

the week beginning 11/03/2019

A market technician's view

FX INDICES EQUITIES



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### **SUMMARY**

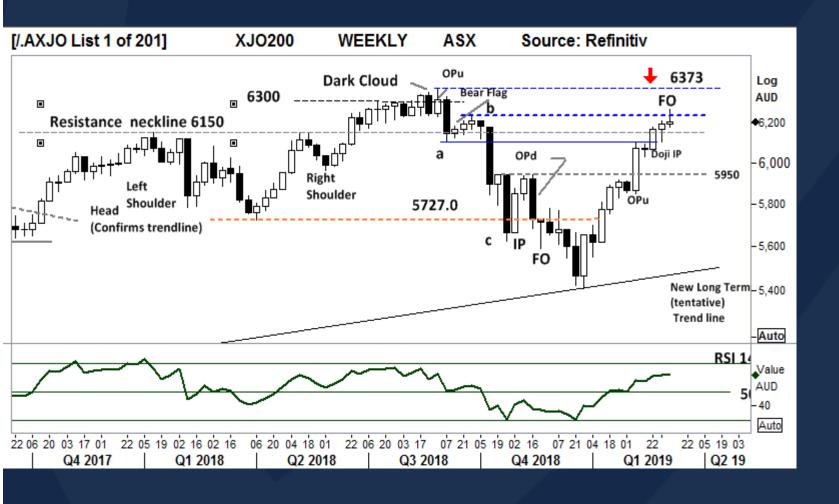
Global equity markets staged a bearish reversal week.

Commodities markets have lost bullish direction, along with Gold falling below key support levels but now staging a recovery toward the key \$1300 level, further price consolidation is now in play.

Volatility levels (XVI) have turned bearish for equities at the close of last week.



## Australian 200 index - Weekly



The XJO remains in a primary down trend as this Bear market rally takes place. Without a real retracement in price of 5% or more this move remains a strong corrective move higher.

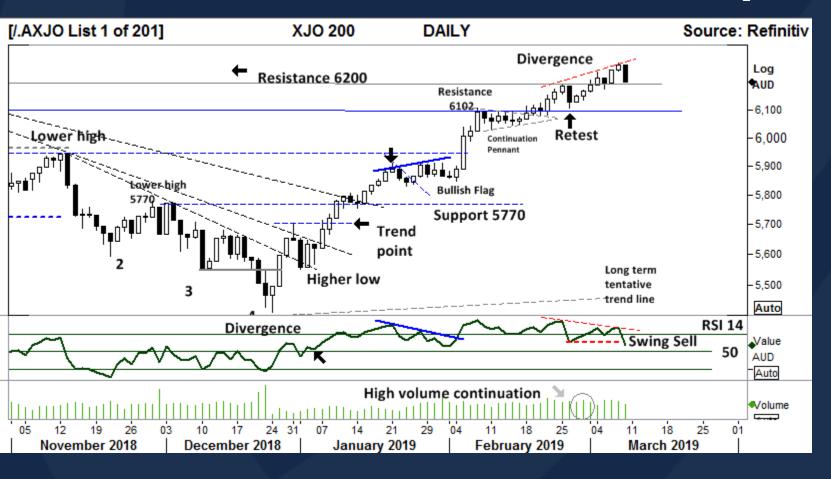
The Fake out bar (FO) is an early bearish reversal sign.
A longer term retest of 5950 is expected.

Relative strength remains positive above the key 50 level, but should be monitored for a turn lower.

#### Comments from last week:

This weeks candle with the high body above the midpoint of the range is considered a warning of lower prices in the coming week.

## Australian 200 index - Daily





Daily trend remains "UP" with a current daily retest of 6200 points

Relative strength has now provided a "swing sell" signal indicating a top in place, a short term target is a retest of the breakout level at 6100.

Volumes have showed a decline on Friday, the sell signal lacks commitment at this stage, and should be monitored for a price reversal "up" as a retest of the high.

**Comments from Last week** The daily chart is developing Bearish divergence pattern.

### S&P 500 Index – Weekly High 2813



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

This market needs a retracement of 5% + and a further rally to be called an UP trend.

The S&P has moved to test the 2813-7 resistance level with a Doji and OPd reversal in place.
2700 seems the first lower retest level in play with 2550 the ultimate Weekly target.

RSI remains over the key 50 level but rolling lower a move below 50 would be very bearish.

#### Comments from last week.

The weeks hangman Doji is a bearish sign for the coming weeks.







In line with the Weekly chart the Daily chart shown displays an OPd reversal candle.

Friday's high close candle may be the failed retest of the high a close below the low of Friday would be very bearish in the short term.

RSI has moved below the key "50 " level. The short term bearish view remains while the RSI moves lower below this key level.

#### Comments from last week.

Resistance is shown at 2813-7, this strong resistance level setup during October, November and December 2018 will be the key level to break in the coming days for a continuation of this market higher.



### **Transports Index**



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

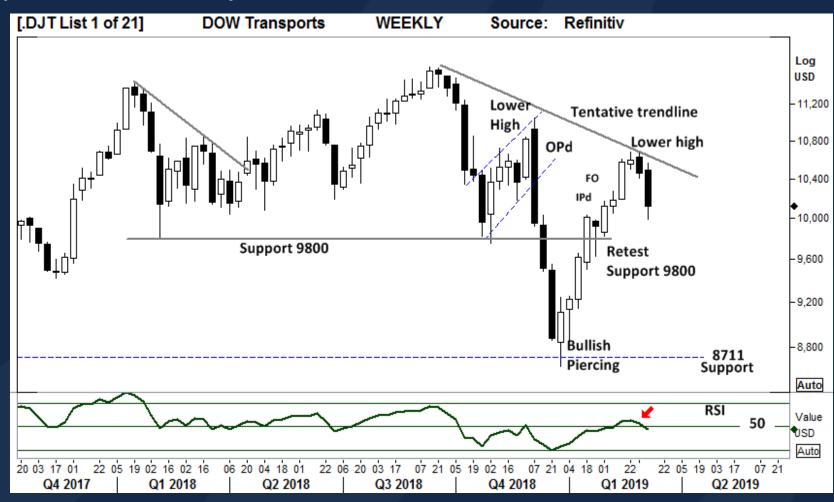
First a breakout, now the retest of the trendline.

This confirmation with the Dow 30, along with the S&P500 markets are beginning to confirm signals of a "short term" top within what was an emerging Bull market.

The relative strength indicator has moved below the key 50 level this shows decreasing price momentum.

#### Comments from last week.

The current engulfing line retest can be viewed as the bearish reversal bringing in the potential lower high in this downtrend.



## FTSE 100 Index - Weekly



#### FTSE 100 weekly:

The inside period of 3 weeks ago has given way to a lower market, this second closing price above the 7100 is an important outcome for the week just completed.

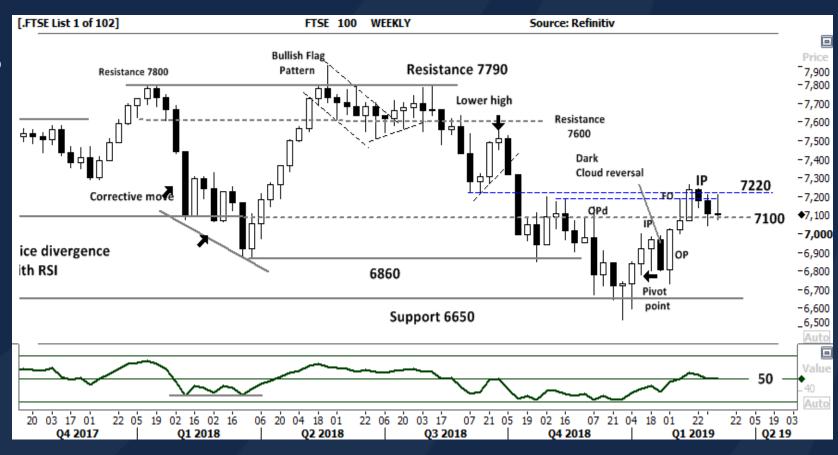
Price consolidation at this level would be expected in the coming weeks.

The FSTE remains in a primary down trend.

RSI remains "flat" at the 50 level, this only confirms the coming price consolidation view.

#### Comments from last week:

The Relative strength indicator 14 has now moved above the "50" level, showing flat momentum as it rolls lower back to this key level.





## GOLD Weekly

#### Gold remains in a PRIMARY UP TREND.

The longer term target of \$1410 remains in place.

This weeks "hammer" is a bullish sign for further gains in price.

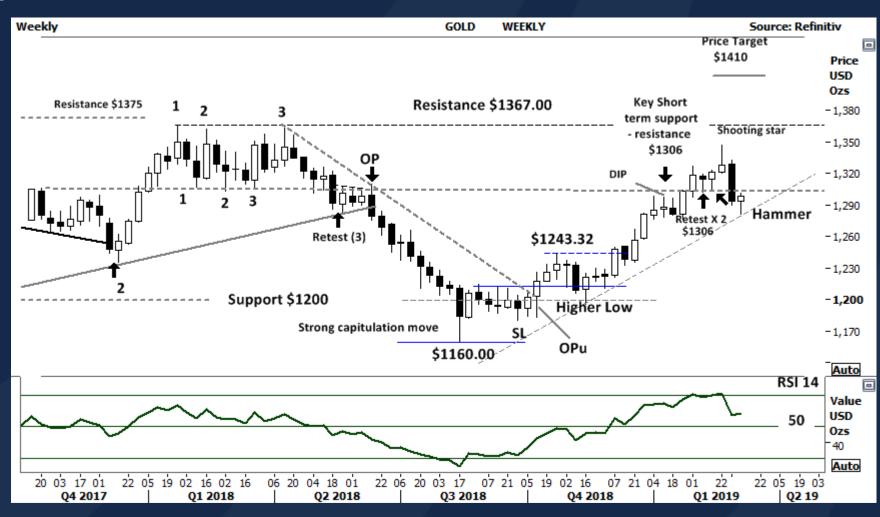
Key resistance at \$1306 will be the most watched level this week.

Primary trend remains UP.

A new "tentative" trend line is now in place.

RSI remains over the key "50" level, although the indicator has turned higher.

Comments from last week: The follow on from the shooting start has seen a break of the short tern trend line. The current bearish candle is a completed pivot point reversal. As the current candle is a larger range than the previous weeks, lower prices can be expected.





## Gold Daily

The closing price remains below \$1300 on a very bullish move on Friday, following the retest of \$1276.40 support levels.

This strong reversal signal brings a potential retest of the recent highs of \$1346.00

Relative strength has turned sharply higher from below the 50 level, indicating a strong (positive) change of momentum.

**Comments from last week:** A retest of \$1276 is the down side target.





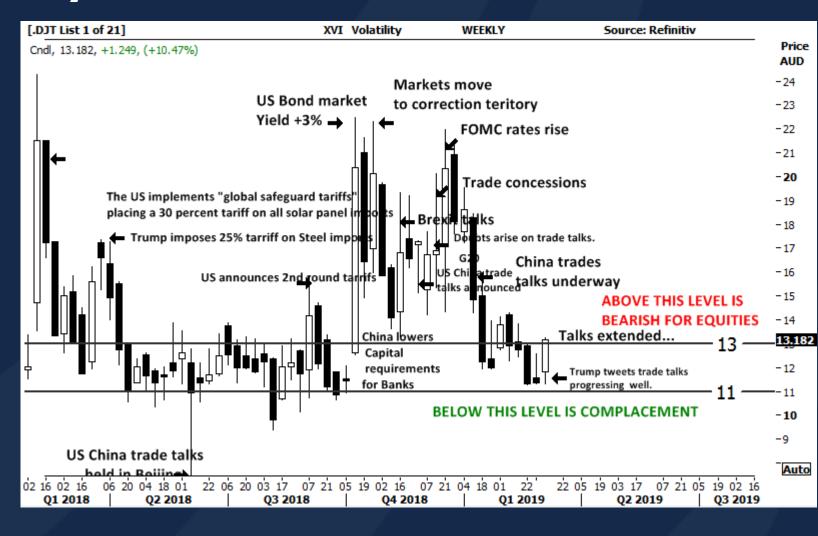
## Australian Volatility Index

Current volatility levels, have again moved over the key "13" level, this is short term bearish for equities.

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

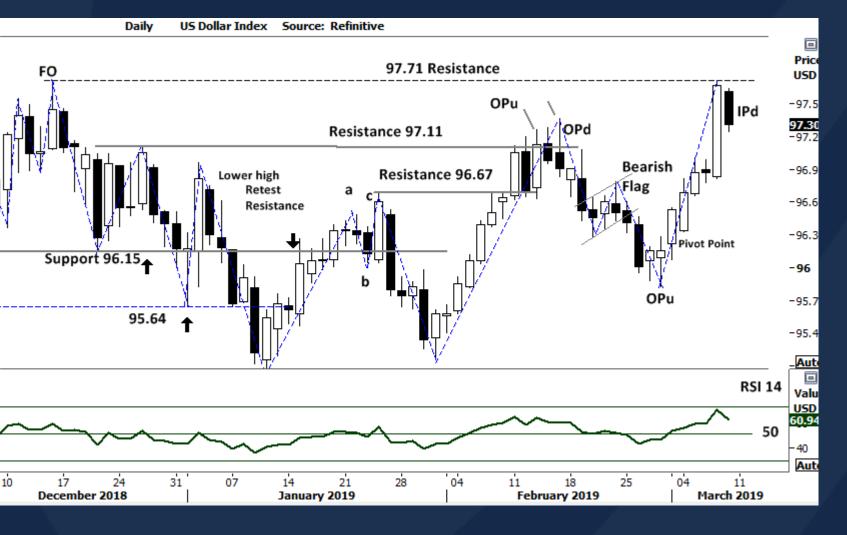
As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this "skew" in pricing is measured in this XVI.

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 remains within a trading range between 95 and 97.71.

Thursdays strong range candle failed to follow through above the 97.71 resistance level. A further range trade between 95 and 97.71 is expected.

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 visa versa.

Comments last week.

Look for a retest of the 97 level.

### WTI Oil WEEKLY



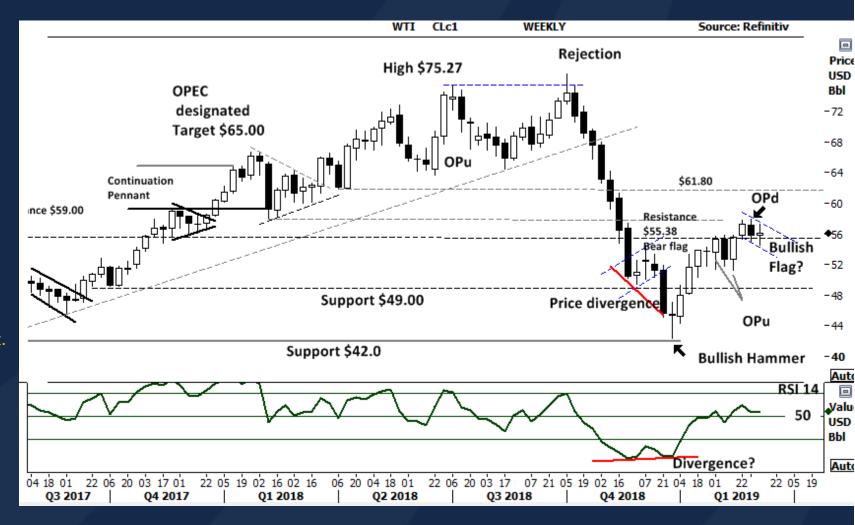
### **Weekly OIL**

Support - Resistance at the \$55.38 level has again been tested this week with the price consolidation forming a bullish flag pattern, a clear setup for higher prices in the coming weeks.

Next resistance level is shown at \$61.80.

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

Comments from last week. WTI has lost its upward directional momentum with support at \$55.38.





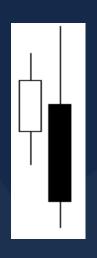


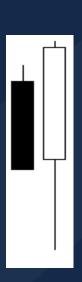
A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

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.

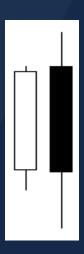
The OP period comes in all shapes and sizes.





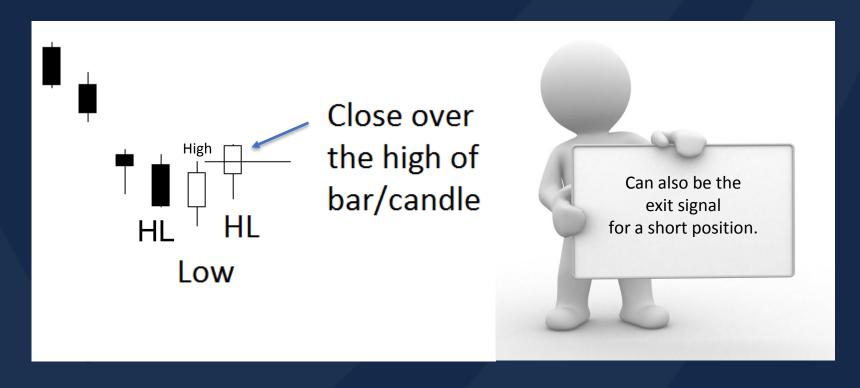






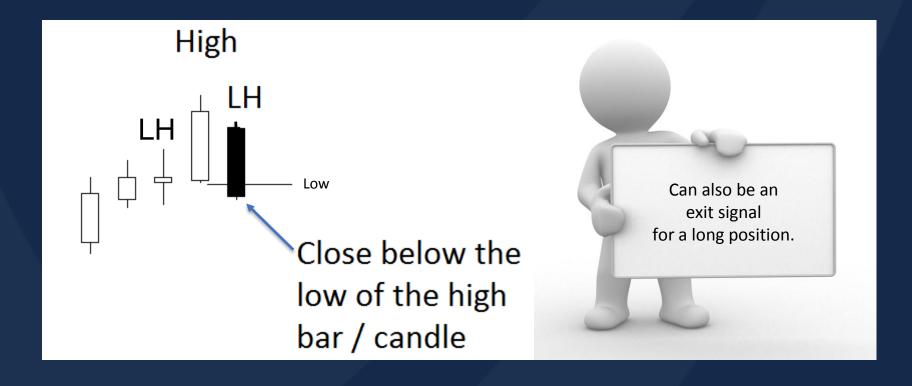


# The technical setups. The Pivot point reversal



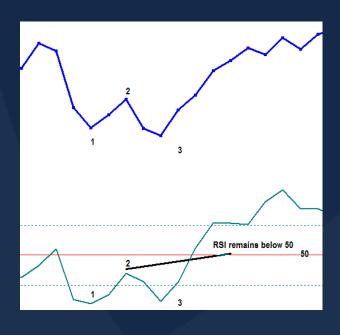


## The technical setups Pivot point reversal



# 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" \*\*

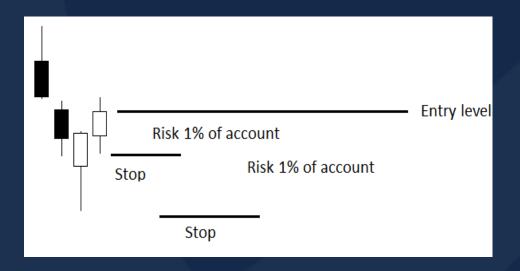
Swing failure is identified with the break of point 2 on RSI



## 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.

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**Comments and Feedback:** 

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