



**IN BLACK AND WHITE**

**11/01/2019**

**A market technician's view**

**FX  
INDICES  
EQUITIES**

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# Australian 200 index - Weekly



## Short weekly view.

This week's breakout above 5727 is an important win for the bullish view.

However the XJO remains in a primary down trend as this short rally takes place.

A new "tentative" trend line is in place as the pivot low is confirmed by this week's high close.

Relative Strength is approaching the "50" level a good sign of further gains towards the next resistance of 5950 points.

# Australian 200 index - Daily



Following the "higher low" the XJO has moved past the trend point into a daily UPTREND.

Thursdays closing price over 5770 is a good sign of the potential retest towards the WEEKLY 5960 resistance level.

With the last short-term down trend line challenged this week a close over this level would be an important gain for the bullish view.  
(This highlights the importance of correct trend lines.)

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

## Comments from Last week:

Best case observation for the bulls is the 4 significant low in place, the diverging RSI (higher) may be the earliest indication of a trend reversal.

# S&P 500 Index - Weekly

## Short weekly view.

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

The S&P500 remains in a PRIMARY DOWN TREND.

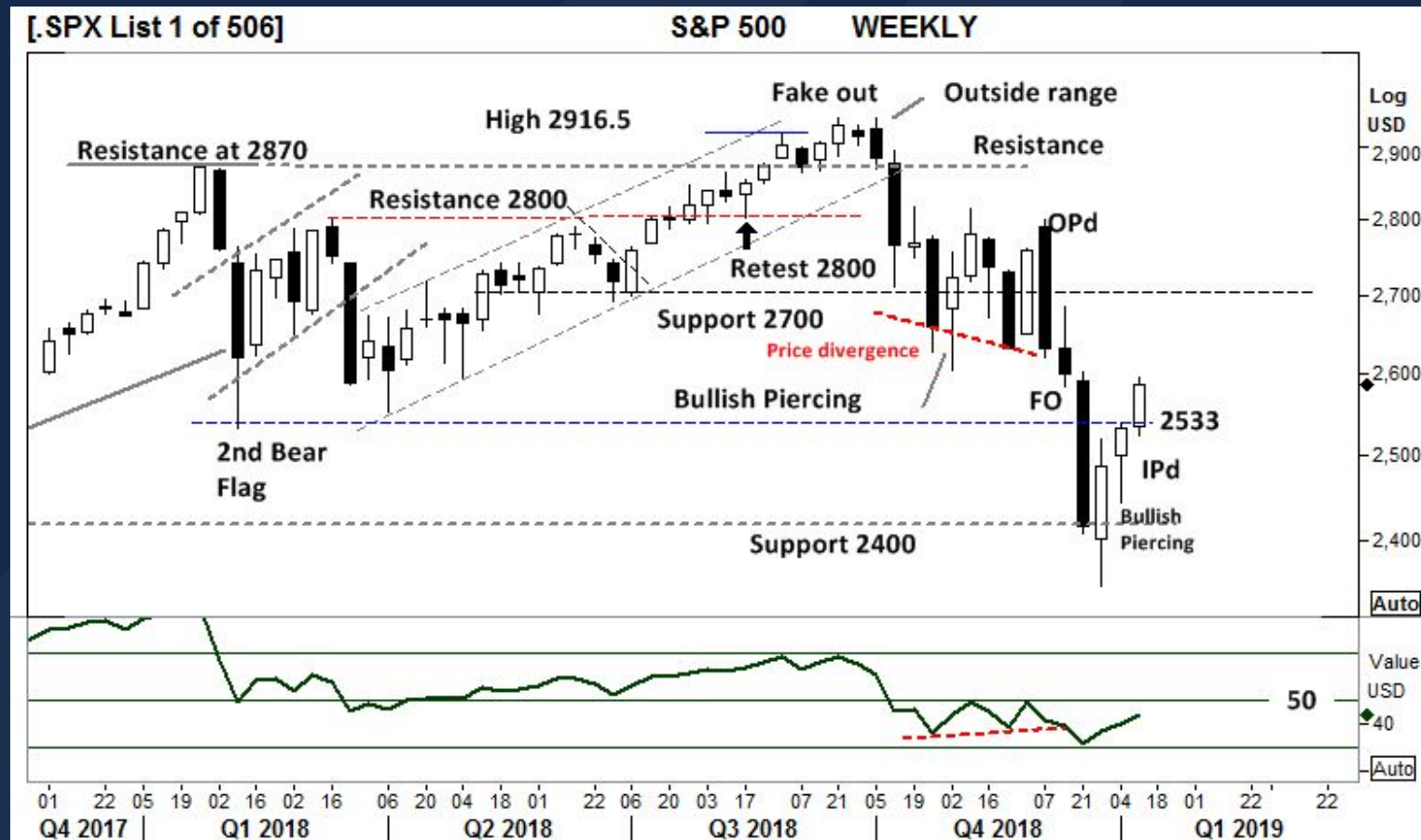
An important break above 2533, with the potential to retest 2700 points as a bear market rally takes place.

Relative Strength remains below "50" and pointing higher showing improving price momentum.

(Only a Presidential tweet could change the view.)

## Comments from last week:

With the retest of a downside target of 2400 complete followed with the bullish piercing candle developing, look for an important retest of 2533 as the first resistance in any continuation move higher.





# S&P 500 Index - Daily

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

Daily trend shows reversal with the current bullish flag breakout and a closing level above 2584.

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

## Comments from last week.:

Currently resistance is shown at 2522 points as a potential bullish flag pattern form.



# Transports Index

The DOW Transports now confirm with the other indices of a BEAR MARKET underway.

The transports show a recovery retracement from 8711 support and a clear retest of 9800 underway

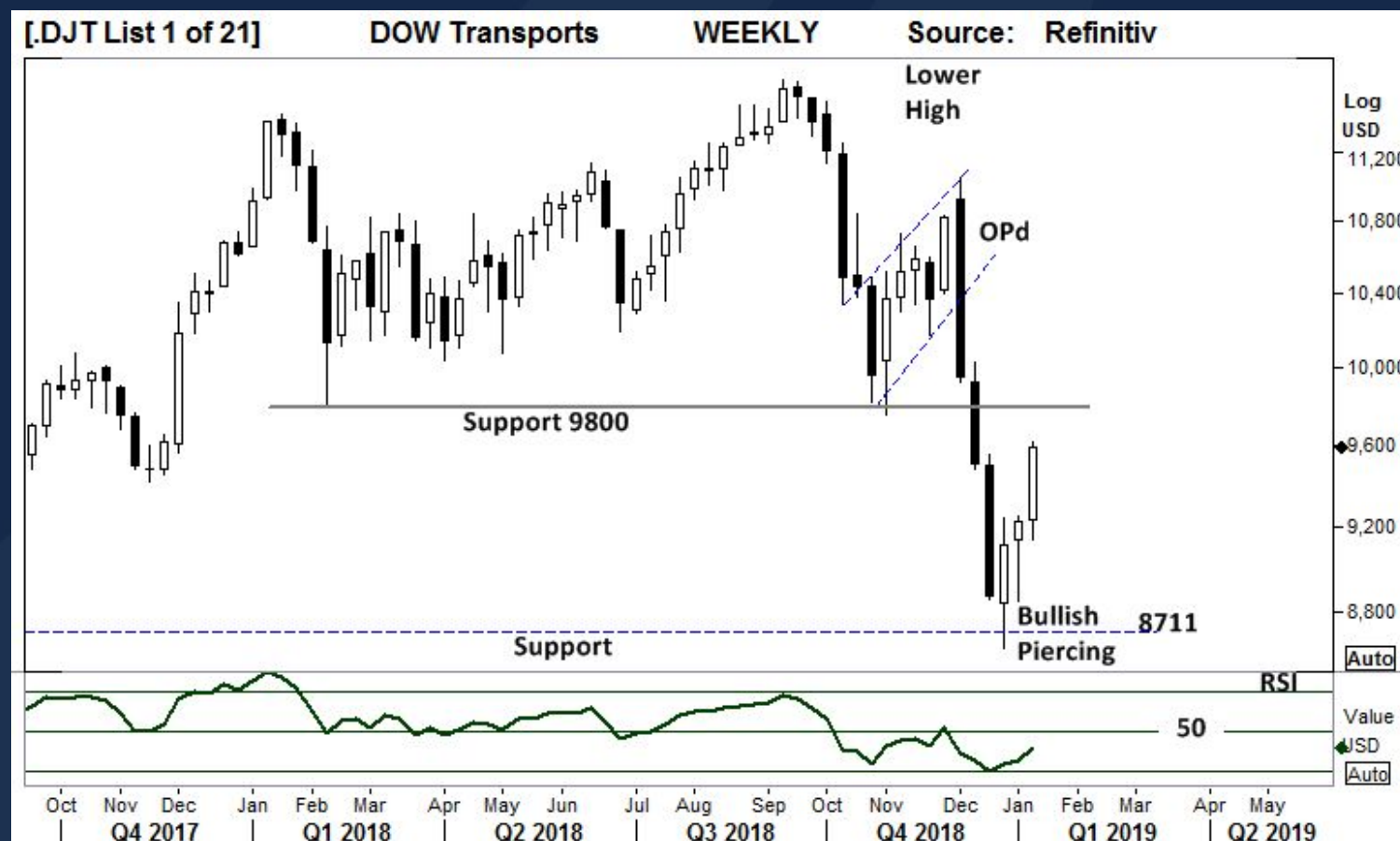
The further potential for a significant move lower remains with a closing price break below 8711.

The Relative Strength Indicator remains below the key 50 level, but pointing higher.

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

## Comments from last week:

Last weeks retest of 8711 historical support and this weeks IP ( inside period) should lead to a retest of 9800 resistance on a closing price break of 9220 points.





# FTSE 100 Index - Weekly

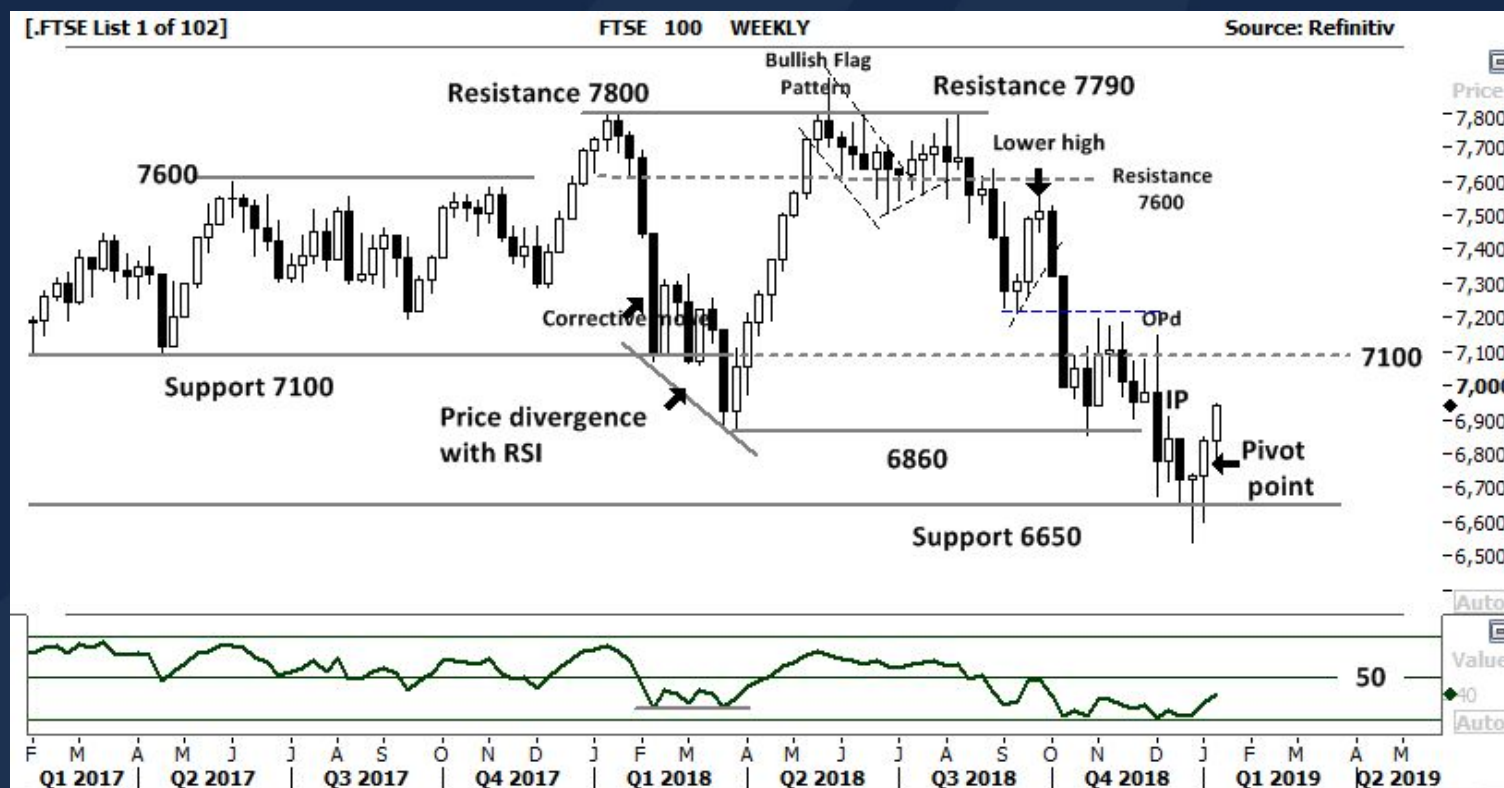
## FTSE 100 weekly:

### Short weekly view.

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

The Index remains in a primary downtrend with a bullish retracement underway.

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 making new lows along with price making new closing price lows.



## Comments from last week:

A closing price over 6860 is required to confirm a bullish view with confirmation from the RSI.

# GOLD Weekly

## Short weekly view.

Gold remains in a PRIMARY UP TREND.

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

This week's IP (inside period) indicates a consolidation period.

Longer term target of \$1410

RSI remains over the key "50" level.

Comments from last week:

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



# Gold Daily

The daily price of Gold remains in a Bull run.

A Round number resistance at \$1300.00 is the current intraday resistance level.

Gold remains on track to retest \$1306.00.

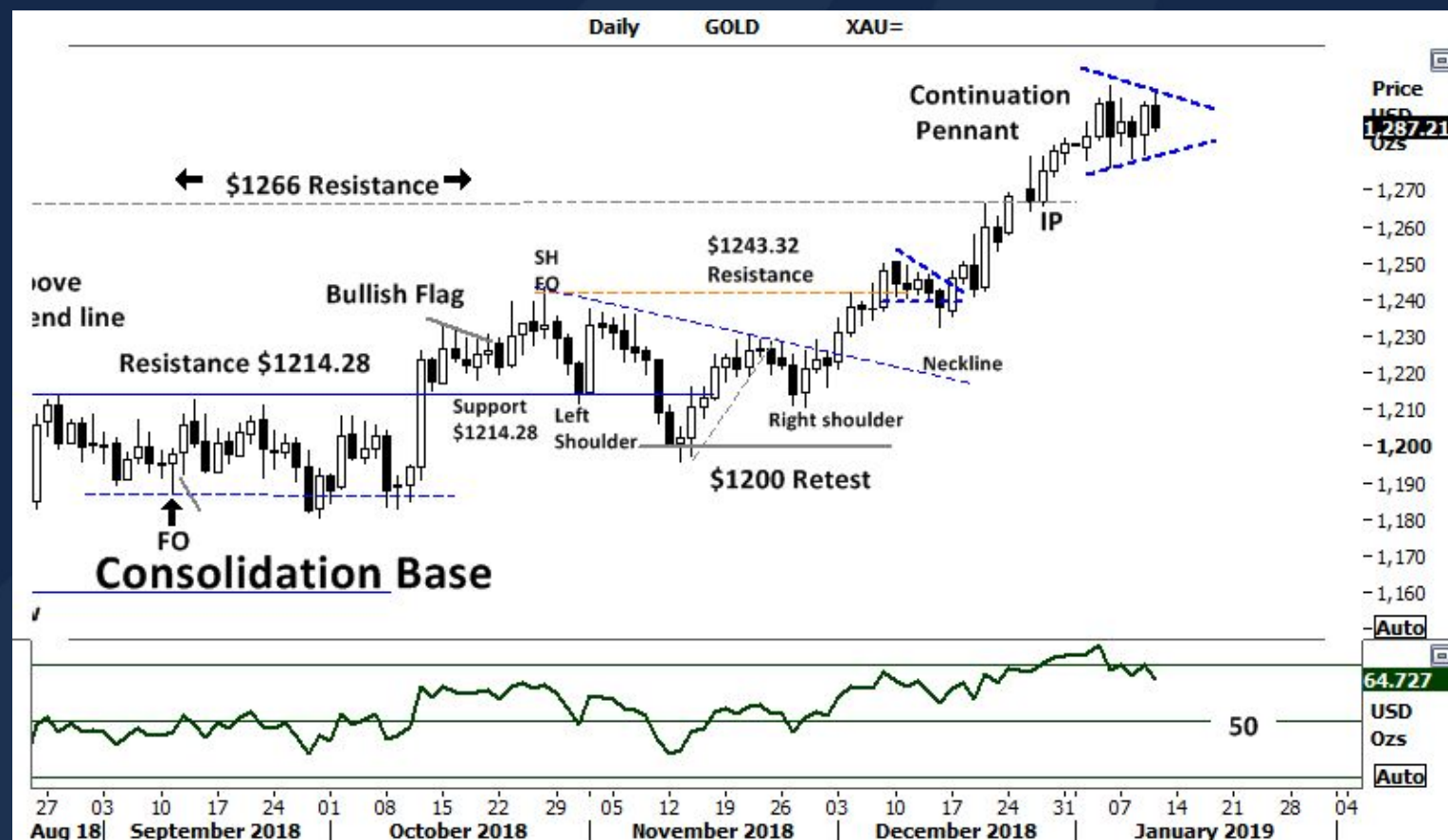
Consolidation in the form of a continuation pennant is a good sign of further gains.

Relative Strength ( RSI ) is moving lower consistent with this consolidation pattern.

(Relative Strength is a momentum indicator)

## Comments from last week:

RSI remains above the "50" level indicating positive price momentum, with the RSI now moves over the "70" level traders should be aware of a potential short term blow off top.



# Australian Volatility Index

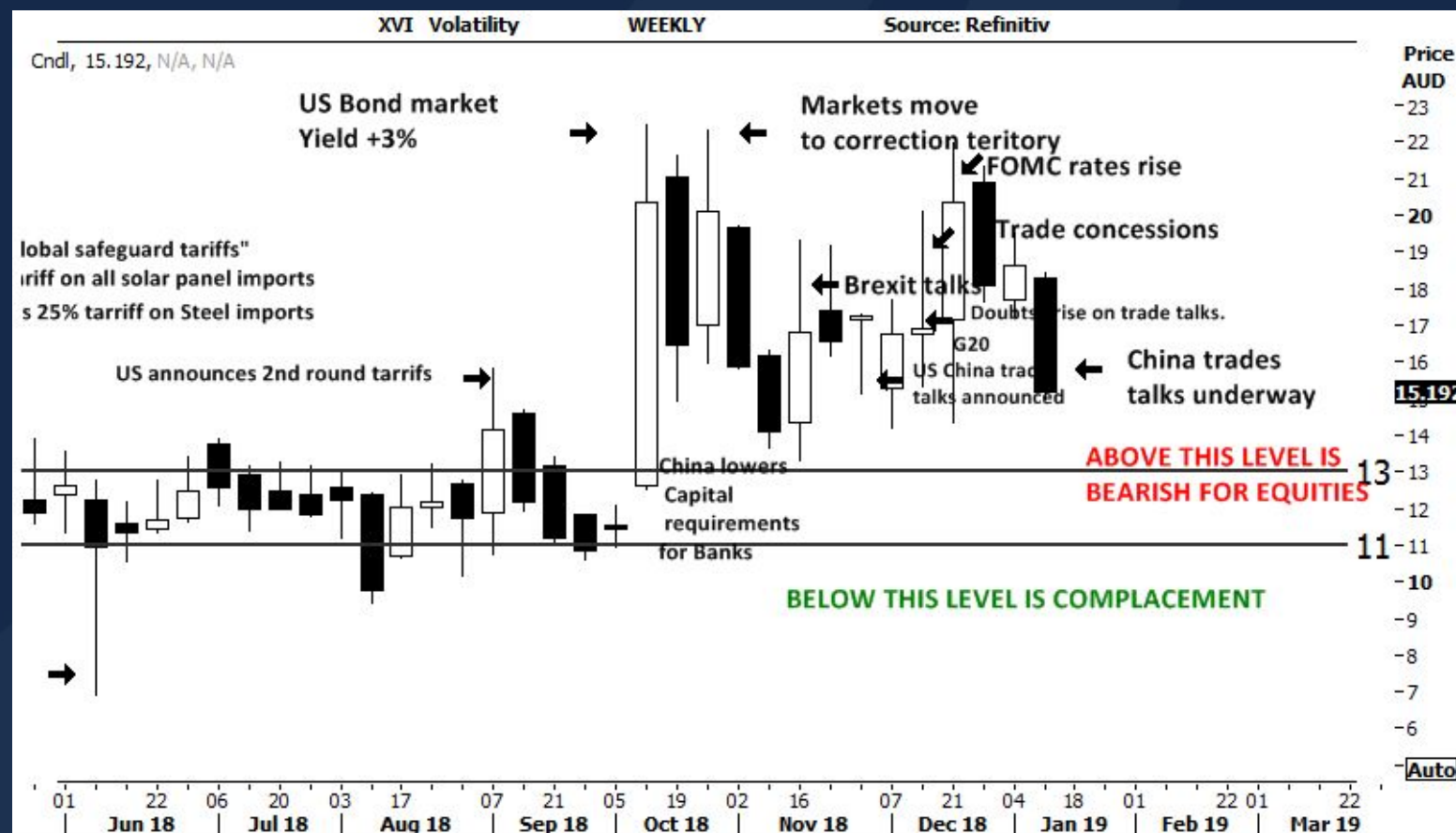
The Australian market volatility indicator XVI.

The US rate rise, and bearish sentiment around global growth has kept the XVI over the key "13" level,

As an early indicator, the XVI value ( 15.19) is currently moving lower from the highs of 22.00, adding to the current bullish view in the equities market.

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

US Dollar Index enters a primary down trend.

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:

Short term support at 95.64 was again tested this week.  
The US dollar index remains in consolidation.

# WTI OIL WEEKLY

## Weekly OIL

### Short weekly view.

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

The current rebound back to the \$55.38 retest is underway, this has moved the price over the key \$50 level without resistance, a good sign of further gains

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 may now offer a potential divergence signal in the coming weeks.



Comments from last week.:

A higher close in last weeks range could continue to show a bullish retracement with a potential retest of resistance at \$55.38.



# The technical setups

## Outside period

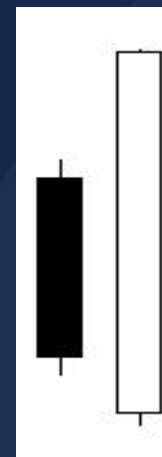
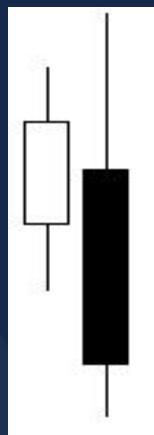
### Opu and OPd

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

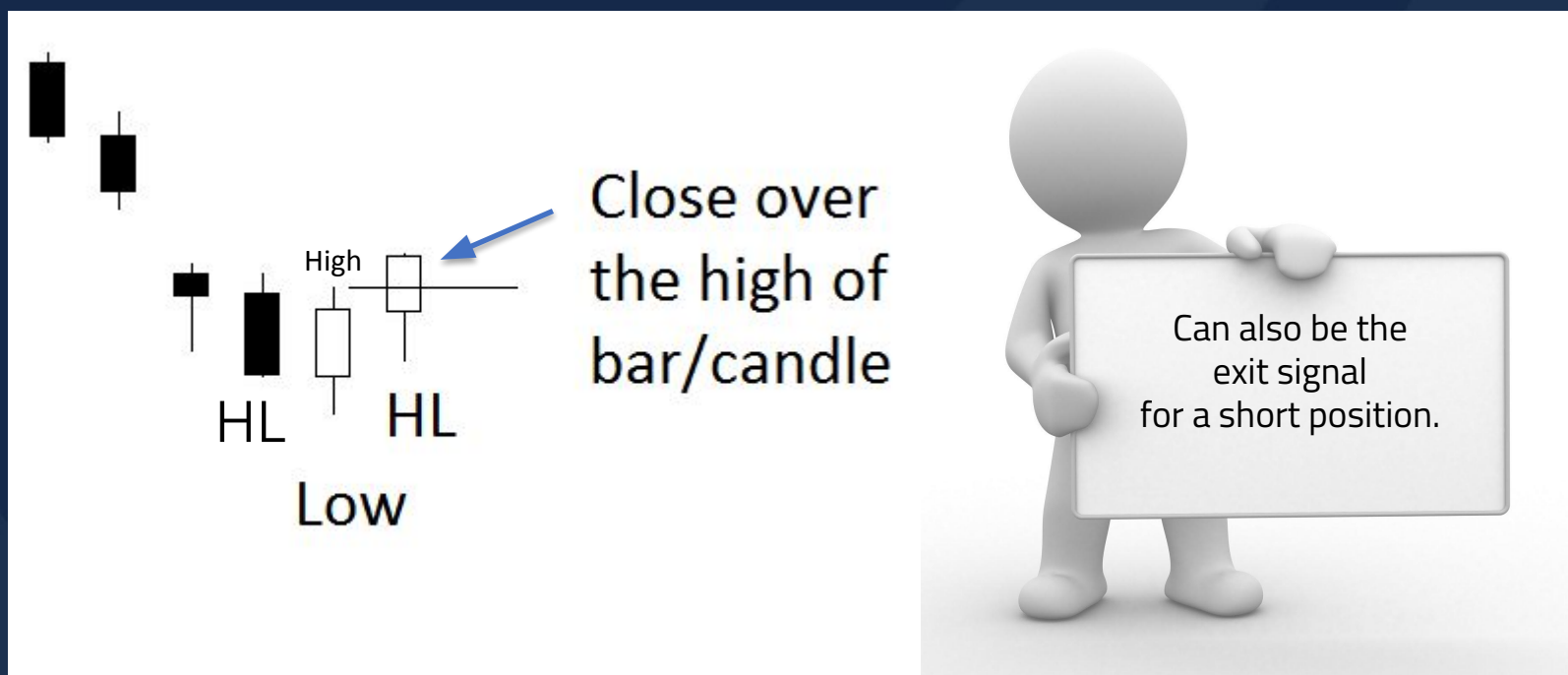
The outside period can mark a significant market turning point at or within 3 bars ( 93%).

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

The OP period comes in all shapes and sizes.

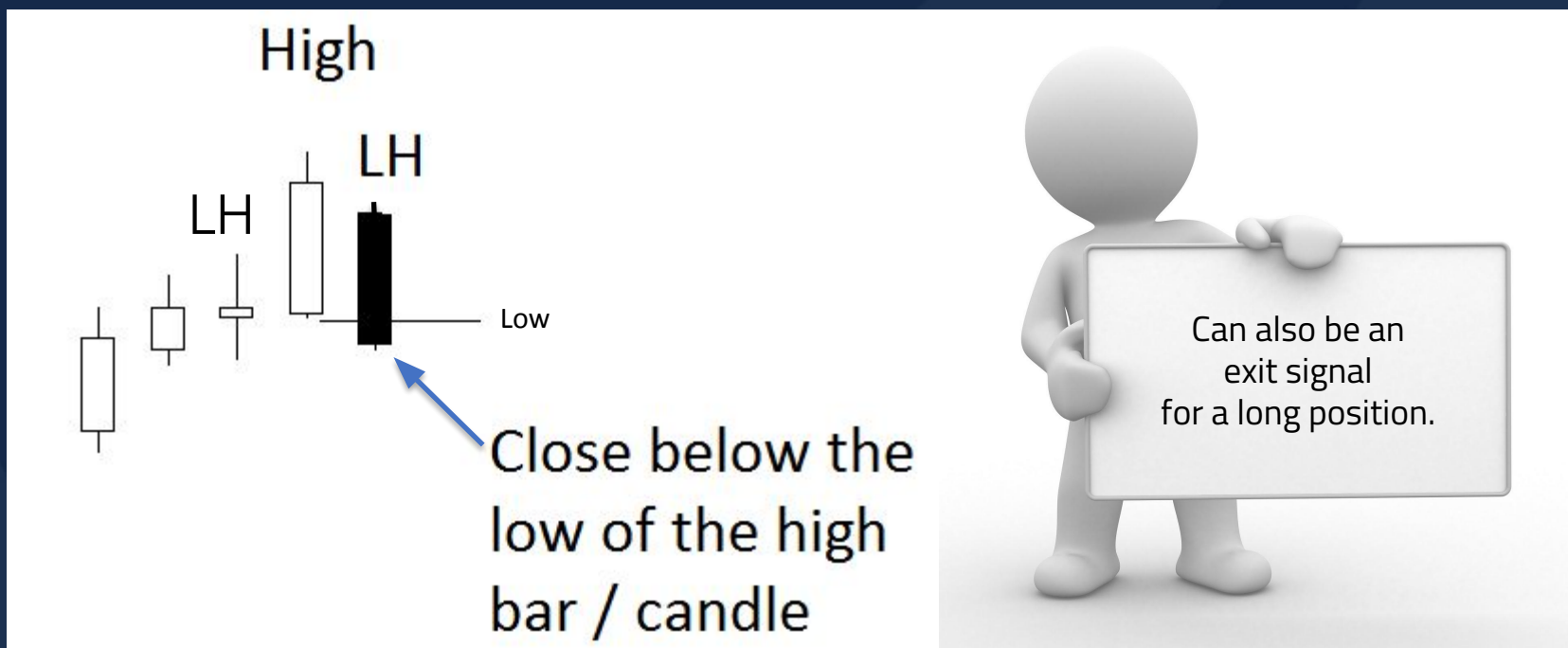


# The technical setups. The Pivot point reversal



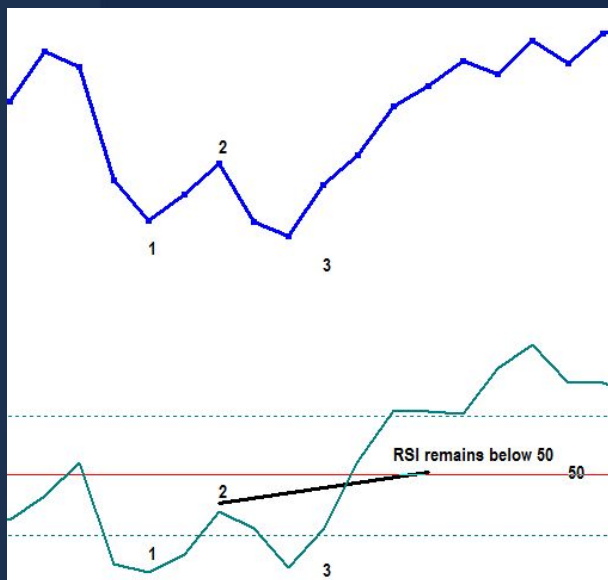
# The technical setups

## Pivot point reversal



# THE TECHNICAL SETUPS

## Relative Strength



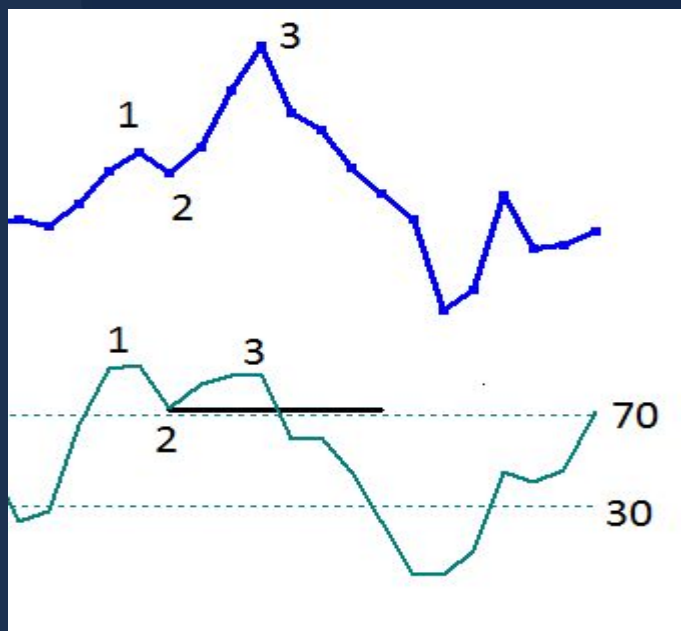
### Relative Strength Indicator

#### 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 a 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" \*\*

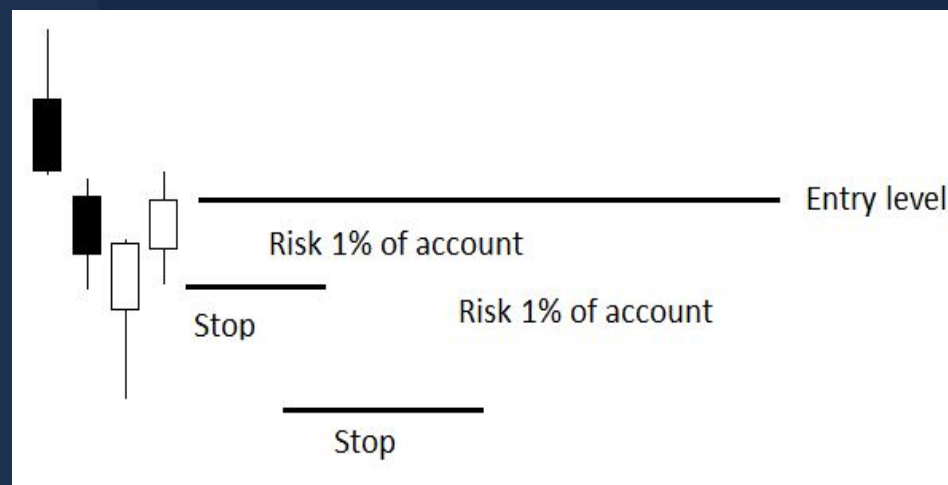
Swing failure is identified with the break off point 2 on RSI

# 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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