



IN BLACK AND WHITE

the week beginning
15/07/2019

A market technician's view

FX
INDICES
EQUITIES

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SUMMARY-

US and Australian equities market continue to push higher, with the US markets pushing new highs on the expectation of further interest rate cuts.

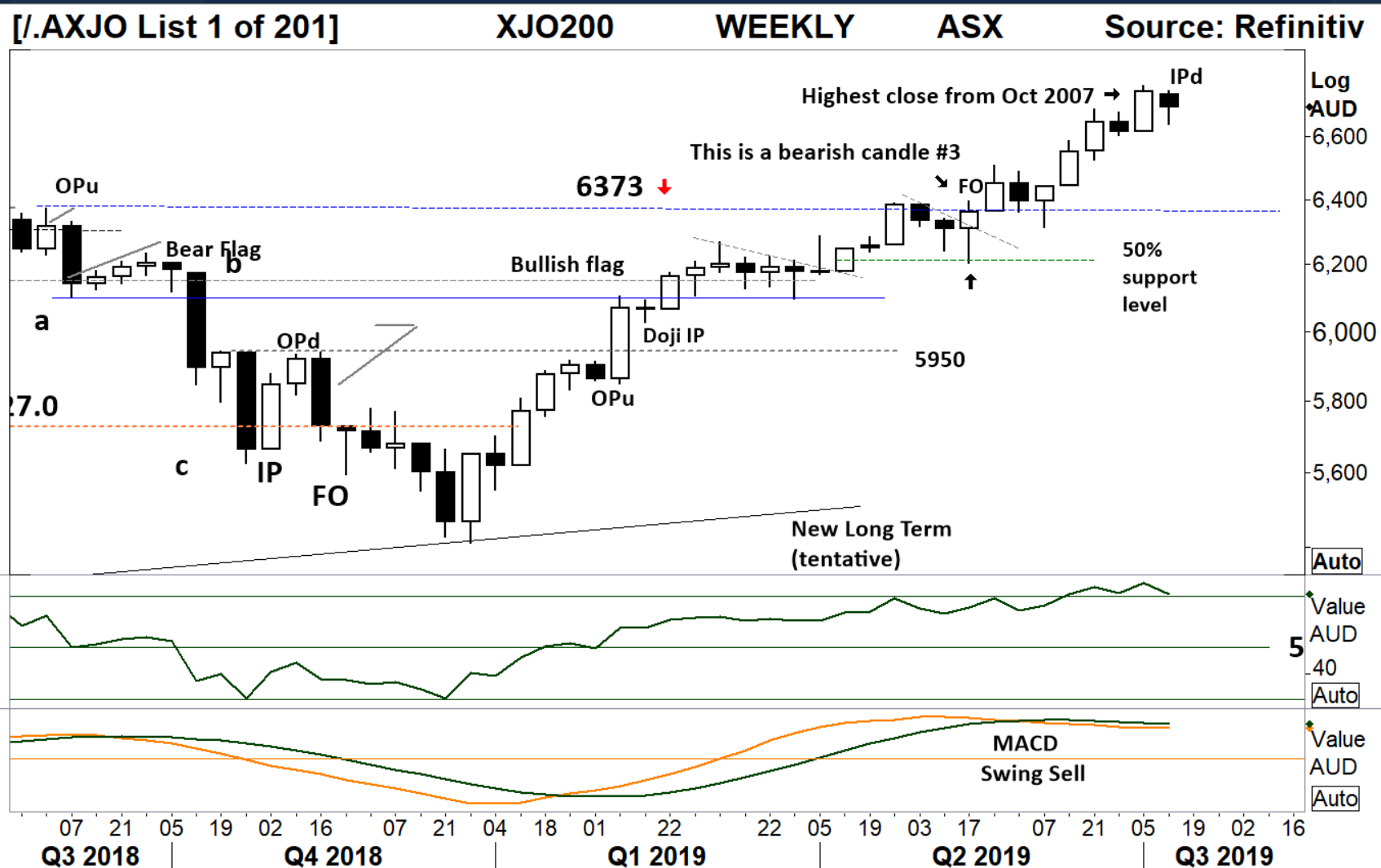
Australian XJO setting up a period of consolidation with price consolidation in the banks.

Both Gold and Silver fail to make new highs for a 2nd week, potentially a bearish signal for the precious metals.

Keep in view the whole world is bullish Gold.

Oil again shows resistance at the \$61.80 putting in a further high following last weeks outside range.

Australian 200 index – Weekly



The past weeks inside range is a sign of consolidation. A positive sign within this Primary UP trend. A further move higher is expected in the coming weeks.

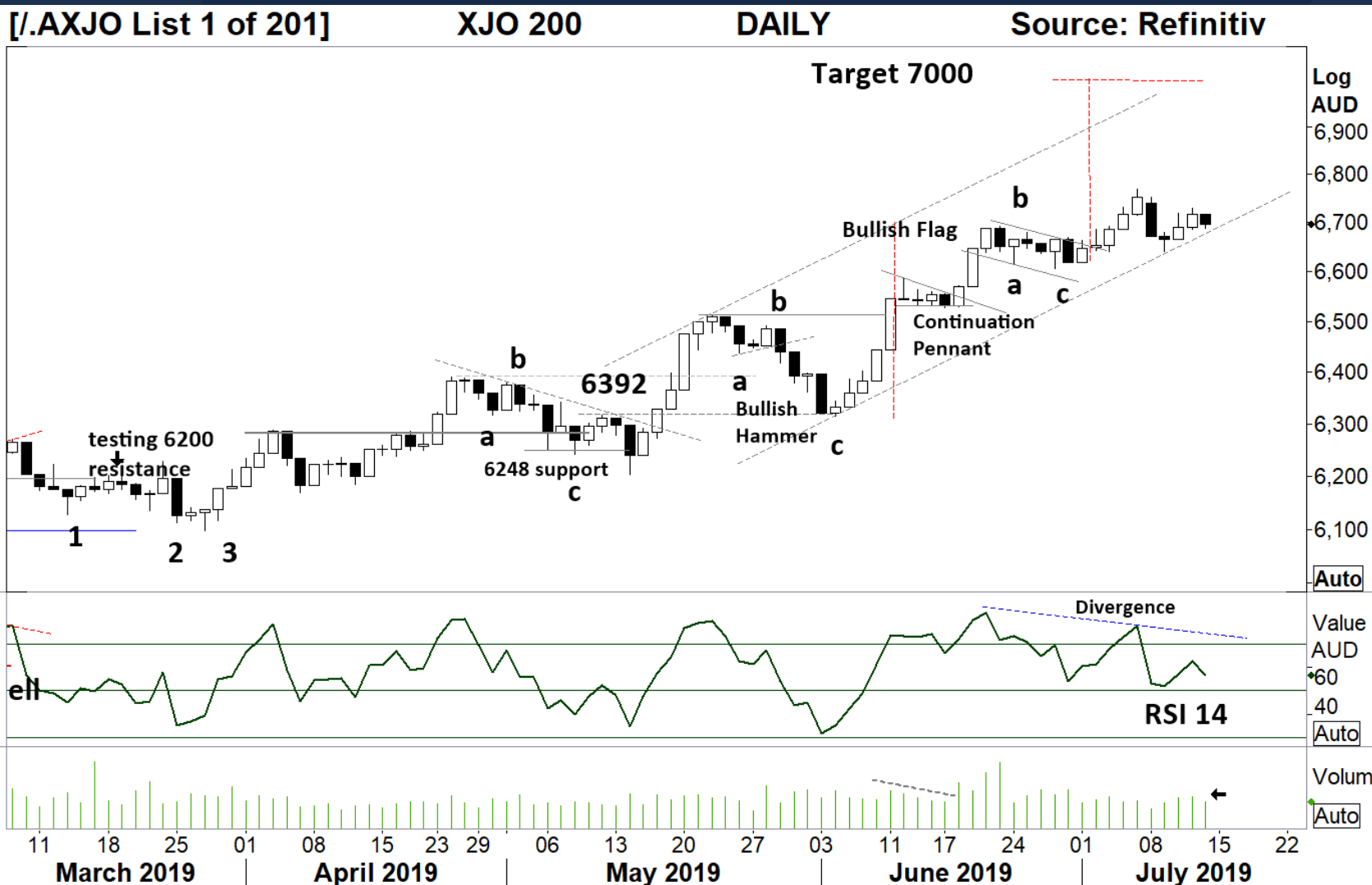
Traders would monitor a reversal on possible profit taking.

Relative strength has turned lower, this is expected in price consolidation periods.

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: Primary UP trend remains in place. This week just completed is a strong range and a good follow on is expected. Market should maintain a bullish stance as forward volatility is low. (XVI)

Australian 200 index – Daily



The daily movements have consolidated onto the short term channel line. Although volumes remain on the average of past months, any breakdown on higher volume would be a bearish signal.

Relative strength has again turned lower and is at risk of crossing the 50 level. First concern is the divergence between the new price high on Friday last week and the lower RSI high = BEARISH DIVERGENCE. This indicator should remain above the 50 level to remain bullish.

Comments from last week: On a daily basis the XJO now targets 7000 points in this primary UP trend and should be achieved. Systemic risk now abounds in the equities markets, - beware.

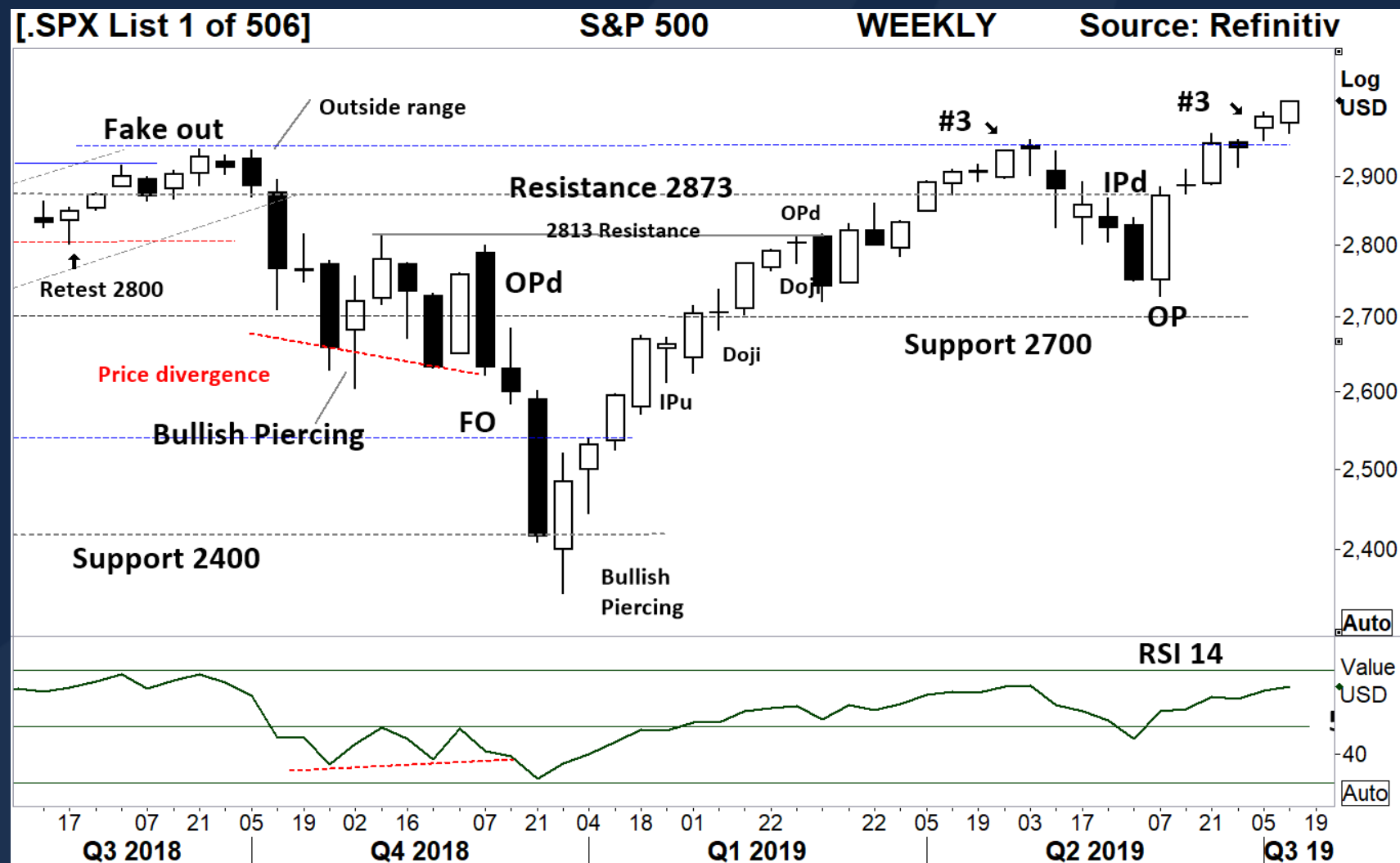
S&P 500 Index – Weekly

With the strong close into the high of the week further price gains are expected, the reversal signal #3 can take up to 2 weeks to play out.

A Primary UP trend remains in place

RSI remains above the 50 level and rising showing the continuing increase of positive price momentum.

Comments from last week. Weekly S&P at an all time high with a strong close. The upper close with a lower shadow #3 is a bearish candle and should be considered a potential reversal signal.



S&P 500 Index - Daily

The continuation pattern breakout over 3000 points with a high close on Friday is a strong continuation sign.

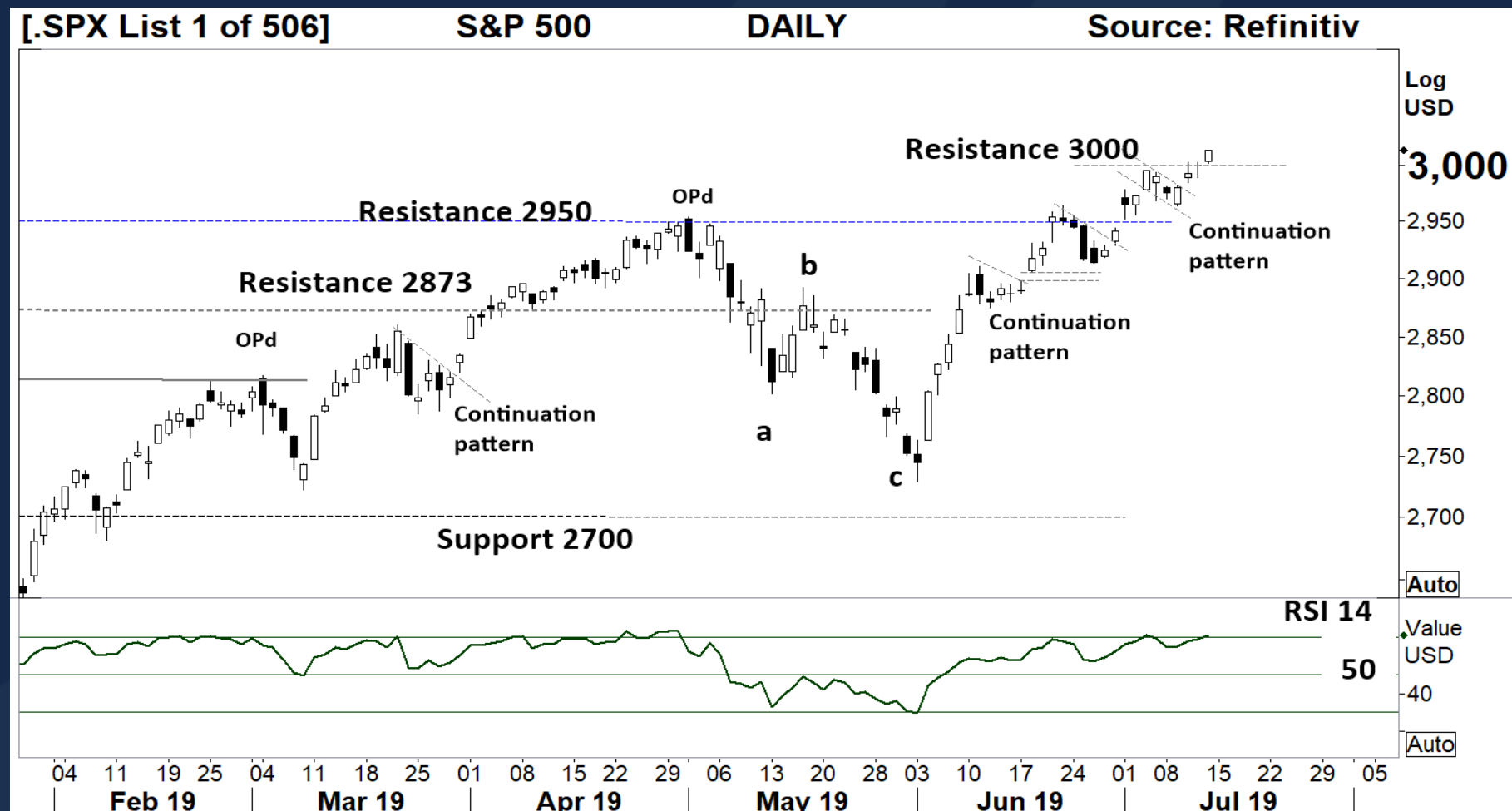
Any price retracements would be required to hold the close over 3000 level to remain bullish.

Relative strength has again moved over the “50” level. This sudden swing higher has not reached the 70 level as the indicator again turns higher giving an indication upward momentum.

Comments from last week: **Traders should watch for price support at the 2960 level.**

A gap open on Tuesday has lead to a high close on Friday, a short term bullish signal.

A strong close over 3000 would give a strong signal to the buyers of higher prices in the coming days.



Transports Index



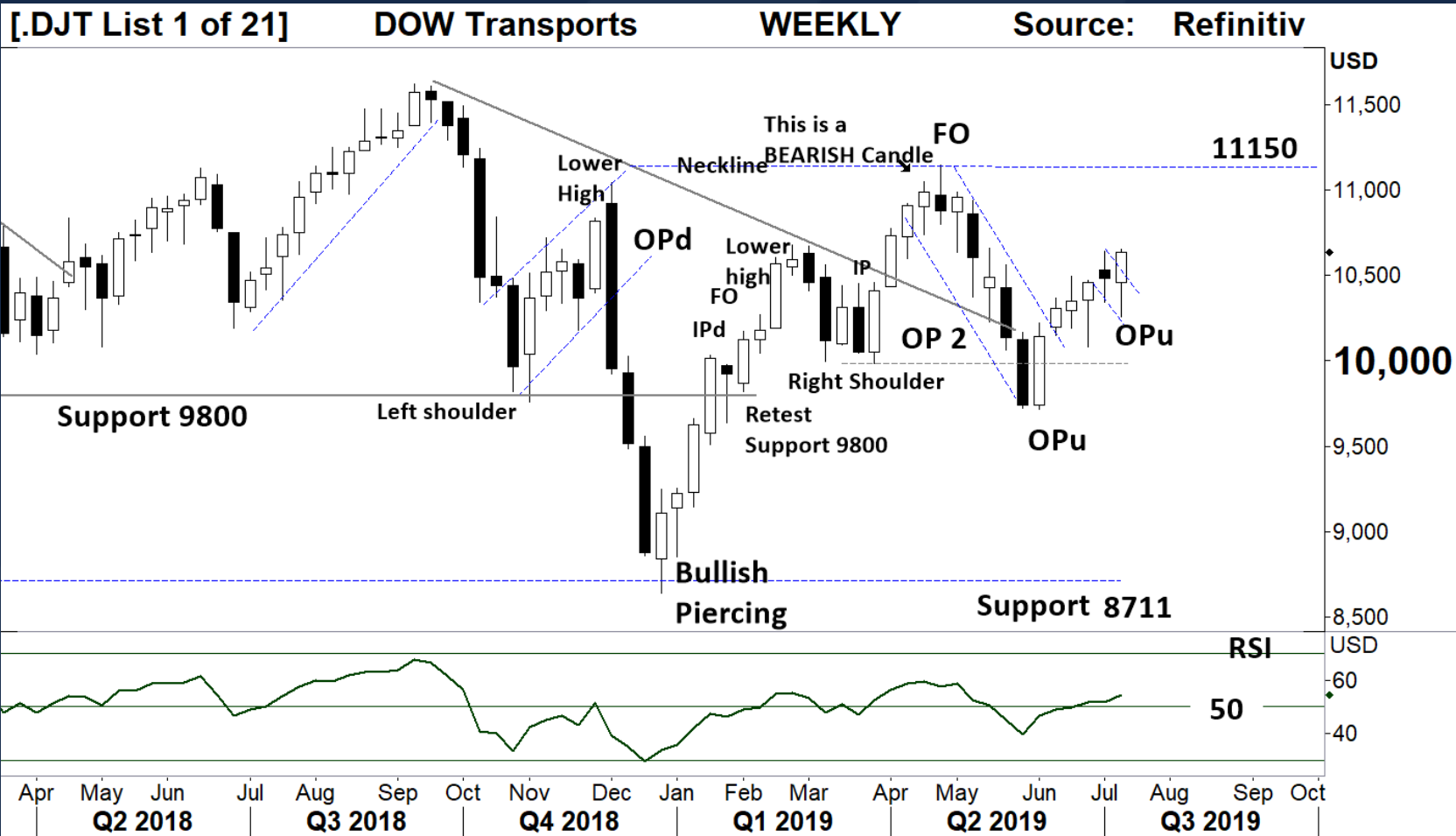
Dow Theory trend analysis states, the transports must confirm major indices.

The Opu (outside period) points to the 11150 target in play for the coming weeks.

This weeks movement higher close confirms the major indices' movements, but still remains a long distance from the highs.
(NON CONFIRMATION of a BULL MARKET)

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

Comments from last week..



GOLD Weekly

With a Bullish flag developing key support remains at \$1367 for any further consolidation in the coming weeks.

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, however the rollover at these levels can result in price retracement as momentum changes..

Comments from last week: This week the 2nd shooting star sets up a retest of the \$1367 level. A break of this key support should see a retest of the breakout at \$1306. This potential bullish flag can take many weeks to resolve.



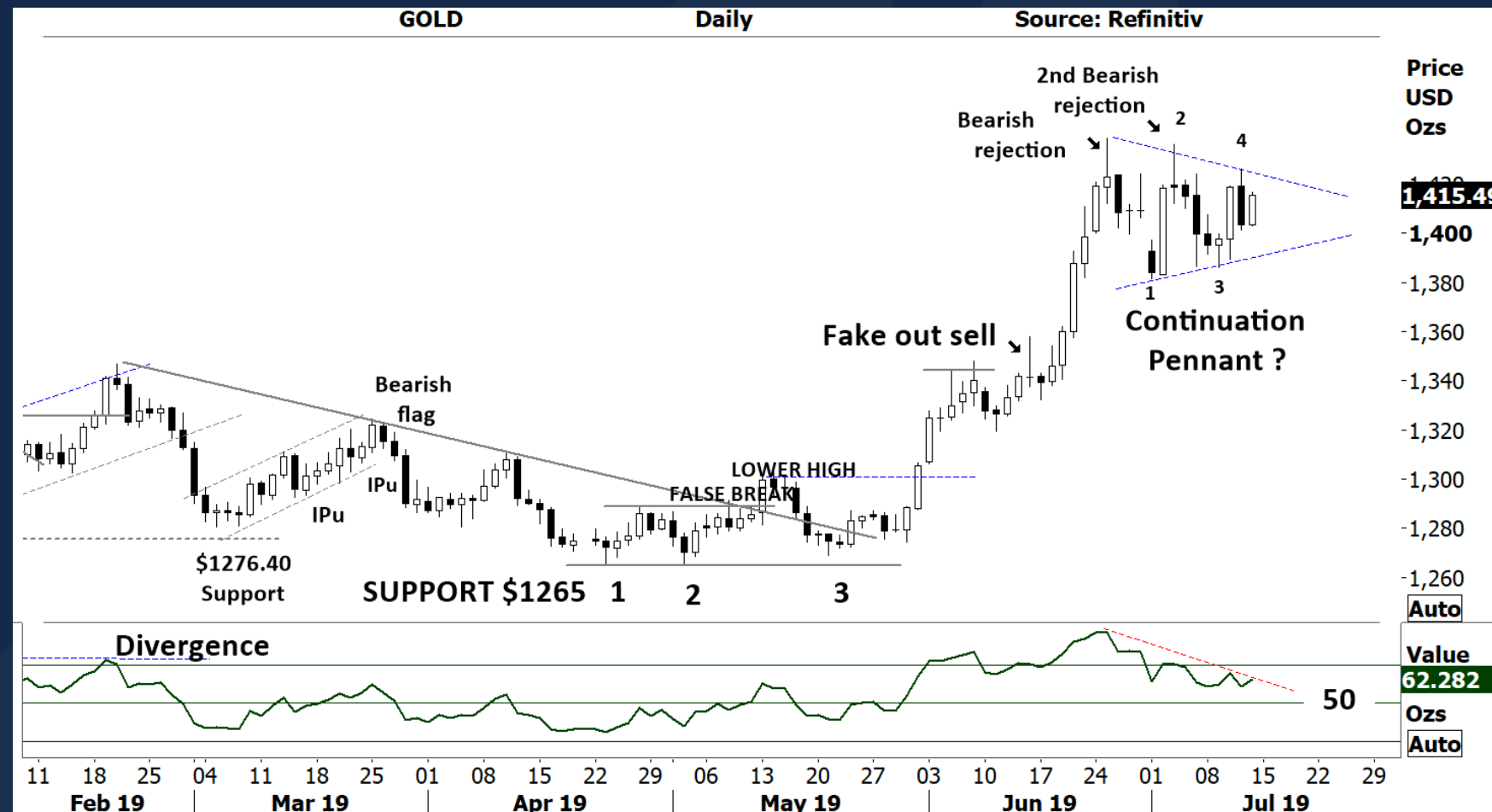
Gold Daily

The next short term price test will be the low point at #3 as the daily sets up a continuation pennant.

A closing price above #4 may signal a breakout move following this consolidation period.

In the coming days as momentum is slowing the Relative strength turns lower is at risk of crossing below the 50 level.

Comments from last week: These daily price moves are again at risk of profit taking in the short term, with the 2nd bearish rejection in place.
Fridays outside range with the low close is a reversal signal and will need to be resolved with higher prices in the coming week.

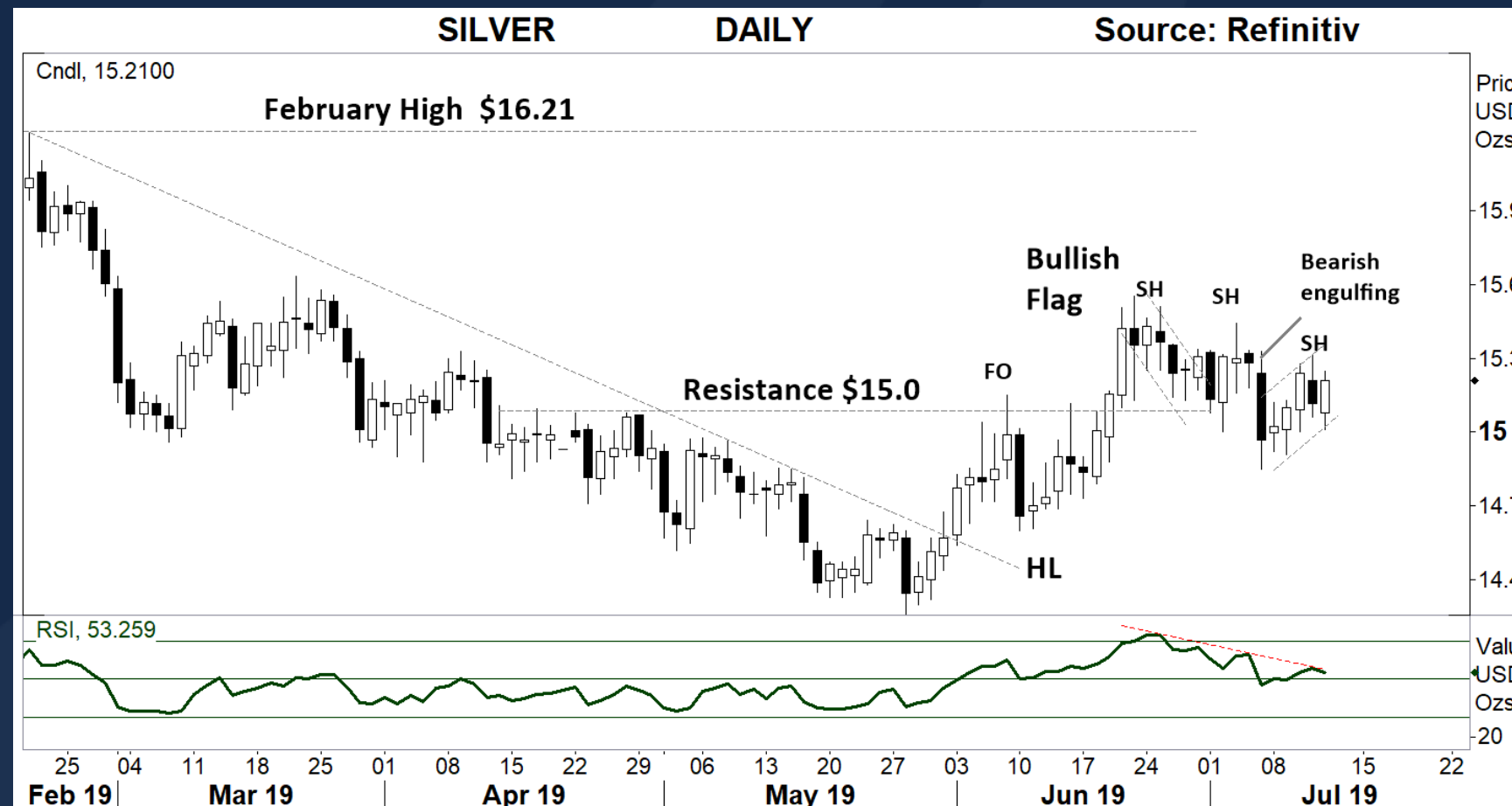


SILVER Daily

This week the daily movements of Silver failed to move over the high of the bearish engulfing range set 2 weeks ago. The current consolidation is at risk of breaking lower as the Relative Strength Indicator rolls lower back towards the key 50 level.

It should be noted, SILVER has failed to set new highs in line with GOLD, which is NOT an overall bullish sign for the precious metal sector at this point in time.

Comments from last week: From the February high of \$16.20 Silver entered a primary move lower into the June2019 period to set a "higher low". Currently the bullish flag has broken to the lower side with a bearish engulfing range.



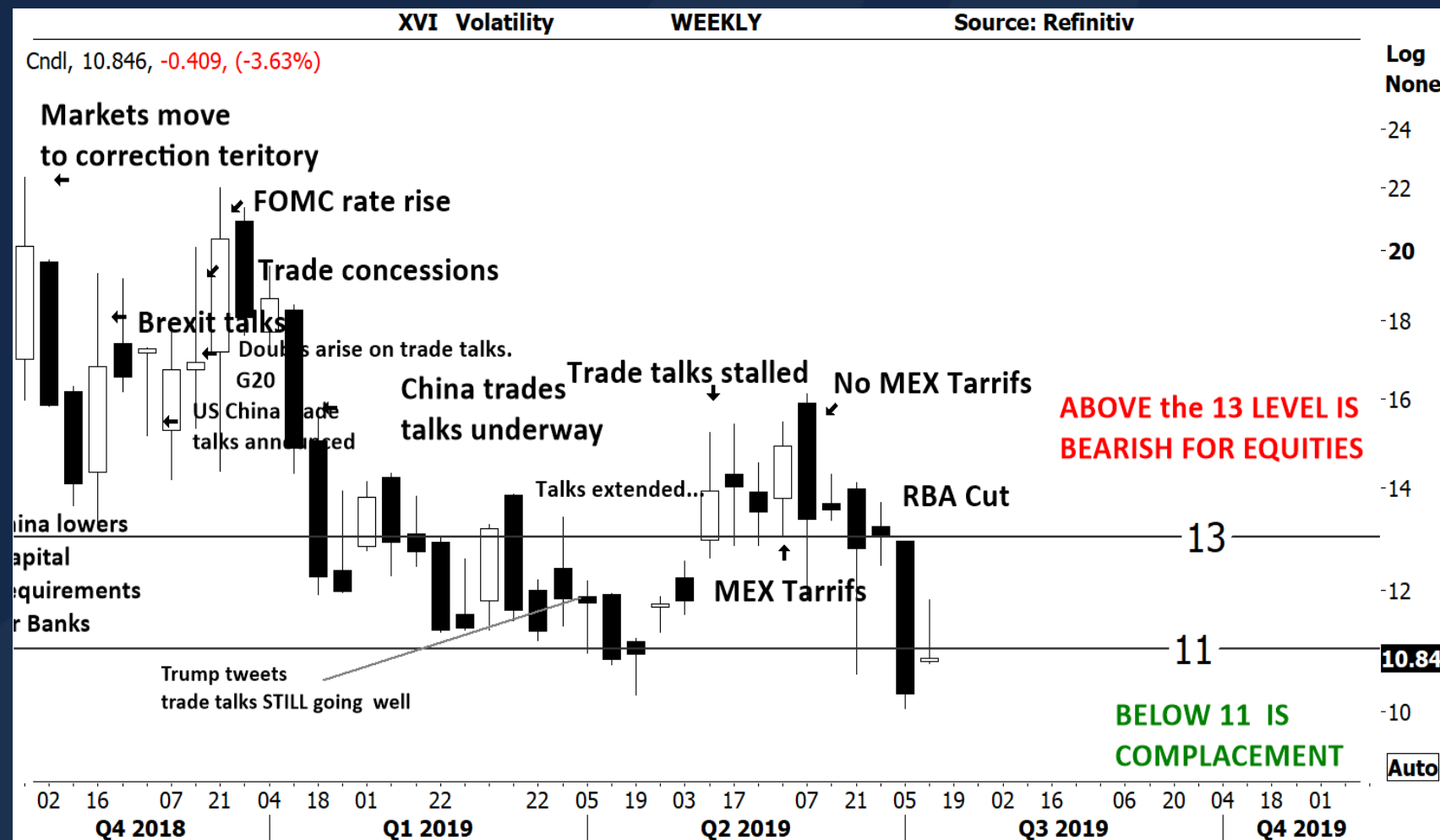
Australian Volatility Index

Current volatility levels, show a significant decline in Volatility into levels regarded as complacent of risk.

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 now remains in a **primary down trend** and price remains weak with a lower high set this week as Wednesday's lower close set a pivot reversal.

RSI swings back below the key 50 level as price turns lower.

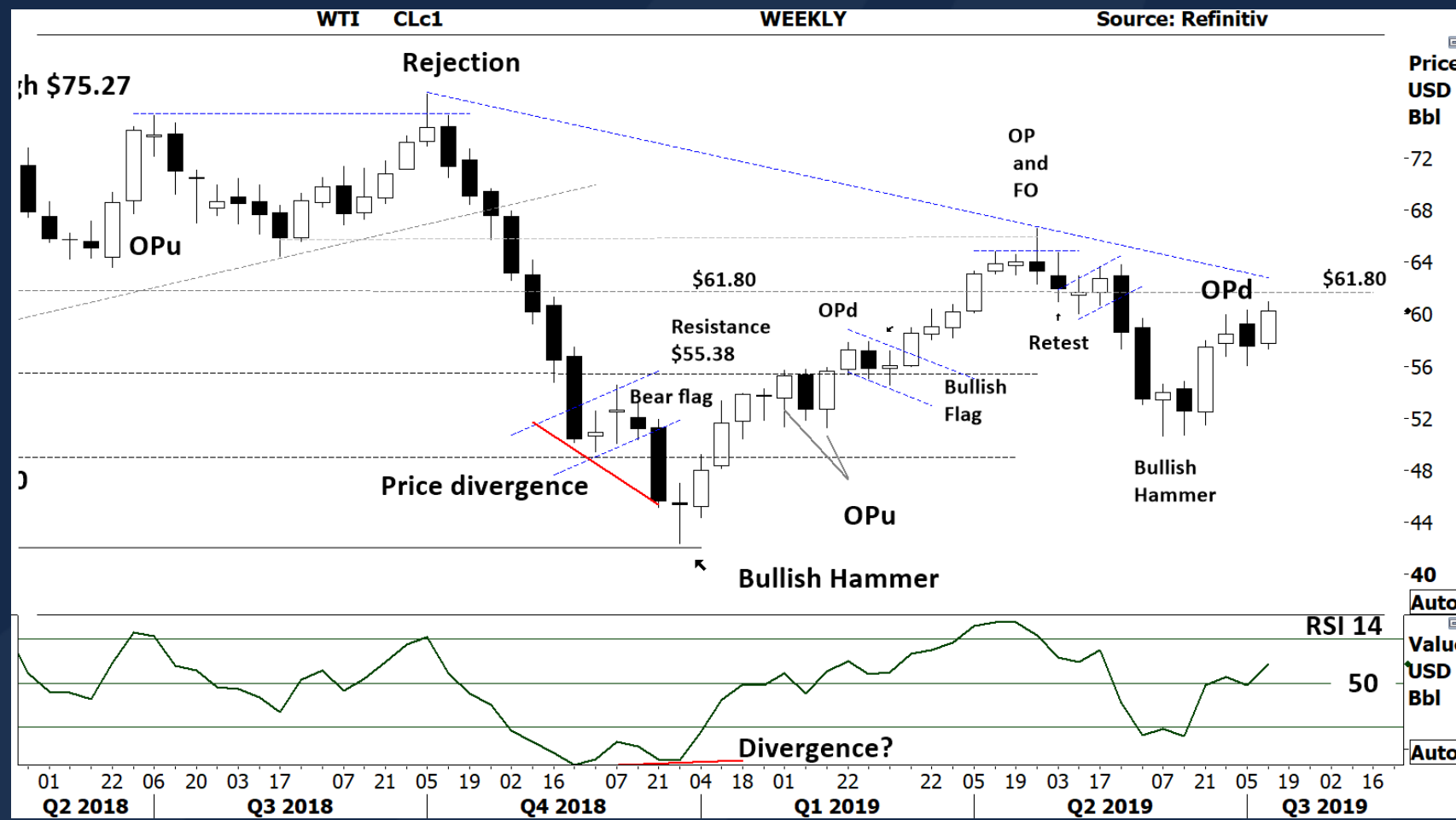
Price pressure on Commodities could restrict further gains in the larger miners.

Comments last week.

WTI Oil WEEKLY

OPEC's continuing comments for production cuts should hold a floor under Oil with price remaining above the key \$50 level.

The \$61.80 level will remain as resistance as the Relative Strength Indicator turns higher on this weeks price gain.



Comments from last week: This weeks Opd can be reviewed as a reversal range. A potential retest of \$50 is possible in the coming weeks. The whole structure may now resolve into a trading range between \$50 and \$61.80.

The technical setups

Outside period

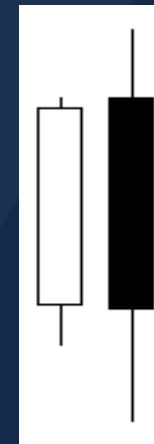
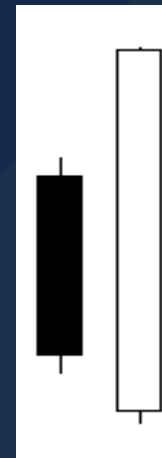
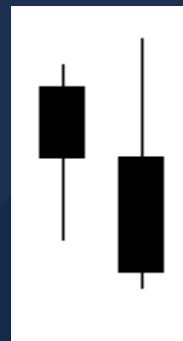
OPu and OPd

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

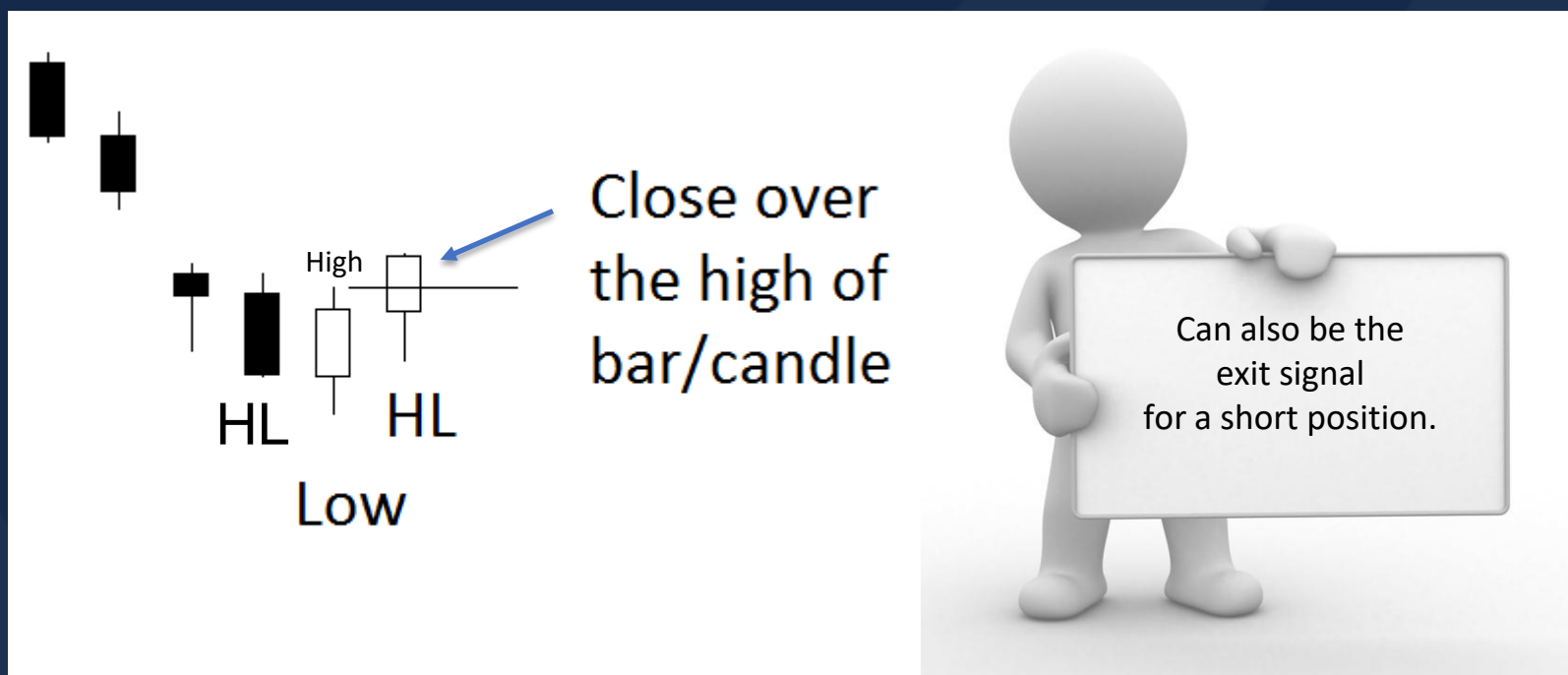
The outside period can mark a significant market turning point at or within 3 bars (93%).

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

The OP period comes in all shapes and sizes.

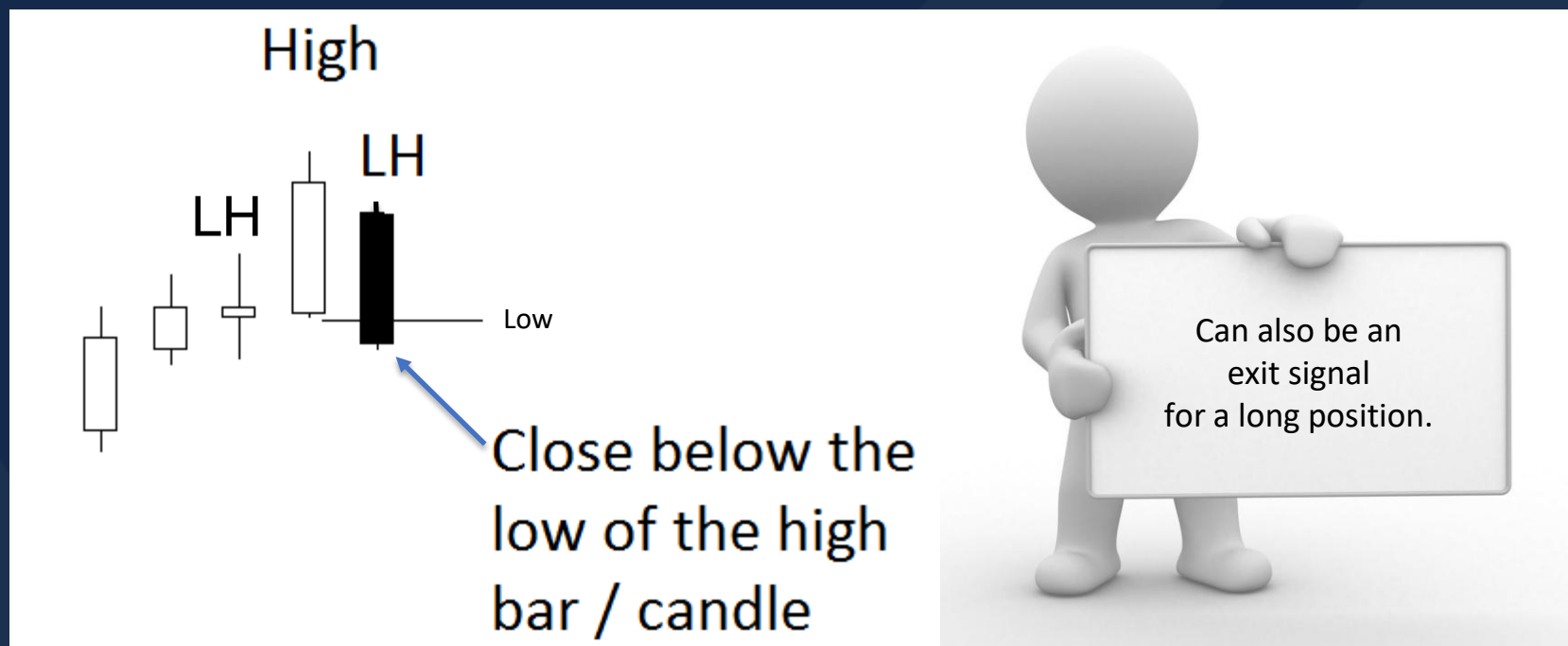


The technical setups. The Pivot point reversal



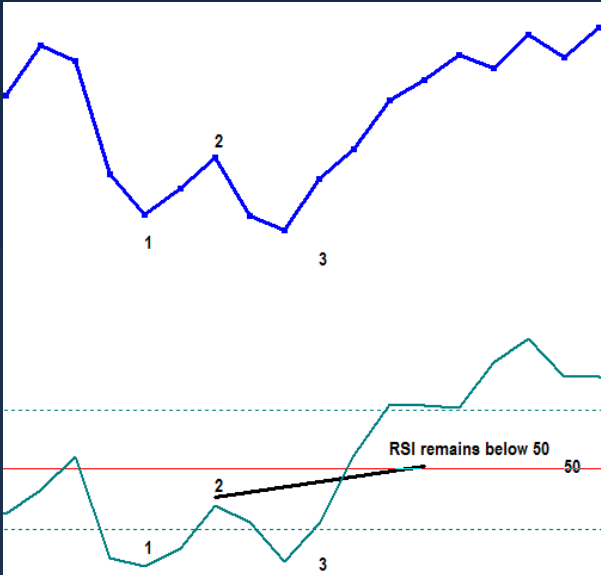
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



Relative Strength Indicator

SWING BUY SIGNAL.

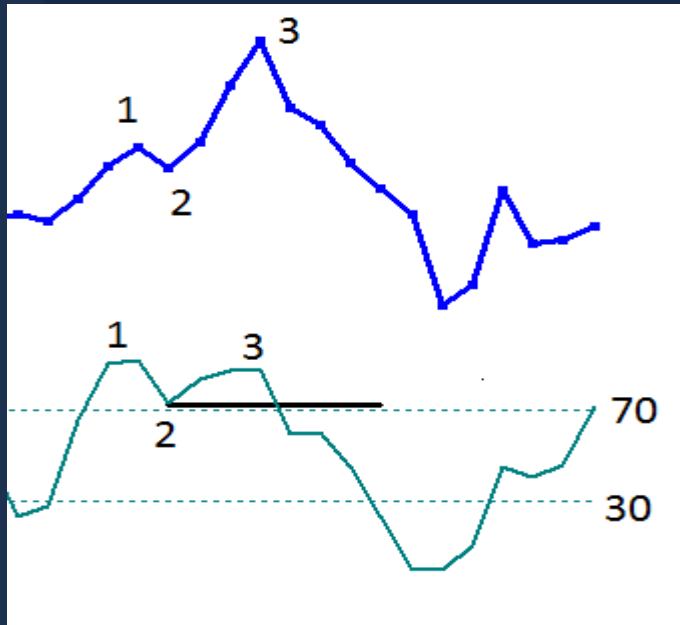
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- 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" **

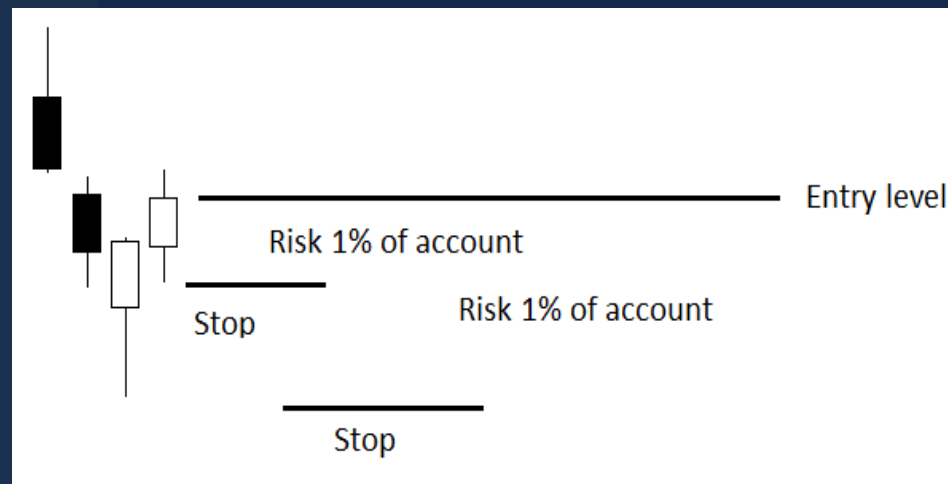
Swing failure is identified with the break of point 2 on RSI

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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