



**IN BLACK AND WHITE**

**The Week Beginning  
29/07/2019**

**A market technician's view**

**FX  
INDICES  
EQUITIES**

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## **SUMMARY**

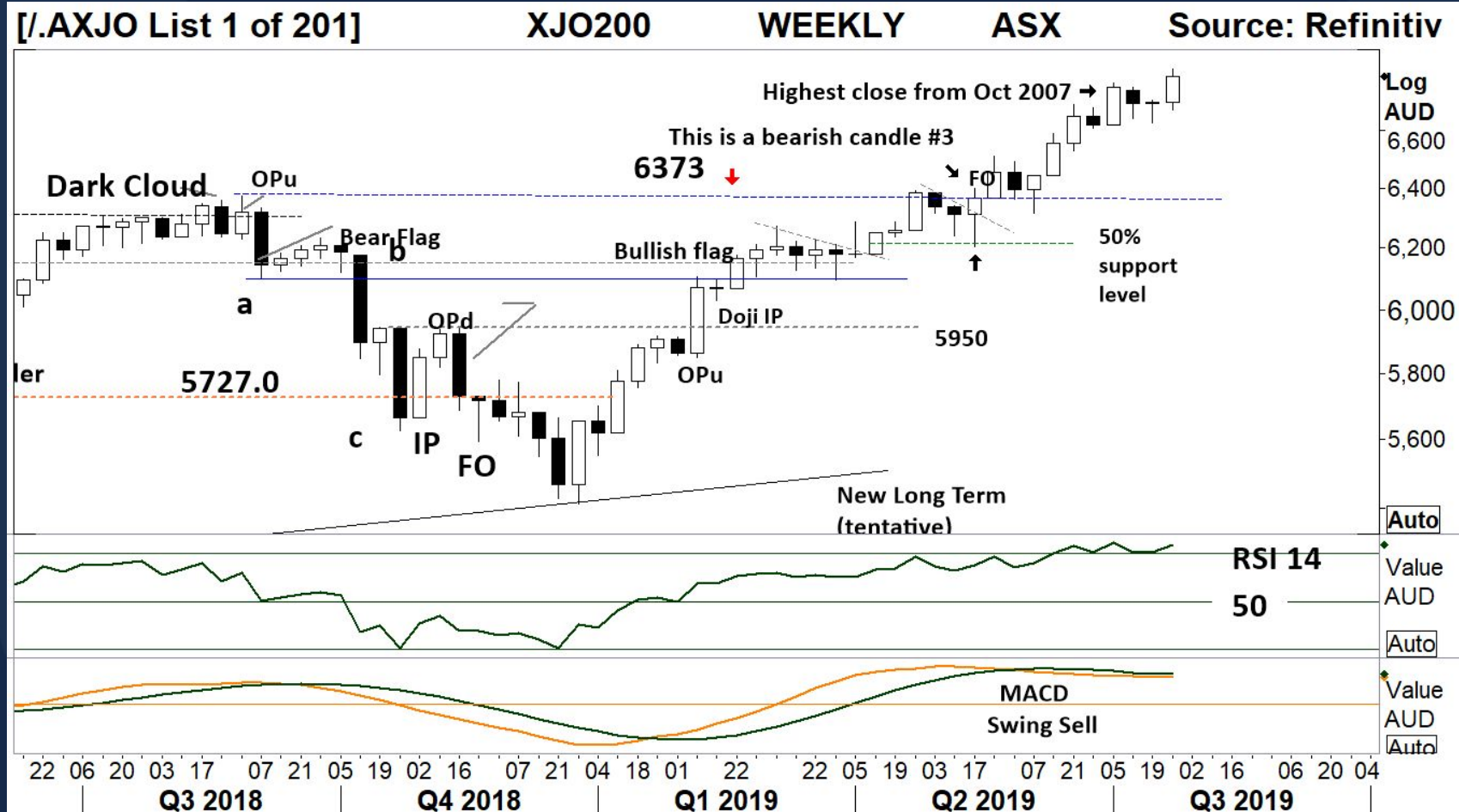
US and Australian markets continue to remain very bullish in this Cyclical Bull market.

US earnings season remains positive with the large Tech's, Google, Amazon and Facebook beating expectations.

Gold and Silver continue to consolidate, both have lost the Bullish view and remain balanced with a potential reversal.

US Volatility Index remains around 12 as does the Australian XVI at 11 = (Complacent)

# Australian 200 index - Weekly



The XJO has pushed to new breakout highs, primary trend remains up in the Cyclical Bull market.

Last week's strong range can be viewed as a continuation week.

A weekly close below 6600 would be a bearish signal.

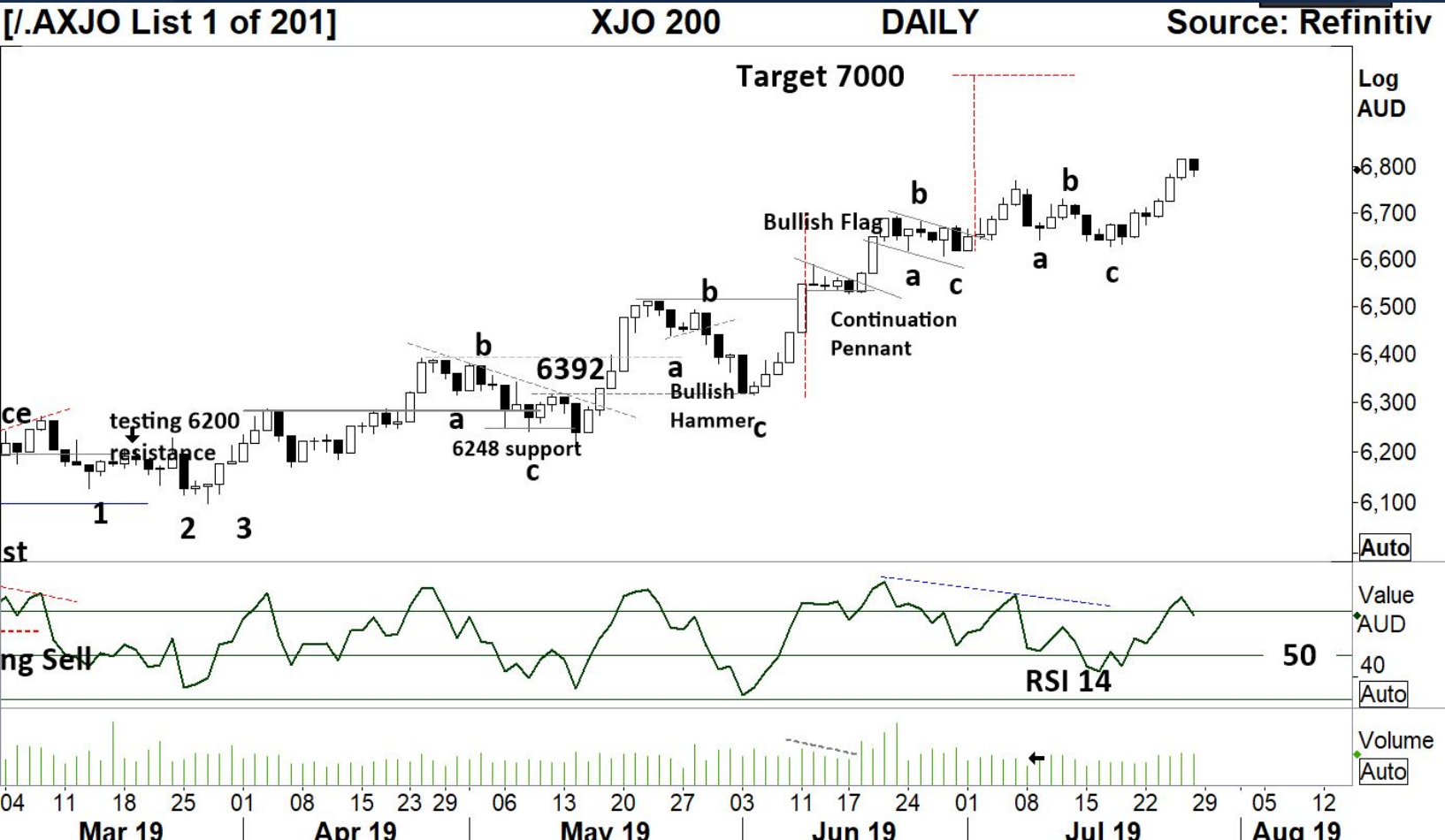
Relative Strength has turned higher, and remains at an extreme level over 70.

The MACD has remained as a sell signal.

## Comments from last week:

The weekly range shows further consolidation inside the breakout range. Traders would continue to monitor a reversal on possible profit taking.

# Australian 200 index - Daily



New daily highs with an expectation of continuation, 7000 remains the price target in this Primary UP trend.

Relative Strength has swung over the 70 level. A good short term bullish sign.

Trading Volumes have increased at this breakout point a good sign of accumulation.

Comments from last week:

The daily chart now displays a bullish a,b,c retracement as the Relative Strength turns higher on Fridays strong day. Continuation higher is required immediately for this chart to remain bullish.

# S&P 500 Index – Weekly

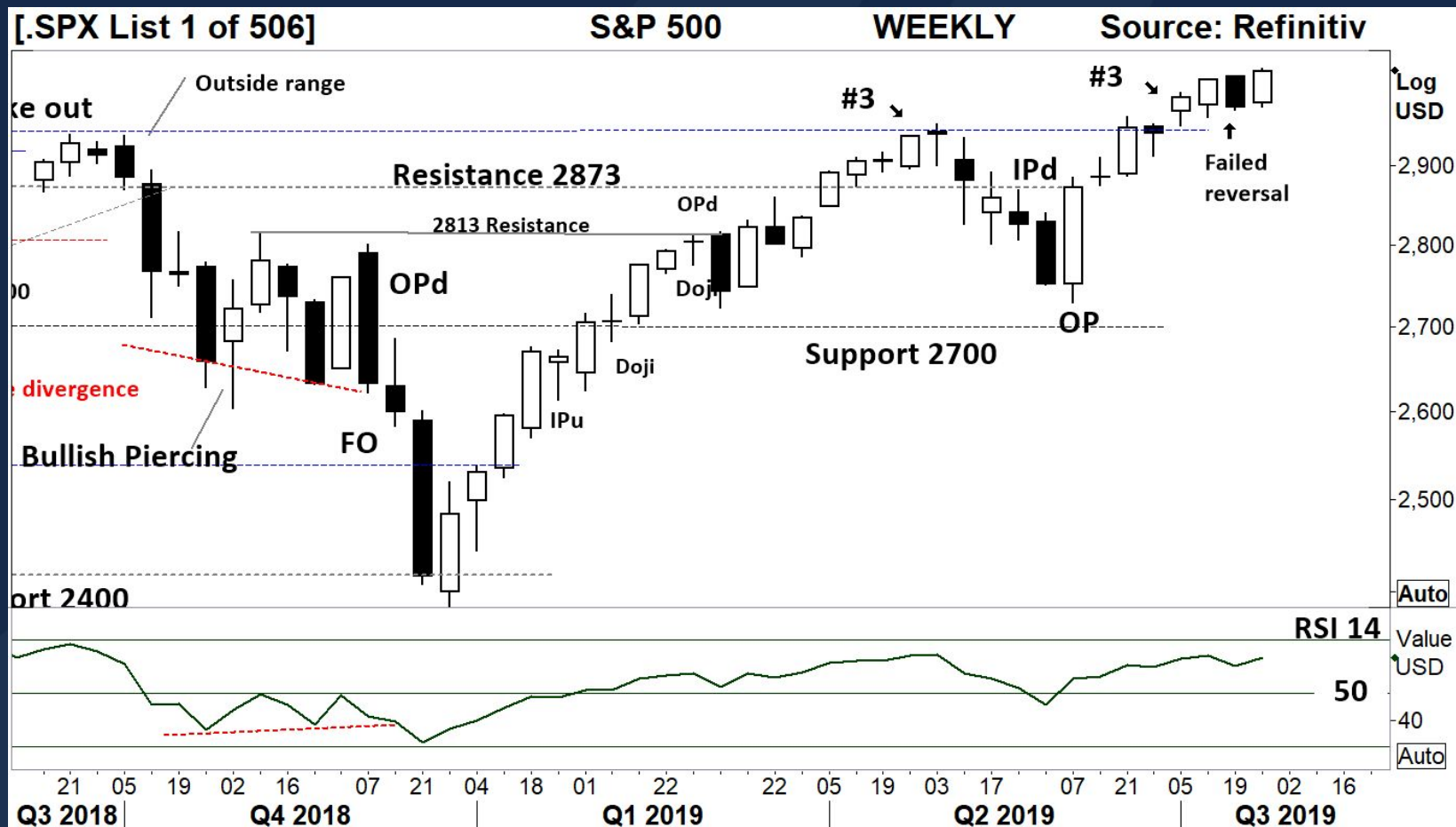
With the potential reversal of 2 weeks ago now negated the Weekly view is for further gains in this Cyclical bull market.

A Primary UP trend remains in place.

RSI remains above the 50 level and now turning higher a positive sign for further price momentum.

## Comments from last week:

The #3 type candle can take up to 2 weeks to play out. Here we have in place the reversal week. The potential here is for a retest of the Q3 2018 and Q2 2019 highs.





# S&P 500 Index - Daily

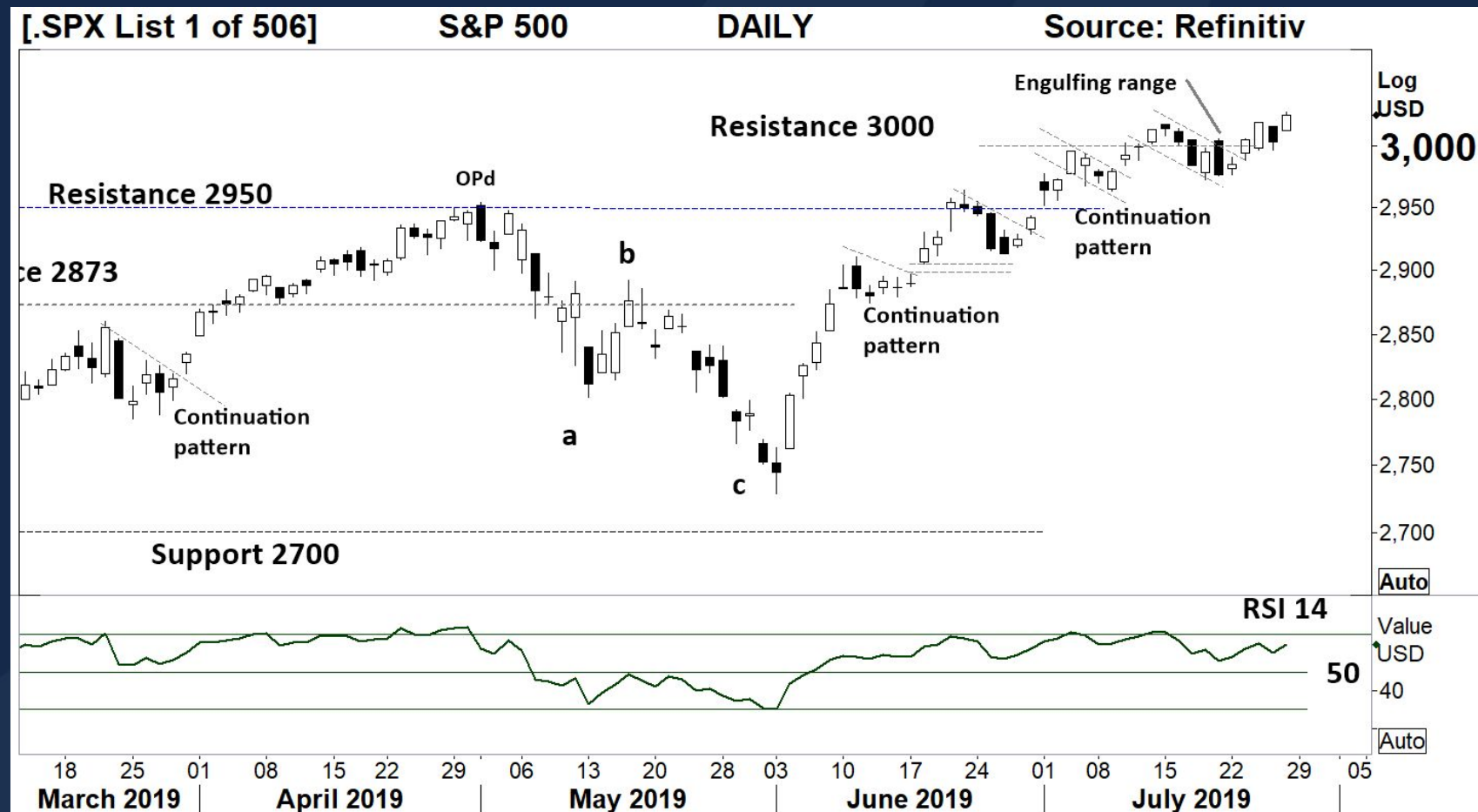
Continuing closing days above 3000 points shows strong support for the markets at these levels.

The high close of Friday is a good sign for continuation.

Relative Strength has turned higher and is required to make new highs over the 70 level to avoid a bearish divergence signal.

## Comments from last week:

Friday saw a significant reversal sign in the S&P 500. This close under 3000 should be viewed as a bearish sign in the coming days.





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

Last week's inside period a sign of consolidation has closed towards the high with momentum

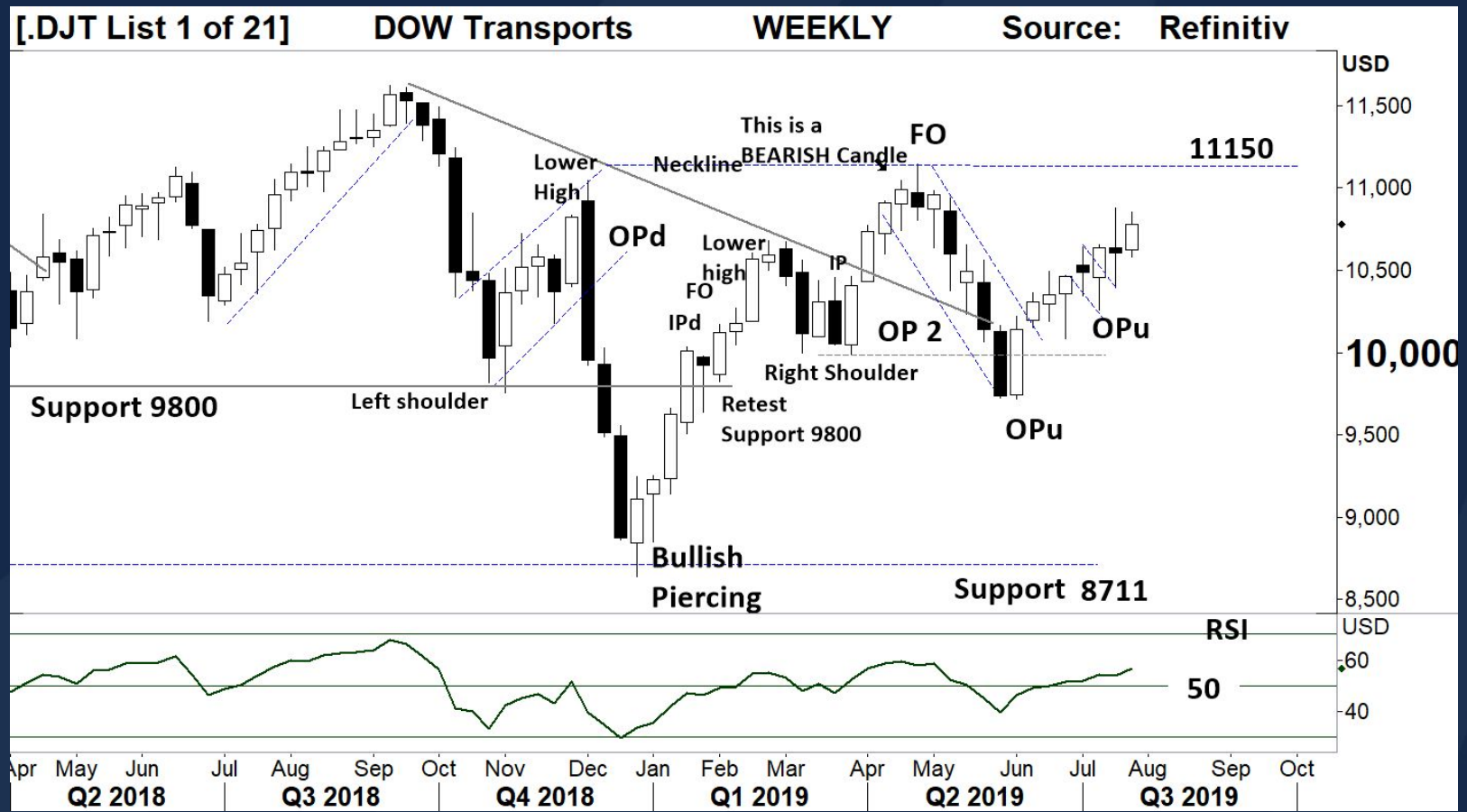
11,150 remains resistance to be monitored in the coming week on any higher price movements.

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

Relative Strength has moved higher and now remains above the 50 level and shows positive momentum.

Comments from last week:

A narrow open / close week shows lack of direction. Price consolidation seems imminent in the coming weeks.



# GOLD Weekly

An inside week following the 3<sup>rd</sup> 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.

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:

The Bullish Flag breakout to new highs has set a FO reversal suggesting further consolidation in the coming weeks.



# Gold Daily

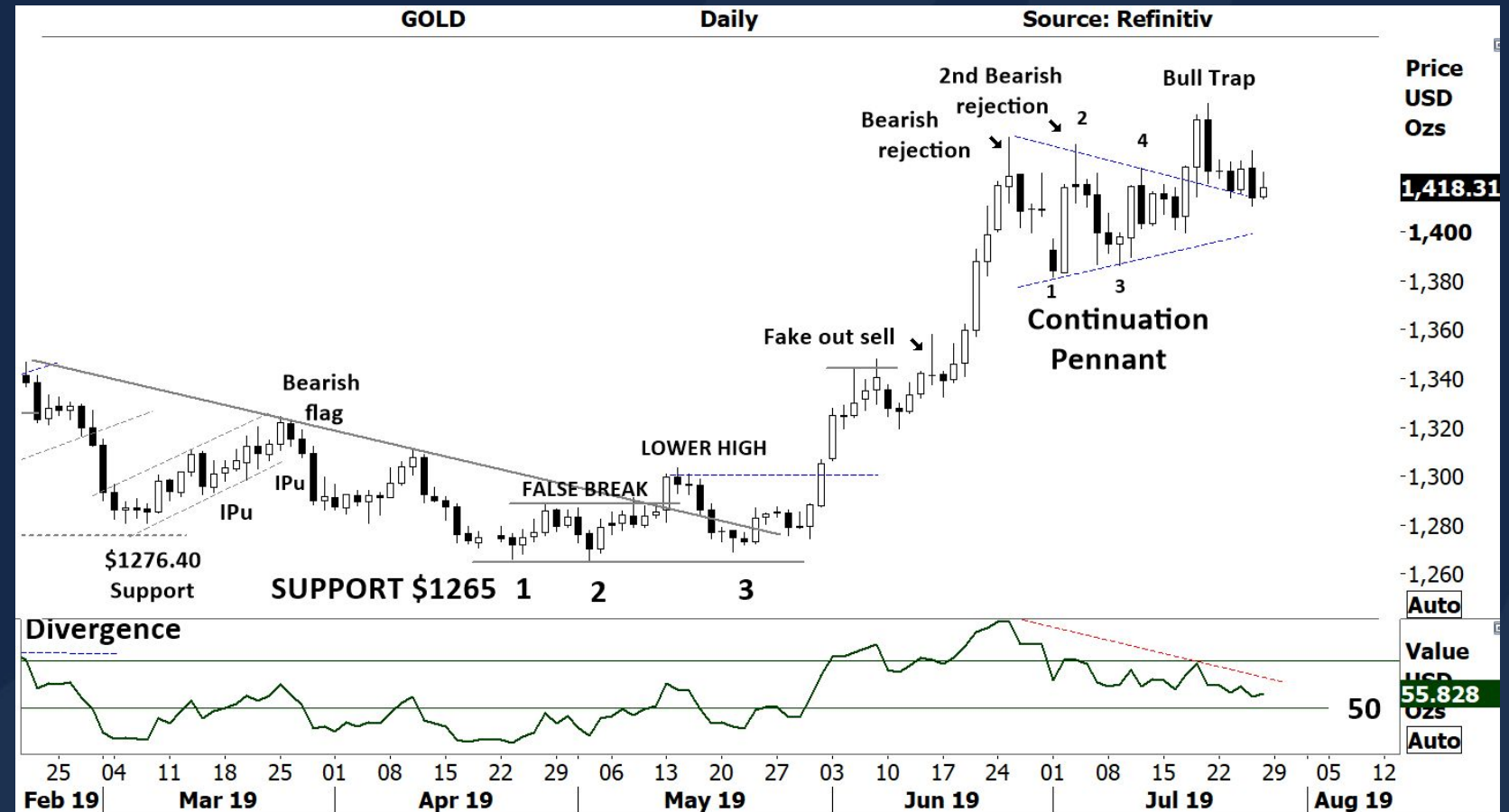
The breakout has turned to a “Bull trap” with immediate reversal, testing the pattern line. This is not a bullish pattern and will require significant buying to stop a potential reversal.

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:

Friday saw a short term price retest of a volatile breakout over #4, the continuation pennant remains in place.



# SILVER Daily

XAG enters a consolidation pattern this week, with a extended momentum move completed the risk of reversal to test support at \$16.21 is in play.

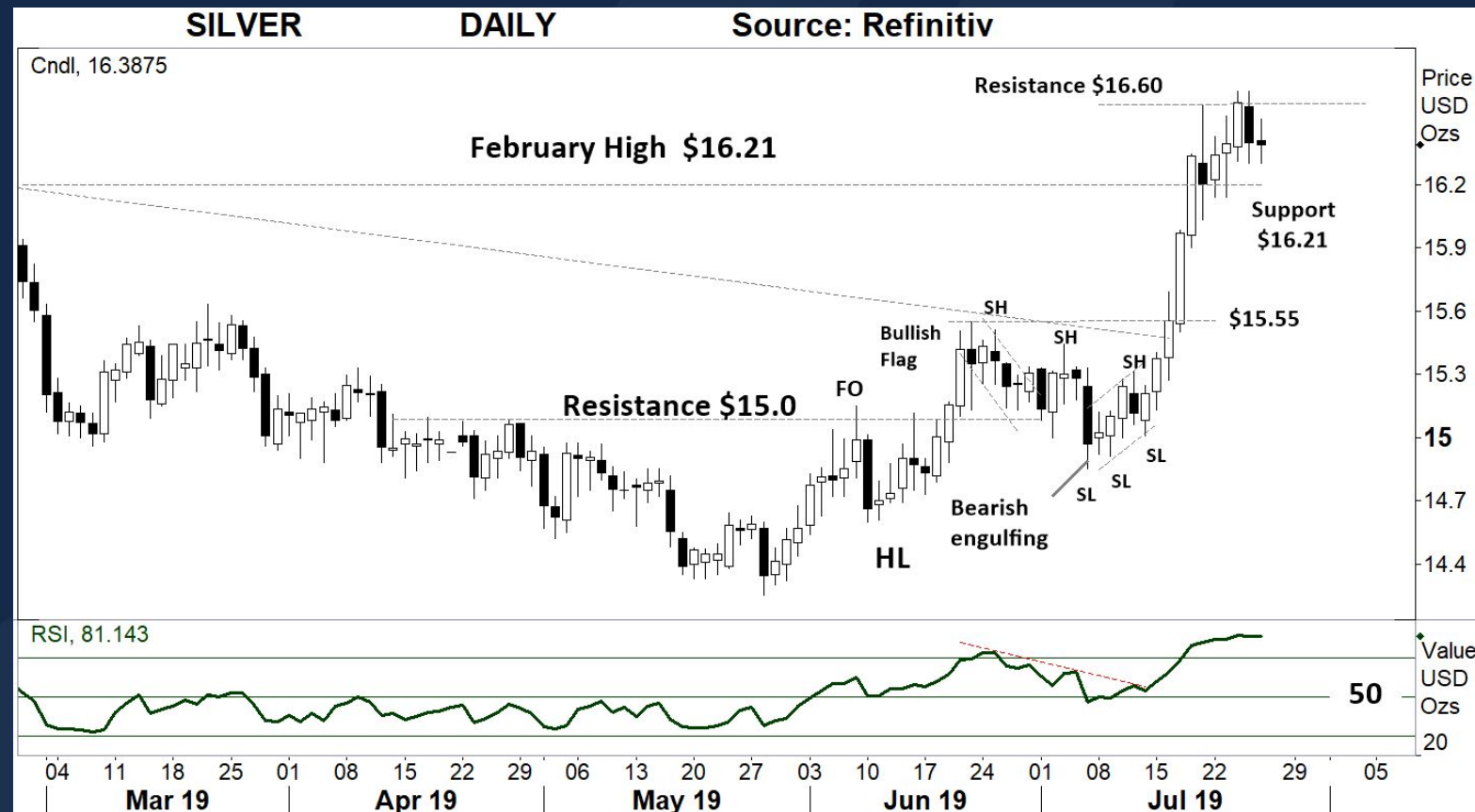
Further closes below this support level may see the original breakout tested at \$15.55.

Relative Strength is over the 70 level indicating strong price momentum. This is at risk of reversal.

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

## Comments from last week:

Last week saw XAG Silver take out the February 2019 high, a very bullish sign for further gains. Silver has now entered a Primary UP trend.



# Australian Volatility Index

Current volatility levels, show a significant decline in Volatility into levels regarded as complacent of risk.

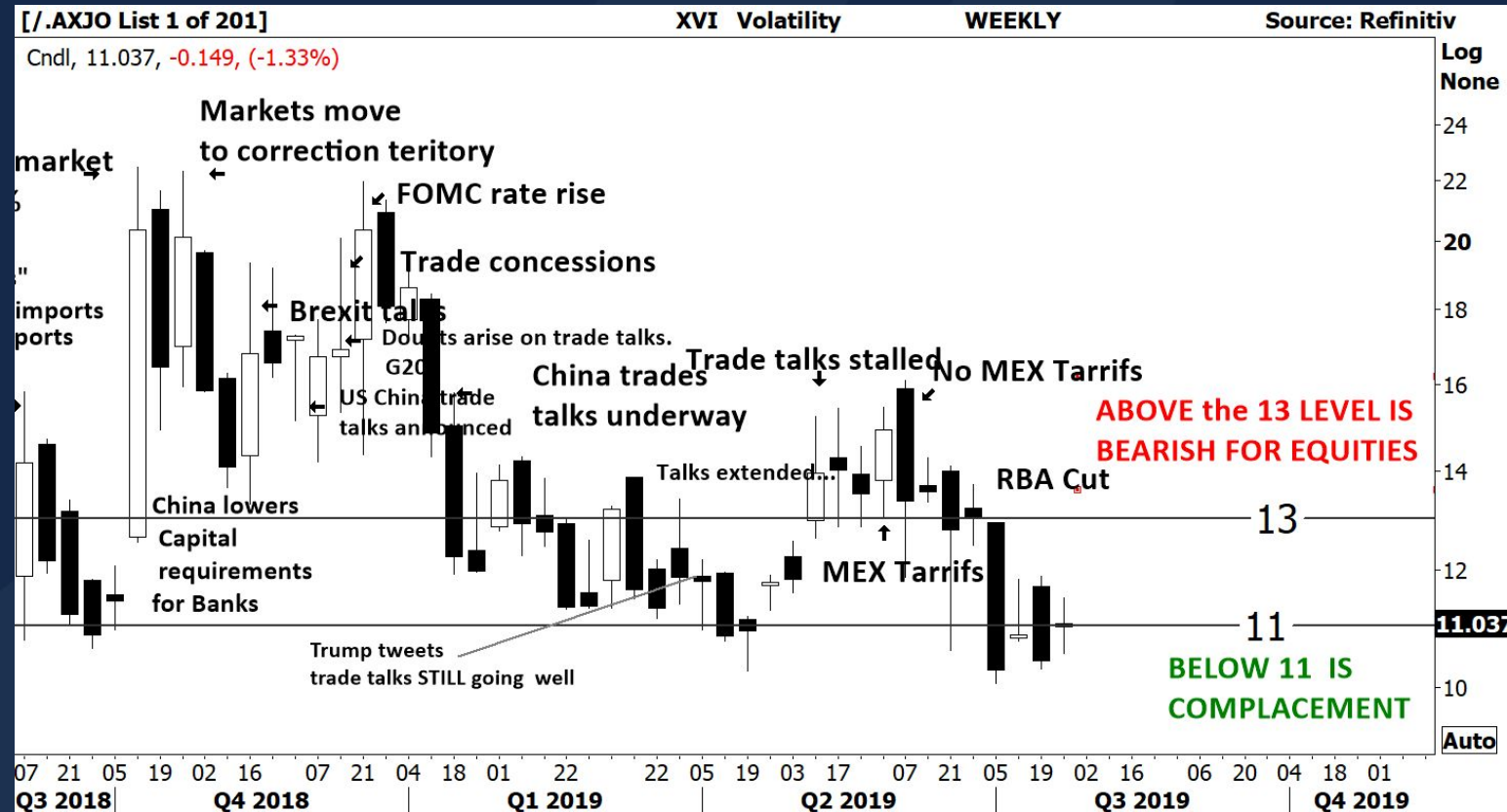
This bullish for equities.

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.

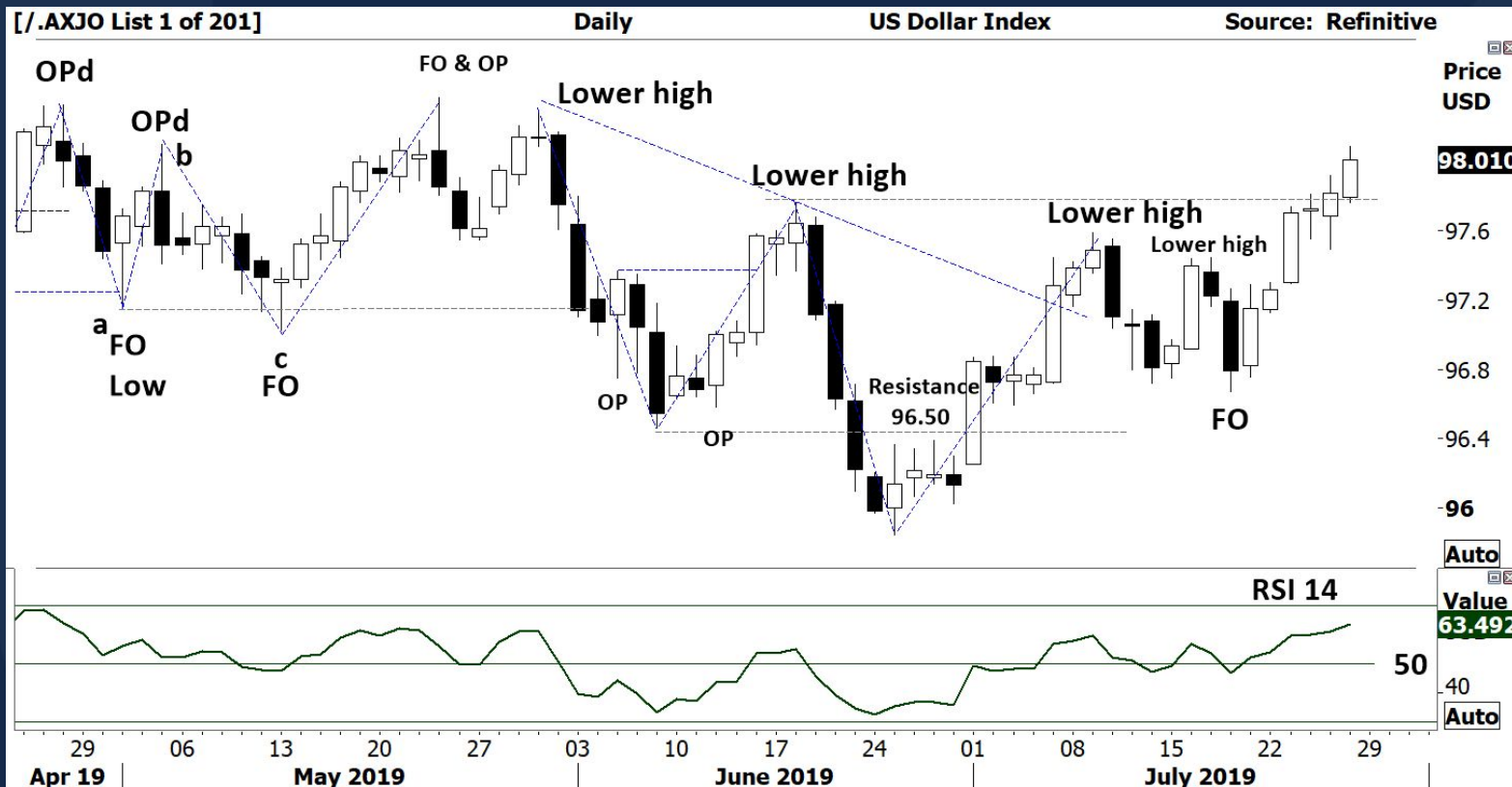
The XVI value works as an inverse observation to the underlying market.

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





# US Dollar Index - Daily



The DXY has posted a breakout reversal from the FO bar pivot reversal.

The downtrend is negated with a break of the July 8<sup>th</sup> highs.

A good sign for further gains.

RSI swings back above the key 50 level as price turns higher.

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

## Comments last week.

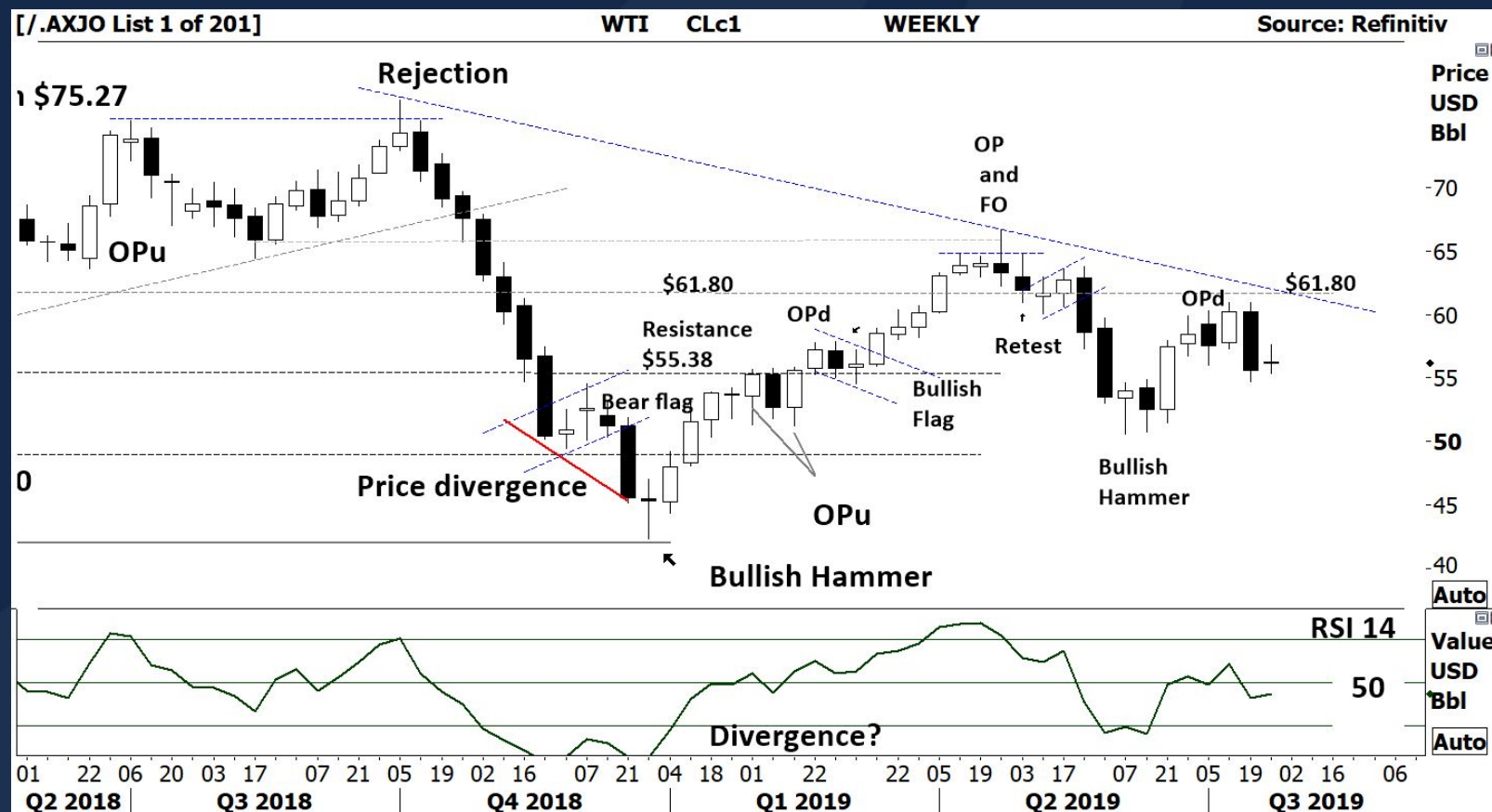
The DXY now remains in a **primary downtrend** and price remains weak with a lower high set again last week as Thursday's lower close / also a FO bar has set a pivot reversal.

# 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 week's 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

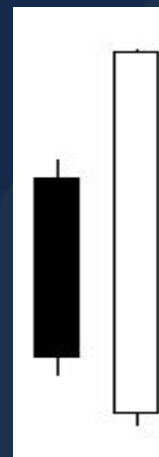
### OPu and OPd

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

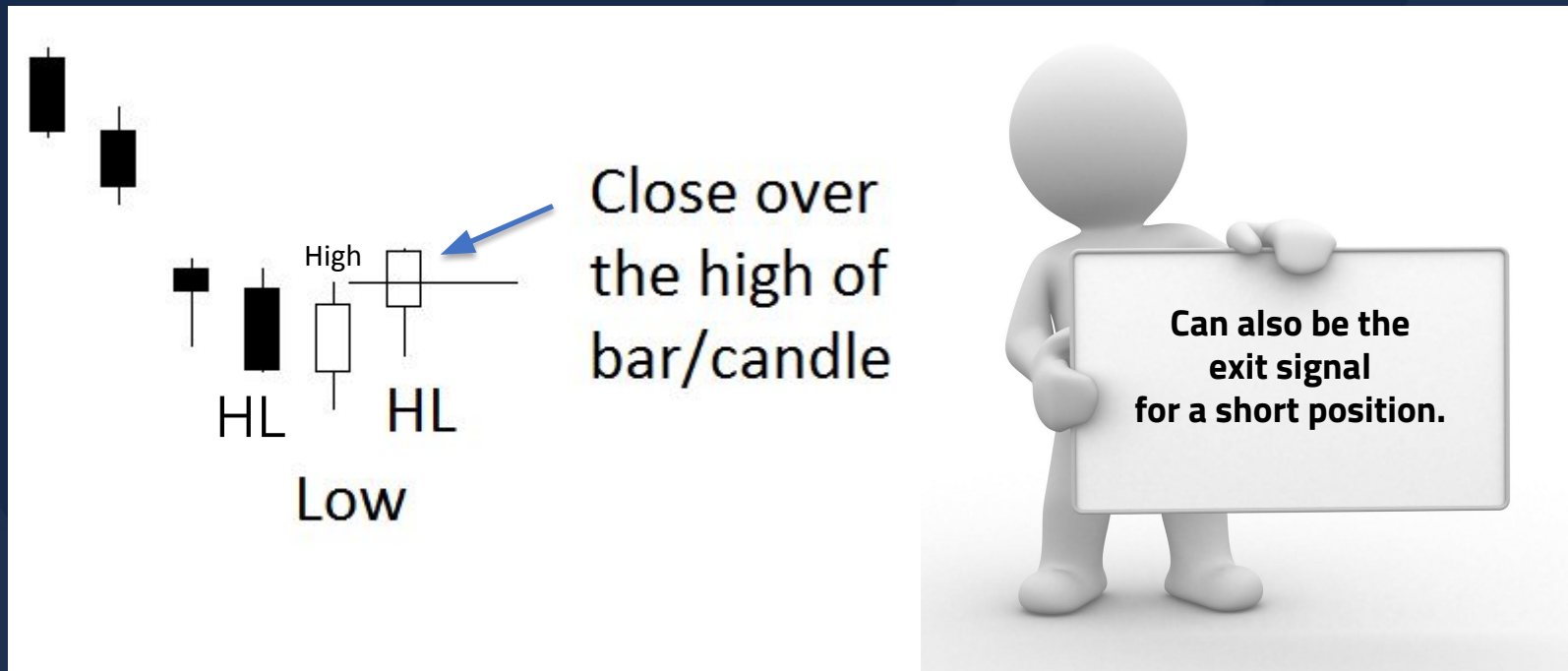
The outside period can mark a significant market turning point at or within 3 bars ( 93%).

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



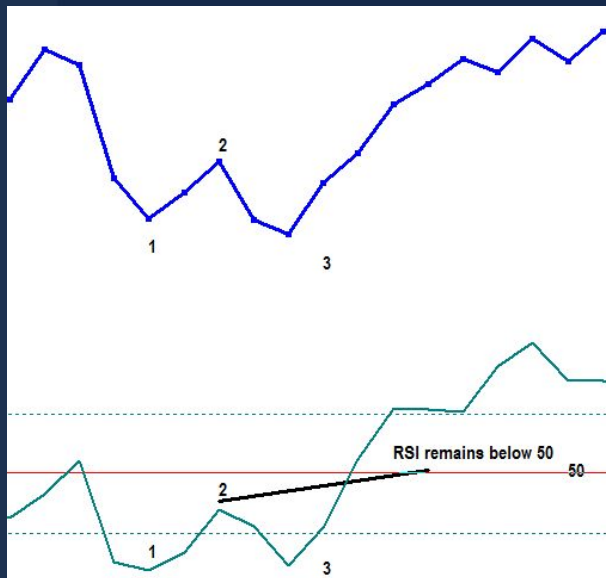
# The technical setups

## Pivot point reversal



# THE TECHNICAL SETUPS

## Relative Strength



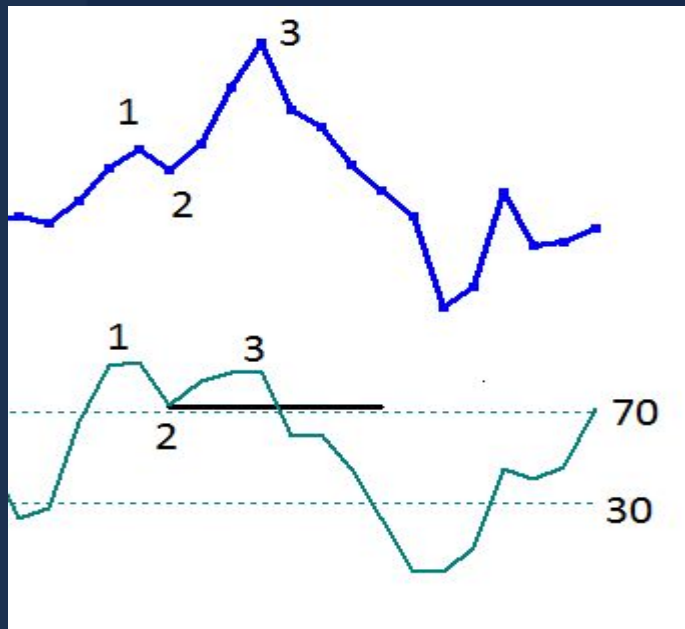
### Relative Strength Indicator

#### SWING BUY SIGNAL.

- The market makes a low, (1)
  - The market closes higher, (2)
  - The 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.  | 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.

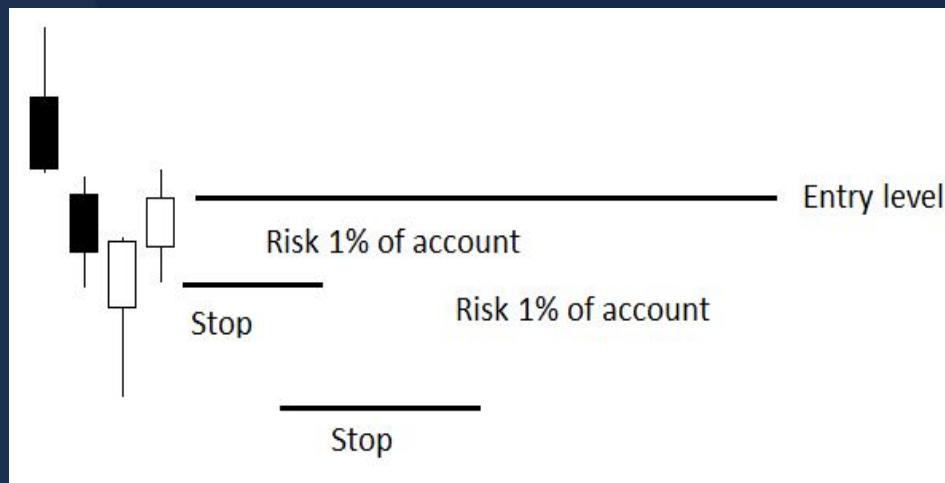
# Position size and management guidelines

## 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.



**Comments and Feedback:**

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**THANK YOU**