

the week beginning 18/03/2019

A market technician's view

FX INDICES EQUITIES



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SUMMARY

Markets have put in an unconvincing move higher this week, with historic resistance levels being tested.

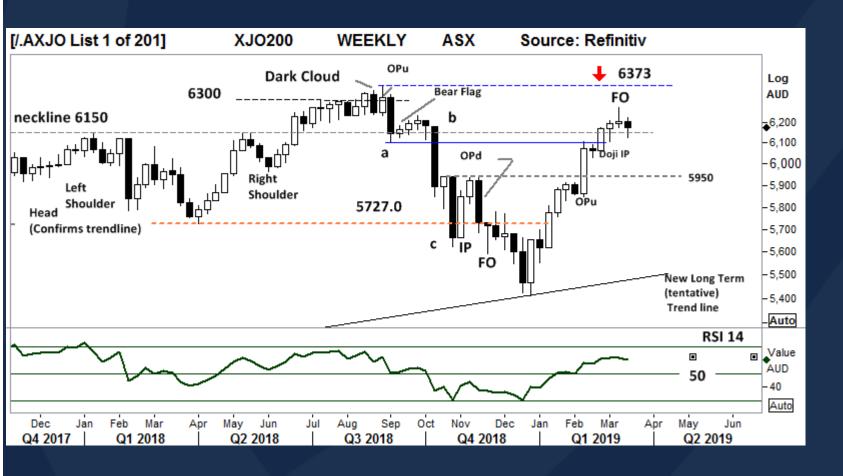
The strongest move was recorded in the FSTE

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In the commodities space the exception is West Texas Oil setting a new 4 month high.



Australian 200 index - Weekly



The XJO remains in a primary down trend as this Bear market rally takes place. Without a real retracement in price of 5% or 300 points, this move remains a strong corrective move higher.

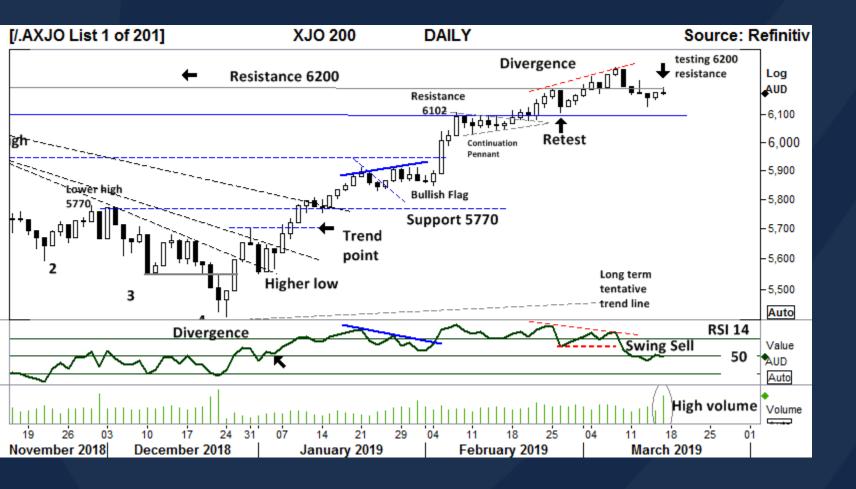
The Fake out bar (FO) is an early bearish reversal sign.
A longer term retest of 5950 is expected.

Relative strength remains positive above the key 50 level, but should be monitored for a turn lower.

Comments from last week:

This weeks candle with the high body above the midpoint of the range is considered a warning of lower prices in the coming week.

Australian 200 index - Daily





Daily trend remains "UP" with a retest of daily 6100 points (Wednesday) Current price action is indicating a retest of 6100 underway.

Relative strength again points lower below the 50 level.

Volumes have showed a significant increase on rejection of 6200 point resistance.

Comments from Last week Relative strength has now provided a "swing sell" signal indicating a top in place, a short term target is a retest of the breakout level at 6100.





A characteristic of a true BEAR MARKET - short sharp price rallies, in this case a Christmas / January rally.

This market needs a retracement of 5% + (150 points) and a further rally to be called an UP trend.

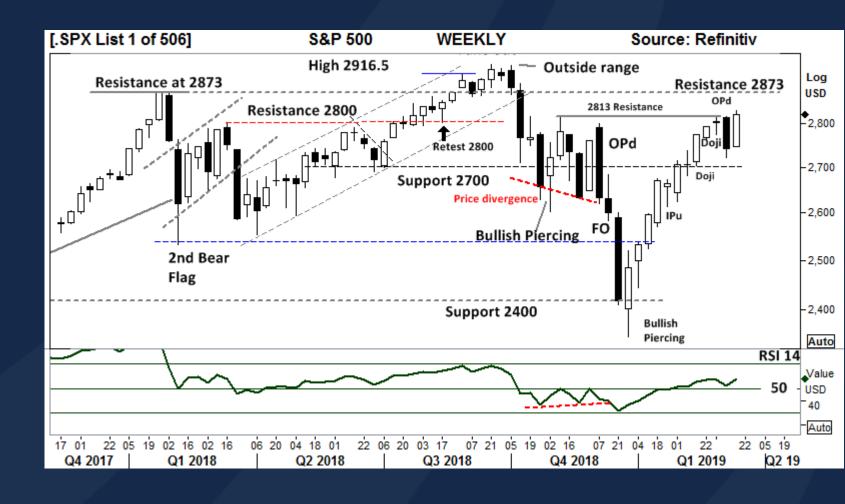
The reversal of 2 weeks ago has immediately reversed into a new breakout.

Bearish sentiment has resolved into this 4 month high.

RSI remains over the key 50 level and again rolling higher is a positive indication of improving price momentum. A move below 50 would be very bearish.

Comments from last week.

The weeks hangman Doji is a bearish sign for the coming weeks.



S&P 500 Index - Daily



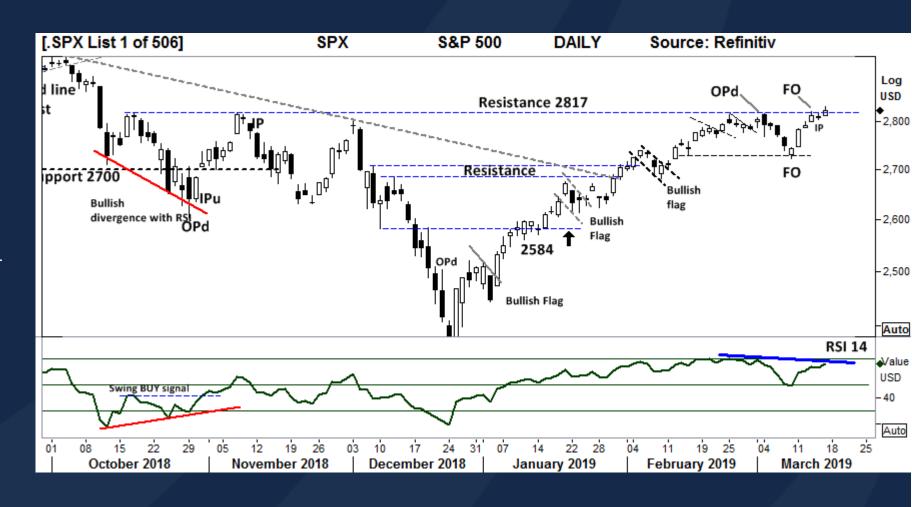
The IP (inside period) on Thursday has resolved into a significant breakout above 2817 point resistance level.

Look for a retest of this key level in the coming days.

A breakdown below 2817 would be very bearish in this short term view.

Relative strength remains below the previous high and should be monitored for further bearish divergence.





Transports Index



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

This weeks IP (inside period) a time of indecision has may setup the higher low before a retest of the trendline.

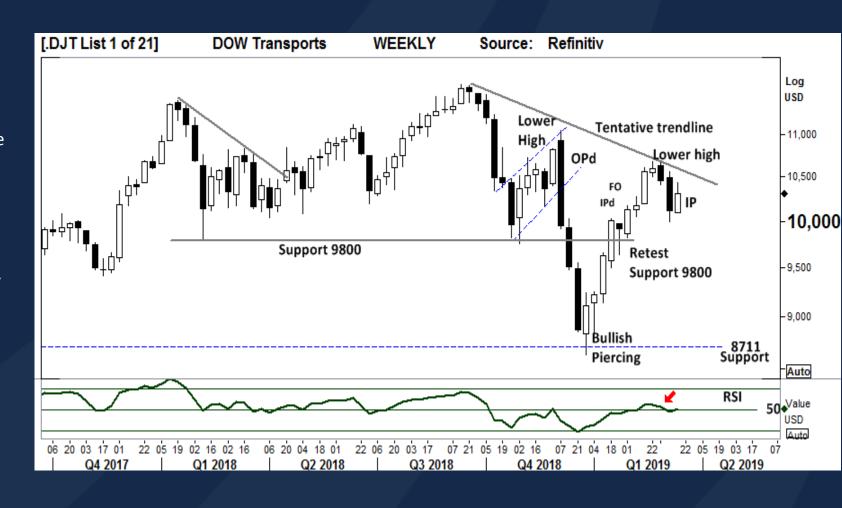
A move over the recent lower high would change the primary trend to UP.

The Q4 2018 – Q2 2019 may resolve into an inverse Head and shoulder pattern.

The relative strength indicator has moved below the key 50 level this shows decreasing price momentum.

Comments from last week.

This confirmation with the Dow 30, along with the S&P500 markets are beginning to confirm signals of a "short term" top within what was an emerging Bull market.



FTSE 100 Index - Weekly



FTSE 100 weekly:

Last weeks full range candle is very bullish for a continued breakout over 7220.

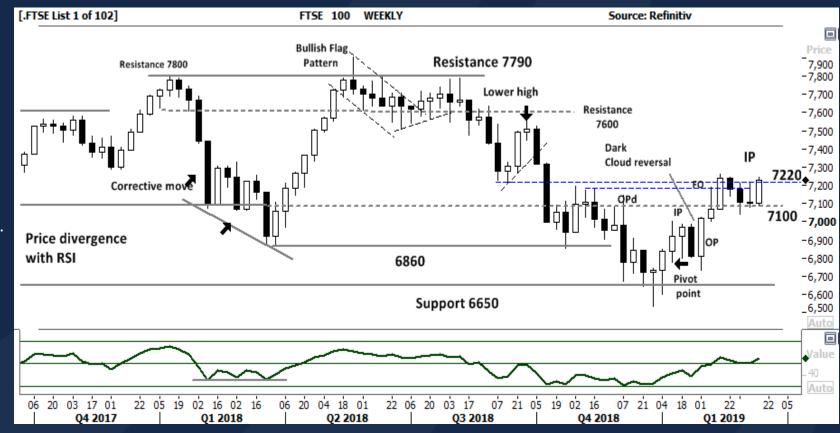
With the FSTE setting a higher low price trend is moving to a Primary UP trend.

The chart from early Q4 2018 may resolve into an inverse head and shoulder pattern, any further breakout would be monitored for a retest of current 7220 level before a further retest of 7600.

RSI remains "flat" above the 50 level, this only confirms the coming price consolidation view.

Comments from last week:

Price consolidation at this level would be expected in the coming weeks.





GOLD Weekly

Gold remains in a PRIMARY UP TREND.

The longer term target of \$1410 remains in place.

The bullish hammer from 2 weeks ago is now followed by a small range candle of indecision. Currently the price is forming a bearish flag pattern with the potential retest of \$1243.

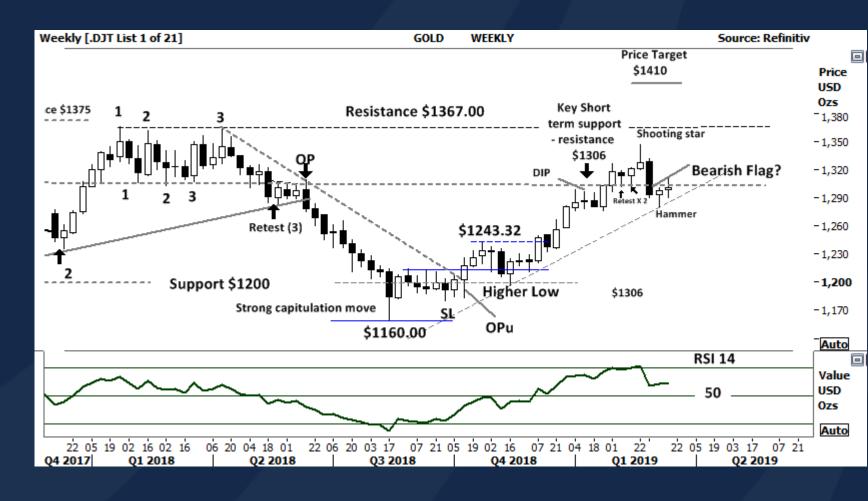
Primary trend remains UP.

A new "tentative" trend line is now in place.

RSI remains over the key "50" level, although the indicator has turned sideways.

Comments from last week: This weeks "hammer" is a bullish sign for further gains in price.

Key resistance at \$1306 will be the most watched level this week





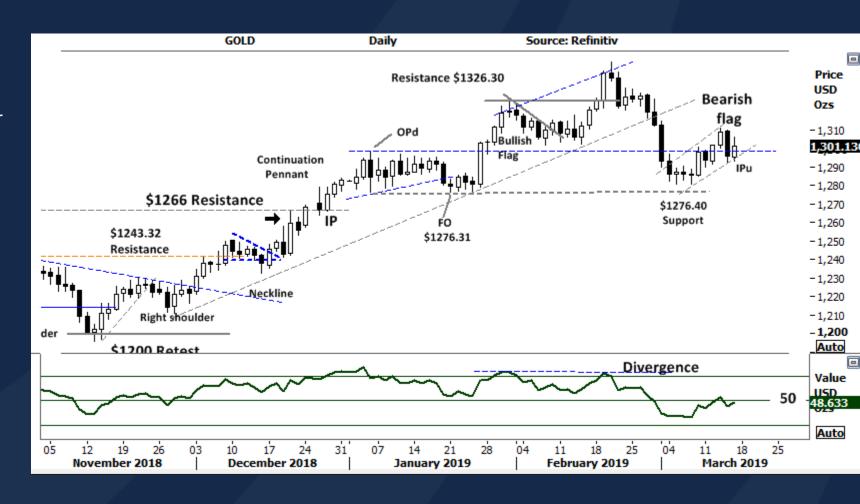
Gold Daily

Development of the bullish flag would indicate a move lower in the coming days.

This \$1300 level is now a key psychological level for traders to monitor.

Relative strength had turned sharply higher from below the 50 level, but again moved lower.

Comments from last week: This strong reversal signal brings a potential retest of the recent highs of \$1346.00





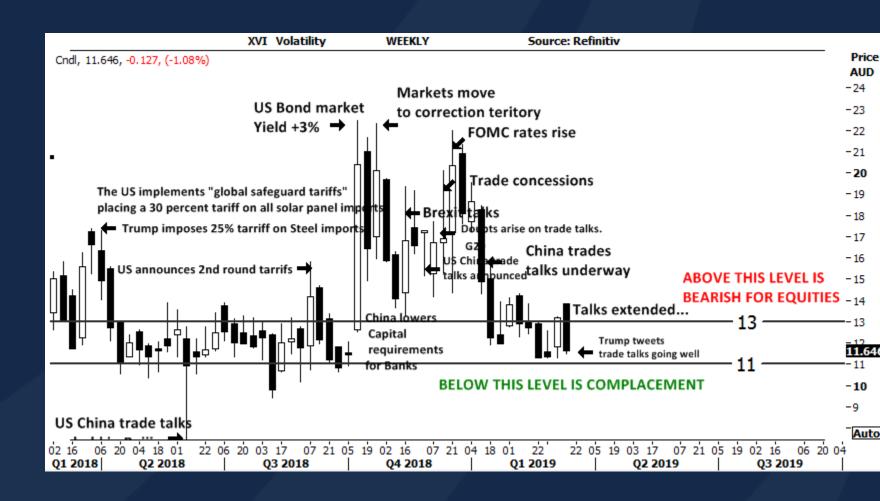
Australian Volatility Index

Current volatility levels, have again moved below the key "13" level, this is short term bullish for equities.

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

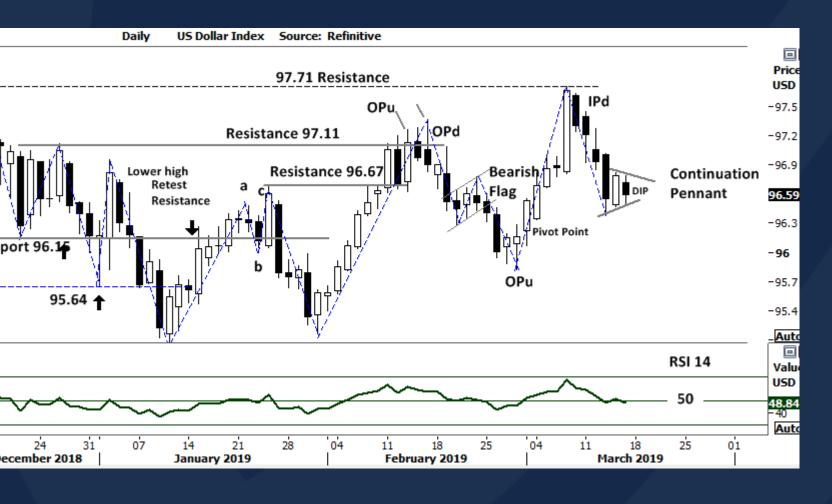
As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this "skew" in pricing is measured in this XVI.

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 DXY remains within a trading range between 95 and 97.71.

The daily chart now forming a continuation pennant is setting up the breakdown to test support level lows.

Relative strength has moved below the key 50 level showing a loss of upward price momentum.

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 visa versa.

Comments last week.

Thursdays strong range candle failed to follow through above the 97.71 resistance level.

A further range trade between 95 and 97.71 is expected.

WTI Oil WEEKLY



Weekly OIL

The weekly bullish flag breakout has set the multi month high.

Next resistance level is shown at \$61.80. Relative strength has turned higher showing an increasing price momentum.

Further to this view, a breakdown below \$42.00 (long position Stops) potentially sets a \$39.0 target.



Comments from last week.

Support - Resistance at the \$55.38 level has again been tested this week with the price consolidation forming a bullish flag pattern, a clear setup for higher prices in the coming weeks



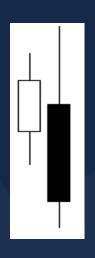


A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

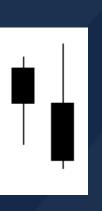
The outside period can mark a significant market turning point at or within 3 bars (93%).

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

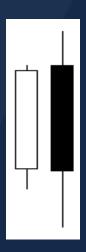
The OP period comes in all shapes and sizes.





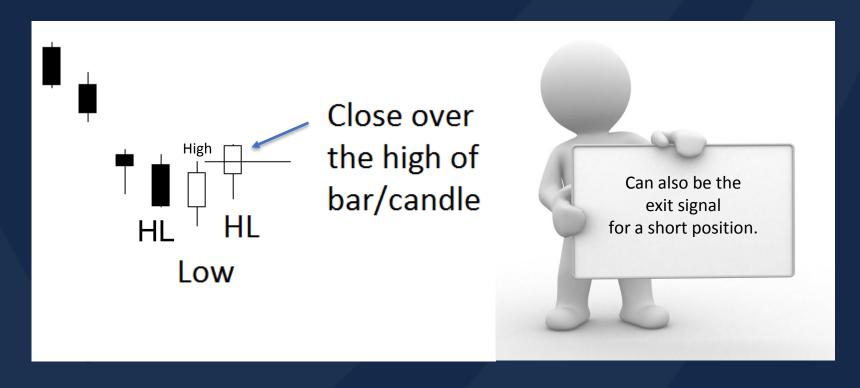






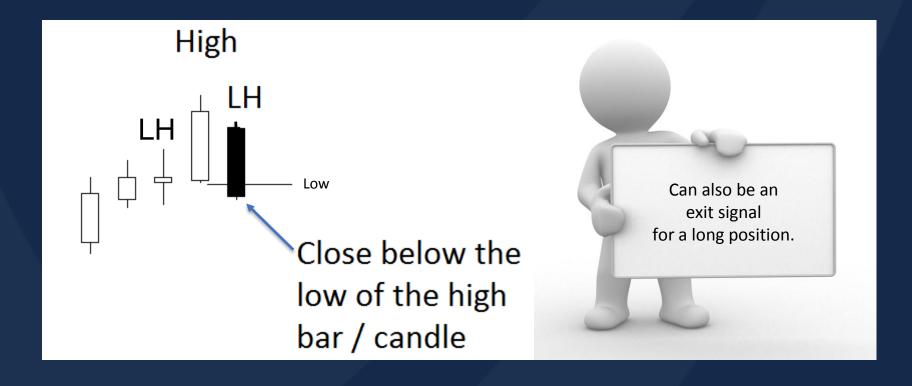


The technical setups. The Pivot point reversal



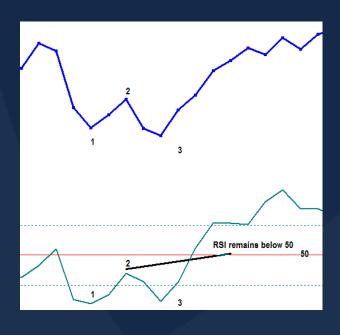


The technical setups Pivot point reversal



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" **

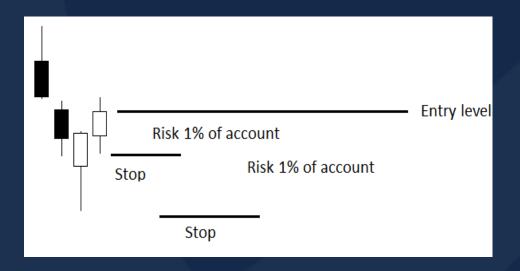
Swing failure is identified with the break of point 2 on RSI



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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