



IN BLACK AND WHITE

the week beginning
26/08/2019

A market technician's view

FX
INDICES
EQUITIES

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SUMMARY-

Markets will remain fixated on the Twitter account of Donald Trump and trade negotiations into the foreseeable future.

G7 will not produce any tradeable or market direction information.

Volatility (VIX and XVI) has reached a significant bearish level.

Gold and Silver are in consolidation mode above key levels of \$1500 and \$17.0 with a very strong continuation breakout pattern breaking and moving higher.

Australian 200 index – Weekly



The XJO has failed so far to close over the 6630 level.

A further breakdown below 6373 would be a very bearish sign for further declines.

However this remains the key support level in the coming week.

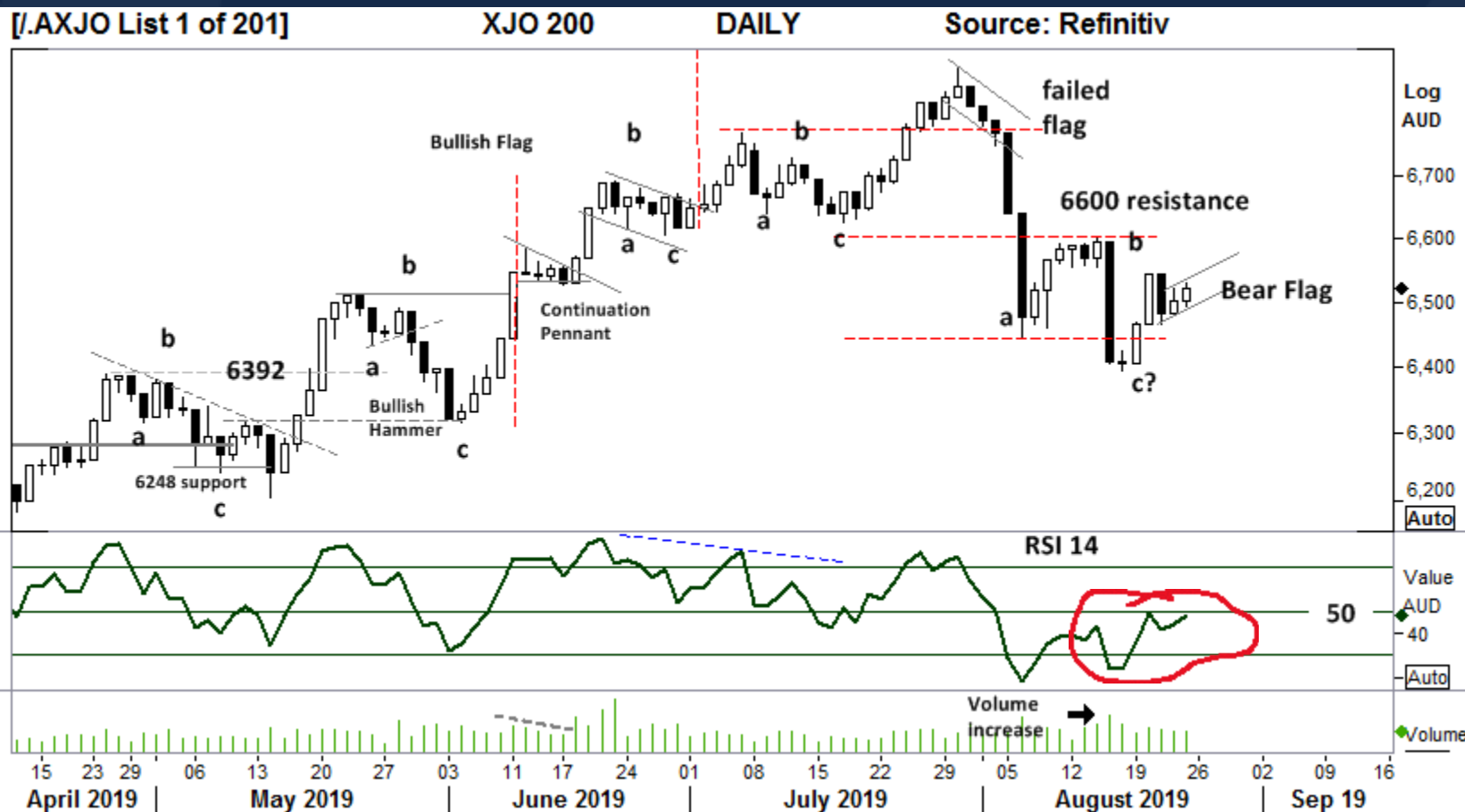
The MACD has again moved to a sell signal.

RSI shows a bullish upturn.

Comments from last week:

From the Pivot high 2 down close weeks, into the key support area between 6373 and 6430

Australian 200 index – Daily



From the failed bullish flag the daily chart displays the current a,b,c corrective move. Thursday and Friday have resolved into a Bearish Flag failing to take out Wednesday's high.

Of concern for the Bullish view is the strong Volume down day on Thursday 15th August. With lower volumes into the close of the week, suggests a lack of conviction by the buyers.

RSI has failed to cross the key "50" level.

Comments from last week:
Currently bullish divergence is showing between the RSI and price. Without a reversal low in place this will need to be reviewed as the week unfolds.

S&P 500 Index – Weekly

The Primary UP trend remains in place.

This market has potential for consolidation before a new leg down.

The past week has set an inside range this is supportive of further consolidation at these levels.

A break of last weeks low will put the 2700 level as the target.

RSI remains is again below “50” as it turns lower in line with a short term loss of momentum.

Comments from last week. Two bullish hammers in place holding the short tentative trend line.
Historical resistance at 2873 is coming into play as the new Weekly support.



S&P 500 Index - Daily

The daily chart now confirm resistance at 2940 level.

Fridays very strong range has the potential to follow through to new lows.

The price gap shown at 2750 is the first immediate target.

The RSI has turned sharply lower as a bearish sign of lower prices.

Comments from last week: RSI is encouraging putting in a higher swing low, although still below the key 50 level



Transports Index

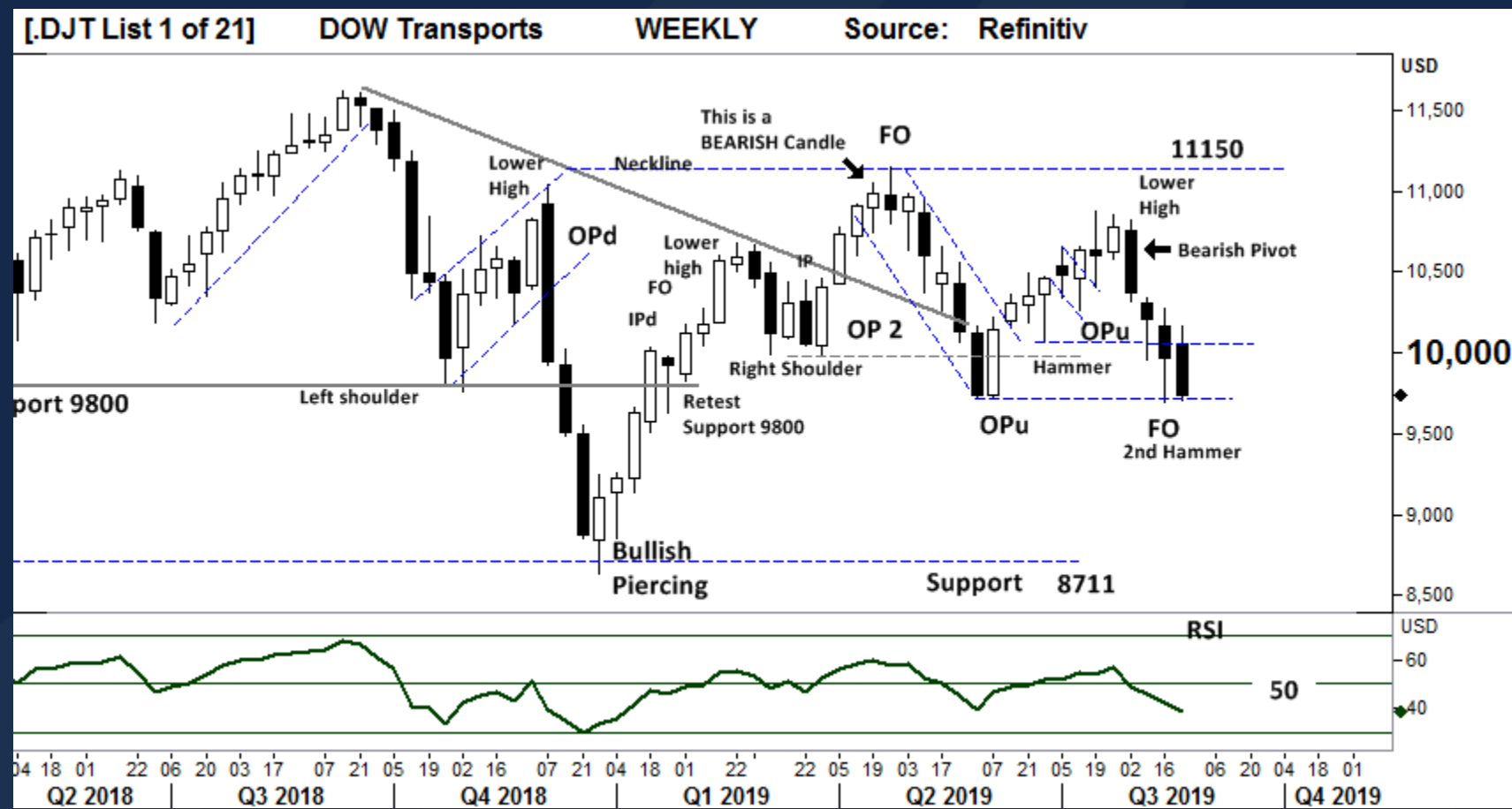
Dow Theory trend analysis states, the transports must confirm major indices.

(This index remains a NON CONFIRMATION of the long term Bull market, a break of 11150 is required.)

The transports are confirming the Bear case for the near future, the recent lower high and the past weeks further weakness will target 8711 the historical support level.

Relative strength has moved lower a continuing sign of lost momentum.

Comments from last week. This market is confirming the weakness in the Major indice's, an overall bearish sign.

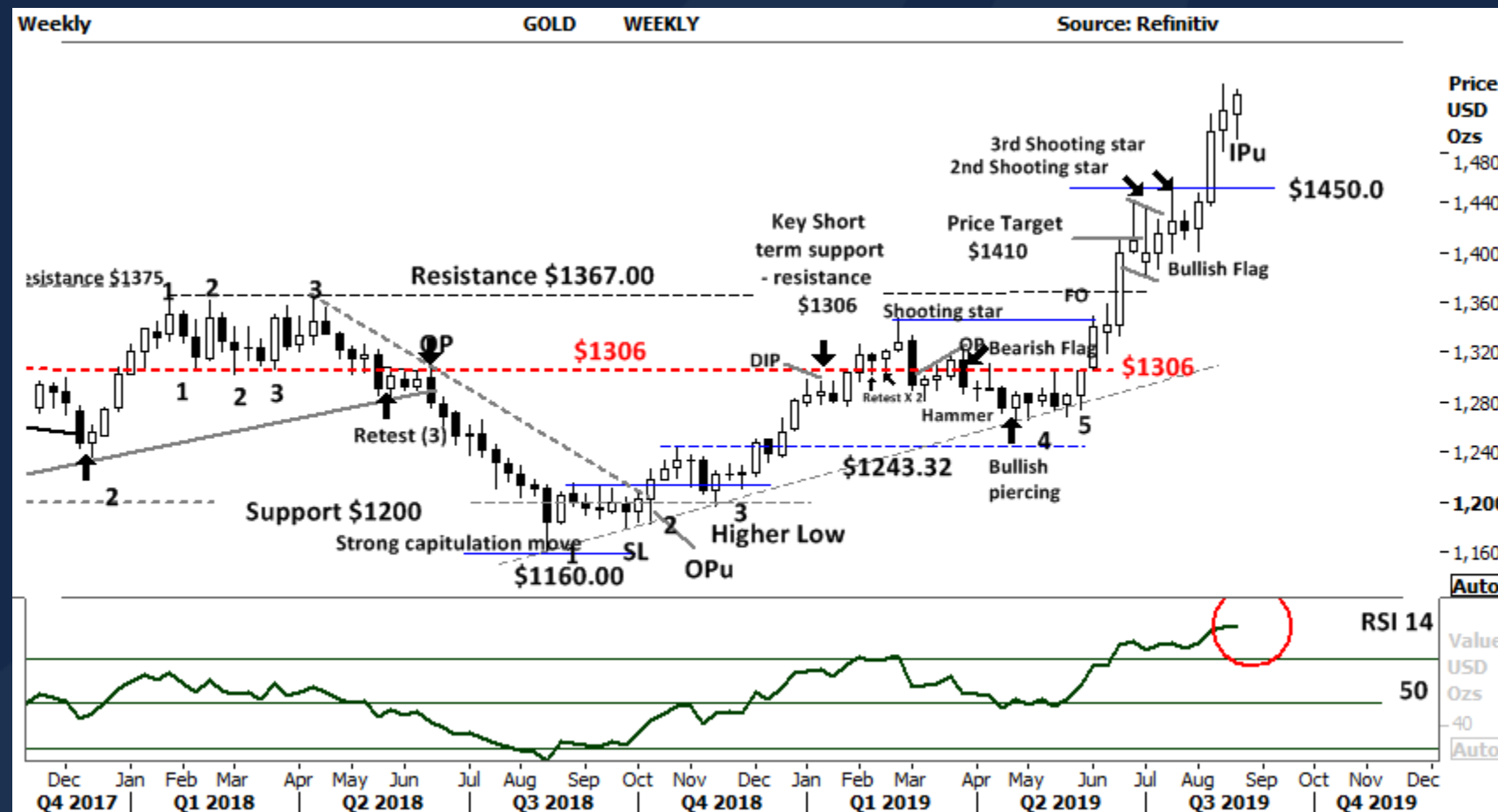


GOLD Weekly

Gold puts in an “inside range”, with the close in the high part of the range further gains are expected. The underlying Primary trend is UP with \$1650 as the potential target.

RSI remains over the “70” level confirming strong price momentum, however a rollover at these levels can result in price retracement as momentum changes.. Any form of roll over in price, traders should consider the \$1450 level as significant support.

Comments from last week: A low close from the high of the range following a very strong move above \$1450.0
Price weakness would be expected to “retest” the breakout (\$1450.0)
Primary trend is UP



Gold Daily

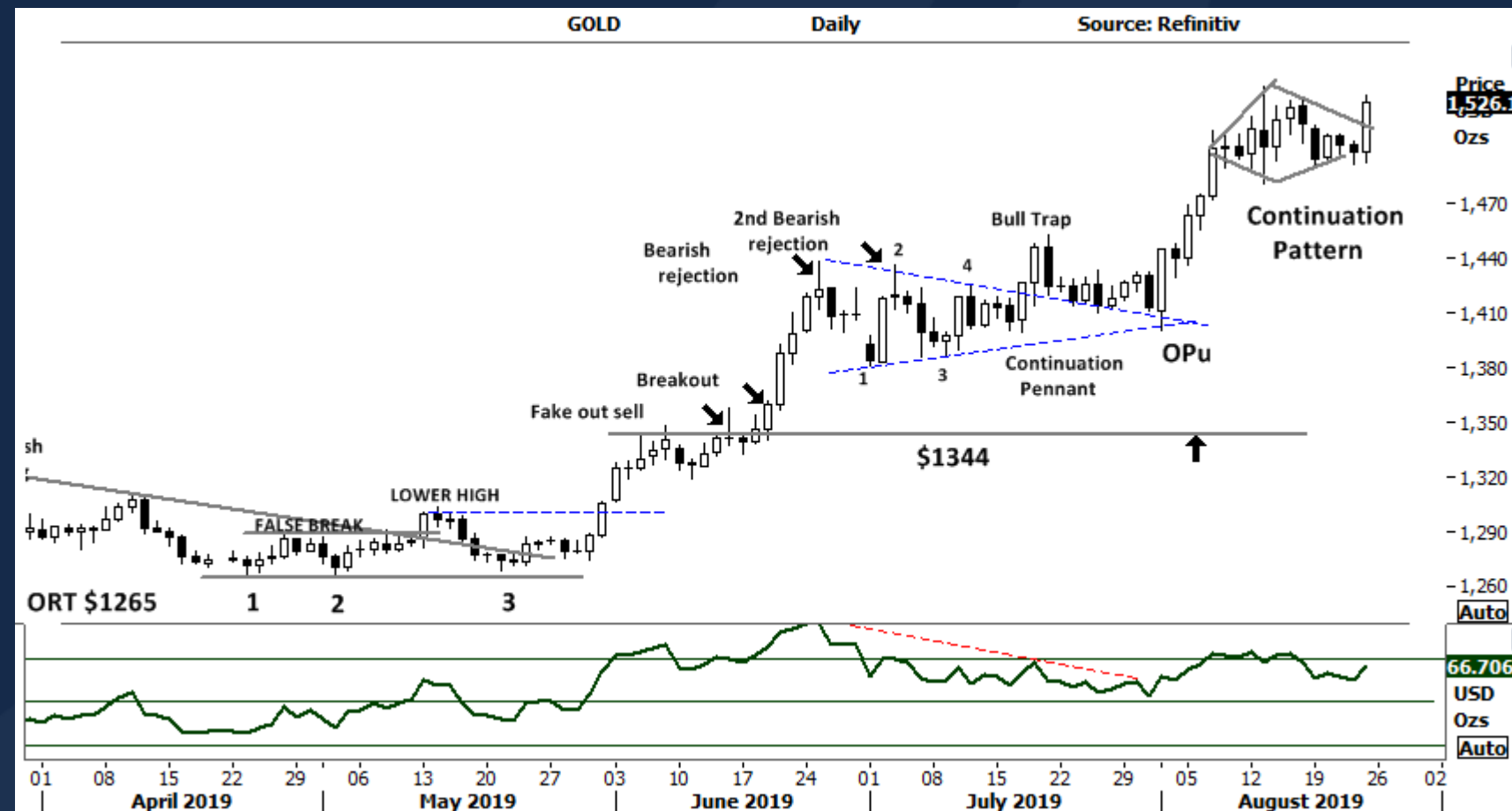
With a test of the lower edge of the continuation Diamond, the very strong range on Friday suggests further gains in the coming days.

The potential for a “short cover” will lead to further buying.

\$1500 will remain the key psychological level to hold and the Key price level in the coming days.

Relative strength remains over the key “50” level and remains supportive of strong price momentum.

Comments from last week With a continuation pattern developing, a retest of the lower boundary (\$1500.0) would be expected to hold.



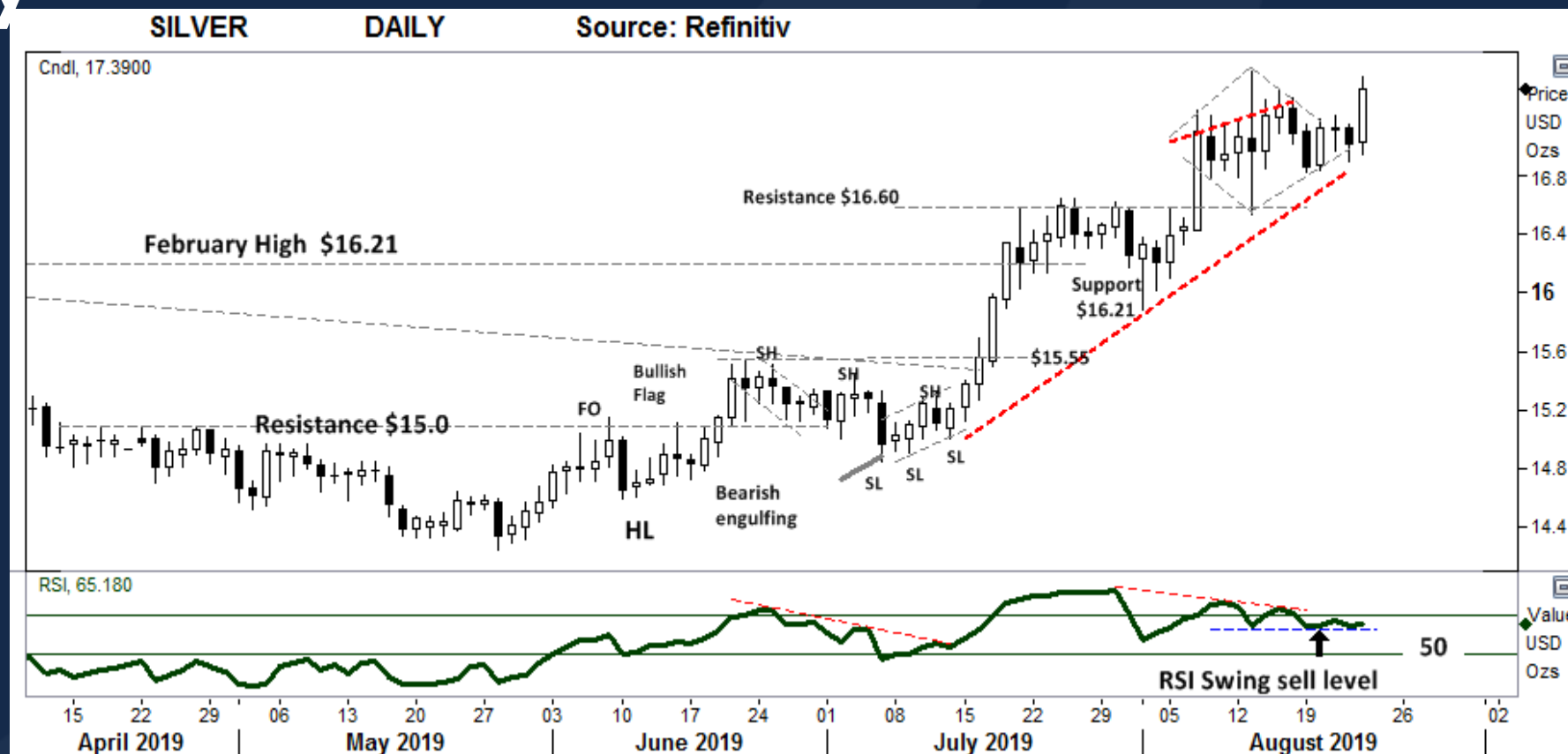
SILVER Daily

The very strong range on Friday has not made a new high, this week a breakout over the high of 9 trading days ago is required to give confidence to the buyers.

RSI continues to display bearish divergence even as the breakout move takes place this is very concerning for immediate price momentum as the potential “swing sell” scenario remains in place.

It should be noted, SILVER has also confirmed the overall precious metals bullish breakout.

Comments from last week: Silver displays the same continuation consolidation as GOLD. However the retest of the breakout at \$16.60 may be in play as the RSI continues to decline.



Australian Volatility Index

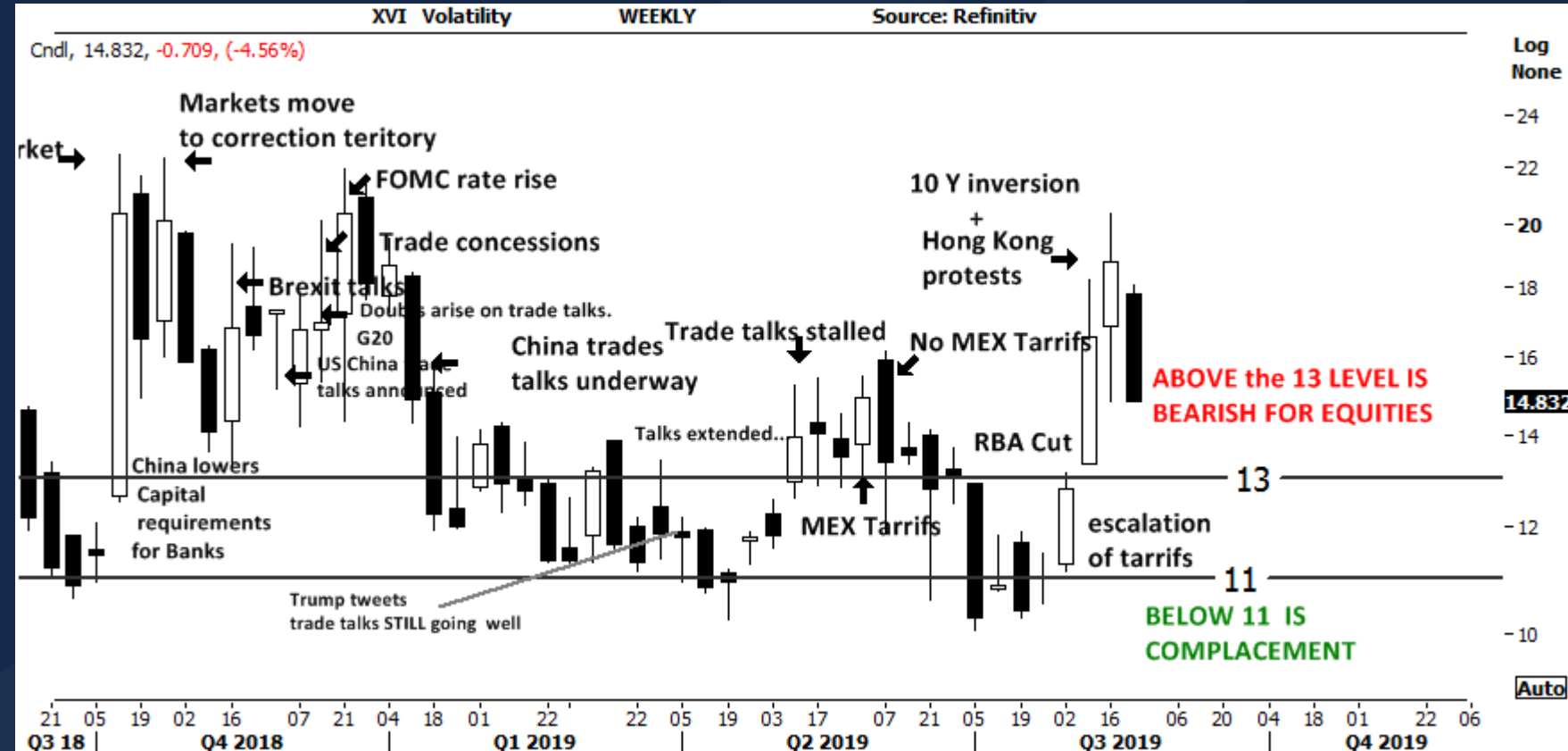
Current volatility levels, show a significant increase in the volatility indicator. This is moderately Bearish for equities.

The short retracement to 14.832 will be reversed in this weeks early trade. A very bearish signal 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 massive OP “Outside period” has shaken both the buyer and sellers. Immediate consolidation should be expected.

The mid range close shows support at lower levels as rejection of the high has the buyers offside.

RSI turns sharply lower below the key 50 level.

Comments last week With the retest of 98.4 now complete, look for consolidation following last weeks strong move.

WTI Oil WEEKLY

Comments from last week remain in place.

WTI remains in consolidation following rejection of the \$50 lows.

The price structure is supportive of further gains.

However no real momentum is showing for a breakout above \$61.80.

The Relative Strength Indicator turns flat and remains under the key 50 level on this weeks consolidation candle.

Comments from last week:



The technical setups

Outside period

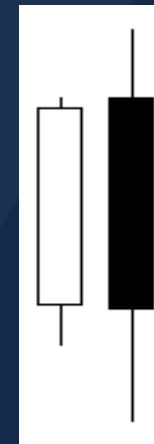
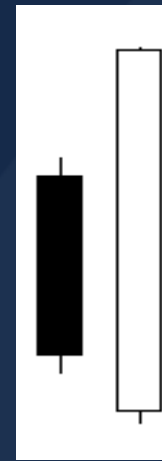
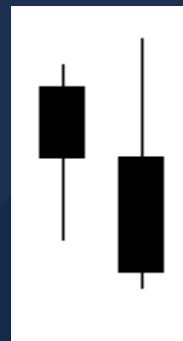
OPu and OPd

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

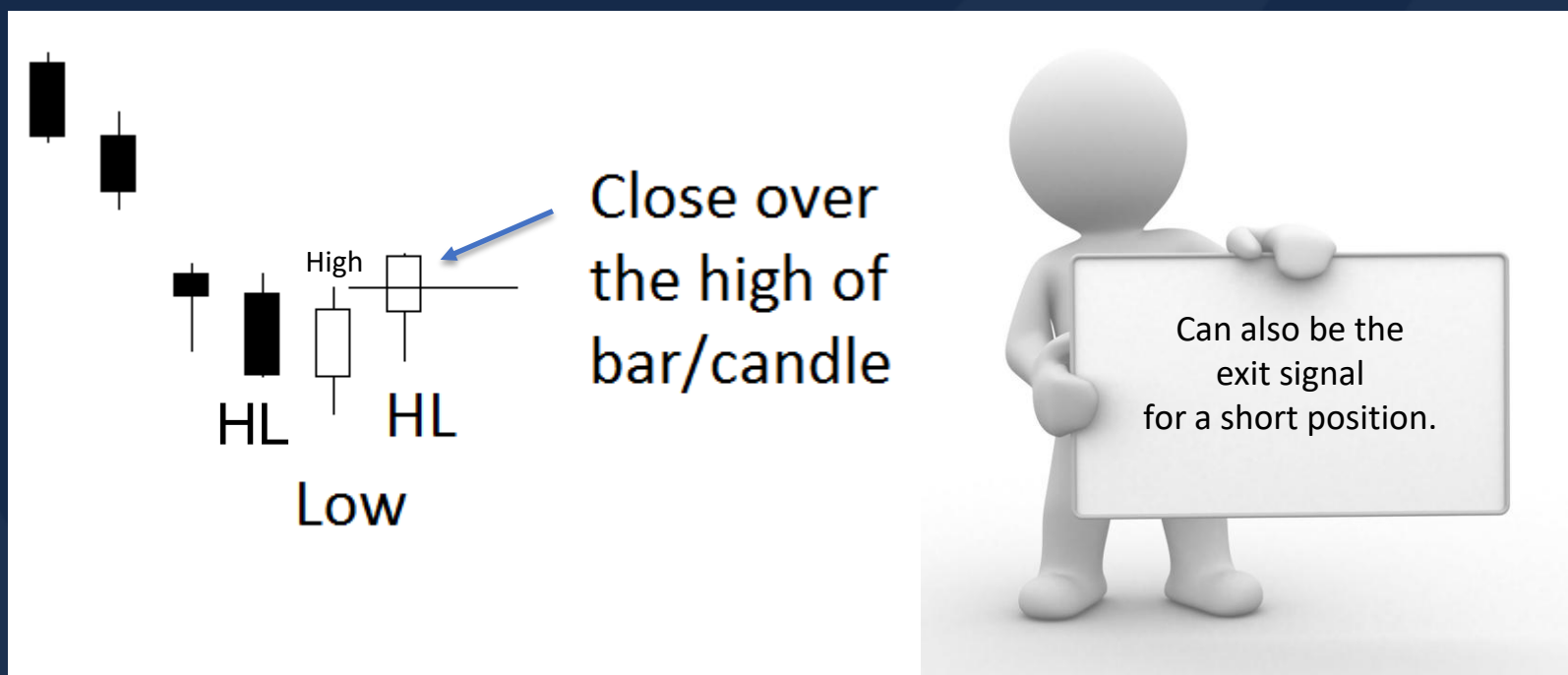
The outside period can mark a significant market turning point at or within 3 bars (93%).

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

The OP period comes in all shapes and sizes.

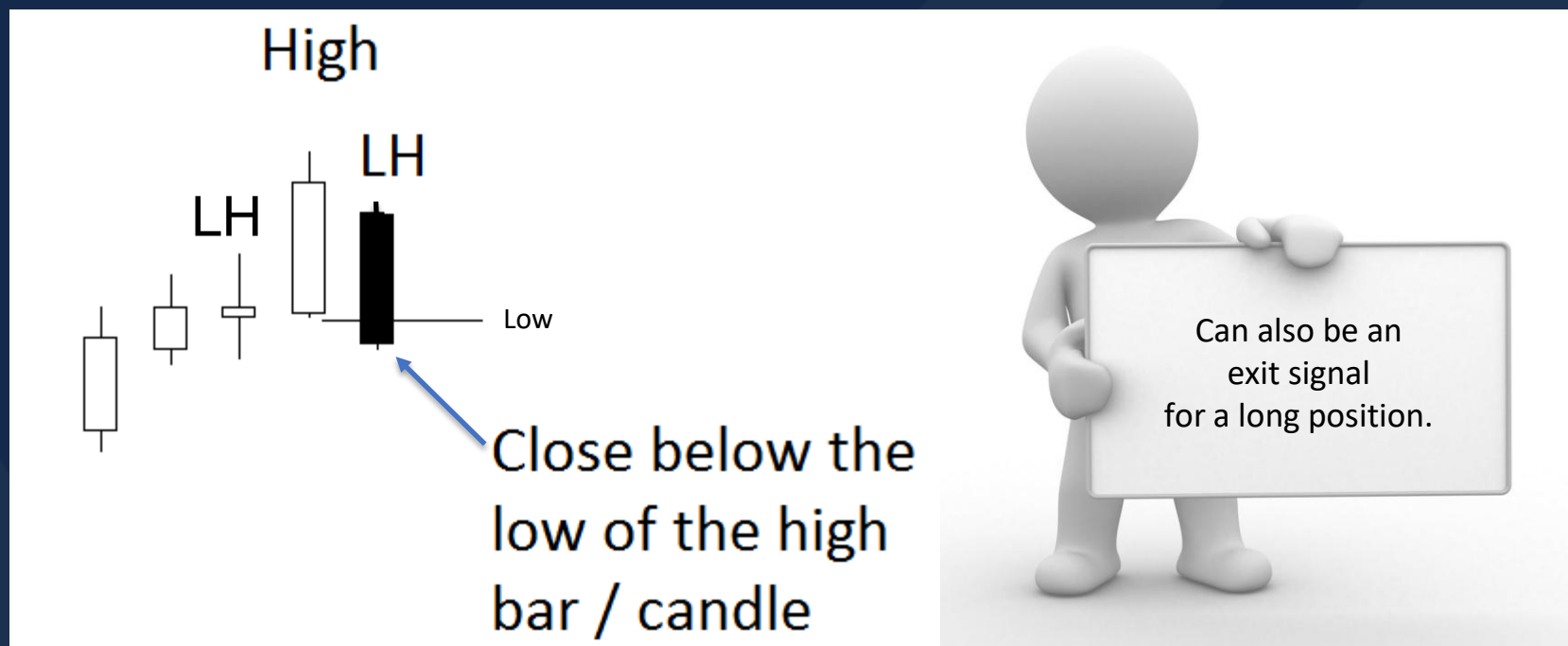


The technical setups. The Pivot point reversal



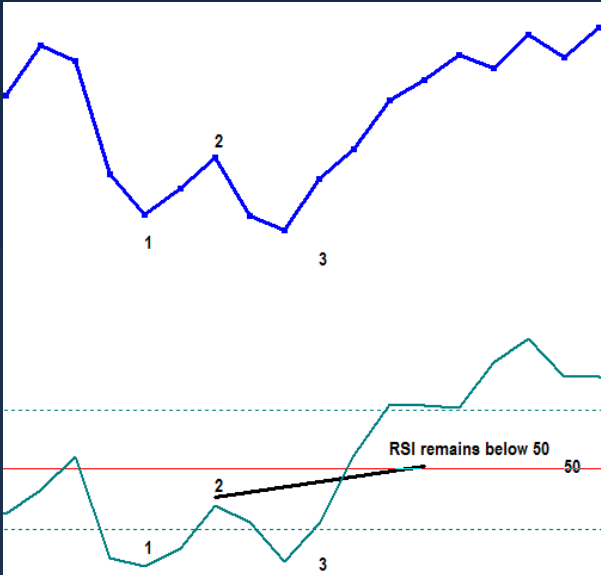
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



Relative Strength Indicator

SWING BUY SIGNAL.

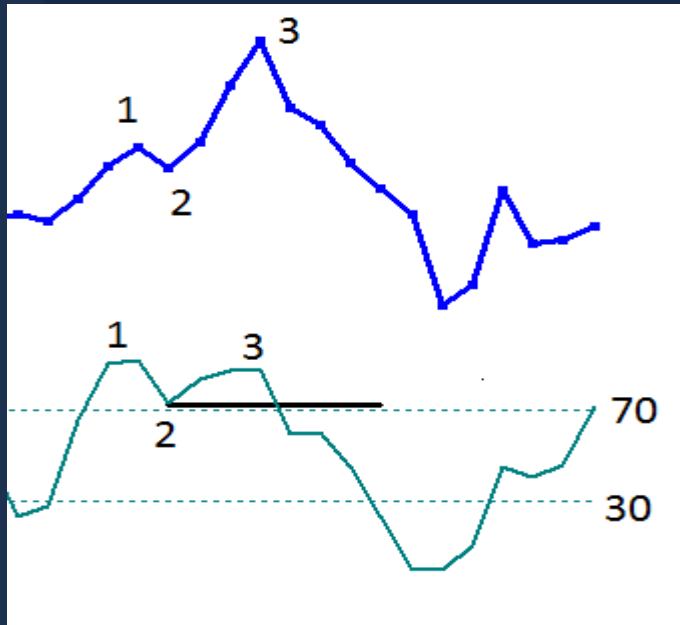
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- 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" **

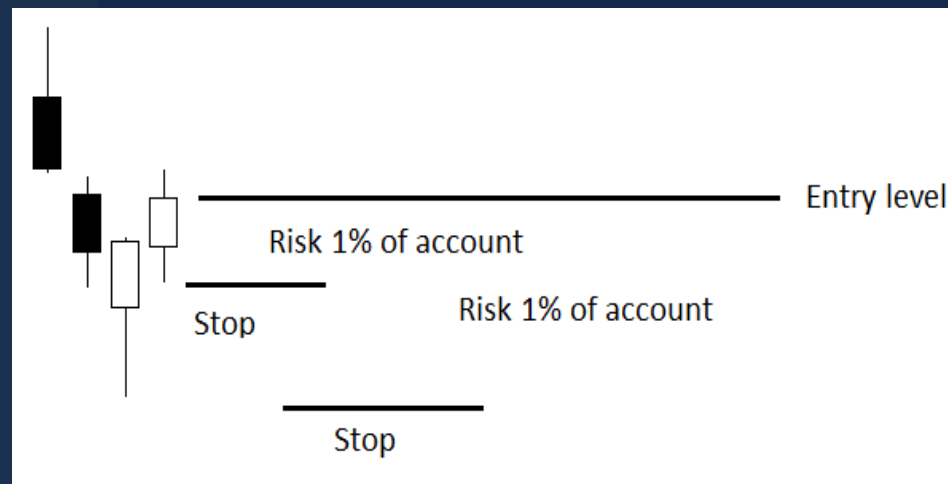
Swing failure is identified with the break of point 2 on RSI

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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