

the week beginning 24/06/2019

A market technician's view

FX INDICES EQUITIES



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SUMMARY-

US markets rise to an all time high again this past week, as the Australian 200 Index XJO moves to within 2% of the GFC high.

Oil stages a significant recovery on Middle east tensions while GOLD puts in a breakout move into the \$1410 price target.

Australian 200 index - Weekly





The XJO has moved to a fresh breakout high and remains within striking distance of an all time high.

This continuing breakout above 6373 would use this level as support to hold in the coming weeks.

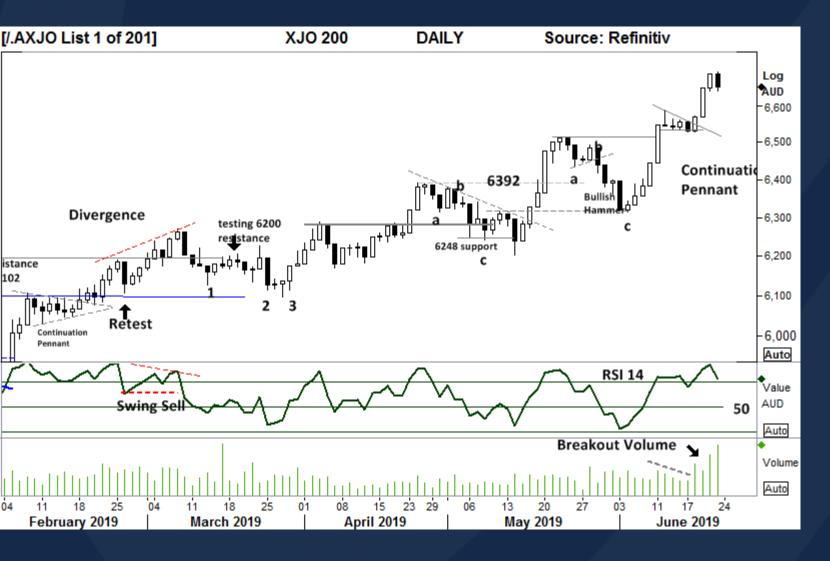
Primary UP trend remains in place.

The MACD has remained as a sell signal and the RSI remains above the key 50 level and again moving over the 70 level.

Comments from last week:

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Australian 200 index - Daily



The small bullish continuation pattern at the end of the strong breakout has set up a new breakout.

However Fridays reversal could use the 6500 as short term support on any further retracement. Strong volume on the breakout with a volume high on Fridays retracement suggest short term profit taking.

Relative strength has turned lower from over the 70 level in line with the slowing momentum.

Comments from last week:. The high should be exceeded this week for the market to remain strongly bullish.

Any breakout must have an increase in volume to remain as a confirmation signal of higher prices.

S&P 500 Index – Weekly



The week has posted a new high, however the market closed inside the previous high (#3).

A reversal at this level would look for support at 2700 points.

Primary trend remains UP but at a significant resistance level of 2950.

RSI has now moved from below the key 50 level to above this level showing the current increase of positive price momentum.

Comments from last week. Last week's indecision range (small) is considered bearish as this occurs below the recent highs.

Immediate follow through is required this week, as the resistance to higher prices remains.



S&P 500 Index - Daily



Friday posts the Fake out high (FO)
Following a strong move on Thursday.
Immediate daily support should be
found at 2900 on any retracement
move.

Relative strength has moved over the "50" level. This sudden swing higher has not reached the 70 level as the indicator turns lower giving an early indication of the loss of upward momentum.

Comments from last week. Small range days Wednesday to Friday show complete indecision about further gains.



Transports Index



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

Last weeks OP (outside period) has followed through although with a 2nd short range week.

More importantly the transports are confirming the major index's in directional movement but NOT making a new high.

Relative strength has moved higher but remains below the 50 level and shows a loss of momentum.

Comments from last week.





GOLD Weekly

This week saw a very strong breakout move to reach the \$1410 target.

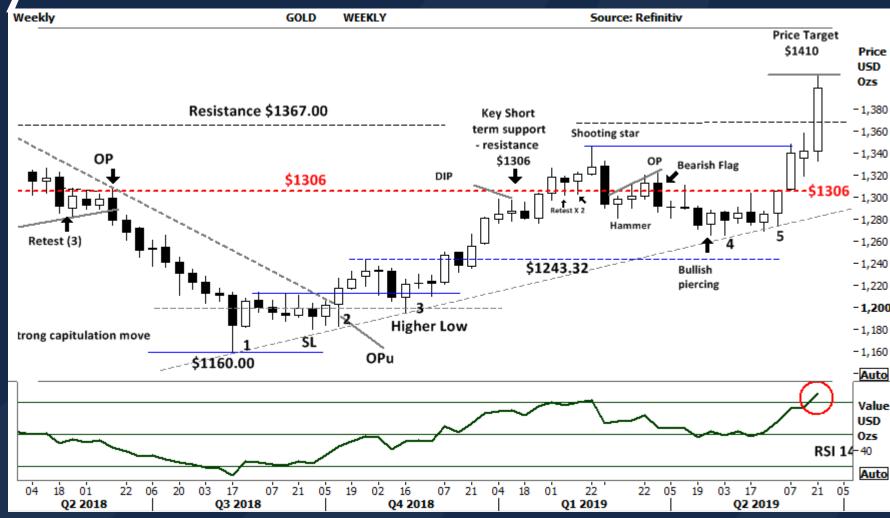
This type of strong weekly range can follow through in the coming weeks.

Look for consolidation in the coming week above \$1367 to confirm this bullish move.

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.

Comments from last week: Traders would monitor the \$1367 level for price resistance in the coming week. Indecision with a closing price below \$1350 indicates resistance to higher prices.





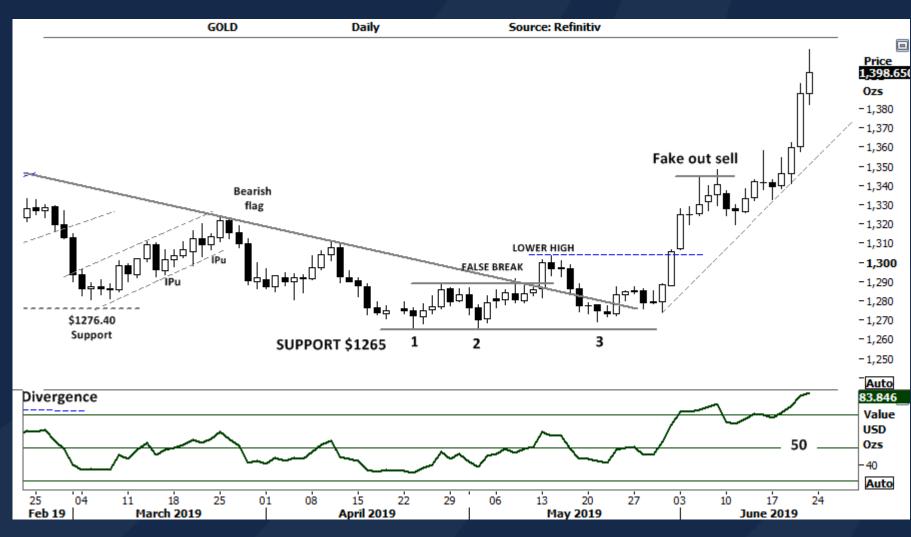
Gold Daily

This past week saw the fake out sell negated with a strong move over the \$1363 level.

The final bar (Friday) shows rejection of a high price at \$1410.

This will be the next resistance level in the coming week as the Relative strength remains over the "70" level.

Comments from last week: Relative Strength has moved higher from under the 50 level and over the "70" level indicating very strong momentum.





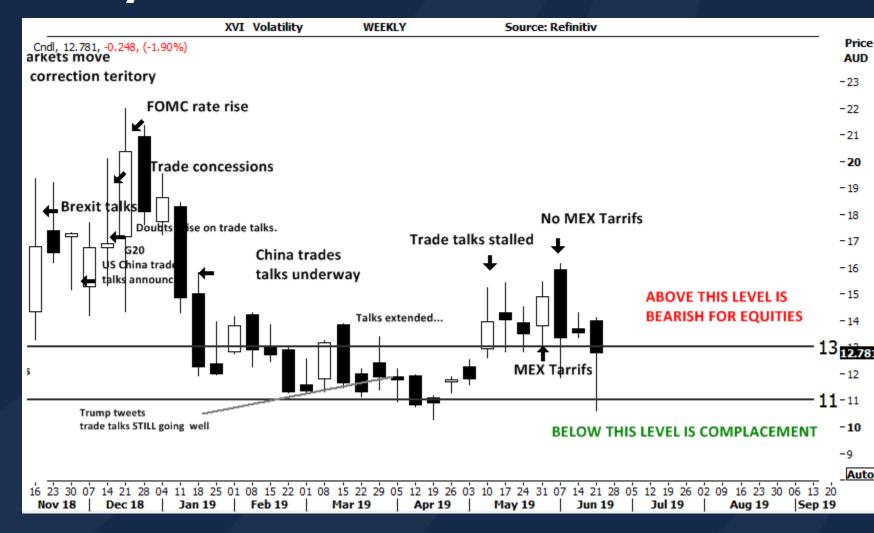
Australian Volatility Index

Current volatility levels, show a strong fall in volatility early in the week below the "11" level. The move off the lows show an intimate change of direction and could preced market weakness in the coming days.

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

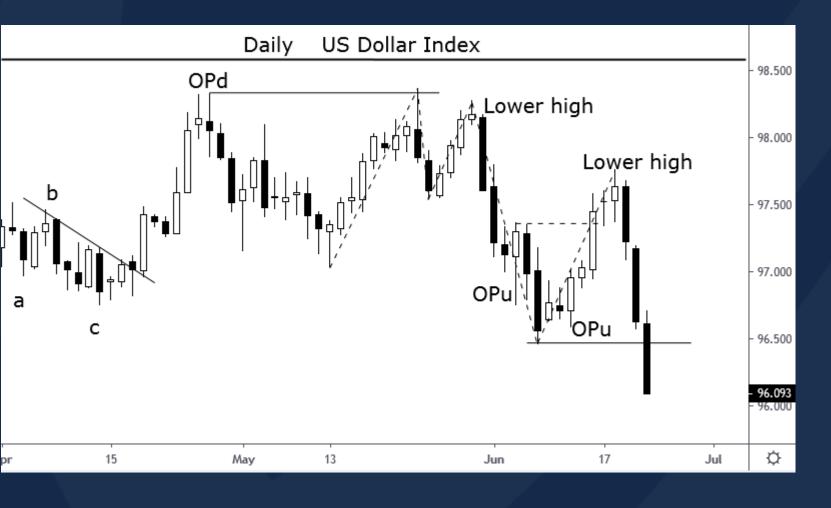
As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this "skew" in pricing is measured in this XVI.

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



Strong rejection of the 95.7 with long range days with a breakdown below 96.50. The DXY has closed on the low of the week, traders should expect a follow through next week.

The DXY enters into a primary down trend.

RSI swings above the 50 level a strong sign od positive price momentum.

Comments last week. Last weeks complete breakdown below historical support at 97.2 looks to have set an Outside period (OP) reversal. (UP)

Fridays strong move higher over 97.2 is a very bullish sign for further gains.

WTI Oil WEEKLY



From the OP and FO this week the WTI has posted follow through higher from the FO reversal with the bullish hammer 2 weeks ago.

Look for a retest of the \$61.80 level in the coming weeks.

Relative strength has moved higher towards the 50 level indicating a change from downward price momentum to positive higher momentum.

Comments from last week: Look for a retest of the \$61.80 level in the coming weeks.





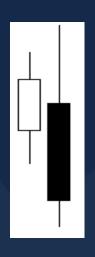


A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

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.

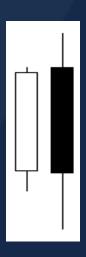
The OP period comes in all shapes and sizes.













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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