

the week beginning 06/01/2020

A market technician's view

FX INDICES EQUITIES



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SUMMARY-

Futures markets reacted strongly to surprise events in the middle east, with the move lower following into the major Indices' during Friday's session.

This may set an uncertain tone for the coming weeks.

WTI Oil spiked higher on the news, an unwanted economic pressure in major economies.

Gold and Silver have staged major breakouts, with strong movements higher through resistance levels with Gold closing at a 5 year high.

Australian 200 index - Weekly





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

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.

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

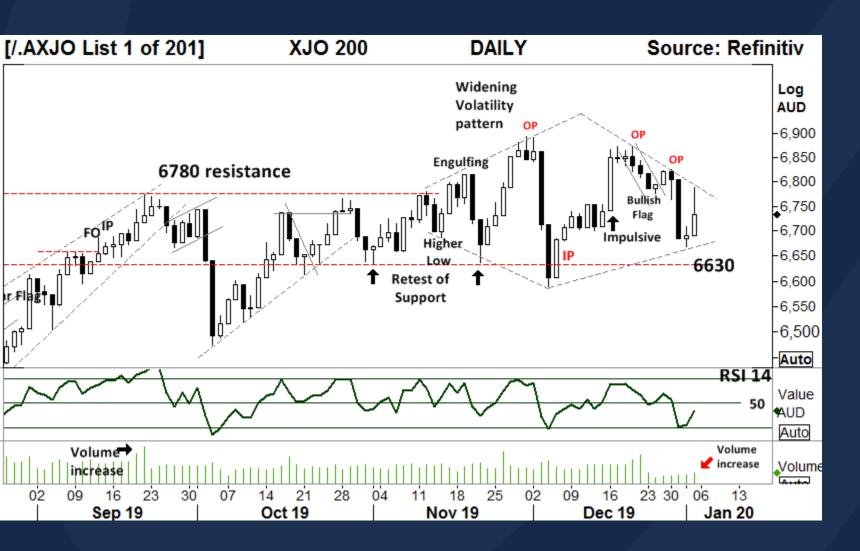
MACD has turned BULLISH as both averages move higher.

Comments from last week: This current 4th
Quarter ascending pattern remains bullish as the market again tests 6890.
Last weeks inside period/range is suggesting a stable market without decision.

6740 support is the key level to hold for this market to remain bullish for early 2020.

Australian 200 index - Daily





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

The Relative strength Indicator has turned higher again after the swing low crossing below the "50" level.

In this light Volume trading period, Volume did increase on Fridays pivot point reversal however with the low range close this is viewed as a bearish day.

Comments from last week: In this shortened trading period the market has shown a Bullish flag breakout, a very good sign for a further retest of the 6890 highs in the coming days.

Volumes remain significantly light, this could lead to volatility in the coming weeks until the full trading market returns.

S&P 500 Index – Weekly

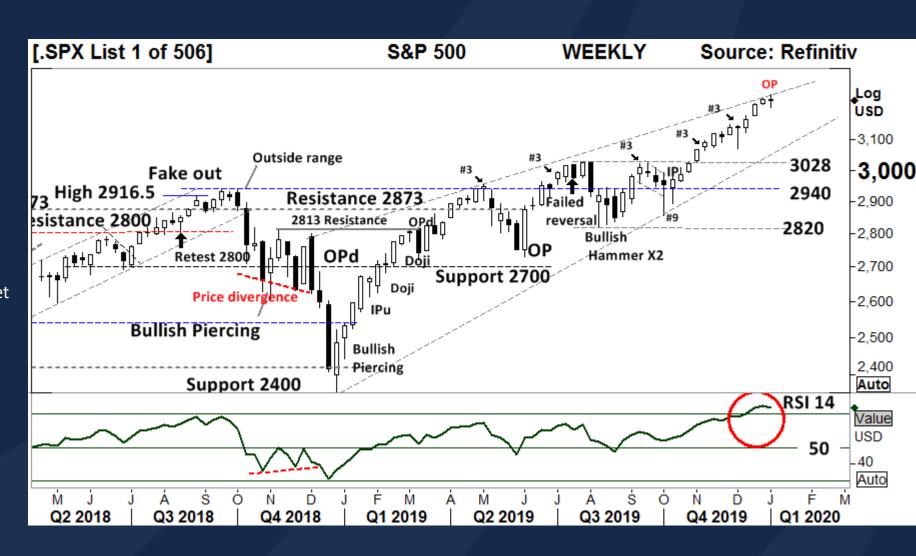


The Primary UP trend remains in place. As Volatility measures remain high.

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

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

Comments from last week. The persistent weekly highs have defied all of the reversal signals from the breakout of 3028. While the RSI remains positive swinging higher over 70 this can lead to bullish exhaustion, however the current weekly high of 3250 is a good sign for continuation into early 2020.



S&P 500 Index - Daily



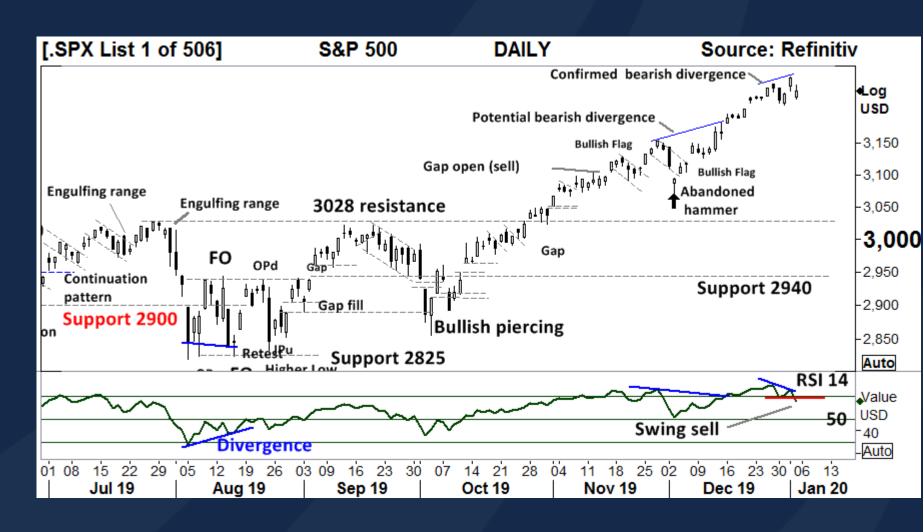
S&P has provided a 2nd bearish price divergence with the Relative strength Indicator that has now shown a swing sell signal.

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

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

Comments from last week: Last weeks STRONG bearish divergence has failed to bring in the Bears.

The exhaustion signal of the Gap higher from 5 trading periods ago has also failed to bring in the sellers. Both the daily and the weekly RSI has turned higher over the 70 level, and remains a strong signal of positive price momentum.



Transports Index



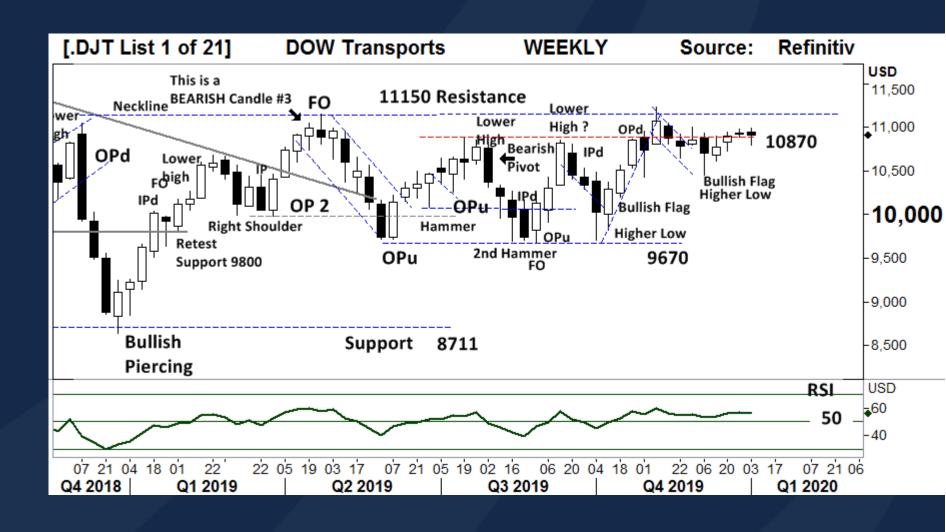
Dow Theory trend analysis states, the transports must confirm major indices.

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

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.

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: Last weeks short range remains positive with a close above the key 10870 level. The bullish flag breakout is not strong but has set a potential "higher low" a good sign of buyers in control.



GOLD Weekly



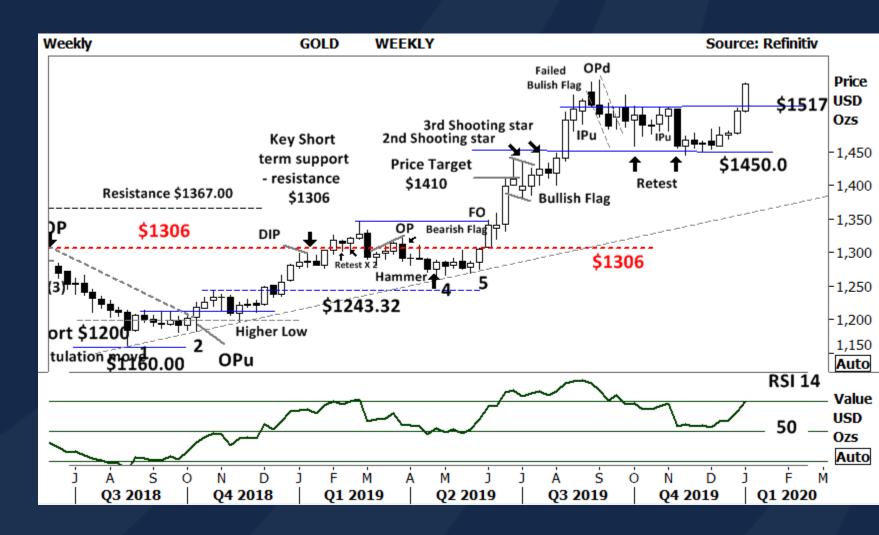
A very strong breakout to test September highs, with a high close in the range is very bullish for further gains in the coming week.

This corrective move higher sets Gold back into the underlying Primary UP trend.

Relative strength remains over the 50 level, the current turn higher continues to show increasing positive volatility.

Comments from last week: Gold tests the \$1517 resistance with a very strong trading range with the weekly close in high part of the range.

This is a potential precursor to a continued breakout higher.



Gold Daily



GOLD moves to a Daily UP TREND.

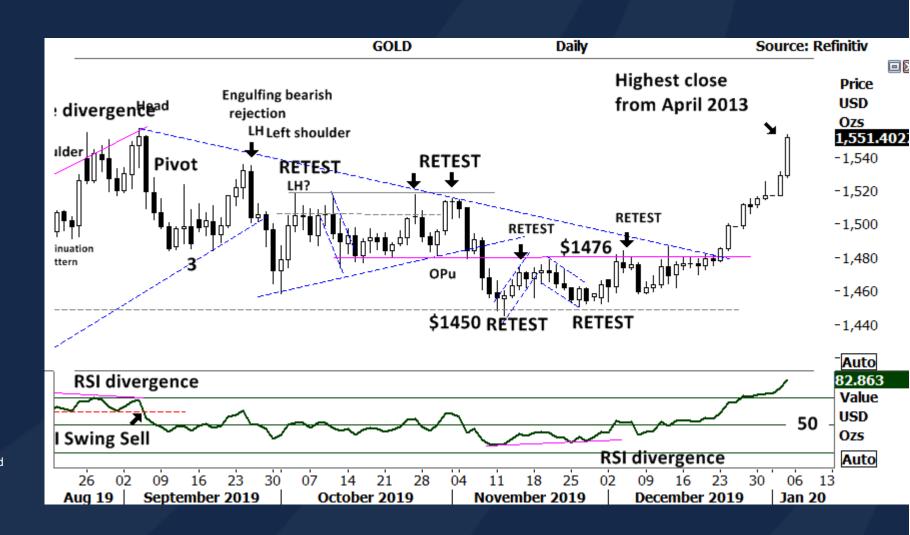
With the highest daily close since April 2013 the daily chart remains very Bullish.

Fridays large range bar closing on the high is a good sign for further price gains in the coming days.

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: The daily price action makes a significant breakout from both the major resistance of \$1476 and the down trend line on very strong daily ranges.

Daily resistance at \$1517 remains, a further breakout higher would bring in a potential retest of \$1550 and a move higher.







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.

The Relative Strength Indicator is 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 a strong sign of increasing upward momentum as is the current first break of the short down trend line. This current retest of \$18.00 is a very bullish sign for further gains.





Australian Volatility Index

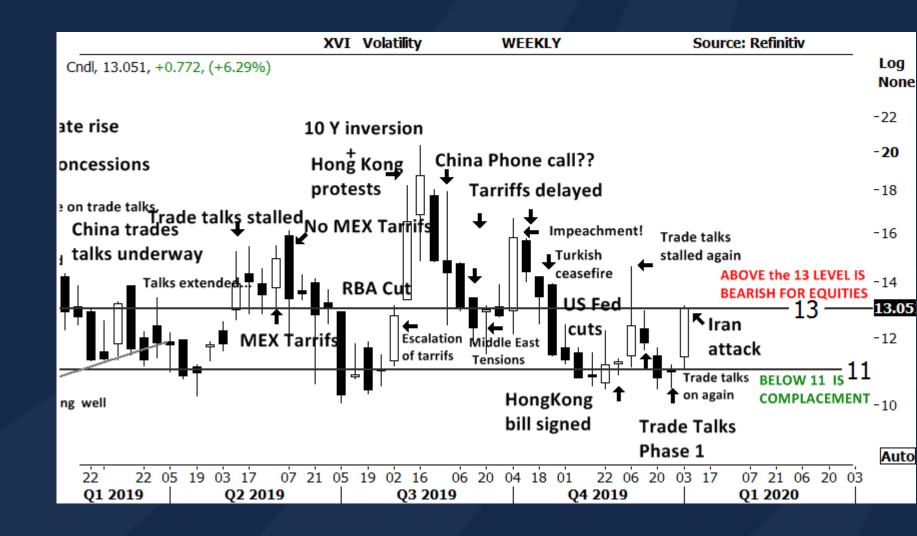
Current volatility levels, show a significant increase in forward volatility values, this is a Bearish sign the market is focused on immediate near term risk.

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.

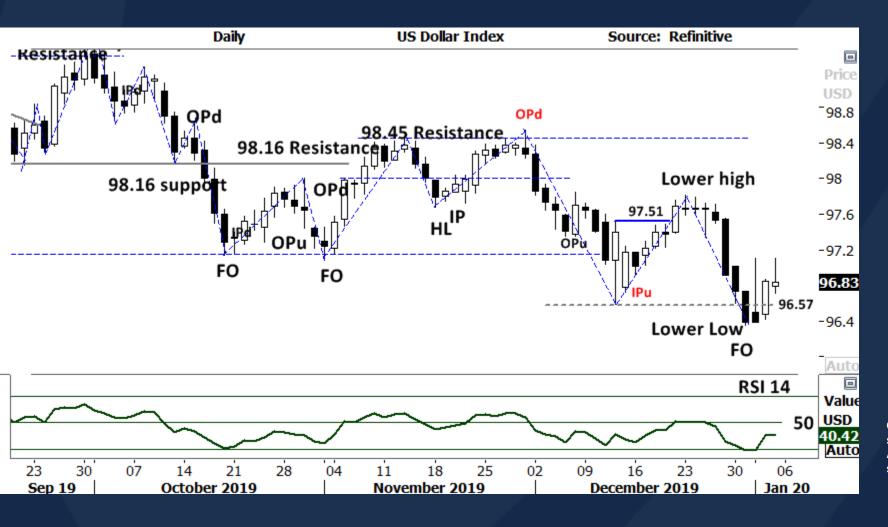
The XVI value works as an inverse observation to the underlying market.

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.
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.

RSI turns sharply lower crossing the "50" level and remains below the 50 level a good indication decreasing and negative price momentum.

Comments last week: The violent move on Wednesday has shaken the buyers with further selling on Friday. A further breakdown below the 96.57 level would have the sellers in full control.

WTI Oil WEEKLY



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.

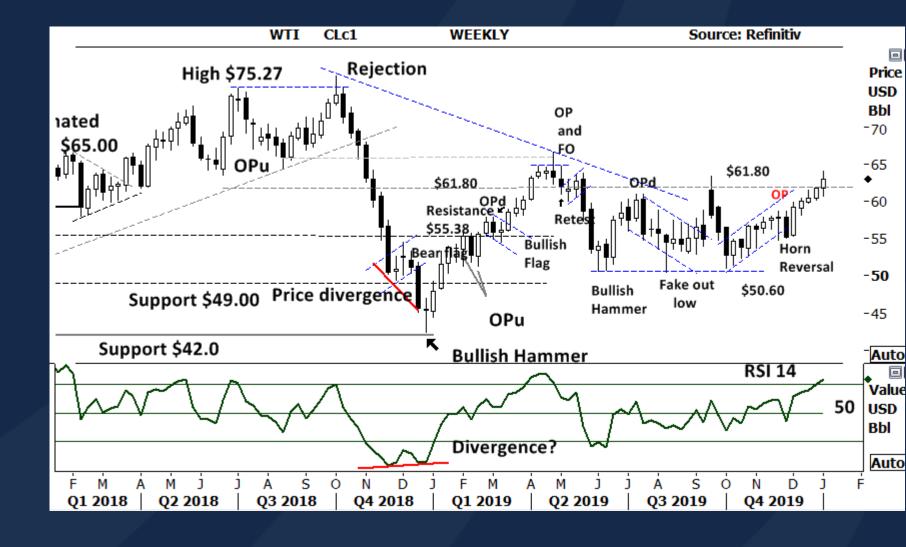
Continuing upside price to test movement to test \$75.27 in the coming weeks.

Major support remains at \$50.60

The Relative Strength Indicator turns higher above the 70 level, a sign of increasing Upside momentum.

Comments from last week: With a continued testing of the \$61.80 level a breakout from this 6 month trading range looks imminent.

Next price target is \$65.00.







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

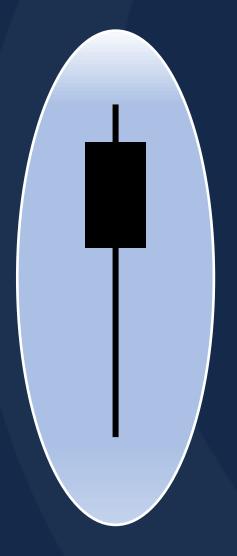
When Line #3 is found at a HIGH PRICE AREA Long positions should be closed within a week.

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.

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