IN BLACK AND WHITE

18/01/2019

A market technician's view

FX INDICES EQUITIES



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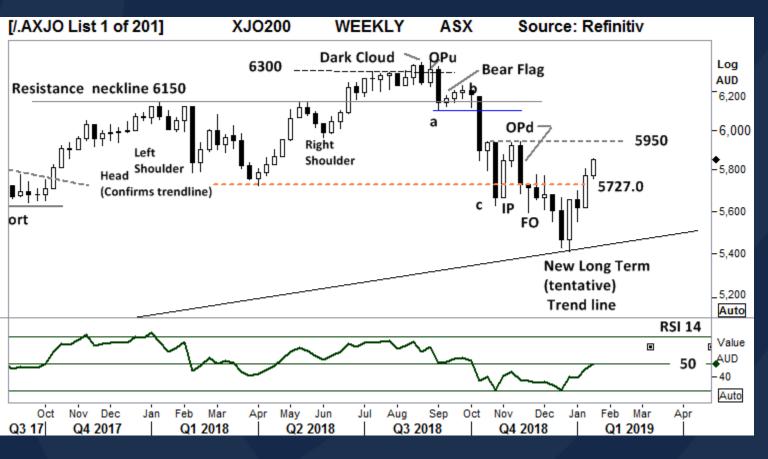
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Australian 200 index - Weekly



Short weekly view.

This weeks continuation mve above 5727 is an important win for the bullish view. Resistance at 5950 will be significant in the coming weeks.

The XJO remains in a primary down trend as this short recovery rally takes place.

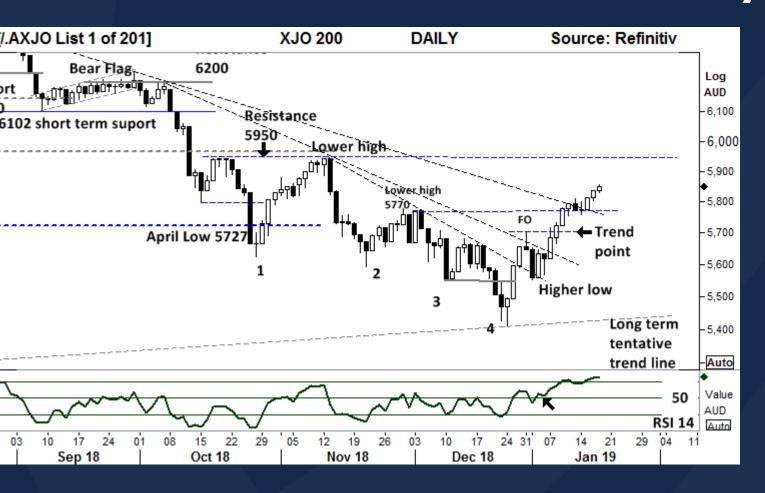
Relative strength has reached the "50" level, a good sign of further price momentum towards the next resistance of 5950 points.

Comments from last week:
This weeks breakout above 5727 is a

This weeks breakout above 5727 is an important win for the bullish view.



Australian 200 index - Daily



Following the "higher low" the XJO has moved past the trend point into a daily UPTREND and continues to close over the down trend line drawn from the October high.

Daily resistance is shown at 5950

(This highlights the importance of correct trend lines.)

Relative strength has moved over the "70" level indicating continuing strong positive momentum.

Comments from Last week.

Thursdays closing price over 5770 is a good sign of the potential retest towards the WEEKLY 5960 resistance level. With the last short term down trend line challenged this week a close over this level would be an important gain for the bullish view.

S&P 500 Index - Weekly



Short weekly view.

A characteristic of a true BEAR MARKET - short sharp price rallies, in this case a Christmas rally.

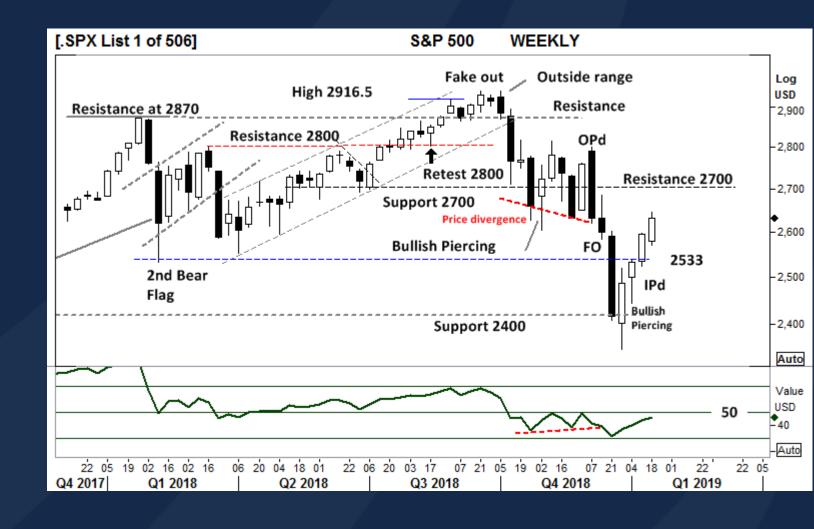
The S&P500 remains in a PRIMARY DOWN TREND. 2700 point remains the first significant resistance level.

Relative strength remains below "50" and pointing higher showing improving price momentum, but it should be noted the RSI has not crossed the key 50 level..

(Only a Presidential tweet could change the view.)

Comments from last week.

An important break above 2533, with the potential to retest 2700 points as a bear market rally takes place.



S&P 500 Index - Daily



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

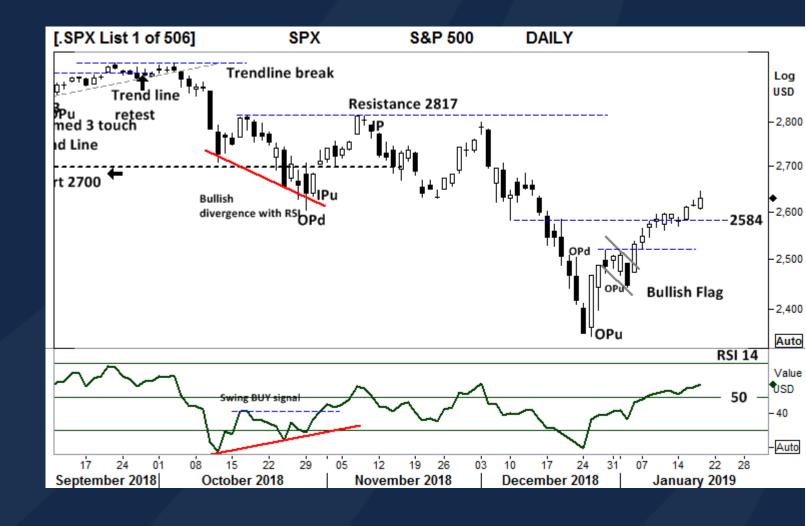
2584 has provided the new short term support point in this daily view.

A further successful retest of this level would be bullish going into the early months of 2019.

RSI has moved over the key "50" level. A short term bullish view remains with the RSI over the key 50 level.

Comments from last week.

Daily trend shows reversal with the current bullish flag breakout and a closing level above 2584.



Transports Index



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

9800 is now the key level being tested, in the coming weeks a close over this level would be a very positive sign of further gains, and the bullish signal to indicate the market is changing from a bear market to a bullish re-establishment of the primary UP trend.

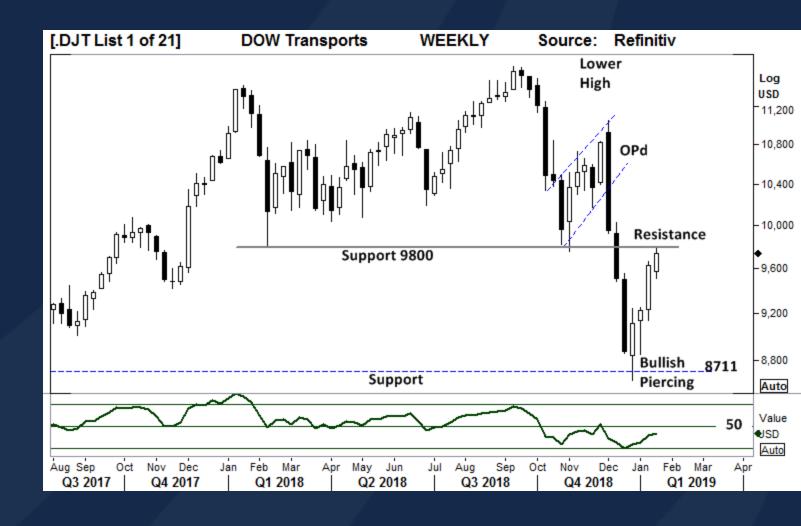
The relative strength indicator remains below the key 50 level, but pointing higher.

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

To create a strong bullish view RSI is required over 50 and the market is required to close over 9800 points.

Comments from last week.

The transports show a recovery retracement from 8711 support and a clear retest of 9800 underway



FTSE 100 Index - Weekly



FTSE 100 weekly:

Short weekly view.

The FTSE 100 has put in a pivot bar reversal 2 weeks ago with a follow through and potential retest of 7100 level.

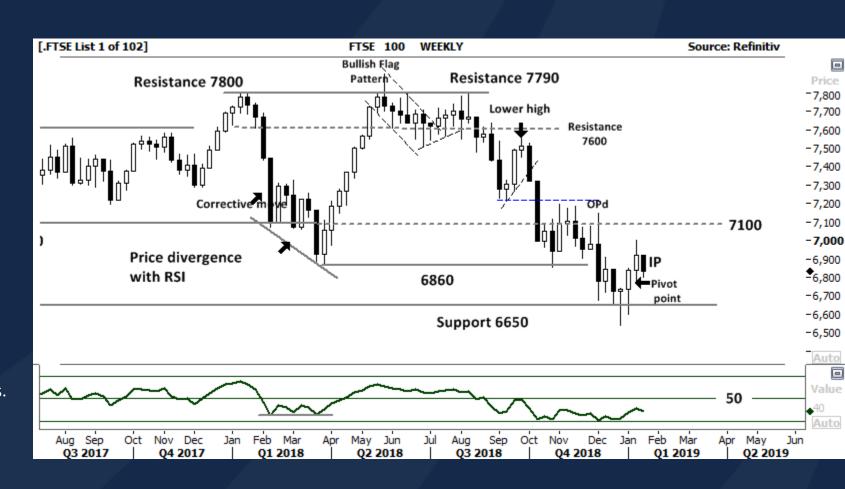
This looks to have failed with the "inside period" this week well short of key resistance shown at 7100.

The FSTE remains in a bear market.

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 possible on further price weakness.

Comments from last week:

The Index remains in a primary down trend with a bullish retracement underway.





GOLD Weekly

Short weekly view.

Gold remains in a PRIMARY UP TREND.

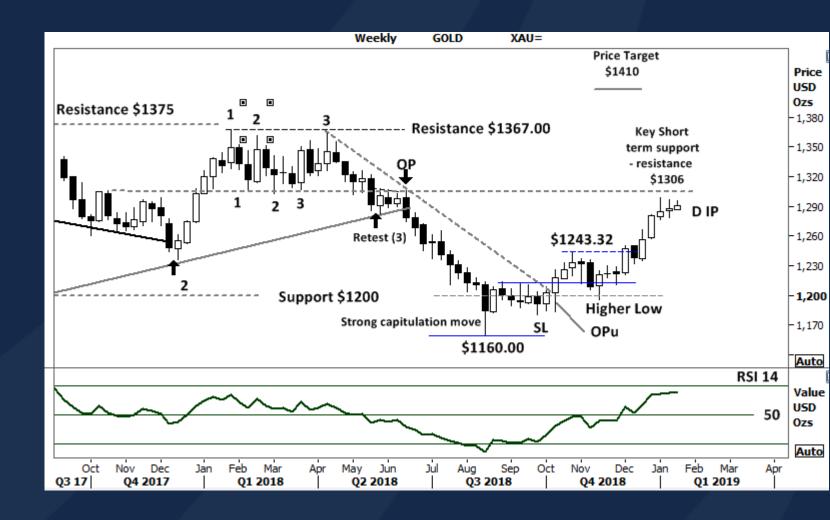
On this weekly basis resistance at \$1306 is the current target price.

This week has seen further consolidation with a second inside period (Double IP)

Longer term target of \$1410

RSI remains over the key "50" level.

Comments from last week: This weeks IP (inside period) indicates a consolidation period.





Gold Daily

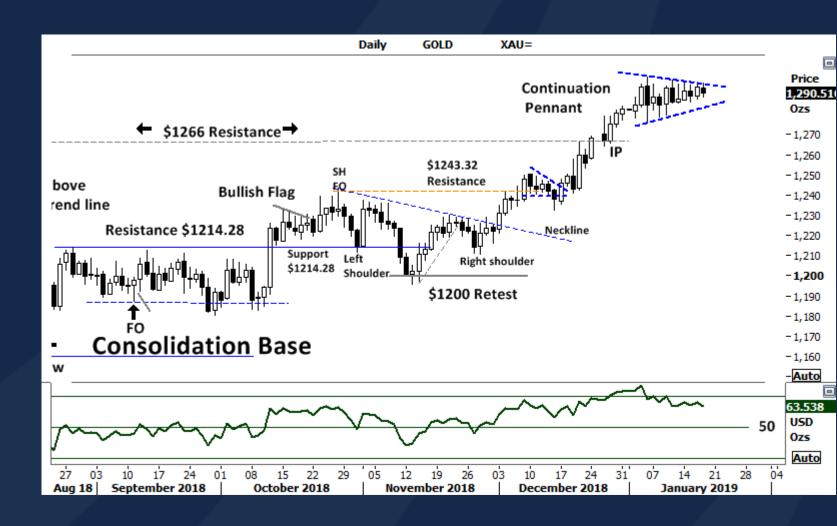
The daily price of Gold remains in a Bull run. Round number resistance at \$1300.00 is the current intraday resistance level. Gold remains on track to retest \$1306.00.

Consolidation in the form a of a continuation pennant remains and is a good sign of further gains.

Relative strength (RSI) is moving lower consistent with this type of consolidation pattern.
(Relative strength is a momentum indicator.)

Comments from last week:

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



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Australian Volatility Index

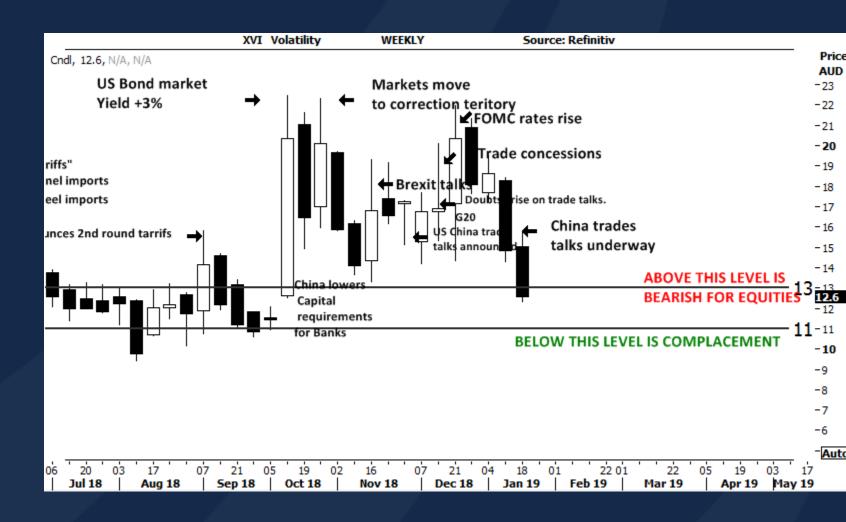
The Australian market volatility indicator XVI. The US rate rise, and bearish sentiment around global growth has kept the XVI over the key"13" level since September 2018.

The XVI (12.6) now moving back into the bullish zone underpins the current strength in the equities markets, as forward "pricing" of risk decreases..

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





US Dollar Index - Daily



US Dollar Index enters and remains in a primary down trend.

This daily view of the DXY shows the rejection of 96.15 level with retest underway.

The Relative strength Indicator has turned lower below the key "50" level showing loss of positive price momentum.

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 visa versa.

Comments last week.

The retest and failure of 96.15 is complete with the breakdown below the 95.64 level now becoming a further short term resistance point.

WTI Oil WEEKLY



Weekly OIL

Short weekly view.

Oil moves from a *"corrective" move with a closing price first below the 22nd June low of \$63.59 and the 17th August \$64.43 low, into a Primary down trend. The current retest of \$55.38 resistance will be an important milestone for the short term bullish view of Oil to remain in place.

Further to this view, a breakdown below \$42.00 (long position Stops) potentially set 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 current rebound back to the \$55.38 retest is underway, this has moved the price over the key \$50 level without resistance, a good sign of further gains





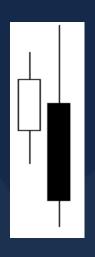


A price range larger than the previous range often indicates a market turning point. (Krastins research)

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.

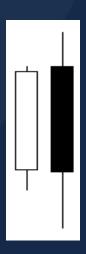
The OP period comes in all shapes and sizes.





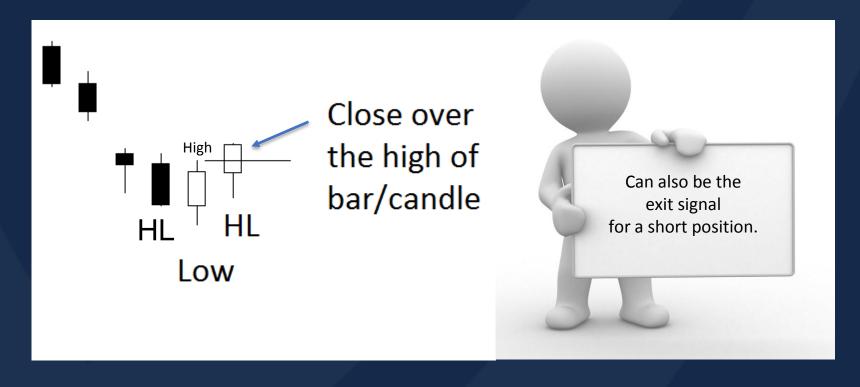






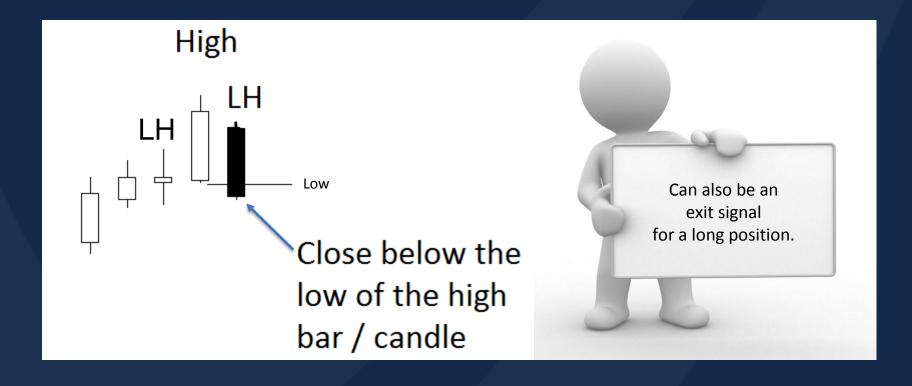


The technical setups. The Pivot point reversal



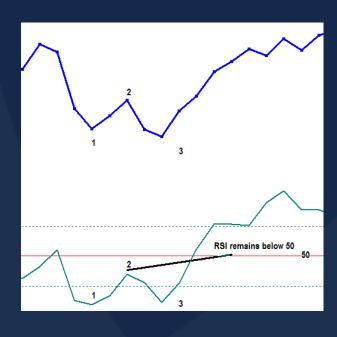


The technical setups Pivot point reversal



THE TECHNICAL SETUPS Relative Strength





Relative Strength Indicator

SWING BUY SIGNAL.

•Market makes a low, (1)

Market closes higher, (2)

•Market makes new lower low, (3)

RSI swings below the 30 level. (1)

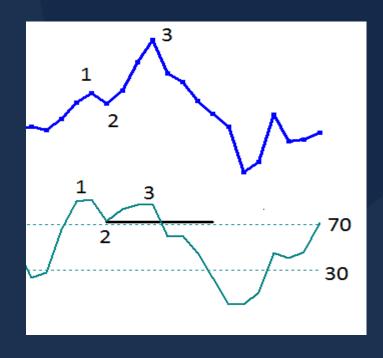
RSI moves higher but not over the "50" level. (2)

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.

Comments and Feedback:

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