



IN BLACK AND WHITE

the week beginning
03/02/2020

A market technician's view

FX
INDICES
EQUITIES

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SUMMARY-

Global Indices' have again reacted strongly to the new medical threat Coronavirus, as a threat to Global growth.

Global trade along with tourism are set to slow in the coming months.

Gold and Silver continue to trade higher with a current new Weekly closing high in Gold.

Oil prices remain suppressed on oversupply and Global growth concerns for early 2020 with the current major support level being challenged.

Australian 200 index – Weekly



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

With the week closing at 7017 points, this level remains vulnerable to a further breakdown. Further weakness would look for 6893 as Major support to be tested. The current small range weekly bars indicate a lack of sellers, however this will change.

RSI has again “rolled” over, but remains above the key 50 level. MACD has turned BULLISH as both averages move higher. (This indicator is often slow to react to sharp changes in price.)

7300 Remains as the long term target.

Comments from last week: A short range week showing a loss of upward momentum. Traders would look for the 7000 level to hold. A further break down would target 6893 as a retest of the initial breakout from the ascending pattern. RSI remains over the key 50 level and turning sideways, a sign of decreasing price momentum.

Australian 200 index – Daily



Tuesday's strong move lower has resulted in further consolidation around the 7000 level. Based on Friday's low range close a breakdown lower would be expected in the early days of this week.

With the 2nd current group of inside range bars, a further move lower could be expected in the coming days as Relative strength moves below the 50 level.

Comments from last week: The recent move over 70 shows very strong price momentum, with the rollover also indicating the completion of an exhaustion move. With the current double inside range bars, a move lower could be expected in the coming days.

S&P 500 Index – Weekly

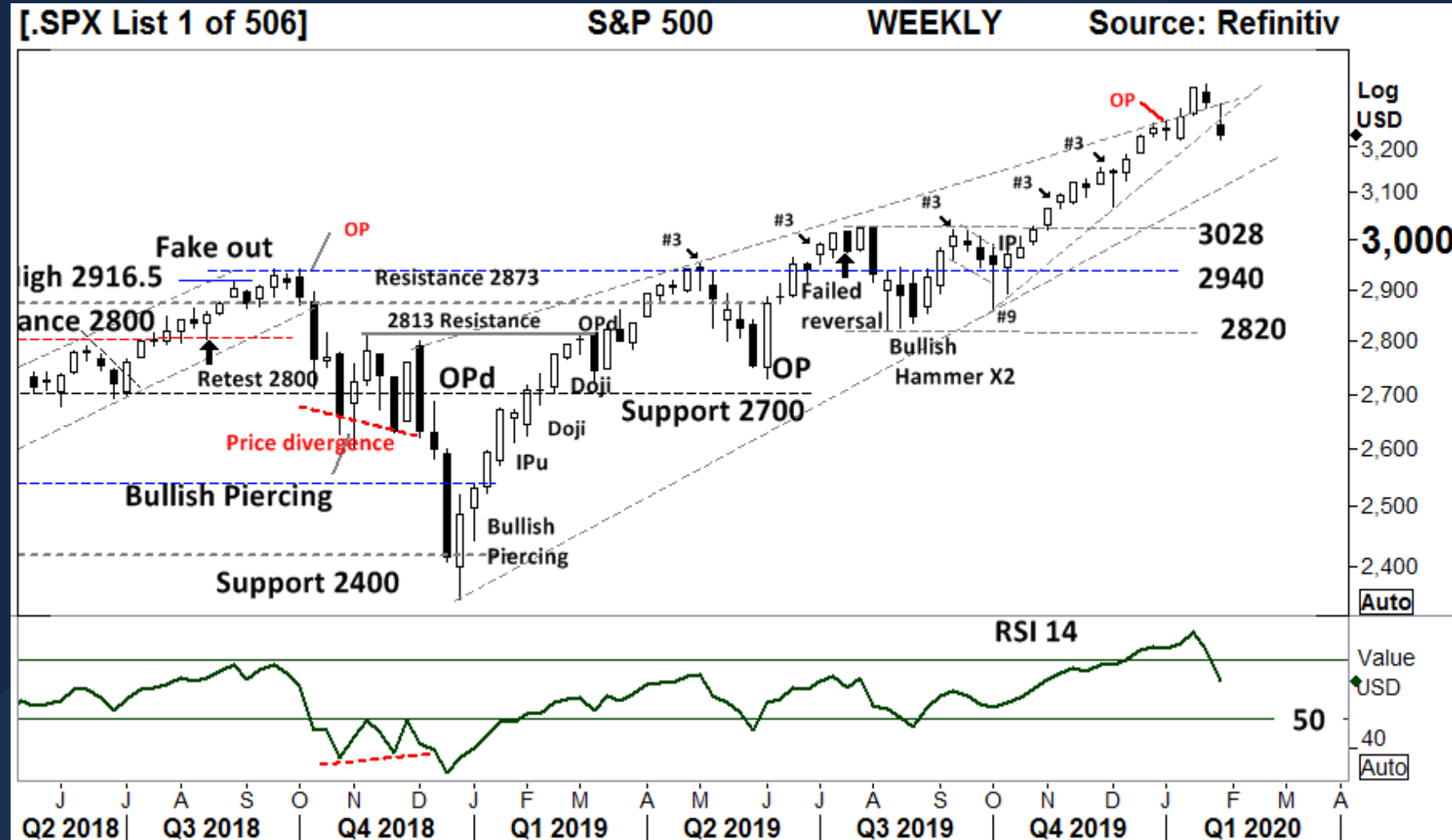
The Primary UP trend remains in place. As Volatility measures remain high.

The weekly range with the low close is a bearish signal for further declines. 3028 remains the downside target as the first major support level to be tested.

Relative strength has sharply turned down below the “70” level, RSI must remain above the key 50 level in the coming weeks to remain bullish.

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

Comments from last week. On a weekly basis the SPX requires a close over 3300 to remain bullish in the short term. The current down close bar following two strong range weeks sets the tone for profit taking in the near term.



S&P 500 Index - Daily

The primary Daily Up trend has now broken into a Down trend.

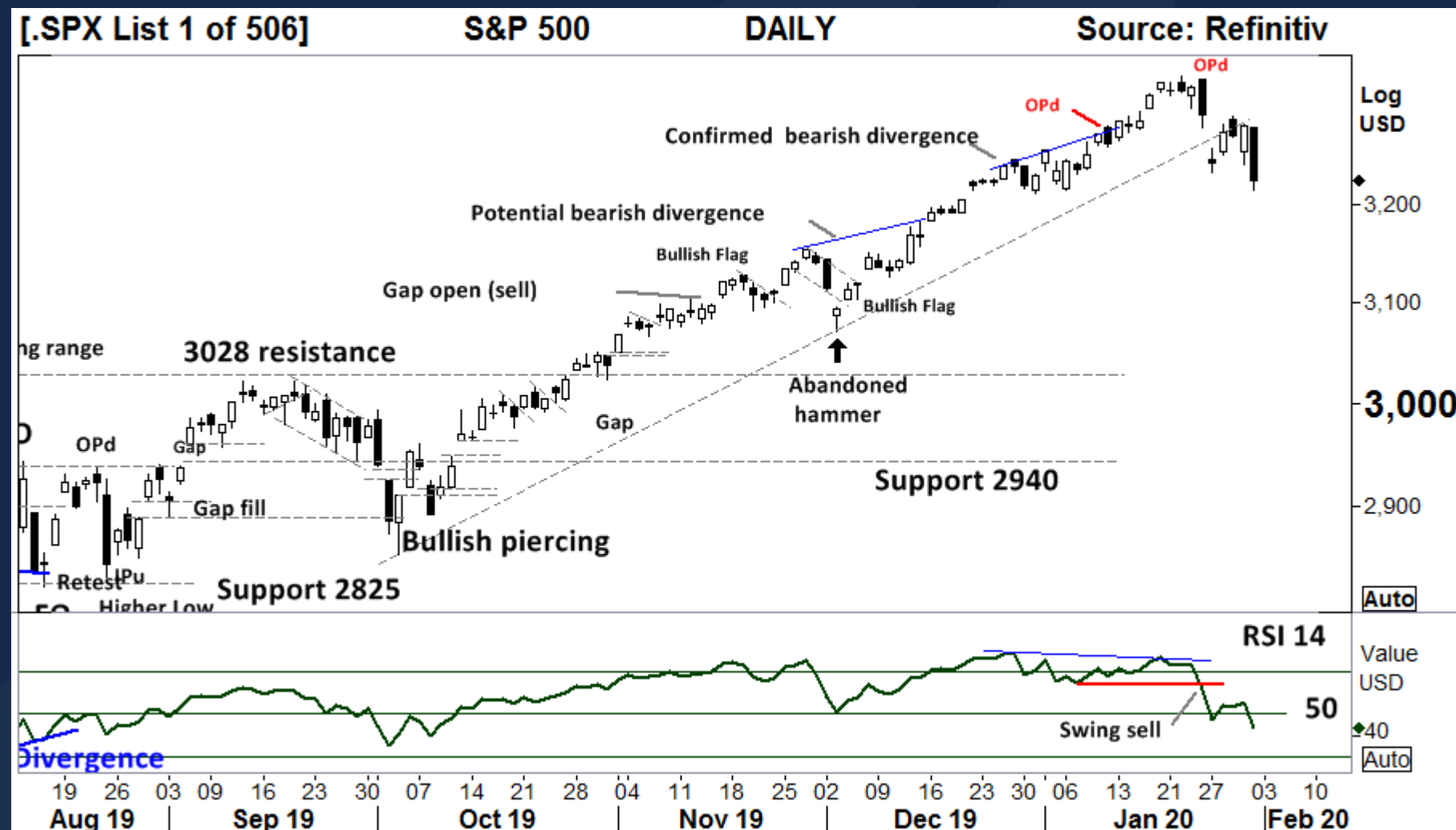
With low at 3214 and the close at 3225, Fridays large range day now dominates the chart going forward.

The Daily uptrend has now broken into a down trend.

Bearish divergence has played out as the Relative Strength shows a lower high and moves below the "70" level, and now below the key 50 level. This is a significant sign of slowing price momentum.

Comments from last week: Friday's large range OPd has the potential to mark an intermediate short term top.

A daily close below 3212 would be a bearish sign for further a retracement



Transports Index

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

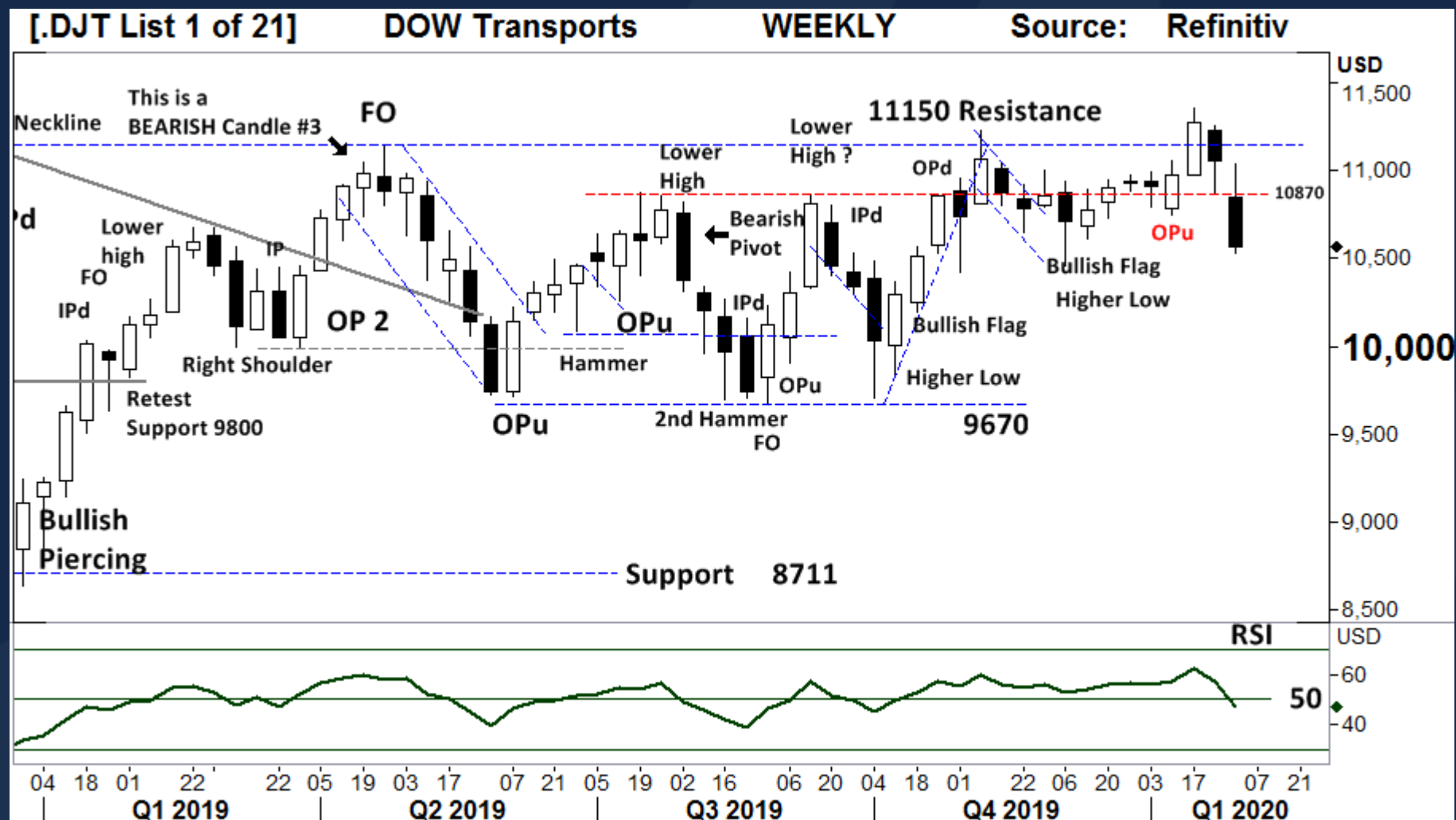
CONFIRMATION of the long term Bull market, a break of 11150 points has now confirmed the Major indices', but has now failed.

With the lowest close in 14 weeks, this is a significant bearish signal.

9670 support becomes the target on further weakness.

Relative strength moves below the key 50 level, a sign of decreasing price momentum at this breakout level.

Comments from last week: 10870 point level is required to hold as the short term support in the coming week. The Bull signal remains in place during the technical retracement period.



GOLD Weekly

Currently the most crowded trade in the market.

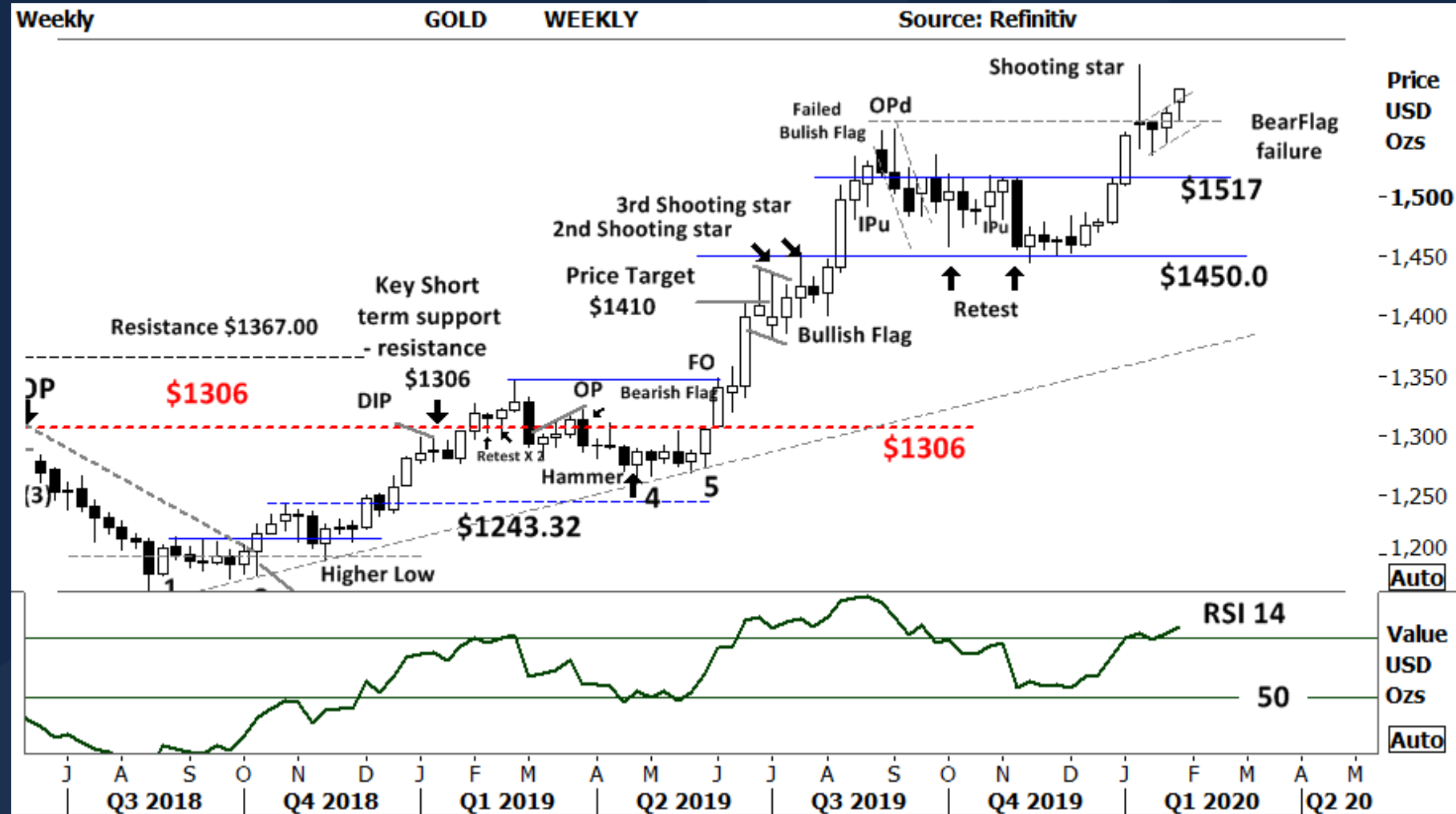
Traders could expect a retest of the \$1610 high.

With this week closing at the high of the range, further momentum gains should follow through.

Short term traders should be aware of a potential reversal to the first support level of \$1517.

Relative strength remains over the 50 level, the current 70+ level higher, a sign of increasing momentum.

Comments from last week: Gold makes a new closing price high from 2013.
With a closing price higher than August September highs is a good sign for continuation to retest the \$1610.0 high of the Shooting Star.



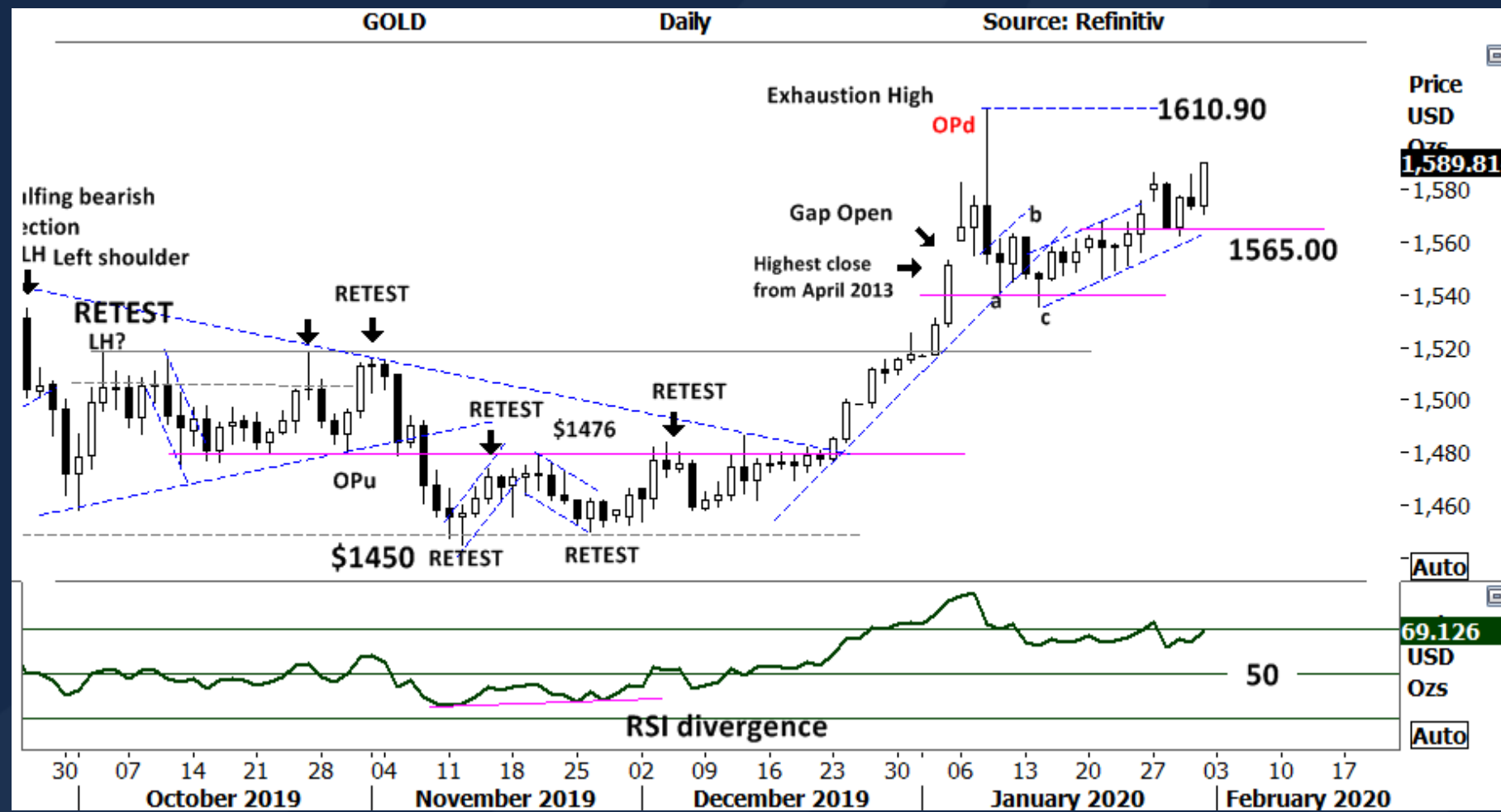
Gold Daily

GOLD moves to a Daily UP TREND.

From Mondays gap open and Tuesdays retest of \$1565, short term support has set price momentum higher with the strong close on Friday a signal for further gains.

Relative strength has remained over the key 50 level as with the current up, price momentum remains strong. However the RSI remains “divergent” while not making a new high in line with price.

Comments from last week: The Daily picture of Gold shows the potential Bear Flag pattern developing as the Daily ranges “overlap” each other the market can only be described as a secondary movement in price. A short term break down would see \$1540 retested.

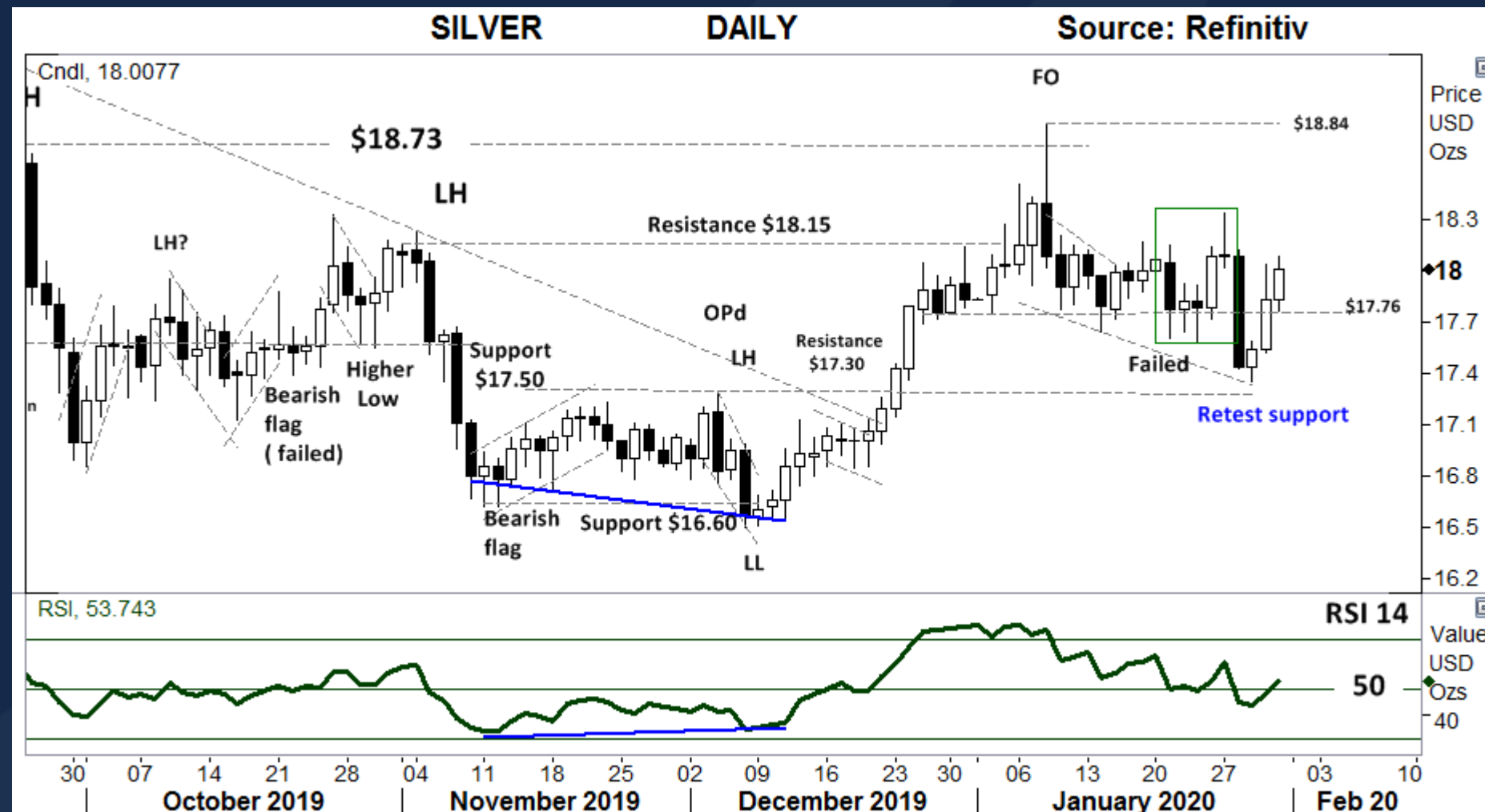


SILVER Daily

A strong support level had developed at \$17.76. The breakdown on Tuesday has seen a retest of \$17.30 support, with immediate recovery back into the high of the current trading range. This is very Bullish for the week ahead. Traders would look for a retest of \$18.84 level.

The Relative Strength Indicator is again rising, overall the current move over the 50 level shows increasing price momentum.

Comments from last week: The further development of the "horn" type bullish pattern, may be the precursor for a retest of the \$18.84 high.



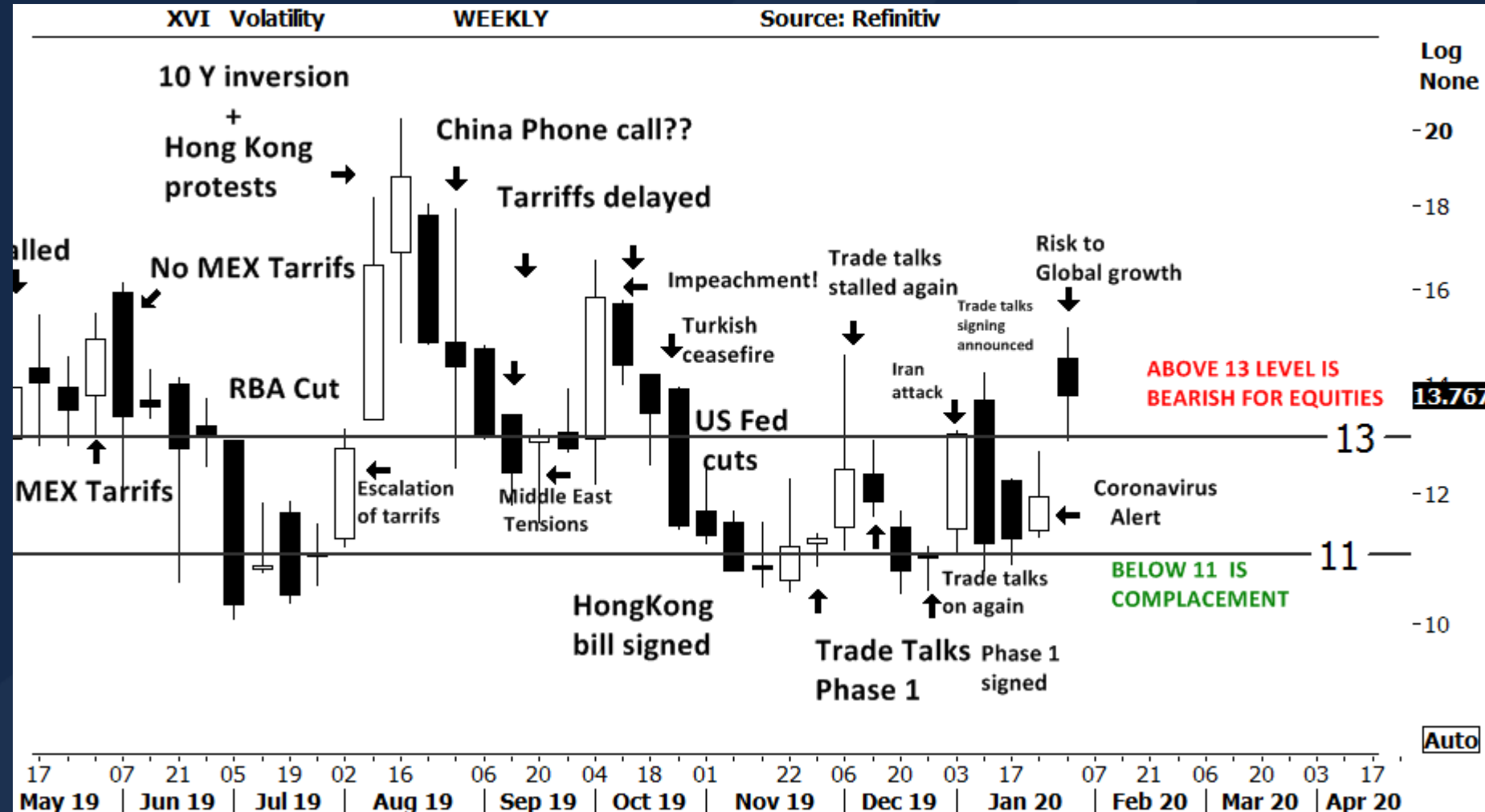
Australian Volatility Index

Current volatility levels, show a significant increase in forward volatility values, this is a Bearish sign the market has increased immediate near term risk to valuations. This is expected to move higher in the coming weeks.

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 large range and 2nd retest of the neckline is a bearish signal for further declines.
96.57 remains the downside target.

A breakdown below neckline level around 97.20 would be a bearish signal in the coming weeks.

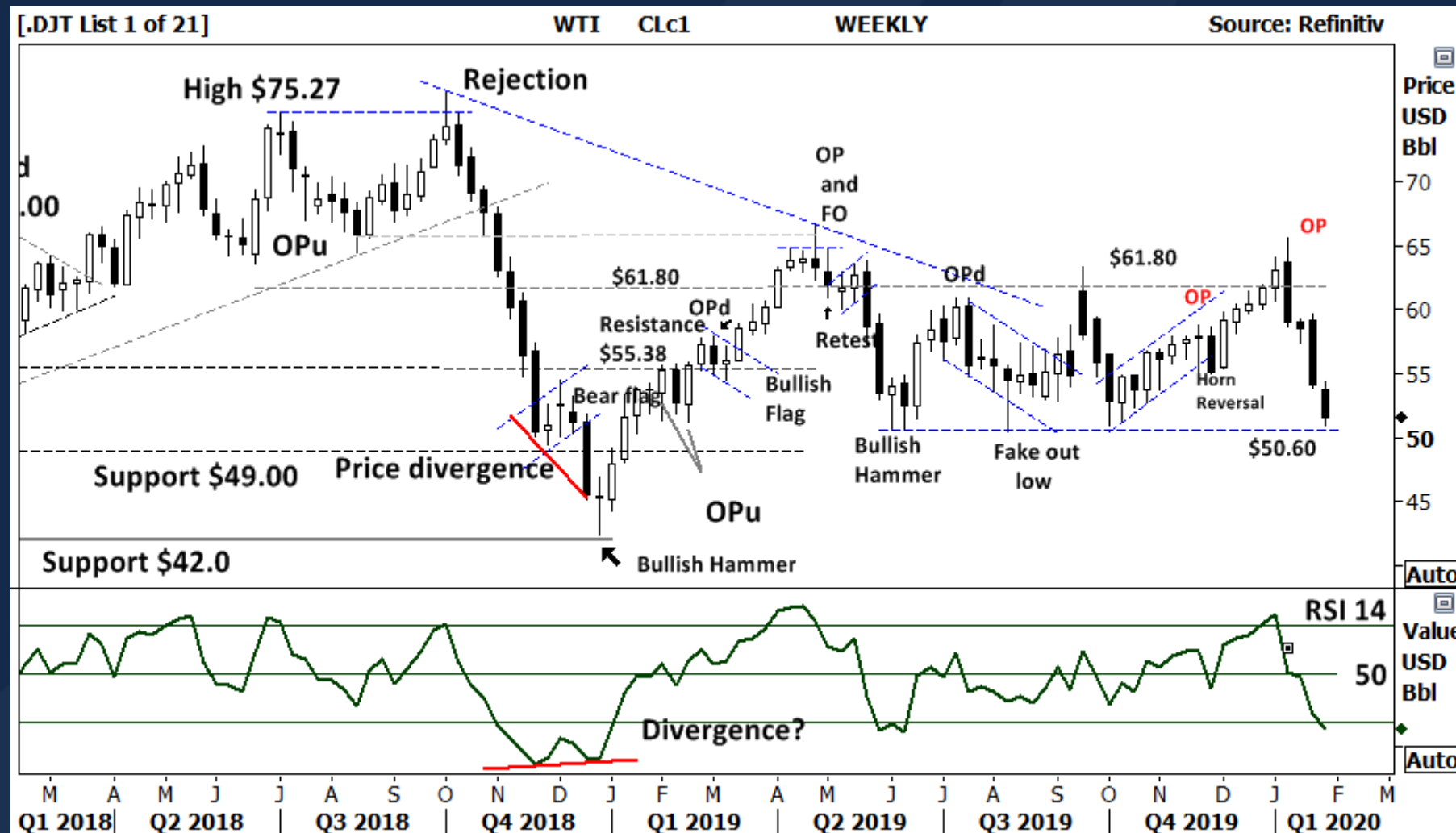
Comments last week: USD Index continues to target 98.45 as momentum remains strong.
This will influence the commodity based equities in the near term. Relative strength remain positive as a sign of strong momentum.

WTI Oil WEEKLY

This weeks continuing follow on from the **OP** of 3 weeks ago is a significant bearish signal for further declines. At this point WTI remains in consolidation between \$50.60 and \$61.80, a break below the \$50.60 level would target \$42.00 historical support.

The Relative Strength Indicator turns sharply lower from above the 70 level and now below the key 50 level showing a significant loss of upward momentum.

Comments from last week: The Weekly chart of WTI shows strong follow through from the OP of 3 weeks ago. The \$50.60 now looks vulnerable for a break down below this level.



The technical setups

Outside period

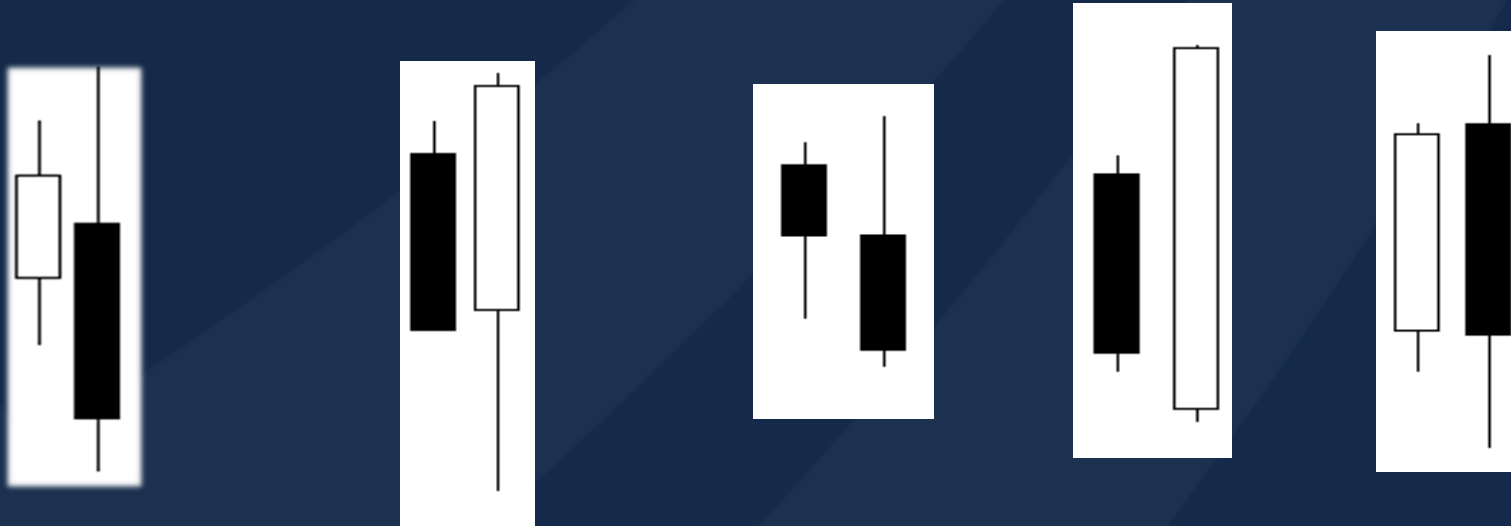
OPu and OPd

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

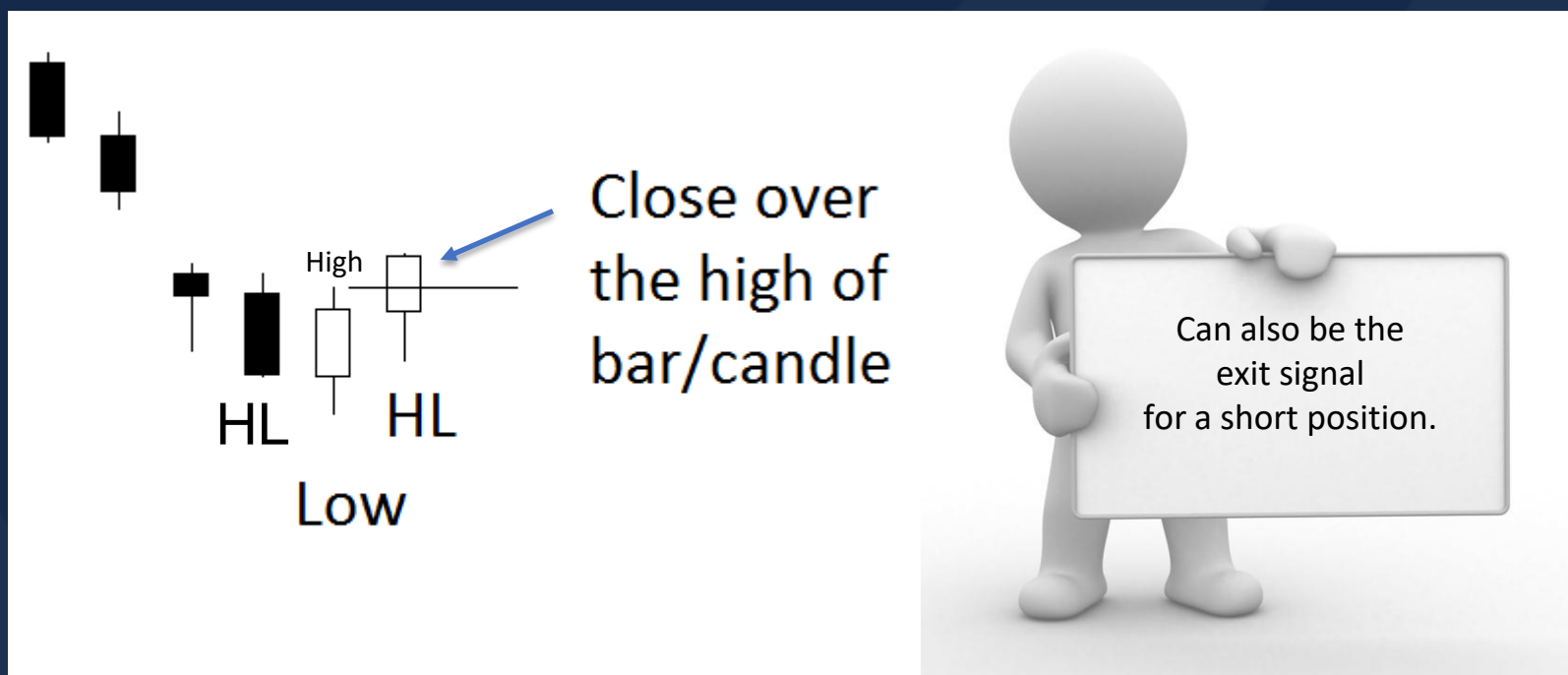
The outside period (OP) can mark a significant market turning point at or within 3 bars (93%).

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

The OP period comes in all shapes and sizes.

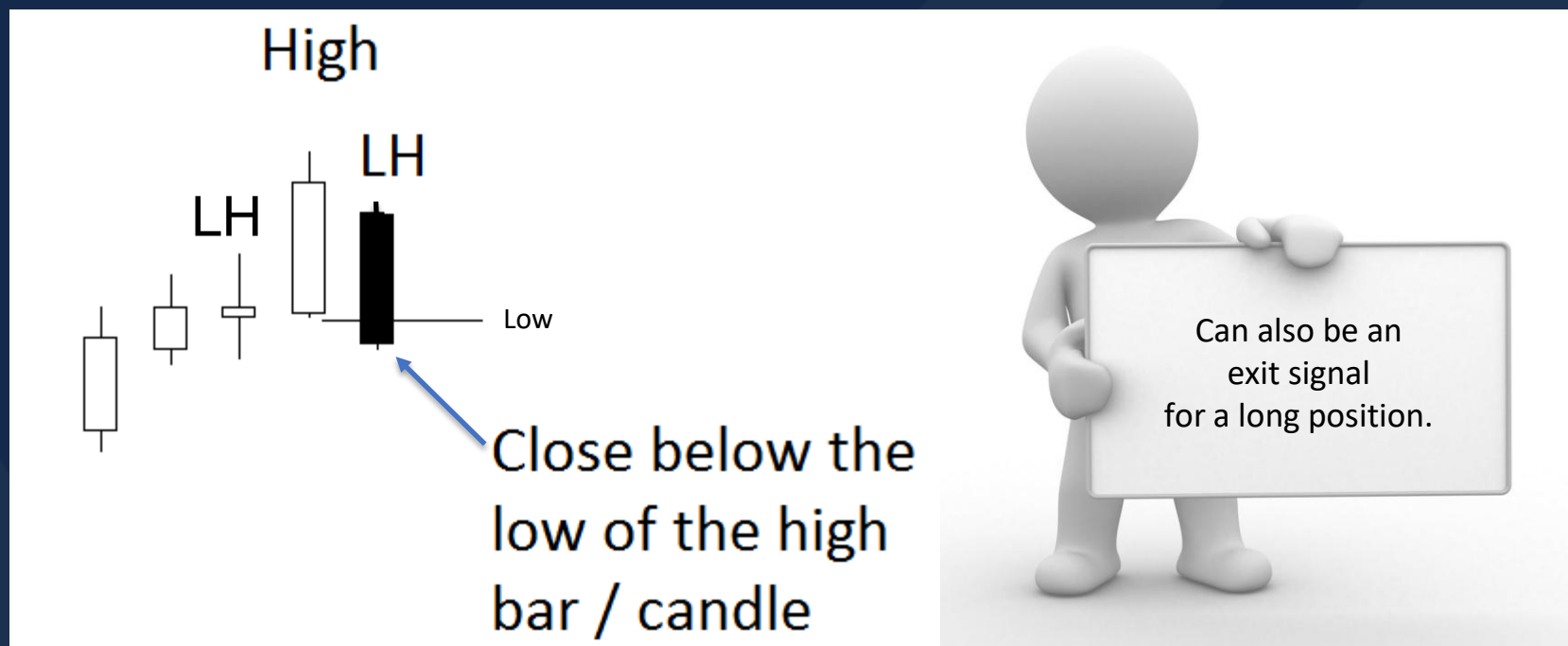


The technical setups. The Pivot point reversal



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 Mid-point. With the closing price lower than the Open.

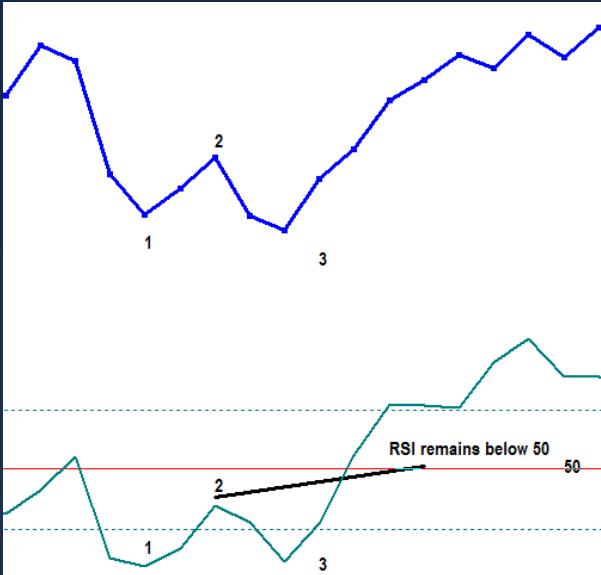
If this is a short line the trader should wait for the market to show direction.

Following Price movements can “engulf” this short movement.



THE TECHNICAL SETUPS

Relative Strength



Relative Strength Indicator

SWING BUY SIGNAL.

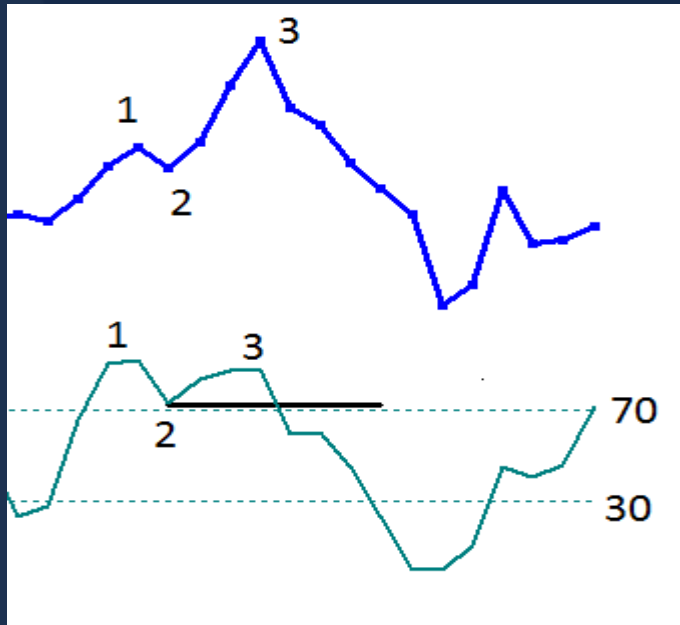
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- 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" **

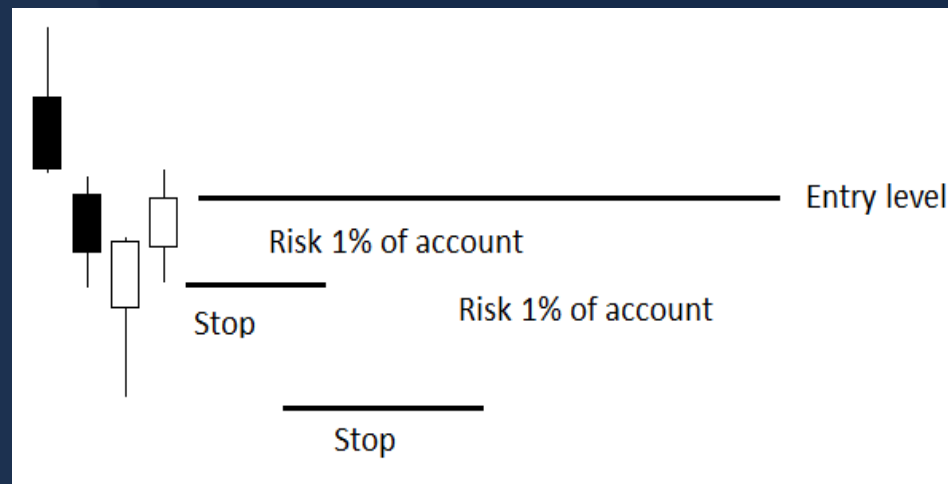
Swing failure is identified with the break of point 2 on RSI

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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