



IN BLACK AND WHITE

The Week Beginning

11/02/2019

A market technician's view

**FX
INDICES
EQUITIES**

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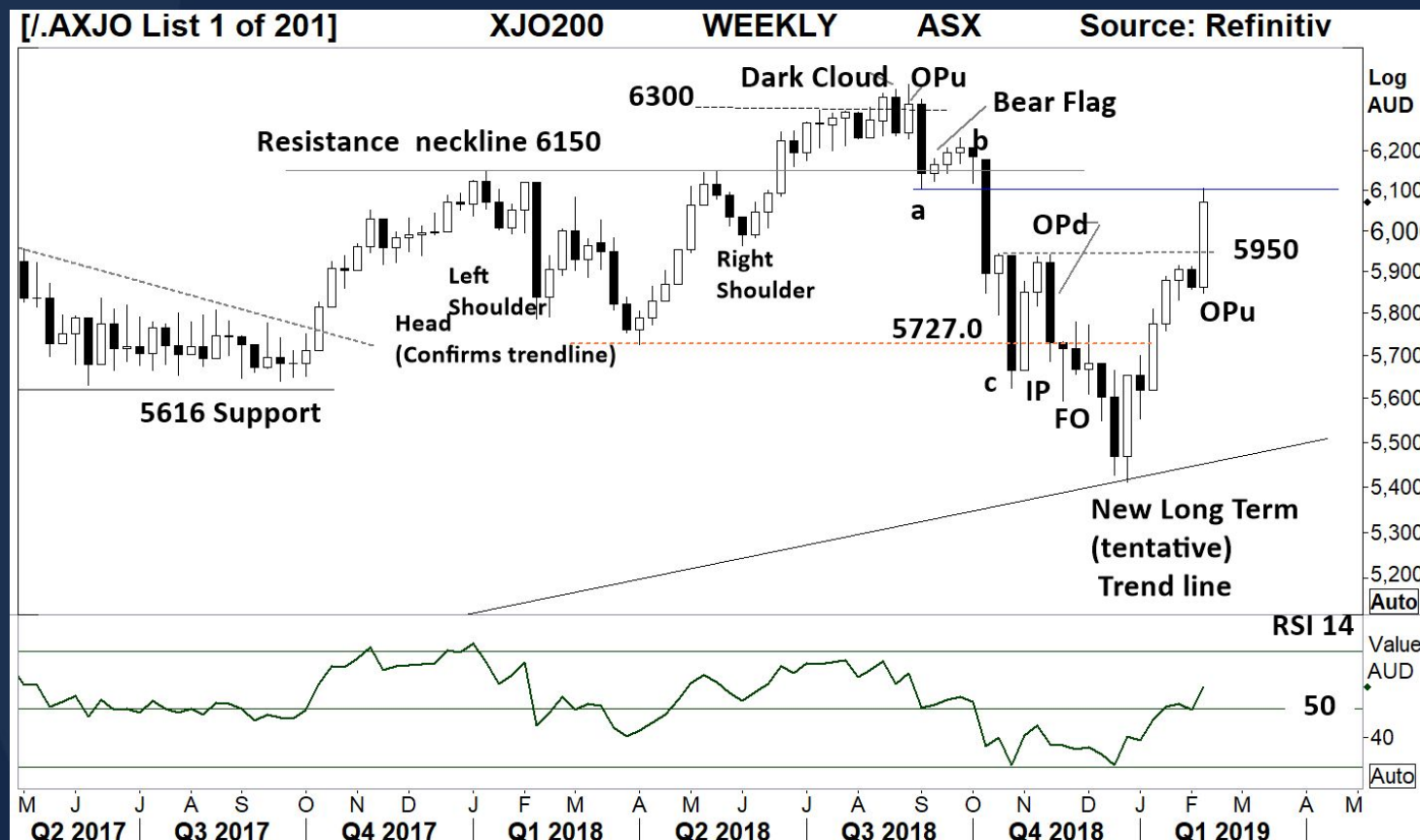
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Australian 200 index - Weekly



The XJO remains in a **primary** down trend as this Bear market rally takes place.

The weeks OPu is showing the potential to retest historical resistance at 6300.

5950 is now the key support level on any price weakness.

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

Comments from last week:

Currently 5950 resistance is the key level to break above, and remain above.

Australian 200 index - Daily



From an “RSI divergence swing sell” in place this daily chart shows a significant reversal higher as a result of strong price momentum within the leading Banks heavily weighed in the Index.

Past support at 6102 has provided daily resistance.

Fridays Inside range, a time of indecision is often followed by a large range.

This week may show an OP reversal at this important juncture in this retest of resistance.

Comments from last week:

Daily resistance is shown at 5950, remains.
The current bullish flag? has the potential to move past overhead resistance at 5950.

S&P 500 Index - Weekly

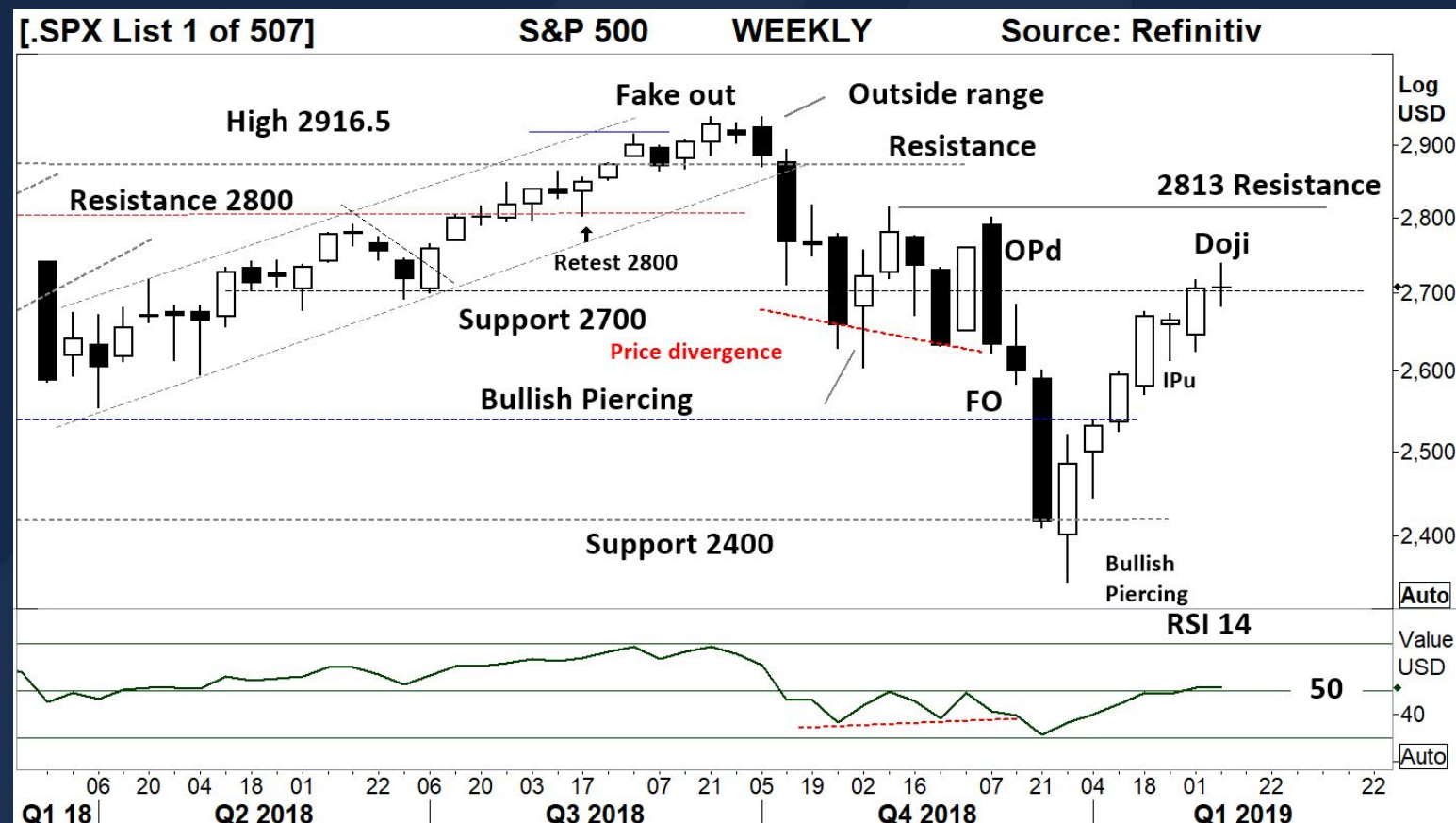
A characteristic of a true BEAR MARKET - short, sharp price rallies, in this case a Christmas / January rally.

A continuing close over this 2700 level would be very bullish in the short term.

With the current close of 2707 this Doji candle is a time of indecision and potential reversal.

RSI has moved over the key 50 level.

Next resistance at 2813



Comments from last week:

A solid rally back to 2700 points, and a close over the high of last week's inside period.
This key resistance level will be the level to watch in the coming week.

S&P 500 Index - Daily

The S&P daily chart displays a potential continuation bullish flag.

A further breakout would target 2817.
The current closing price is within the recent resistance area at 2700 has the potential to provide price support in the coming days.

RSI remains above the key "50" level. A short term bullish view remains while the RSI remains over this key level.

Comments from last week:

The S&P enters a resistance zone below 2700 points.



Transports Index

The Dow theory trend analysis states the transports must confirm major indices.

The Relative Strength Indicator continues below the key 50 level, and turning flat.

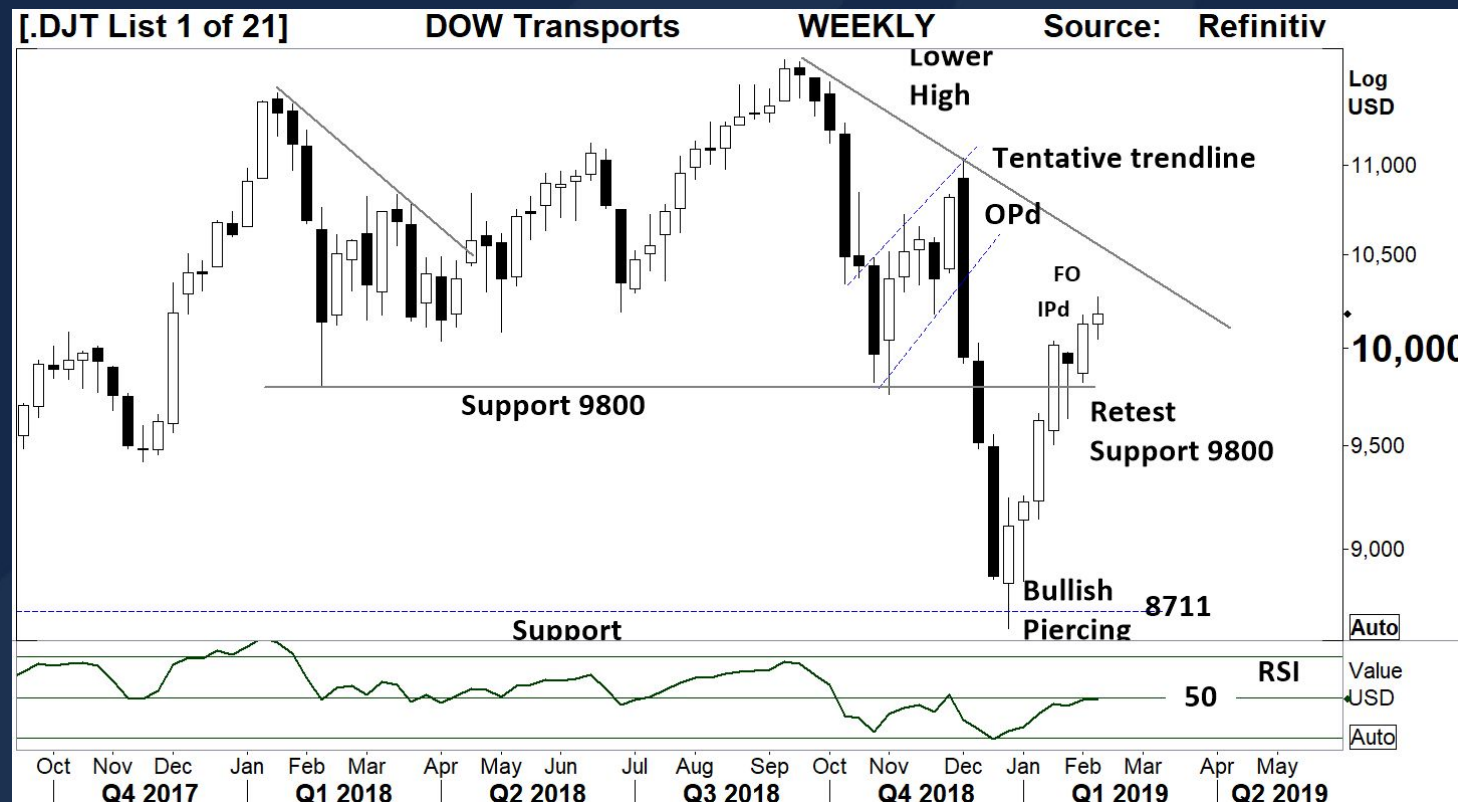
With a short retest of 9800 the current candle is a short range and suggests indecision as this retest of the tentative trendline takes place.

The further potential for a significant move lower remains with a closing price breaking below 9800 and 8711.

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

Comments from last week:

The DOW Transports remain in confirmation with the other indices of a BEAR MARKET remaining.
This week and next, support at 9800 is to hold before any bullish view can be held.



FTSE 100 Index - Weekly

FTSE 100 weekly:

The shooting star Fake Out (FO) is a very strong reversal candle.

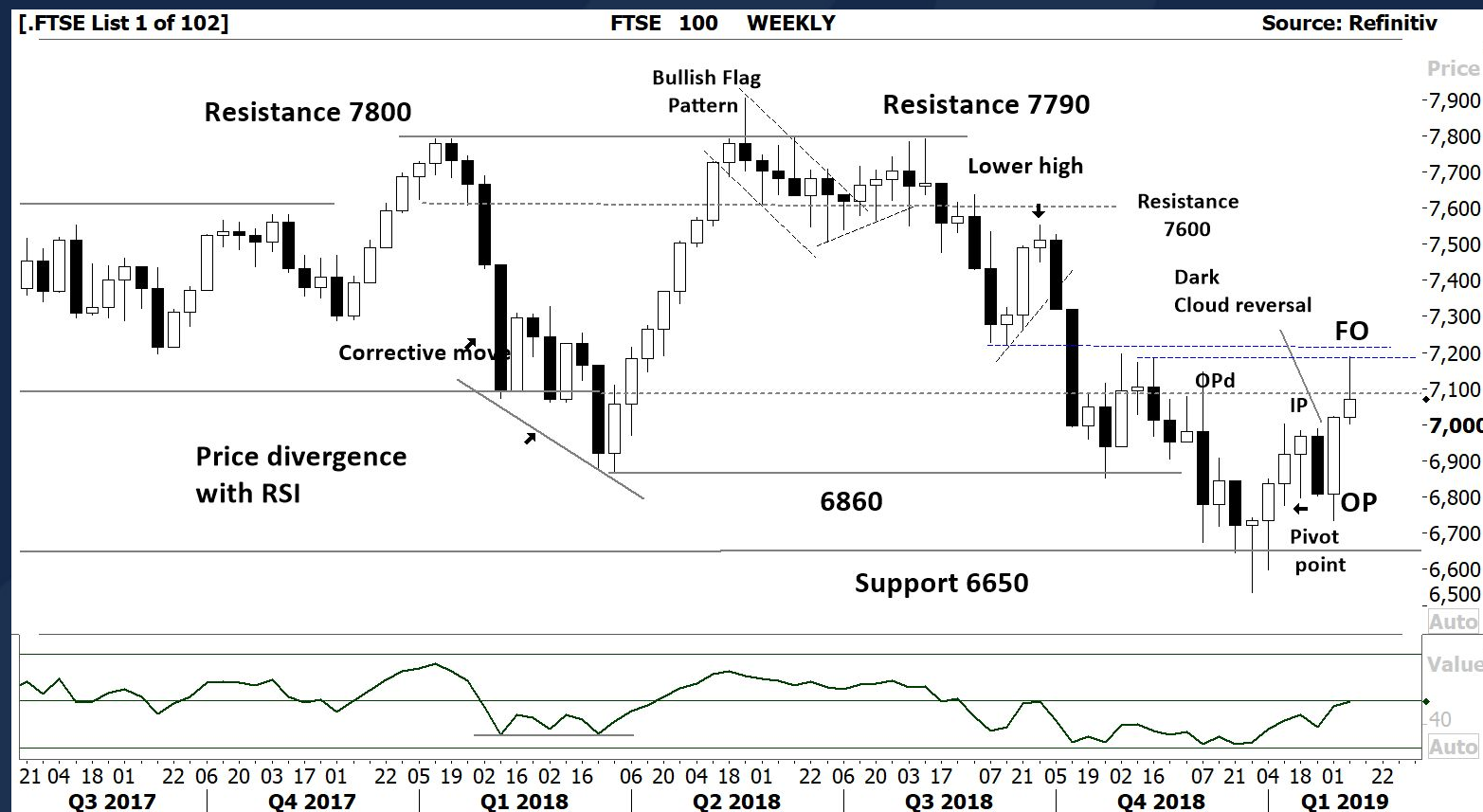
Q4 2018 resistance was again tested this week with rejection.

A further trading range between 6650 and 7200 would be expected in the coming weeks.

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:

This week's OP (outside period) is seen as a retest of the 7100 level AND a retest of the 6650 level.



GOLD Weekly

Short weekly view.

Gold remains in a **PRIMARY UP TREND**.

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

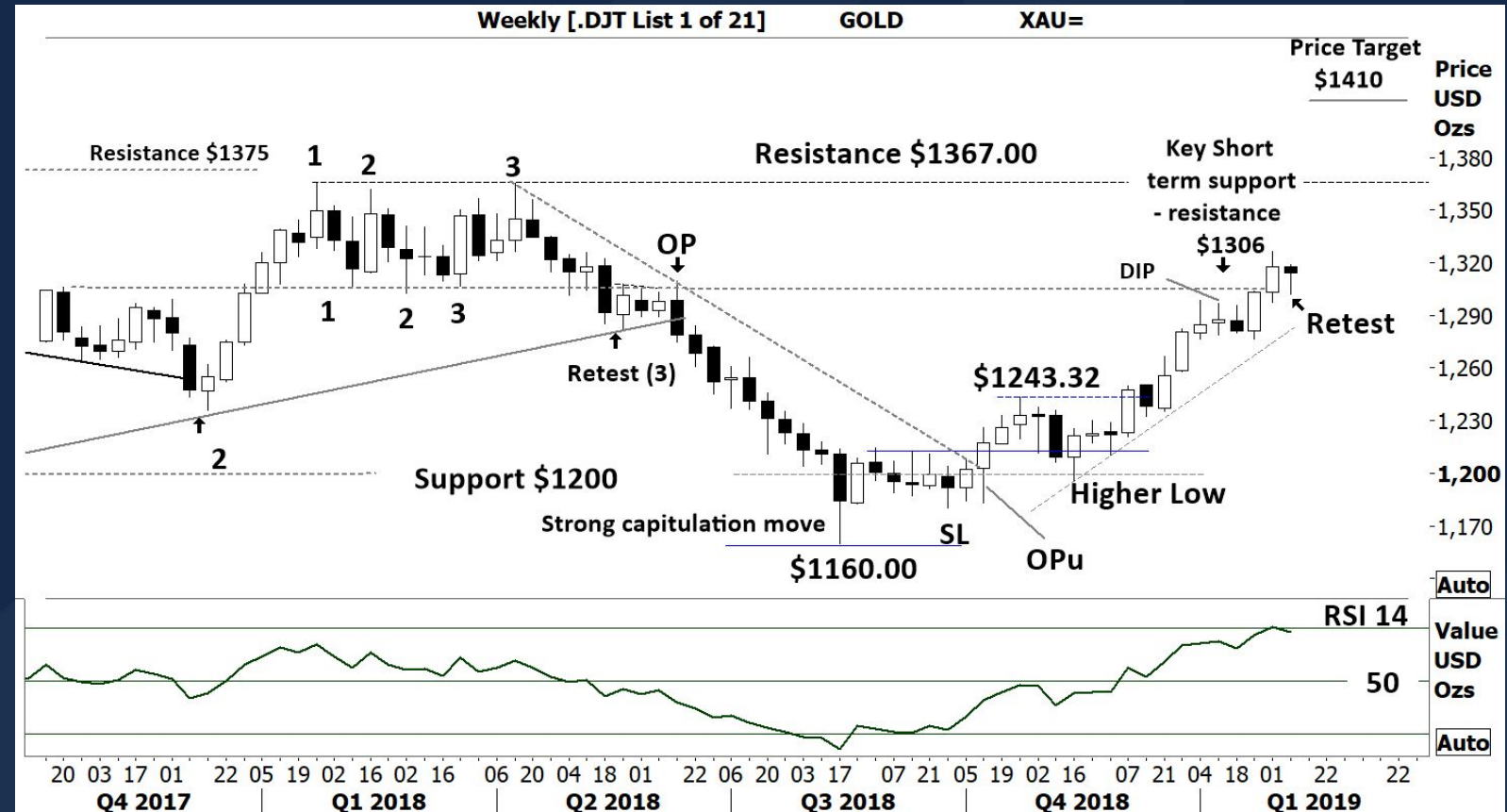
RSI shows strong momentum.

Continuation of the primary trend is expected.

RSI remains over the key "50" level, but moving into the 70 level indicating very strong price momentum.

Comments from last week:

A retest of the short trend line is a probable outcome if a further consolidation takes place.



Gold Daily

Intraday resistance is set at \$1326.30.
The Primary Trend is UP

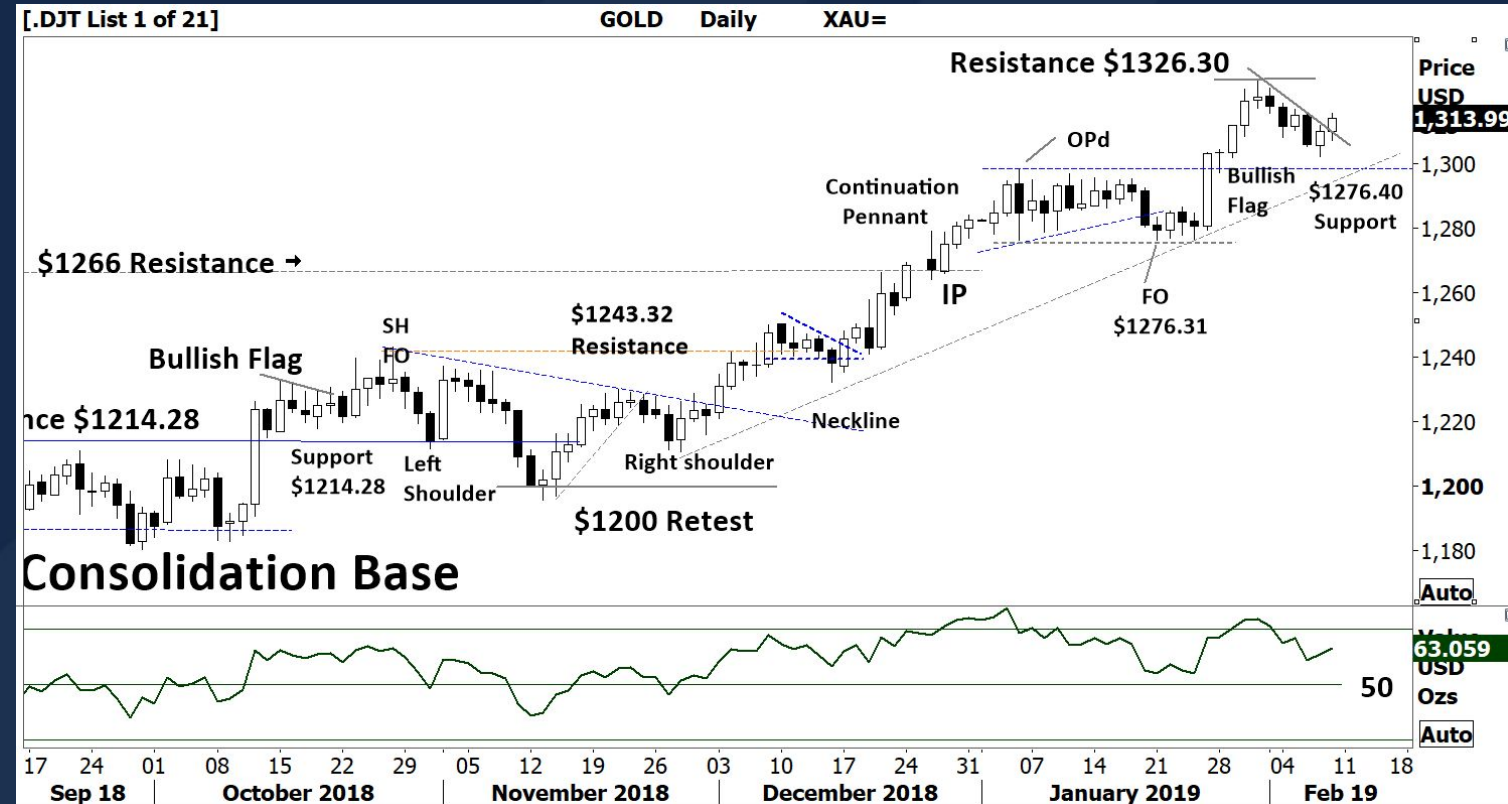
The daily bullish flag with a retest of the \$1300 level (\$1302) is a strong continuation pattern within this Primary Up Trend.

Relative Strength (RSI) moved lower consistent with this type of consolidation pattern.

(Relative Strength is a momentum indicator.)

Comments from last week:

Current risk is a breakdown below the "50" level (loss of momentum) and a further price retest of \$1300.00



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.

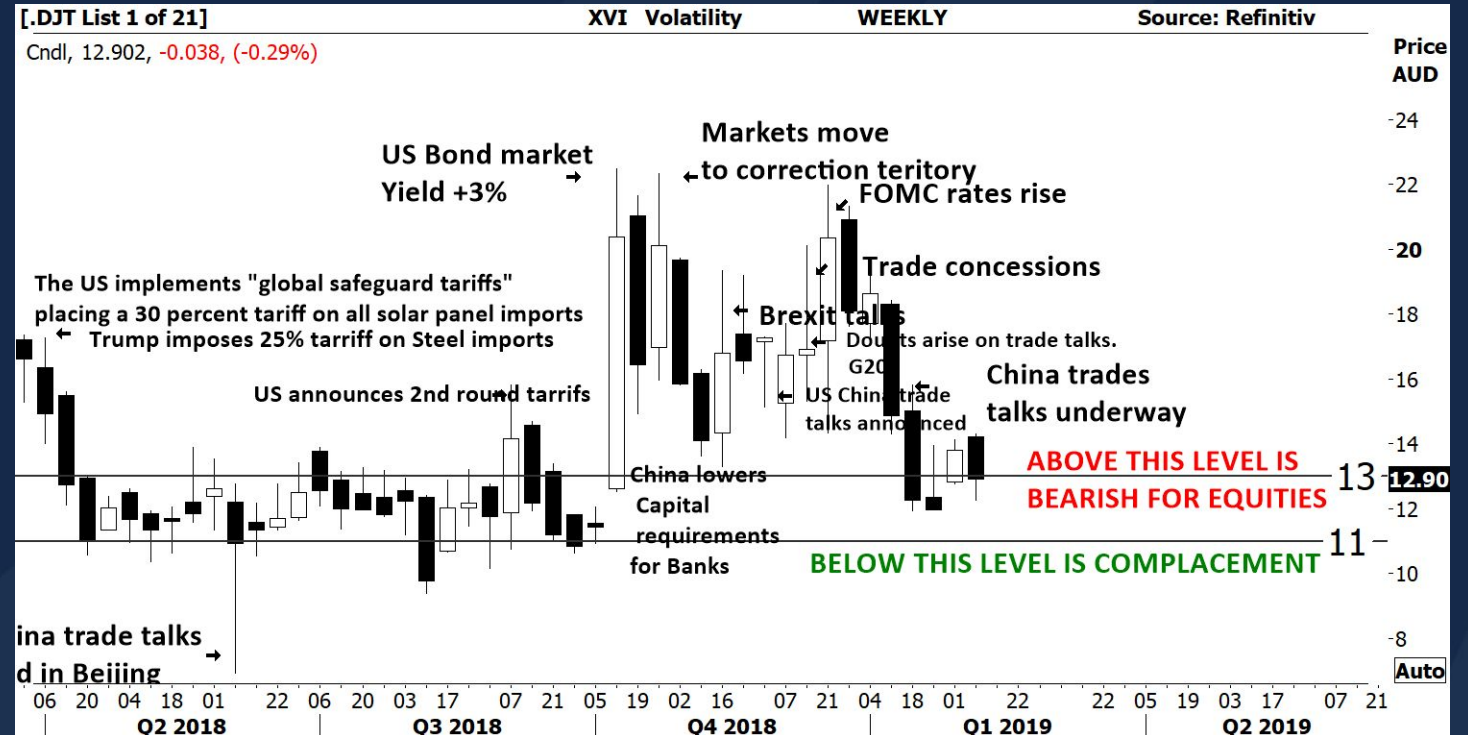
The current move back above 13 was reversed this week with a closing value below the key 13 level.

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

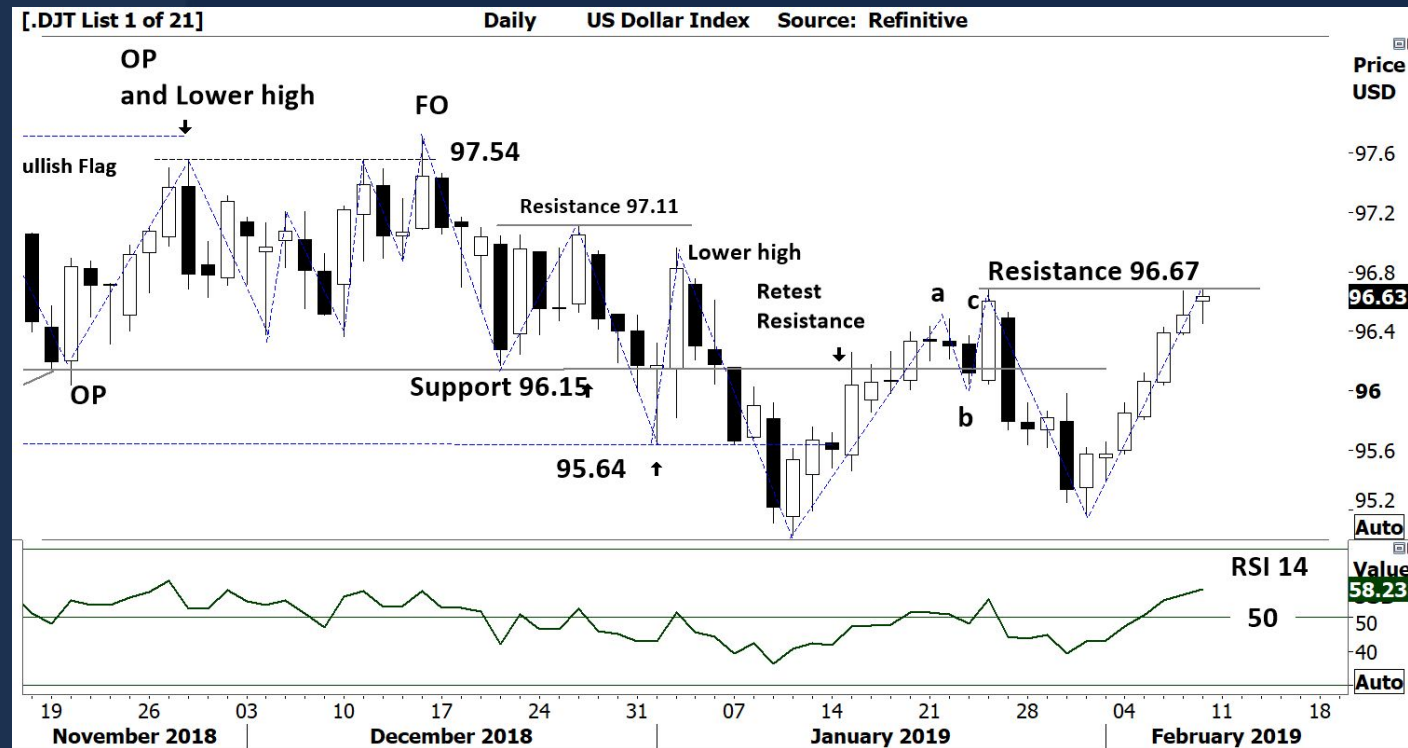
As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this "skew" in pricing is measured in this XVI.

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



Resistance at 96.67 will be key this week, a closing value over this level is required to continue with a bullish view.

RSI remains over the key 50 level and suggests further 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 vice versa.

Comments last week:

The Relative Strength Indicator has turned higher above the key "50" level showing an increase of positive price momentum.

WTI OIL WEEKLY

Weekly OIL

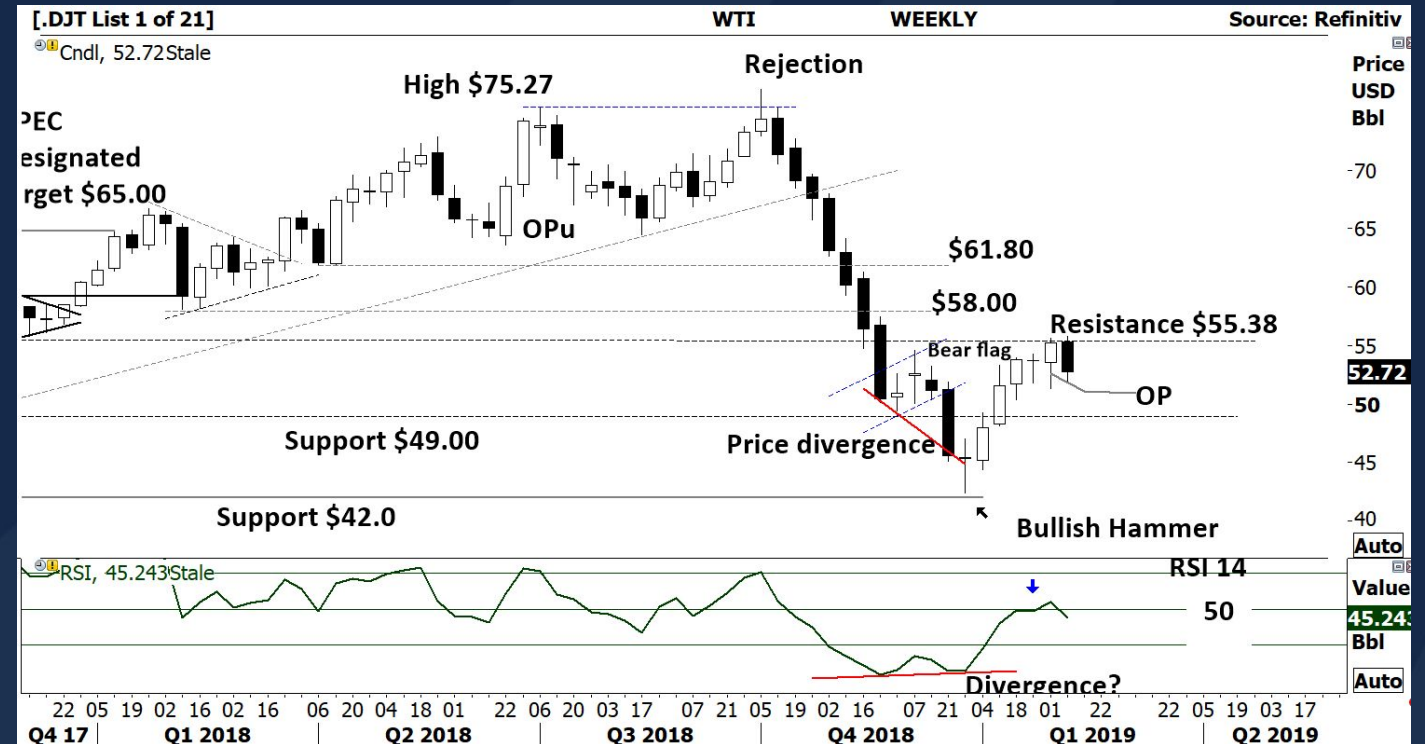
The corrective move to \$42.0 followed by the rally back to the historical resistance of \$55.38 only suggests WTI to remain within a trading range in the coming weeks.

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

The Relative Strength Indicator moving below the "30" level has offered a bullish divergence, however the failure of this momentum indicator to cross the "50" level is still concerning.

Comments from last week:

Oil may enter a consolidation phase in the coming weeks between \$49.00 and \$55.00



The technical setups

Outside period

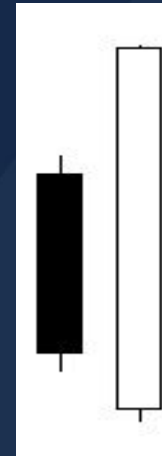
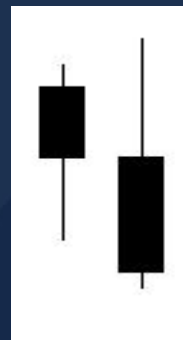
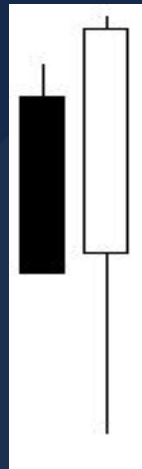
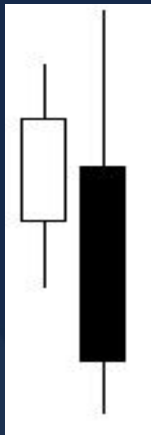
Opu and OPd

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

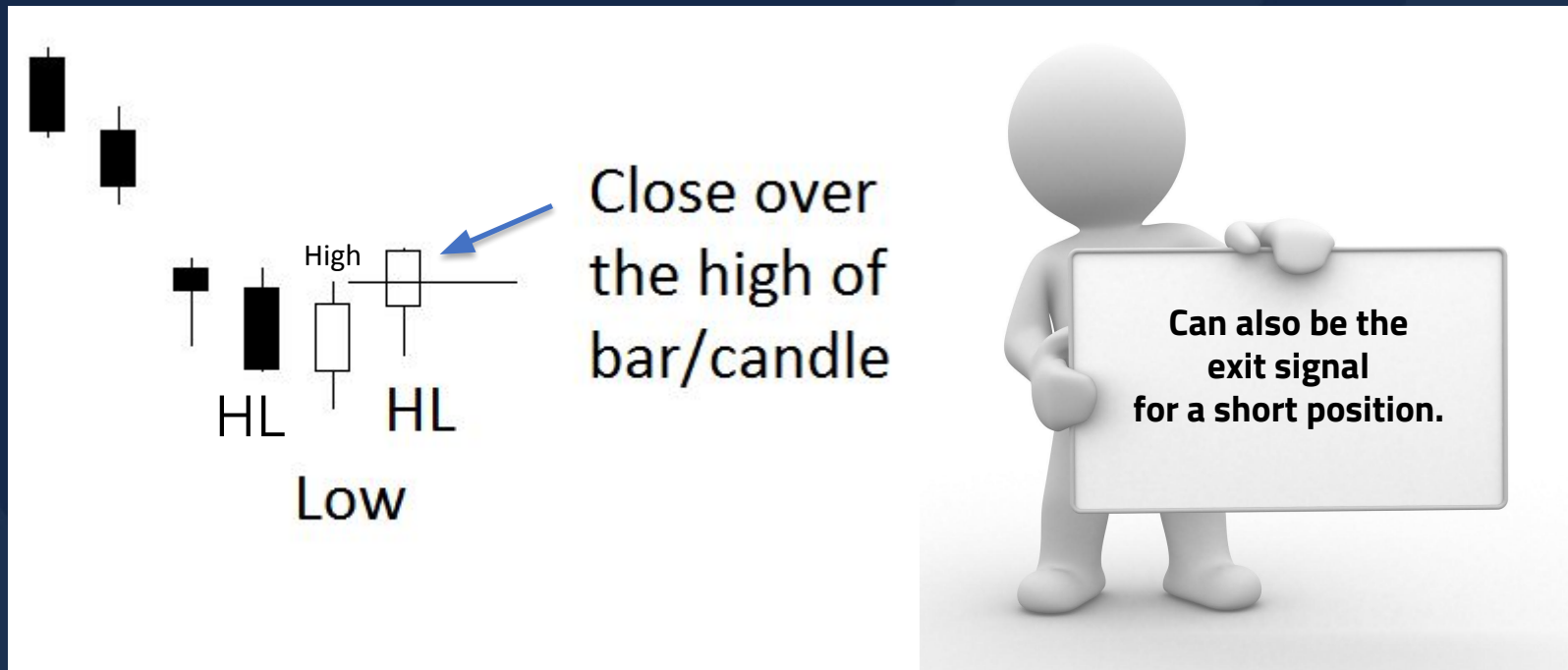
The outside period can mark a significant market turning point at or within 3 bars (93%).

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



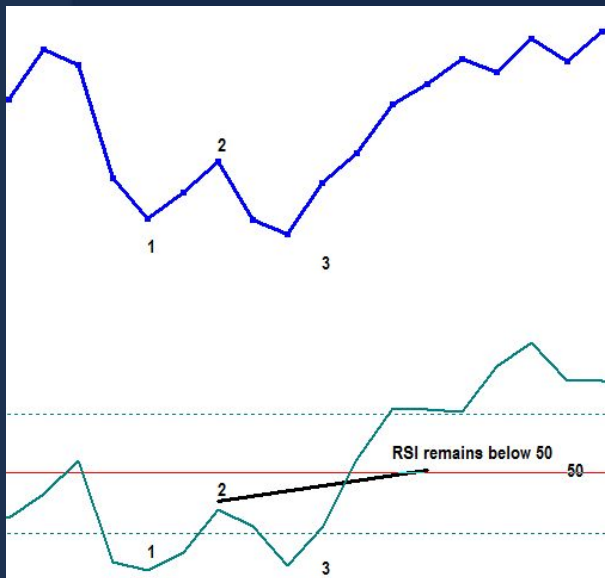
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



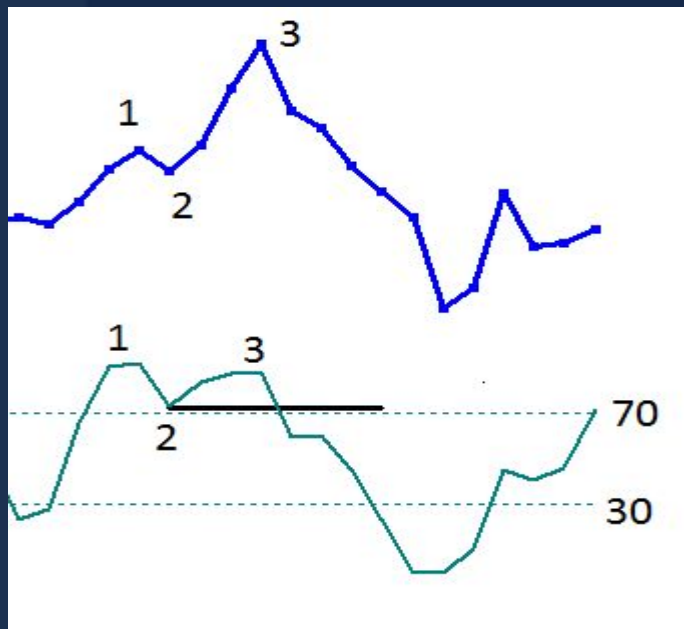
Relative Strength Indicator

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" **

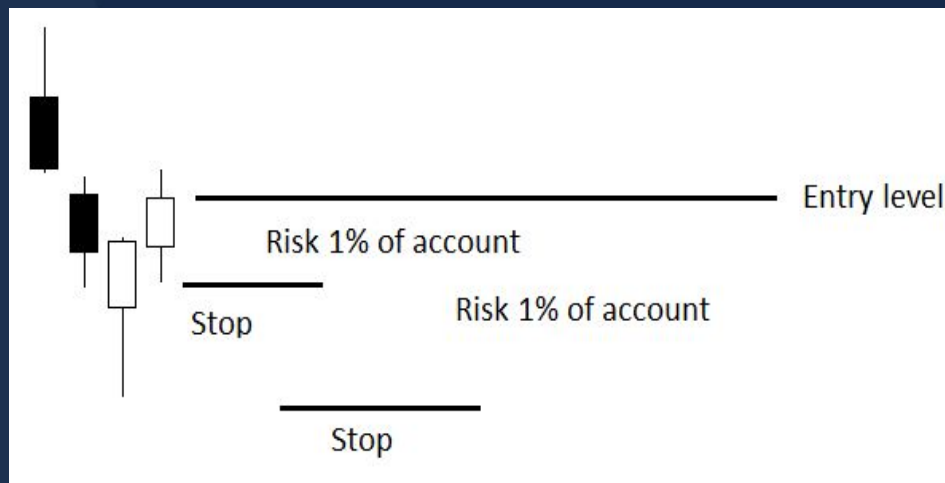
Swing failure is identified with the break off point 2 on RSI

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:

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