



# **IN BLACK AND WHITE**

**The Week Beginning  
02/09/2019**

**A market technician's view**

**FX  
INDICES  
EQUITIES**

# IMPORTANT DISCLAIMER

The information in this report is of a general nature only. It is not personal financial product advice. It does not take into account your objectives, financial situation, or needs.

You should therefore consider the appropriateness of this information in light of these.

The Australian school of technical analysis ( ASTA ) recommend that you refer to the Product Disclosure Statements of any financial products which are discussed in this report before making any investment decisions.

ASTA accepts no responsibility for your actions and recommends you contact a licensed advisor before acting on any information contained in this general information report.

The information contained in this material is intended for general advice only. It does not take into account your investment objectives, financial situation or particular needs. FP Markets has made every effort to ensure the accuracy of the information as at the date of publication. FP Markets does not give any warranty or representation as to the accuracy, reliability or completeness of the information contained in this material. Examples included in this material are for illustrative purposes only. To the extent permitted by law, FP Markets and its employees shall not be liable for any loss or damage arising in any way (including by way of negligence) from or in connection with any information provided in or omitted from this material. Features of the FP Markets products including applicable fees and charges are outlined in the Product Disclosure Statements available from FP Markets' website [www.fpmarkets.com](http://www.fpmarkets.com) and should be considered before deciding to deal in those products. Derivatives can be risky; losses can exceed your initial payment. FP Markets recommends that you seek independent advice. First Prudential Markets Pty Ltd trading as FP Markets ABN 16 112 600 281, Australian Financial Services Licence Number 286354.

## SUMMARY

Global equity market has reached an inflection point between the Tweets of Donald Trump ending the Trade war and the prospect of increasing Global growth.

Gold and Silver have the potential to retest lower breakout levels in the coming days.

Volatility levels remain elevated and will continue to pose headwinds for traders in the coming days.

# Australian 200 index - Weekly



The XJO has again failed to close over the 6630 level.

Primary trend remains UP.

Last week's close in the high of the range is a bullish sign for further gains in the coming week.

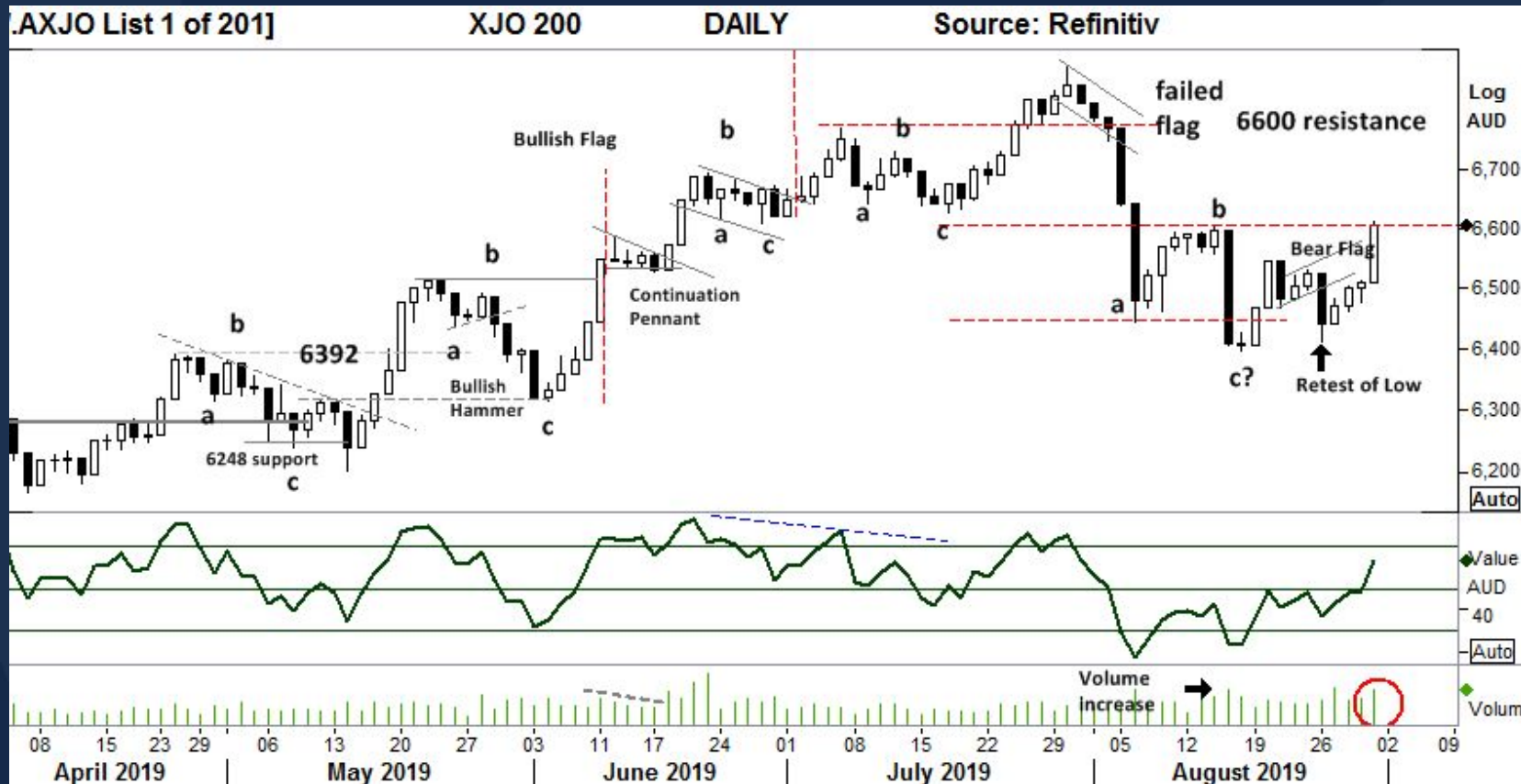
A further close over 6630 would be welcome for the bullish view to continue.

The MACD remains a sell signal.  
RSI continues to show a bullish upturn.

## Comments from last week:

A further breakdown below 6373 would be a very bearish sign for further declines.  
However this remains the key support level in the coming week.

# Australian 200 index - Daily



Monday last week saw a retest of the low before the rally to retest the high of 3 weeks ago.

Friday posted a large range candle with a strong close on high volume a very good sign of market strength.

The breakout over 6630 would be the first signal for continuation.

RSI has crossed the key "50" level. From bullish divergent lows

## Comments from last week:

From the failed bullish flag the daily chart displays the current a,b,c corrective move. Thursday and Friday have resolved into a Bearish Flag failing to take out Wednesday's high.



# S&P 500 Index – Weekly

The Primary UP trend remains in place.

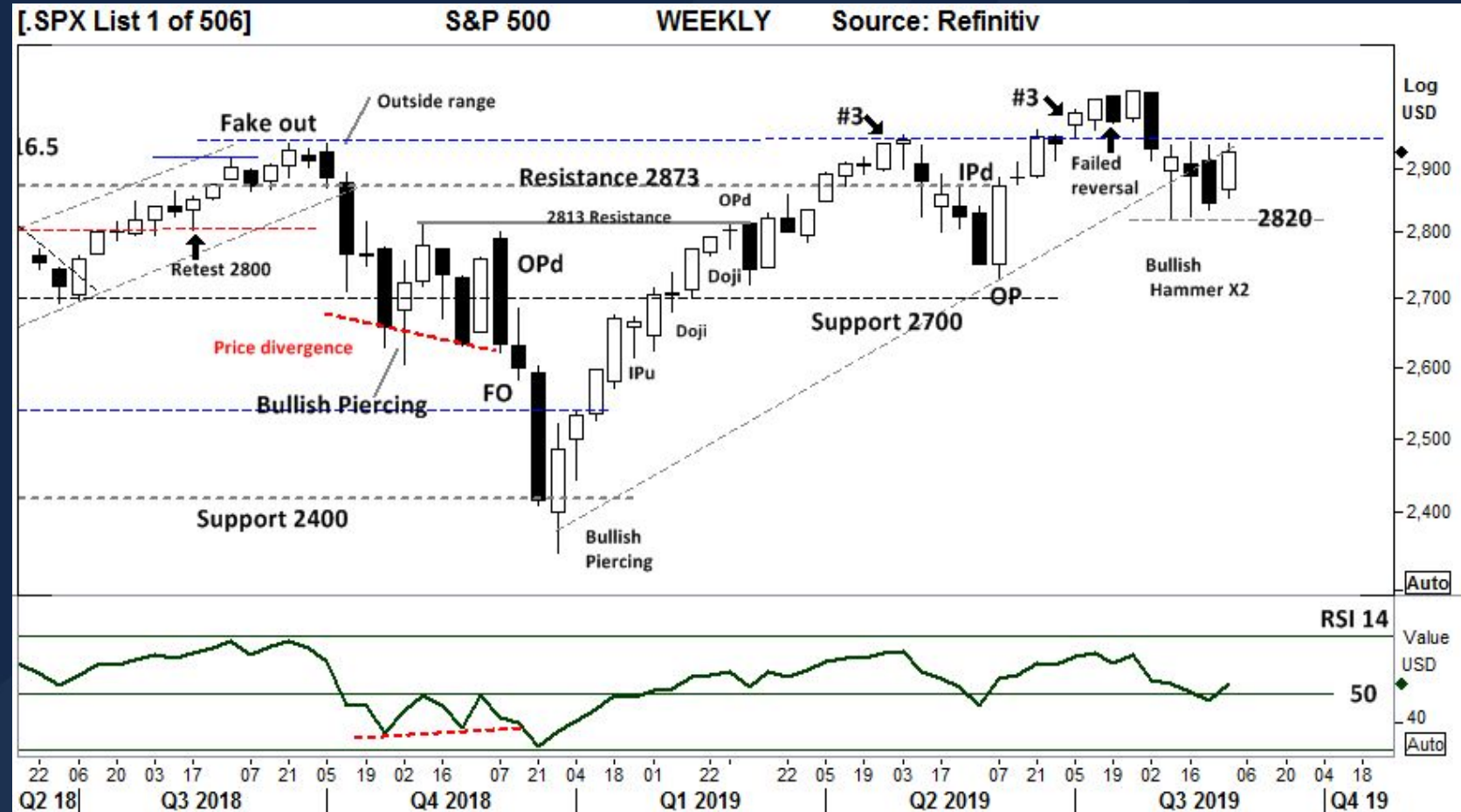
Rejection of lower prices is in place with a retest of the recent weekly highs has taken place.

The S&P is clearly at an inflection point pushing higher, with a potential retest of the July highs at 3000 points.

RSI turns higher on this short term increase of positive momentum.

## Comments from last week:

This market has potential for consolidation before a new leg down.  
The past week has set an inside range this is supportive of further consolidation at these levels.  
A break of last week's low will put the 2700 level as the target.



# S&P 500 Index - Daily



The retest of 2945 has seen a short rejection day on Friday. Relative strength divergence at the past retest of the lows has followed through to the retest of the highs.

Upside momentum has the potential to breakout higher.

The RSI has turned higher over the key 50 level.

The daily chart now confirm resistance at 2940 level.  
Friday's very strong range has the potential to follow through to new lows.  
The price gap shown at 2750 is the first immediate target.



# Transports Index

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

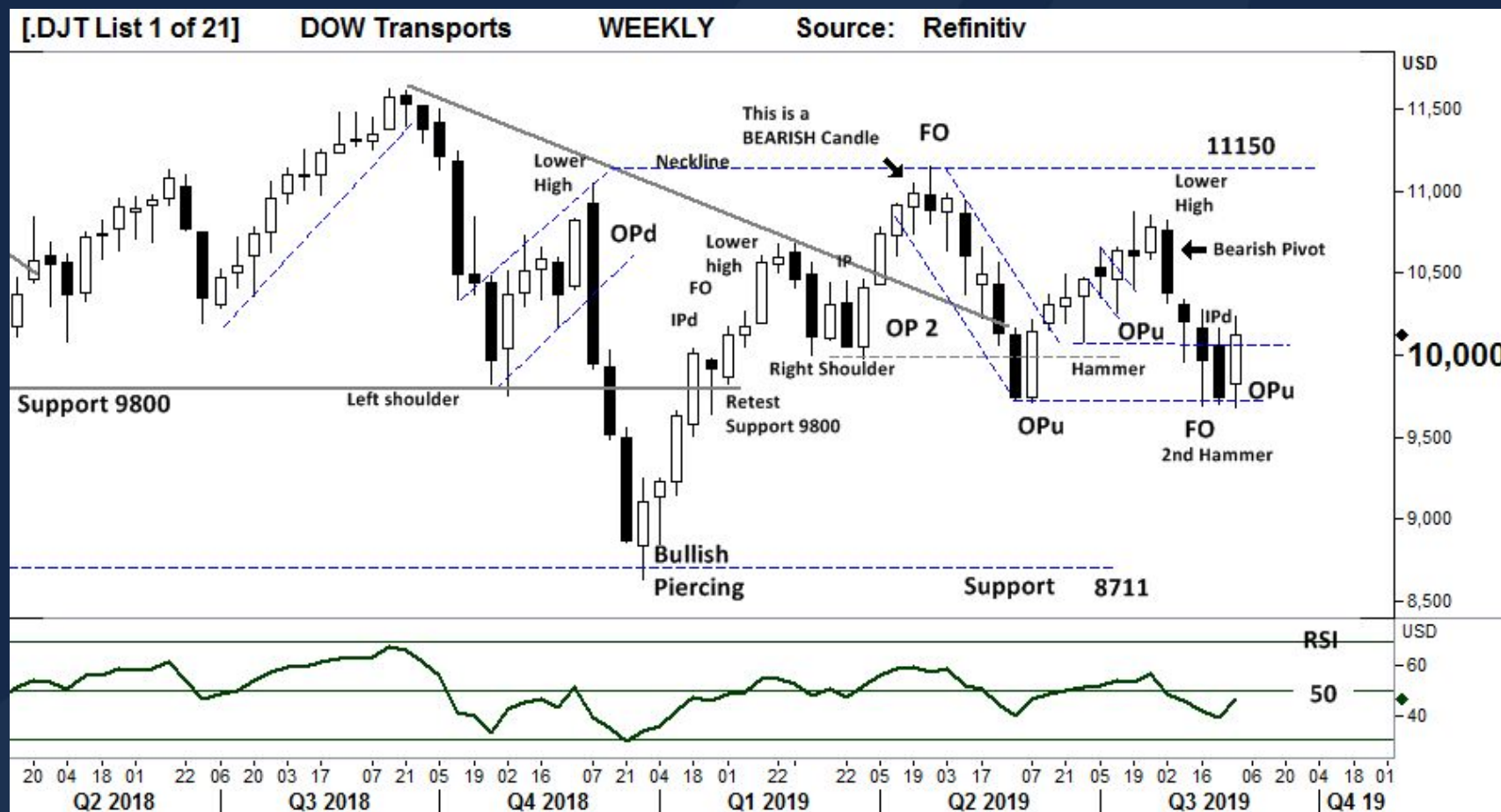
(This index remains a NON CONFIRMATION of the long term Bull market, a break of 11150 is required.)

From a complete bearish view last week to a strong price swing via the outside period up close (OPu), Strong price support is now established above 9800.

Relative strength has turned higher, however remains below the key 50.

## Comments from last week:

The transports are confirming the Bear case for the near future, the recent lower high and the past weeks further weakness will target 8711 the historical support level.



# GOLD Weekly

The underlying Primary trend is UP with \$1650 as the potential target.

Last week price rejection took place in the form of a "shooting star". This has the potential to follow through this week with a retest of lower prices.

RSI remains over the "70" level confirming strong price momentum, however a rollover at these levels can result in a price retracement as momentum changes.. Any form of roll over in price, traders should consider the \$1450 level as significant support.

Comments from last week:

Gold puts in an "inside range", with the close in the high part of the range further gains are expected.



# Gold Daily

Continued daily rejection of higher prices.

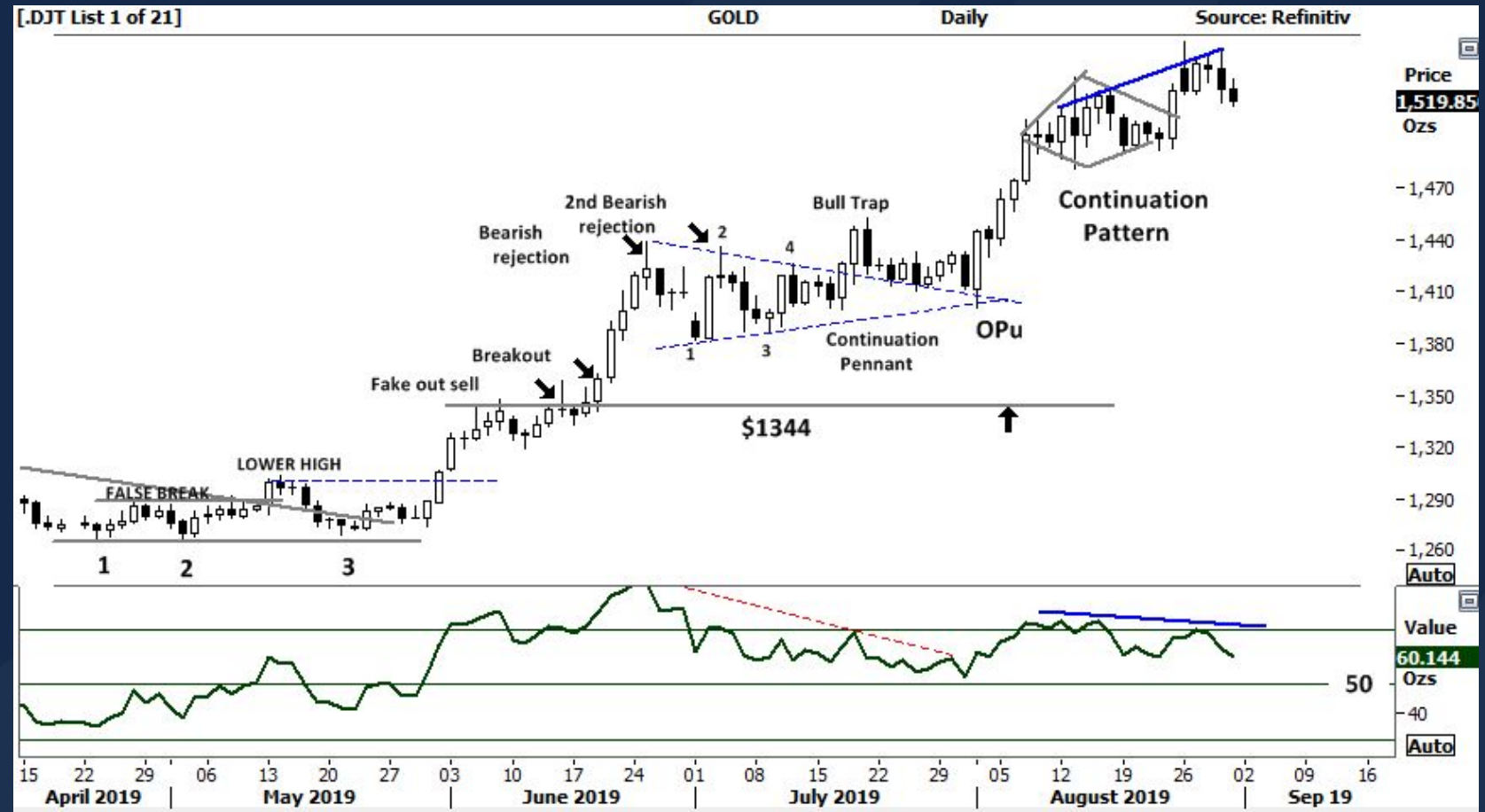
Traders should monitor price action above the \$1500 level for further weakness. Daily trend remains UP, but at risk of consolidation above \$1450.

Relative strength remains over the key "50" level and currently shows bearish divergence.

## Comments from last week:

With a test of the lower edge of the continuation Diamond, the very strong range on Friday suggests further gains in the coming days.

The potential for a "short cover" will lead to further buying. \$1500 will remain the key psychological level to hold and the Key price level in the coming days.



# SILVER Daily

Daily consolidation with an Outside period followed by the inside period, suggests a pause in the underlying bullish move.

RSI swings higher away from the sell signal as momentum increases, currently the RSI has turned flat as price consolidates.

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

## Comments from last week:

The very strong range on Friday has not made a new high, this week a breakout over the high of 9 trading days ago is required to give confidence to the buyers.





# Australian Volatility Index

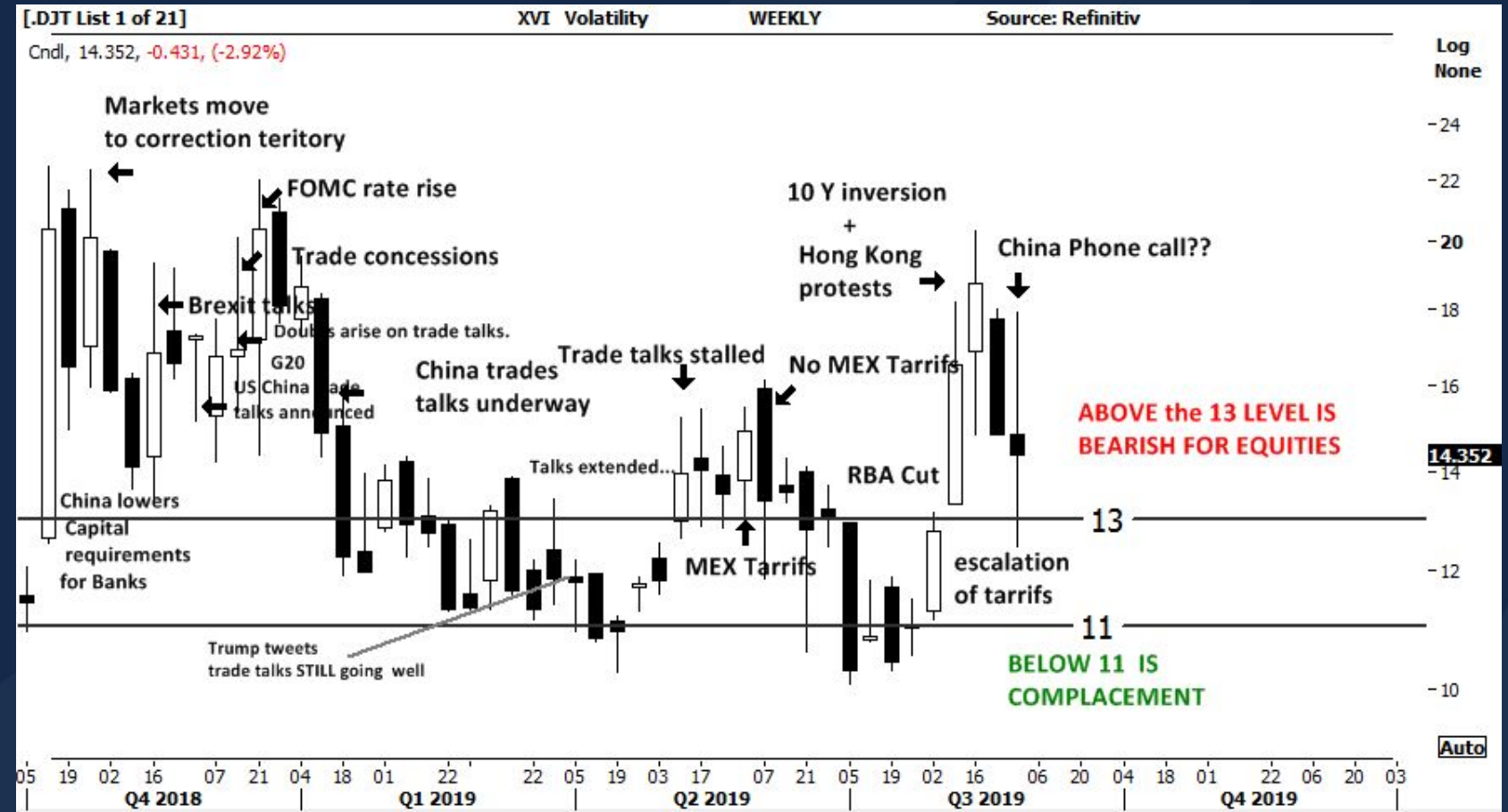
Current volatility levels, show a significant increase in the volatility indicator. This is moderately Bearish for equities.

A very bearish signal for equities.

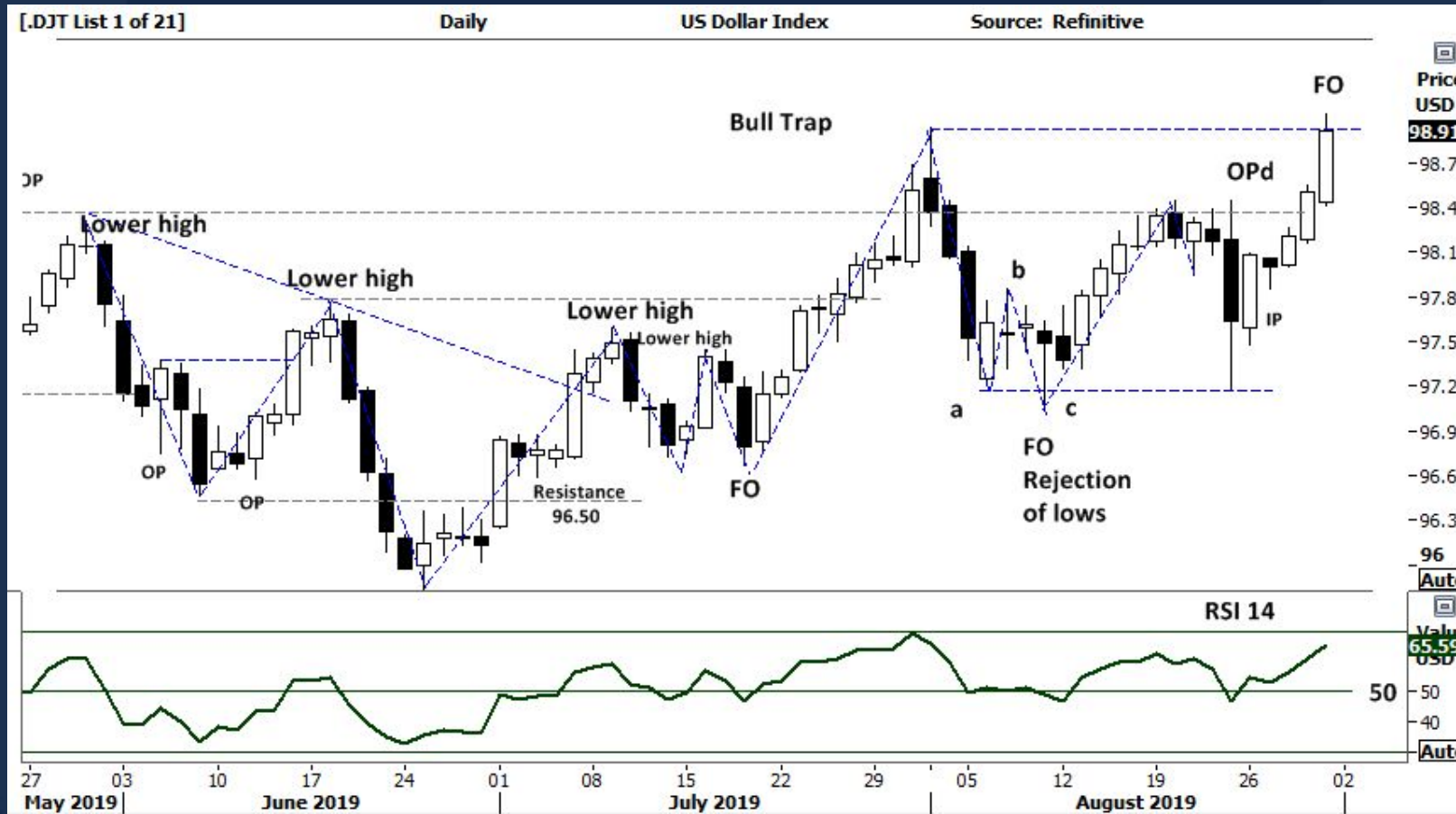
The XVI is the difference of 1 month forward pricing of ETO Options against current month.

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 OP from 2 weeks ago suggested consolidation, this was followed by 2 inside periods. The price break higher has again tested the high from July with a large range candle. This suggests further gains for the DXY

RSI turns sharply higher above the key 50 level.

## Comments last week:

The massive OP "Outside period" has shaken both the buyer and sellers. Immediate consolidation should be expected. The mid range close shows support at lower levels as a rejection of the high has the buyers offside.



# WTI Oil WEEKLY

Comments from last week remain in place.

WTI remains in consolidation following rejection of the \$50 lows. The price structure is supportive of further gains. However no real momentum is showing for a breakout above \$61.80.

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



# The technical setups

## Outside period

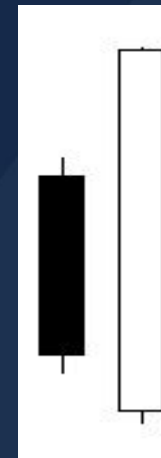
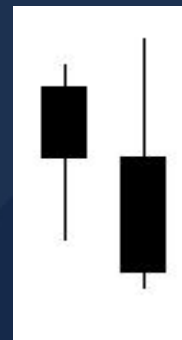
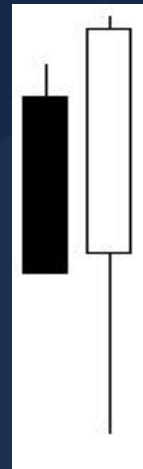
### OPu and OPd

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

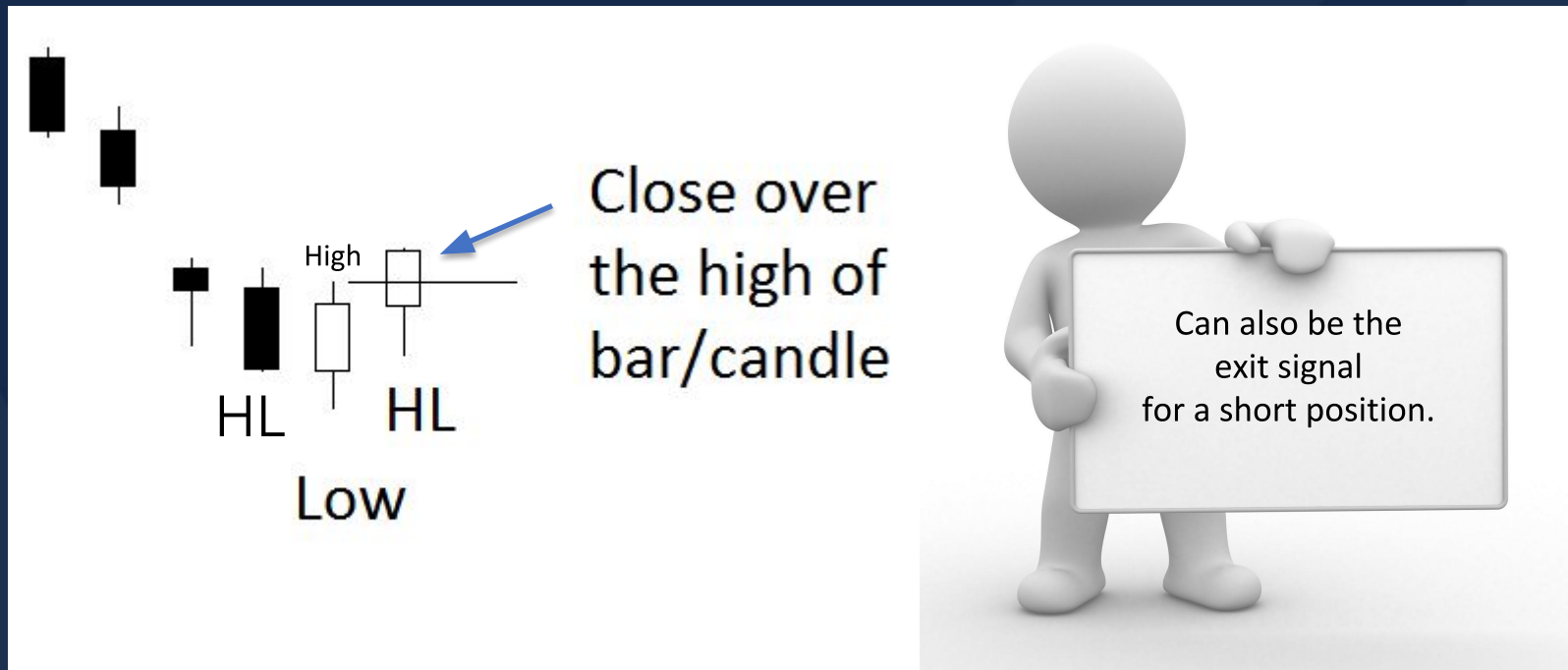
The outside period can mark a significant market turning point at or within 3 bars ( 93%).

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



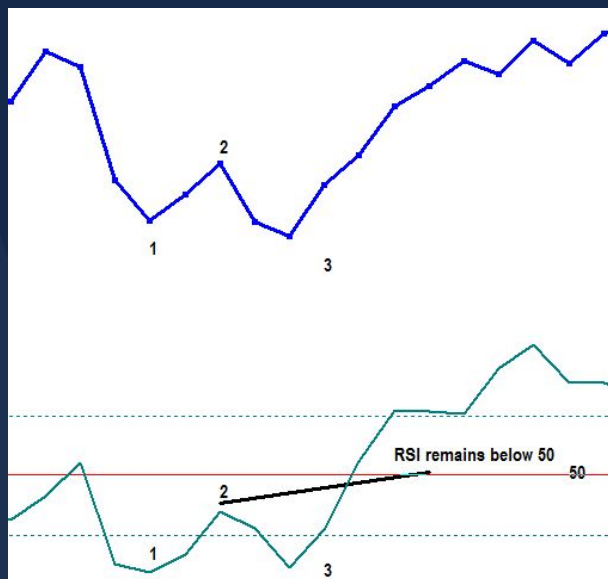
# The technical setups

## Pivot point reversal



# THE TECHNICAL SETUPS

## Relative Strength



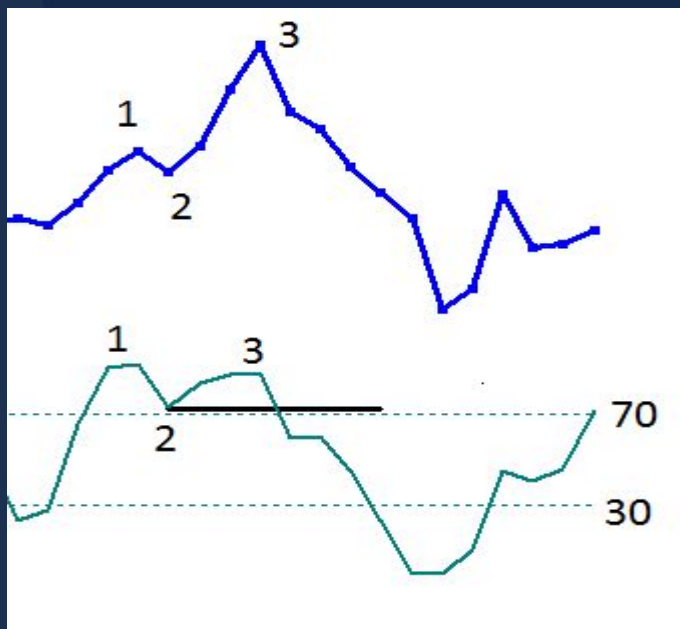
### Relative Strength Indicator

#### 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



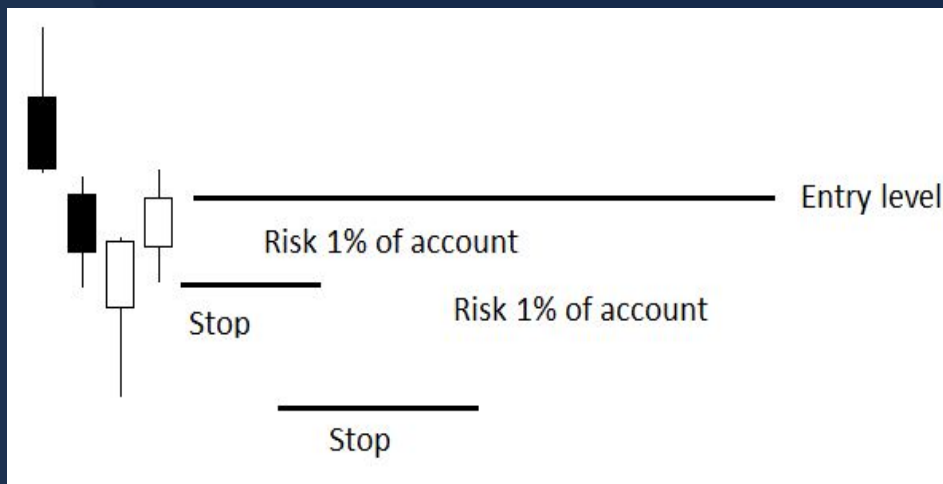
# Position size and management guidelines

## Position size by account size

Building a trading system of 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](mailto:support@fpmarkets.com)



First Prudential Markets Pty Ltd  
Level 5, 10 Bridge Street  
Sydney NSW 2000

Phone: +61 2 8252 6800  
[www.fpmarkets.com](http://www.fpmarkets.com)

ABN 16 112 600 281  
AFS Licence No. 286354



**THANK YOU**