

the week beginning 30/12/2019

A market technician's view

FX INDICES EQUITIES



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#### **SUMMARY-**

Holiday period trading is marked with light volume, with many traders on the side lines for the holidays.

Overall markets in Australia and the US remain positive in this holiday period, with plenty of opportunity for the short term trader.

Gold and Silver trading has been the standout sector in this past 2 weeks with significant Bullish breakouts in both metals.

WTI meets the current trading range high, and still looks very Bullish.

### Australian 200 index - Weekly





The WEEKLY chart of the XJO remains in a Primary UPTREND.

This current 4<sup>th</sup> Quarter ascending pattern remains bullish as the market again tests 6890. Last weeks inside period/range is suggesting a stable market without decision.

6670 support is the key level to hold for this market to remain bullish for early 2020.

RSI remains over the key 50 level but moving sideways.

MACD has turned neutral as both averages move lower.

Comments from last week: The weekly chart now displays solid resistance at the 6890 level. The XJO has ranged 6% since April /19 this is not a good sign for Bullish continuation in the short term. Traders would look for a close over 6890 to confirm a longer term Bullish view.



### Australian 200 index - Daily



In this shortened trading period the market has shown a Bullish flag breakout, a very good sign for a further retest of the 6890 highs in the coming days.

Volumes remain significantly light, this could lead to volatility in the coming weeks until the full trading market returns.

The Relative strength Indicator has turned higher, and momentum remains positive while over the 50 level.

Comments from last week: The impulsive move on Monday has failed to follow through to higher prices. Concerning the Widening volatility pattern, price may take several weeks to work outside of this Volatility. The current high volume daily decline suggests distribution at this level.

### S&P 500 Index – Weekly



The Primary UP trend remains in place. As Volatility measures remain high.

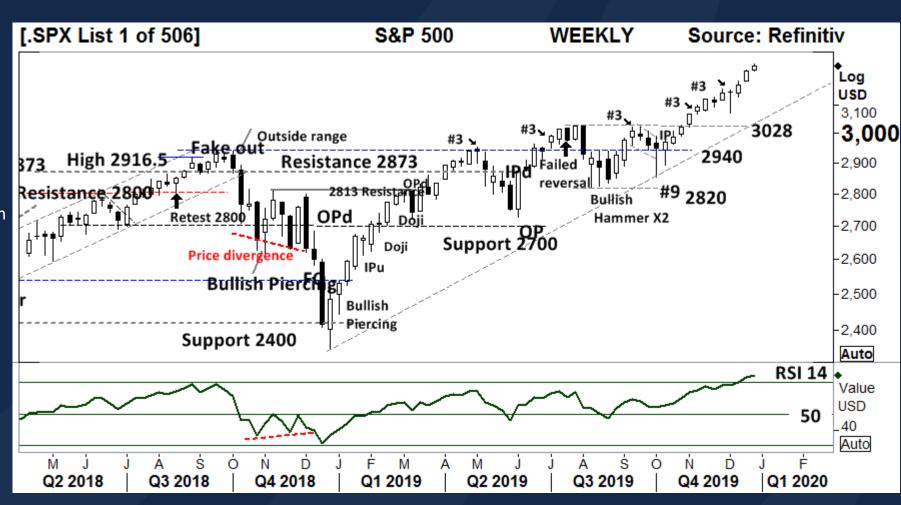
The persistent weekly highs have defied all of the reversal signals from the breakout of 3028.

While the RSI remains positive swinging higher over 70 this can lead to bullish exhaustion, however the current weekly high of 3250 is a good sign for continuation into early 2020.

The larger technical view shows this market may trade out to 3600 points before any meaning full retracement.

(See notes below for #3)

Comments from last week. Exceptionally bullish price moves only suggest further gains. Traders should be aware of impending profit taking moving the market lower. The key level remains 3028 and a potential test of the short term trend line.







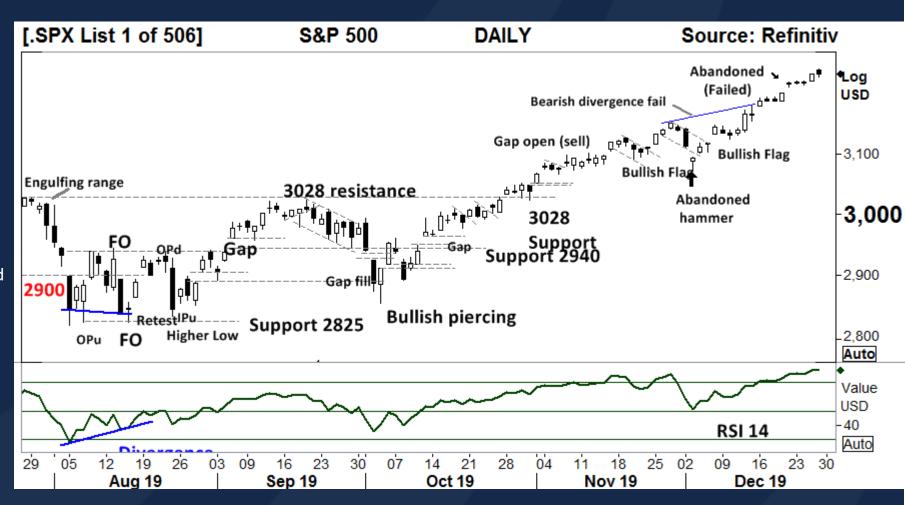
Last weeks STRONG bearish divergence has failed to bring in the Bears..

The exhaustion signal of the Gap higher from 5 trading periods ago has also failed to bring in the sellers.

Caution should be used as this market may enter a period of profit taking. However the primary trend remains UP.

Both the daily and the weekly RSI has turned higher over the 70 level, and remains a strong signal of positive price momentum.

Comments from last week: The potential Bearish divergence has failed to play out.
Friday's gap higher leaves an abandoned Doji.
Traders would look for a Gap down in the next trading session to confirm a short term top is in place.



#### Transports Index



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

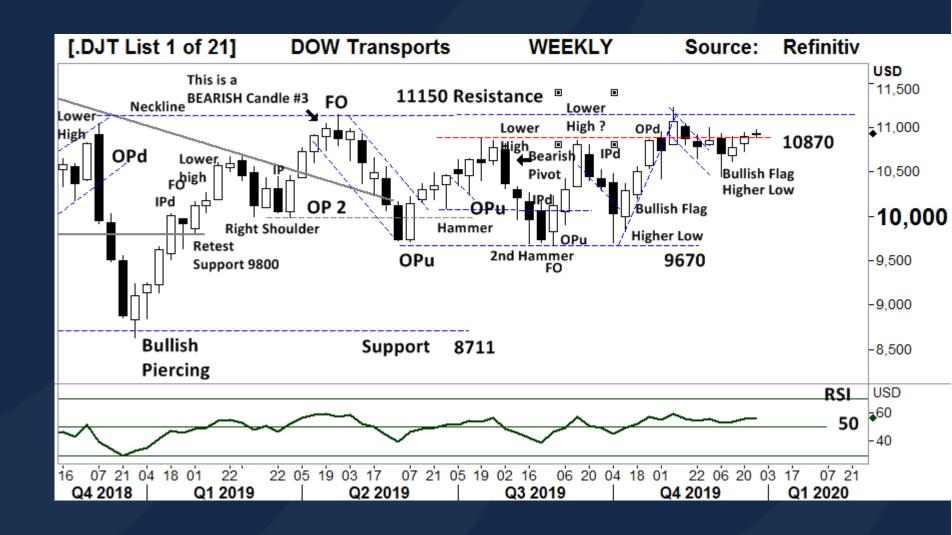
(This index is now heading towards a CONFIRMATION of the long term Bull market, a break of 11150 points is required.)

Last weeks short range remains positive with a close above the key 10870 level.

The bullish flag breakout is not strong but has set a potential "higher low" a good sign of buyers in control.

Relative strength has turned sideways and remains over the key 50 level a sign of decreasing price momentum inside this current consolidation pattern..

Comments from last week: Transports remain below the key level of 11150. Fridays close over 10870 is a small sign of a continued move higher. It remains concerning this Index has not moved in line with the larger Indices'.



### GOLD Weekly



GOLD remains in a WEEKLY Primary DOWN TREND.

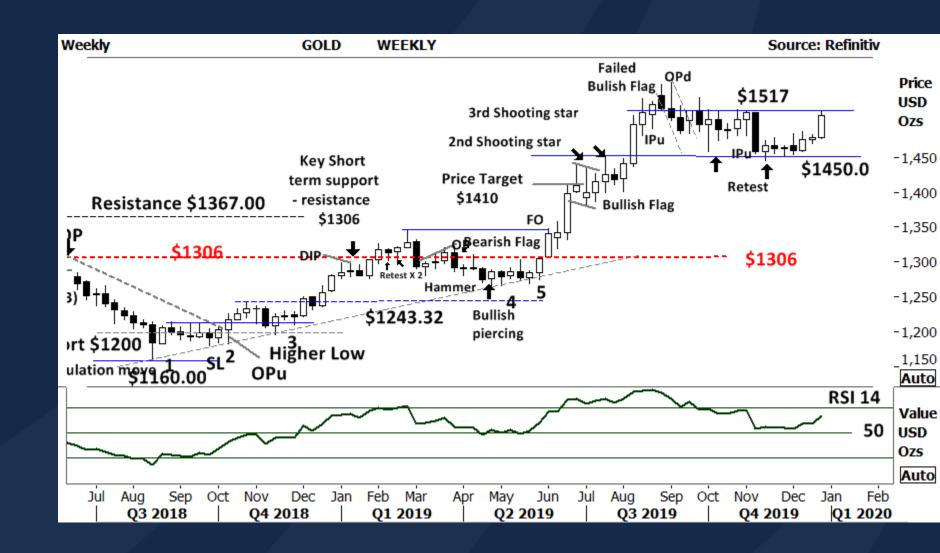
This \$1450 support level remains a SIGNIFICANT level to hold in the coming weeks.

Gold tests the \$1517 resistance with a very strong trading range with the weekly close in high part of the range.

This is a potential precursor to a continued breakout higher.

Relative strength remains over the 50 level, the current turn higher show increasing positive volatility.

Comments from last week: The large down close range 7 weeks ago has remained a major price obstacle, current movements towards the \$1480 level are a small sign of a potential retest of \$1517 in the coming weeks.







#### GOLD moves to a Daily UP TREND.

The daily price action makes a significant breakout from both the major resistance of \$1476 and the down trend line on very strong daily ranges.

Daily resistance at \$1517 remains, a further breakout higher would bring in a potential retest of \$1550 and a move higher.

Relative strength again swings above the key 50 level and 70 level, this is a bullish sign and suggests further positive momentum.

**Comments from last week:** Small daily ranges have moved over the key \$1476 daily resistance.

Traders should consider that low volatility leads to high volatility. The potential is a breakout higher in the coming days.







The current breakout over \$17.30 is a strong sign of increasing upward momentum as is the current first break of the short down trend line.
This current retest of \$18.00 is a very bullish sign for further gains.

The Relative Strength Indicator is rising overall, the current move over the 50 level and the 70 level indicates increasing price momentum as bullish divergence remains in place.

Comments from last week: An early trend change may be underway, but requires further confirmation with a strong closing prices over the \$17.30 level. \$18 and \$18.73 remain the upside targets.





### Australian Volatility Index

Current volatility levels, show a significant decrease in forward volatility values, this is a Bullish sign the market is discounting any immediate risk.

This news driven indicator is reflecting an decrease in risk and uncertainty in markets going forward.

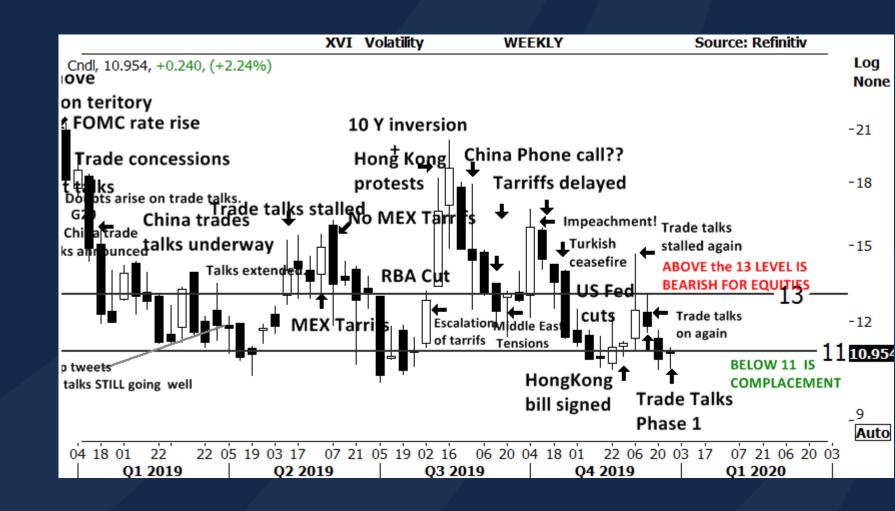
The XVI is the difference of 1 month forward pricing of ETO Options against current month.

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

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

observation to the underlying



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## US Dollar Index - Daily



DXY enters into a Primary down trend. Commodities to come under pressure.

The violent move on Wednesday has shaken the buyers with further selling on Friday. A further breakdown below the 96.57 level would have the sellers in full control

RSI turns sharply lower crossing the "50" level a good indication decreasing and negative price momentum.

**Comments last:** The inside range (IPu) has confirmed the low. The current breakout over 97.50 is a significant momentum move. The underlying PRIMARY trend remains benign and range bound. Look for a retest of Major resistance at 98.45.

#### WTI Oil WEEKLY



The continued development of the bearish flag suggested a retest of the support level at \$50.60.

With a continued testing of the \$61.80 level a breakout from this 6 month trading range looks imminent.

Next price target is \$65.00.

Traders would also consider further news and a breakdown of the Bearish flag with the potential to retest \$50.60

The Relative Strength Indicator turns higher above the 50 level, a sign of increasing Upside momentum.

Comments from last week: WTI has now completed the retest of the \$61.80 level. The current small range weeks do not suggest further gains over resistance.
WTI remains in the consolidation range of \$50.60 support to \$61.80 resistance.







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

The outside period (OP) 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

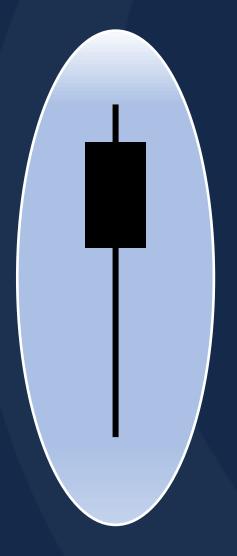
When Line #3 is found at a HIGH PRICE AREA Long positions should be closed within a week.

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 WEEKLY #9 reversal

When Line number #9 appears, the body is above the Midpoint. With the closing price lower than the Open.

If this is a short line the trader should wait for the market to show direction.

Following Price movements can "engulf" this short movement.



# 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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