



## **IN BLACK AND WHITE**

**The Week Beginning  
04/03/2019**

**A market technician's view**

**FX  
INDICES  
EQUITIES**

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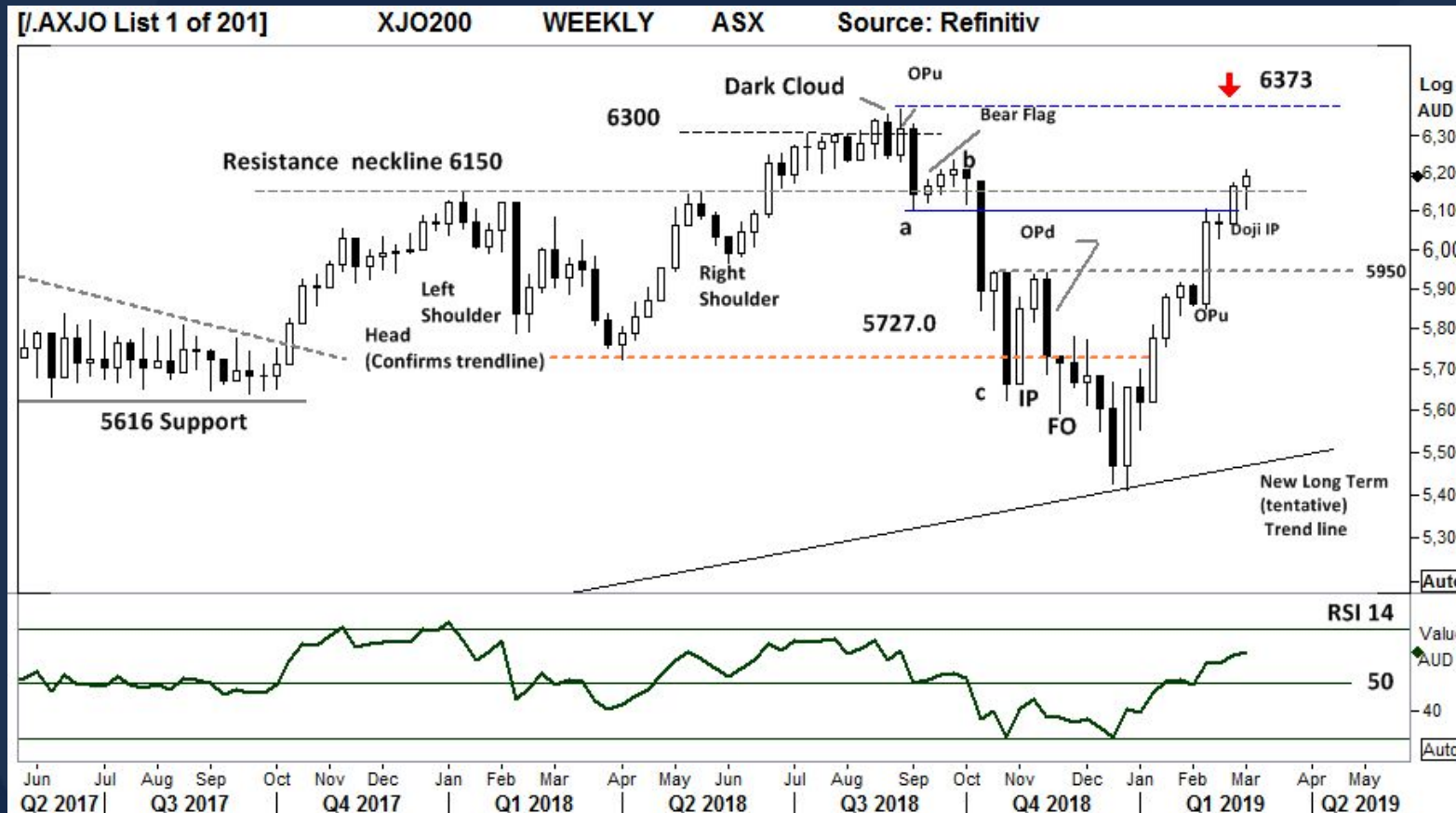
## **SUMMARY**

Global Markets have become somewhat extended this week, potential reversal signals are shown in US and Australian Indices'.

The commodities markets have lost bullish direction, along with Gold falling below key support levels.

Volatility levels remain bullish at the close of last week.

# 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 more this move remains a strong corrective move higher.

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

The Index heavily weighted with the 4 banks is currently being driven by a rise in commodities and financial.

Relative Strength has turned sharply higher above the key 50 level.

## Comments from last week:

6373 Resistance remains the next target in this very strong retracement move.

# Australian 200 index - Daily



Daily Trend remains “UP”.

During the week a retest towards the 6100 level occurred on Tuesday, with a second retest of 6200 underway.

The Daily Chart is developing Bearish divergence pattern.

The Relative Strength Indicator has failed to make a new high with the Friday's price setting a new closing high. This is bearish divergence and should be monitored for a potential developing market top in place.

## Comments from last week:

This week's price breakout out of the continuation pennant on high volumes suggest accumulation and continuation as the Index moves towards the minor resistance of 6200 points.

# S&P 500 Index – Weekly High 2813

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% + and a further rally to be called an UP trend.

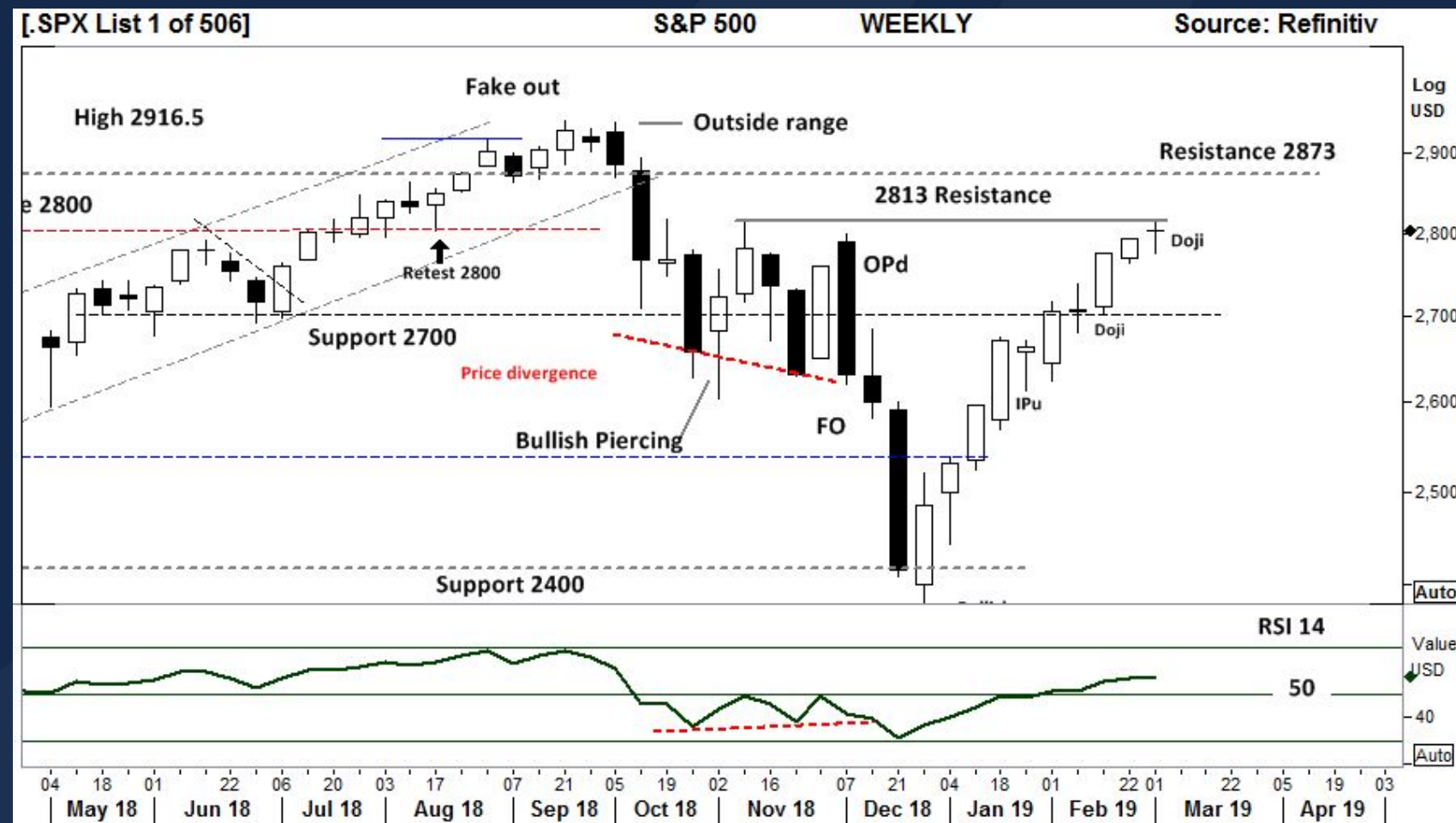
The S&P has moved to test the 2813-7 resistance level.

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

RSI remains over the key 50 level.

## Comments from last week:

This short trading week has produced a shorter range candle, however, the high close suggests a continuation move.





# S&P 500 Index - Daily

Continuation patterns only suggest a higher market within this daily grind higher.

Resistance is shown at 2813-7, this strong resistance level setup during October, November and December 2018 will be the key level to break in the coming days for a continuation of this market higher.

RSI remains above the key "50" level.  
The short term bullish view remains while the

RSI remains over this key level.

## Comments from last week:

The S&P daily chart displays the continuation bullish flag breakout with a strong close into the week's closing moving towards 2817.





# Transports Index

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

First a breakout, now the retest of the trendline.

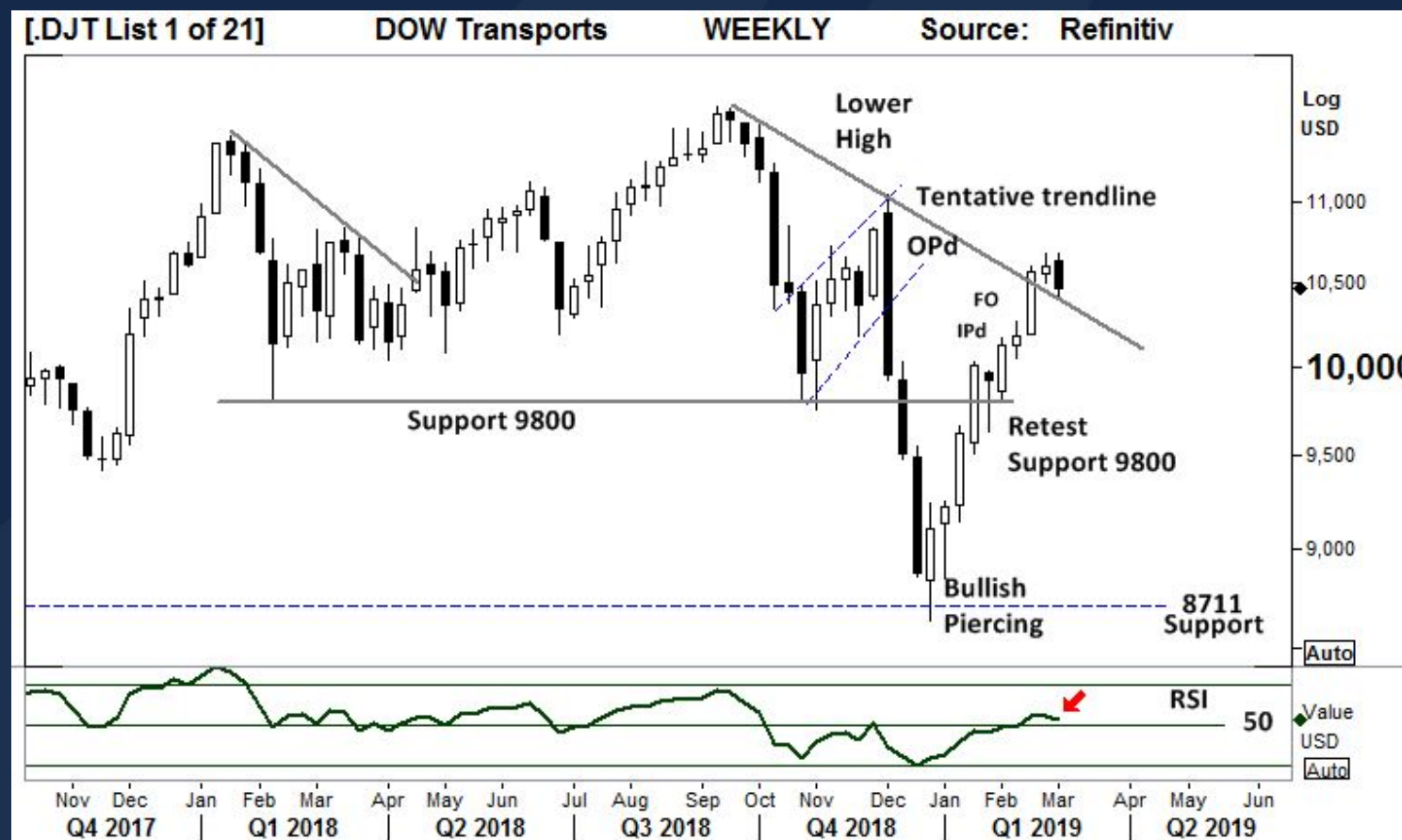
The current engulfing line retest can be viewed as the bearish reversal bringing in the potential lower high in this downtrend.

This confirmation with the Dow 30, along with the S&P 500 markets are beginning to confirm signals of a "short term" top within an emerging Bull market.

The Relative Strength Indicator has moved from below the key 50 level this shows increasing price momentum, but has turned lower inline with current price action.

### Comments from last week:

This week's small range candle is the consolidation above the down trend line required to give the Bulls confidence of a higher market to come.



# FTSE 100 Index - Weekly

## FTSE 100 weekly:

The inside period of 2 weeks ago has given way to a lower market, the closing price above the 7100 is an important outcome for the week completed.

The FSTE remains in a primary down trend, however a move over the high of 3 weeks ago would show the buyers in control.

The Relative Strength Indicator 14 has now moved above the "50" level, showing flat momentum as it rolls lower back to this key level.

## Comments from last week:

This week's IP ( inside period ) is a sign of consolidation within a potential move higher.  
Further retracement will be required to hold the 7100 level to provide a bullish view going forward.



# GOLD Weekly

Gold remains in a PRIMARY UP TREND.

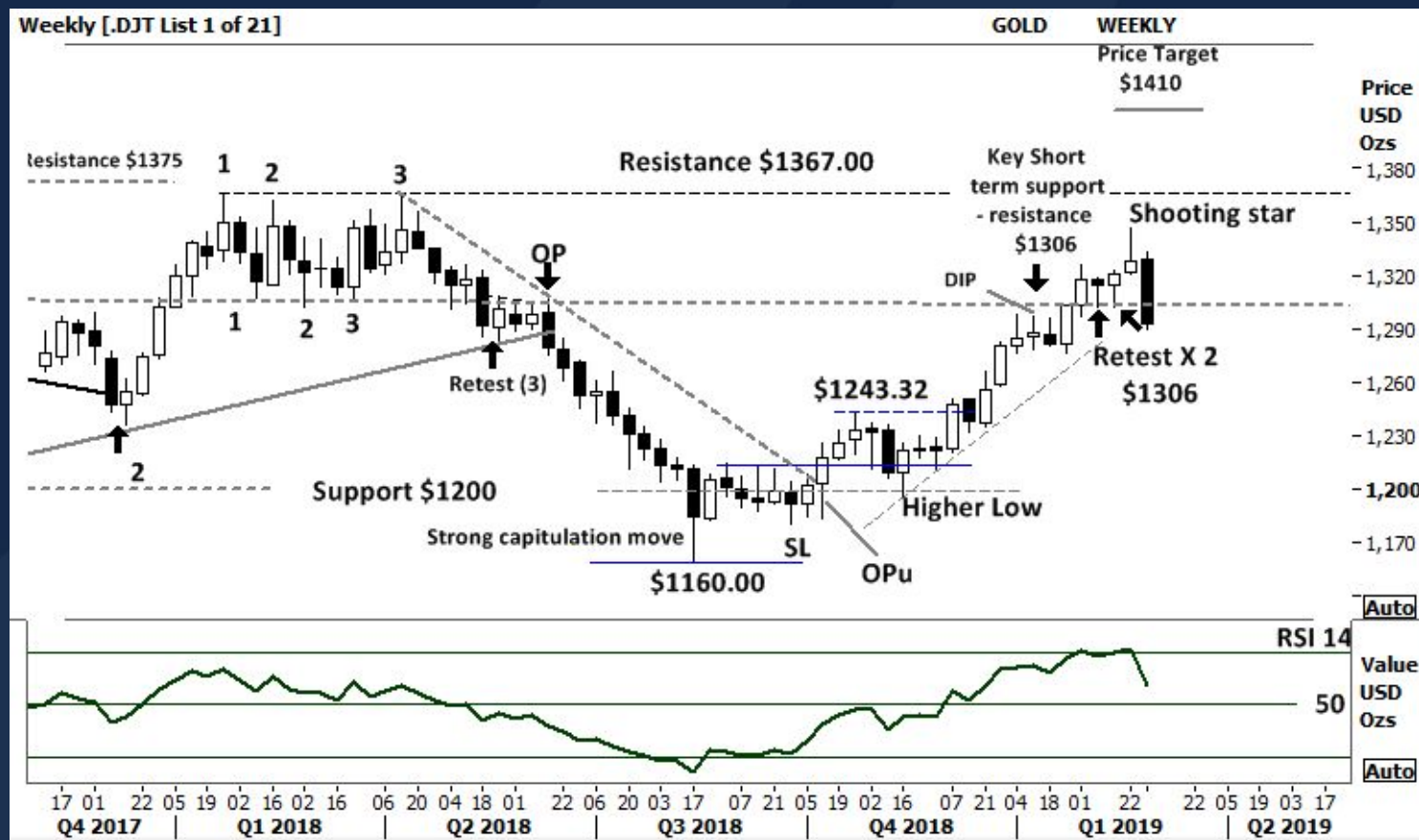
The longer term target of \$1410 remains in place.

The follow on from the shooting star has seen a break of the short-term trend line. The current bearish candle is a completed pivot point reversal. As the current candle is a larger range than the previous weeks, lower prices can be expected.

RSI remains over the key “50” level, but moving back below the 70 level indicates a loss of positive price momentum.

## Comments from last week:

This week’s “shooting star” is showing exhaustion of buyers. A retest of \$1306 is expected on further short term weakness.



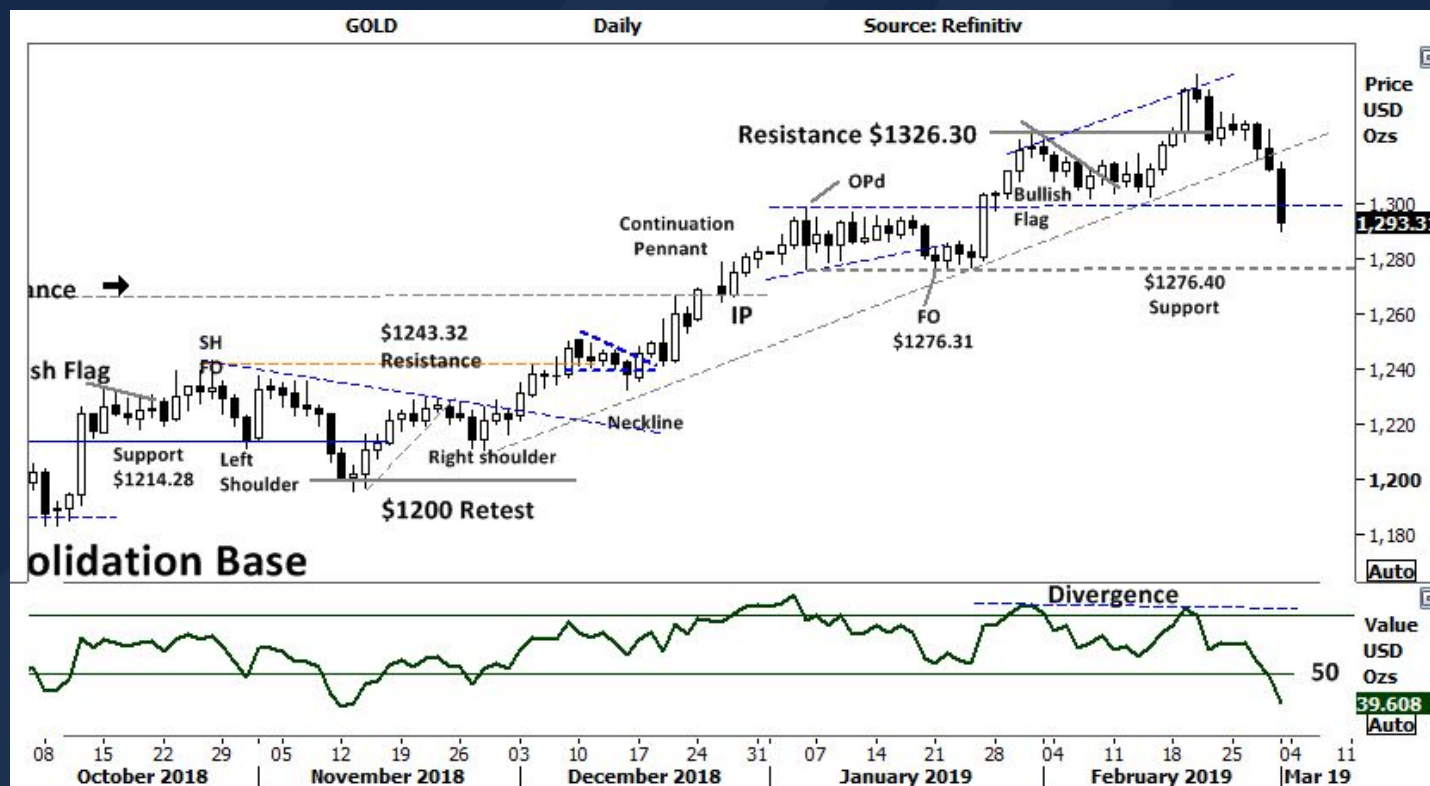
# Gold Daily

The underlying primary up trend is showing signs of a corrective move underway.

The closing price below \$1300 on an extended move Friday is very bearish in the short term.

Relative Strength divergence is playing out with the RSI moving below the key 50 level.

A retest of \$1276 is the downside target.



## Comments from last week:

Relative Strength (RSI) is showing divergence from the new high made between January and February in this daily chart. This can be viewed as a strong trend reversal signal.



# Australian Volatility Index

The Australian Market Volatility Indicator XVI.

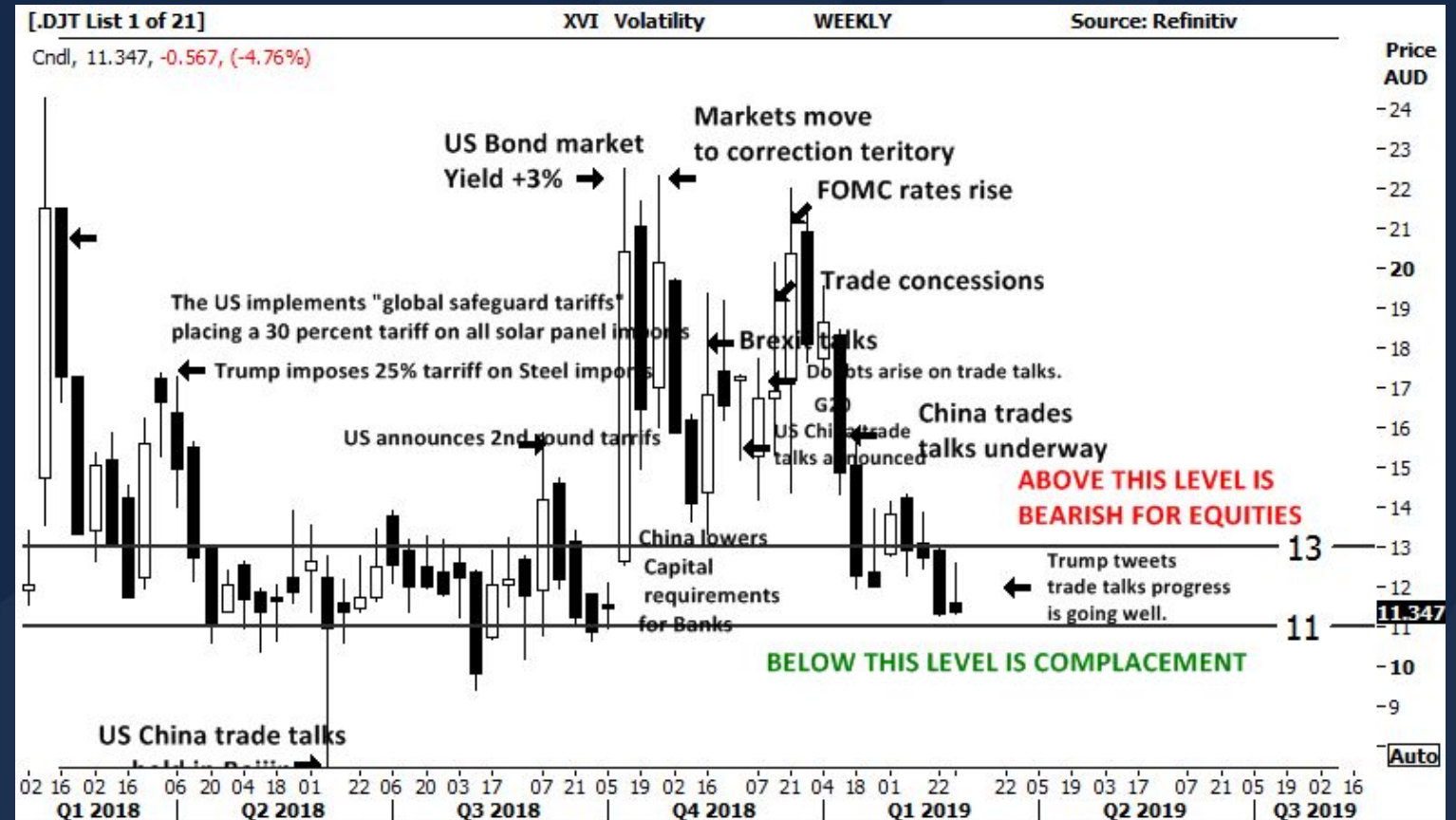
The US rate rise, and bearish sentiment around global growth has kept the XVI over the key "13" level since September 2018.

Current volatility levels, now below 12 confirms the "risk on" move underway in the equities markets.

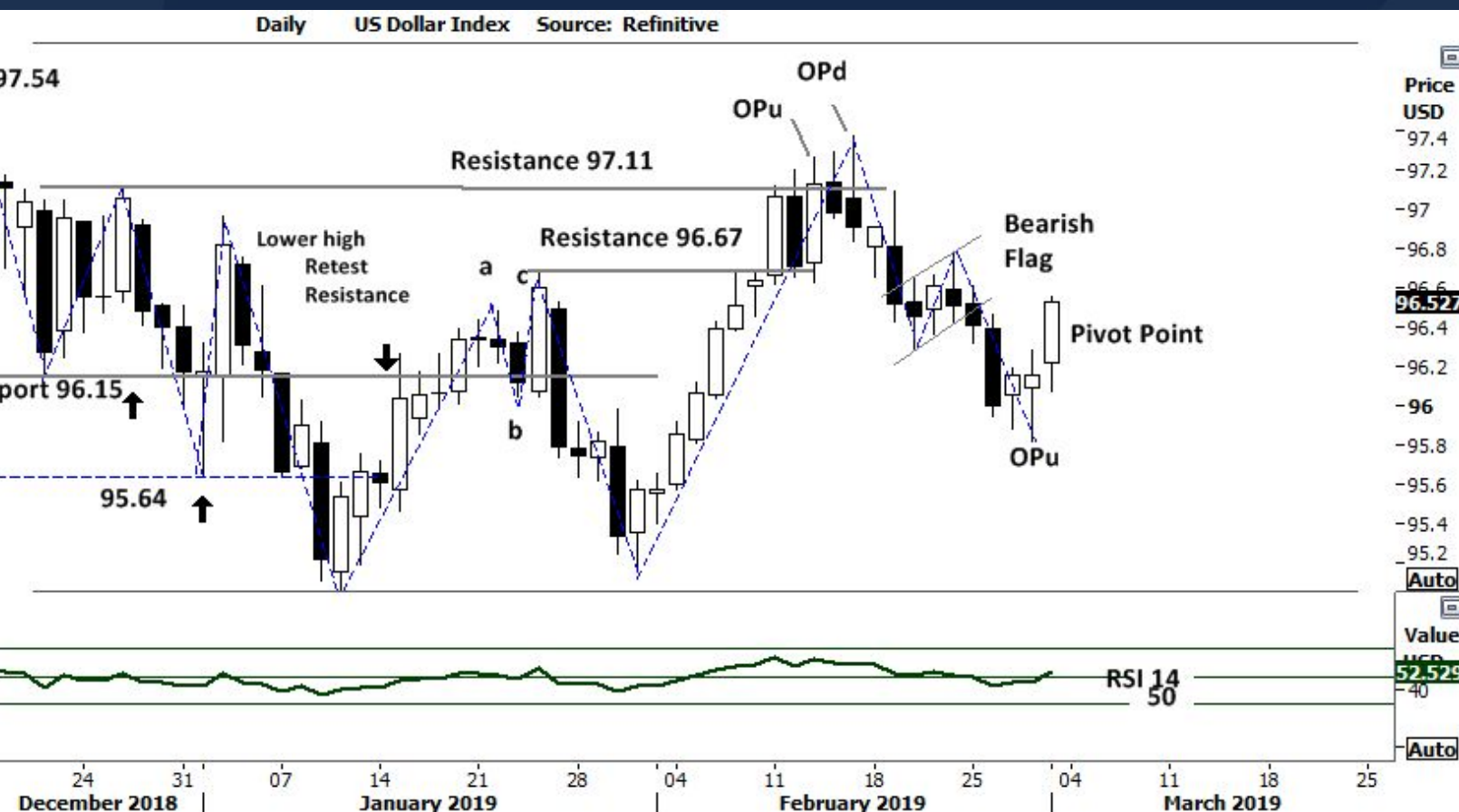
The XVI is the difference of 1 month forward pricing of ETO Options against current month. As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this "skew" in pricing is measured in this XVI.

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 is within a trading range between 95 and 97.

The bearish flag pattern breakdown has resulted in another pivot point reversal higher.

Look for a retest of the 97 level.

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 US Dollar Index is developing a bearish flag formation, showing a potential retest of 95.4 underway.



# WTI OIL WEEKLY

## Weekly OIL

Resistance at the \$55.38 level has been again tested this week with an OPd.

WTI has lost its upward directional momentum with support at \$55.38.

This current support level is required to hold in the coming week.

Next Resistance Level is shown at \$61.80.

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



## Comments from last week:

The OP has been the opportunity for the sellers to enter the market, this failure to close towards the low only builds the bullish case.

# The technical setups

## Outside period

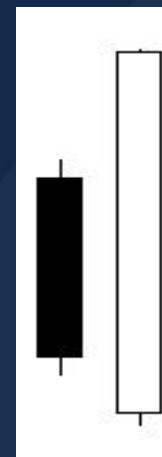
### Opu and OPd

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

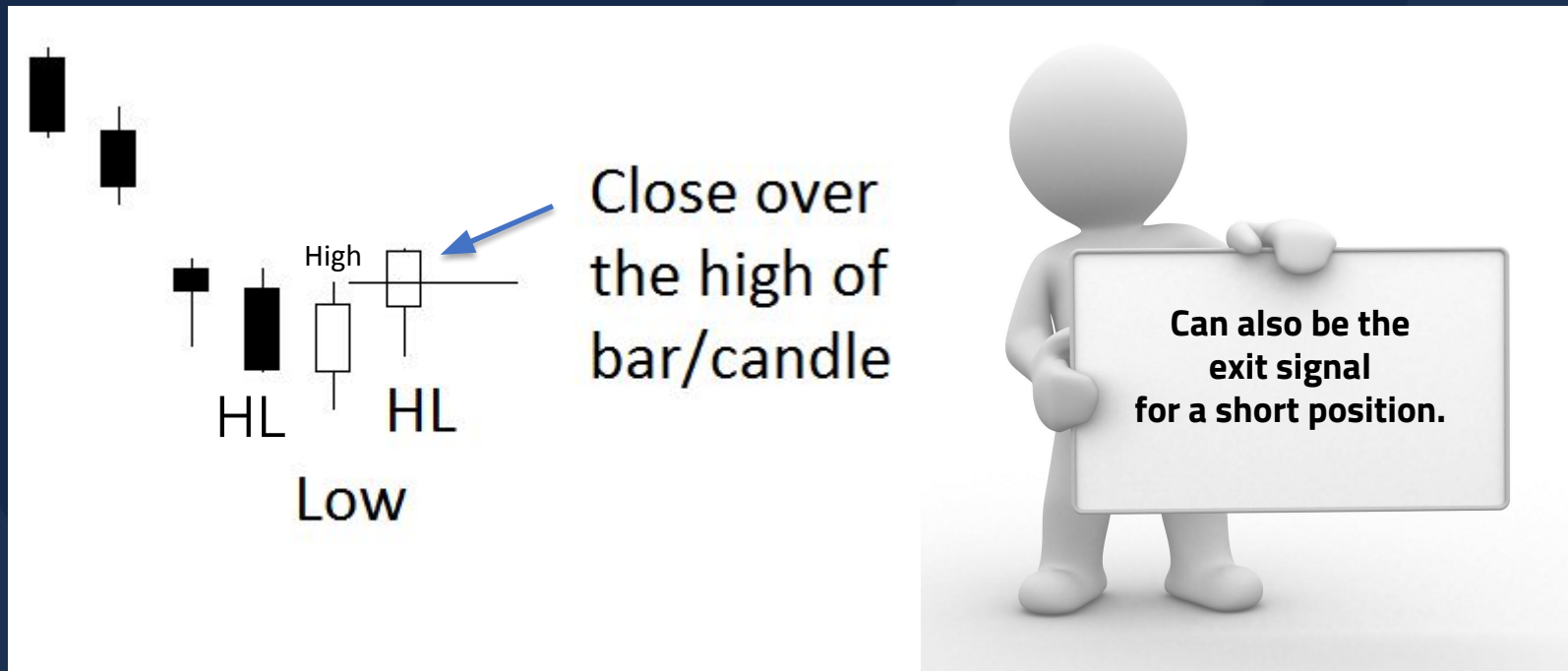
The outside period can mark a significant market turning point at or within 3 bars ( 93%).

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



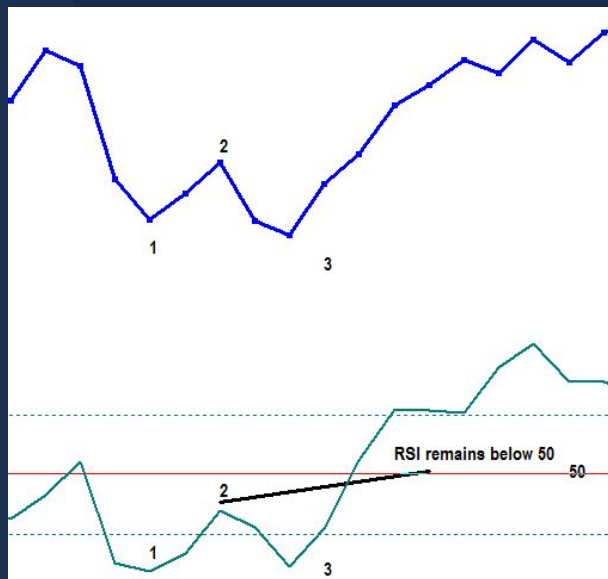
# The technical setups

## Pivot point reversal



# THE TECHNICAL SETUPS

## Relative Strength



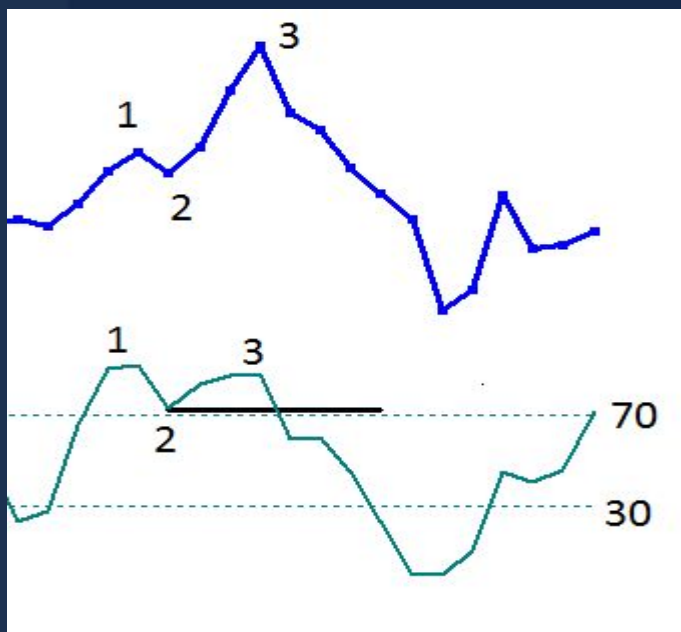
### Relative Strength Indicator

#### 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.

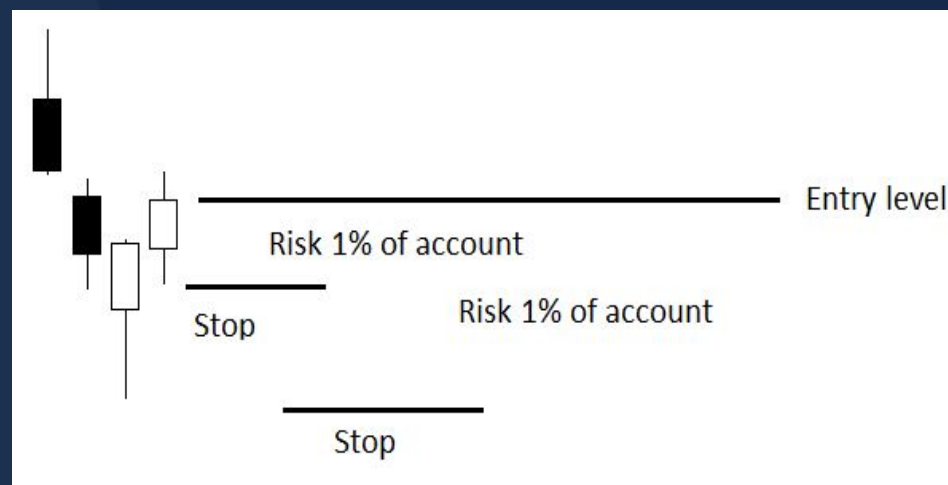


# Position size and management guidelines

## 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:**

[support@fpmarkets.com](mailto:support@fpmarkets.com)



First Prudential Markets Pty Ltd  
Level 5, 10 Bridge Street  
Sydney NSW 2000

Phone: +61 2 8252 6800  
[www.fpmarkets.com](http://www.fpmarkets.com)

ABN 16 112 600 281  
AFS Licence No. 286354



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