



IN BLACK AND WHITE

the week beginning
12/08/2019

A market technician's view

FX
INDICES
EQUITIES

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SUMMARY-

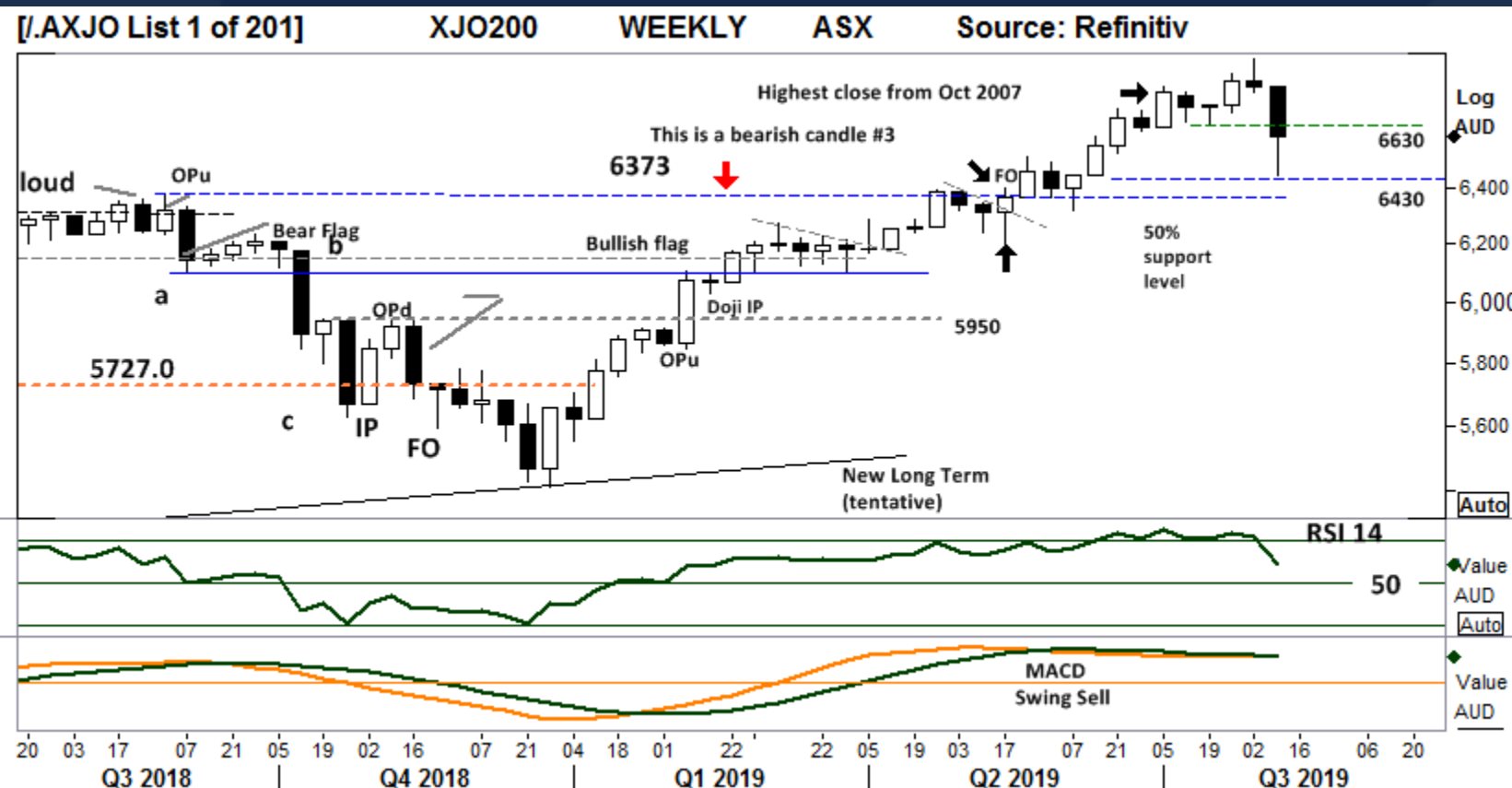
Markets again remain fixated on the Twitter account of Donald Trump and trade negotiations.

US reporting season has provided some support to current levels.

US and Australian Indices remain in Primary UP trends.

Gold and Silver are in consolidation mode above key levels of \$1500 and \$17.0

Australian 200 index – Weekly



The rejection has played out with a retest low of 6430.

The midrange close of the weekly range could be considered bullish for further gains.

A bearish signal would show with further weakness and a close below 6430.

Relative strength has turned lower, and remains over the 50 level. (Bullish)

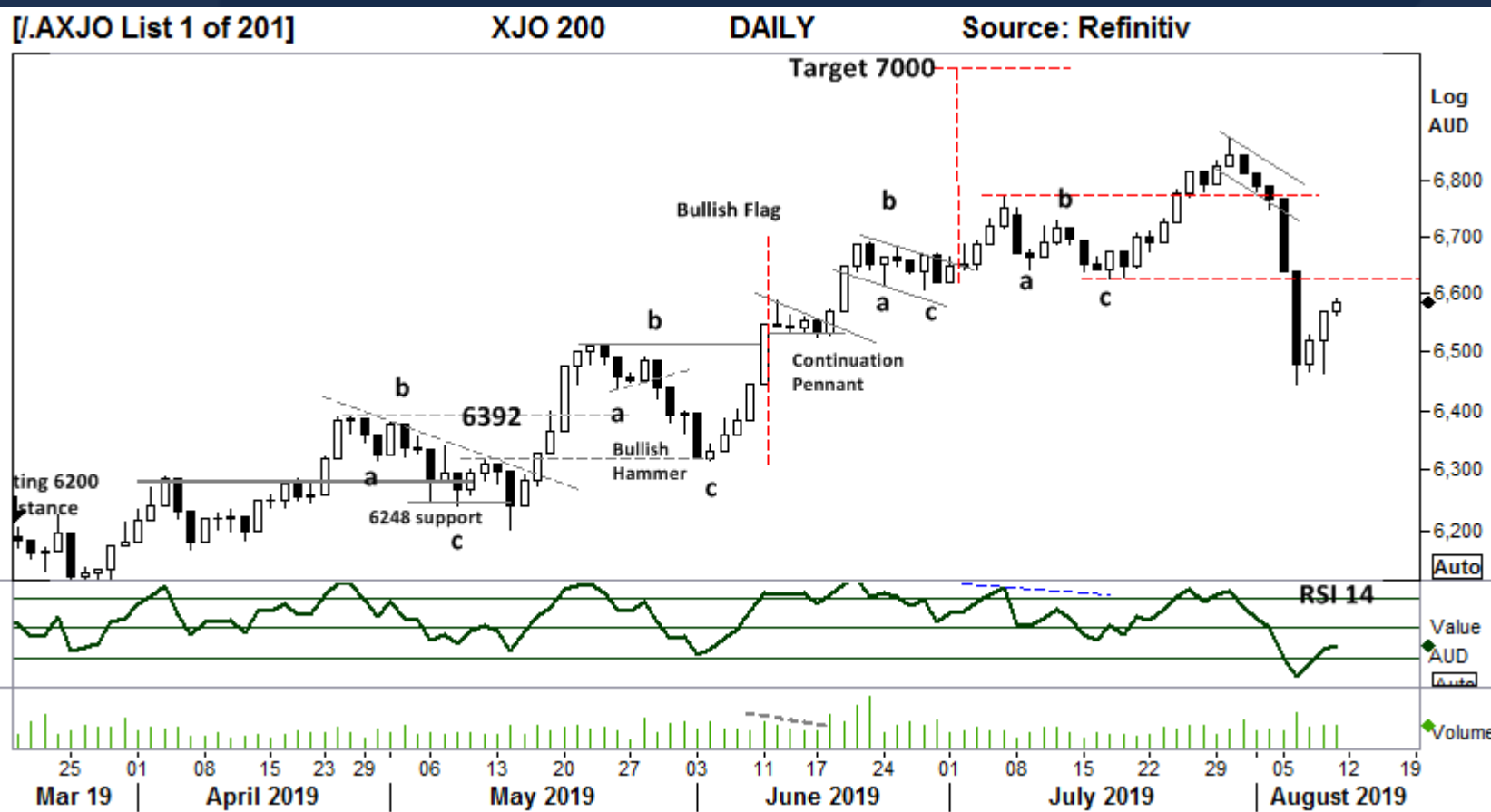
The MACD continues to track sideways and now remains neutral.

Comments from last week:

The XJO has pushed to new breakout highs, primary trend remains up in the Cyclical Bull market.

Last weeks rejection is setting up a potential retest of 6630.

Australian 200 index – Daily



From the bullish flag the market has made a strong push to close below 6500 on Tuesday.

With the current recovery to test 6630 resistance, traders should monitor 6630 for rejection or consolidation prior to further gains.

Relative strength has turned higher and would be required to cross the "50" level to remain Bullish.

Comments from last week: 3 Crows a bullish flag pattern, Friday's lower shadow a sign of late buying.

7000 remains the price target in this Primary UP trend. There is no evidence of trend reversal.

S&P 500 Index – Weekly

The Primary UP trend remains in place.

Last weeks Bullish Hammer closing inside the short trend line, sets the Index up for a momentum retest of the highs.
A further breakout over the 3000 point highs of late Q2 2019 would set the markets up for a significant move higher.

RSI remains above the 50 level and now turns lower again in line with a short term loss of momentum.

Comments from last week. This weeks reversal has closed below the highs of April, a bearish sign, with a retest of the short term trend line possible.



S&P 500 Index - Daily

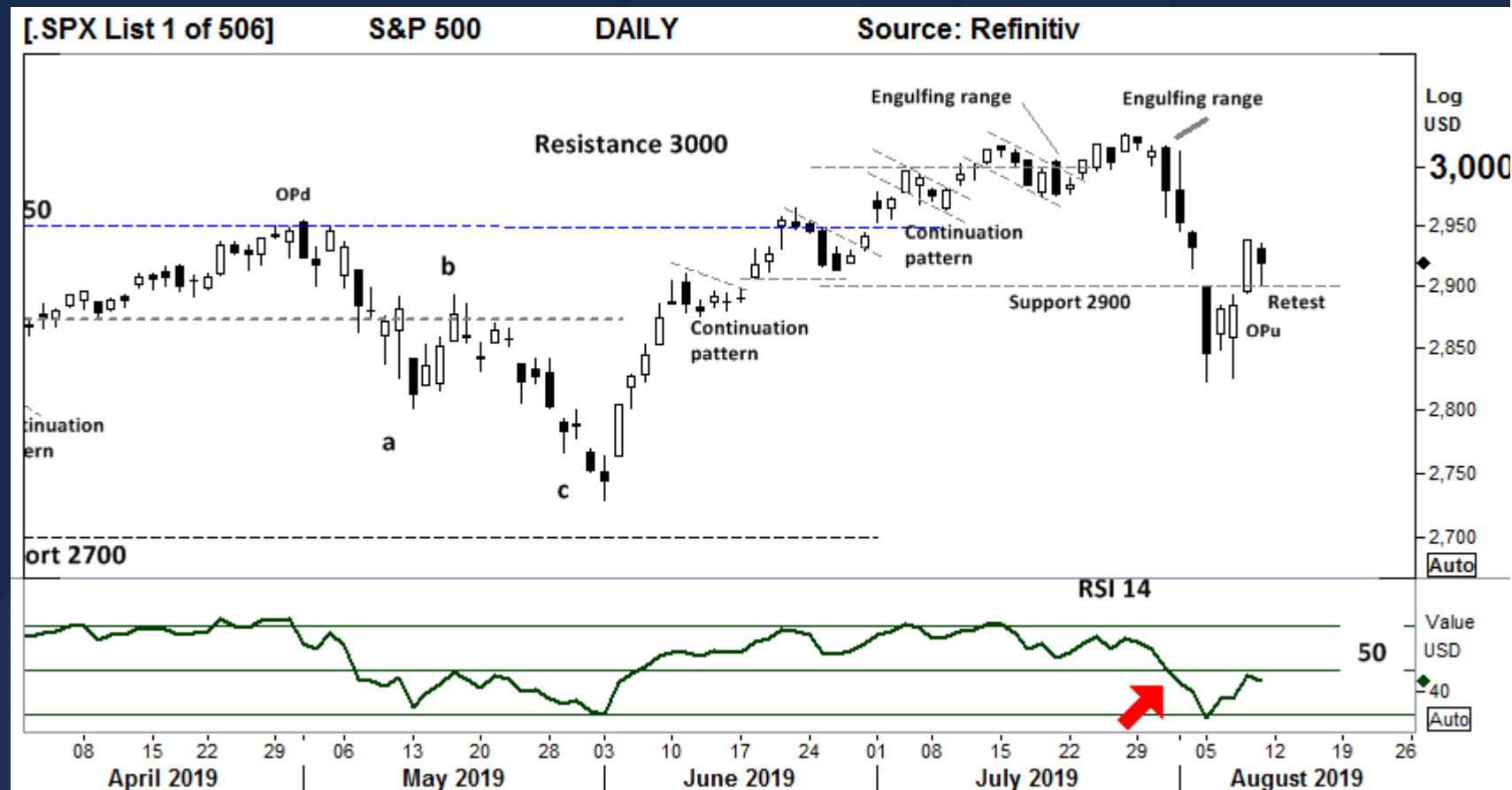
With the Relative strength moving below the 50 level the resulting “gap” down on an extended range has tested the 2850 level.

With an immediate recovery above the key 2900 level.

This is a very bullish sign for further gains.

Fridays retest of the 2900 level is an important level to hold in the coming days.

Comments from last week: Important support at 2900 to hold as the Relative strength has turned lower below the key 50 level.



Transports Index

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

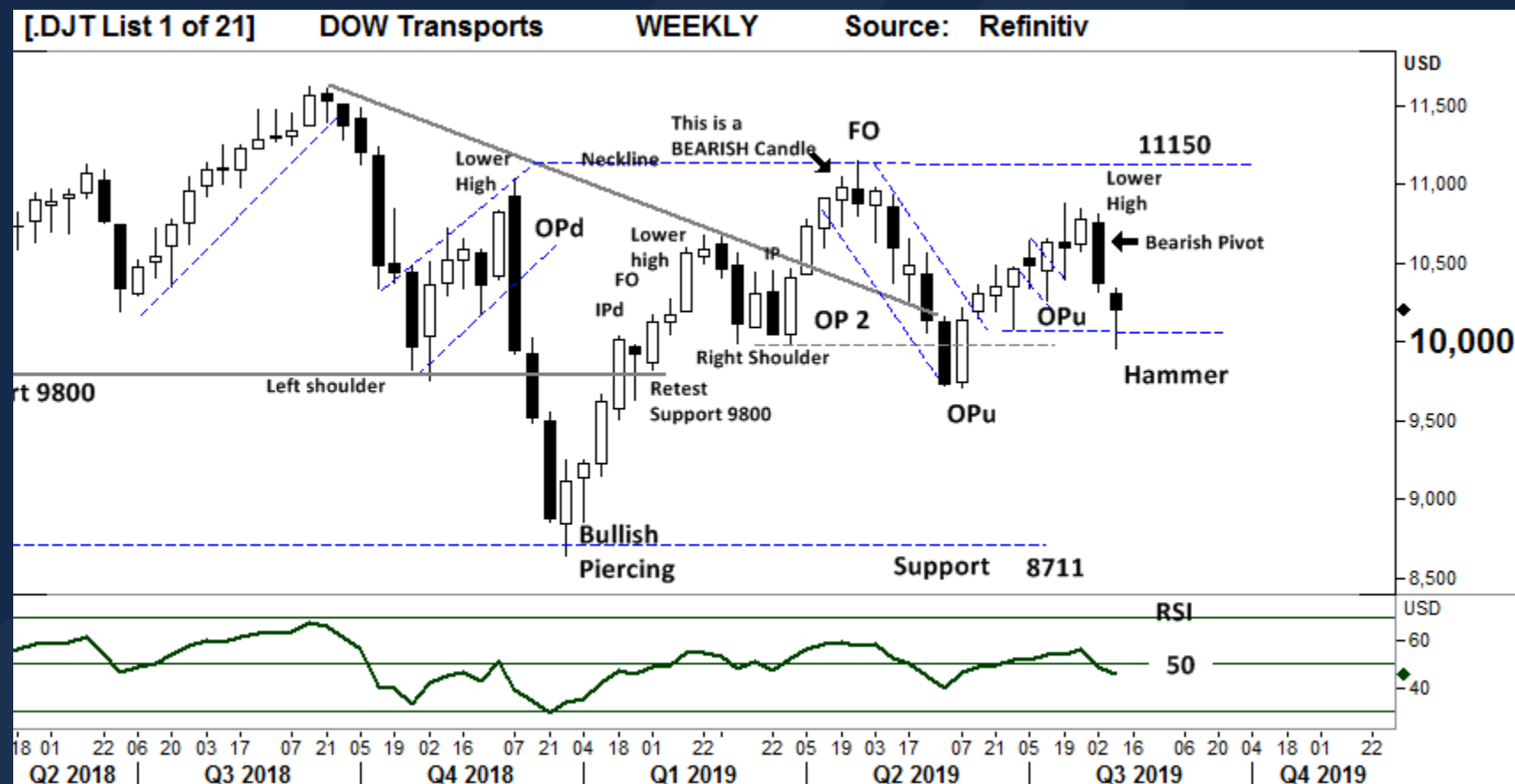
The bearish pivot has played out with a retest of the 10,000 level, the week closed above this level as a bullish hammer.

With further momentum expected traders would look for a retest of the 11150 level.

(This index remains a **NON CONFIRMATION** of the long term Bull market, a break of 11150 is required.)

Relative strength has moved lower a sign of lost momentum.

Comments from last week. The completed bearish PIVOT has now set up the index for a retest of 10,000 on any further weakness.



GOLD Weekly

Gold remains very bullish with this weeks large range bar closing over \$1500 oz.

This is now the key level in the coming weeks, expect consolidation at this level before a move higher.

The larger picture from June 2018 to June 2019 is a cup and handle pattern, very bullish in the bigger picture.

RSI swings over the "70" level confirming strong price momentum, however the rollover at these levels can result in price retracement as momentum changes..

Comments from last week: Last weeks price movements have resulted in an Outside period (OP) with a high close. This is very bullish for further price movement higher.



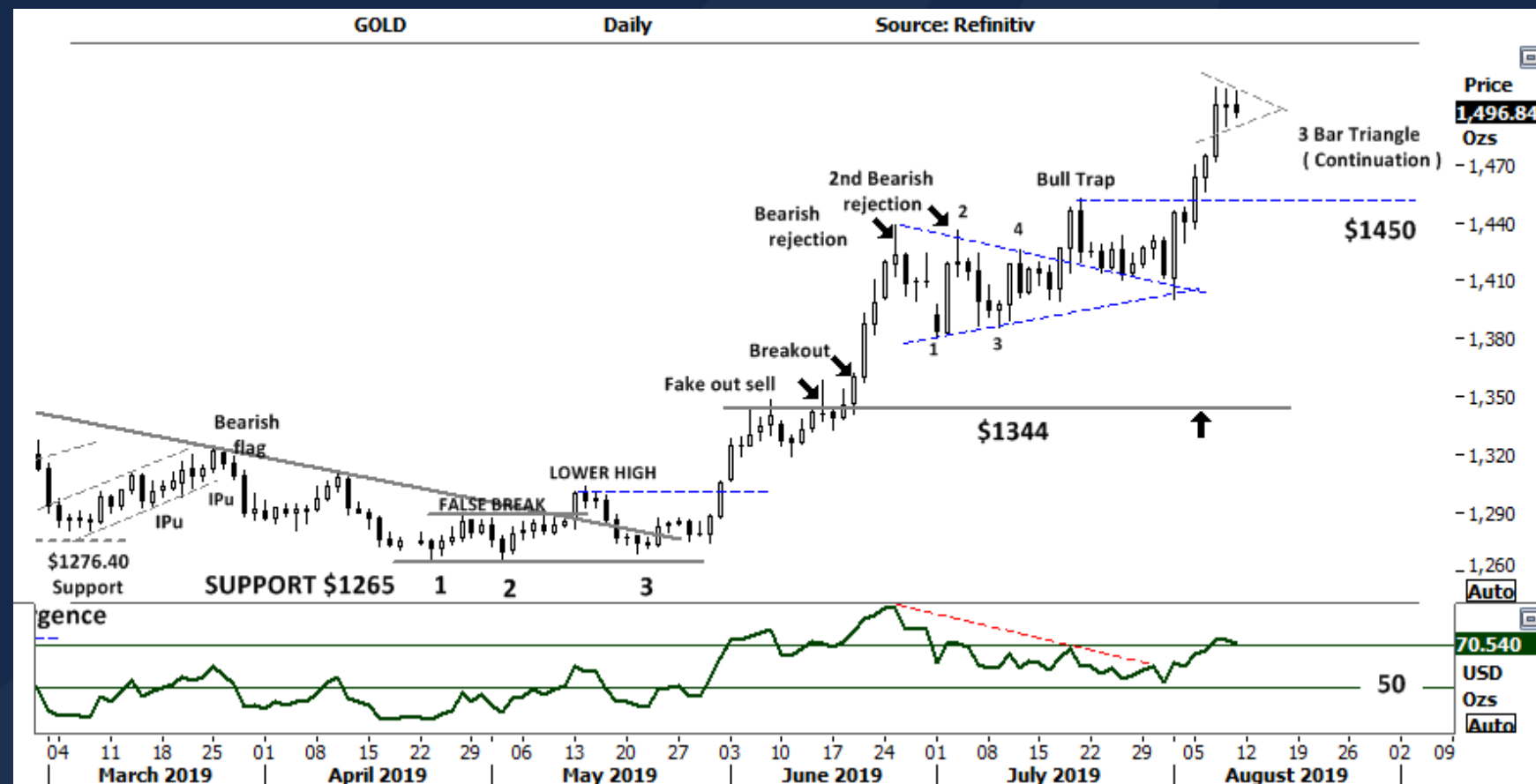
Gold Daily

The daily chart shows a 3 bar triangle, this is a very bullish signal with new highs expected.

Of concern is the Relative strength Indicator NOT making a new high. Potentially a bearish divergence in the short term.

In the coming days as momentum is slowing the Relative strength turns lower is at risk of turning back towards the 50 level.

Comments from last week: The very strong range from Thursday and Friday's high close remains very bullish for further gains with a breakout over the \$1453 expected in the coming week.



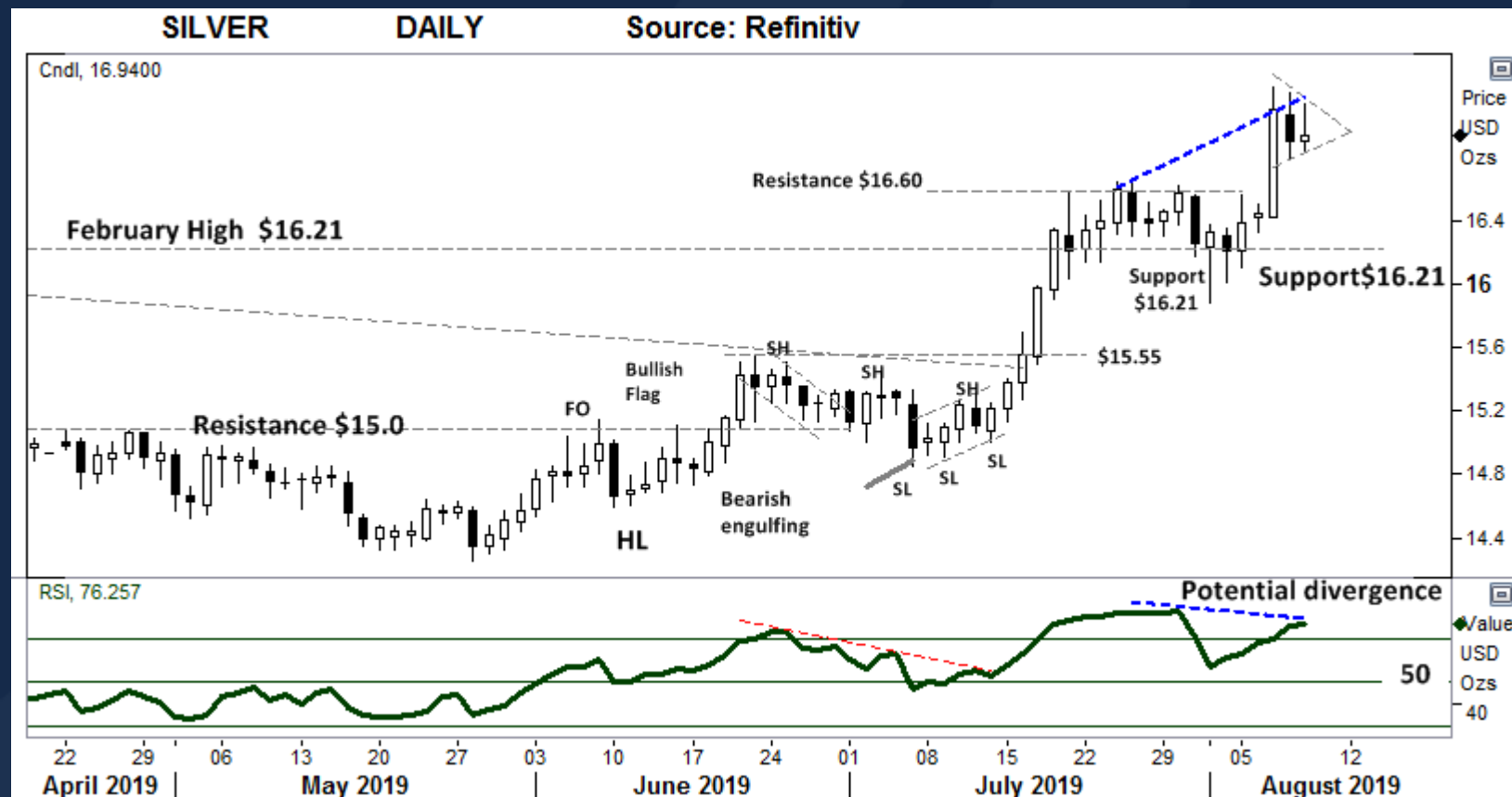
SILVER Daily

The small continuation pattern with price holding above the \$17.0 level sets Silver up for further gains in the coming days.

Of concern is the divergence between the price making a new high with the RSI not making a new high.

It should be noted, SILVER has also confirmed the overall precious metals bullish breakout.

Comments from last week: Solid price rejection at \$16.60 with closing price support at \$16.21. Silver remains in a Bullish consolidation range. The Bearish rejection of Thursday sets up a potential retest of the \$16.60 high.



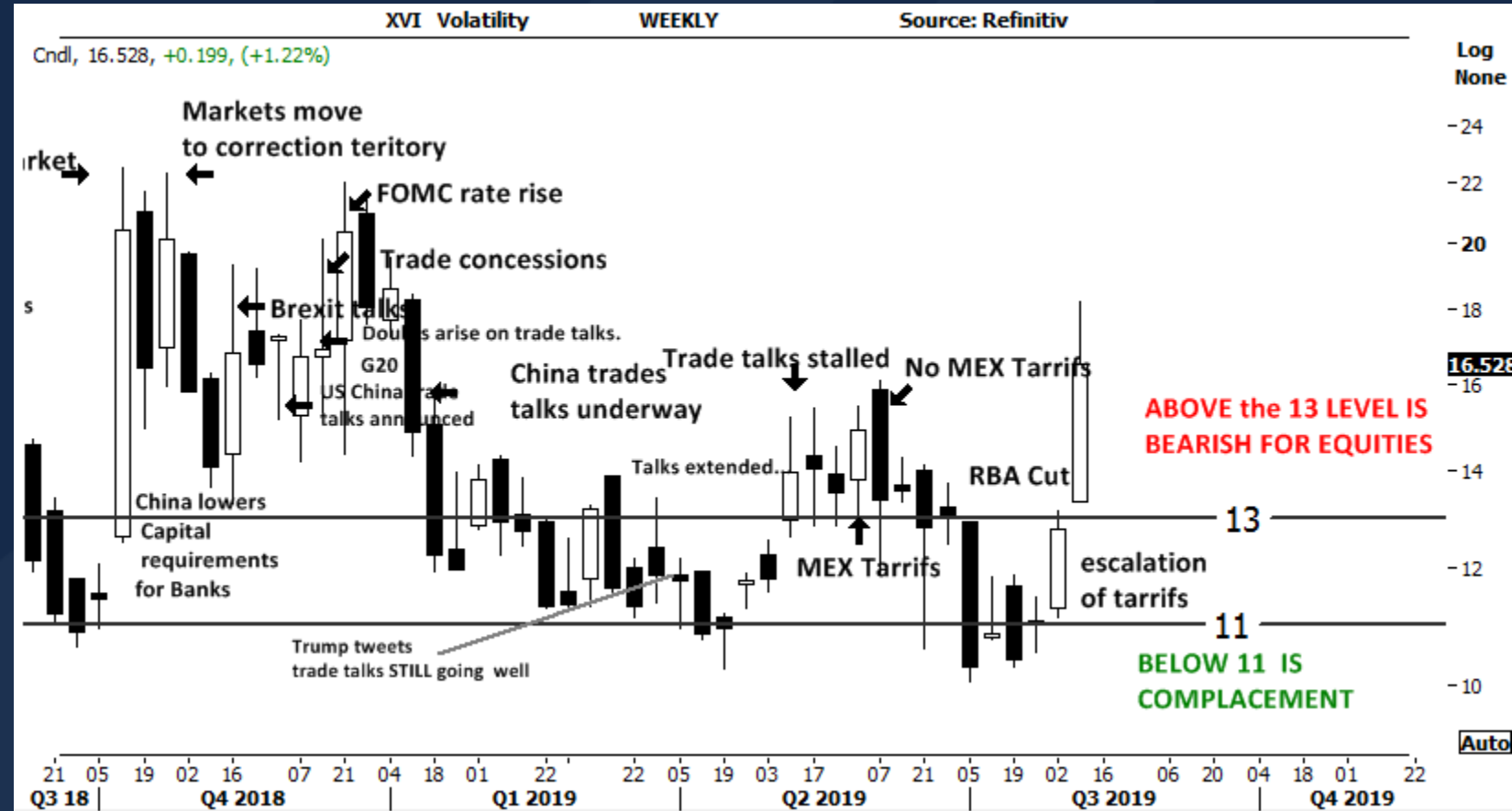
Australian Volatility Index

Current volatility levels, show a significant increase in the volatility indicator. This is moderately Bearish for equities.

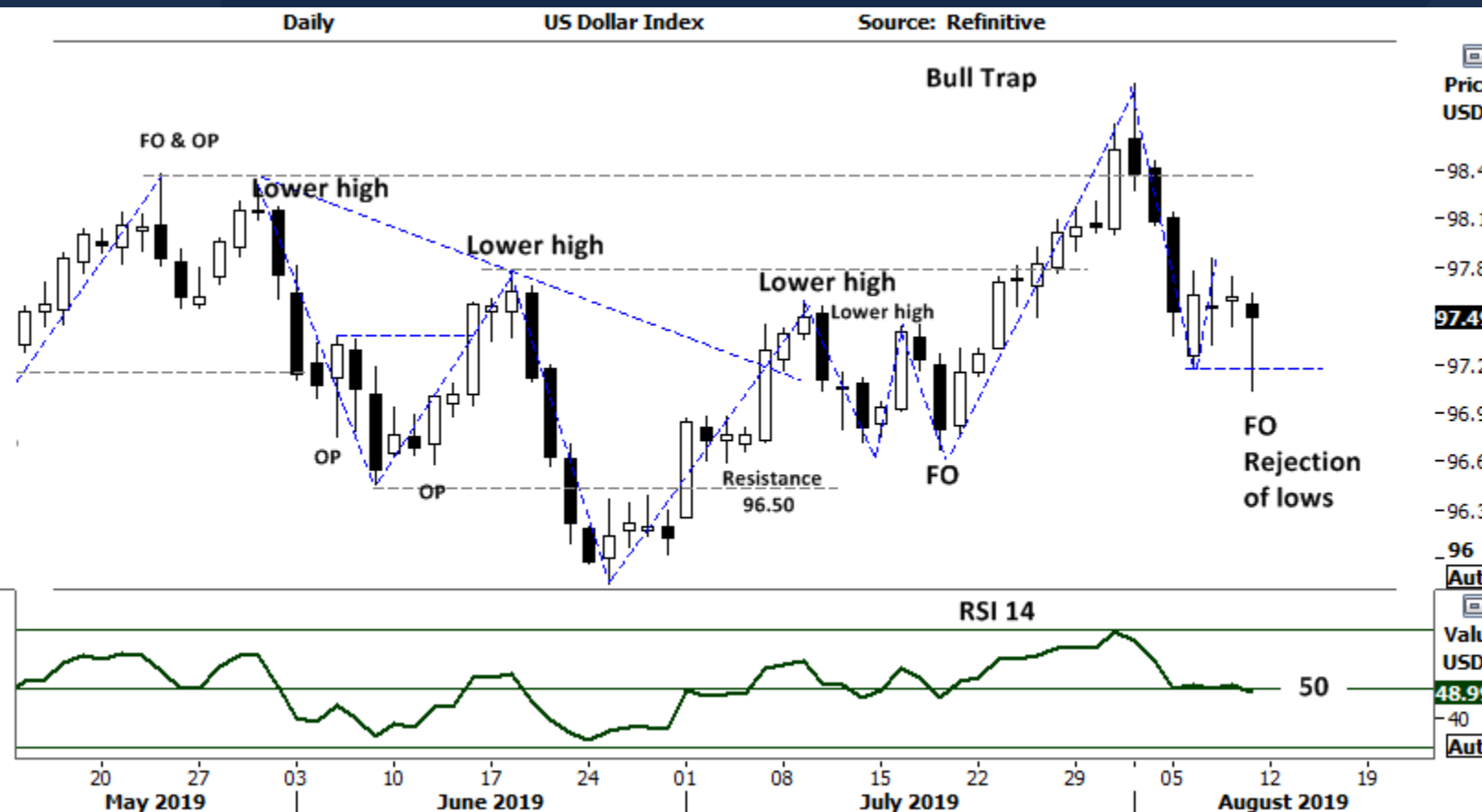
The XVI is the difference of 1 month forward pricing of ETO Options against current month.

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



Friday posted a Fake out (FO) low, this is a bullish sign for a further move higher. Traders would look for a retest of the 98.4 level.

RSI turns lower with a risk of crossing the key 50 level.

USD Price pressure on Commodities could restrict further gains in the larger miners.

Comments last week: The Daily Bull trap now in place, the close below 98.4 confirms a reversal pivot point in place.

Look for a lower retest of the highs at 97.8

WTI Oil WEEKLY

WTI Oil posted a Fake out (FO) low this week, with the weeks low price 2 cents below the bullish hammer low of July. Traders would look for a retest of \$61.80 in the coming days.

The Relative Strength Indicator turns flat and remains under the key 50 level on this weeks hammer candle.



Comments from last week:
OPEC's continuing comments for production cuts should hold a floor under Oil with price remaining above the key \$50 level.

The technical setups

Outside period

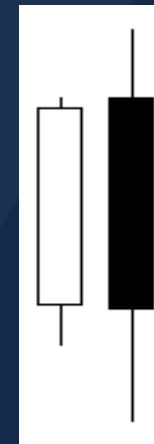
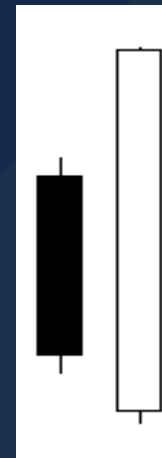
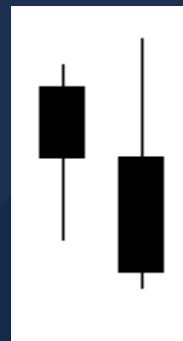
OPu and OPd

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

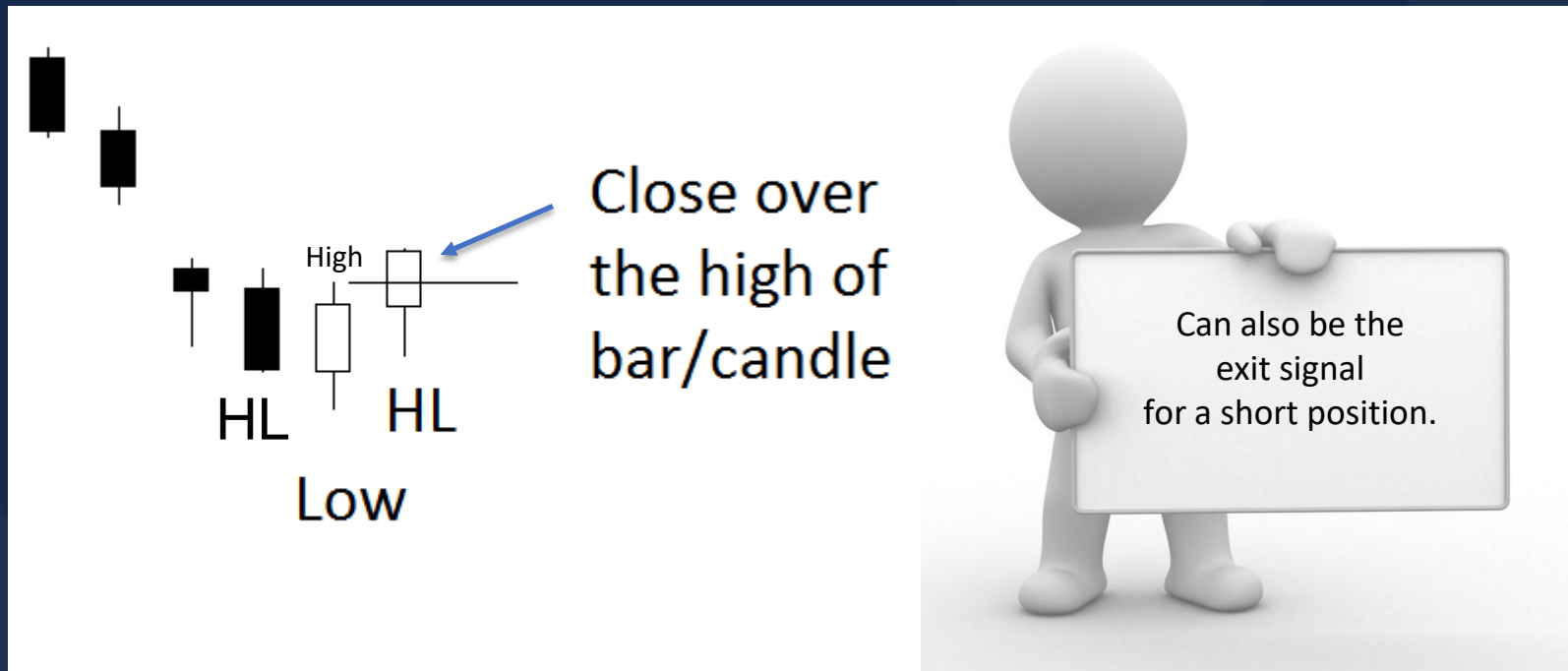
The outside period can mark a significant market turning point at or within 3 bars (93%).

OPu is an up close bar OPd is a down close bar.

The OP period comes in all shapes and sizes.

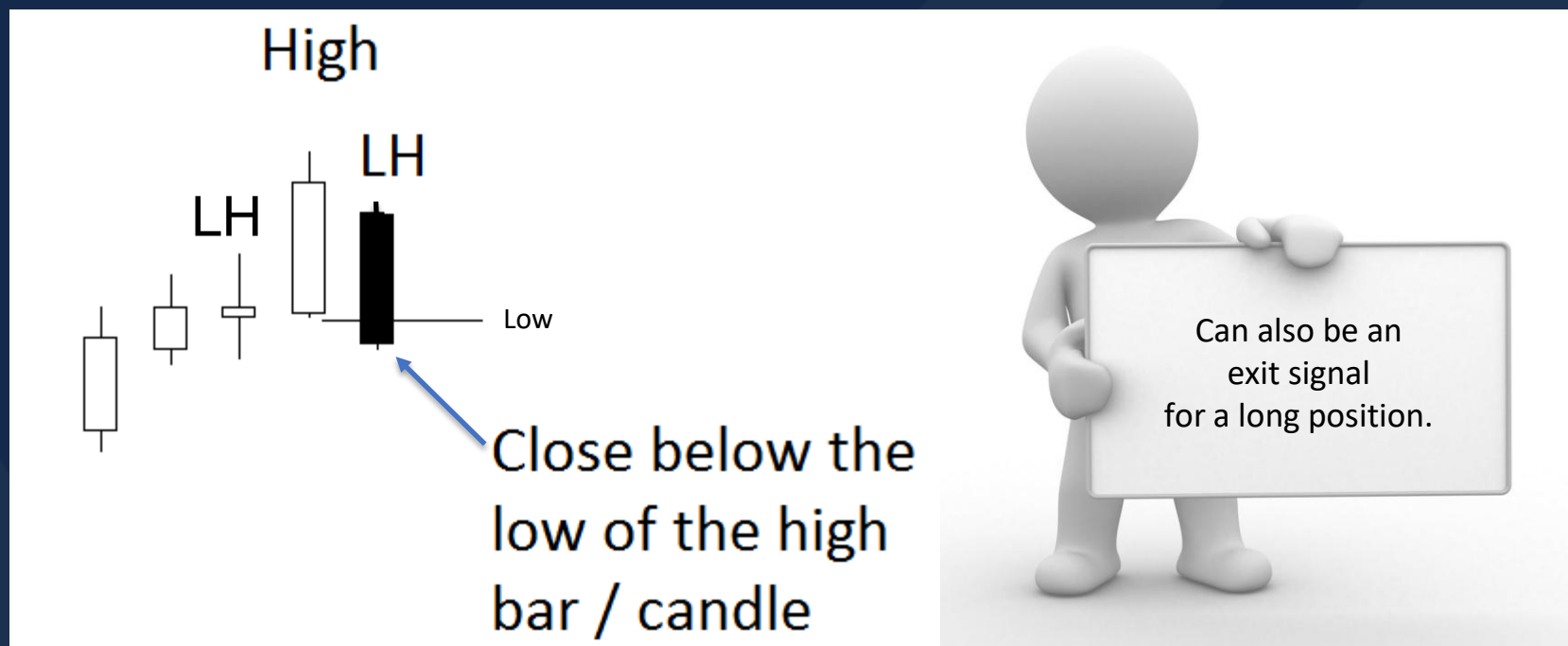


The technical setups. The Pivot point reversal



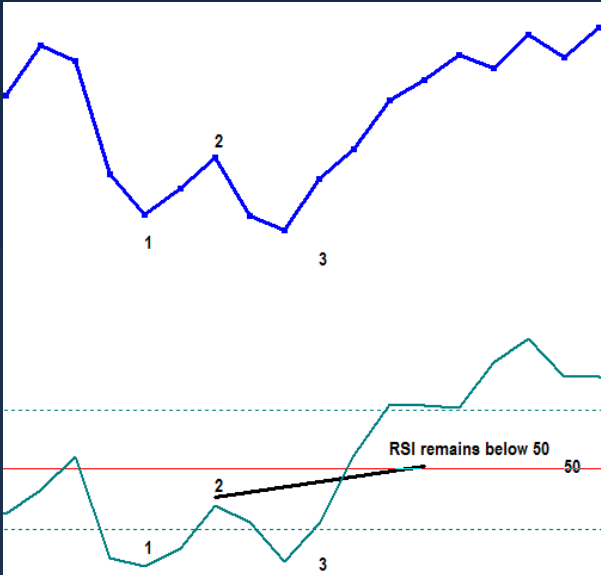
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



Relative Strength Indicator

SWING BUY SIGNAL.

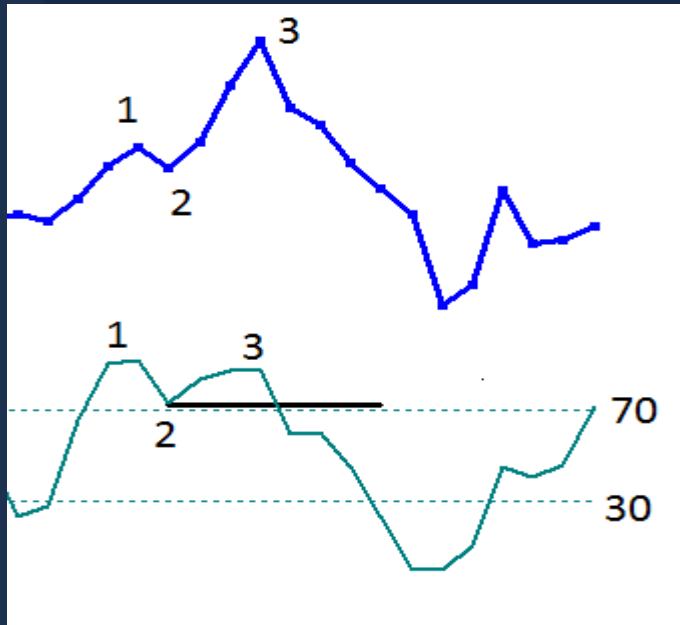
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- 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" **

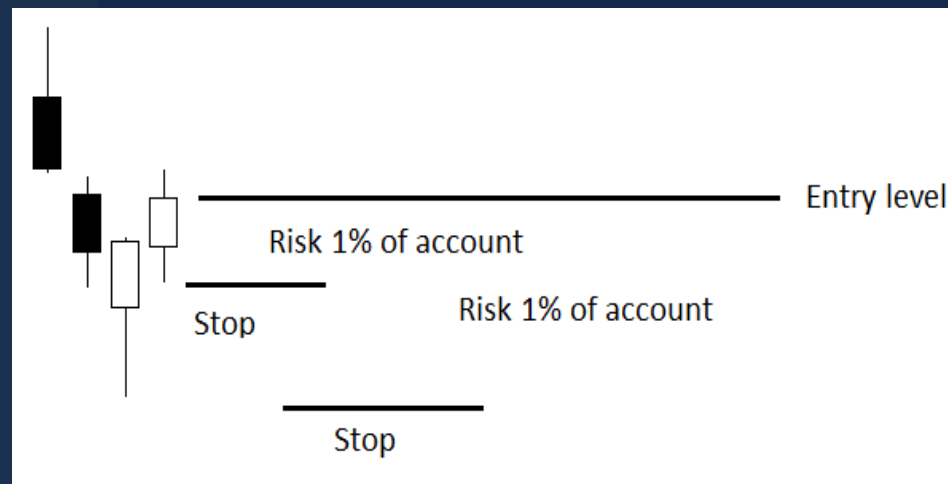
Swing failure is identified with the break of point 2 on RSI

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:
support@fpmarkets.com



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



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