



IN BLACK AND WHITE

the week beginning  
**29/07/2019**

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](http://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-

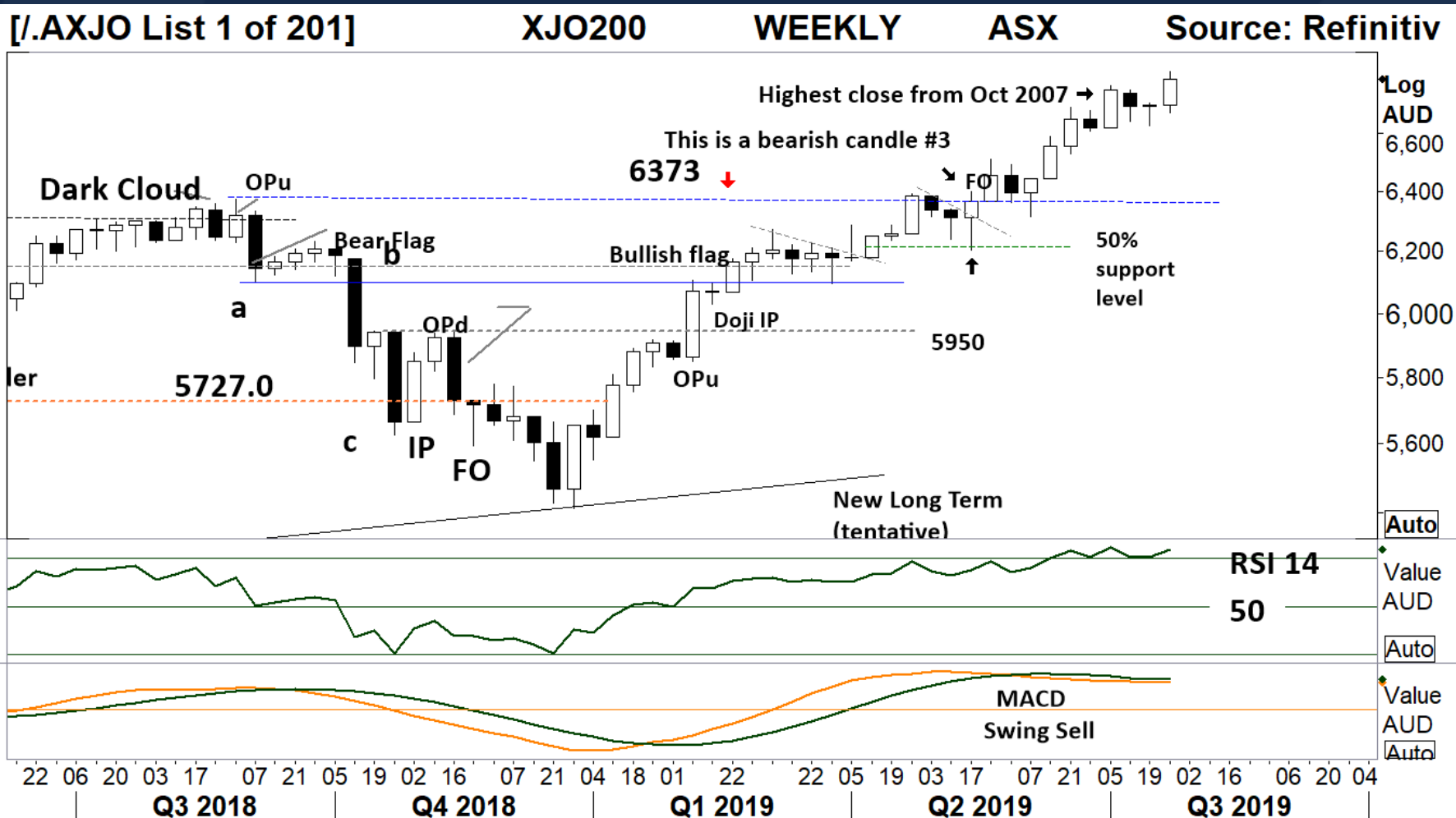
US and Australian markets continue to remain very bullish in this Cyclical Bull market.

US earnings season remains positive with the large Tech's, Google, Amazon and Face book 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 = ( Complacency )

# Australian 200 index – Weekly



The XJO has pushed to new breakout highs, primary trend remains up in the Cyclical Bull market. Last weeks strong range can be viewed as a continuation week.

A weekly close below 6600 would be a bearish signal.

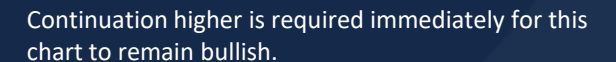
Relative strength has turned higher, and remains at an extreme level over 70.

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.

**Source: Refinitiv**



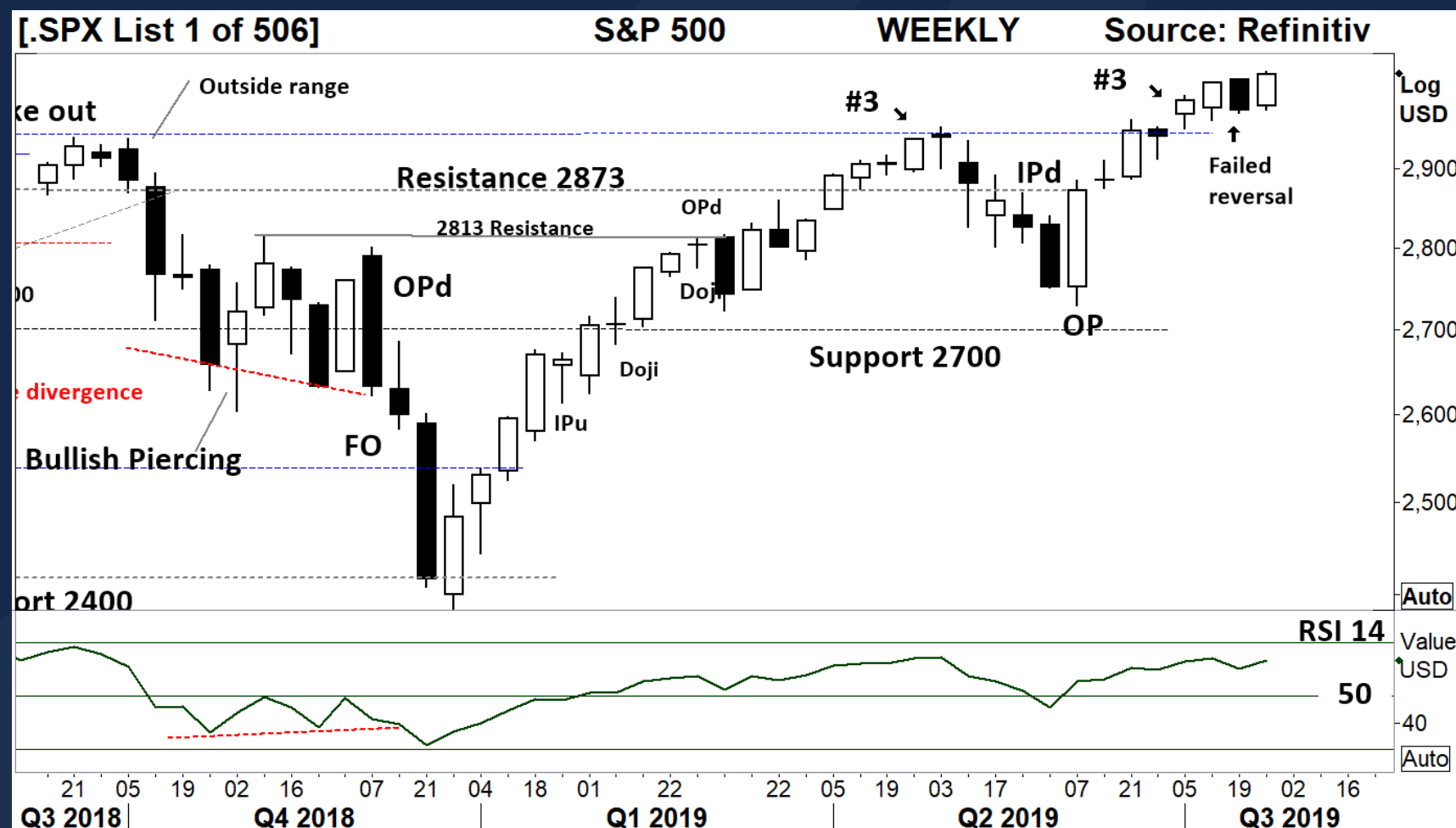
# S&P 500 Index – Weekly

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.

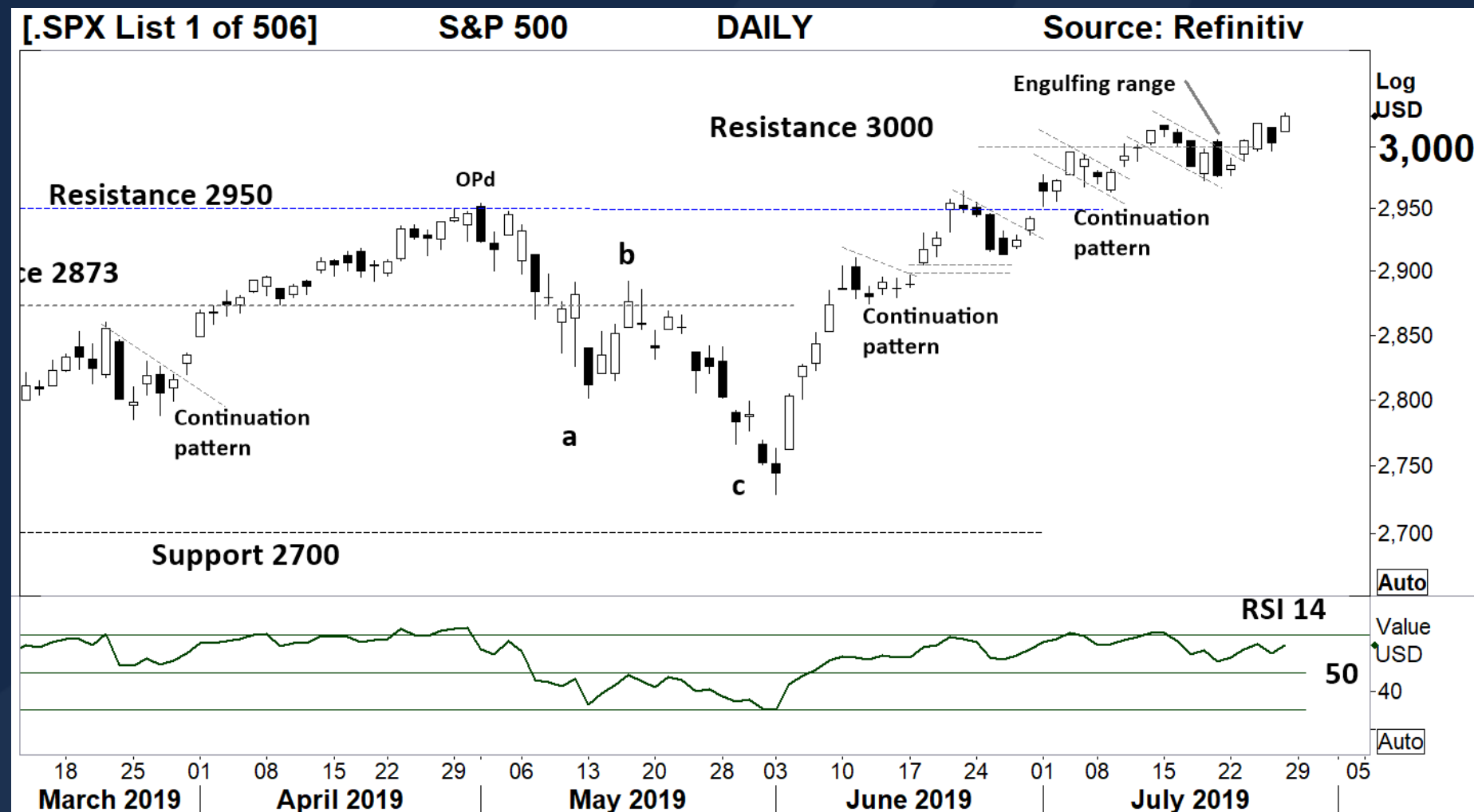


# S&P 500 Index - Daily

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.





# Transports Index

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

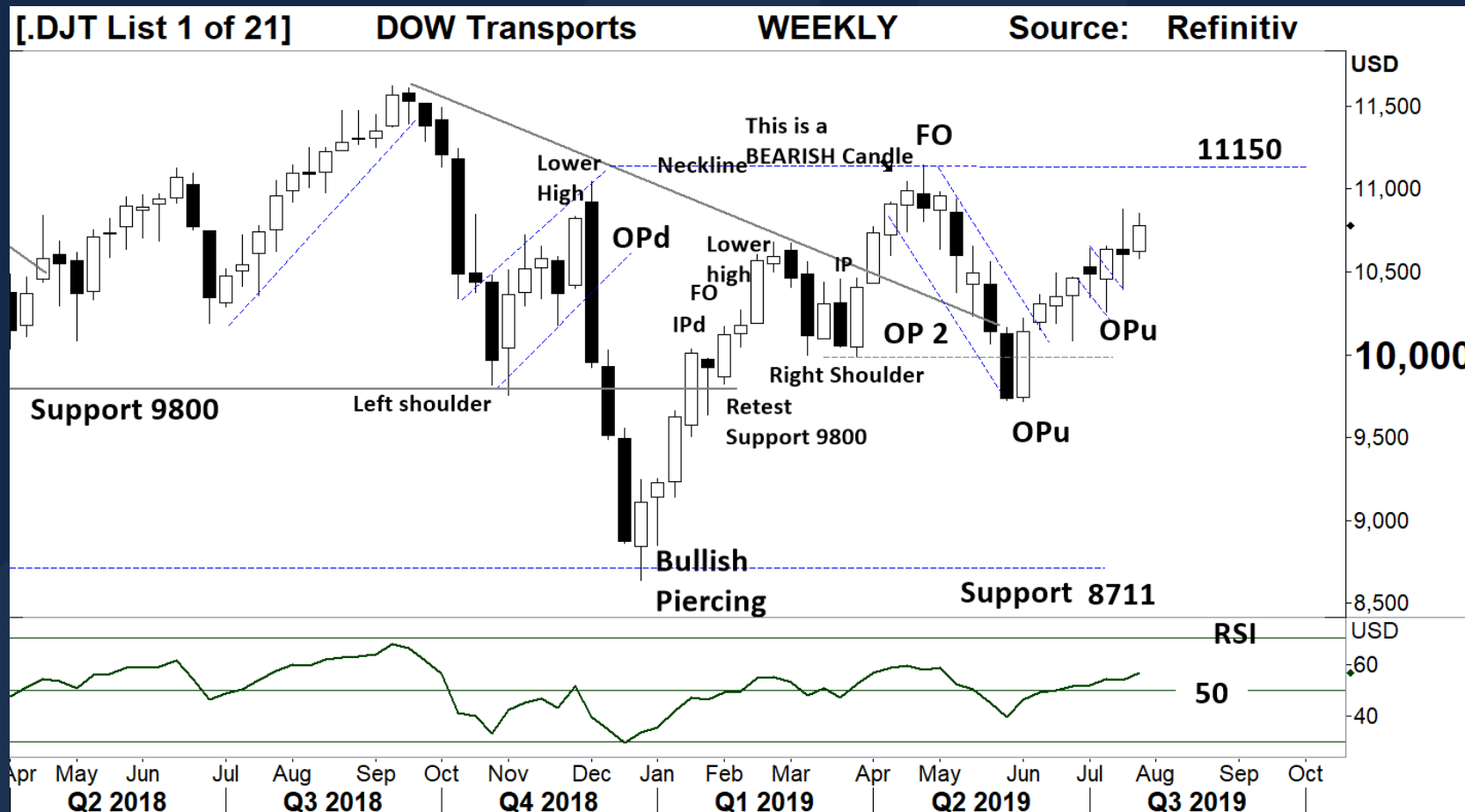
Last weeks inside period a sign of consolidation has closed towards the high with momentum

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.



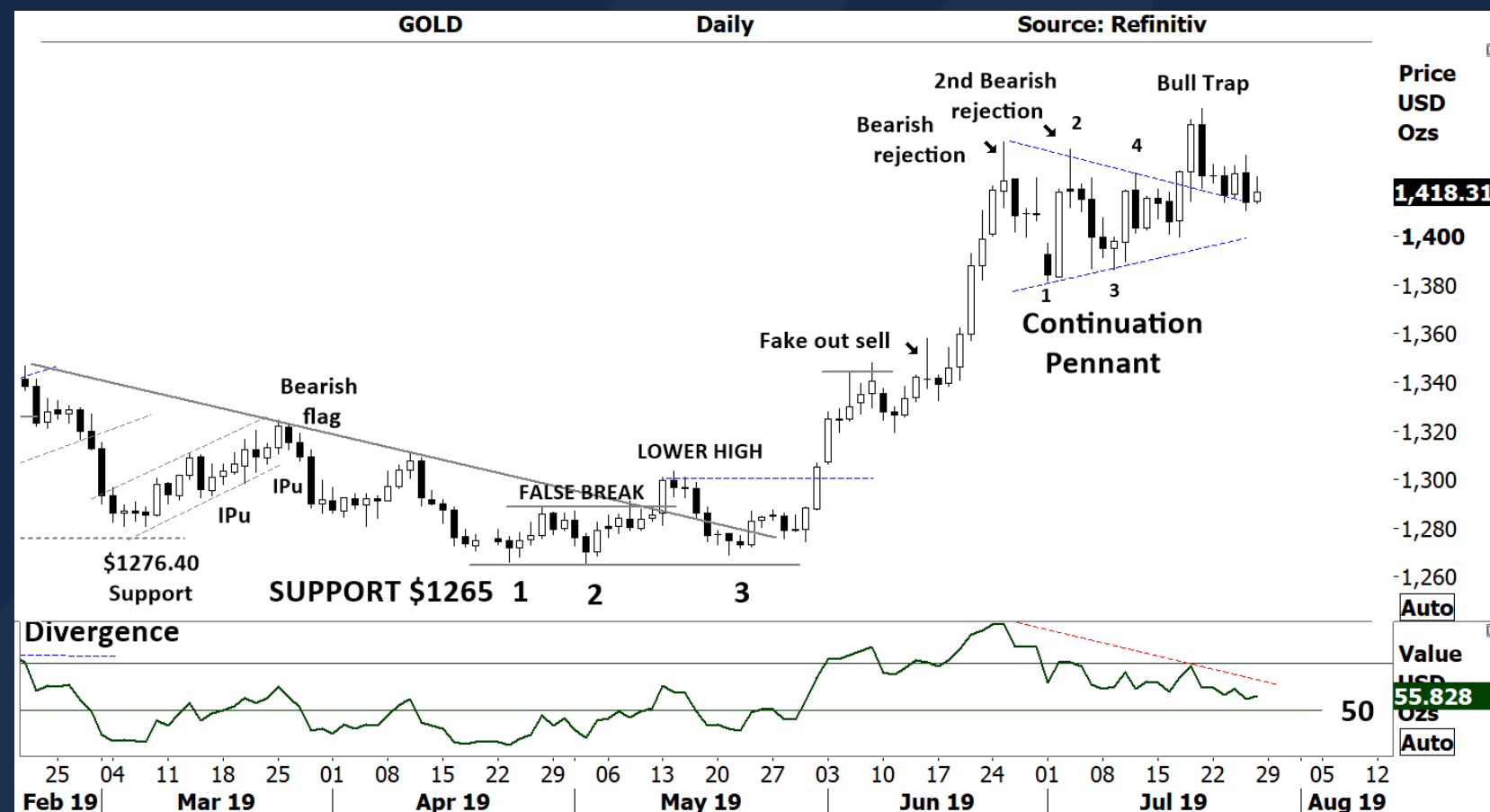
# Gold Daily

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

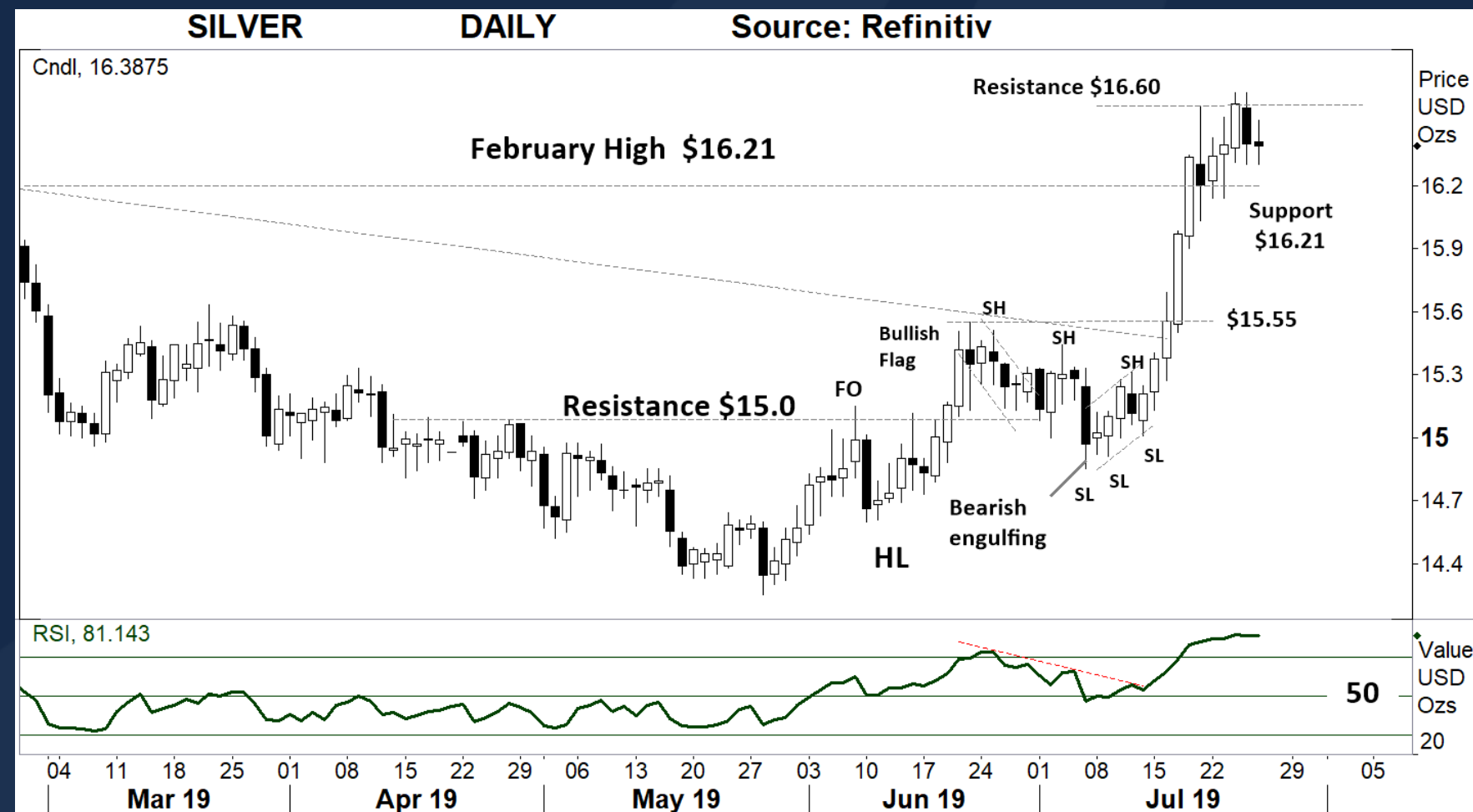
XAG enters a consolidation pattern this week, with a extended momentum move completed the risk of reversal to test support at \$16.21 is in play.

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

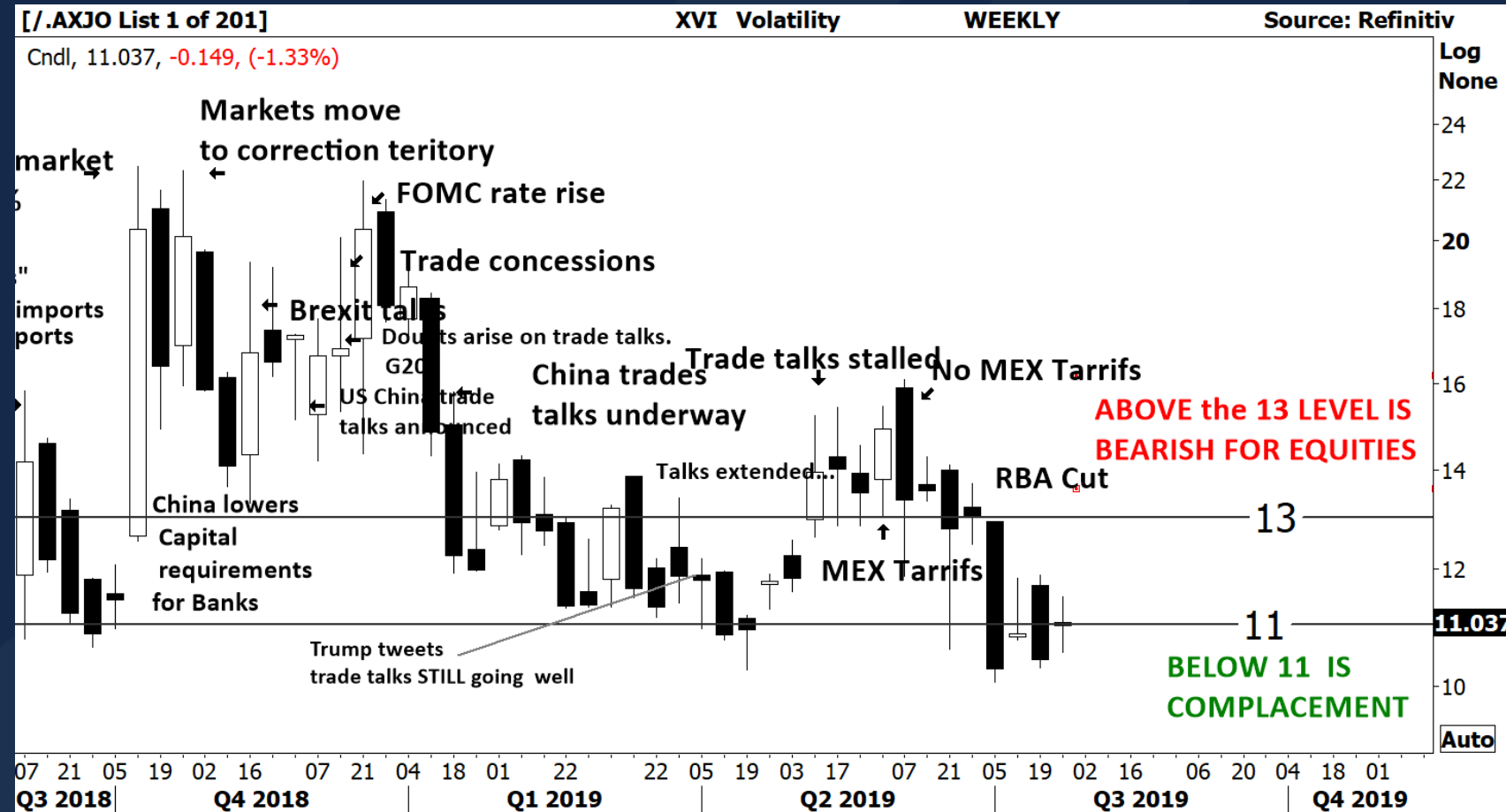
Current volatility levels, show a significant decline in Volatility into levels regarded as complacent of risk.

This bullish for equities.

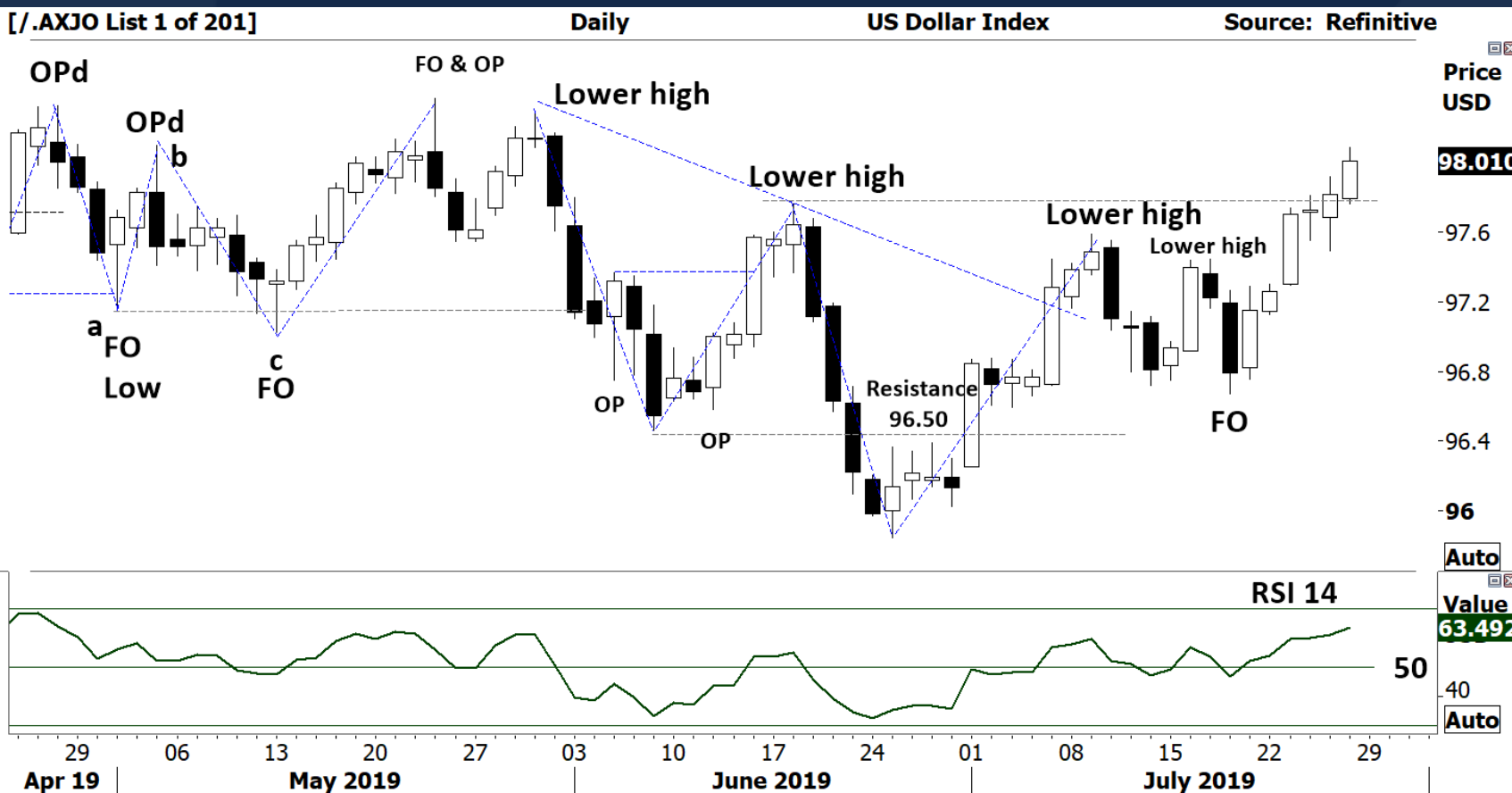
The XVI is the difference of 1 month forward pricing of ETO Options against current month.

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 down trend 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.

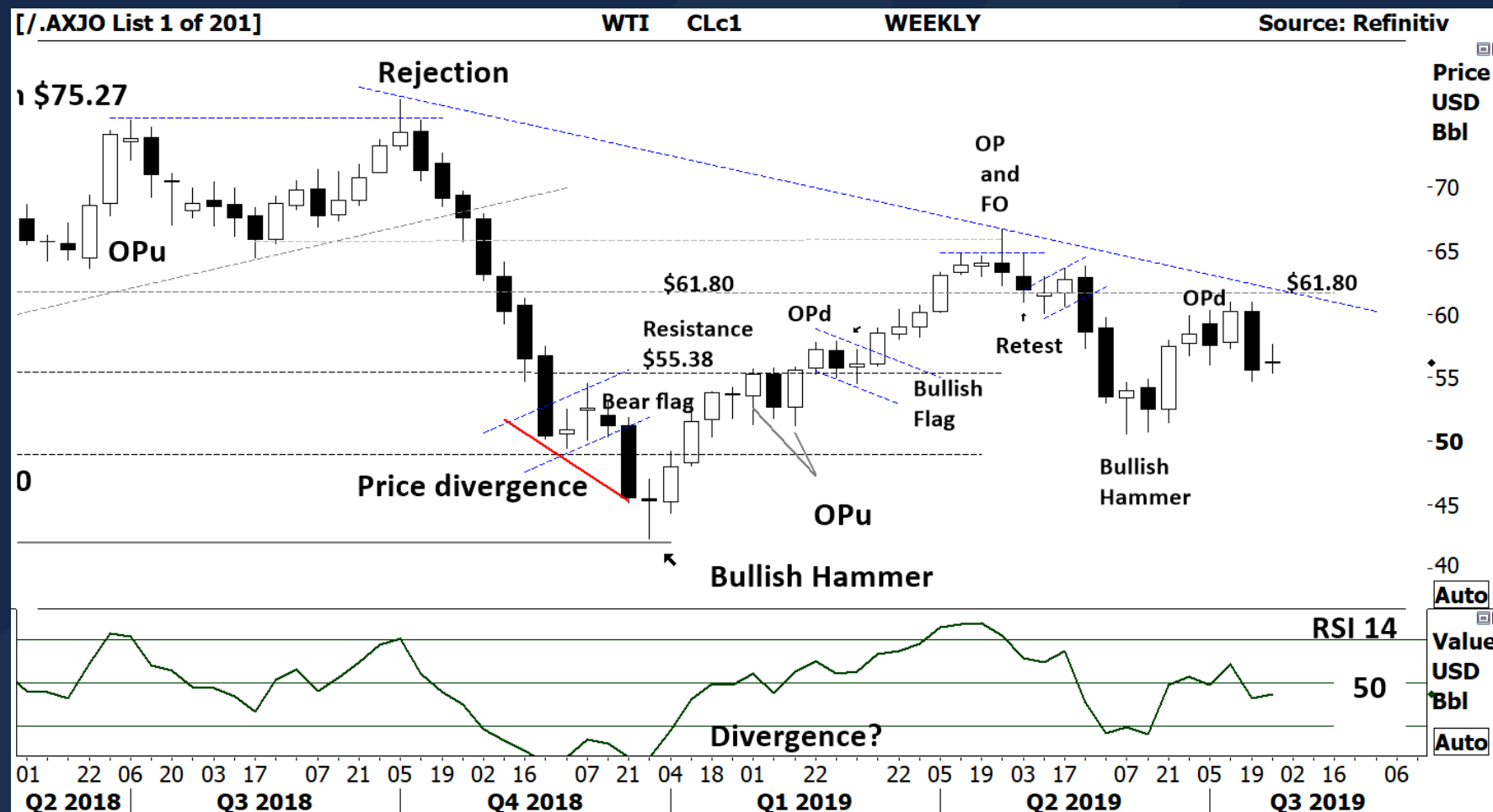
USD Price pressure on Commodities could restrict further gains in the larger miners.

Comments last week. The DXY now remains in a **primary down trend** 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 weeks 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

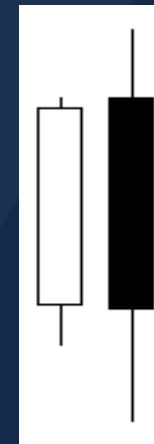
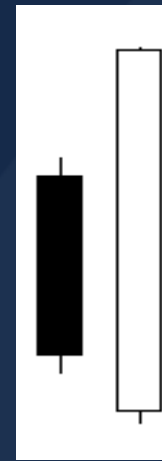
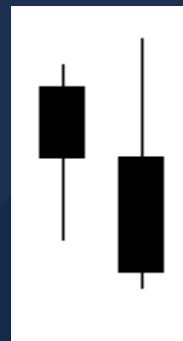
### OPu and OPd

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%).

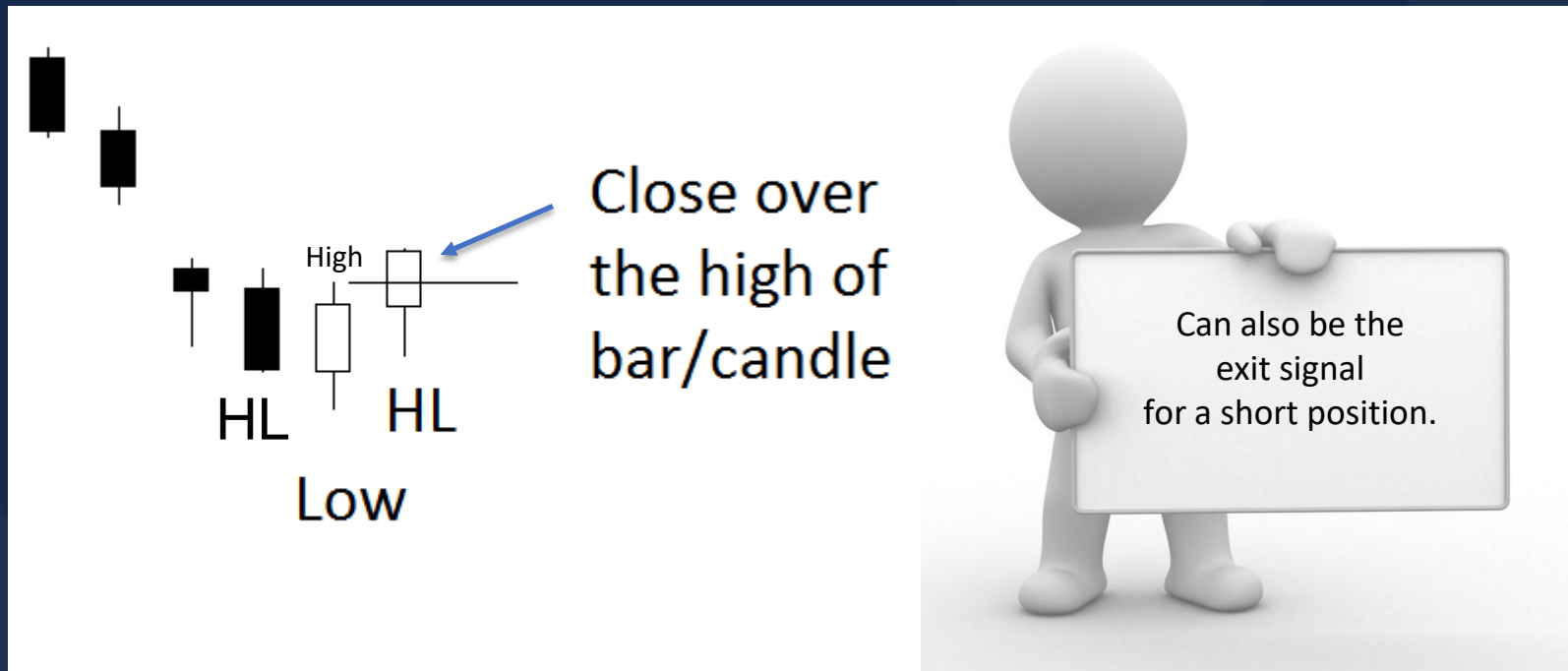
OPu is an up close bar OPd is a down close bar.

The OP period comes in all shapes and sizes.



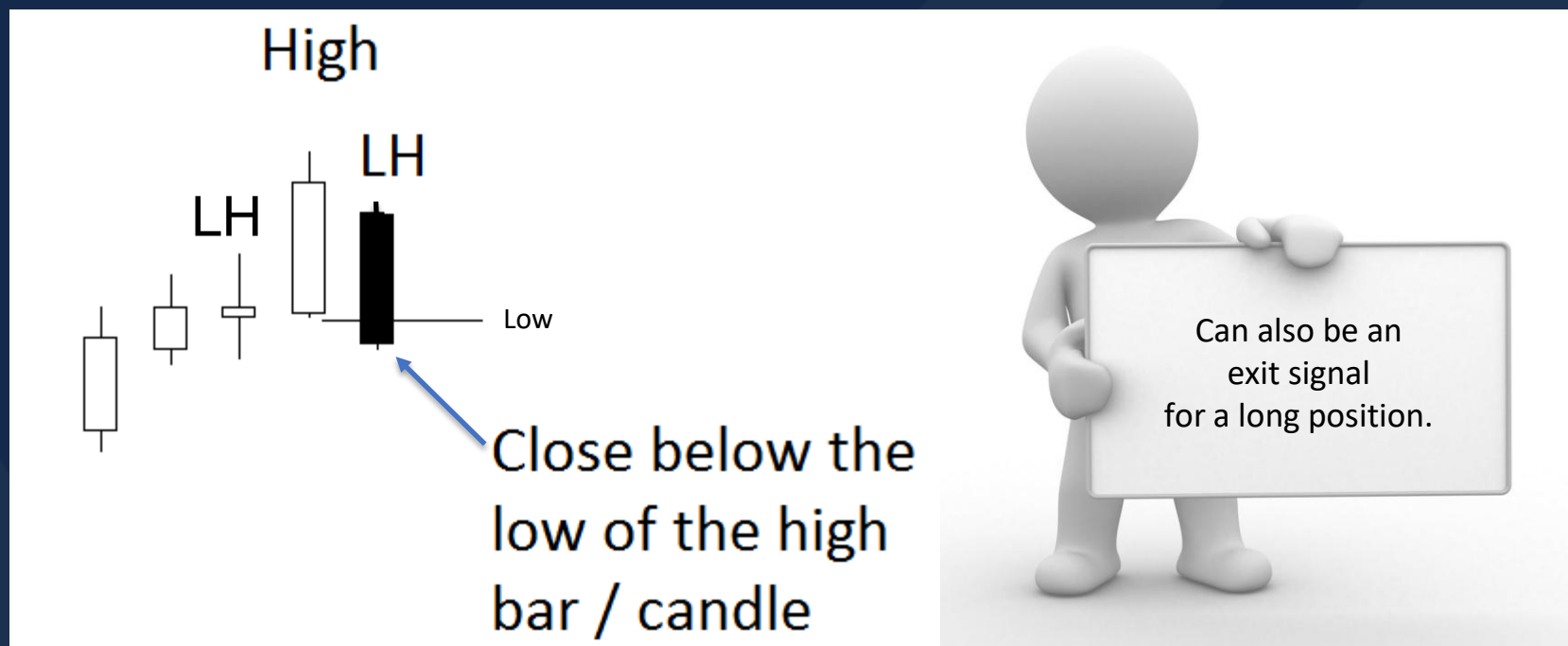


# The technical setups. The Pivot point reversal



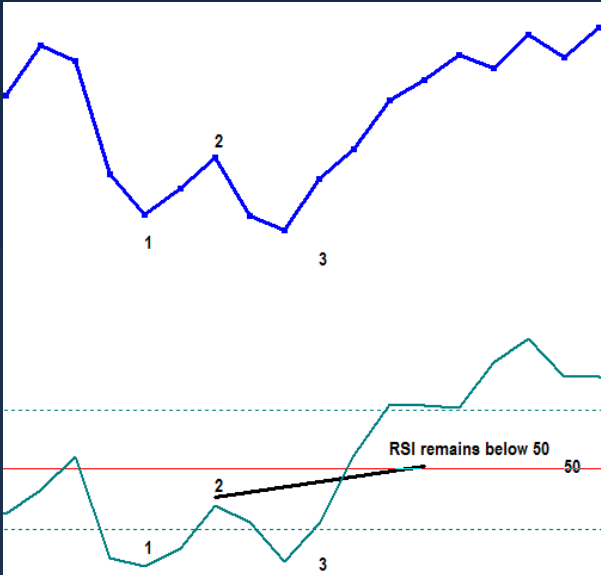
# The technical setups

## Pivot point reversal



# THE TECHNICAL SETUPS

## Relative Strength



### Relative Strength Indicator

#### SWING BUY SIGNAL.

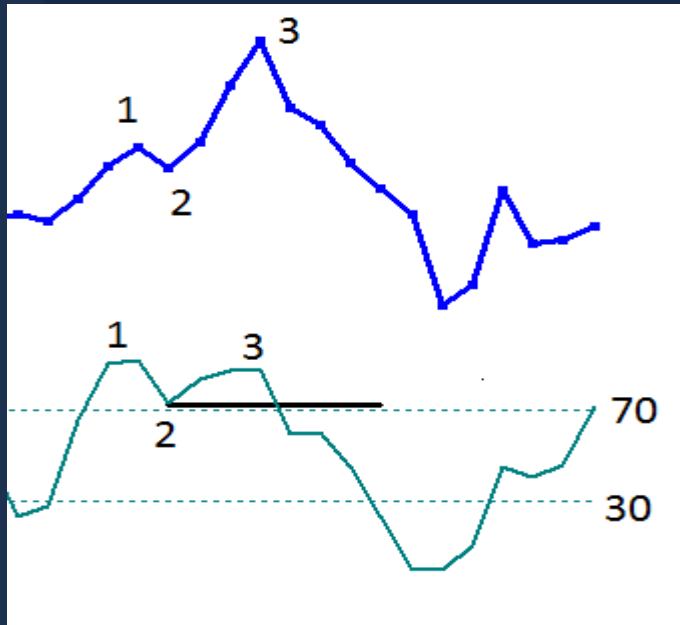
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- 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" \*\*

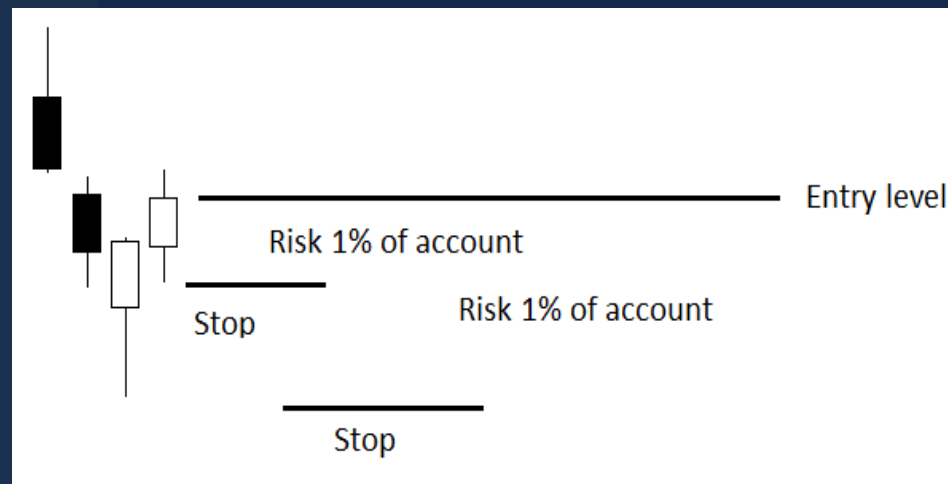
Swing failure is identified with the break of point 2 on RSI

# 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](mailto:support@fpmarkets.com)



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

Phone: +61 2 8252 6800  
[www.fpmarkets.com](http://www.fpmarkets.com)

ABN 16 112 600 281  
AFS Licence No. 286354



THANK YOU