



IN BLACK AND WHITE

01/02/2019

A market technician's view

**FX
INDICES
EQUITIES**

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Australian 200 index - Weekly



Short weekly view.

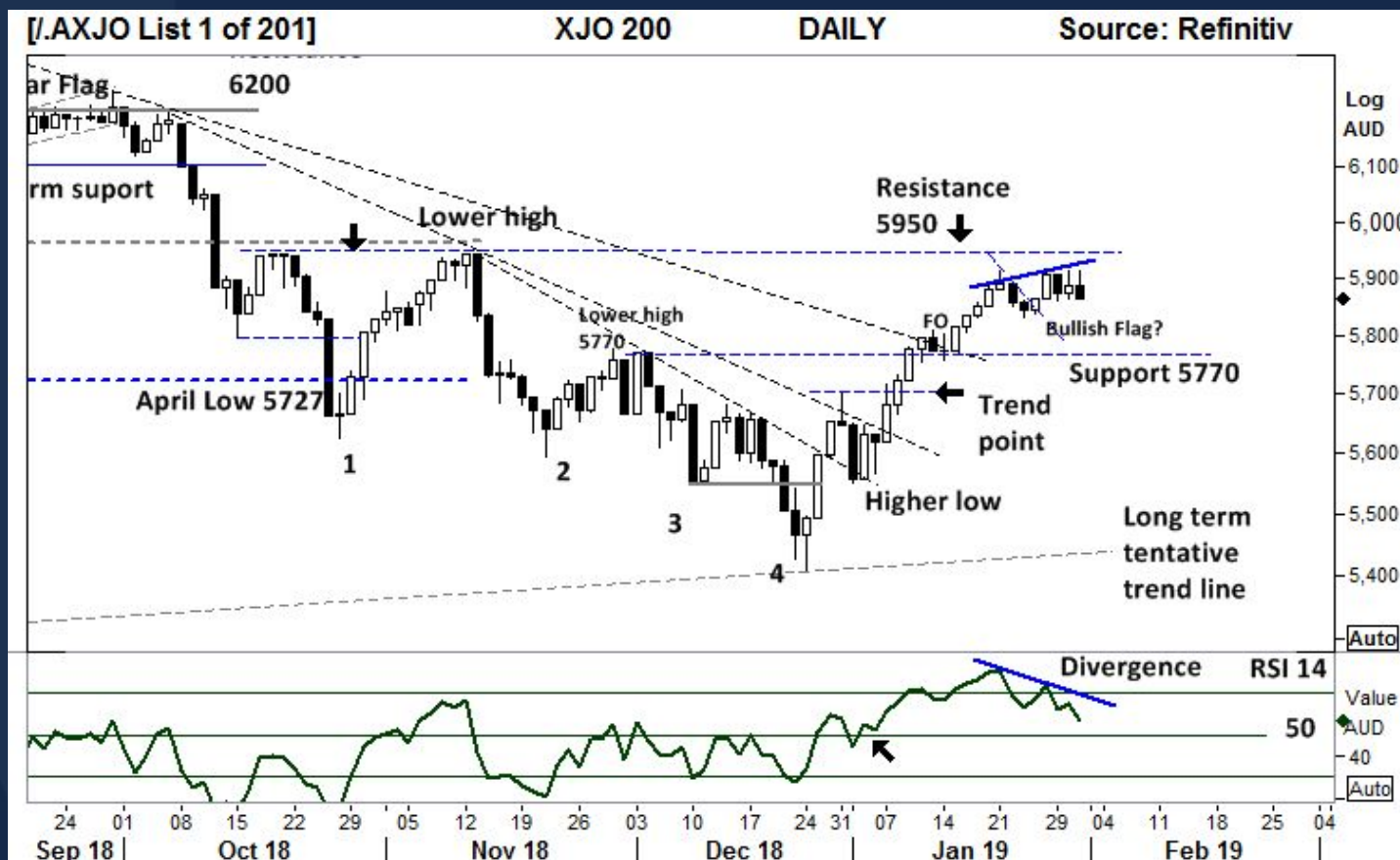
The XJO remains in a **primary** down trend as this Bear market rally takes place. Currently, 5950 resistance is the key level to break above, and remain above.

Relative Strength provides little information as it rolls back below the key 50 level.

Comments from last week:

Resistance at 5950 will be significant in the coming weeks.

Australian 200 index - Daily



Relative Strength **divergence** is highlighted with a confirmed swing “sell” signal in place.

(see notes below on Swing failure)

Last week “bullish flag” is beginning to fail with a potential retest of support at 5770 underway.

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

Short weekly view.

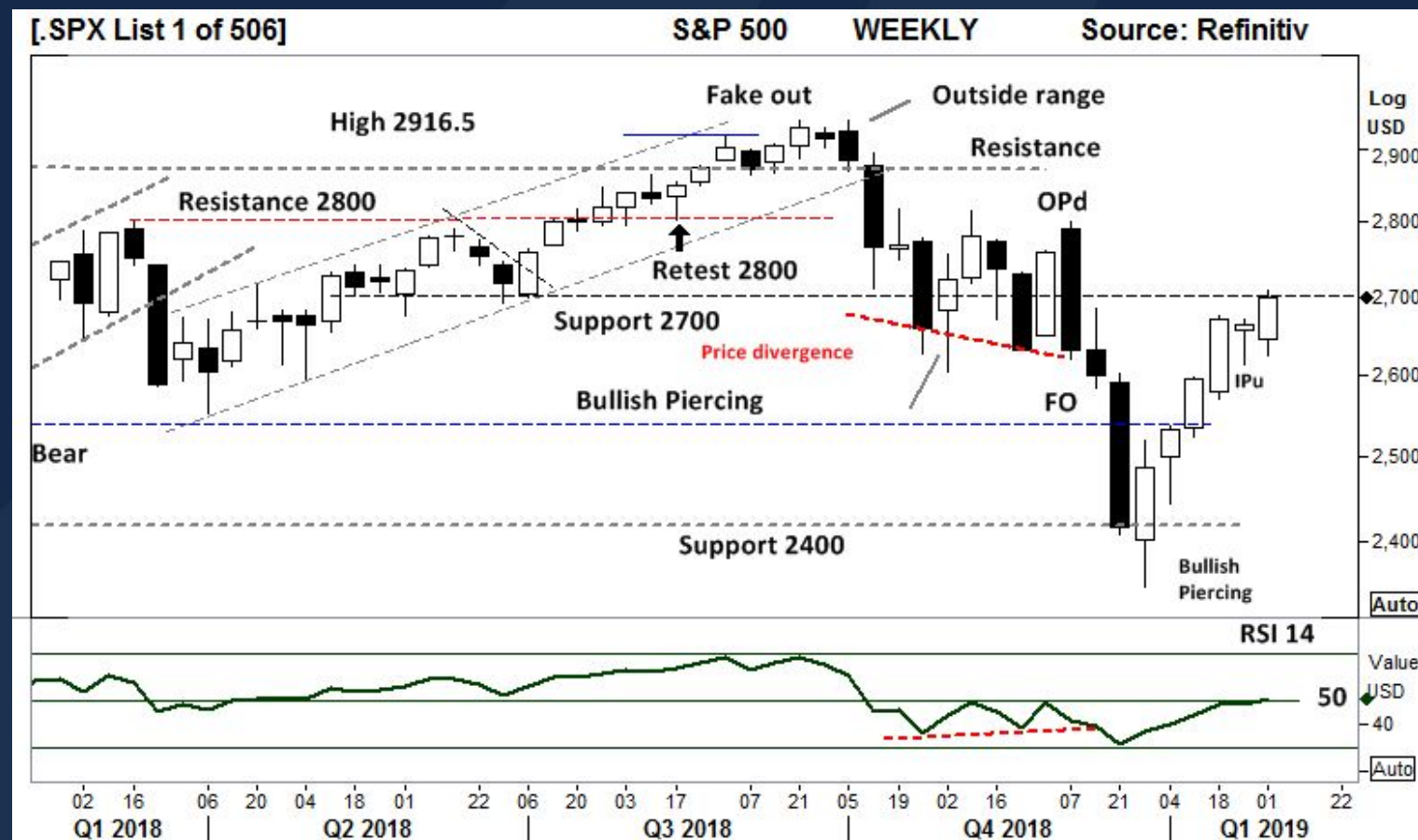
A characteristic of a true BEAR MARKET - short, sharp price rallies, in this case a Christmas rally.

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.

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

(Only a Presidential tweet could change the view.)



Comments from last week:

The S&P500 remains in a PRIMARY DOWN TREND.
2700 points remains the first significant resistance level.

S&P 500 Index - Daily

A characteristic of a true BEAR MARKET - short, sharp price rallies.

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

The bullish flag has played out but not a convincing breakout above resistance.

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

Comments from last week:

With a potential Bullish flag forming a retest of 2584 would be very positive going into February.



Transports Index

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.

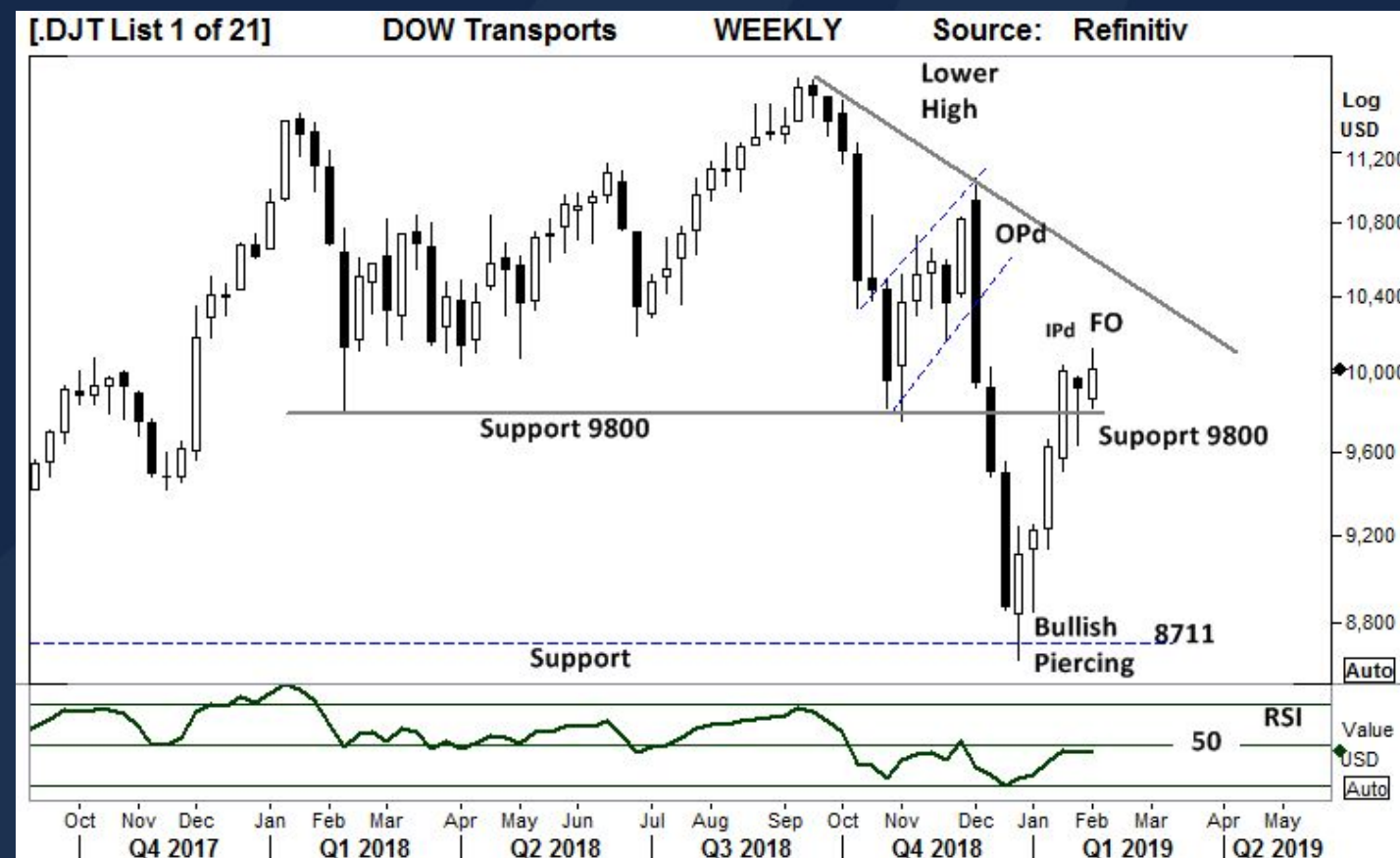
The Relative Strength Indicator continues below the key 50 level, and rolling lower.

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:

Short weekly view.

The FSTE remains in a bear market with this current "lower high" area in place below 7100.

This week's OP (outside period) is seen as a retest of the 7100 level AND a retest of the 6650 level. If you are confused, so is the market.

In summary the FSTE is in consolidation below 7000 points.

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:

The retest of 7100 has failed with a Dark Cloud reversal in place.



GOLD Weekly

Short weekly view.

Gold remains in a PRIMARY UP TREND.

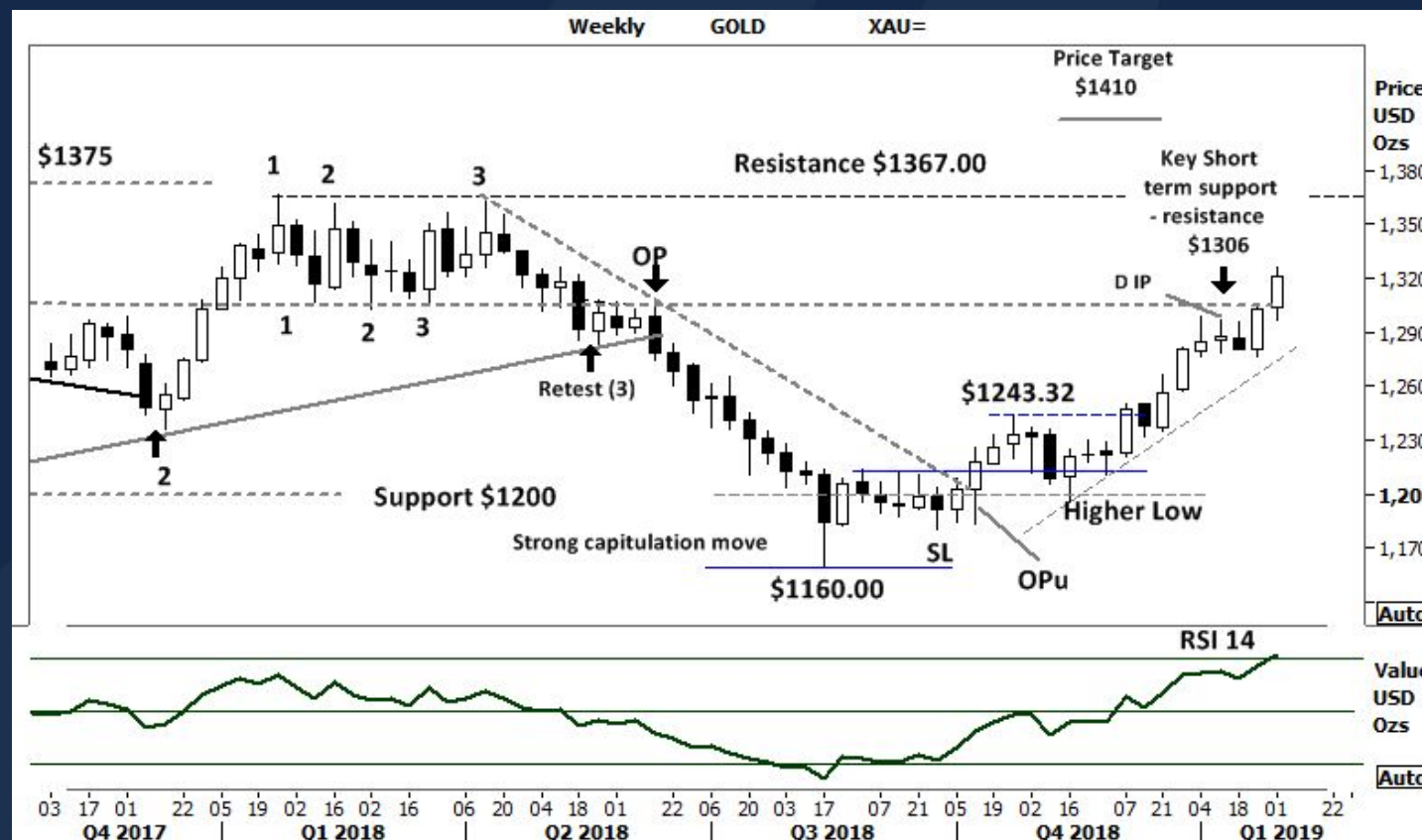
A retest of the short trend line is a probable outcome if a further consolidation takes place.

Longer term target of \$1410.

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

Comments from last week:

Longer term target of \$1410



Gold Daily

Intraday resistance is set at \$1326.30.

The current breakout above \$1300 shows this level is critical to hold in the coming days.

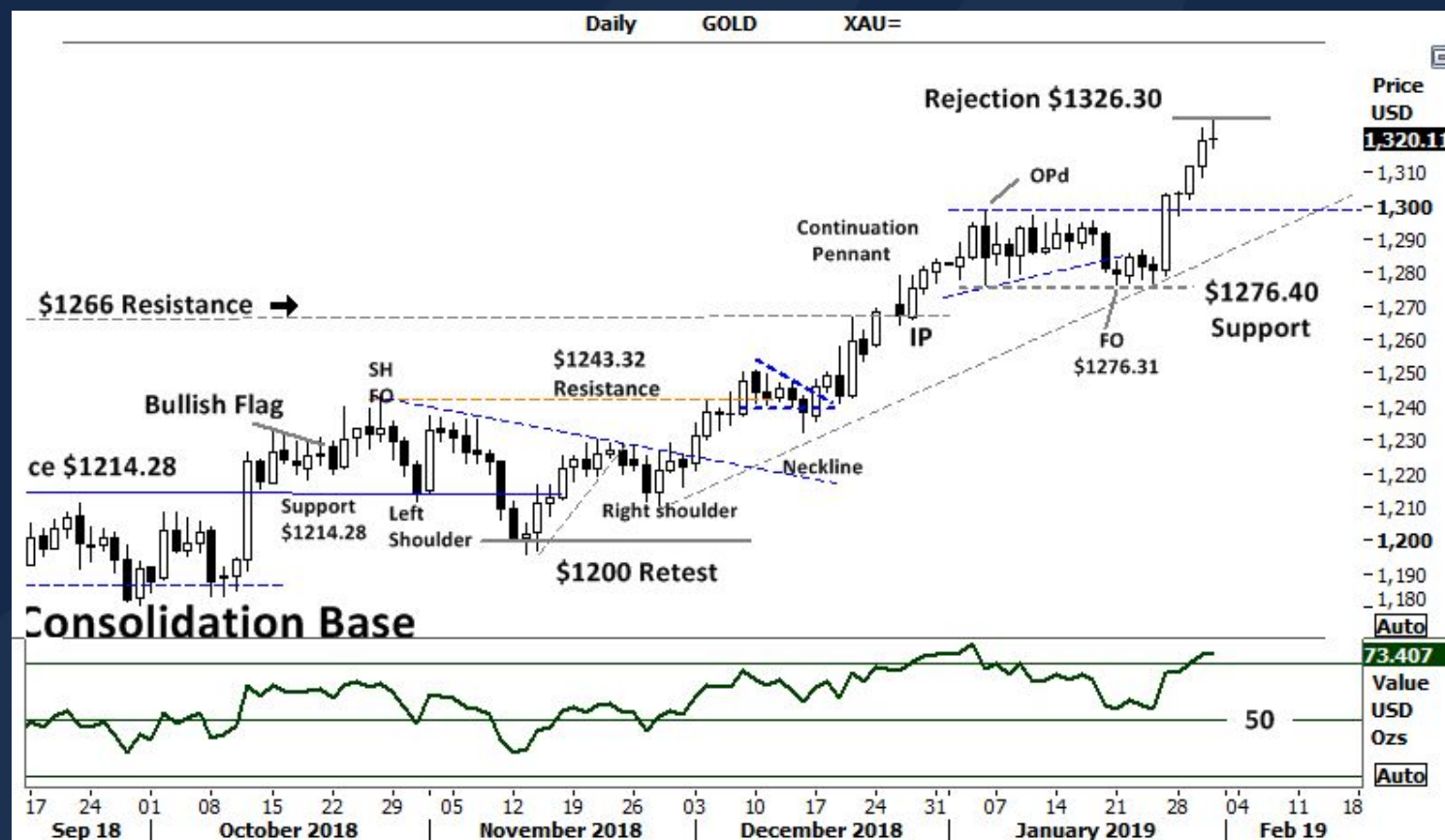
The Primary Trend is UP.

Relative Strength (RSI) is moving lower consistent with this type of consolidation pattern. **(Relative Strength is a momentum indicator.)**

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

Comments from last week:

Resistance at \$1298 (the OPd high) remains.
This week's FO fake out low at \$1276.31 is an important level to hold in the coming days.



Australian Volatility Index

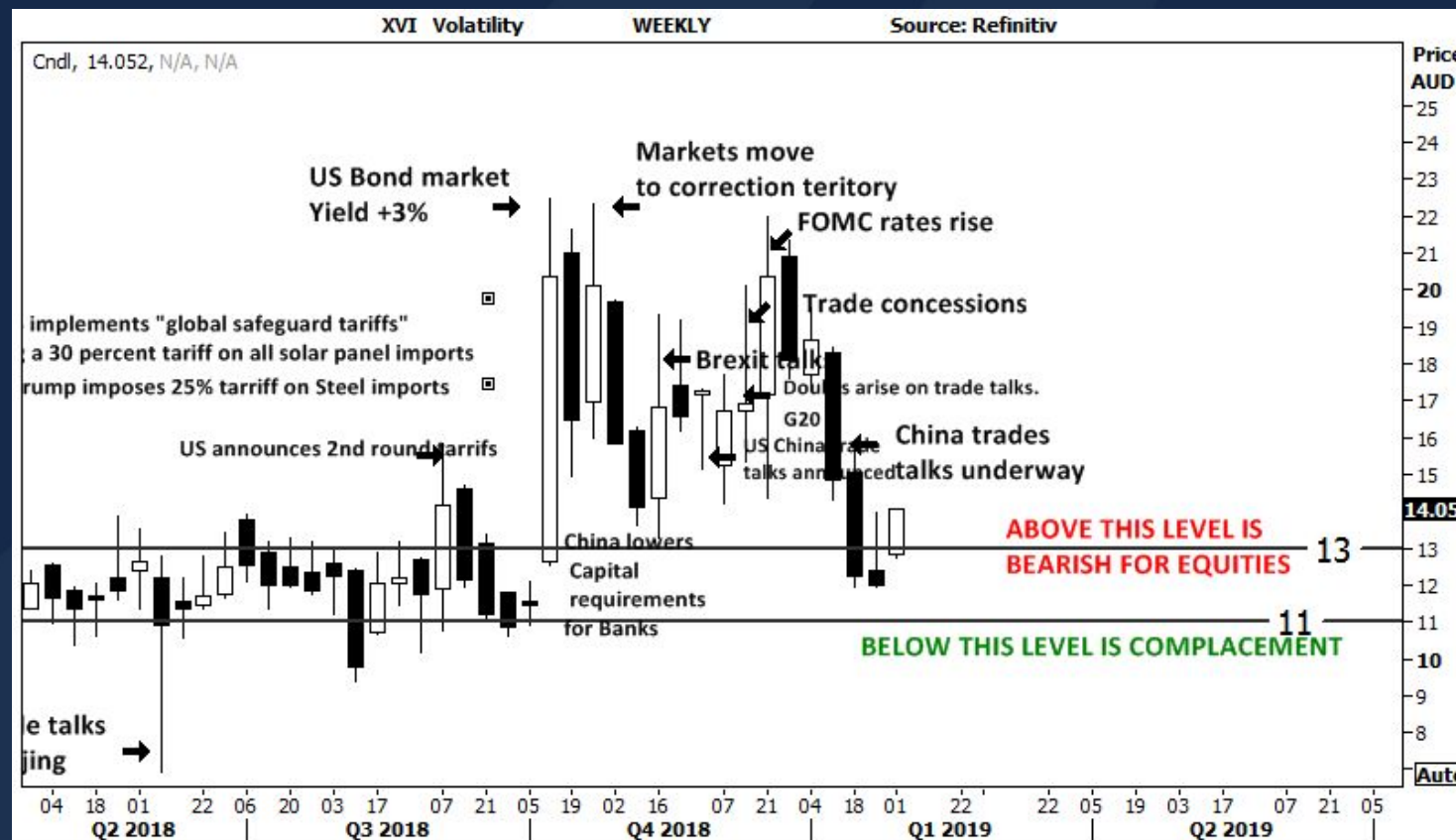
The Australian market volatility indicator XVI.
The US rate rise, and bearish sentiment around global growth has kept the XVI over the key "13" level since September 2018.

The current move back above 13 is a negative for equities, and should be monitored by traders in the coming week as an early sign of an impending bear market move.

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.

A XVI over "13" is generally bearish for equities.



US Dollar Index - Daily



The a,b,c move has proved a false move with a key break below 96.15.

The "c" point is also a lower high and has become part of the overall down trend.

The Relative Strength Indicator has turned higher above the key "50" level showing an increase of 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:

US Dollar Index enters a daily UP trend.

WTI OIL WEEKLY

Weekly OIL

Short weekly view.

The corrective move to \$42.0 followed by the rally back to the historical resistance of \$55.38 only suggests WTI OIL may enter a consolidation phase in the coming weeks between \$49.00 and \$55.00.

Further to this view, a breakdown below \$42.00 (long position Stops) potentially sets at \$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:

The current retest of \$55.38 resistance still underway will be an important milestone for the short term bullish view of Oil to remain in place.



The technical setups

Outside period

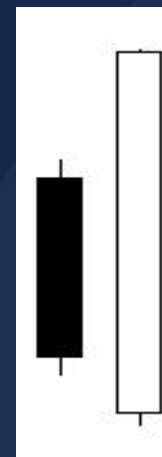
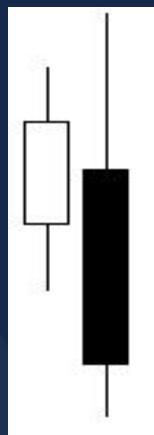
Opu and OPd

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

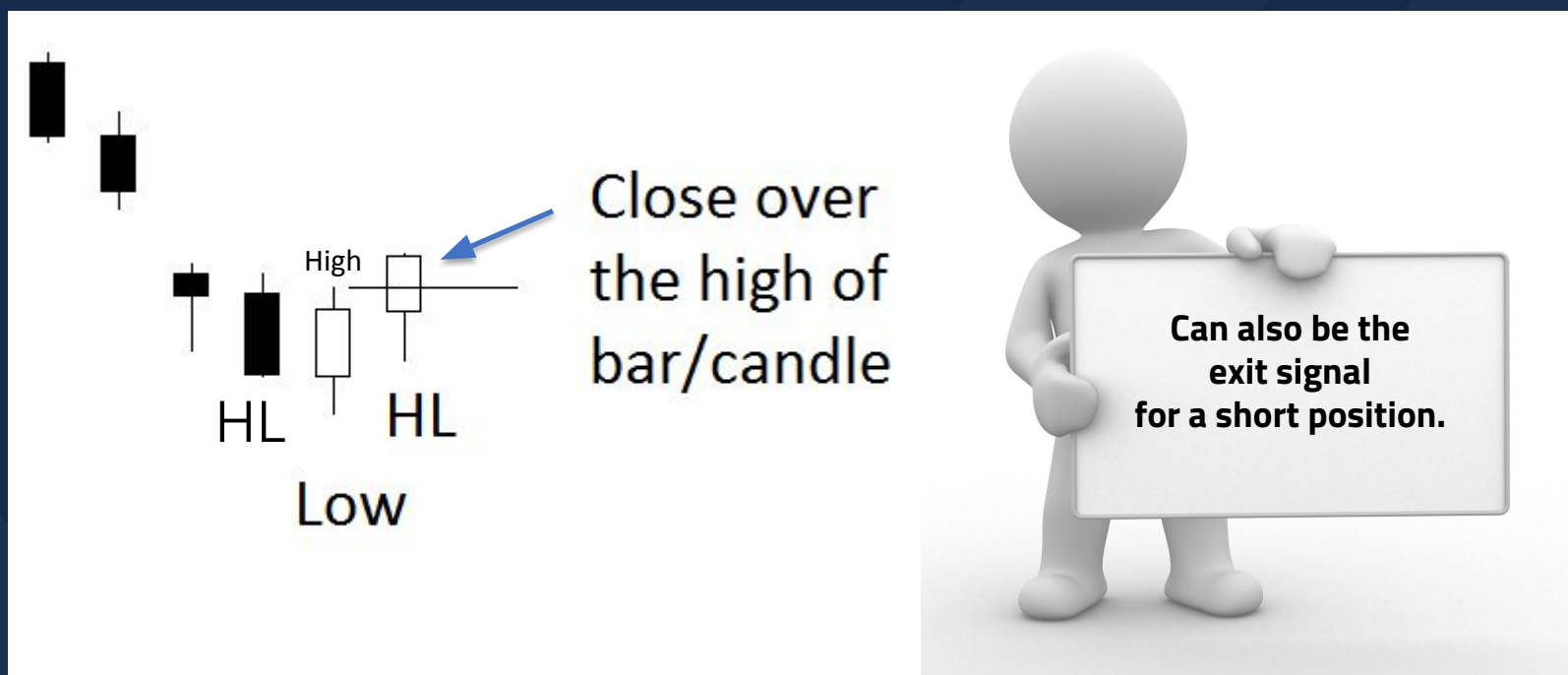
The outside period can mark a significant market turning point at or within 3 bars (93%).

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



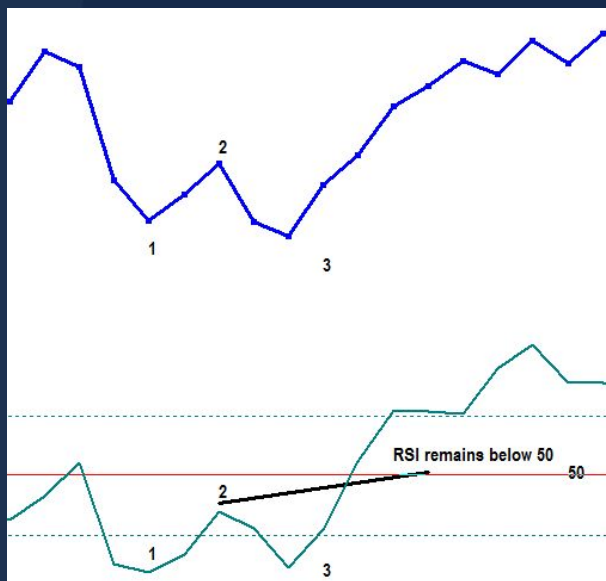
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



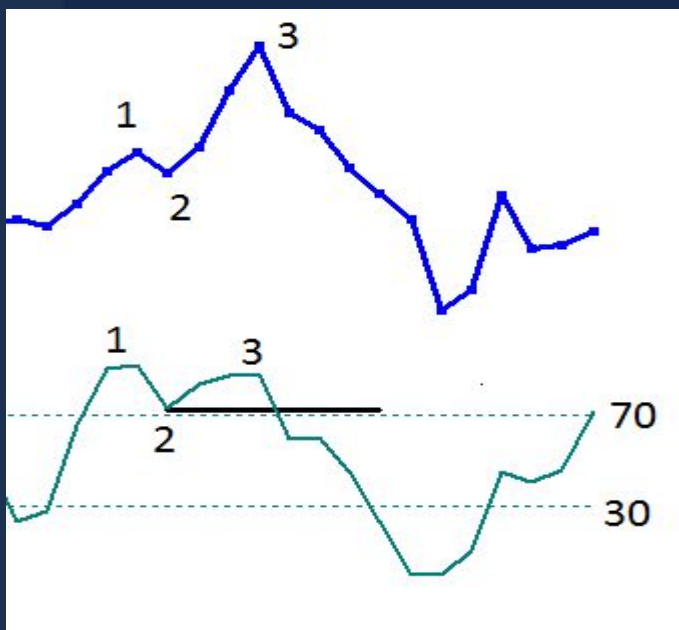
Relative Strength Indicator

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" **

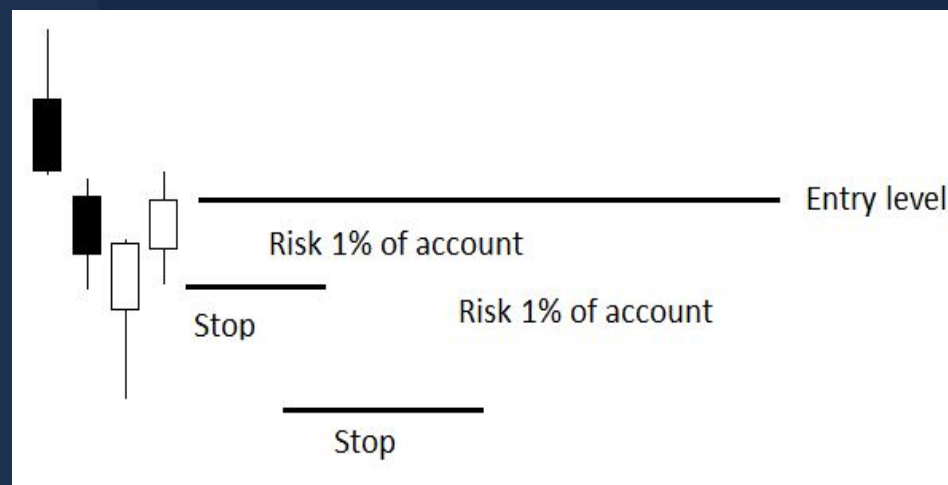
Swing failure is identified with the break off point 2 on RSI

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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THANK YOU