



**IN BLACK AND WHITE**

**04/01/2019**

**A market technician's view**

**FX  
INDICES  
EQUITIES**

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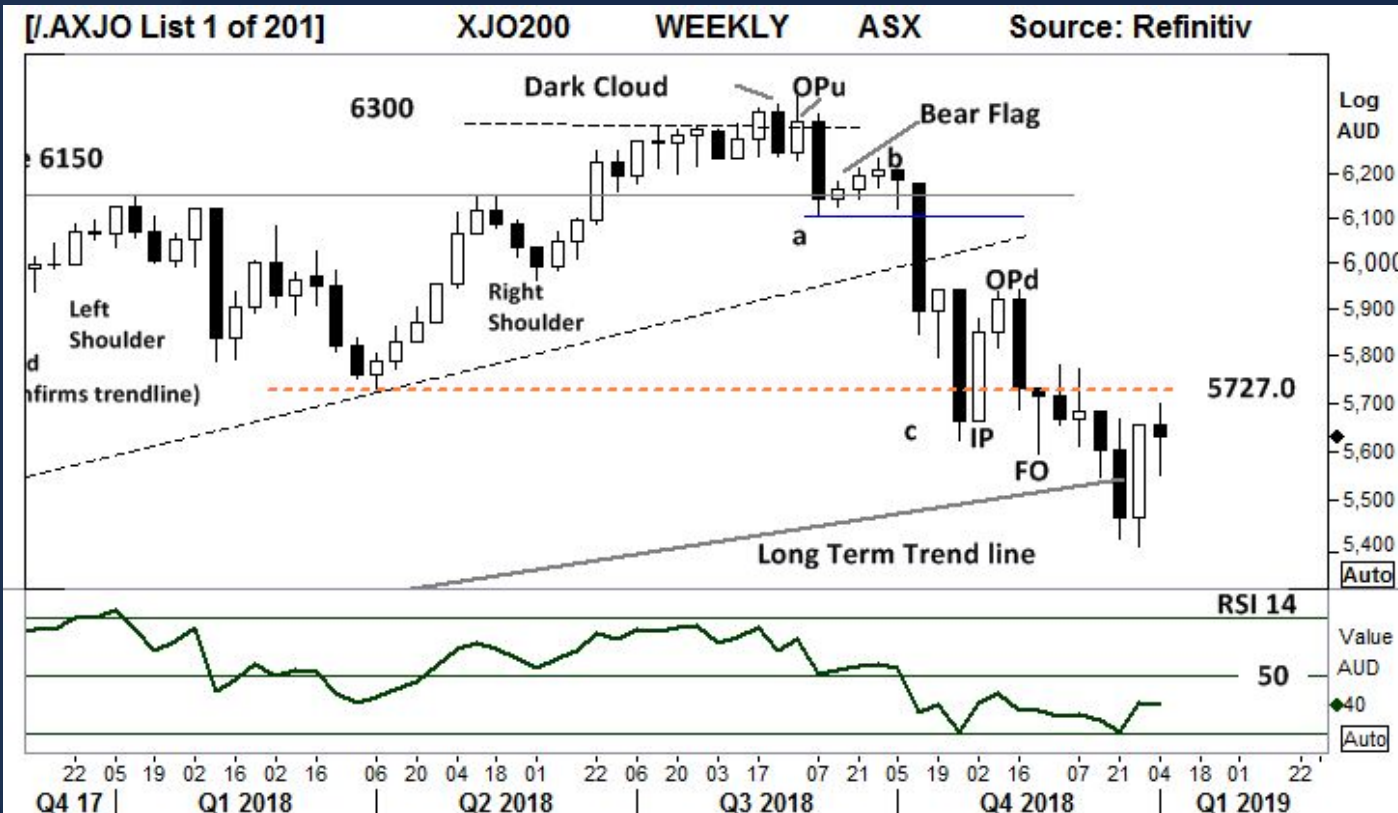
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# Australian 200 index - Weekly



Short weekly view.

BEAR MARKET UNDERWAY

It is important to notice the Relative Strength Indicator **still remains below the key "50" level.**

The XJO Index weekly chart remains in a Primary DOWN Trend.

The first resistance level is shown at 5727, this was tested with the weekly high of 5700.

A closing price below 5400 would signal a continuation of the down trend.

Comments from last week:

An important move for a short term bullish view as the Index moves back over the long term trend line and engulfs last week candle body.

# Australian 200 index - Daily



The primary trend remains down and in a **BEAR MARKET**.

The daily chart of the XJO shows a Fake Out high (FO) at a current down trend line with support again on the long term up trend extension. A point value move below 4 would signal further declines in the coming days.

Best case observation for the bulls is the 4 significant lows in place, the diverging RSI (higher) may be the earliest indication of a trend reversal. **The overall market is consolidating between 5400 and 5700.**

## Comments from last week:

The market is at an important juncture, with the Relative strength indicator moving over the 50 level, price momentum has turned positive, with a potential retest of 5727 is on offer.

# S&P 500 Index - Weekly

## Short weekly view.

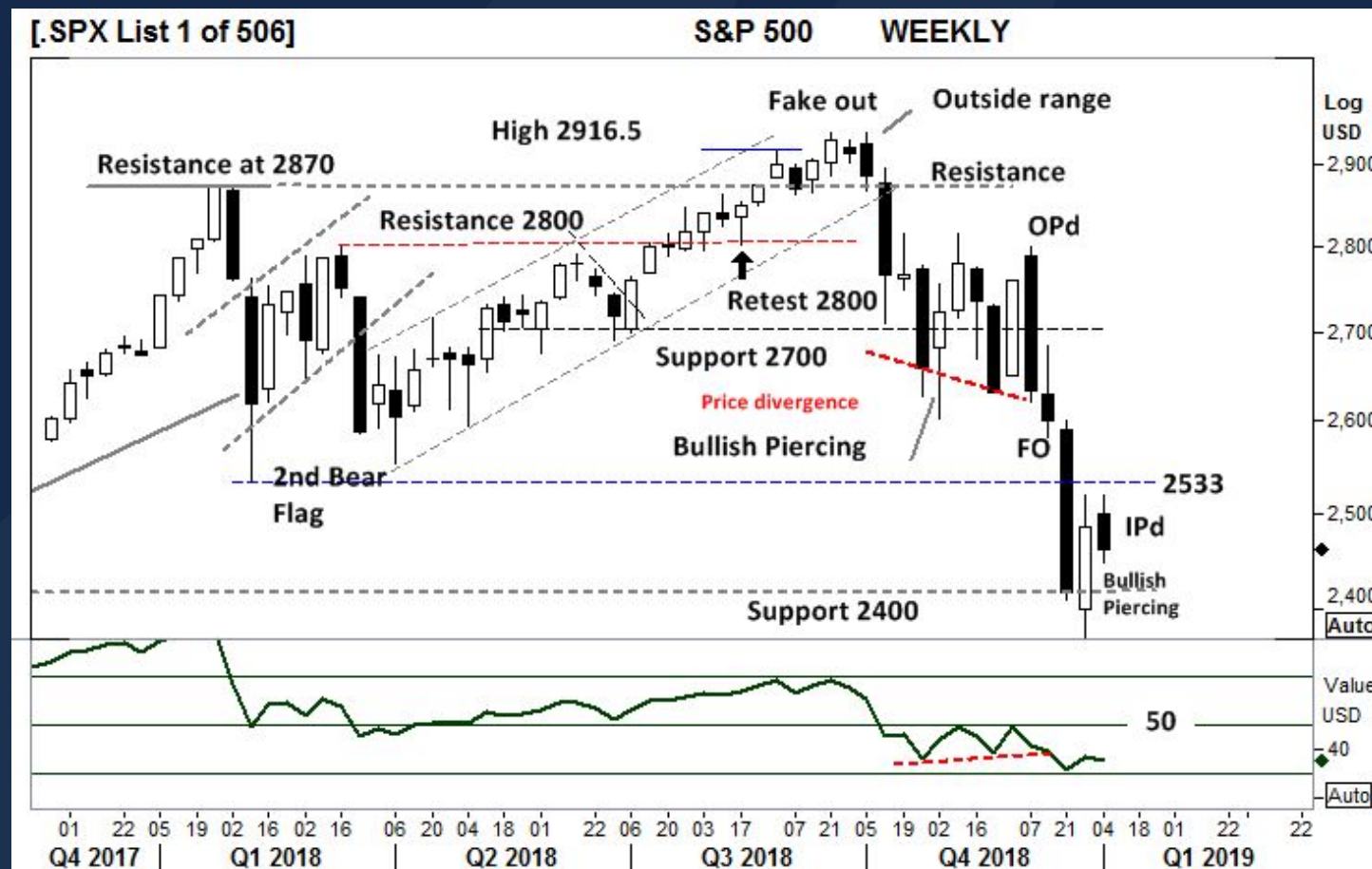
A characteristic of a true BEAR MARKET - short, sharp price rallies.

The S&P 500 now remains in a PRIMARY DOWN TREND. With the retest of a downside target of 2400 complete followed with the bullish piercing candle developing, look for an important retest of 2533 as the first resistance in any continuation move higher.

This observation remains in place, with the potential for a significant move lower on the break of the 2400 support level.

Price divergence in the Relative Strength Indicator has failed, with the indicator moving towards the 30 level. (the futility of indicators!)

(Only a Presidential tweet could change the view.)



## Comments from last week:

look for an important retest of 2533 as the first resistance in any continuation move higher.



# Transports Index

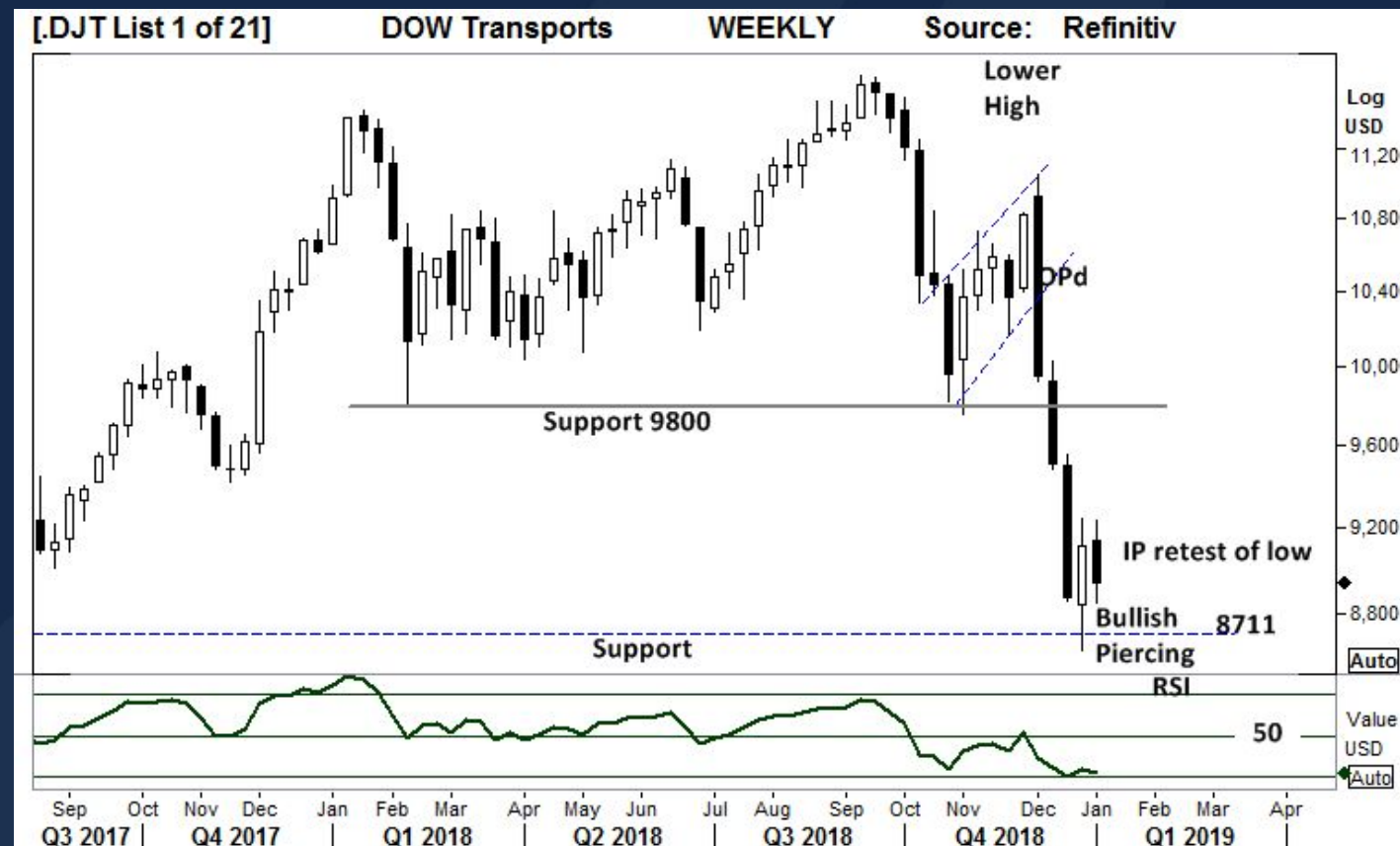
The DOW Transports now confirm with the other indices of a BEAR MARKET underway.

The lower high and the move below the previous low of 9800 confirms the down trend.

Last week's retest of 8711 historical support and this weeks IP ( inside period) should lead to a retest of 9800 resistance on a closing price break of 9220 points.

The further potential for a significant move lower remains with a closing price brake below 8711.

The Relative Strength Indicator remains below the key 50 level.



The current OPU a large range bar has seen a follow through in current potential retest of 2584.





# FTSE 100 Index - Weekly

## FTSE 100 weekly: Short weekly view.

Clear rejection of 7090 levels with an Outside period (OPd) in place.  
The primary trend remains down, 6650 support broken last week and again this week.  
Consolidation above 6650 is an important level to hold in the coming weeks.

A closing price over 6860 is required to confirm a bullish view with confirmation from the RSI.  
The Relative Strength Indicator 14 has remained below the "50" level, showing negative price momentum and continues lower with a break of the "30" level making new lows along with price making new closing price lows.



## Comments from last week:

The primary trend remains down, 6650 support broken last week

# GOLD Weekly

## Short weekly view.

Gold remains in a PRIMARY UP TREND.

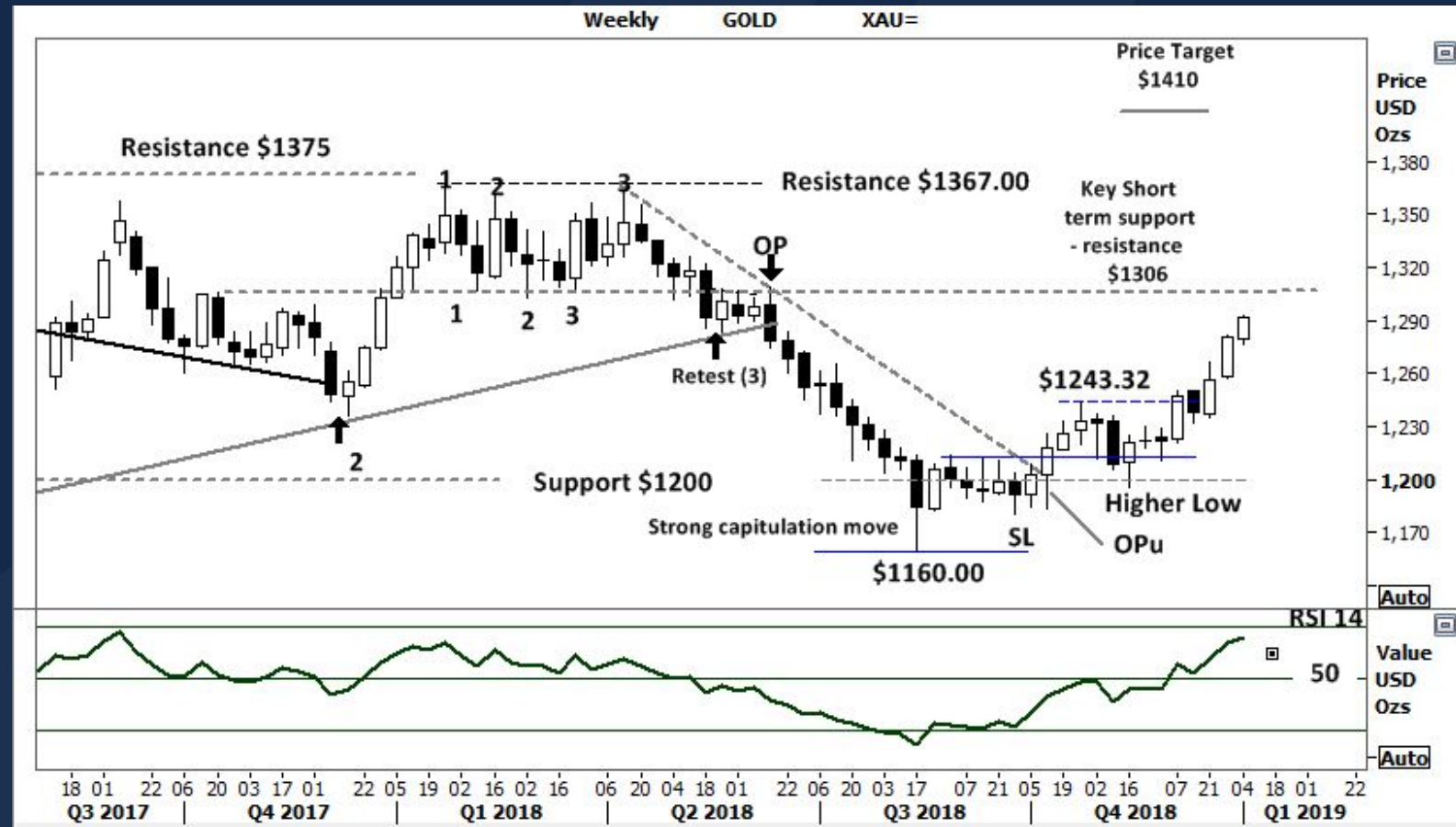
On this weekly basis, resistance at \$1306 is the current target price.

Long term target of \$1410

RSI remains over the key "50" level.

Comments from last week:

On this weekly basis, resistance at \$1306 is the current target price.



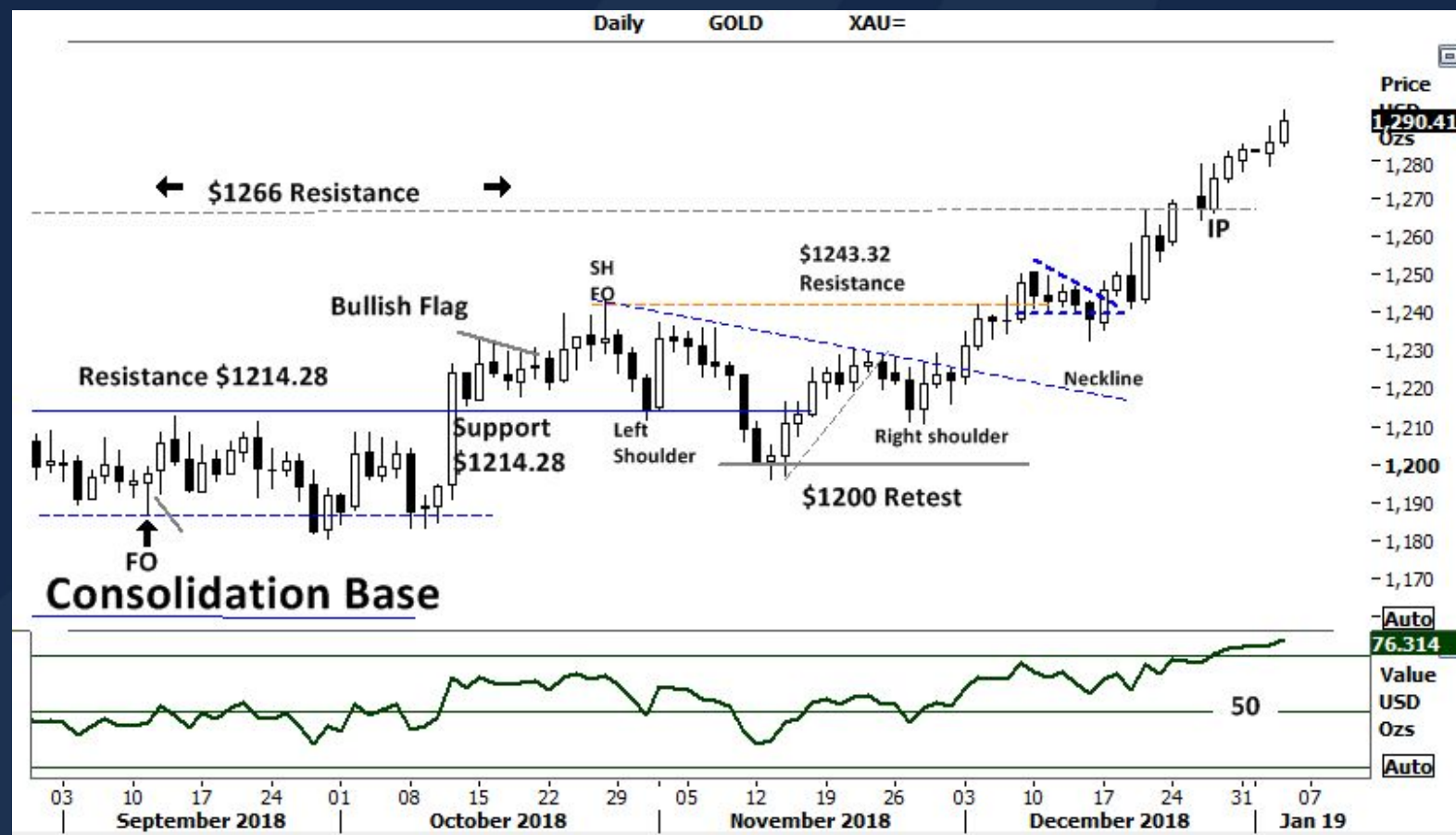
# Gold Daily

The daily price of Gold remains in a Bull run.  
A round number resistance at \$1300.00 is the current Intraday resistance level.  
Gold remains on track to retest \$1306.00

RSI remains above the "50" level indicating positive price momentum, with the RSI now moves over the "70" level traders should be aware of a potential short term blow off top.

## Comments from last week:

Significant resistance levels ahead at \$1306 and \$1367.



# Australian Volatility Index

The Australian market volatility indicator XVI.

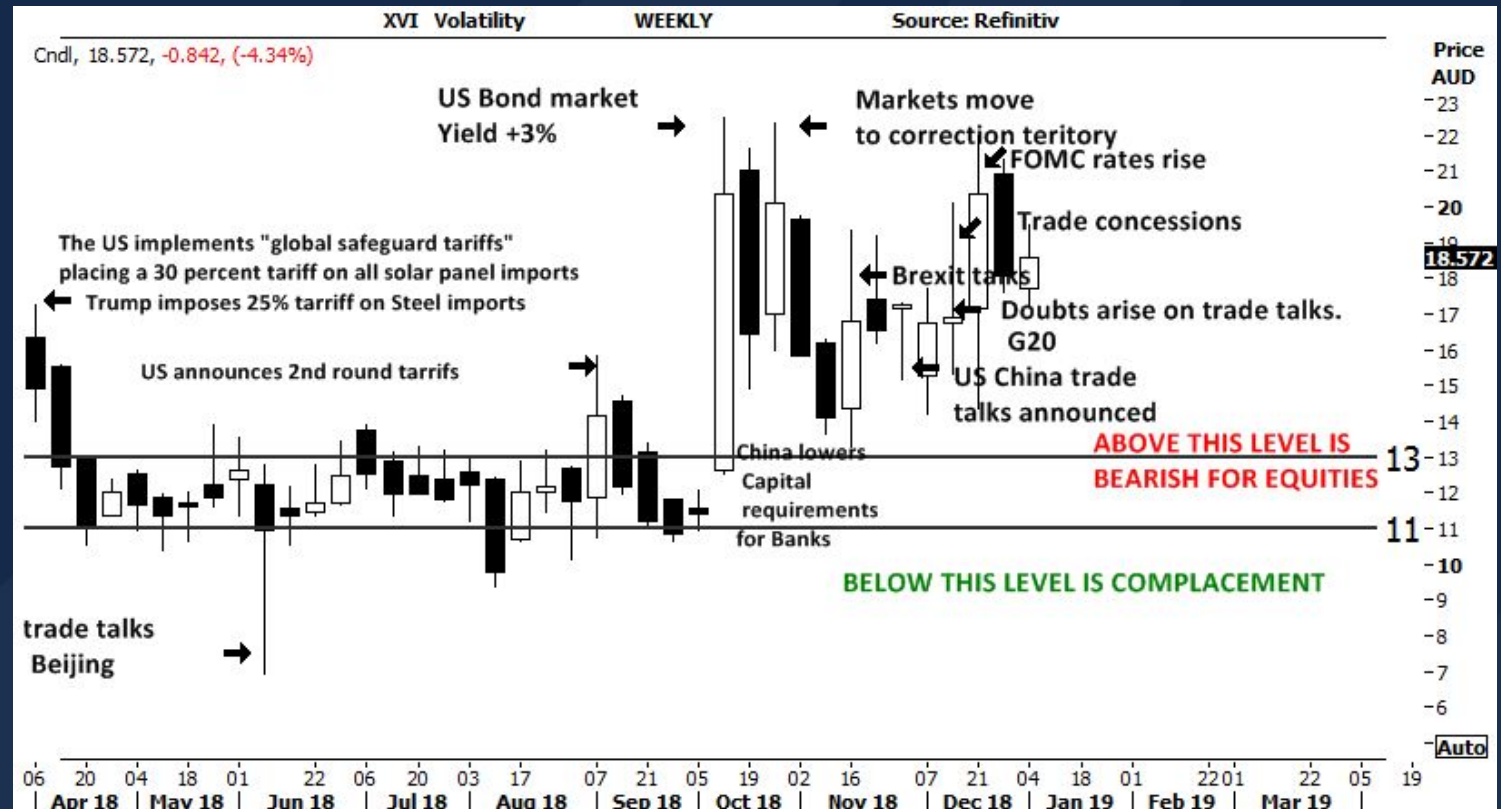
The US rate rise, and bearish sentiment around global growth has kept the XVI over the key "13" level, this remains a bearish signal for Australian equities.

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" is pricing is measured in this XVI.

The XVI value works as an inverse observation to the underlying market.

A XVI over "13" is generally bearish for equities.





# US Dollar Index



With the retest of 96.15 level ongoing, the US dollar index remains in a consolidation zone with 97.11 and 97.54 resistance.

Short-term support at 95.64 was again tested this week.

**The US dollar index remains in consolidation.**

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 vice versa.

## Comments last week:

The USD index remains in price consolidation.

# WTI OIL WEEKLY

## Weekly OIL

### Short weekly view.

Oil moves from a **\*"corrective"** move with a closing price first below the 22<sup>nd</sup> June low of \$63.59 and the 17<sup>th</sup> August \$64.43 low, into a Primary down trend.

A higher close in last weeks range could continue to show a bullish retracement with a potential retest of resistance at \$55.38.

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

The Relative Strength Indicator moving below the "30" level may now offer a potential divergence signal in the coming weeks.

### Comments from last week:

The test of the \$42.0 historical support level is complete with a bullish hammer in place.





# The technical setups

## Outside period

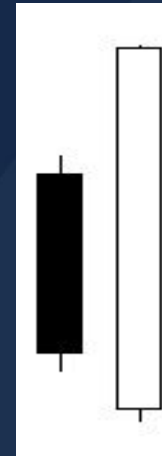
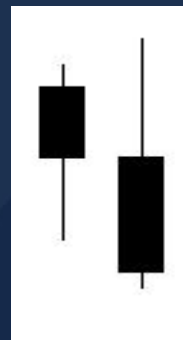
### Opu and OPd

A price range larger than the previous range often indicates a market turning point. (Krastin's research)

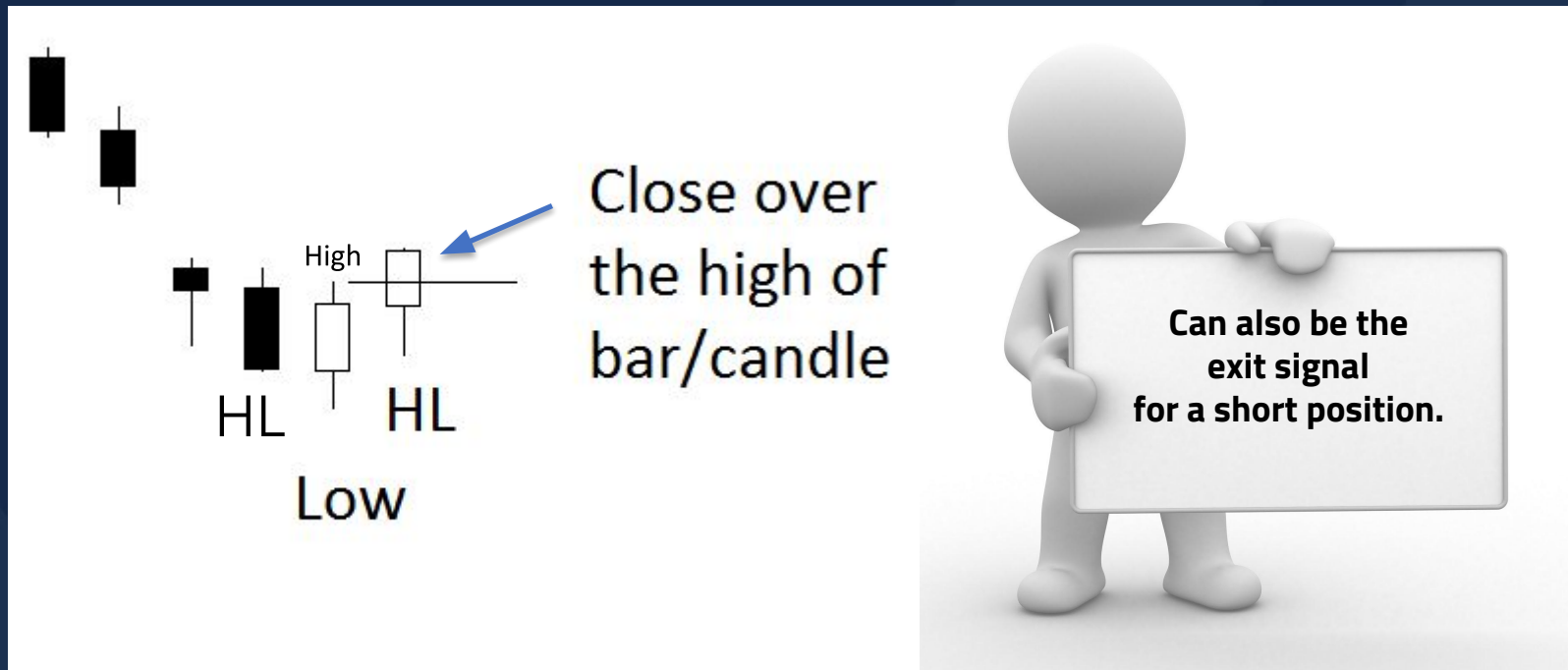
The outside period can mark a significant market turning point at or within 3 bars ( 93%).

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



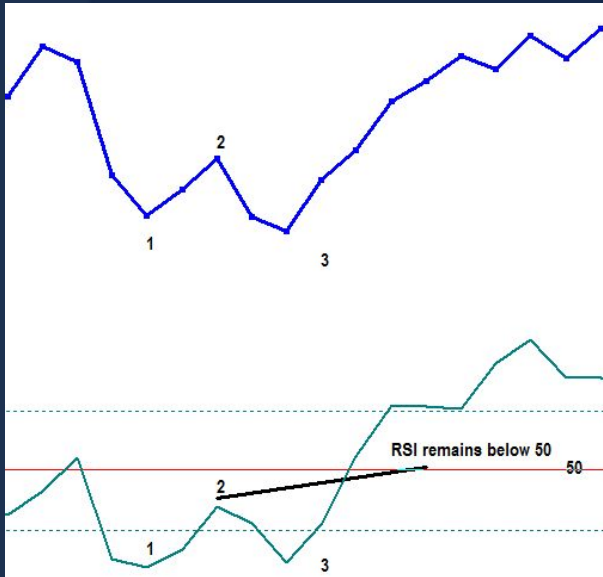
# The technical setups

## Pivot point reversal



# THE TECHNICAL SETUPS

## Relative Strength



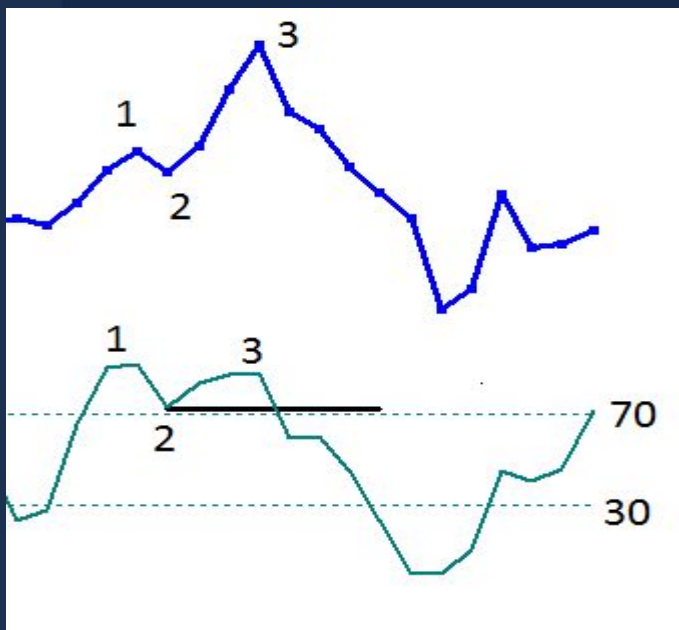
### Relative Strength Indicator

#### SWING BUY SIGNAL.

- The market makes a low, (1)
  - The market closes higher, (2)
  - The market makes a 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. The market makes high price.
  2. Retracement RSI remains above "50" (2)
  3. The market makes a higher high.
  3. RSI makes a lower high. (3) Must be over the 70 level.
- \*\* The Swing failure sell signal occurs as RSI swings below "2" \*\*

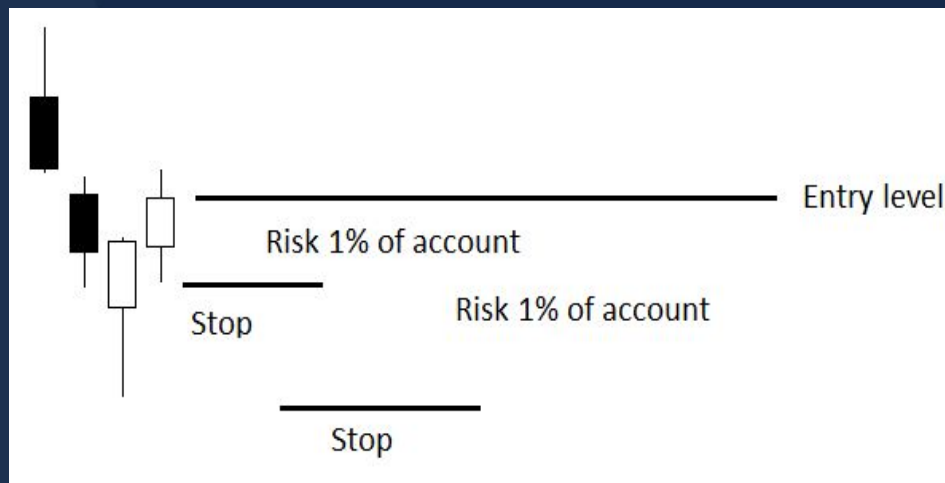
Swing failure is identified with the break off point 2 on RSI

# 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.





**Comments and Feedback:**

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**THANK YOU**