



IN BLACK AND WHITE

the week beginning
08/10/2019

A market technician's view

FX
INDICES
EQUITIES

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SUMMARY- October the BEAR killer

While October is often referred to as a Bearish month, statistics show a different result with around 70% of Octobers being positive.

The sharp price corrections of the past week have found some buying support in the closing hours.

Concerns around Global growth and potential Impeachment of Donald Trump has lifted volatility levels across most asset classes.

Both Gold and Silver have entered into a price consolidation patterns, with a potential move to lower prices in the coming week.

Australian 200 index – Weekly



Primary Trend remains UP. Market requires a close below 6400 to enter a down trend.

Last weeks strong bearish candle closing below 6630 and above the key level of 6430, now places the market into a consolidation period. Look for support at 6430 to hold during the next week.

The MACD remains a sell signal. RSI continues to show a bearish downturn, a further crossing of the key "50" level will highlight a loss of momentum to the upside.

(See foot notes on #3 candles.)

Comments from last week: The developing Bearish wedge with two #3 candles has developed along with last weeks inside period (IP) a time of indecision.

This indication of low volatility can breakout to the high side, however the 6830 would be the significant resistance level.

This chart favour's a move lower to test 6430.

Australian 200 index – Daily



Last week saw 2 very strong trading periods move the Index lower from the earlier wedge pattern. With Thursday moving lower on strong volume. Consolidation is favoured as the market downside momentum slows, indicated by the RSI turning higher.

A further downside breakout clearly targets 6400 as major support.

Comments from last week: The breakdown from the wedge signals a potential retest of 6630 in the coming days. Friday's rally was conducted on light volume, with a potential to reverse lower. RSI has crossed the key "70" level and remains an indication of exhaustion at higher prices.

S&P 500 Index – Weekly

The Primary UP trend remains in place.

(See notes below for #9)

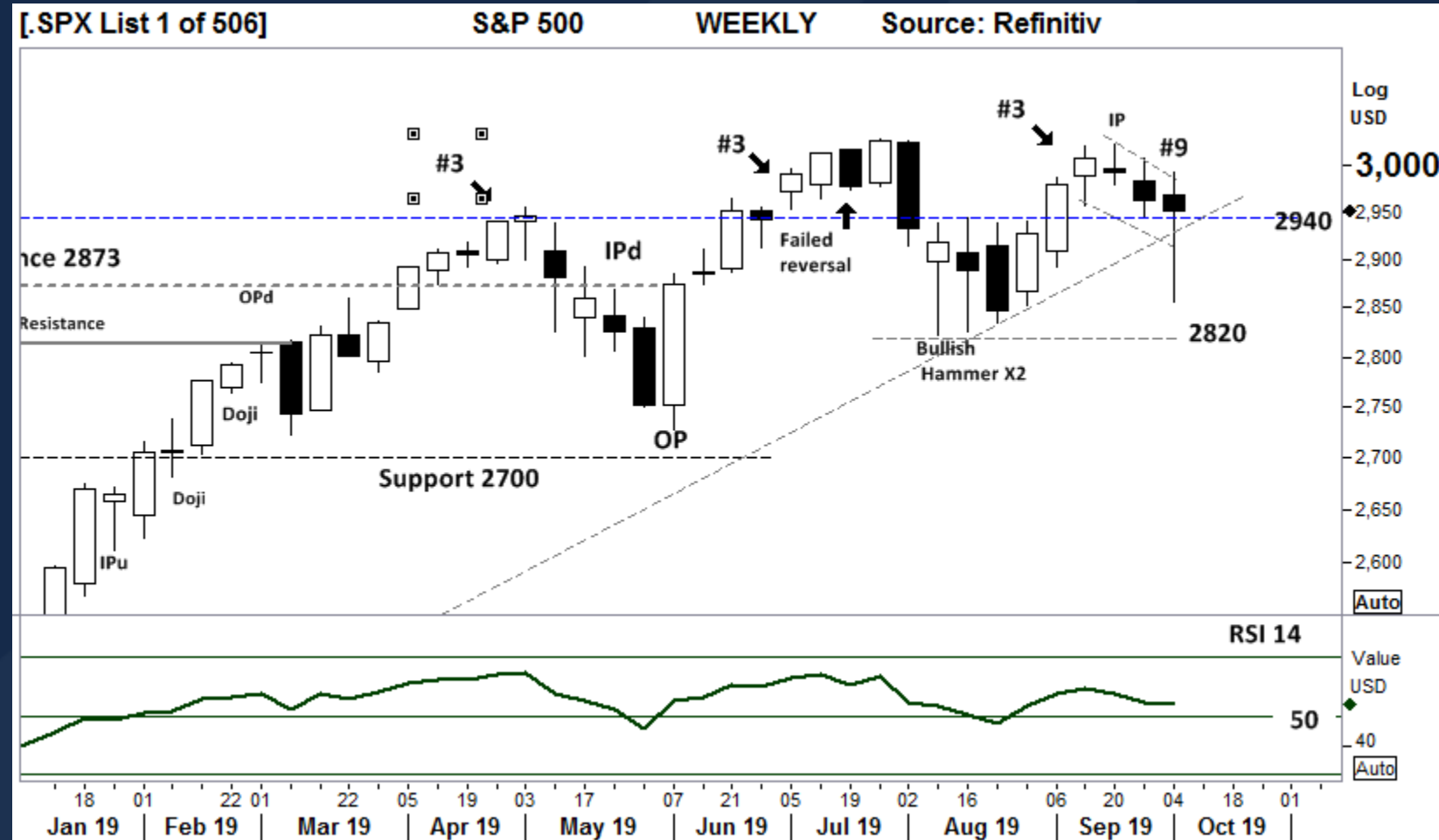
Last weeks breakdown from the bullish flag has tested the 2850 level and quickly recovered.

With the lower shadow in place, the view is for a consolidation of price at these levels in the coming week.

RSI turns flat reflecting the past decrease of upward positive momentum.

The RSI continues to make lower highs over the past 6 months from the high made during April 2019.

Comments from last week. The retest of 2940 has been an important hold for the buyers, and will become the support level in the coming week. Further weakness may bring in concerted selling should the market close below the current trend line. Circa 2900.



S&P 500 Index - Daily

A Gap fill complete with Wednesday's lows, followed by a sharp reversal higher. The buyers have control and will need to close the market back towards the 3000 point level in the coming week.

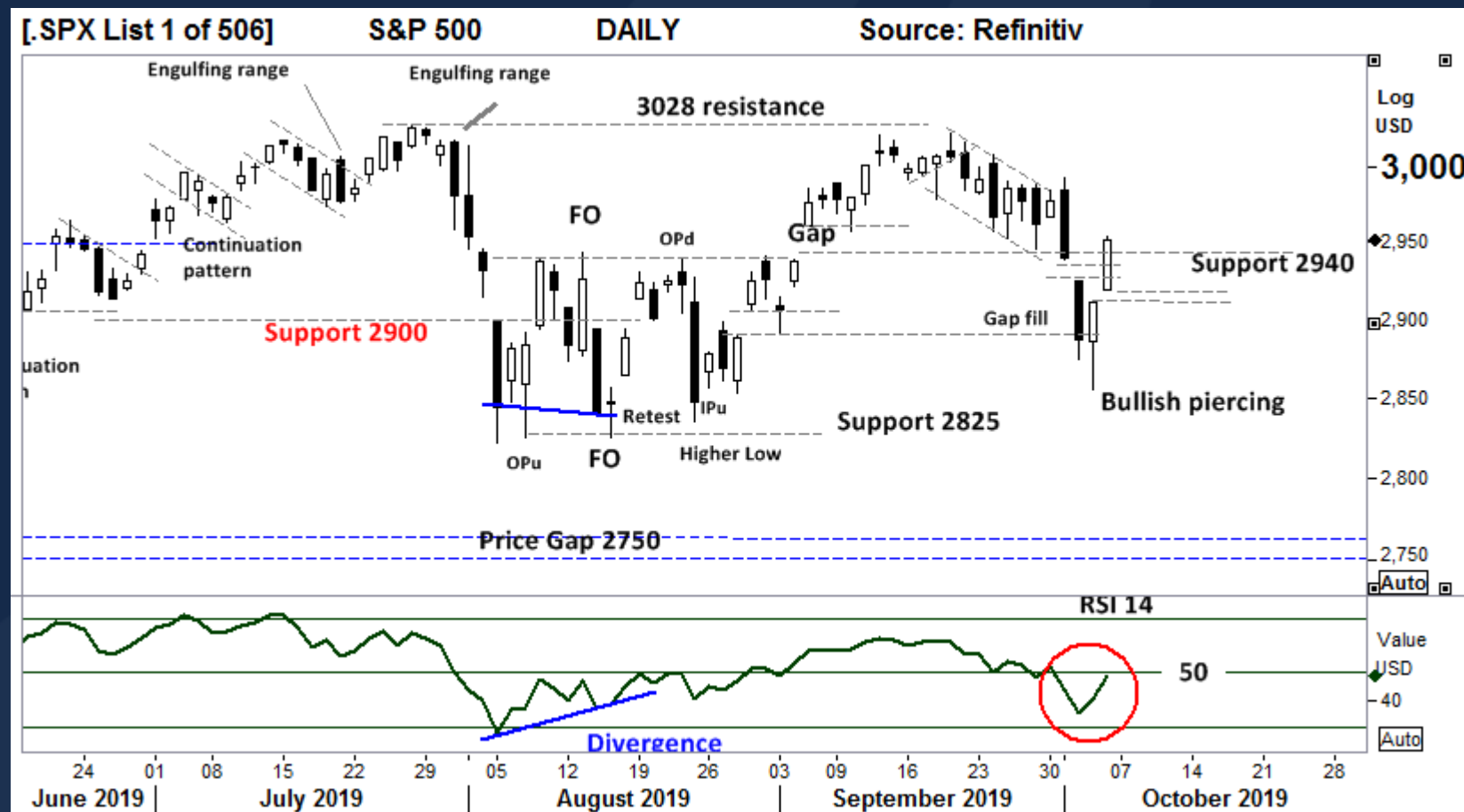
Consolidation below 3000 points is expected in the coming day's.

Price action from the past 4 months only shows consolidation between 2800 and 3028 range.

The RSI has turned sharply higher and has moved to remain below the key 50 level, and remains only a sign of increasing price momentum.

Comments from last week:

The past days price action have shown strong support as the lower candle shadows suggesting buyers entering the market at the support level of 2940. A strong close is required over this recent 3000 point resistance level to remain bullish in the short term.



Transports Index

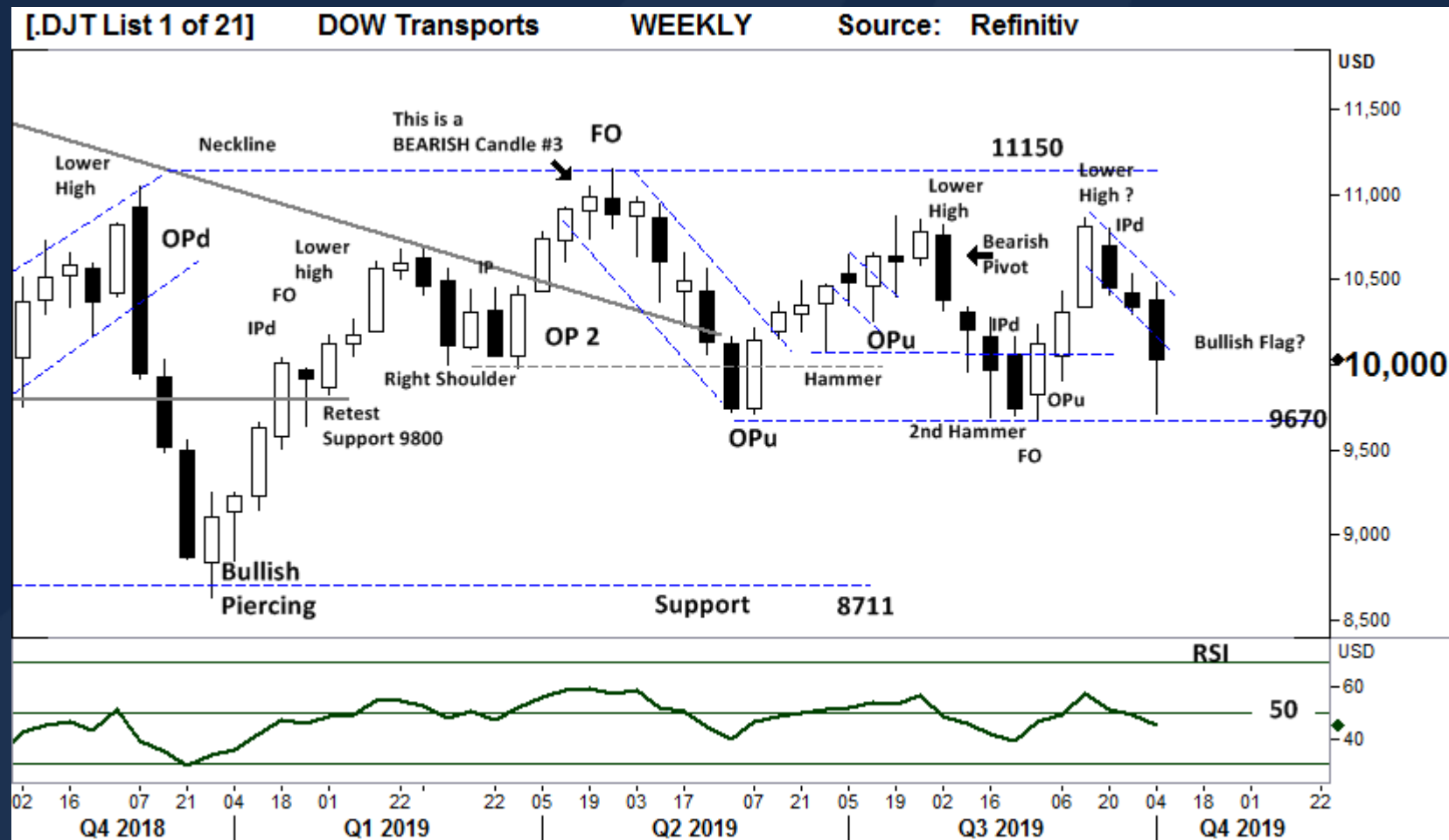
Dow Theory trend analysis states, the transports must confirm major indices.

(This index continues to remain a **NON CONFIRMATION** of the long term Bull market, a break of 11150 points is required.)

With the retest of 9670 during the week, strong recovery to close over the 10,000 point level is a win for the Bulls. Look for retest of the upper range of 11150 in the coming days.

Relative strength has turned lower and remains just below the key 50 level.

Comments from last week: The retest of 10,000 underway, may setup as a bullish flag in the coming week. Strong confirmation of a resuming bull market will be found if the Transports move back into the 11,000 point range. The transports remain in a consolidation range between 9600 – 11150 points.



The high close of last weeks candle/ bar following the retest of near \$1450 level may encourage further buying in the short term, however consolidation between \$1450 and \$1550 is the outlook going forward. Only a significant breakout on news would change this view.

Weekly **GOLD** **WEEKLY** **Source: Refinitiv**

Price USD Ozs

Resistance \$1367.00

OP

est (3)

ulation move

\$1160.00

SL 2

OPu

Higher Low

3

Key Short term support - resistance \$1306

DIP

Retest X 2

Hammer

OP

Bearish Flag

Price Target \$1410

2nd Shooting star

3rd Shooting star

2nd Shooting star

Bullish Flag

1Pu

OPd

Failed Bullish Flag

Retest

\$1450.0

\$1306

\$1243.32

Bullish piercing

4

5

RSI 14

Value USD Ozs

50

Auto

Auto

01 22 06 20 03 17 07 21 05 19 02 16 07 21 04 18 01 22 02 05 19 03 17 07 21 05 19 02 16 06 20 04 18 01 22 06 20

Q2 2018 Q3 2018 Q4 2018 Q1 2019 Q2 2019 Q3 2019 Q4 2019

Gold Daily

The Daily chart shows a clear 2nd lower high set with a retest of the underside of the trend line extension.

Last week the head and Shoulder pattern has failed to breakdown lower with this trendline retest underway.

The potential here is for a 2nd lower high and a further retest of \$1450. Relative strength remains neutral at the 50 level.

Comments from last week: The large range contains significant momentum to shake the resolve of the buyers. The lower target of \$1450 is in play for the next few days. RSI turns lower below the "50" level. Momentum has been lost with the downside price movements is increasing.



SILVER Daily

A 2nd bearish flag and lower high, a breakdown of this current closing price level would be a very bearish sign, with the sellers in full control.

\$17.50 remains the key support level as price closes in the on the highs of the week. Silver favours a retest of \$16.60 on further price weakness.

Relative strength has moved lower and remains below the key 50 level, a sign of weak price momentum.

Comments from last week: The one day breakout of the bullish continuation pennant shows an immediate "horn" reversal. Setting the lower high (LH)
The retest of \$17.50 completed during Friday's trading has the potential to be "retested" in the coming days.



Australian Volatility Index

Current volatility levels, show a decrease in the volatility indicator. This is moderately Bullish for equities.

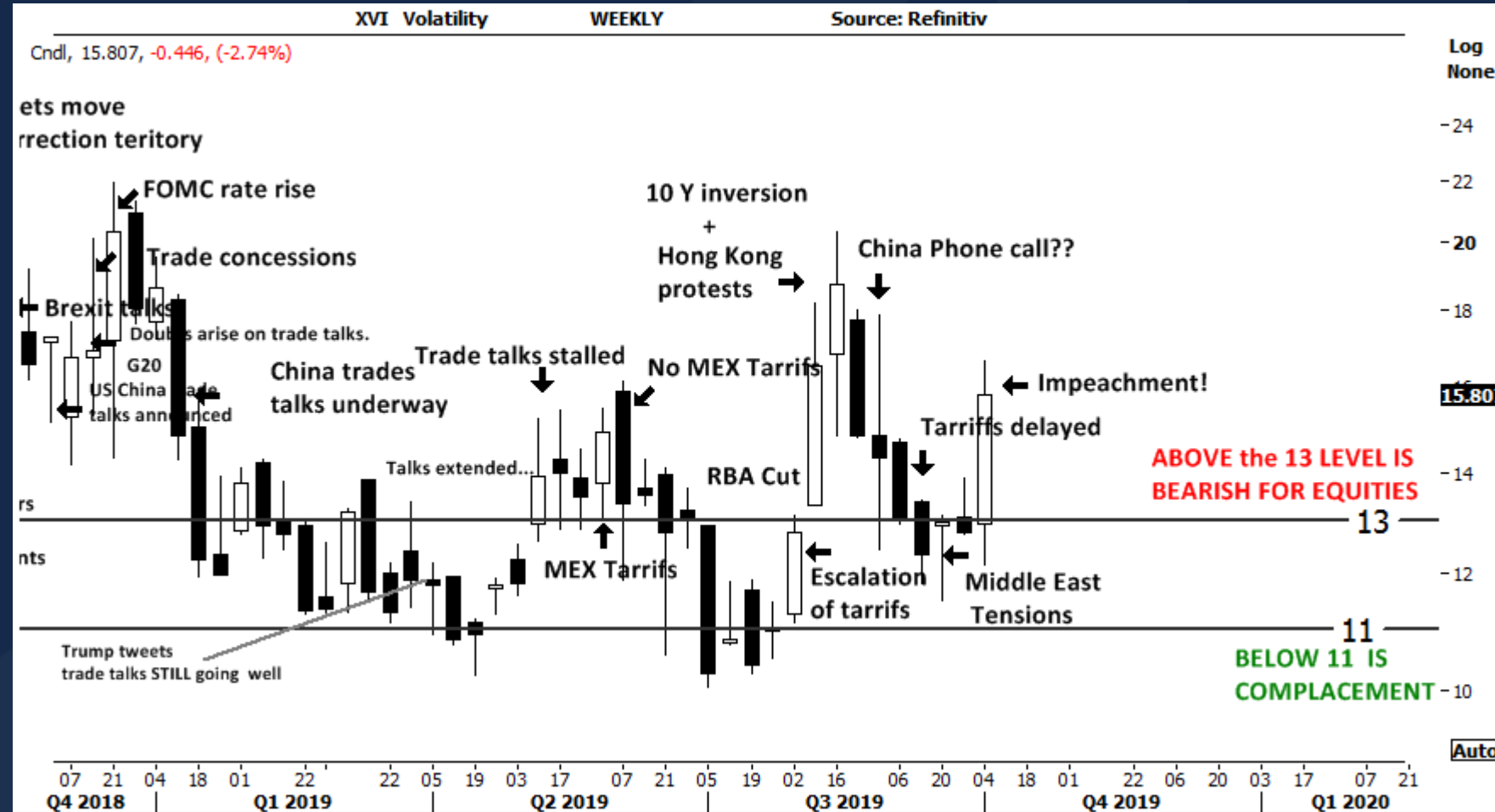
XVI closing over 13 is a bearish signal for equities.

This news driven indicator is reflecting uncertainty in markets going forward.

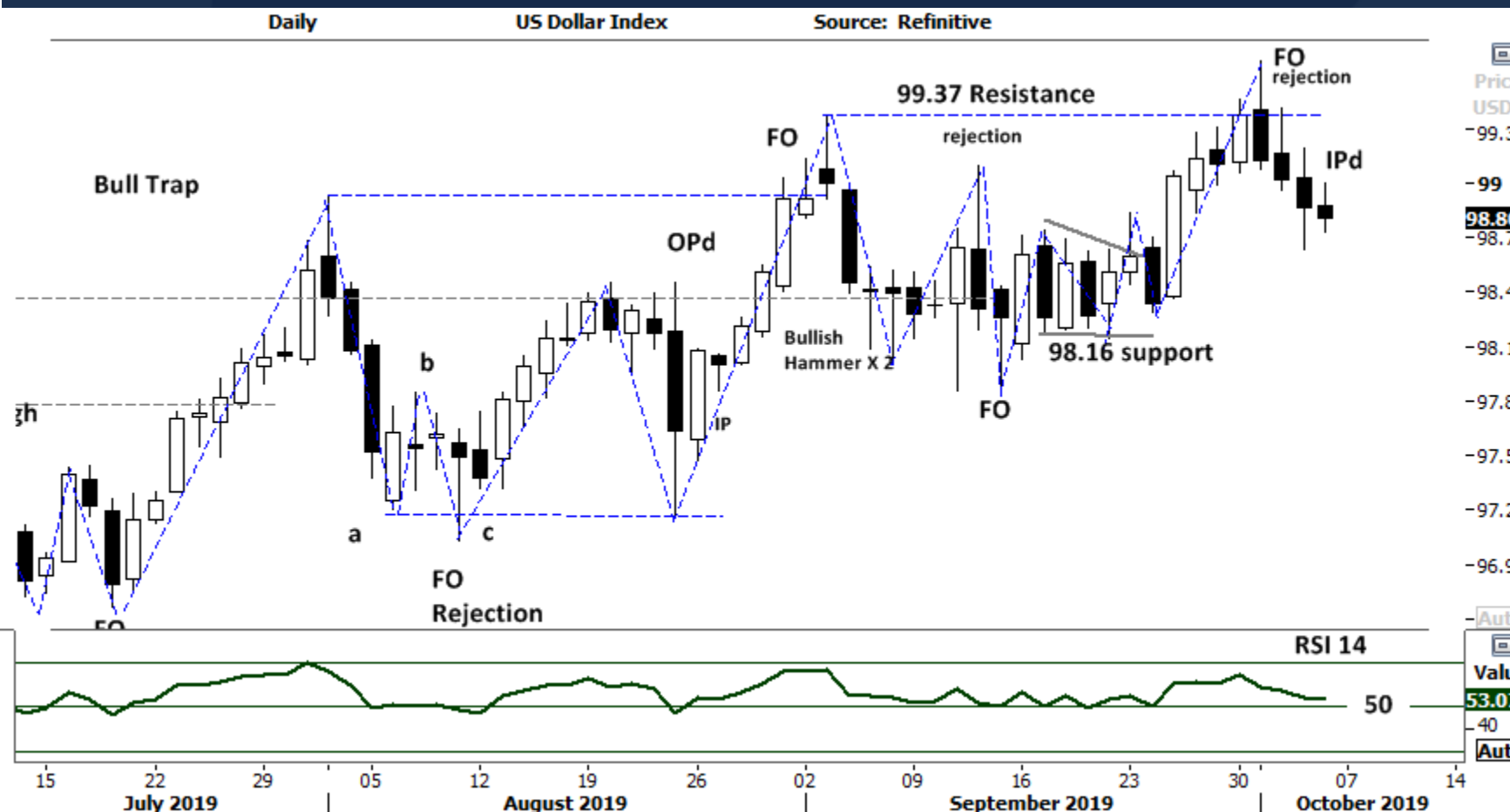
The XVI is the difference of 1 month forward pricing of ETO Options against current month.

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 observation to the underlying market. An XVI over “13” is generally bearish for equities.



US Dollar Index – Daily



Rejection again at the 99.37 level with a FO (fake out) rejection day +1.

The current inside period (IPd) suggests balance in price.

Traders would monitor the IP breakout to give further direction.

Lower support can be seen at 98.16.

Relative strength remains above the key 50 level during this consolidation period.

Comments last: The strong range on Wednesday has pushed the USD back to resistance levels around 99.37. This has the potential to breakout higher from the monthly range.

WTI Oil WEEKLY

(3 crows is usually a bullish sign.)

Rejection of higher prices as the \$61.80 level leads to continued selling below this key level. Intra week support has been found at the \$50.0 level.

Further consolidation is expected between \$50.60 and \$61.80.

A breakdown below the \$50 level would be a very bearish sign with a potential to test \$42.0

The Relative Strength Indicator turns lower below the 50 level, a continuing sign of weak momentum.

Comments from last week: 2 weeks ago the Gap open faced immediate selling below the \$61.80 level. This has continued to push WTI lower, with the ongoing potential to retest the \$50 level. Consolidation remains between \$50 and \$61.80.



The technical setups

Outside period

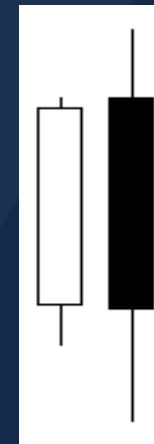
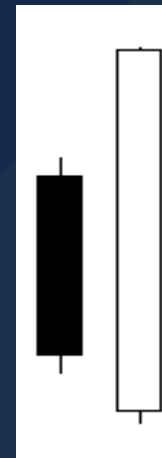
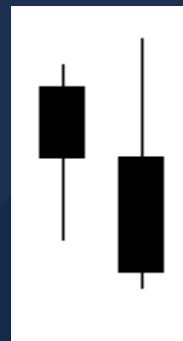
OPu and OPd

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

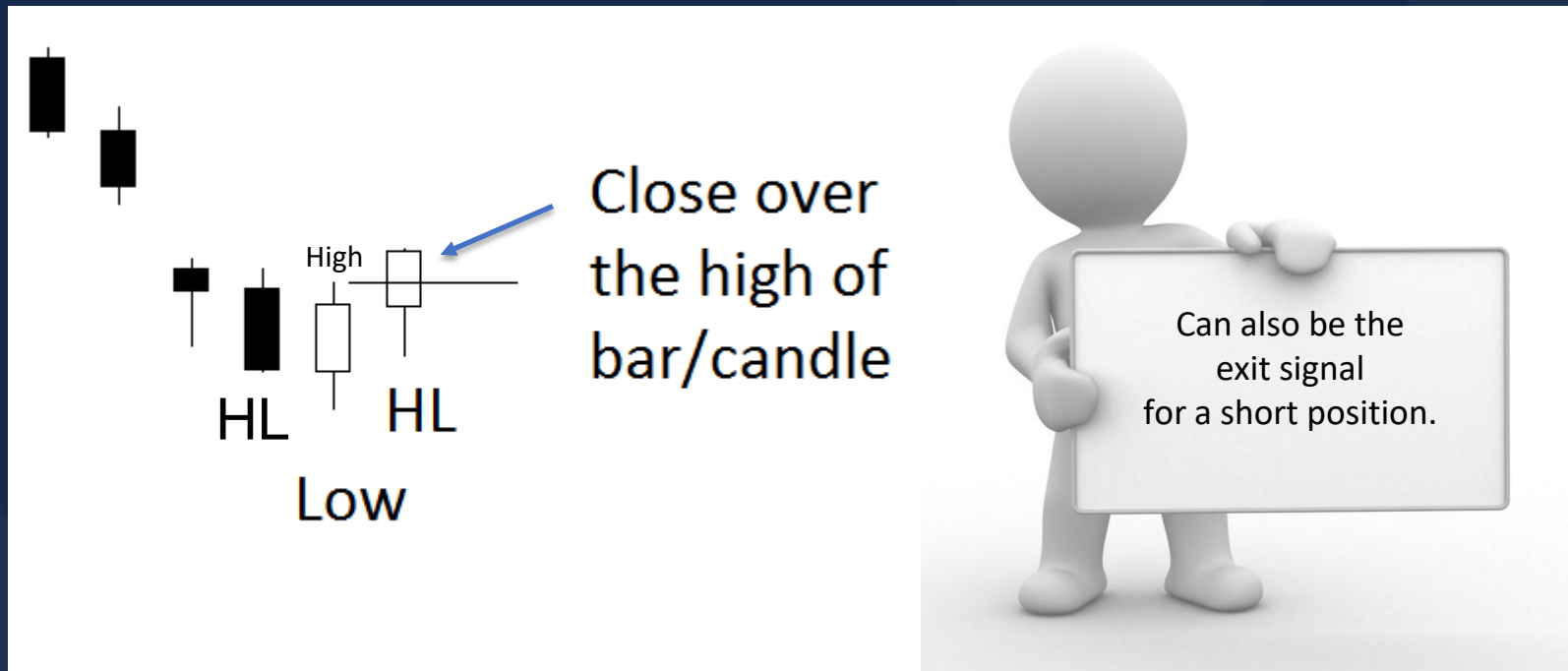
The outside period can mark a significant market turning point at or within 3 bars (93%).

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

The OP period comes in all shapes and sizes.

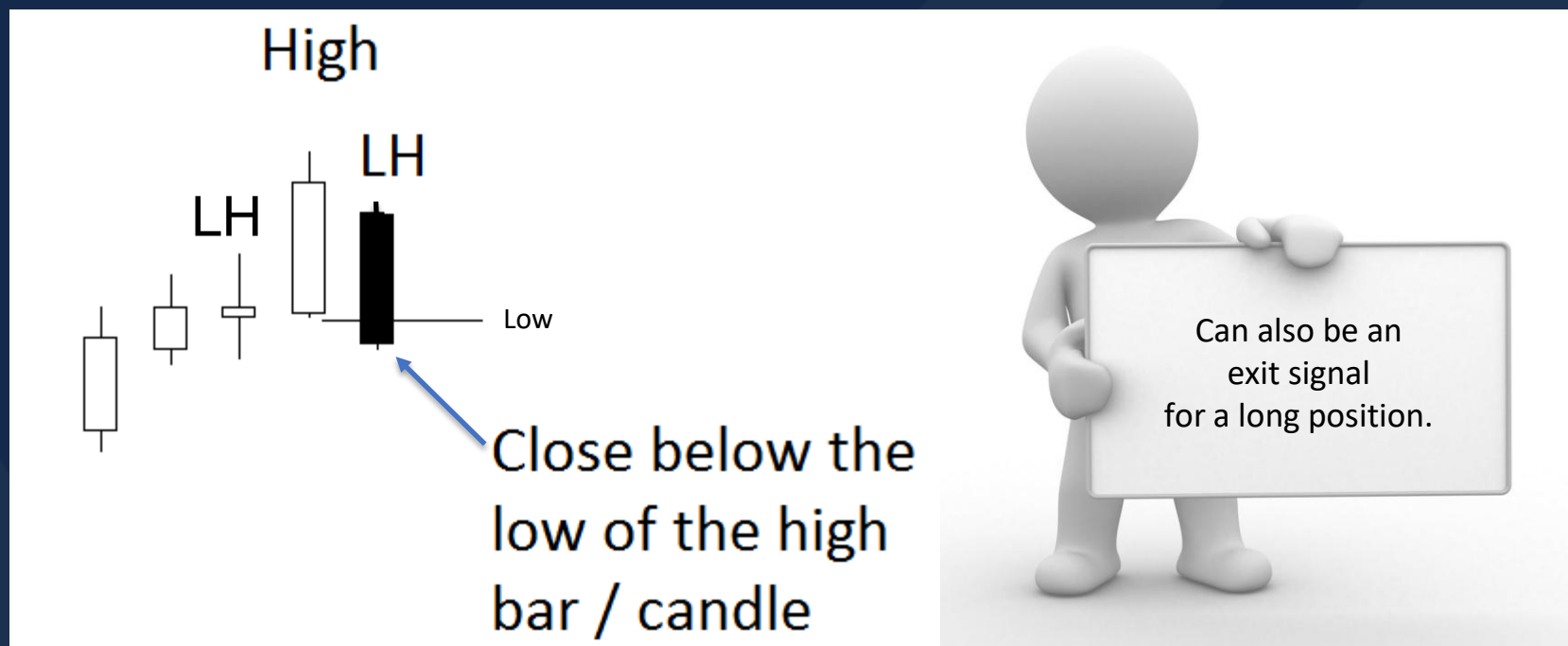


The technical setups. The Pivot point reversal



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.

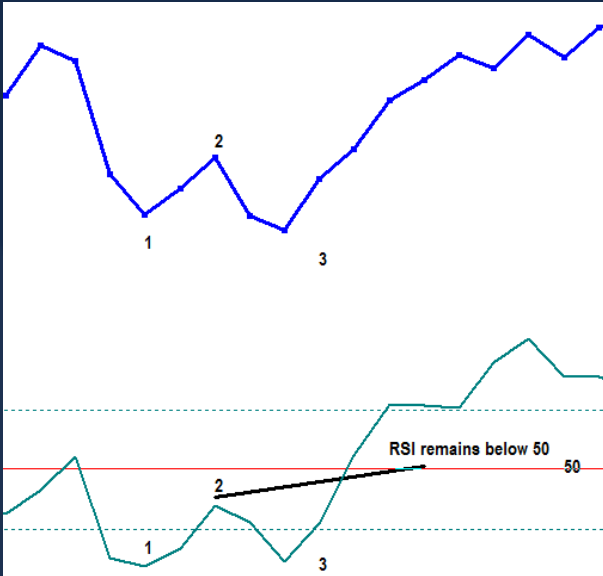
If this is a short line the trader should wait for the market to show direction.

Following Price movements can “engulf” this short movement.



THE TECHNICAL SETUPS

Relative Strength



Relative Strength Indicator

SWING BUY SIGNAL.

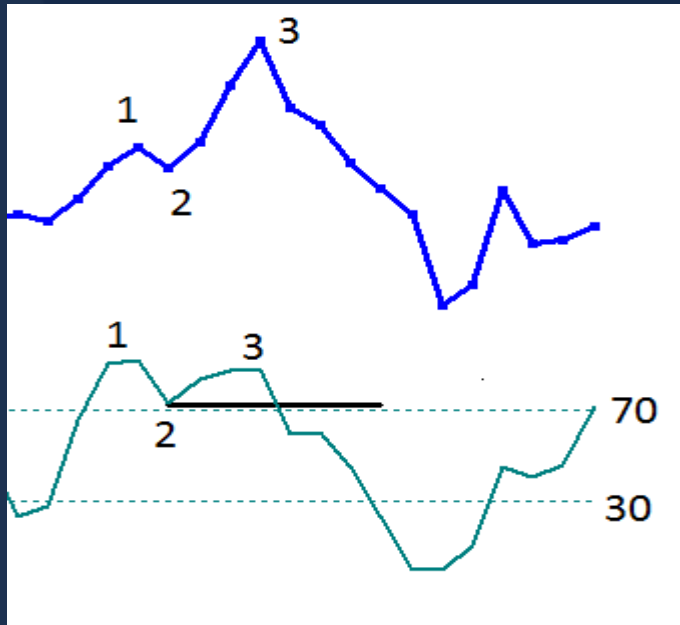
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- 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" **

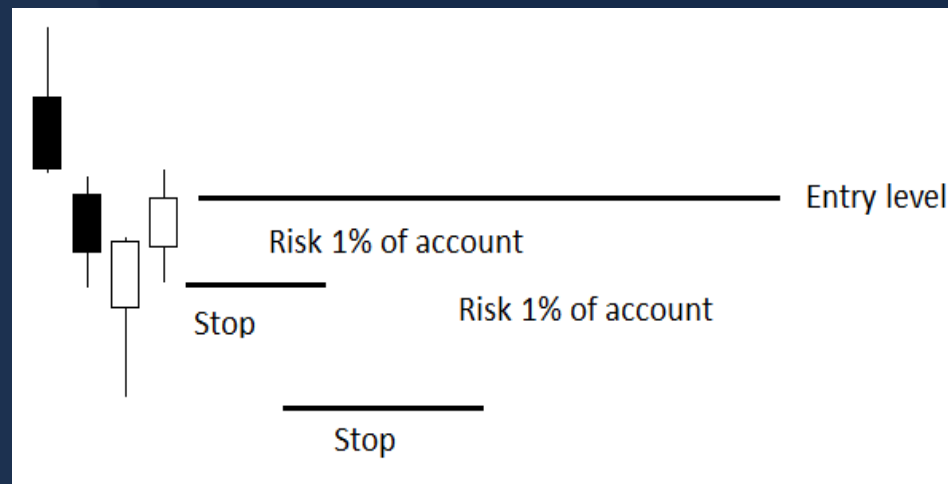
Swing failure is identified with the break of point 2 on RSI

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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