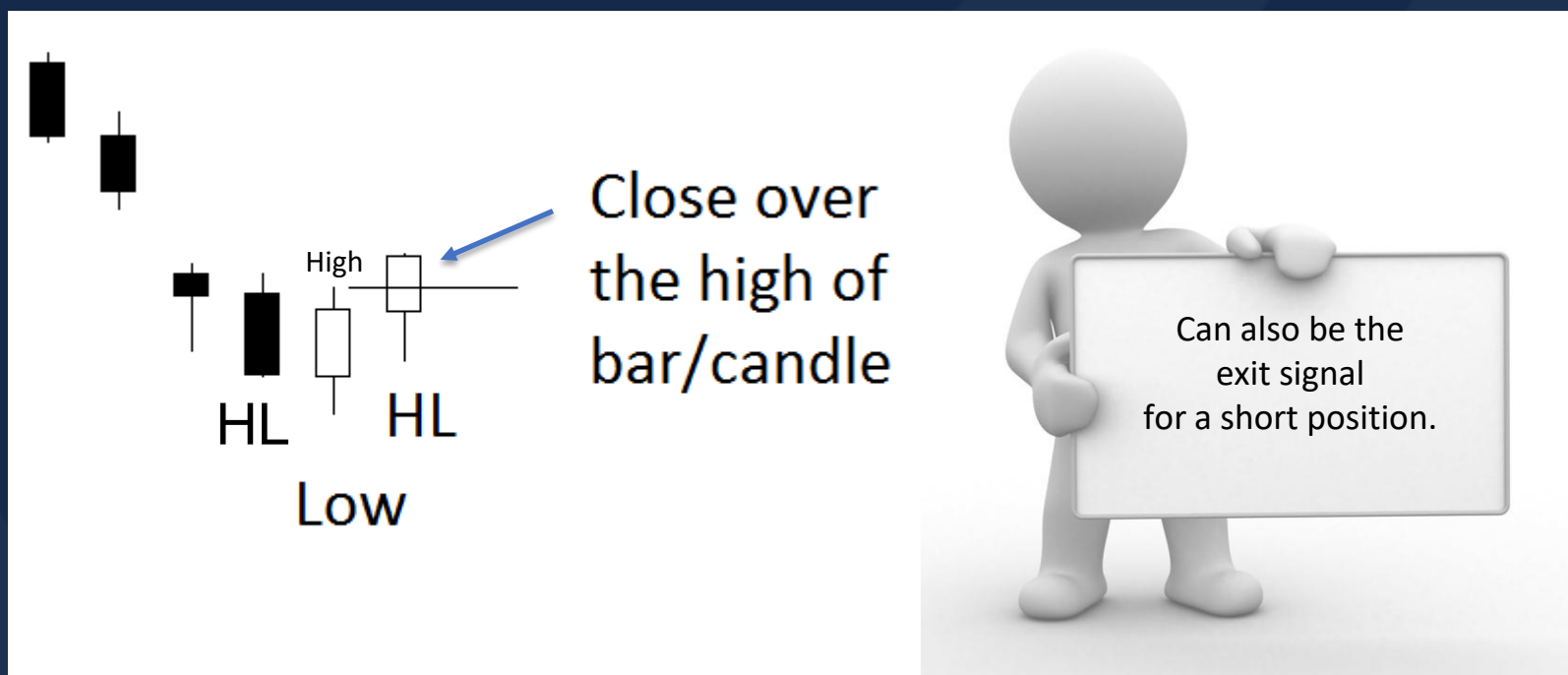
The outside period (OP) can mark a significant market turning point at or within 3 bars (93%).

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

The OP period comes in all shapes and sizes.

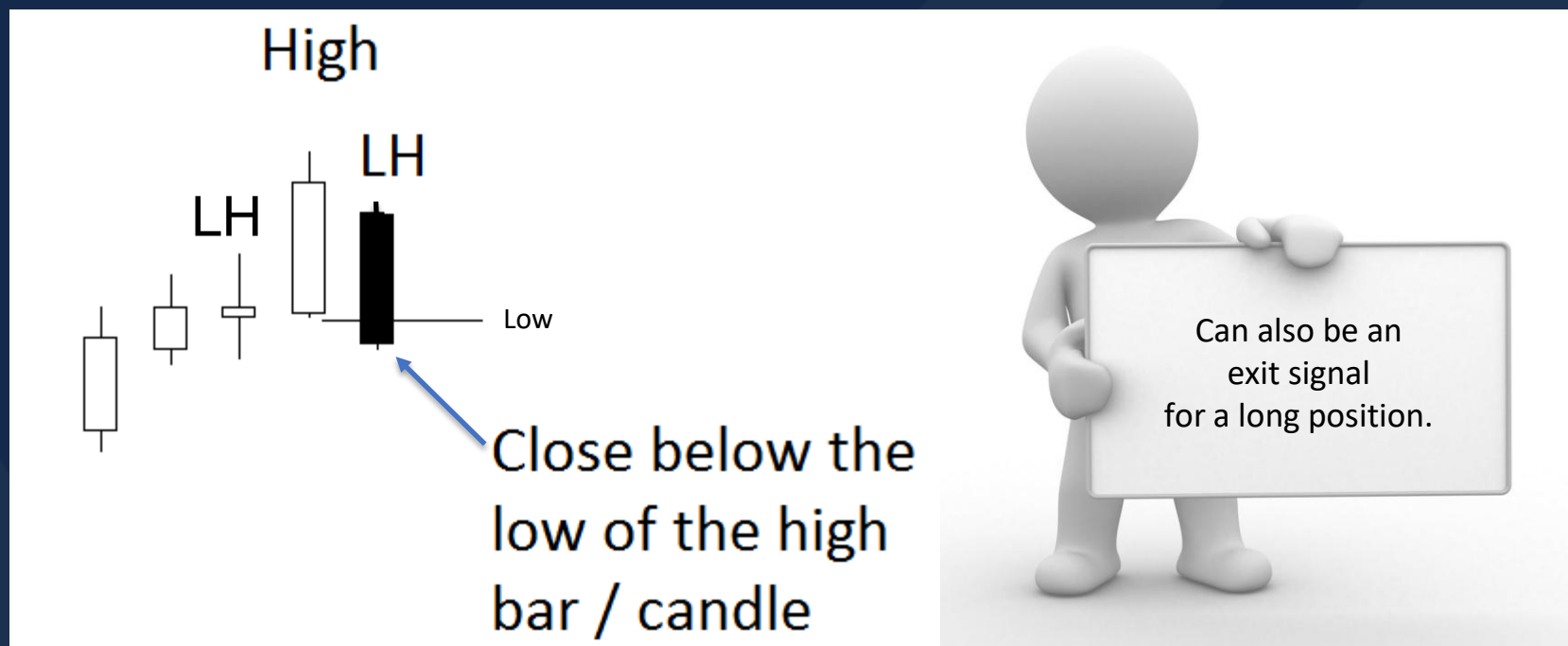


The technical setups. The Pivot point reversal



The technical setups

Pivot point reversal



The technical setups WEEKLY #3 reversal



When Line #3 is found at a **HIGH PRICE AREA** Long positions should be closed within a week.

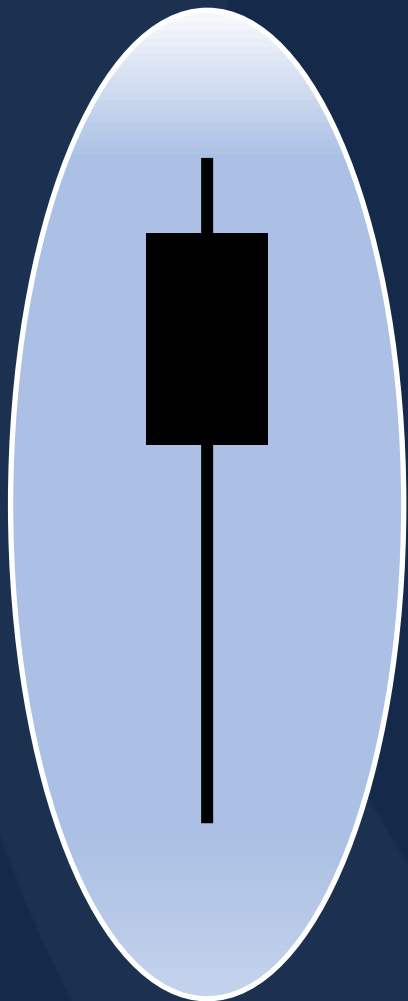
If the opening price of the following week is above the Midpoint selling is still indicated, **this often shows a high with 2 weeks warning.**

Short positions would be closed with a closing price above the high price.



The technical setups

WEEKLY #9 reversal



When Line number #9 appears, the body is above the Mid-point. With the closing price lower than the Open.

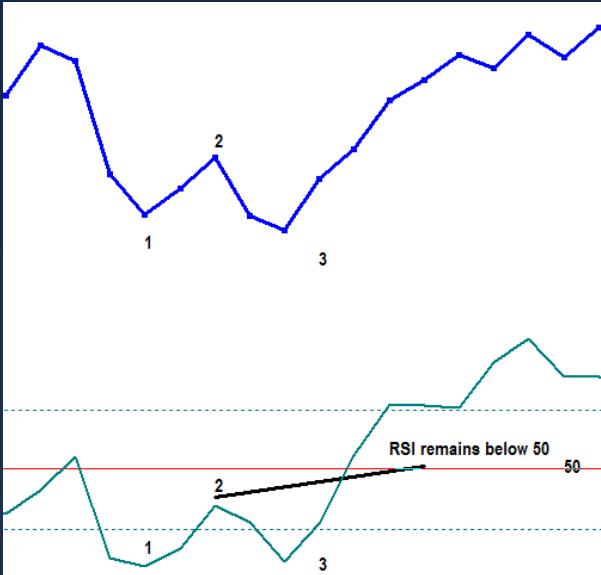
If this is a short line the trader should wait for the market to show direction.

Following Price movements can “engulf” this short movement.



THE TECHNICAL SETUPS

Relative Strength



Relative Strength Indicator

SWING BUY SIGNAL.

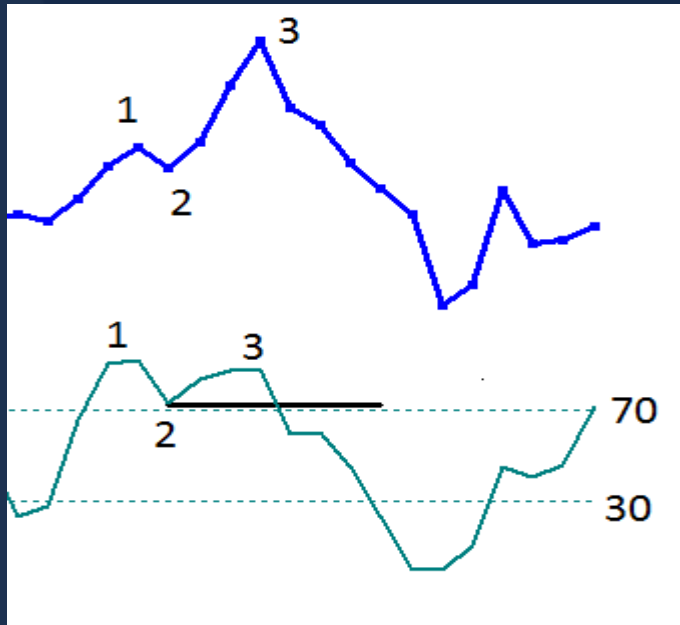
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- 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" **

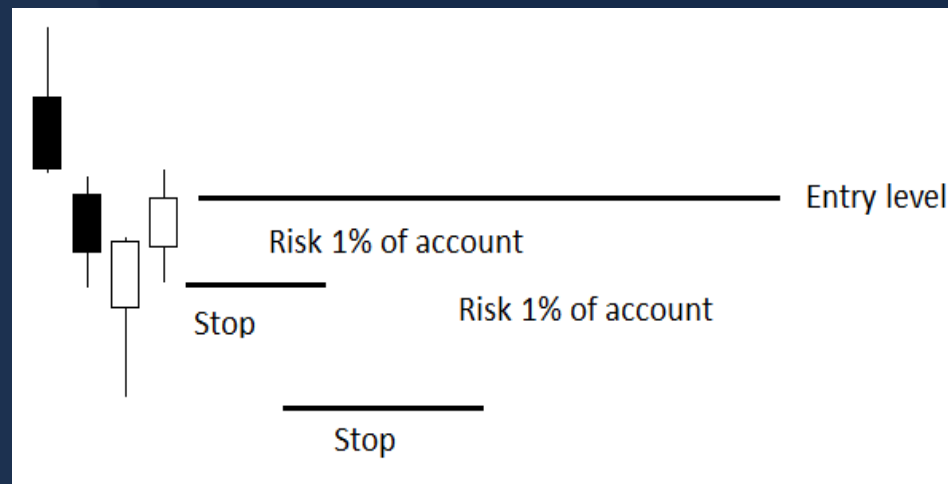
Swing failure is identified with the break of point 2 on RSI

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.



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