

# *fpmarkets*

IN BLACK AND WHITE

the week beginning  
**01/04/2019**

A market technician's view

FX  
INDICES  
EQUITIES

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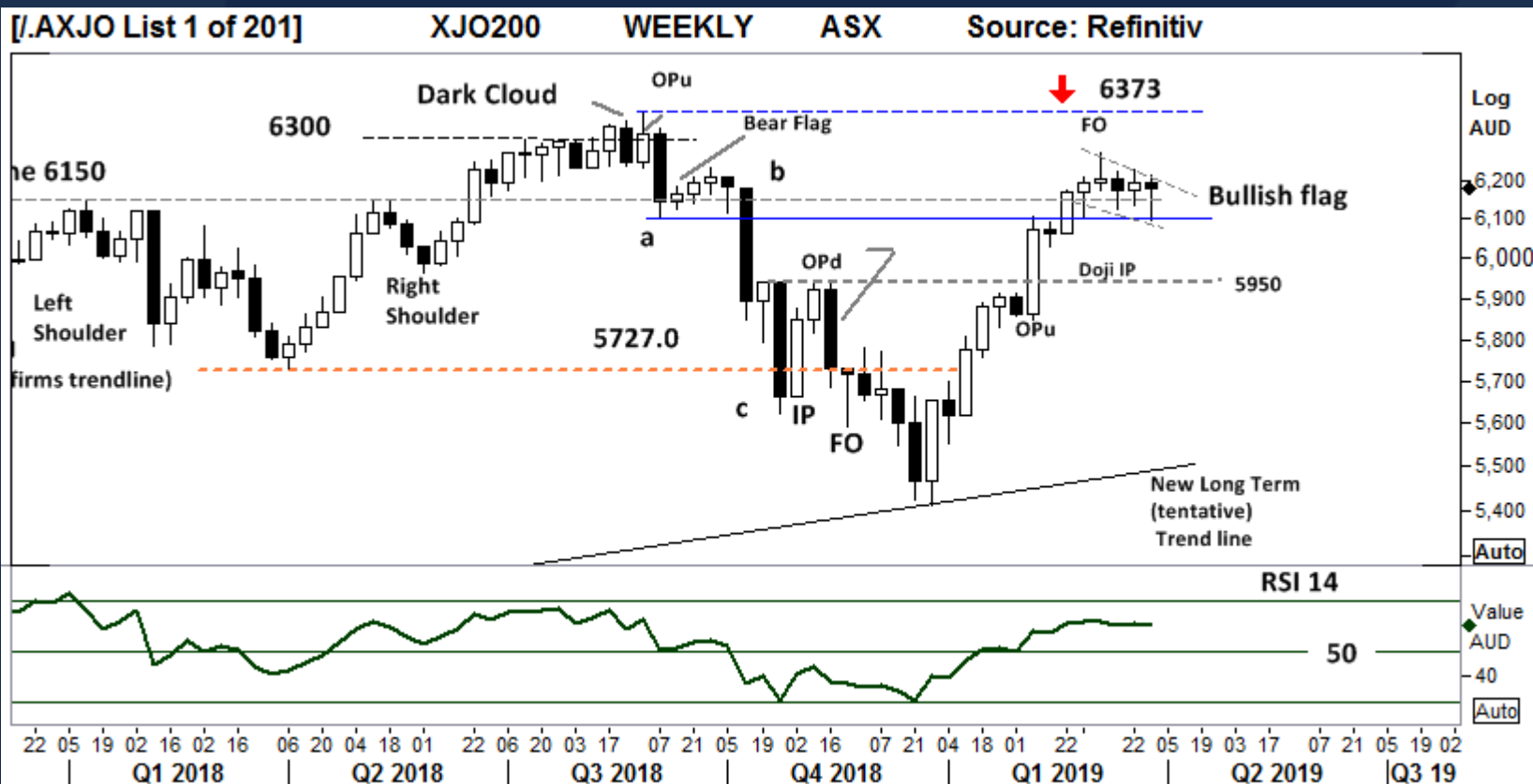
# SUMMARY

Equity markets have staged a significant recovery this week to finish the quarter with the best performance for 10 years.

Brexit is shaping up as a hard exit on the 12<sup>th</sup> of April, but the UK FSTE breaks out over 7200 with momentum.

Commodities remain bullish with strength in Oil, Iron ore. Gold retraces into consolidation.

# Australian 200 index – Weekly



The XJO remains in a **primary** down trend as this Bear market rally takes place. A closing breakout over 6373 would change this technical setup.

A new weekly low this week has developed into a bullish flag pattern. With a breakout expected, the target 6373 is first resistance level. This weeks low of 6097 suggest a retest of the lows are complete.

Relative strength remains positive above the key 50 level, but should be monitored for a turn lower.

## Comments from last week:

The Fake out bar (FO) is an early bearish reversal sign and remains.  
Current pennant may be the precursor to a sharp move lower a longer term retest of 5950 is expected.

# Australian 200 index – Daily



Another Friday close below this key 6200 level is an important observation showing a lack of conviction of the Buyers continuing. This week has confirm 3 spike low points in this consolidation, a very bullish pattern overall.

Relative strength again points higher above the 50 level, this should be monitored for a further turn down.

**Comments from Last week** XJO daily trend "UP" is showing signs of rolling lower with clear resistance at 6200 remaining during the week.

# S&P 500 Index – Weekly High 2813

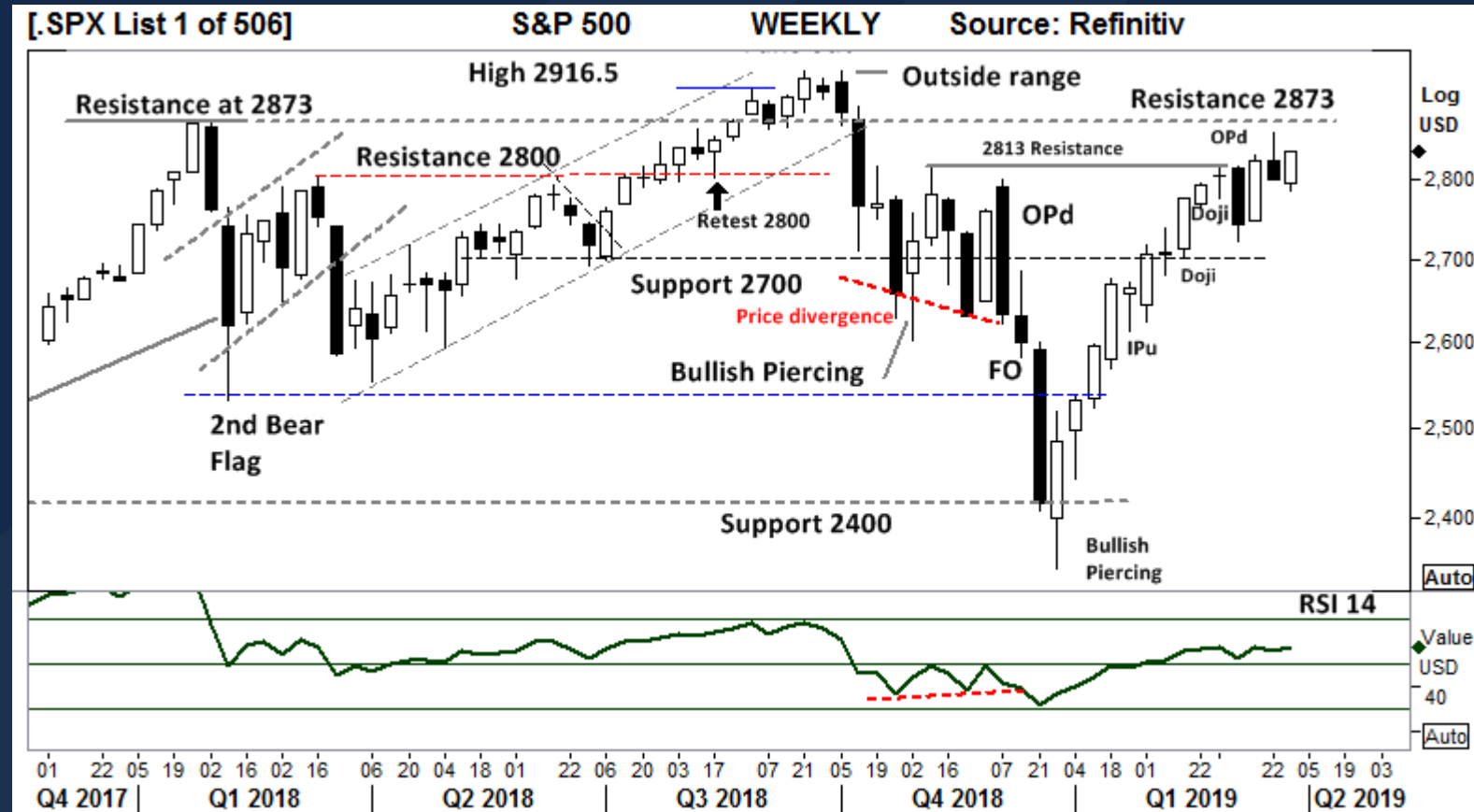
A characteristic of a true BEAR MARKET - short sharp price rallies, in this case a Christmas / January rally.

With a bullish body to body reversal and a close over the internal resistance of 2813 this week, a further retest of 2873 is expected.

RSI remains over the key 50 level and again rolling higher is a positive indication of improving price momentum. A move below 50 would be very bearish.

## Comments from last week.

The short test towards resistance at 2873 with rejection closing the week on the lows, is a significant bearish sign as the close is below the 2813 level of support.

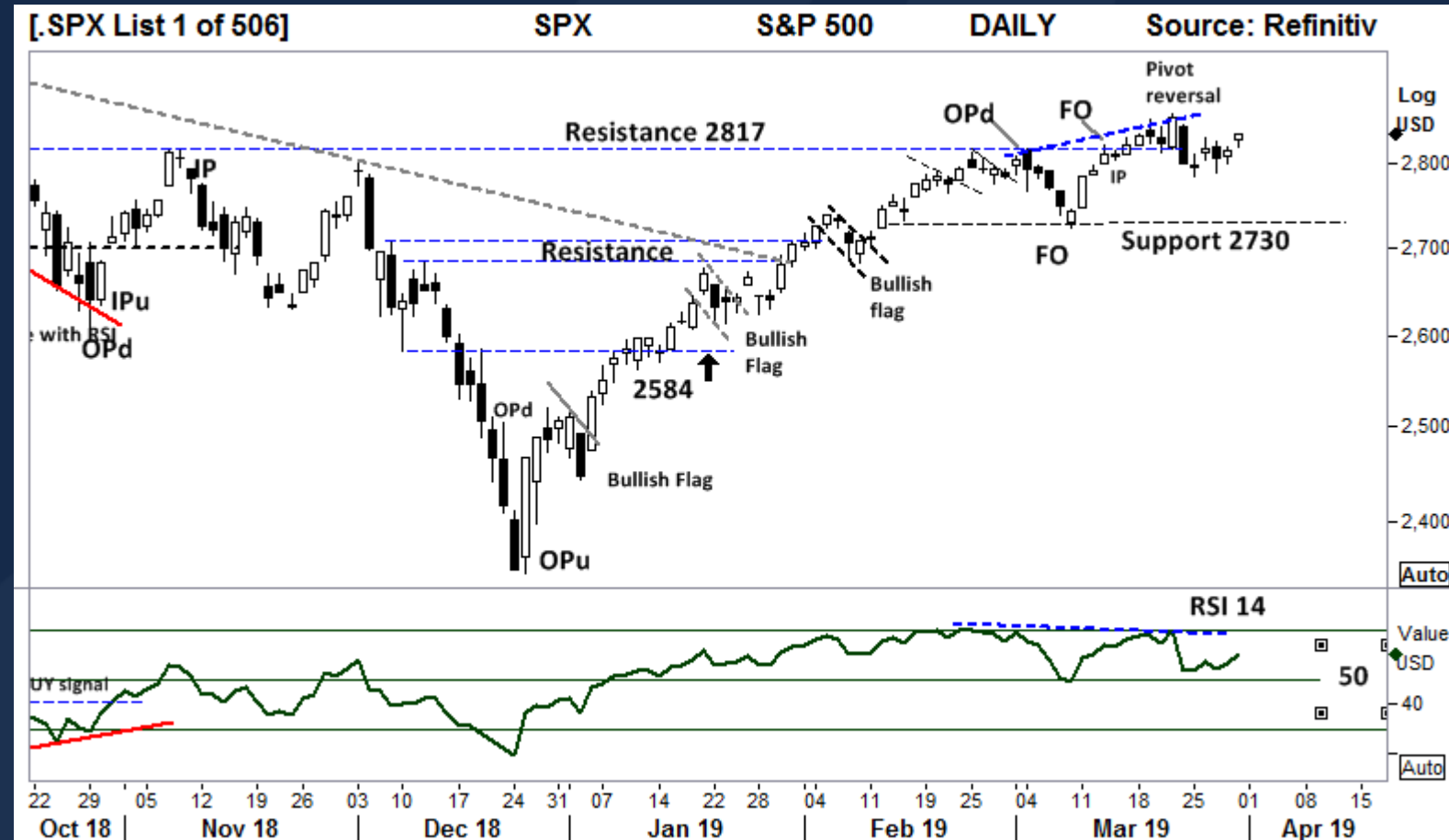


# S&P 500 Index - Daily

The breakdown below 2817 is very bearish in this short term view.  
Current consolidation with the body of the reversal may result in price failure to again test support.

Relative strength has turned higher showing an increase in positive price momentum

**Comments from last week.** Price is now showing bearish divergence as the RSI moves lower.  
Fridays close completes a “pivot point” reversal with the target of 2730 in play.  
days.





# Transports Index

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

The second OP (2) only indicates widening volatility in the developing righthand shoulder of this inverse bullish pattern.

The tentative trend line remains as the resistance point.

A bullish close over 10500 is required to confirm a breakout and confirm a bullish view on major equity indices.

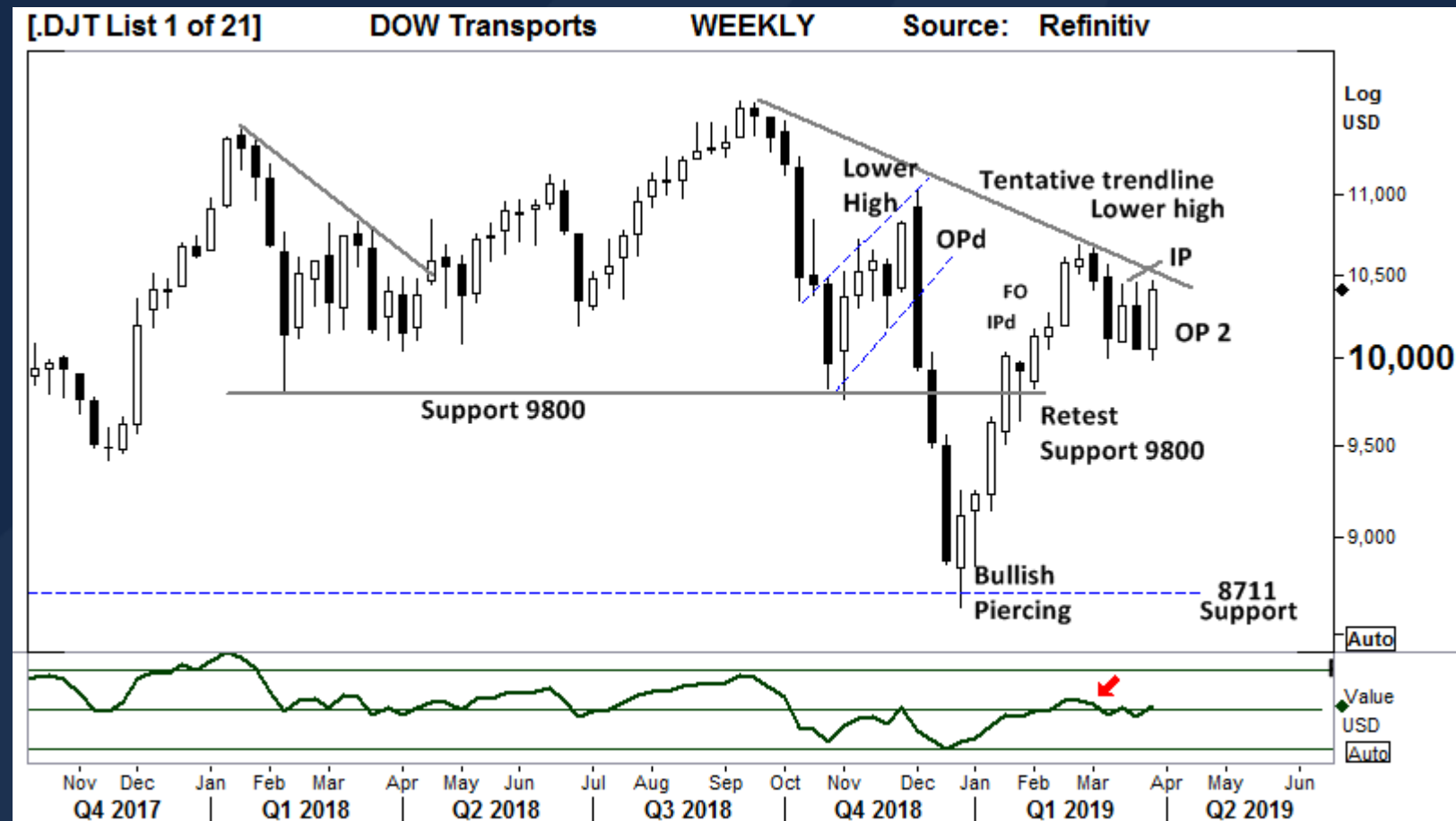
The Q4 2018 – Q2 2019 may resolve into an inverse Head and shoulder pattern.

Relative strength has again turned higher just over the 50 level.

## Comments from last week.

Two weeks ago the IP (inside period) a time of indecision has setup the higher low before a retest of the trendline this week, however the low close now confirms with the DOW 30 and the S&P reversal.

This is a very bearish sign for markets in general.



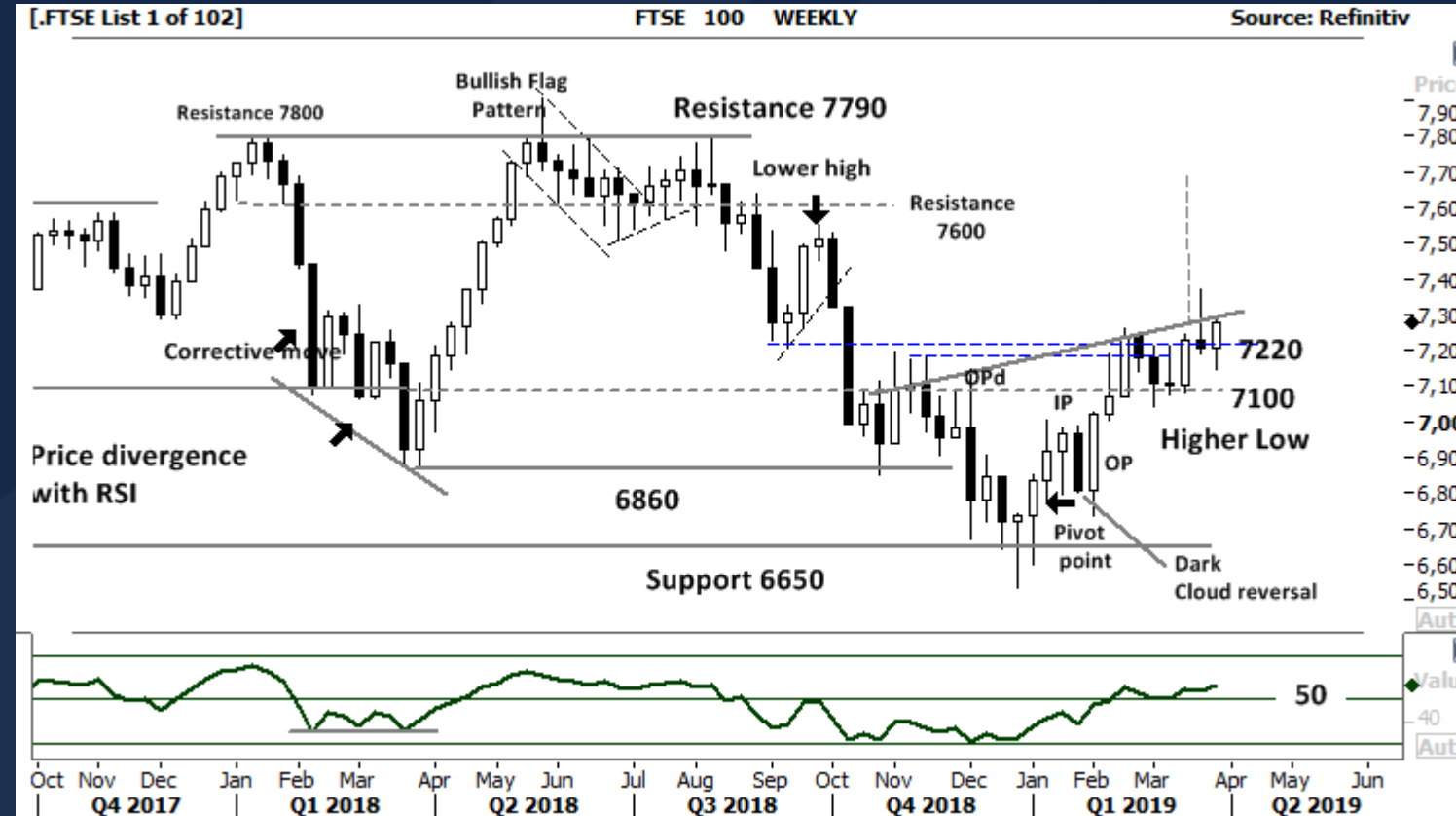
# FTSE 100 Index – Weekly

## FTSE 100 weekly:

The shooting star of 2 weeks ago produced a short follow through.  
This week has resolved into a new multi month closing high.  
Importantly the neckline remains the resistance to further gains.

RSI remains “flat” above the 50 level, this only confirms the coming price consolidation view.

Comments from last week:  
This week saw the breakout of this inverse head and shoulder pattern. The current weekly Shooting Star is a bearish setup for lower prices.  
Look for a retest of 7100 in the coming days, a close below this level would signal continuation lower.



# GOLD Weekly

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

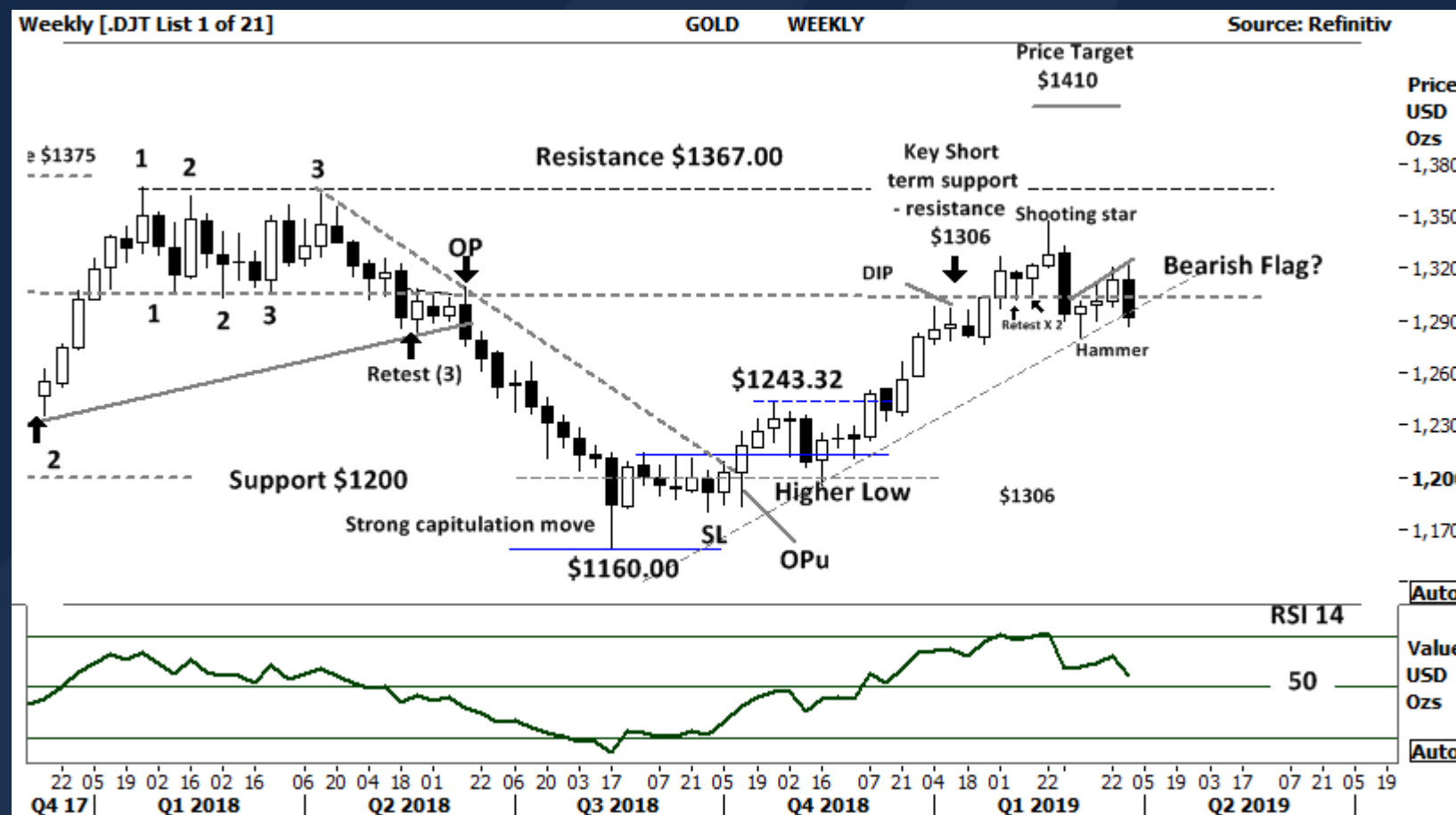
The longer term target of \$1410 remains in place.

The bullish hammer from 3 weeks ago is now followed by 2 small range candles of indecision. A bearish flag developing, the breakdown now targets \$1243.

Primary trend remains UP at this point, with a breakdown below the “hammer” bar would break the tentative trend line and place Gold into a primary down trend.

RSI remains over the key “50” level, although the indicator has turned lower in line with this loss of positive price momentum.

Comments from last week: Currently the price is forming a bearish flag pattern with the potential retest of \$1243.



# Gold Daily

Thursday has set a large range candle as the price breaks from the bearish flag pattern. Follow through is expected with a retest of lows at \$1280, a further close below this level would target \$1243.

Relative strength had turned sharply lower from above the 50 level, but again moved sideways indicating a continuing loss of positive momentum.

IPu = inside period up close.

Comments from last week:

Development of the bullish flag would indicate a move lower in the coming days.



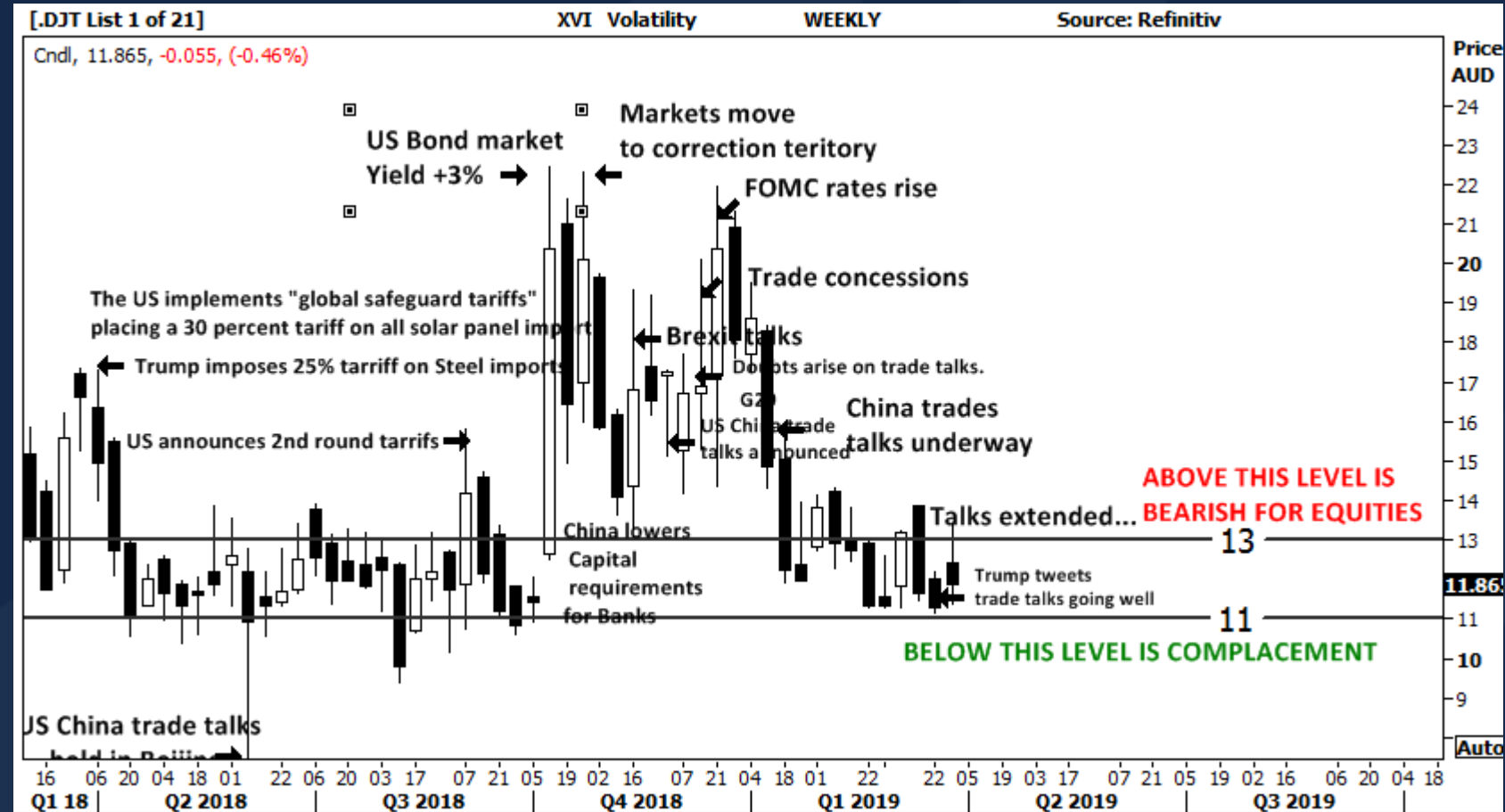
# Australian Volatility Index

Current volatility levels, have again moved below the key “13” level, this is short term bullish 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



The DXY remains within a trading range between 95 and 97.71.

A continuing rally towards 97.71 resistance is underway.  
RSI is rising indicating 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 DXY remains within a trading range between 95 and 97.71.

# WTI Oil WEEKLY

## Weekly OIL

The weekly bullish flag breakout is continuing on with a new multi month closing high. Next resistance level is shown at \$61.80. Relative strength has turned higher showing an increasing price momentum.

Further to this view, a breakdown below \$56.00 (long position Stops) potentially sets a \$42.0 target.



Comments from last week.

Support - Resistance at the \$55.38 level has again been tested this week with the price consolidation forming a bullish flag pattern, a clear setup for higher prices in the coming weeks

# The technical setups

## Outside period

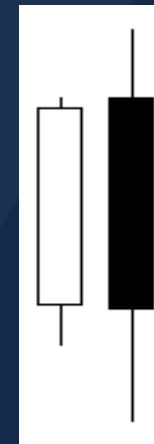
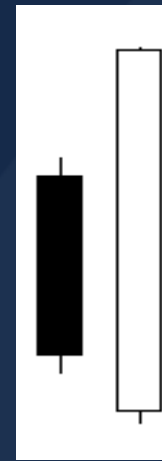
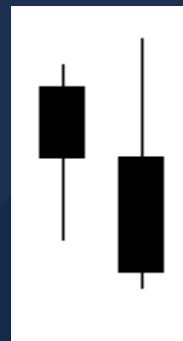
### OPu and OPd

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%).

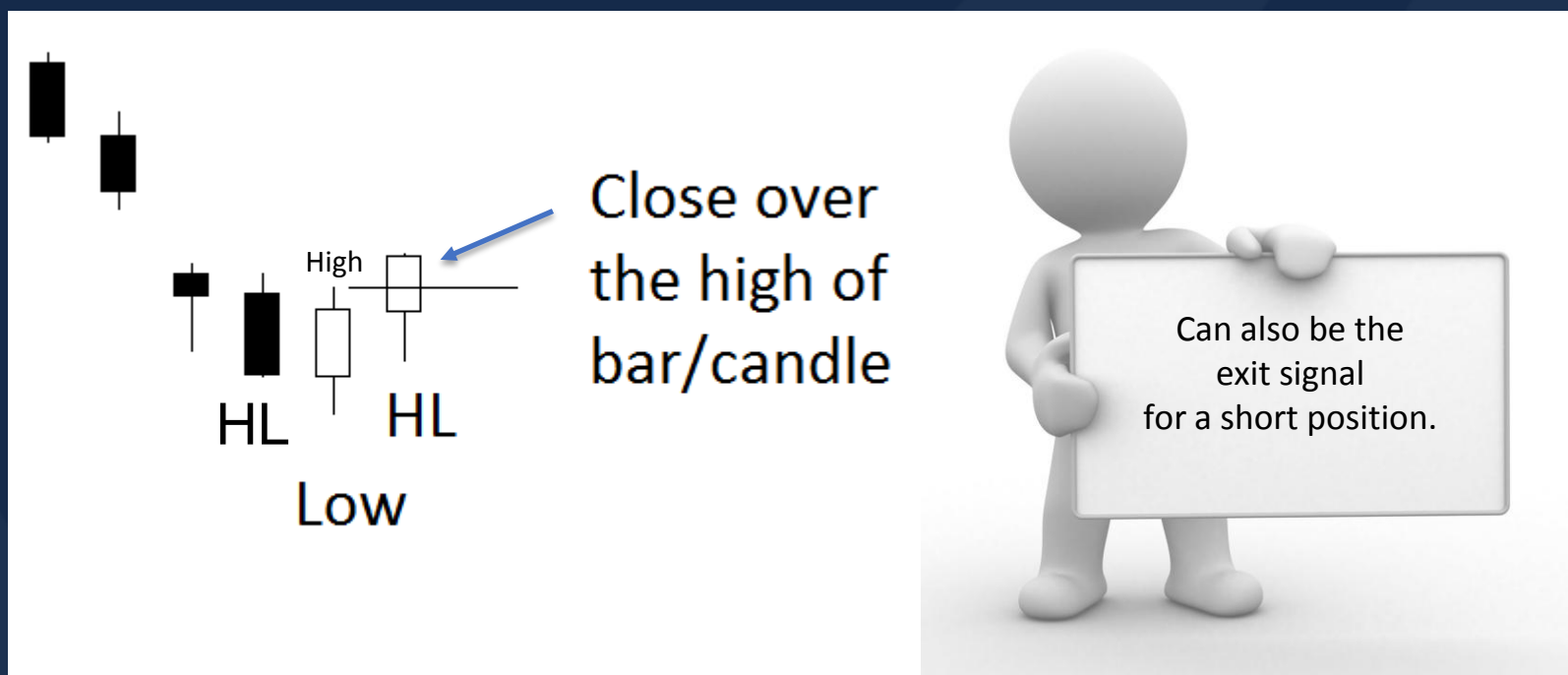
OPu is an up close bar OPd is a down close bar.

The OP period comes in all shapes and sizes.



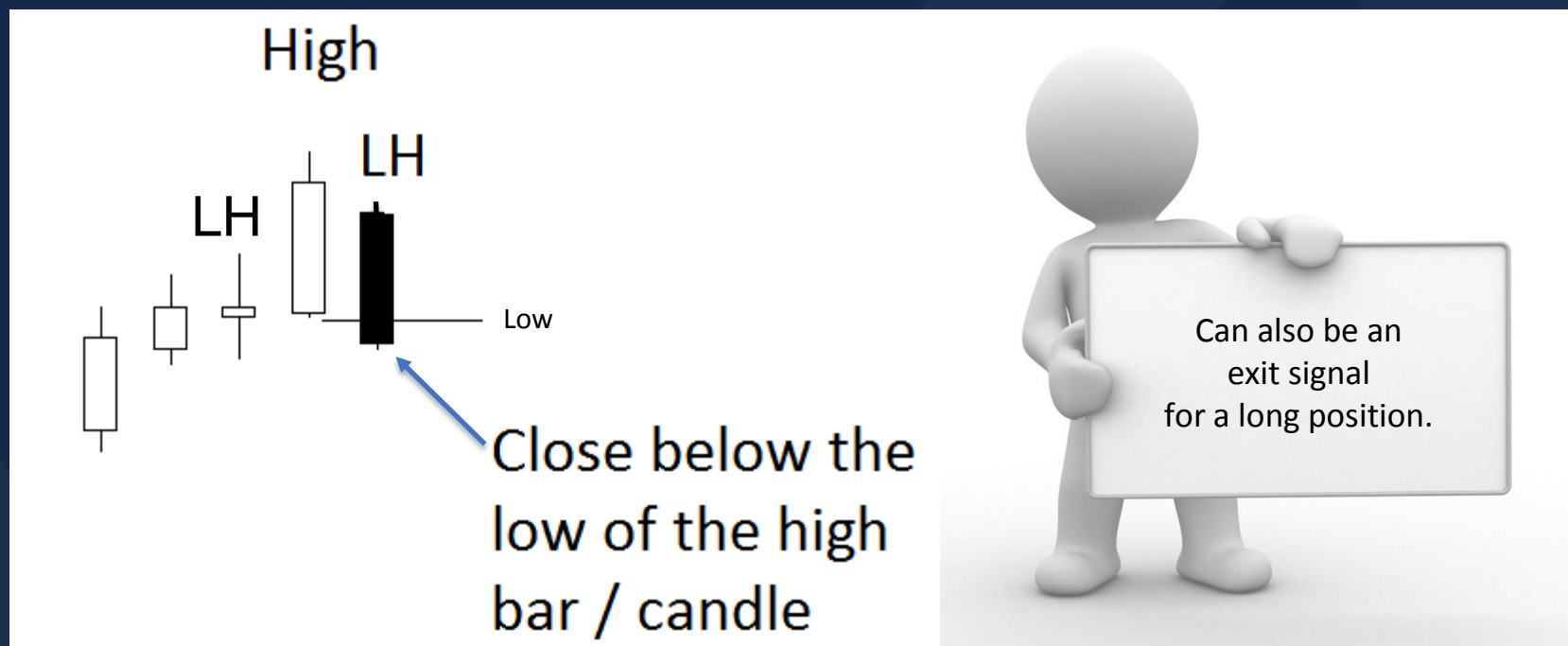


# The technical setups. The Pivot point reversal



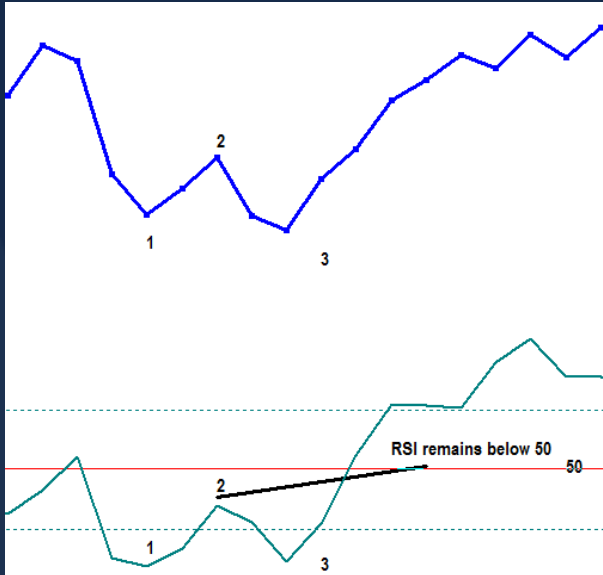
# The technical setups

## Pivot point reversal



# THE TECHNICAL SETUPS

## Relative Strength



### Relative Strength Indicator

#### SWING BUY SIGNAL.

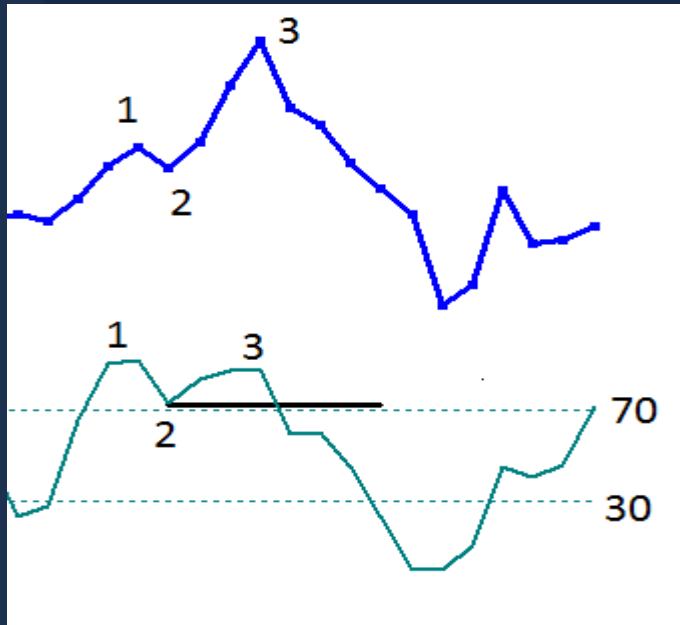
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- 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" \*\*

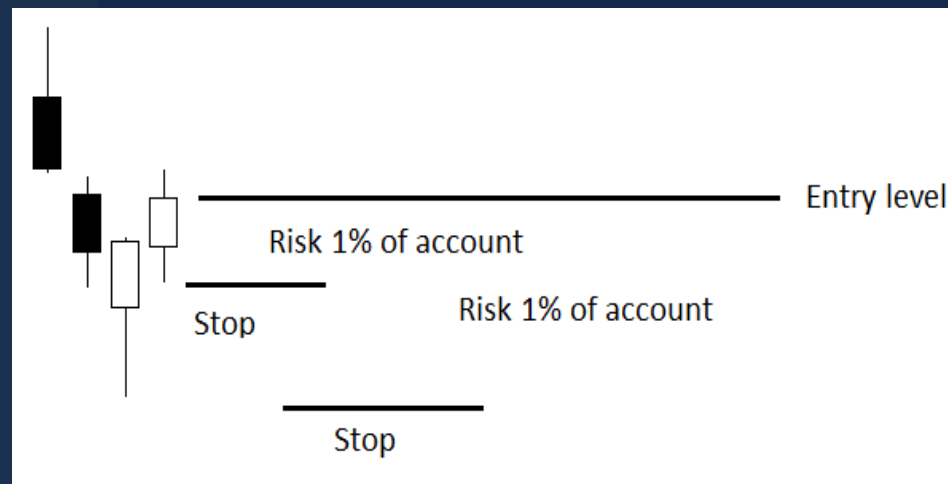
Swing failure is identified with the break of point 2 on RSI

# 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:**  
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THANK YOU