

the week beginning 13/01/2020

A market technician's view

FX INDICES EQUITIES



IMPORTANT DISCLAIMER

The information in this report is of a general nature only. It is not personal financial product advice. It does not take into account your objectives, financial situation, or needs.

You should therefore consider the appropriateness of this information in light of these.

The Australian school of technical analysis (ASTA) recommend that you refer to the Product Disclosure Statements of any financial products which are discussed in this report before making any investment decisions.

ASTA accepts no responsibility for your actions and recommends you contact a licensed advisor before acting on any information contained in this general information report.



The information contained in this material is intended for general advice only. It does not take into account your investment objectives, financial situation or particular needs. FP Markets has made every effort to ensure the accuracy of the information as at the date of publication. FP Markets does not give any warranty or representation as to the accuracy, reliability or completeness of the information contained in this material. Examples included in this material are for illustrative purposes only. To the extent permitted by law, FP Markets and its employees shall not be liable for any loss or damage arising in any way (including by way of negligence) from or in connection with any information provided in or omitted from this material. Features of the FP Markets products including applicable fees and charges are outlined in the Product Disclosure Statements available from FP Markets' website www.fpmarkets.com and should be considered before deciding to deal in those products. Derivatives can be risky; losses can exceed your initial payment. FP Markets recommends that you seek independent advice. First Prudential Markets Pty Ltd trading as FP Markets ABN 16 112 600 281, Australian Financial Services Licence Number 286354.



SUMMARY-

Major US Indice's remain at elevated levels as underlying momentum slows. USD index turns lower back into the Primary down trend.

With the Australian XJO moving out to all time highs, a very Bullish breakout sets up the potential target of 7300.

Gold staged a significant breakout followed by rejection to current support level above \$1517. Both silver and Gold look set to consolidate over the coming days.

WTI Oil meets resistance at the \$61.80 resistance with a sharp reversal back into the current trading channel.

Australian 200 index - Weekly





The WEEKLY chart of the XJO remains in a Primary UPTREND.

Current weekly chart displays a solid breakout from the ascending pattern, a further price extension to 7300 is achievable.

Financials remain the driver for further Index gain.

Support level is 6893 when the retest comes a close below this level would be a bearish signal.

RSI remains over the key 50 level but moving sideways to lower.

MACD has turned BULLISH as both averages move higher.

Comments from last week: The ascending pattern continues to consolidate
Below the 6893 closing high from November.
Last weeks OP is a bearish signal.
The support level of 6630 remains to be tested in the coming weeks.

Australian 200 index - Daily





With a primary move underway from Mondays lows, the closing high on Friday signals further gains.

To maintain a bullish view look for the 6893 level to hold on any retracement (Monday)

However the Relative strength Indicator has turned higher again after the swing low crossing below the "50" level. The current move over 70 shows very strong price momentum, and also indicates an exhaustion on strong buying.

Comments from last week: The widening volatility pattern is now resolving into a DIAMOND pattern. The breakout from this pattern will be decisive for near term price movements.

S&P 500 Index – Weekly



The Primary UP trend remains in place. As Volatility measures remain high.

The S&P continues to develop the "rising wedge" pattern, with new weekly highs, traders should be aware of the "rolling" Relative strength Indicator as a sign of slowing momentum.

A convergence of support between the SMA 20 and the lower line of the wedge at the support level 3028 has developed as the target for a retracement.

The larger technical view shows this market may trade out to 3600 points before any meaningful retracement.

Comments from last week. The S&P continues to develop the "rising wedge" pattern, with new weekly highs, traders should be aware of the "rolling" Relative strength Indicator as a sign of slowing momentum.



S&P 500 Index - Daily



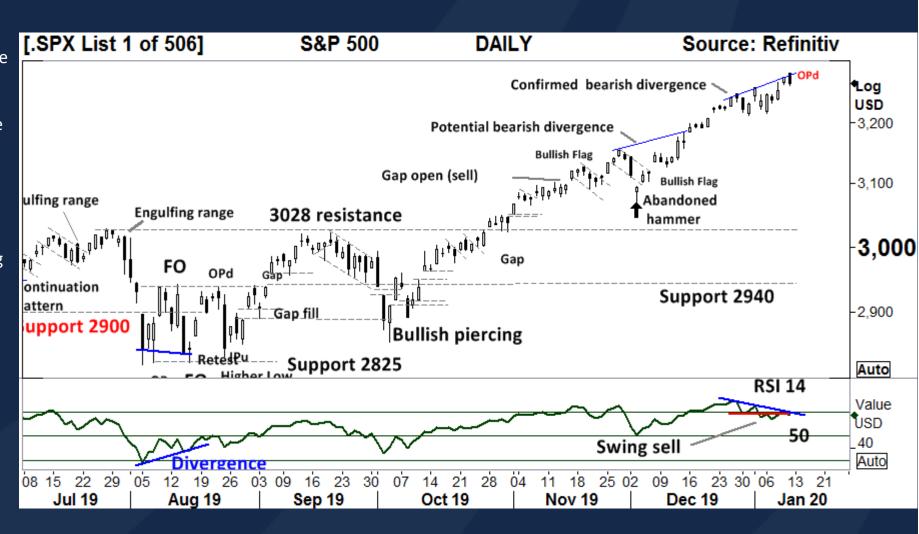
S&P continues with Bearish price divergence in the Relative strength Indicator that has now shown a swing sell signal.

Fridays OPd (see notes) is further evidence a short term top may be developing.

The primary Up trend has not changed, however price momentum has been lost.

While this is not a "Primary" trend changing Indications are it shows a significant loss of current upward momentum.

Comments from last week: S&P has provided a 2nd bearish price divergence with the Relative strength Indicator that has now shown a swing sell signal. While this is not a Primary trend changing indicator it shows a significant loss of current upward momentum.



Transports Index



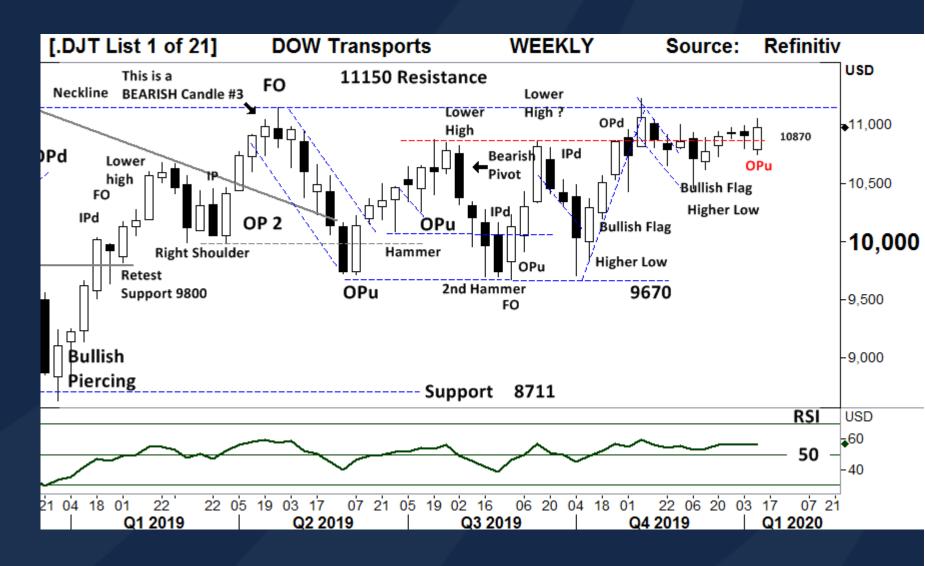
Dow Theory trend analysis states, the transports must confirm major indices.

(This index is now heading towards a CONFIRMATION of the long term Bull market, a break of 11150 points is required.)

Price consolidation around the 10870 level over the past 3 months is not a strong Bullish sign.

The OPu is a good signal for a continued move higher, however the Relative strength remains in a sideways move but remains over the key 50 level a sign of decreasing price momentum inside this current consolidation pattern..

Comments from last week: Further consolidation around the 10780 level will turn bearish as the Bullish Flag breakout from 6 weeks ago not moving higher remains a bearish sign for the markets in the coming weeks.



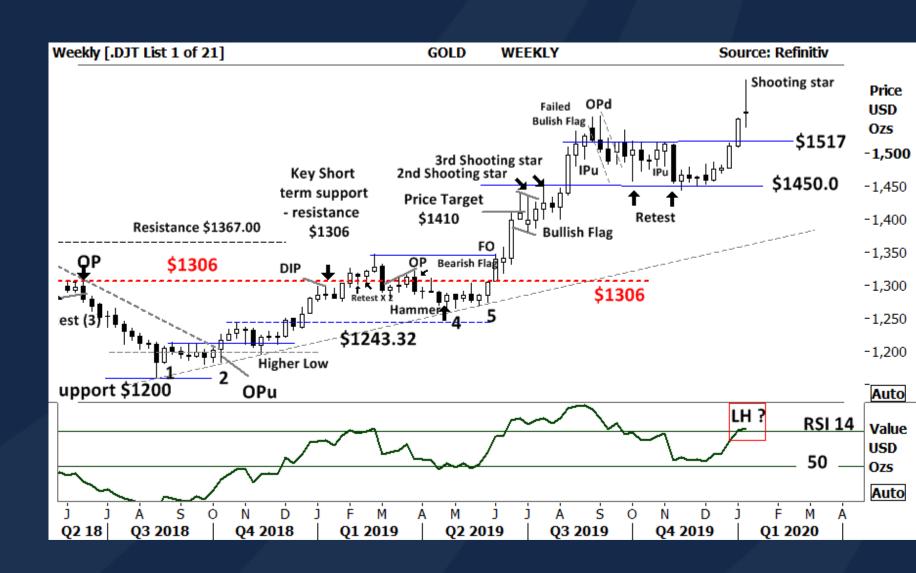
GOLD Weekly



Rejection of high prices in the form of a shooting star. This long price range bar with a low close suggests consolidation above \$1517 is now expected in the next week.

Relative strength remains over the 50 level, the current 70+ level turning lower has the potential to show a lower high a sign of weakening momentum.

Comments from last week: A very strong breakout to test September highs, with a high close in the range is very bullish for further gains in the coming week. This corrective move higher sets Gold back into the underlying Primary UP trend.







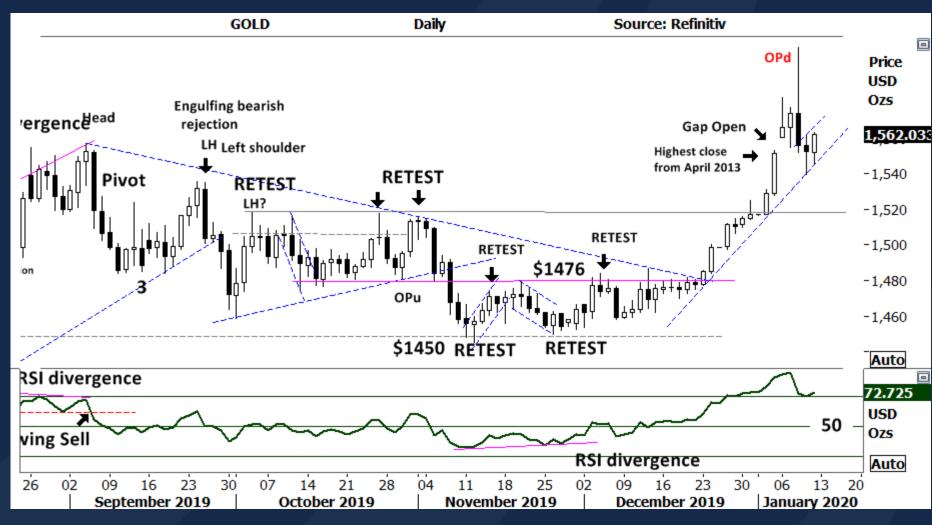
GOLD moves to a Daily UP TREND.

Mondays Gap open and Wednesdays large range rejection OPd has Gold in a consolidation range currently above \$1540.

Current price action suggests a bearish flag developing with the potential to test \$1517 support.

Relative strength again swings above the key 50 level and 70 level, this is a bullish sign. However the indicator is in the over brought area. Should profit taking take place, RSI must remain above 50 to remain bullish.

Comments from last week: With the highest daily close since April 2013 the daily chart remains very Bullish. Fridays large range bar closing on the high is a good sign for further price gains in the coming days.





SILVER Daily

Decisive price rejection at \$18.73 resistance.

Look for further consolidation below \$18.15 in the coming week.

For Silver to remain Bullish a close over \$18.73 is required in the coming week.

The Relative Strength Indicator is again rising overall, the current move over the 50 level and the 70 level indicates increasing price momentum.

Comments from last week: The current breakout over \$17.30 is very significant. Further consolidation would now be expected at this \$18.15 resistance level.

Only with a solid daily close over this level would traders expect \$18.73 to be tested.

Silver is developing a new PRIMARY up trend.





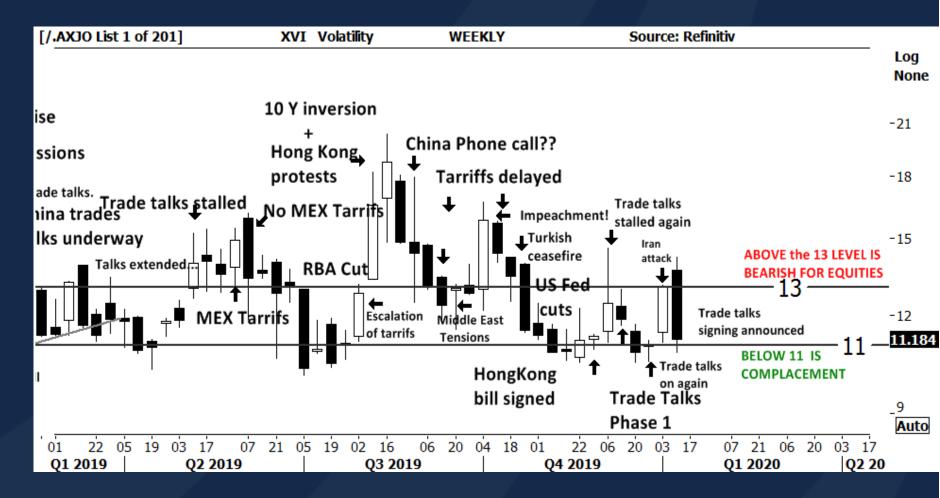
Australian Volatility Index

Current volatility levels, show a significant decrease in forward volatility values, this is a Bullish sign the market has discounted immediate near term risk.

The XVI is the difference of 1 month forward pricing of ETO Options against current month.

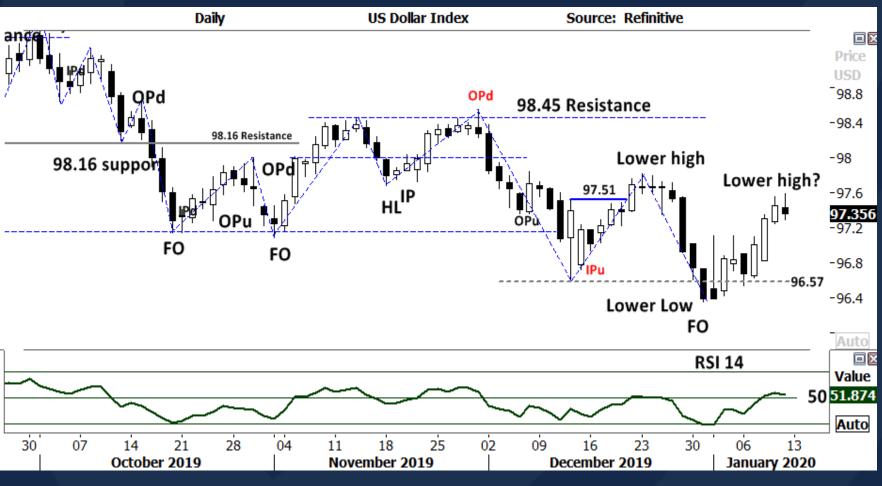
As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this "skew" in pricing is measured in this XVI.

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



DXY enters into a Primary down trend. Commodities to come under pressure.

RSI turns lower from over the "50" a signal of slowing upward momentum.

A small reversal day on Friday suggests a lower high developing within the current down trend.

Look for a break of recent support at 96.57.

Comments last week: Last week saw the 96.57 tested and broken with an immediate recovery higher.

Further consolidation along this level would be expected in the coming days.

Should price again close below 96.57 the Primary downtrend would be further confirmed.

WTI OIL WEEKLY



Friday's significant OPd reversal keep the current price channel active. A retest of the major support remains at \$50.60 the target in the coming week.

Underlying price remains in consolidation.

The Relative Strength Indicator turns sharply lower from above the 70 level, a significant reversal of upward momentum.

Comments from last week: The current breakout over the \$61.80 resistance level is very positive for further gains. Look for a retest of this important level in the coming days. Continuing upside price to test movement to test \$75.27 in the coming weeks.







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

The outside period (OP) 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 WEEKLY #3 reversal

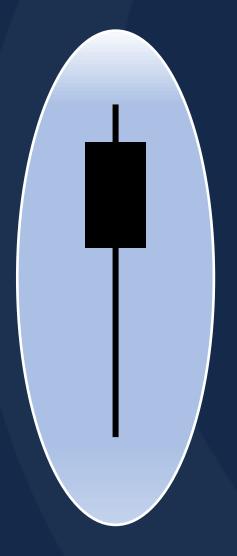
When Line #3 is found at a HIGH PRICE AREA Long positions should be closed within a week.

If the opening price of the following week is above the Midpoint selling is still indicated, this often shows a high with 2 weeks warning.

Short positions would be closed with a closing price above the high price.







The technical setups WEEKLY #9 reversal

When Line number #9 appears, the body is above the Midpoint. With the closing price lower than the Open.

If this is a short line the trader should wait for the market to show direction.

Following Price movements can "engulf" this short movement.



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.

fpmarkets ()

Comments and Feedback:

support@fpmarkets.com

fpmarkets ()

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

Phone: +61 2 8252 6800 www.fpmarkets.com

ABN 16 112 600 281 AFS Licence No. 286354

fpmarkets ()

THANK YOU