



IN BLACK AND WHITE

**The Week Beginning
25/03/2019**

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 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

Equity markets have started to factor in slowing global economic growth with an abrupt lower close on Friday.

Brexit and the Mueller report on Trumps possible Russian collusion has weighed on Fridays market close.

Commodities remain bullish with strength in Oil, Iron ore, and non ferrous metals Aluminium and Palladium.

Australian 200 index - Weekly



The XJO remains in a **primary** down trend as this Bear market rally takes place. Without a real retracement in price of 5% or 300 points, this move remains a strong corrective move higher.

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.

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. A longer term retest of 5950 is expected.

Australian 200 index - Daily



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

Fridays close below this key level is an important observation showing a lack of conviction of the Buyers.

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

Fridays low volume on a higher close is not a sign of strength.

Comments from last week:

Volumes have showed a significant increase on rejection of 6200 point resistance.

S&P 500 Index – Weekly High 2813

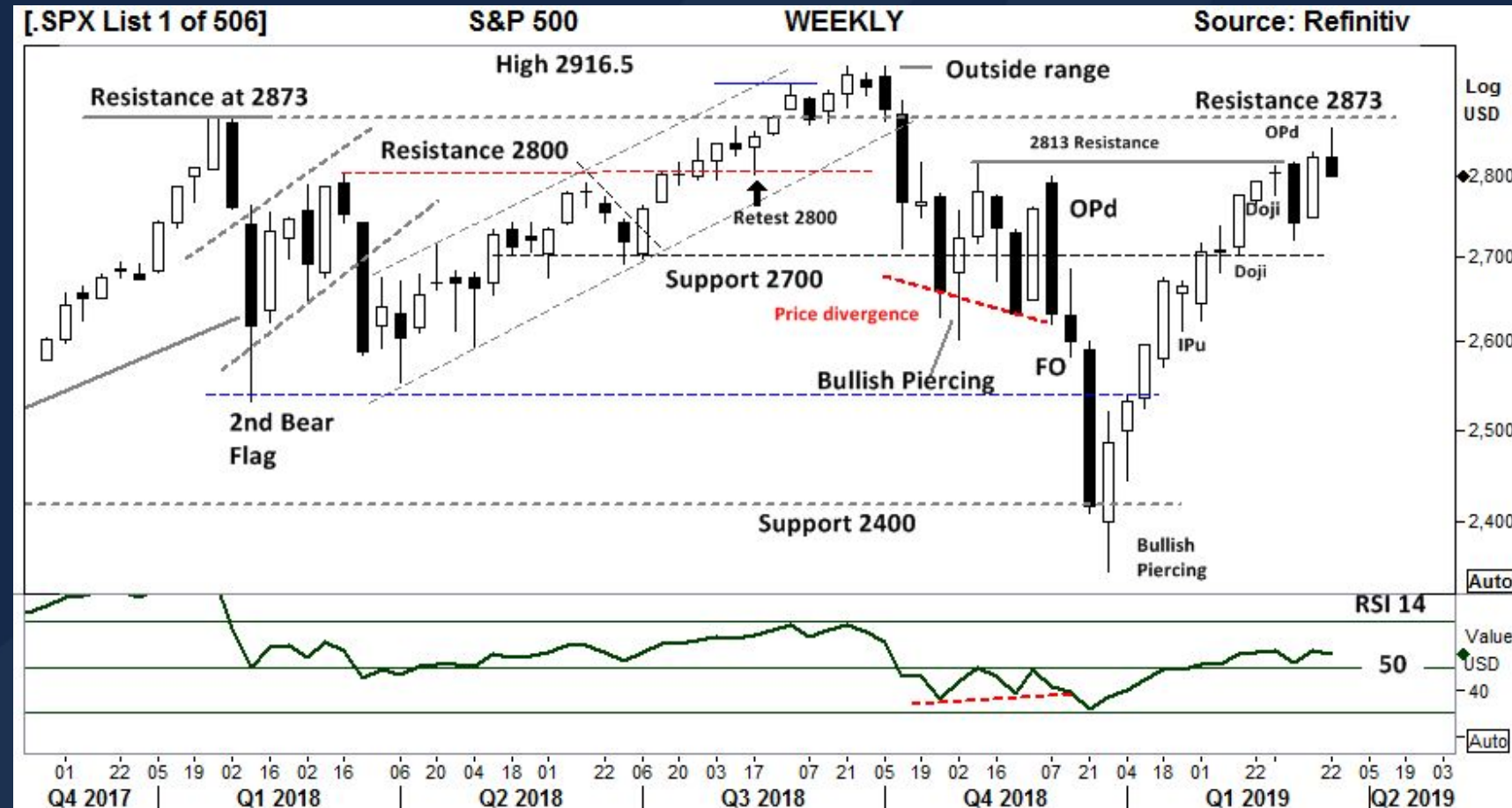
A characteristic of a true BEAR MARKET - short sharp price rallies, in this case a Christmas / January rally. This market needs a retracement of 5% + (150 points) and a further rally to be called an UP trend.

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.

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 reversal of 2 weeks ago has immediately reversed into a new breakout. Bearish sentiment has resolved into this 4 month high.



S&P 500 Index - Daily

The breakdown below 2817 is very bearish in this short term view.

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.

Relative Strength sets a lower high from the previous high and should be monitored for further bearish divergence.

Comments from last week:

The IP (inside period) on Thursday has resolved into a significant breakout above 2817 point resistance level. Look for a retest of this key level in the coming days.



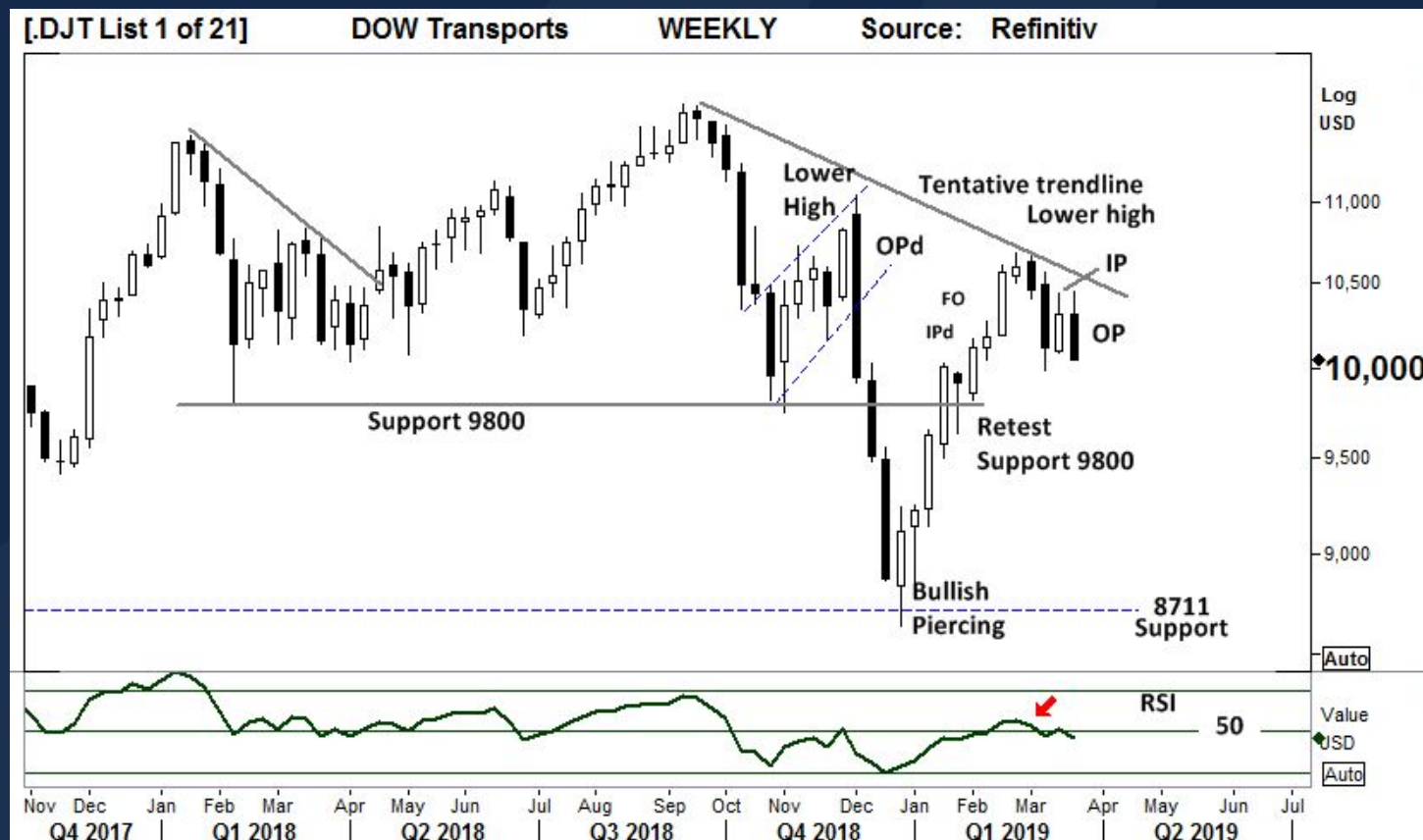
Transports Index

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

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.

The Q4 2018 – Q2 2019 may resolve into an inverse Head and Shoulder Pattern.



Comments from last week:

The relative strength indicator has moved below the key 50 level this shows decreasing price momentum.

FTSE 100 Index - Weekly

FTSE 100 weekly:

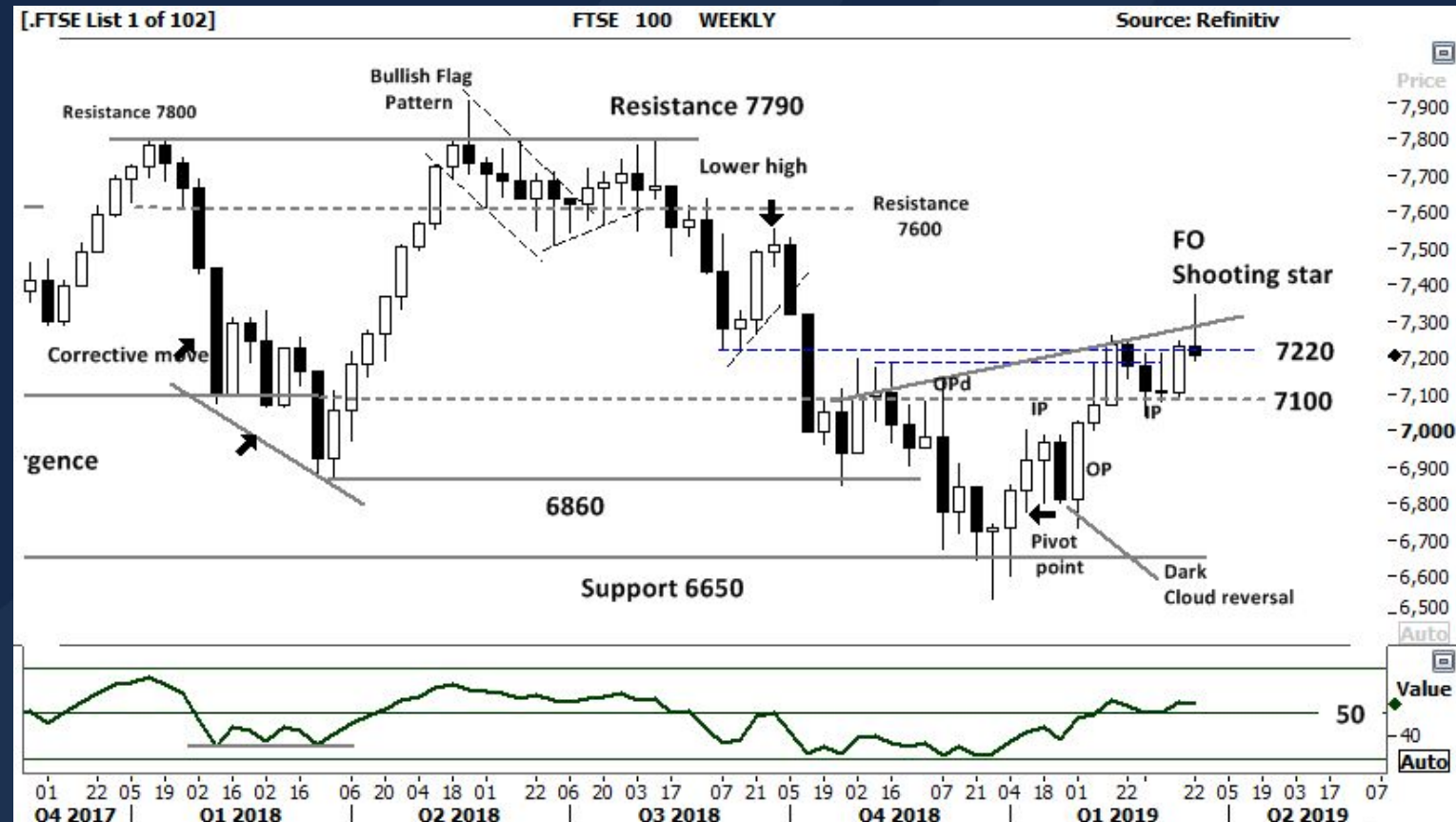
This week saw the breakout of this inverse head and shoulder pattern. The current weekly Shooting Star is a bearish setup for lower prices.

Look for a retest of 7100 in the coming days, a close below this level would signal continuation lower.

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

Comments from last week:

The chart from early Q4 2018 may resolve into an inverse head and shoulder pattern, any further breakout would be monitored for a retest of current 7220 level before a further retest of 7600.



GOLD Weekly

Gold remains in a PRIMARY UP TREND.

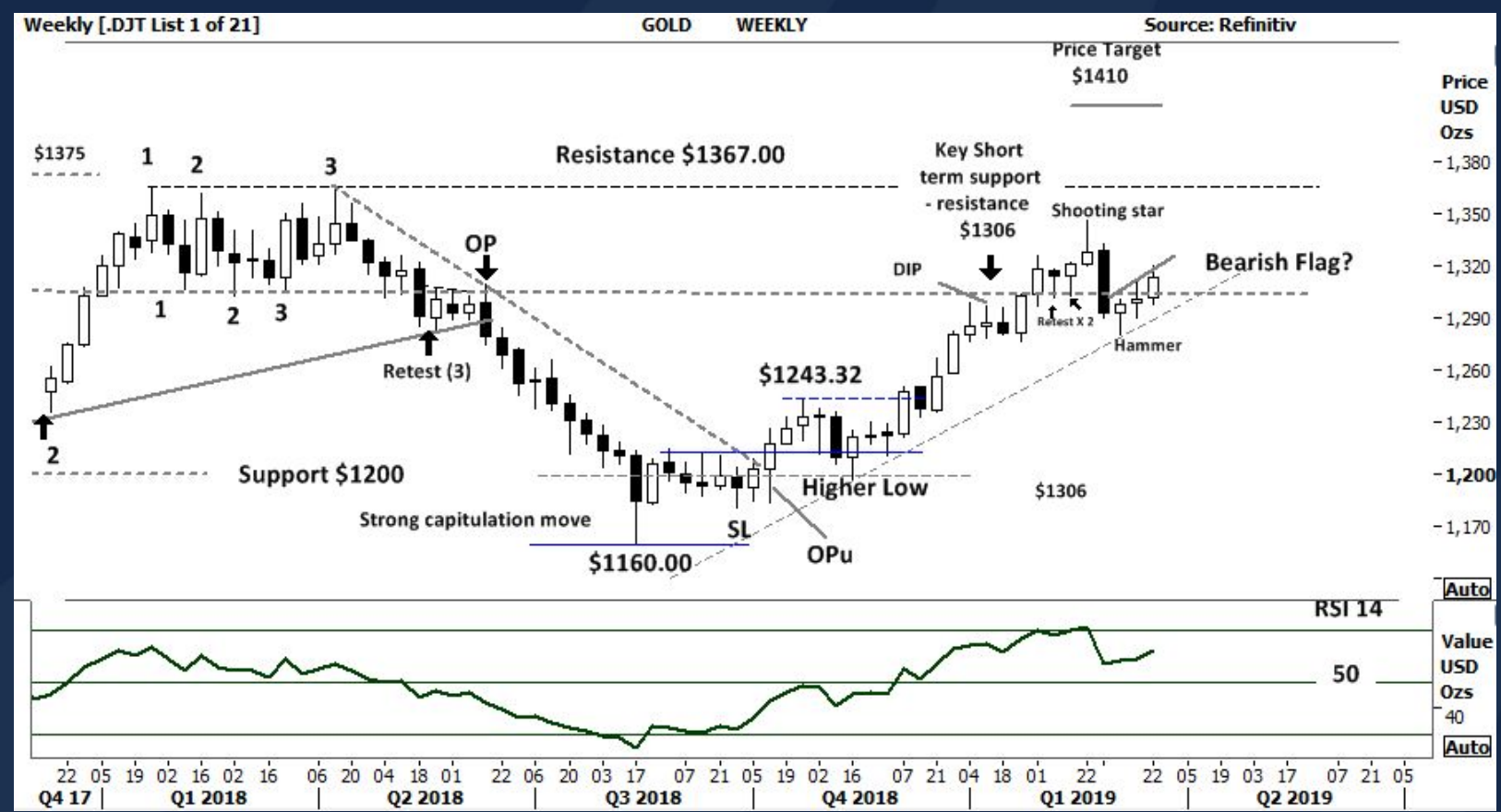
The longer term target of \$1410 remains in place. The bullish hammer from 3 weeks ago is now followed by 2 small range candles of indecision. A bearish flag developing, a breakdown would target \$1243.

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 sideways.

Comments from last week:

Currently the price is forming a bearish flag pattern with the potential retest of \$1243.



Gold Daily

The mid week retest of \$1300 followed by the IPU set on Friday is a bearish sign.

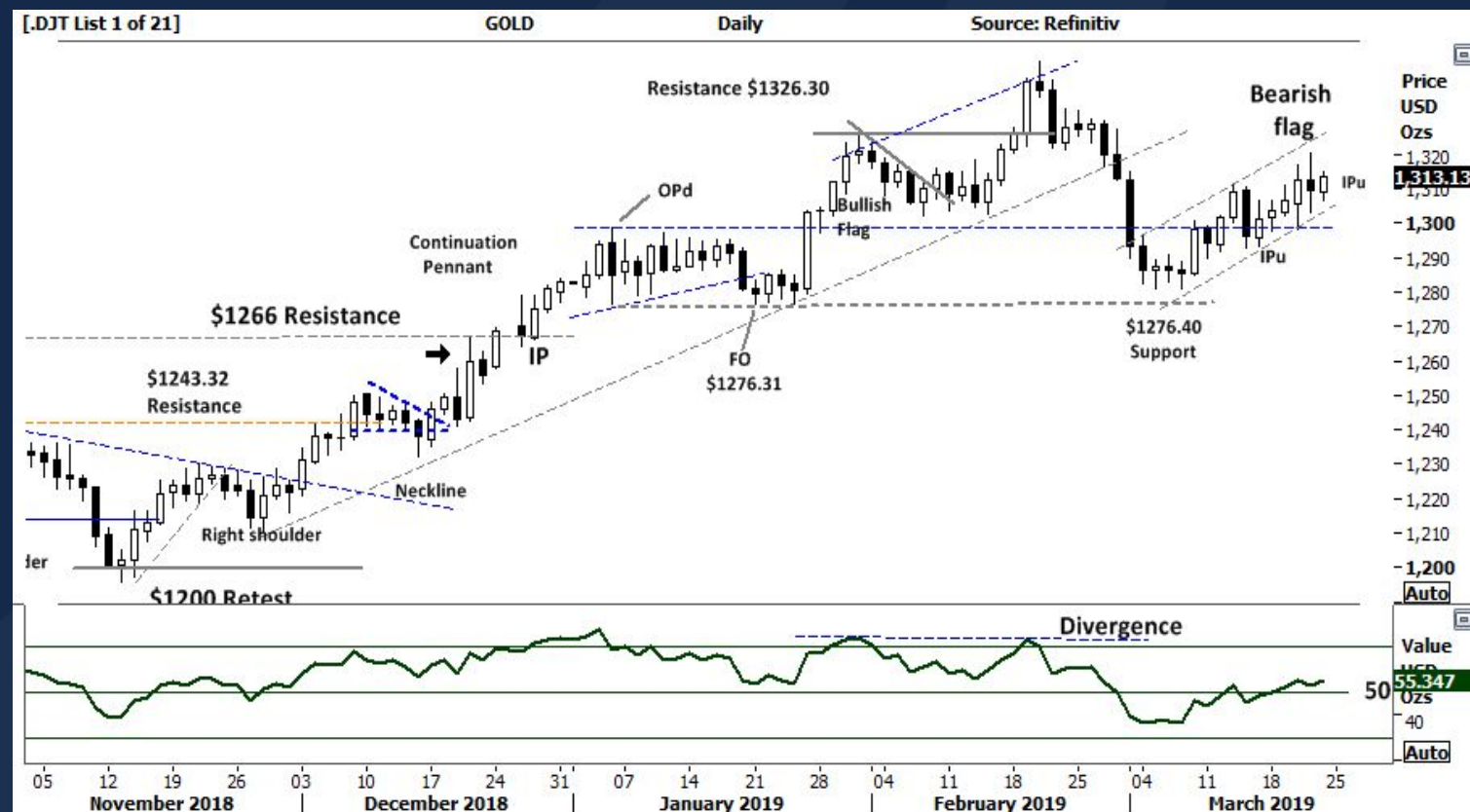
This \$1300 level is, now, a key psychological level for traders to monitor again in the coming days

Relative Strength had turned sharply higher from below the 50 level, but again moved sideways indicating a 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.

Following Fridays weak close in major Indices expect the XVI to move over the 13 level this week as a bearish sign for equities.

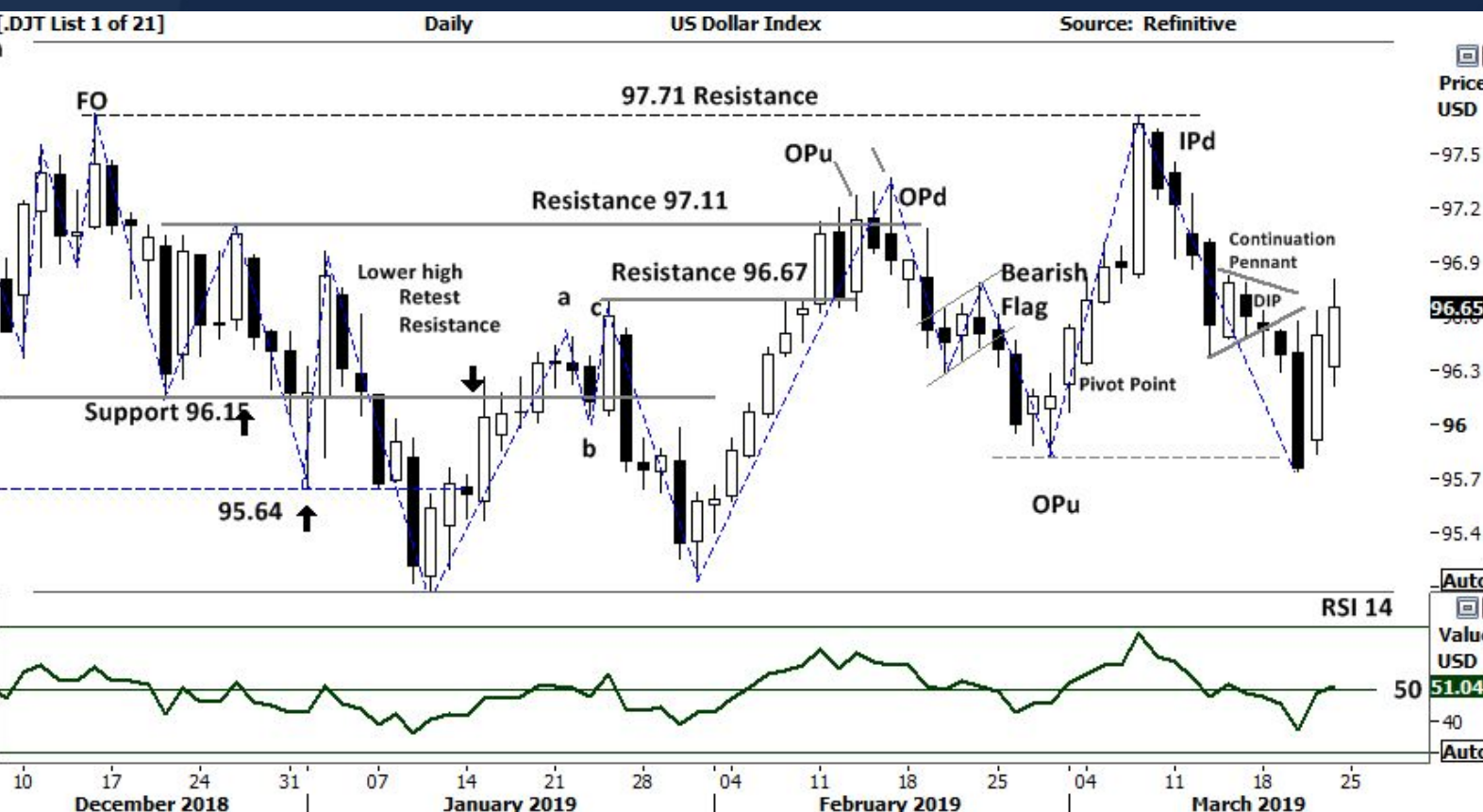
The XVI is the difference of 1 month forward pricing of ETO Options against current month. As markets anticipate events, the forward priced option volatility changes, hence as forward price changes, this "skew" in pricing is measured in this XVI.

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.

The Daily Chart, now, forming a continuation pennant is setting up the breakdown to test support level lows.

Relative Strength has moved below the key 50 level showing a loss of upward 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:

Thursdays strong range candle failed to follow through above the 97.71 resistance level.

A further range trade between 95 and 97.71 is expected.

WTI OIL WEEKLY

Weekly OIL

The Weekly bullish flag breakout has continued on with a new multi month high.

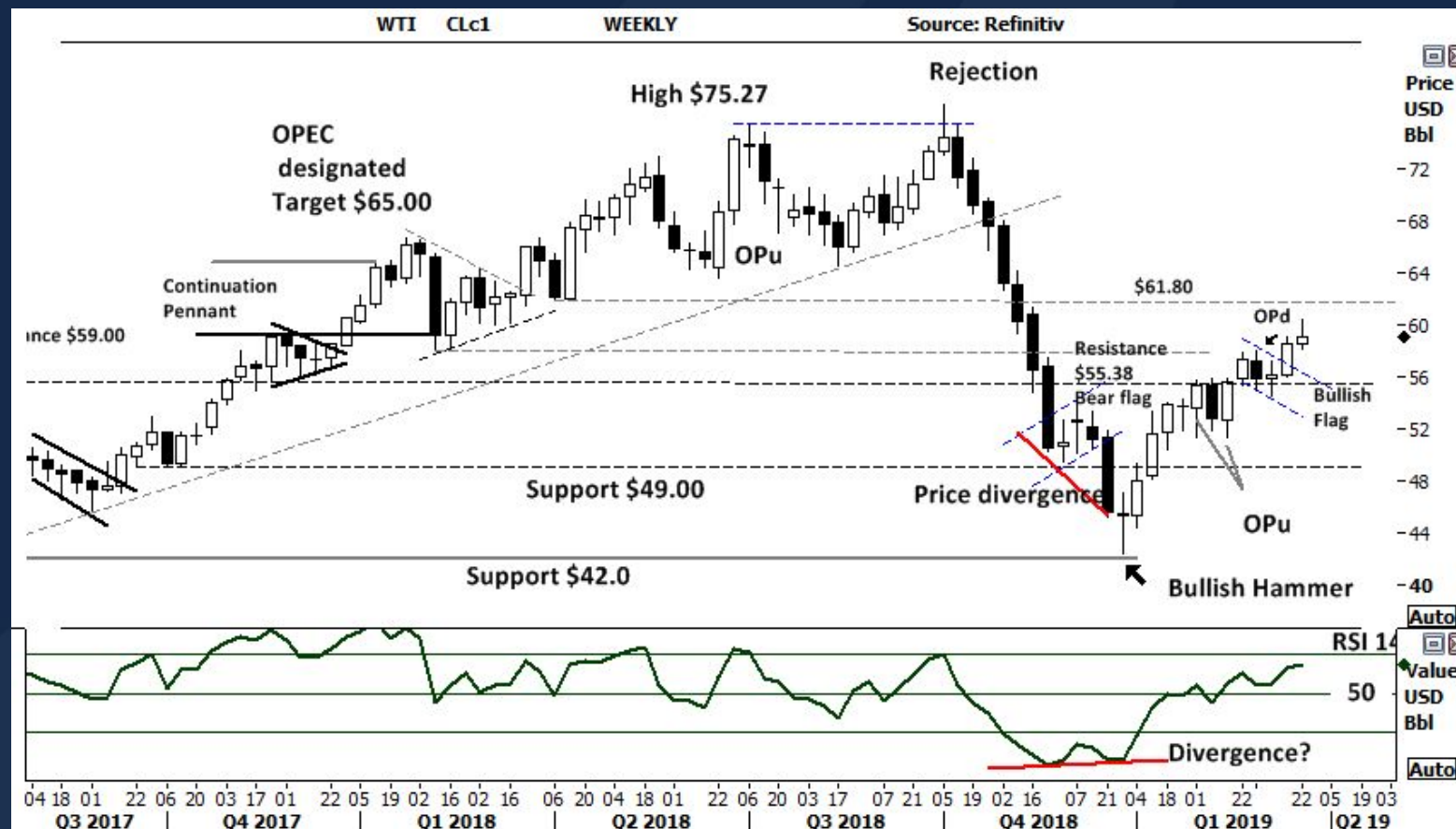
Next resistance level is shown at \$61.80.

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

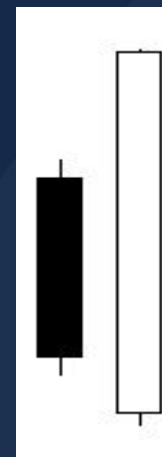
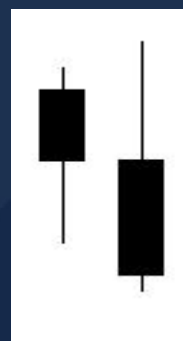
OPu and OPd

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

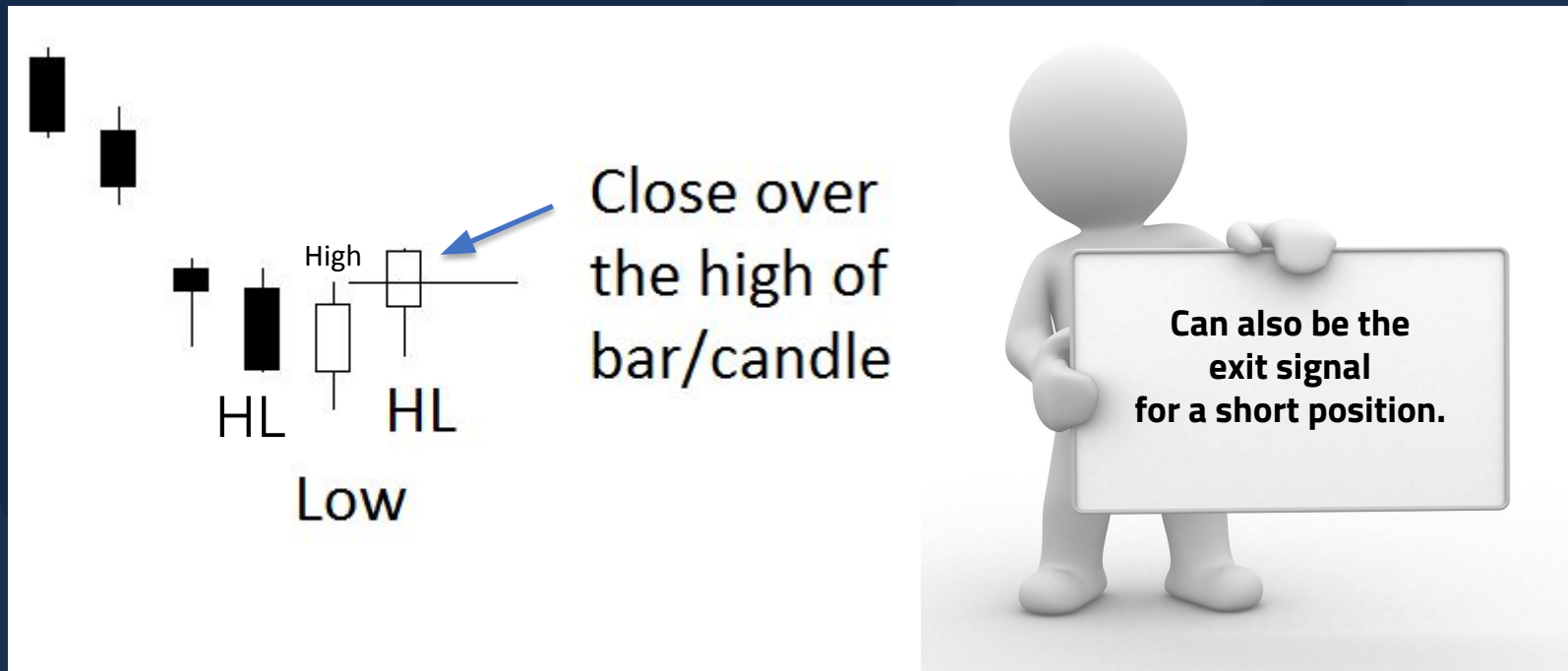
The outside period can mark a significant market turning point at or within 3 bars (93%).

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



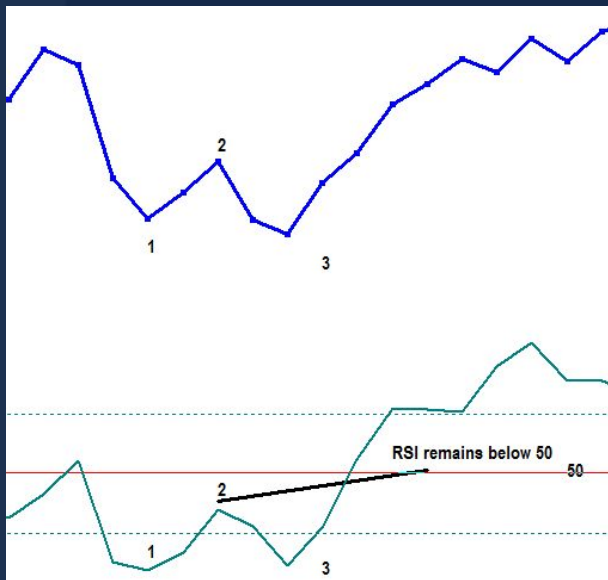
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



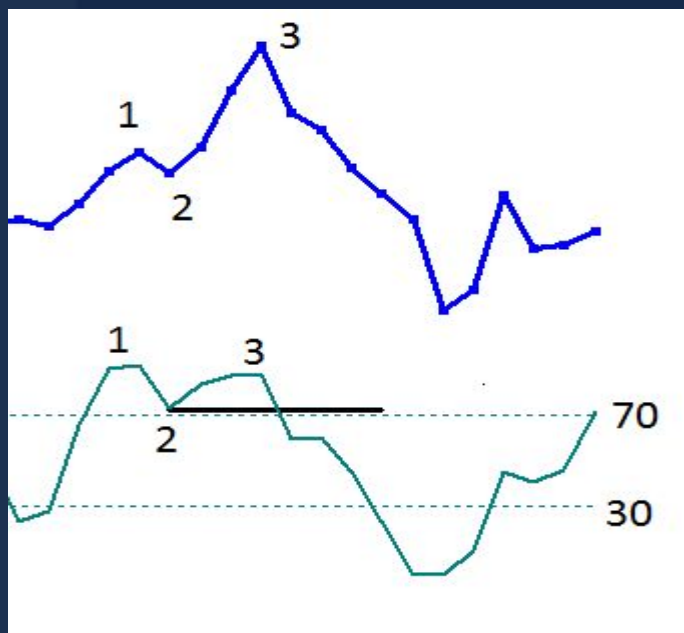
Relative Strength Indicator

SWING BUY SIGNAL.

- The market makes a low, (1) RSI swings below the 30 level. (1)
 - The market closes higher, (2) RSI moves higher but not over the "50" level. (2)
 - The market makes a new lower low, (3) 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 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" **

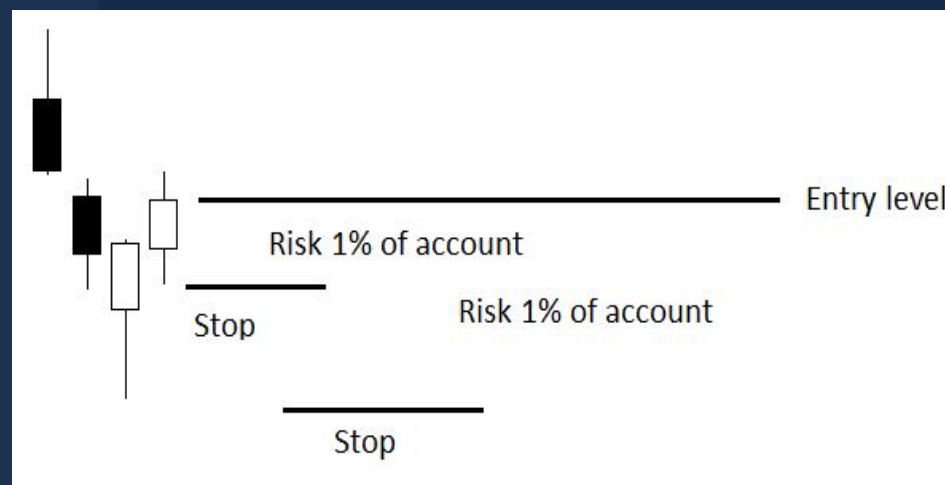
Swing failure is identified with the break off point 2 on RSI.

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:

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



THANK YOU