



IN BLACK AND WHITE

**The Week Beginning
20/05/2019**

A market technician's view

**FX
INDICES
EQUITIES**

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Australian 200 index - Weekly



The XJO displays the #3 type candle, this is a bearish sign for this week and next.

A strong close over 6373 is required to suggest a test of 6800 is possible.

A close below 6200 would signal a top at 6373 is in.

The MACD (lower) is swinging to a "sell" but has not completed as yet.

RSI has turned higher and remains above the key 50 level and remains positive for further momentum gains.

Comments from last week:

With a retest of the breakout the Bull trap reversal is complete as the close at 6310 is in the high part of the weekly range. This is very bullish for the week ahead.

Australian 200 index - Daily



From the Bullish flag breakout on Thursday, Friday's continuation move above the SH and retracement close (from the high) puts the Fake out (FO) bear signal in play.

Trading volumes remain strong (ish) as a sign of continued accumulation.

The Relative Strength Indicator has moved sharply over the 50 level as the current move higher has strong momentum.

Comments from last week:

The structure is now a bullish flag with 6800 the ultimate target. Relative strength has moved below the 30 level indicating weakening momentum as price consolidates. The turn higher is a sign of increasing momentum.

S&P 500 Index – Weekly

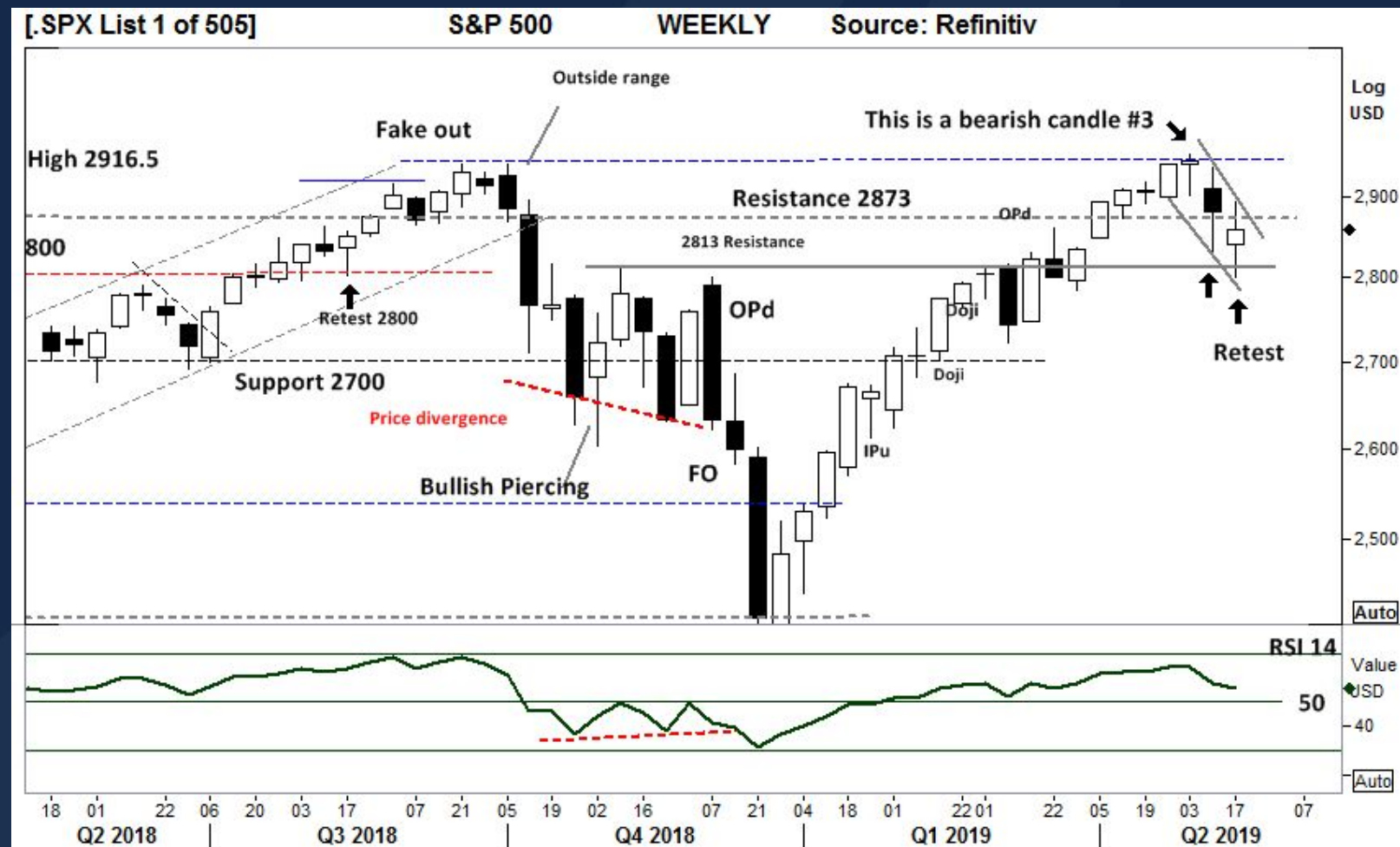
This week's low saw a retest of the 2nd 2813 levels.

A weekly close over 2950 is required to confirm and UP trend in place in the coming week.

RSI remains over the key 50 level and now moving sideways - lower as momentum has been lost. This would be expected given the mid week declines.

Comments from last week:

This week's low saw a retest of the 2813 levels. With the close above the 2873 level the sellers have lost control. The bearish move setup from #3 seems complete.

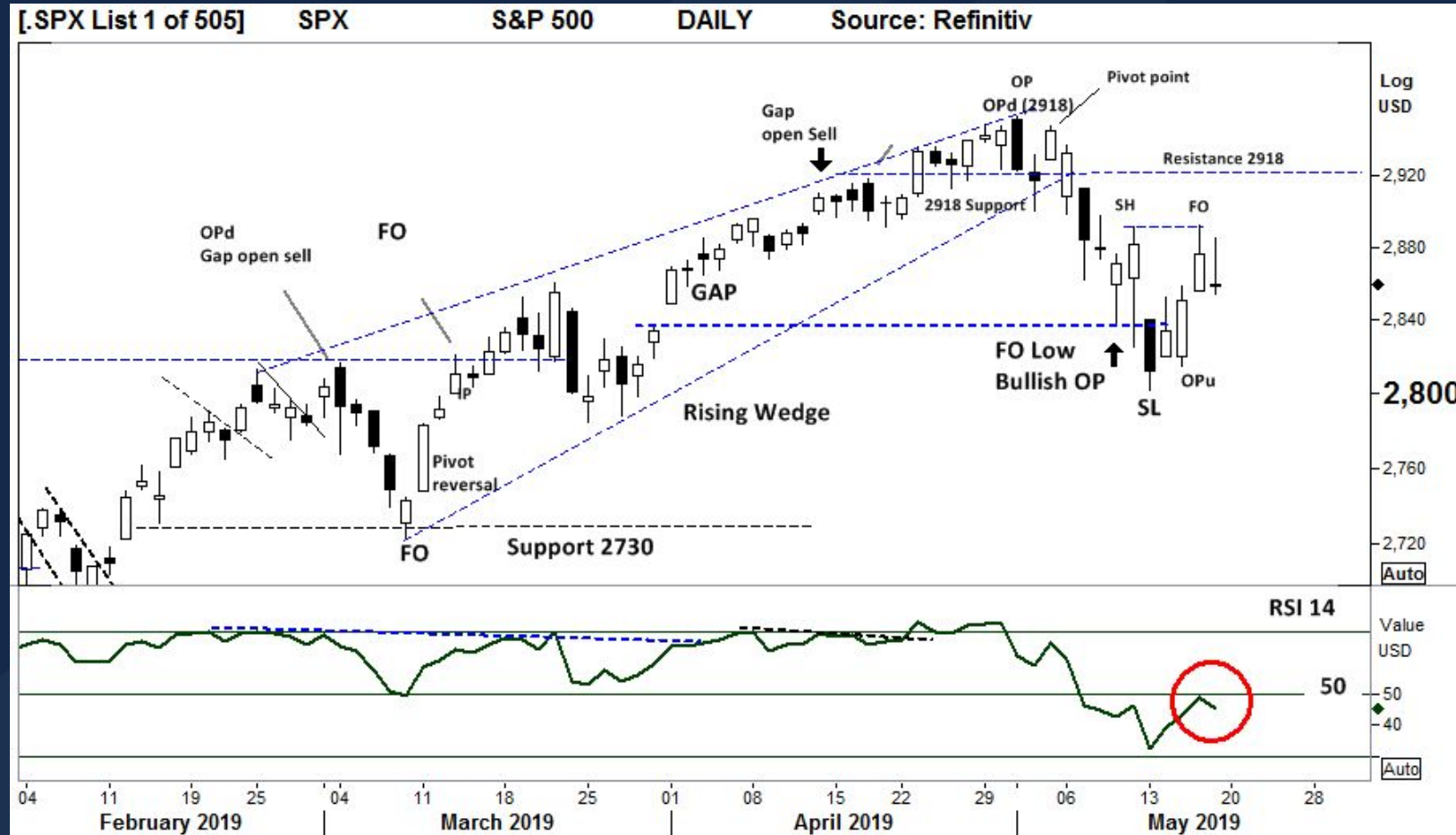


S&P 500 Index - Daily

Following Wednesday's Outside period (Opu) and Thursday's FO high in place the Index is setting up to retest the lows at 2800.

A close over the FO high this week is required for the chart to remain bullish.

Relative Strength has again turned lower in this case below the "50" level showing a decrease in price momentum.



Comments from last week:

This week saw the April GAP filled with a bullish hammer day and followed on Friday with an Outside Period (OP) also a bullish sign the low is in.

Transports Index

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

This week saw the sloping neckline again tested in the area of 10230.

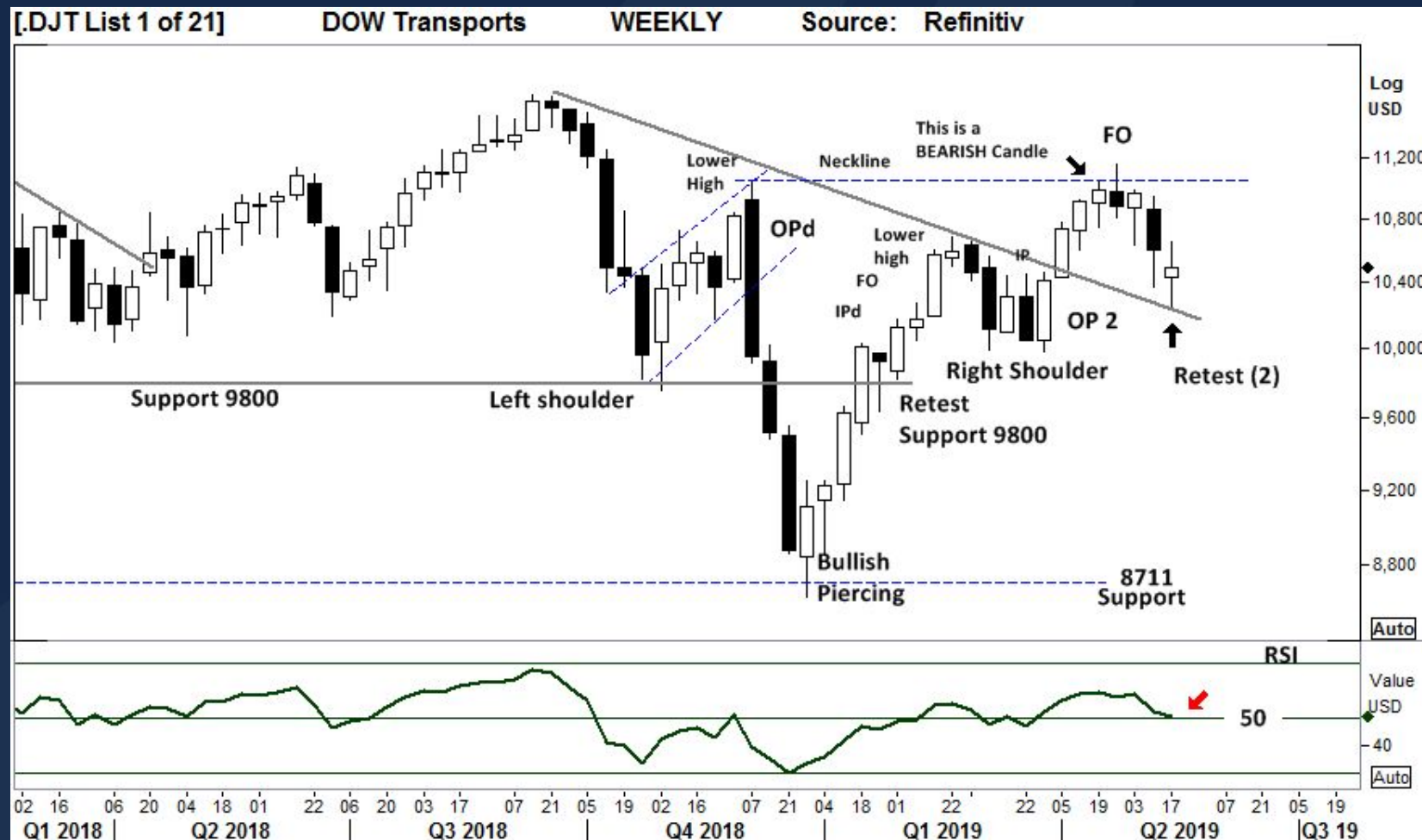
The Primary Trend remains UP, confirming the major indices.

However, the "neckline" must hold as support in the coming week.

Relative Strength falling back to the 50 level and shows a negative swing in momentum as the indicator continues to move sideways / lower.

Comments from last week:

Buyers having closed the week off from the lows, is a sign of further early gains in the coming week.



FTSE 100 Index - Weekly

FTSE 100 weekly:

The bearish signal from 2 weeks ago saw early weakness as new low was made this week, but a strong close for the week as an engulfing period can only suggest the low is in.

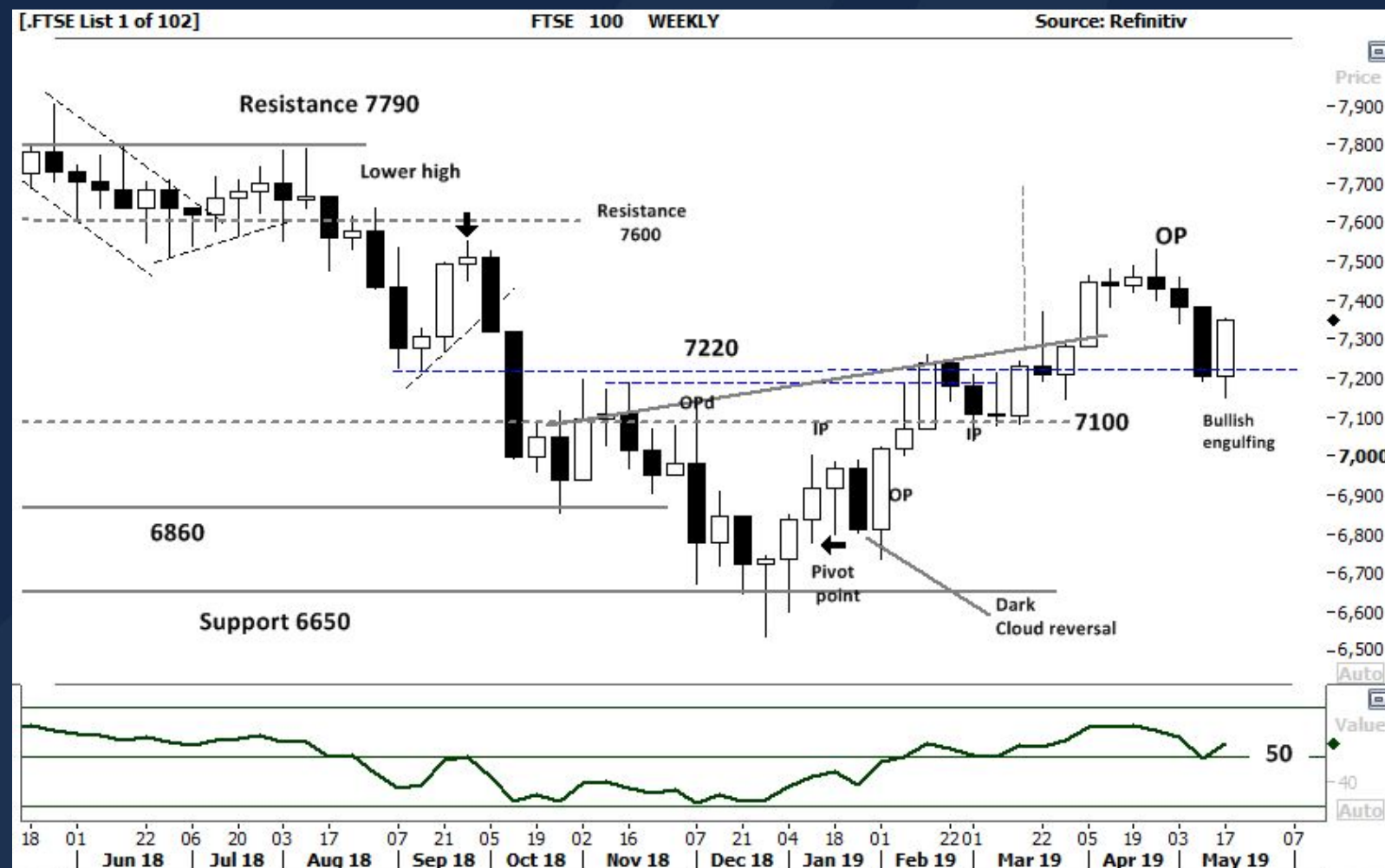
A follow through this week is critical to again confirm a 7700 price target.

Going forward, this 7100 7200 window will be the key levels to hold on any price weakness.

RSI swings sharply higher above the 50 level, this now confirms the upside price momentum.

Comments from last week:

A break of the neckline last week with a large range bar/candle with the close at the lows is a bearish sign for further weakness.



GOLD Weekly

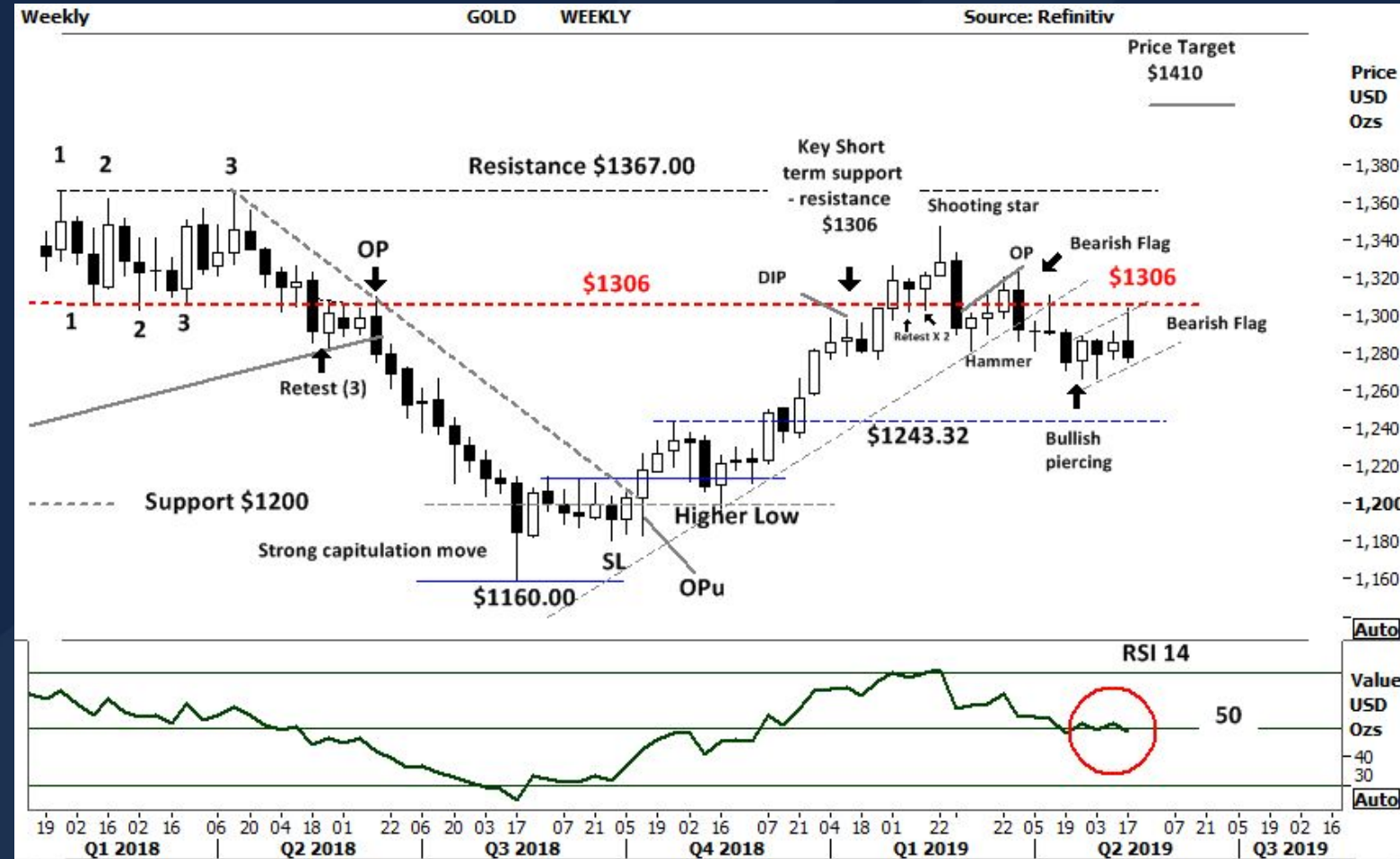
Gold breaks down from a PRIMARY UP TREND.

This week saw the \$1306 level rejected as the Bearish flag is now developing.

With a price breakdown look for support at the \$1243.32 level.

To build a bullish case, price is required to close over \$1306 on the weekly chart. (Friday)

RSI swings above and below the key "50" level, and this week swung back lower showing flat price momentum.



Gold Daily

The expected breakout has failed at \$1303 as the lower high is now confirmed.

With price again moving below the trend-line only a retest of \$1265 could be expected.

Relative Strength has moved from over the 50 level indicating an increase of positive momentum to back under the key 50 level showing the loss of momentum.

Price volatility is now the rule for Gold as the Thursday and Friday moves are long range candles this equals a momentum move underway.

Comments from last week:

The Daily chart of Gold shows a trading range between \$1265 and \$1300. With the longer term trend line being tested this week a breakout is possible to \$1306.0



Australian Volatility Index

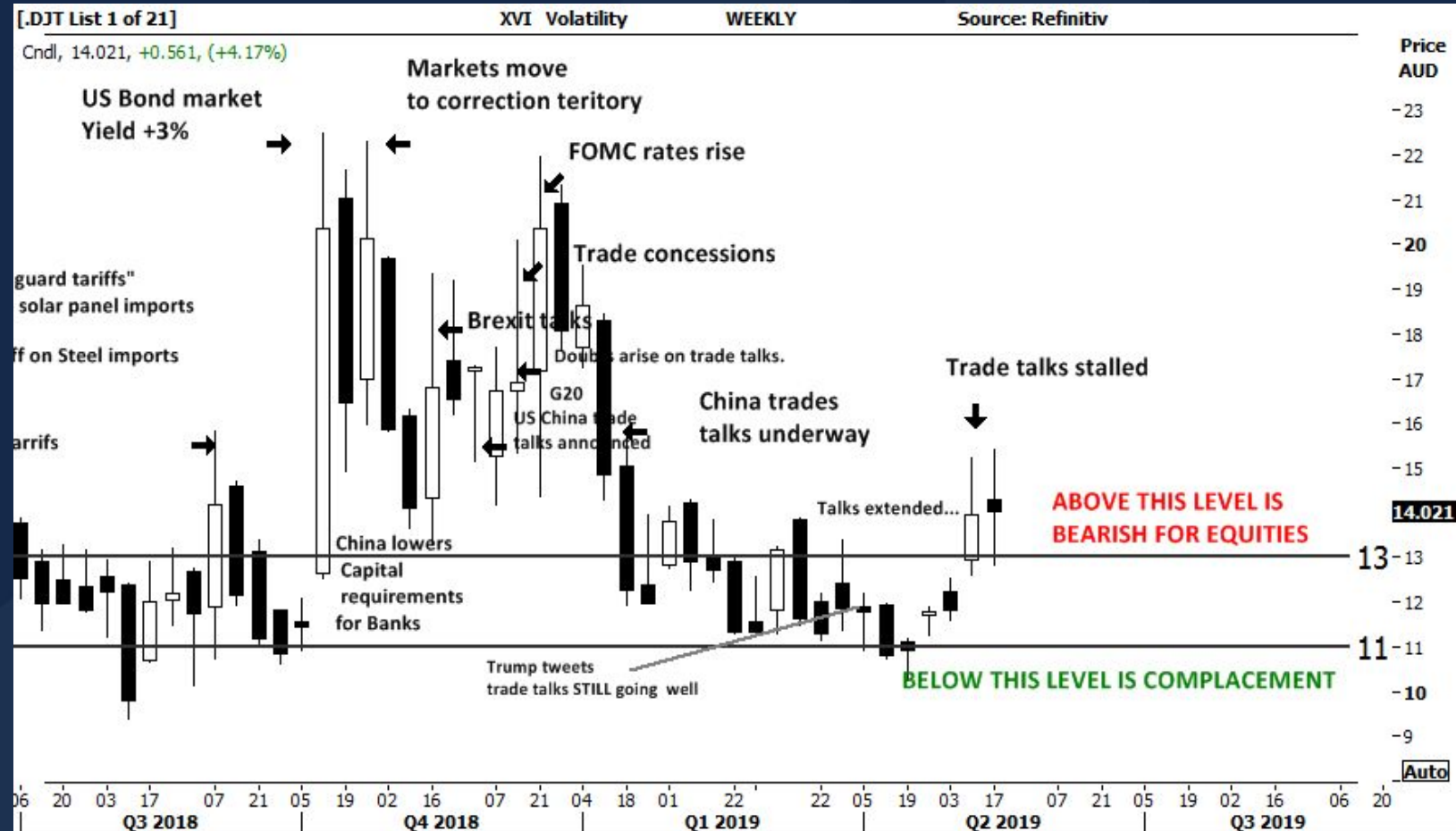
Current volatility levels, have remained below the key "13" level, this remains bullish for equities.

The sudden spike in Volatility looks to be short lived as the daily XVI moves lower away from the high of the week.

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 USD Index has now made a 2nd strong close above the key level of 97.71 on the back of strong range moves Tuesday and Thursday.

A continued momentum move higher is expected into the 98.2 level.

Strength in the USD will bring pressure onto Commodity prices.

RSI remains above the 50 level showing strong price momentum.

Comments last week:

The a, b, c corrective move may be complete as Friday makes a FO (Fake Out Low)

A further break of this low would be a bearish sign of further lows. However, this is a bullish setup for a retest of the 97.71 level.

WTI OIL WEEKLY

Again this week OIL has held the \$61.80 price area.

The indecisive open and close ranges suggest Oil will remain at these levels in the coming weeks.

The chart continued to provide a positive outlook for Oil with a retest of the high at \$66.60 the next move.

Further to this view, a breakdown below \$61.80 (long position Stops) potentially sets a \$42.0 target.

Relative Strength has rolled over showing decreasing price momentum. This should be monitored for a move below the "50" level as a sign of further price weakness.



Comments from last week:

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The technical setups

Outside period

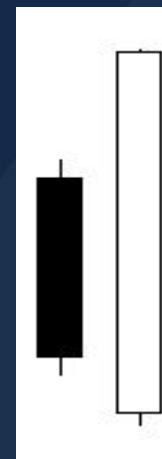
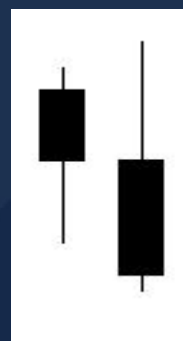
OPu and OPd

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

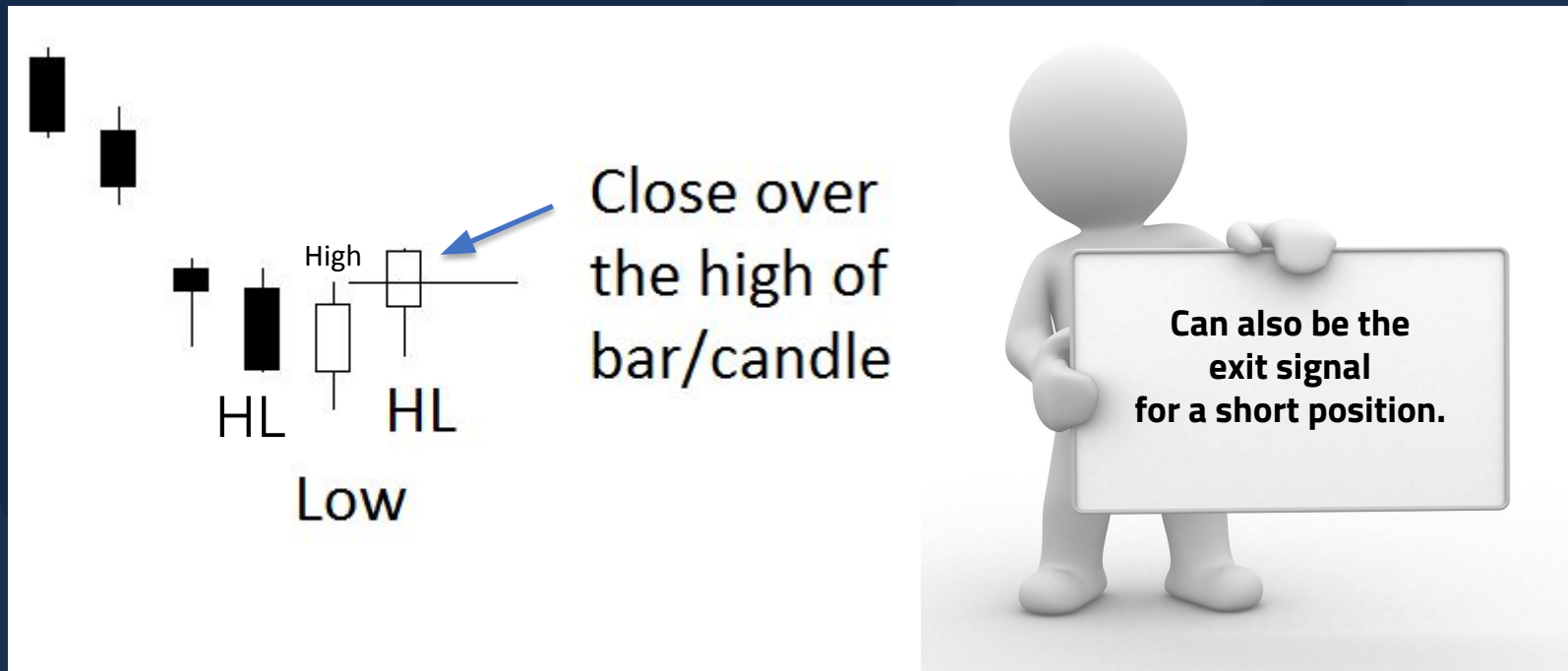
The outside period can mark a significant market turning point at or within 3 bars (93%).

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



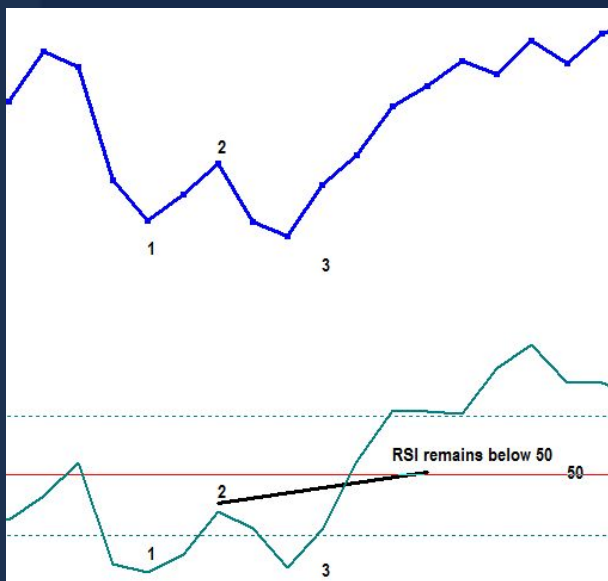
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



Relative Strength Indicator

SWING BUY SIGNAL.

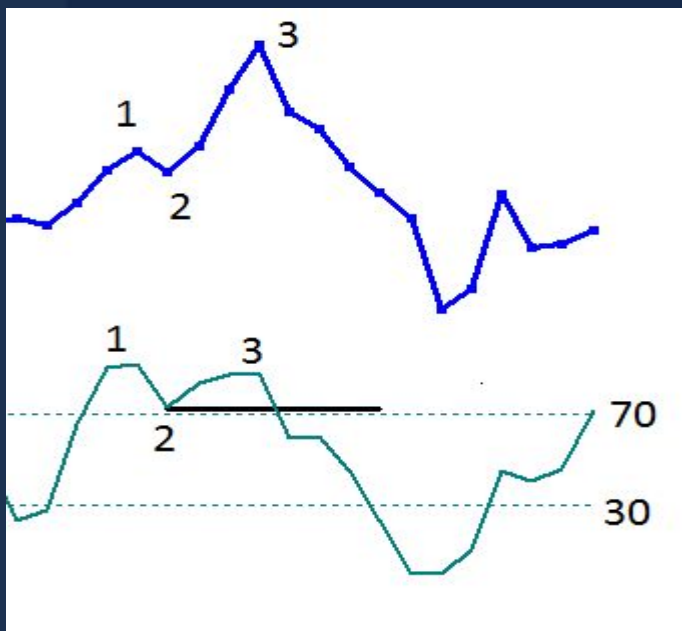
- The market makes a low, (1)
- The market closes higher, (2)
- The market makes a new lower low, (3)

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" **

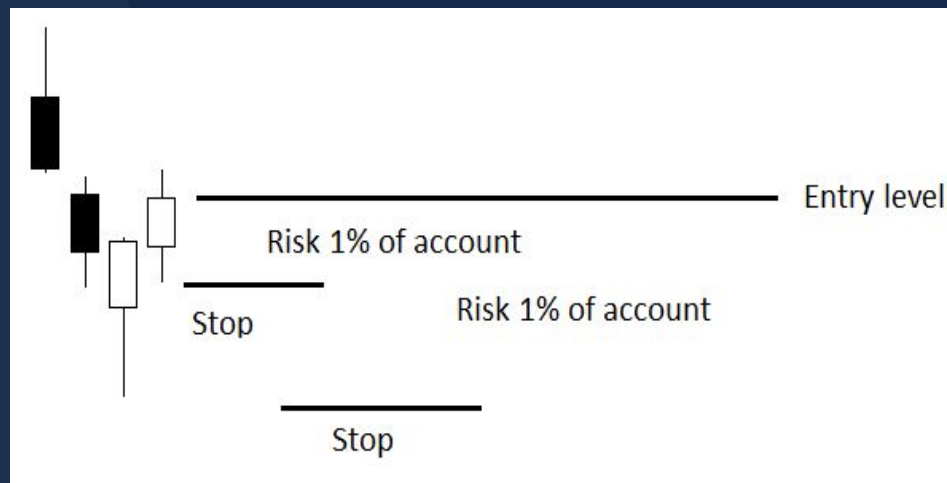
Swing failure is identified with the break off point 2 on RSI

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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