



IN BLACK AND WHITE

25/01/2019

A market technician's view

**FX
INDICES
EQUITIES**

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Australian 200 index - Weekly



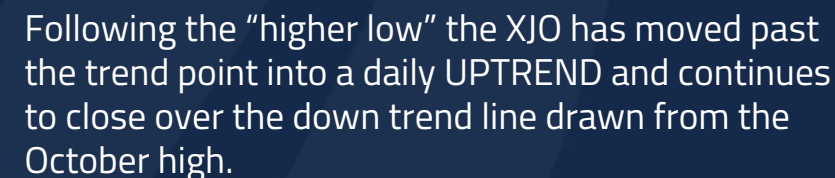
Short weekly view

Last weeks continuation move above 5727 is an important win for the bullish view. Resistance at 5950 will be significant in the coming weeks. The XJO remains in a **primary** down trend as this Bear market rally takes place.

Relative Strength has reached the "50" level, a good sign of further price momentum towards the next resistance of 5950 points.

Comments from last week:

This week's continuation move above 5727 is an important win for the bullish view. Resistance at 5950 will be significant in the coming weeks.



Daily resistance is shown at 5950, remains.
The current bullish flag? has the potential to move
past overhead resistance at 5950.

Relative Strength Indicator turning higher at the "70" level is a very positive sign of strong price momentum.

Relative Strength has moved over, the "70" level indicating continuing strong positive momentum.

S&P 500 Index - Weekly

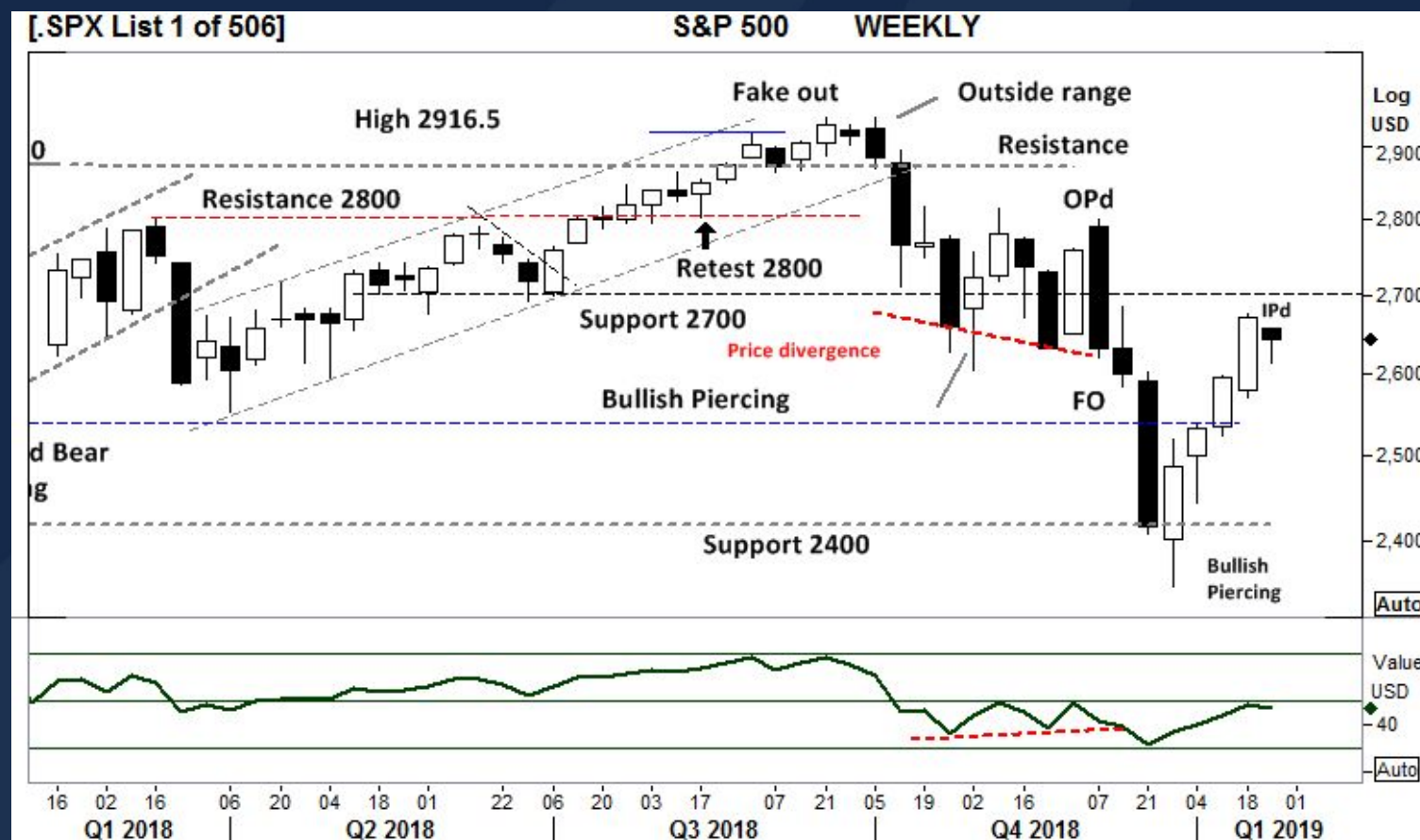
Short weekly view.

A characteristic of a true BEAR MARKET - short, sharp price rallies, in this case a Christmas rally.

The S&P500 remains in a PRIMARY DOWN TREND. 2700 points remain the first significant resistance level.

Relative Strength remains below "50" and rolling lower, showing a loss of momentum as this Ipd consolidate price. And it should be noted the RSI has not crossed the key 50 level.

(Only a Presidential tweet could change the view.)



Comments from last week:

An important break above 2533, with the potential to retest 2700 points as a bear market rally takes place.

S&P 500 Index - Daily

A characteristic of a true BEAR MARKET - short, sharp price rallies.

With a potential Bullish flag forming a retest of 2584 would be very positive going into February.

RSI has moved over and remains above the key "50" level. A short term bullish view remains with the RSI over this key level.

Comments from last week:

2584 has provided the new short term support point in this daily view.

A further successful retest of this level would be bullish going into the early months of 2019.



Transports Index

The DOW Transports remain in confirmation with the other indices of a BEAR MARKET remaining. This week and next, support at 9800 is to hold before any bullish view can be held.

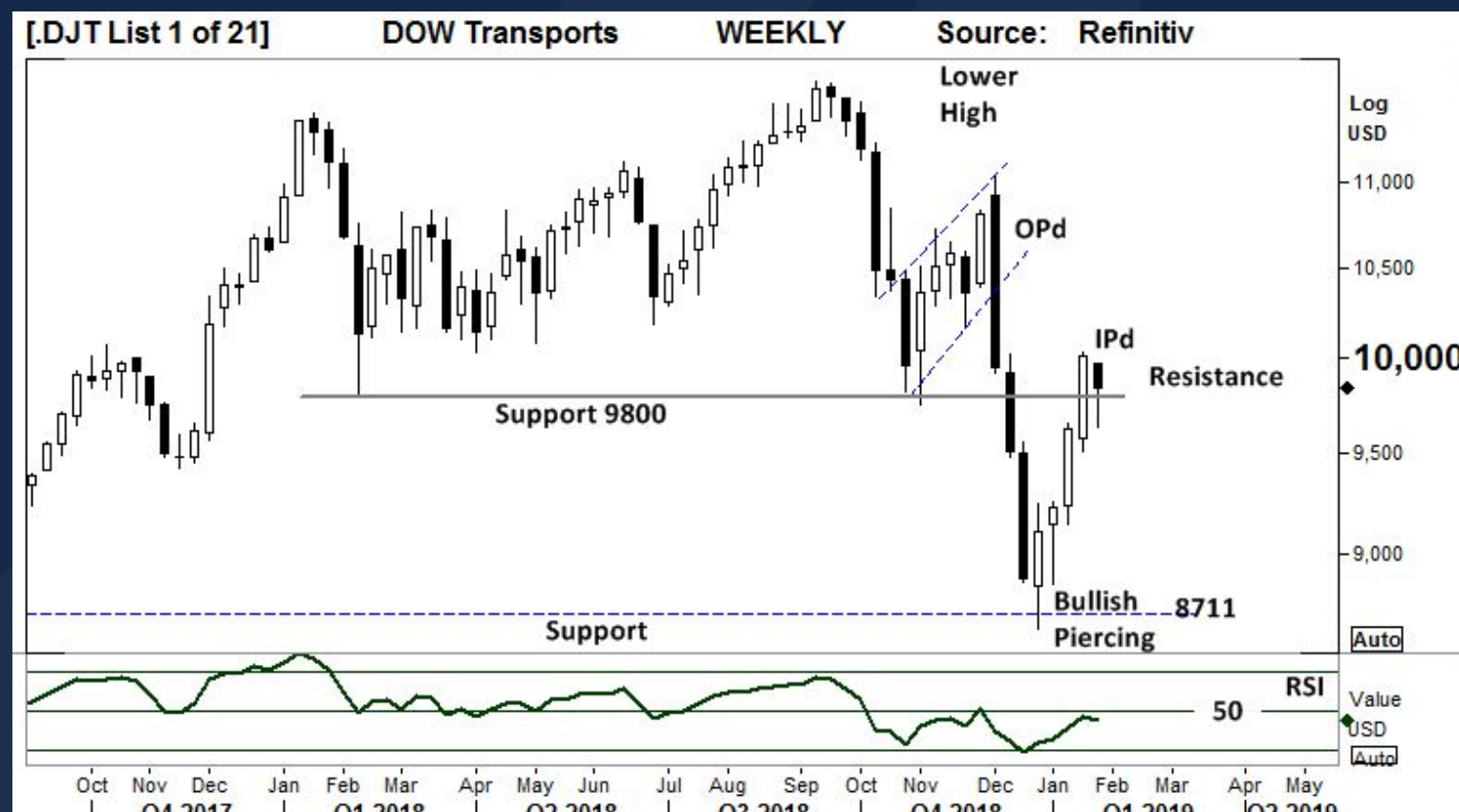
The Relative Strength Indicator continues below the key 50 level, and rolling lower.

The further potential for a significant move lower remains with a closing price breaking below 8711.

To create a strong bullish view RSI requires over 50 and the market is required to close over 9800 points.

Comments from last week:

9800 is now the key level being tested, in the coming weeks a close over this level would be a very positive sign of further gains, and the bullish signal to indicate the market is changing from a bear market to a bullish re-establishment of the primary UP trend.



FTSE 100 Index - Weekly

FTSE 100 weekly: [Short weekly view.](#)

The retest of 7100 has failed with a Dark Cloud reversal in place.

The FTSE remains in a bear market with this current "lower high" in place.

The Relative Strength Indicator 14 has remained below the "50" level, showing negative price momentum and continues lower with a break of the "30" level possible on further price weakness.

Comments from last week:

The FTSE 100 has put in a pivot bar reversal 2 weeks ago with a follow through and potential retest of 7100 levels.



GOLD Weekly

Short weekly view.

Gold remains in a PRIMARY UP TREND.

On this weekly basis, resistance at \$1306 remains the current target price.

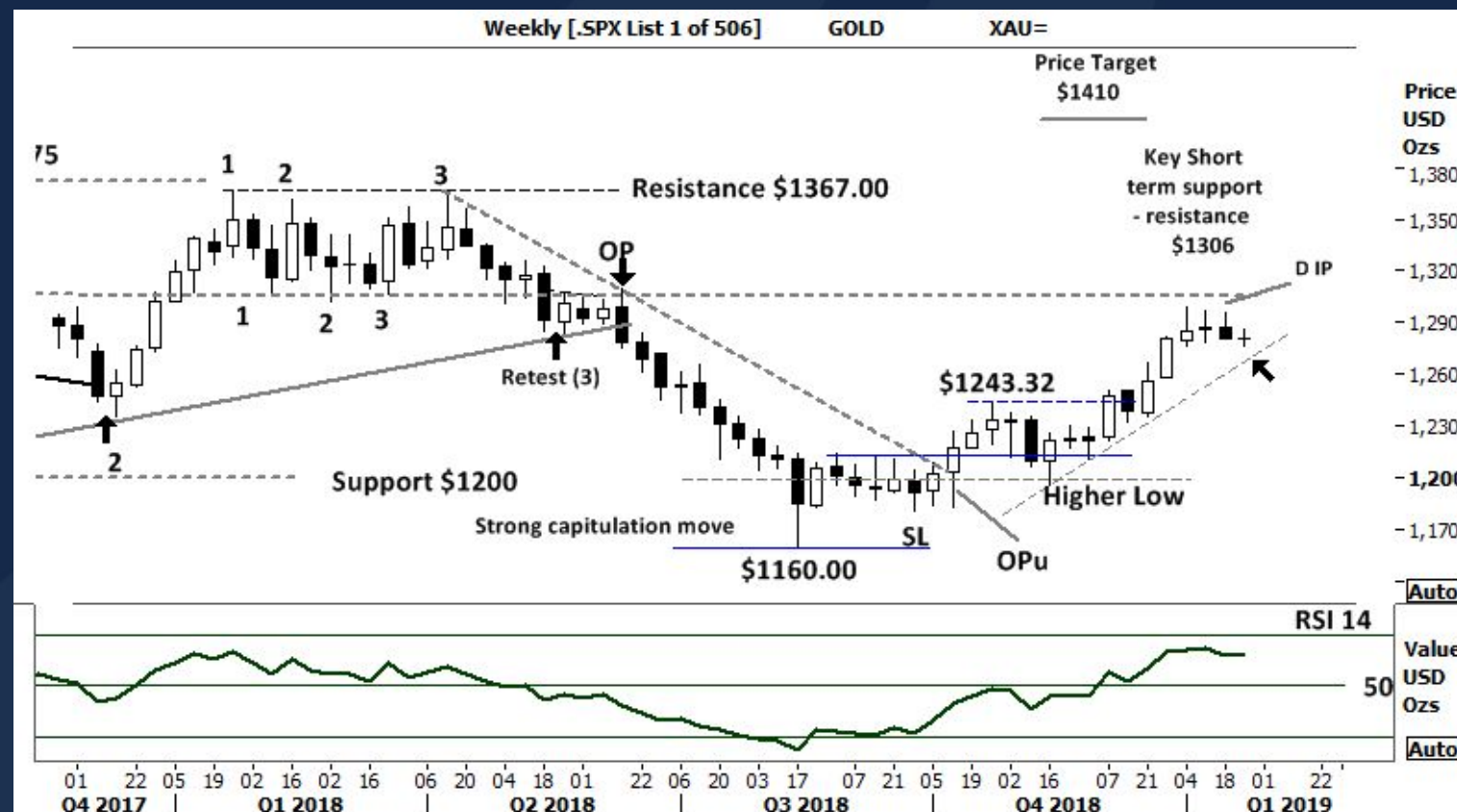
A retest of the short trend line is a probable outcome as further consolidation takes place.

Long term target of \$1410

RSI remains over the key "50" level.

Comments from last week:

This week has seen further consolidation with a second inside period (Double IP)



Gold Daily

The expectation of a breakout higher has moved from a "continuation pennant" to a broader consolidation channel.

Resistance at \$1298 (the OPd high) remains.
This week's FO fake out low at \$1276.31 is an important level to hold in the coming days.

Relative Strength (RSI) is moving lower consistent with this type of consolidation pattern.
(Relative strength is a momentum indicator.)

Current risk is a breakdown below the "50" level (loss of momentum) and a further price retest of \$1266.00.

Comments from last week:

A round number resistance at \$1300.00 is the current intraday resistance level.
Gold remains on track to retest \$1306.00.



Australian Volatility Index

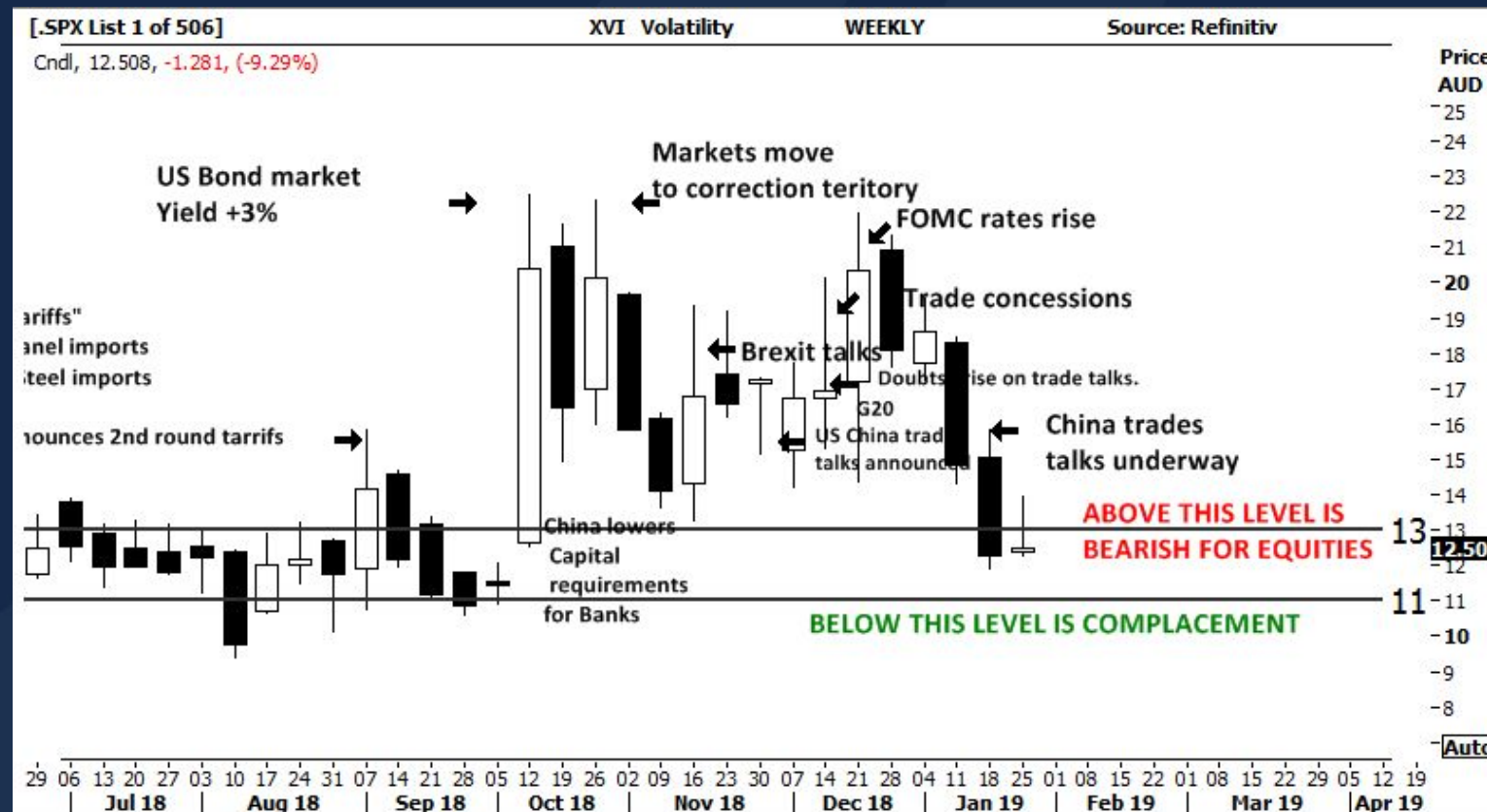
The Australian Market Volatility Indicator XVI.
The US rate rise, and bearish sentiment around global growth has kept the XVI over the key "13" level since September 2018.

The XVI (12.6) now moving back into the bullish zone underpins the current strength in the equities markets, as forward "pricing" of forward risk decreases..

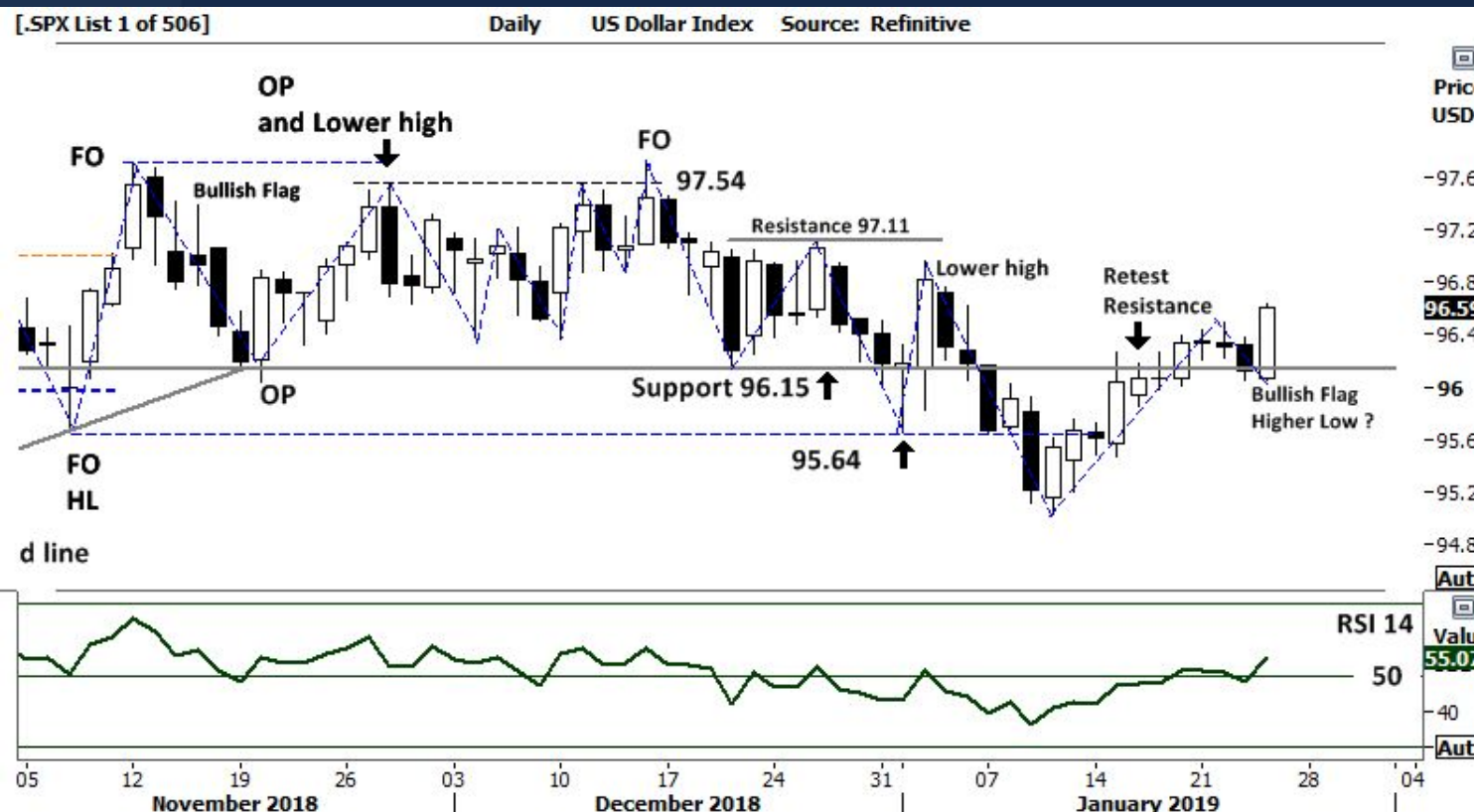
The XVI is the difference of 1 month forward pricing of ETO Options against current month. As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this "skew" is pricing is measured in this XVI.

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

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



US Dollar Index - Daily



US Dollar Index enters a daily UP trend.

This daily view of the DXY showed the rejection of 96.15 levels last week with a breakout retest forming a bullish flag and potential higher low. The Relative Strength Indicator has turned higher above the key "50" level showing an increase of positive price momentum.

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 vice versa.

Comments last week:

The retest and failure of 96.15 is complete with the breakdown below the 95.64 level now becoming a further short term resistance point.

WTI OIL WEEKLY

Weekly OIL

Short weekly view.

Oil moves from a **“corrective”** move with a closing price first below the 22nd June low of \$63.59 and the 17th August \$64.43 low, into a Primary down trend.

The current retest of \$55.38 resistance still underway will be an important milestone for the short term bullish view of Oil to remain in place.

Further to this view, a breakdown below \$42.00 (long position Stops) potentially sets at \$39.0 target.

The Relative Strength Indicator moving below the “30” level has offered a bullish divergence, however the failure of this momentum indicator to cross the “50” level is concerning.

Comments from last week.:

The current retest of \$55.38 resistance still underway will be an important milestone for the short term bullish view of Oil to remain in place.



The technical setups

Outside period

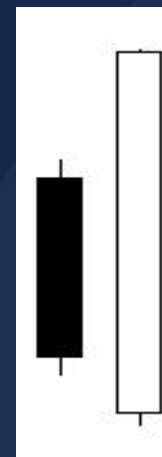
Opu and OPd

A price range larger than the previous range often indicates a market turning point. (Krastins research)

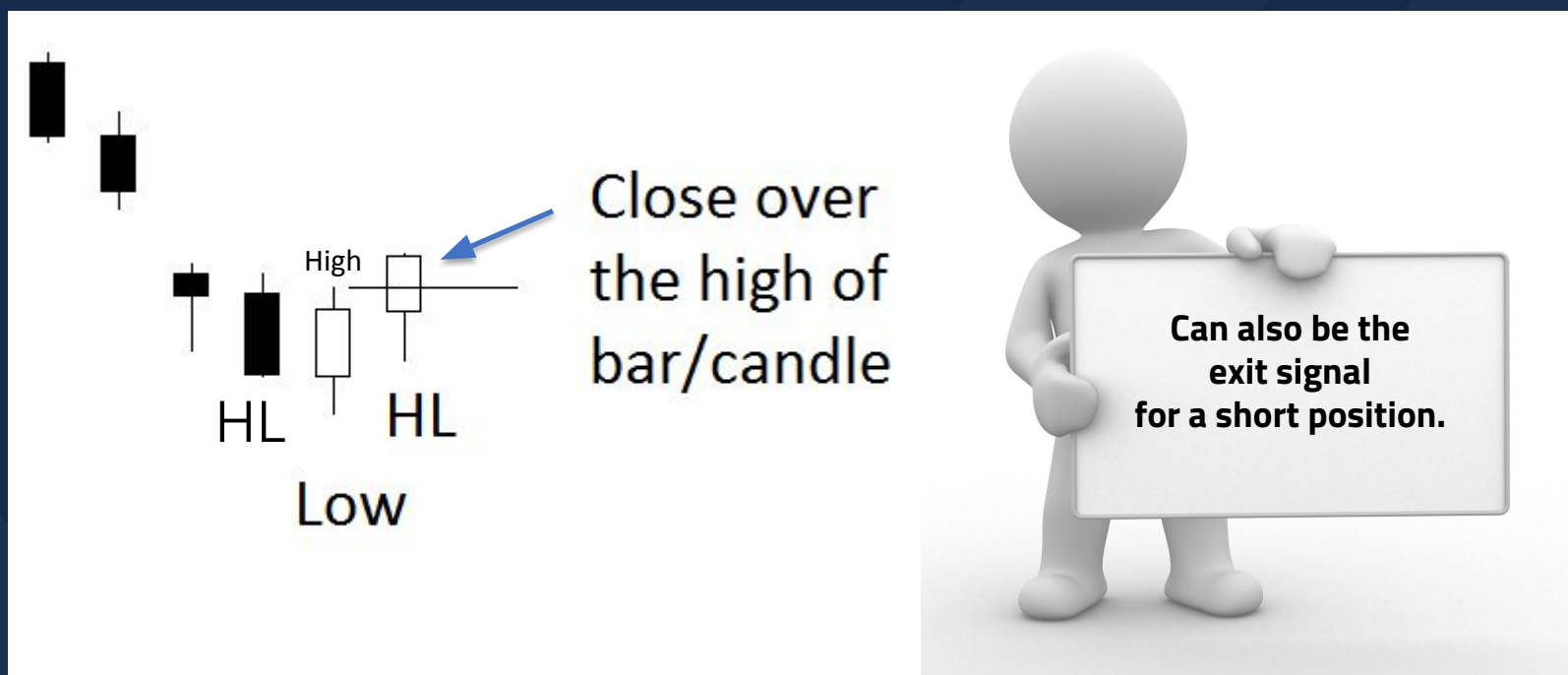
The outside period can mark a significant market turning point at or within 3 bars (93%).

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

The OP period comes in all shapes and sizes.



The technical setups. The Pivot point reversal



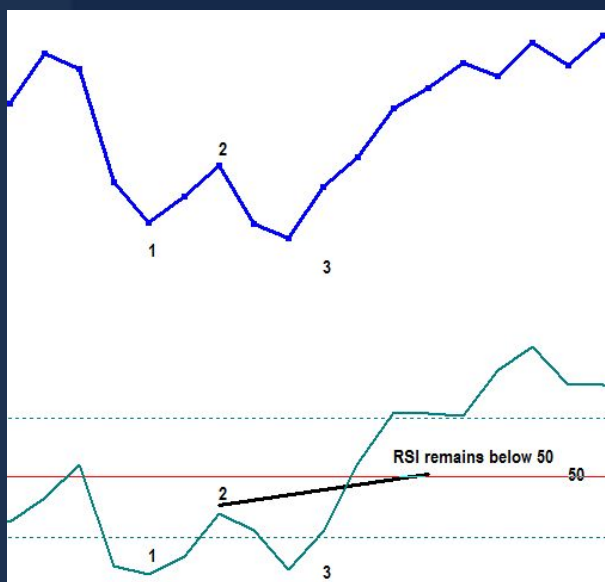
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



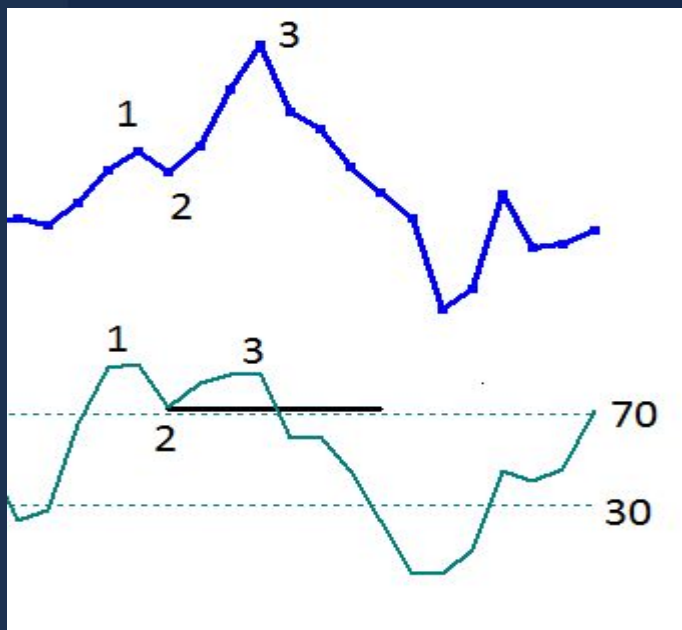
Relative Strength Indicator

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" **

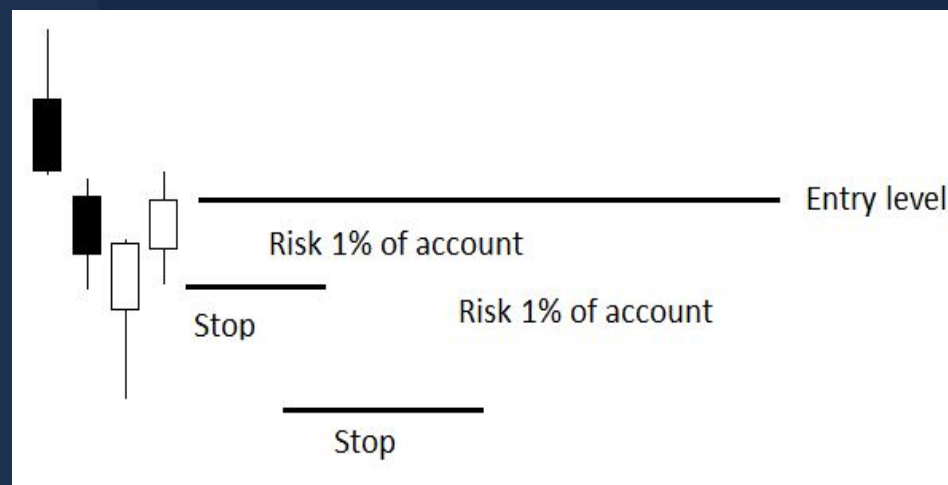
Swing failure is identified with the break off point 2 on RSI

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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