



IN BLACK AND WHITE

the week beginning
16/09/2019

A market technician's view

FX
INDICES
EQUITIES

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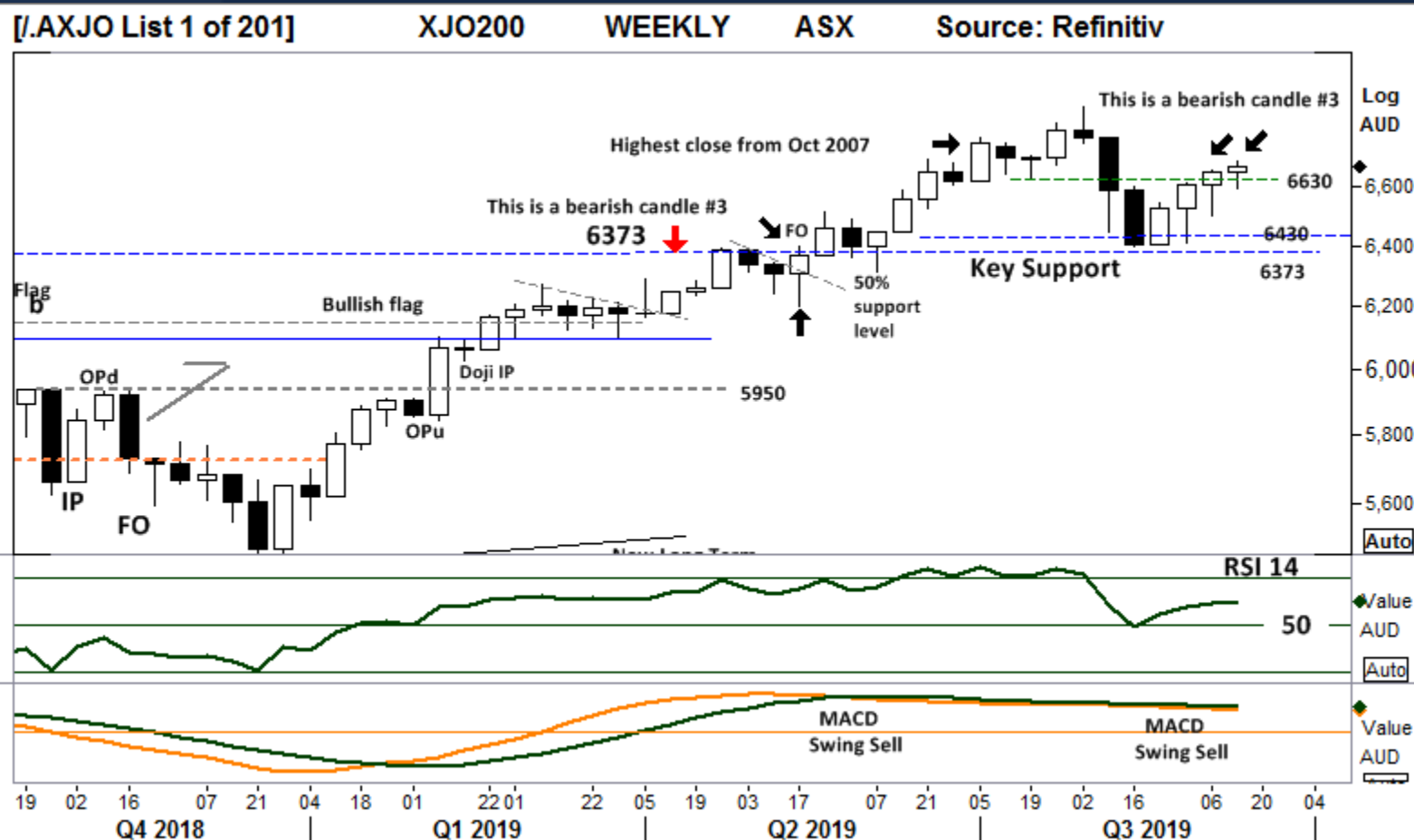
SUMMARY-

The Weekend events in the Middle East have the potential to set a readjustment of risk throughout the markets. In the short term both Gold and Silver are expected to find support along with the energy sector stocks and Oil commodities.

Major indices have enjoyed a seasonal bullish 3 weeks, traditionally the end of September shows weaker prices leading into the bullish month of October.

Volatility values in the XVI and VIX are expected to spike at the beginning of this trading week.

Australian 200 index – Weekly



Primary Trend remains UP.
The #3 type of Weekly Candle (see foot notes) is a warning of impending price weakness when found in a high area.
During this week expect price weakness as the follow on from the past 4 weekly rises.
Traders would look for a retest the 6430 support level.

The MACD remains a sell signal.
RSI continues to show a bullish upturn, however has turned “flat” showing a loss of momentum.

Comments from last week: A further Weekly close over 6630 would be welcome for the bullish view to continue.
#3 is a bearish Candle, it shows selling in the early stage of the lower shadow formation.
Weekly range remains subdued, the 6630 will be the key level to hold this week.

Australian 200 index – Daily



Thursdays Fake out (FO) followed by Friday's inside period (IP) shows "balance" in price above 6630.

This rejection of higher prices may target the short trend line back at 6630 in the coming days. A further breakdown from this level would be very bearish in the coming days.

RSI has crossed the key "50" level and remains a positive indication of higher prices.

Comments from last week:

Early rising 3 has followed through with a breakout over the key 6630.

Volume remains solid on the recent Daily advances.

S&P 500 Index – Weekly

The Primary UP trend remains in place.

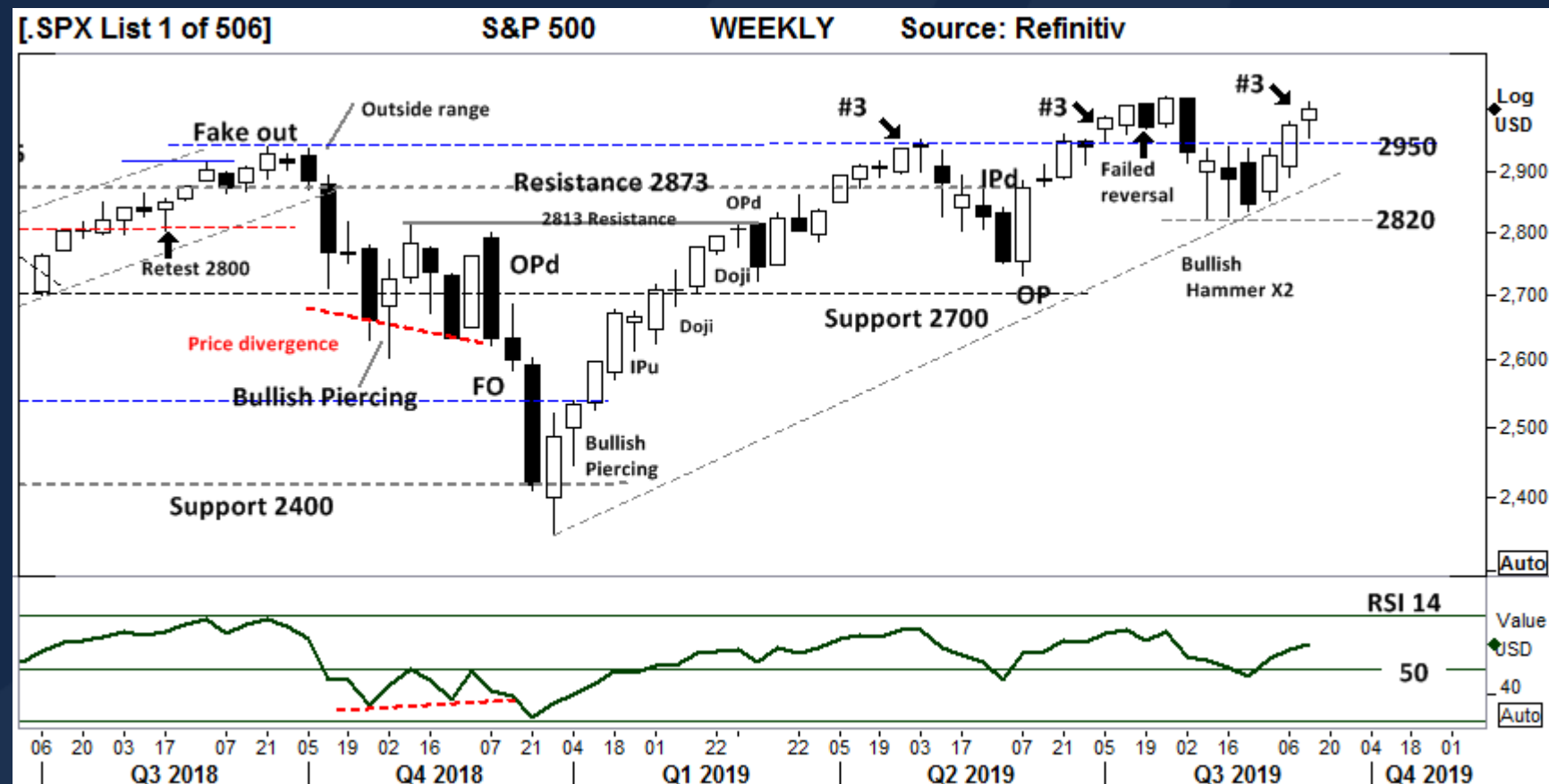
The #3 type of Candle sets a bearish tone when it shows after a persistent move higher, the lower shadow confirms selling in the earlier stage it's formation.

A warning of price weakness in the coming weeks.

A potential retest of the trend line at 2900 is now underway.

RSI turns higher reflecting the past increase of positive momentum.

Comments from last week. Rejection of lower prices confirms the breakout over 2950 with an expanding range, it should be noted the price closing in the high part of the range is very bullish for this coming week. A retest of 3000 would provide significant price resistance in this Primary Up trend.



S&P 500 Index - Daily

Tuesday last week, a small retest of the Price Gap set the bullish view for the week.

With current resistance at 3028 remaining in place, price rejection at this level would again target the unfilled price Gap in the 2950 area. A strong close is required over this level to remain bullish in the short term.

The RSI has turned higher and remains over the key 50 level a sign of increasing price momentum.

Comments from last week:
With the daily Gap at the 2900 level now filled the issue for this coming few days is the Gap at 2950.
Any price weakness in the coming days may look to fill this Gap in prices.



Transports Index

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

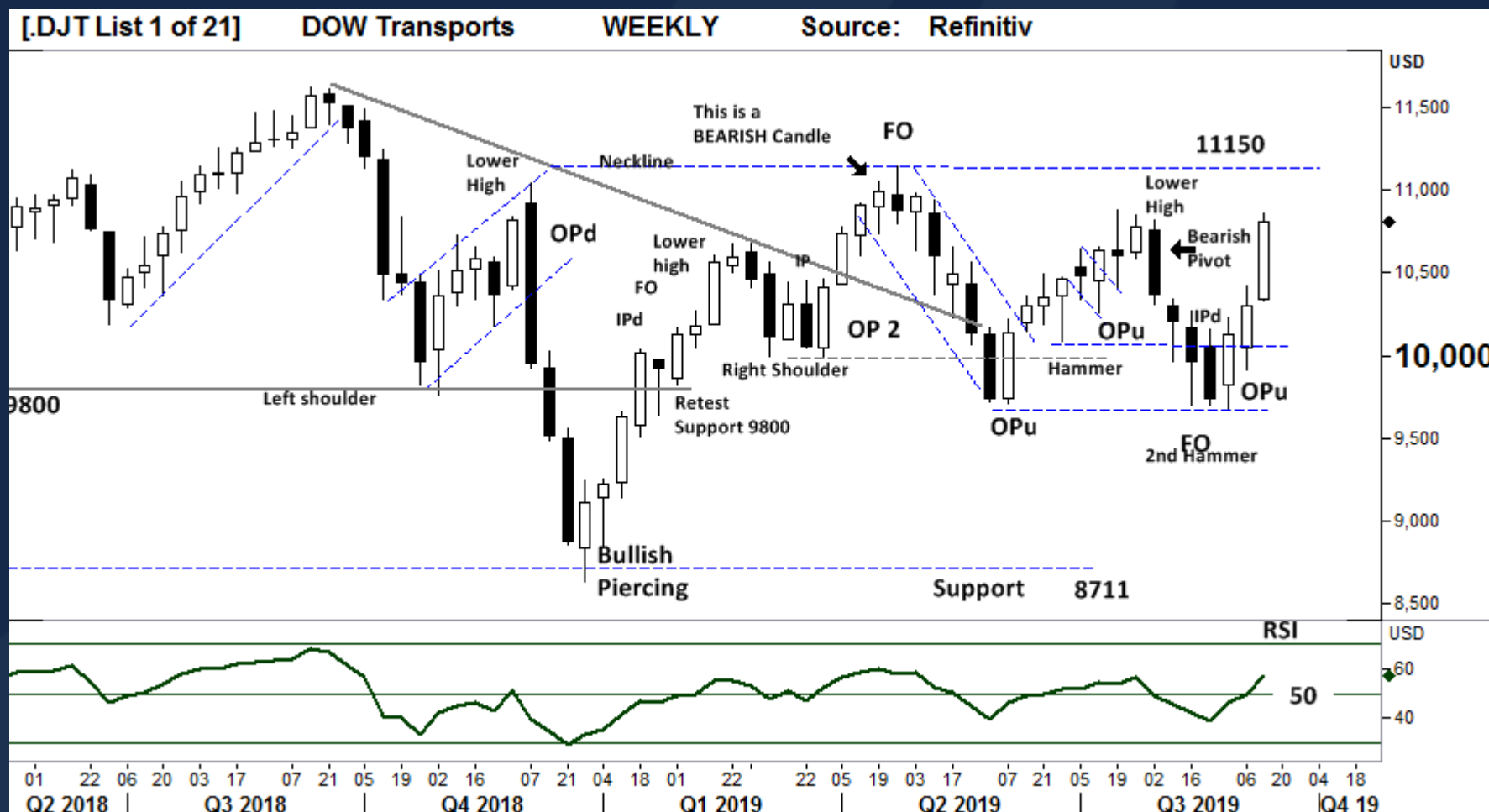
(This index remains a **NON CONFIRMATION** of the long term Bull market, a break of 11150 points is required.)

The expanded range of last week sets the continued bullish view for a retest of the highs.

A breakout over 11150 would give a very bullish signal to the overall market picture.

Relative strength has turned higher above the key 50 a sign of increasing upside momentum.

Comments from last week The OPu from 2 weeks ago has followed with higher values. The Transports remain within a consolidation area with a potential retest of 11,150 underway.



GOLD Weekly

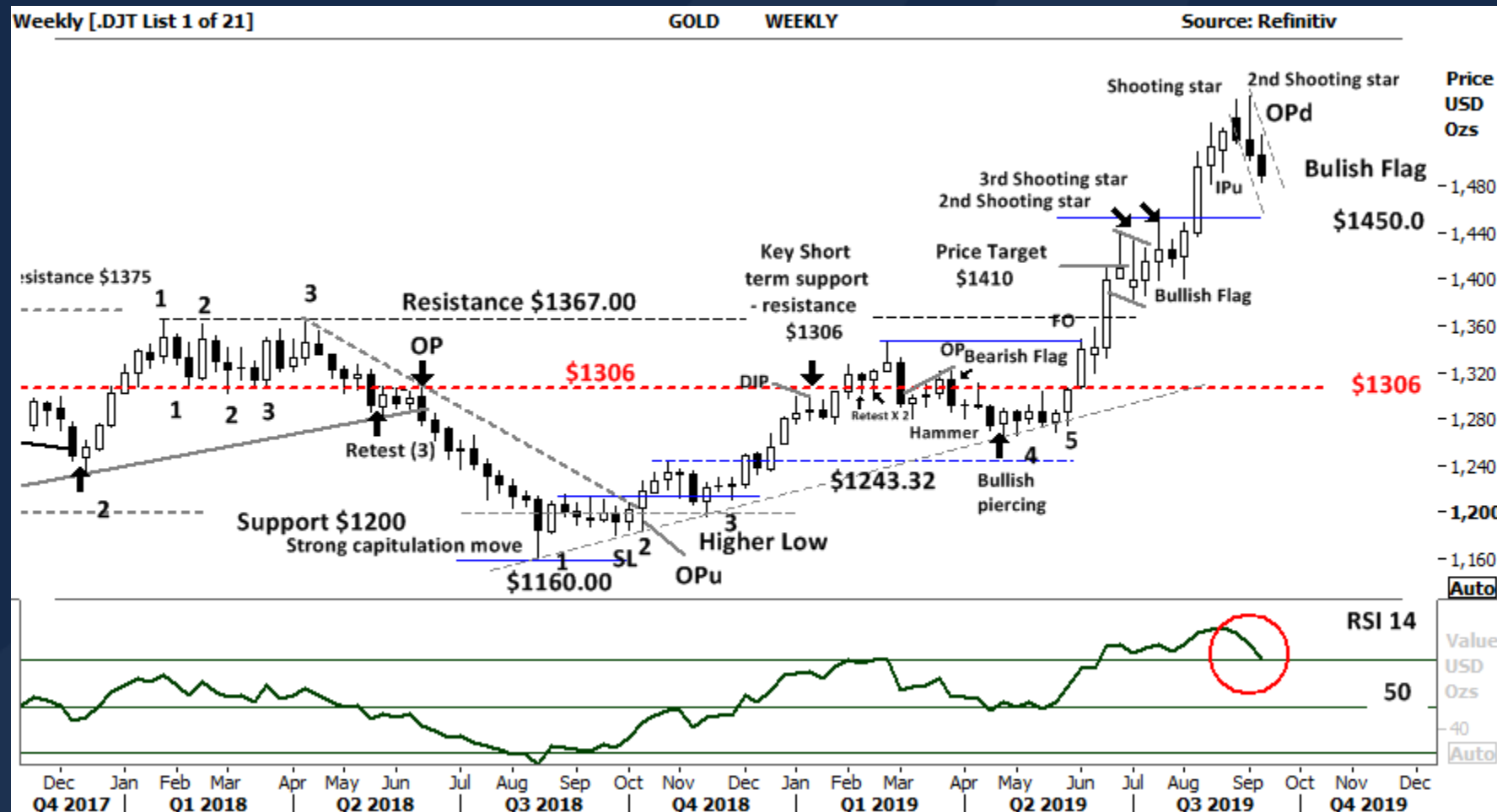
The underlying Primary trend is UP with \$1650 as the potential target.
Last week confirms the potential for a bullish flag formation with the higher target of \$1650 in place.
A breakout would immediately target the recent highs of \$1555.0

RSI remains over the “70” level confirming strong price momentum, **however the RSI is rolling over, at these levels this can result in a significant price retracement as momentum changes..**

Any form of roll over in price, traders should consider the \$1450 level as significant support.

Comments from last week:

Last week price rejection has taken place in the form of an Outside Period OP and a 2nd “shooting star”. This has the potential to follow through this week with a retest of lower prices.



Gold Daily

The short term Trend line is now in place with the touch at point 3.
Current consolidation represents a Bear flag pattern with \$1450 as the target.

However \$1500 will remain key support for a bullish view to remain.

Should RSI remains below the "50" level (currently 45). Momentum to the upside is lost, with the potential of a complete trend reversal lower.

Comments from last week: Continued daily rejection of higher prices. The price action of last Thursday provide a reversal pivot. With a tentative trend line in place look for a rest of these levels, continued weakness would target \$1450 and \$1306. Relative strength has provided a "Swing Sell" signal.



SILVER Daily

Last weeks "Bear Flag" has completed and played into the price target of \$17.50.

Friday's extended range has the potential to follow through into the key support level of \$16.60.

A retest of the Trend line at \$18 would be expected in the coming days. Further failure of price at this level would place Silver into a down trend.

Relative strength has entered a support level below "30".

Comments from last week: Daily Silver shows an exhaustion move from the short consolidation from 2 weeks ago. In the coming days look for support at the trend line intersecting at \$17.50.



Australian Volatility Index

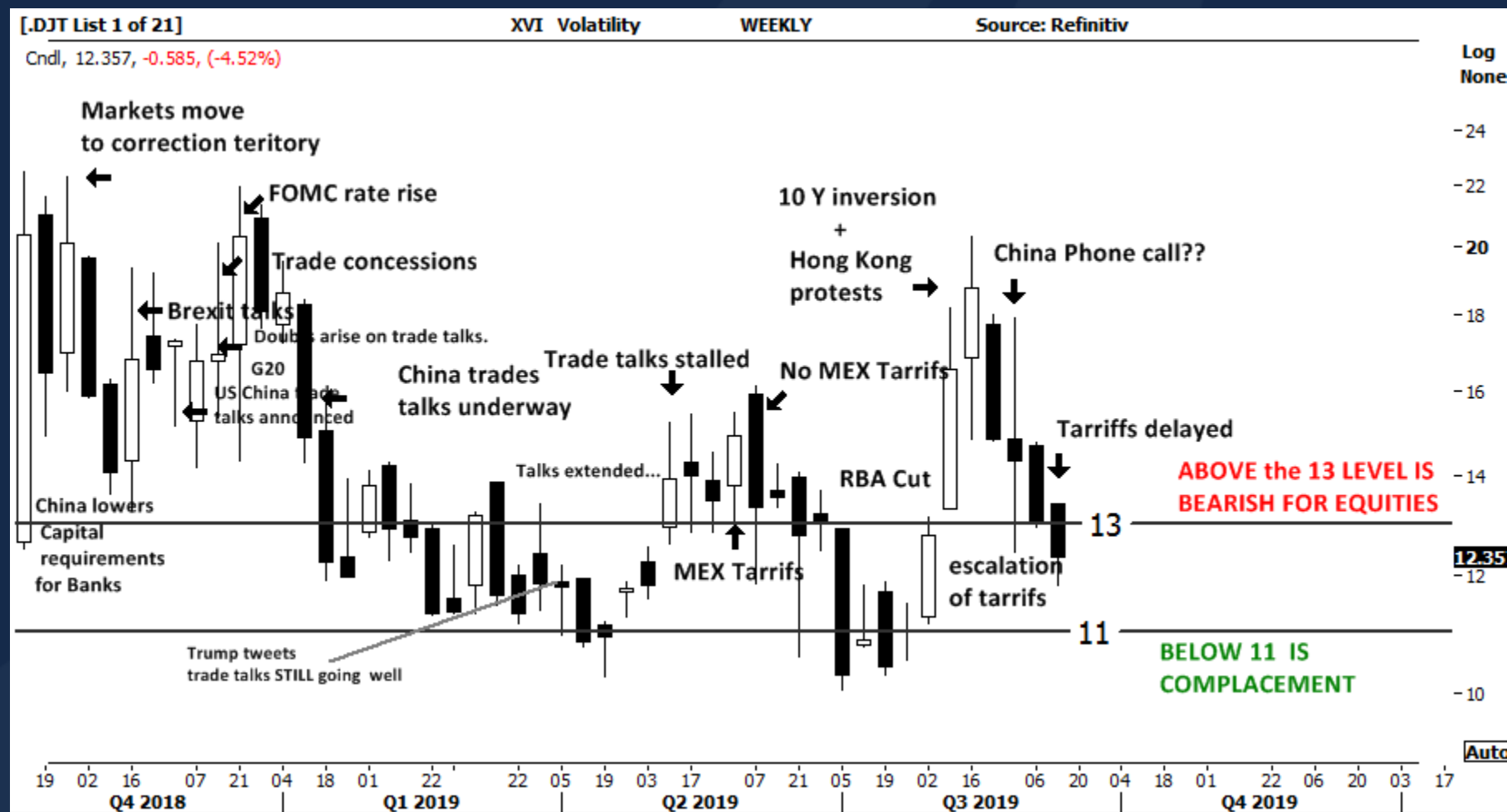
Current volatility levels, show a significant decrease in the volatility indicator. This is moderately Bullish for equities.

Look for a move back into the 11-13 range.

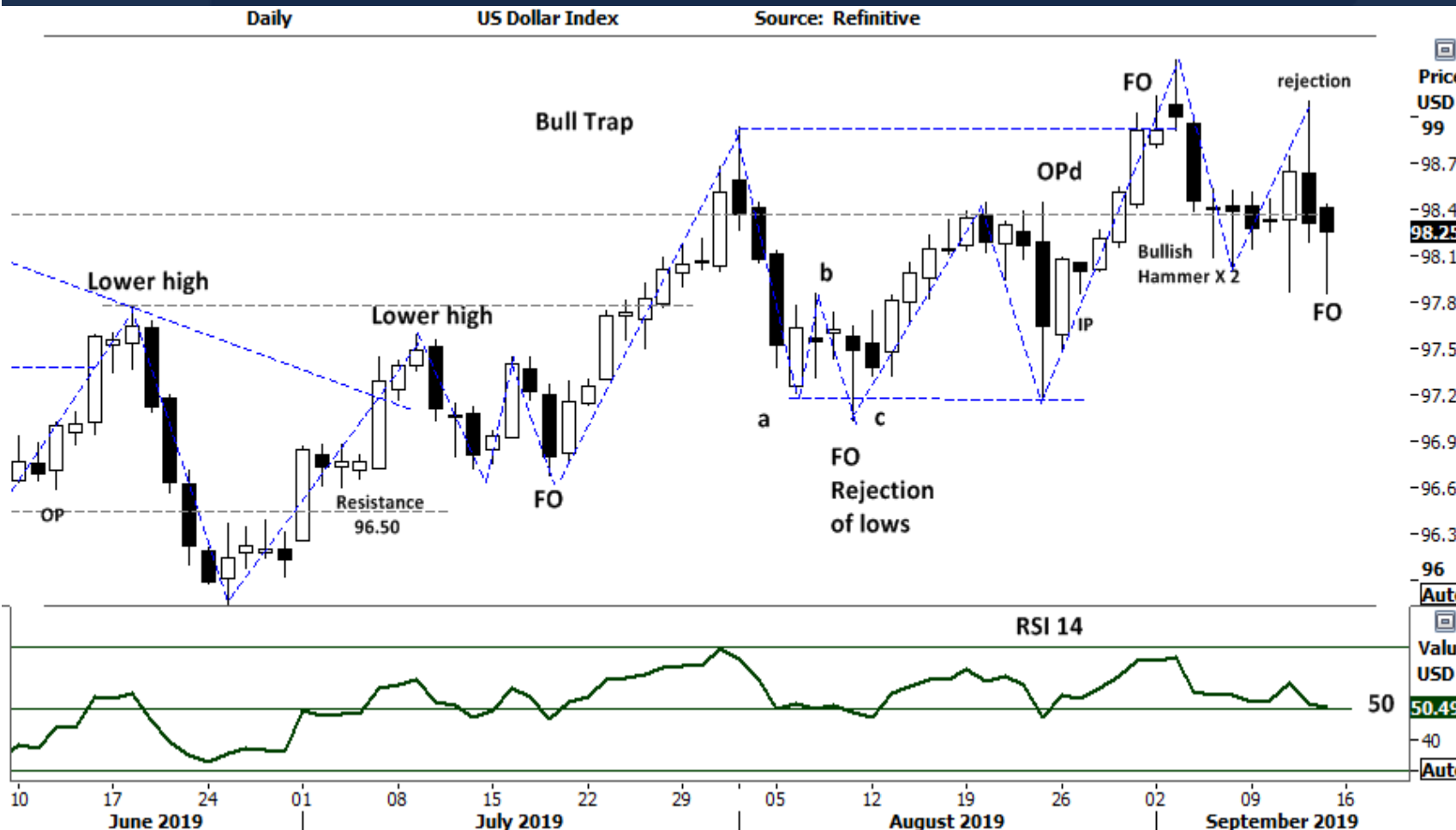
The XVI is the difference of 1 month forward pricing of ETO Options against current month.

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



Friday's FO move, is a bullish sign of further gains to come as price closes in the upper 30% of the day's range.

This consolidation along the 98.4 level is significant, for the bullish view to remain in place this level will need to be maintained.

The Daily trend remains UP.

Comments last: Thursday and Friday has found significant support at 99.36. This is an important level for this week to hold. Relative strength remains sideways neutral in consolidation area.

WTI Oil WEEKLY

Events in the Middle east on Saturday have the potential to move Oil to the 2018 highs of \$75 plus.

Remaining with the technical picture. WTI begins a bullish move outside of the Flag with \$61.80 the first target.

The Relative Strength Indicator turns flat and remains under the key 50 level on this weeks consolidation candle.

Comments from last week: The weekly OPu is a good sign momentum may be changing to the upside. With the highest close for the past 6 weeks and the Relative strength Indicator moving over the 50 level a retest of \$61.80 is underway.



The technical setups

Outside period

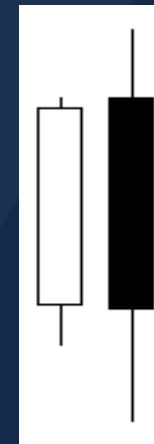
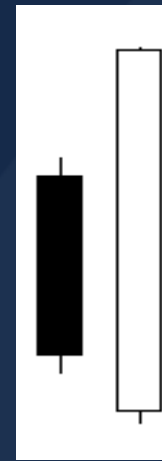
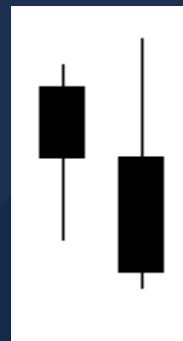
OPu and OPd

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

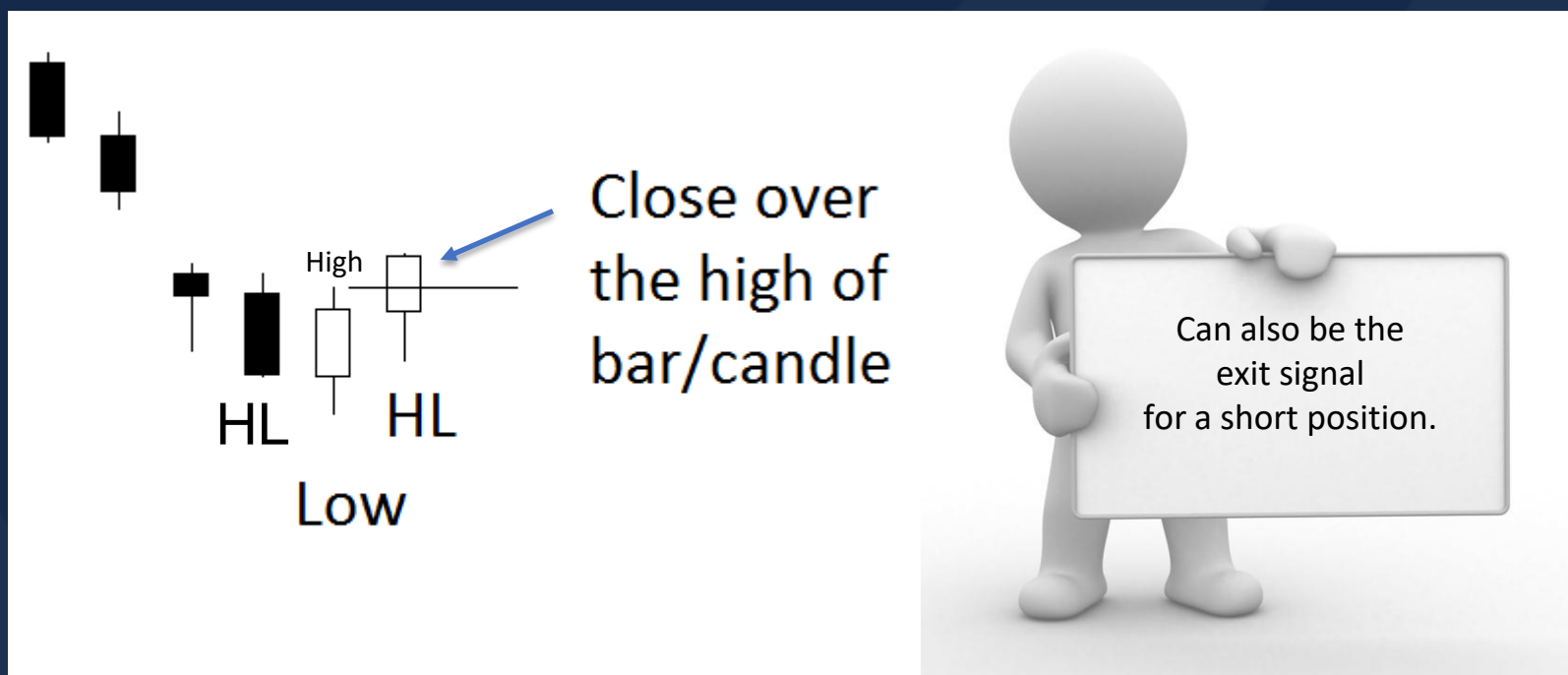
The outside period can mark a significant market turning point at or within 3 bars (93%).

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

The OP period comes in all shapes and sizes.

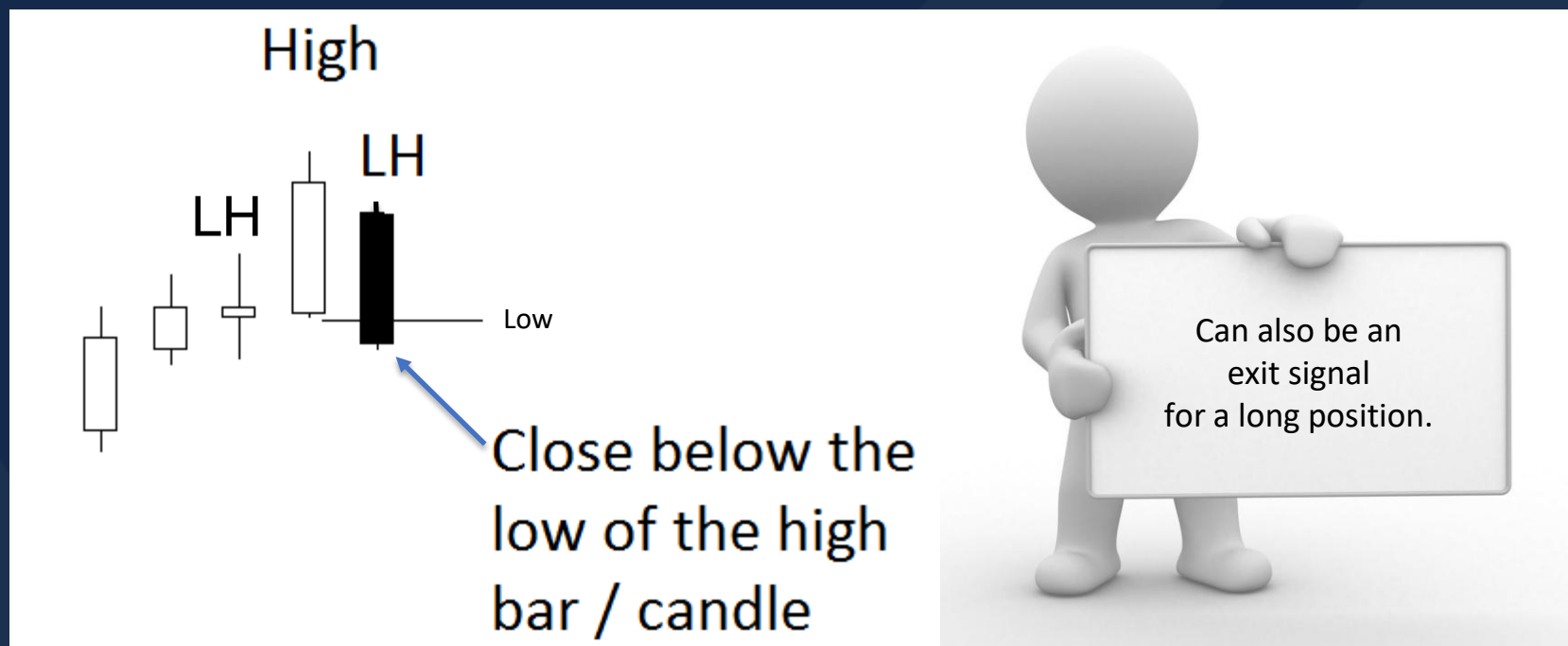


The technical setups. The Pivot point reversal



The technical setups

Pivot point reversal



The technical setups WEEKLY #3 reversal



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

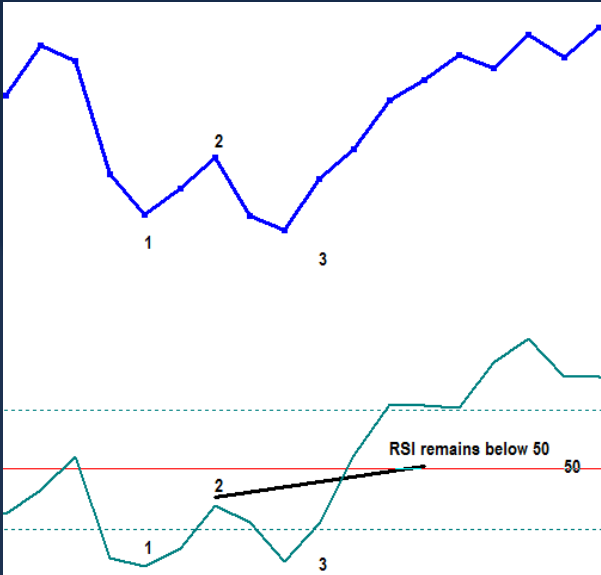
If the opening price of the following week is above the Midpoint selling is still indicated, this often shows a high with 2 weeks warning.

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



THE TECHNICAL SETUPS

Relative Strength



Relative Strength Indicator

SWING BUY SIGNAL.

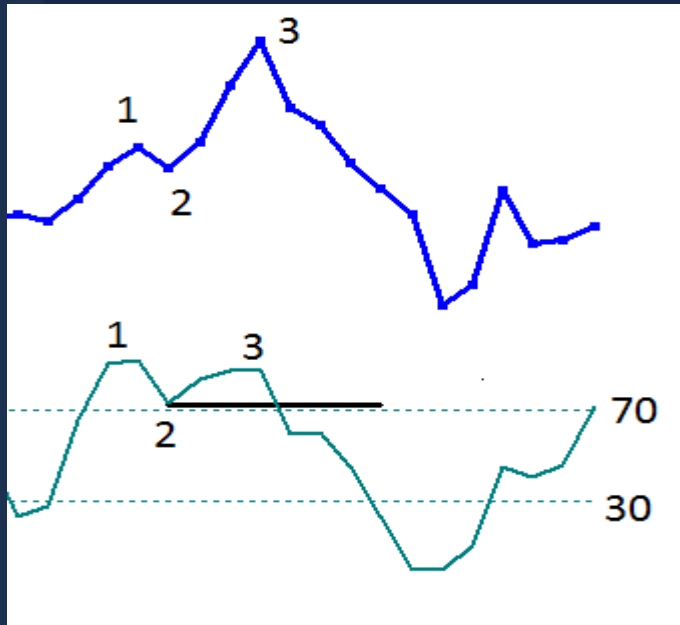
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- 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" **

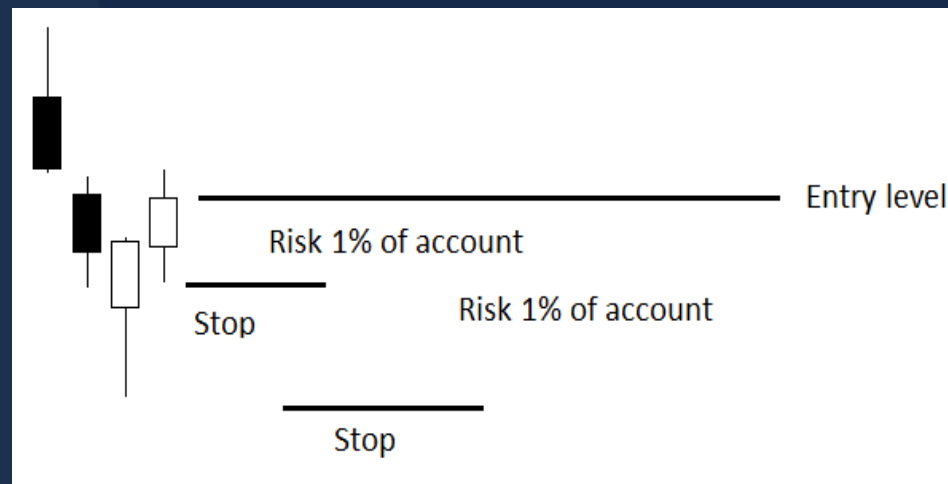
Swing failure is identified with the break of point 2 on RSI

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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