



**IN BLACK AND WHITE**

**19/10/2018**

**A market technician's view**

**FX  
INDICES  
EQUITIES**

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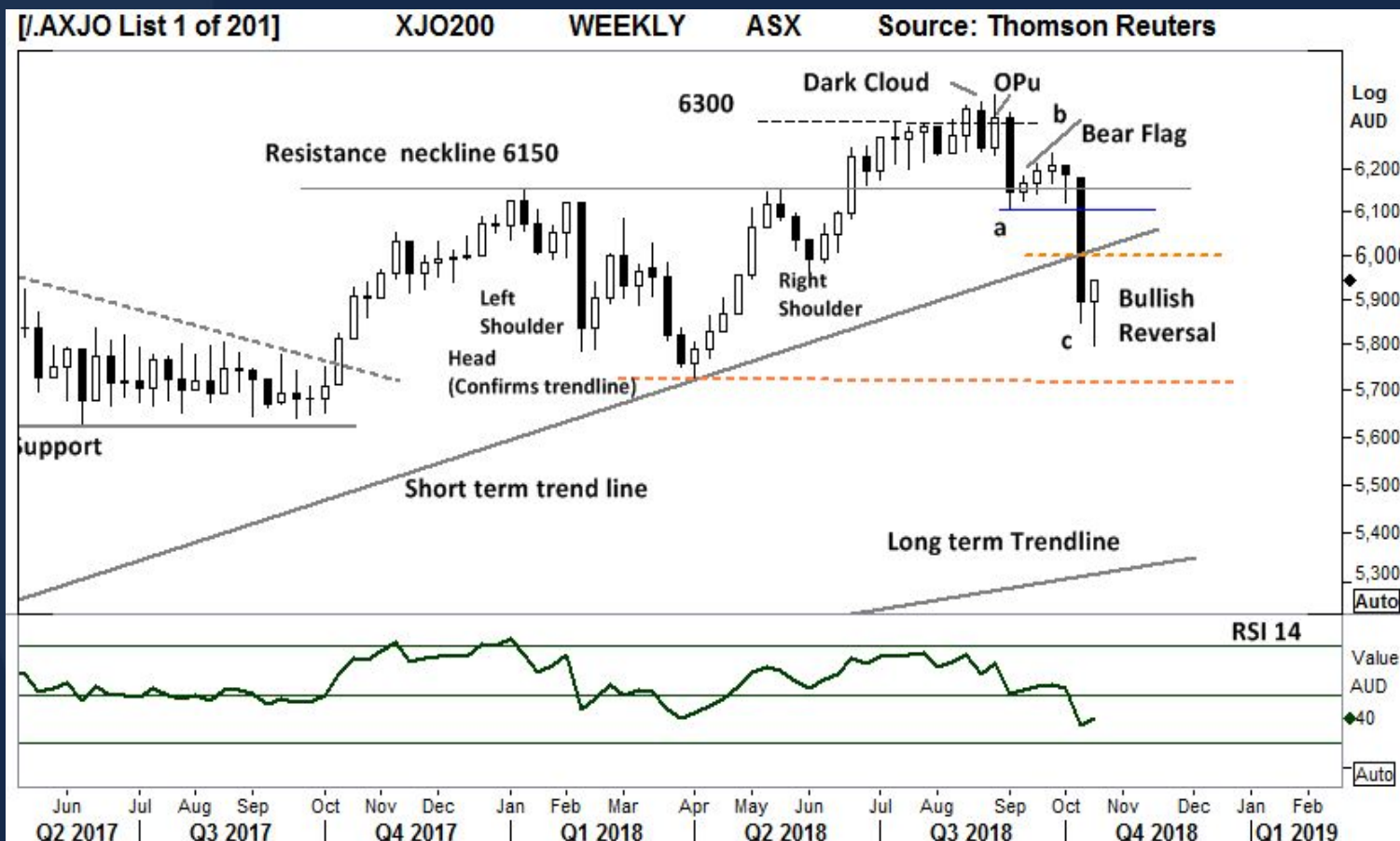
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# Aussie 200 index - Weekly



The Weekly Chart shows the Opu from 5 weeks ago signalling the "high" price level, with a complete reversal.

The Weekly XJO is now in a Primary down trend. A retest of the long term trend line remains in play at 5720 points.

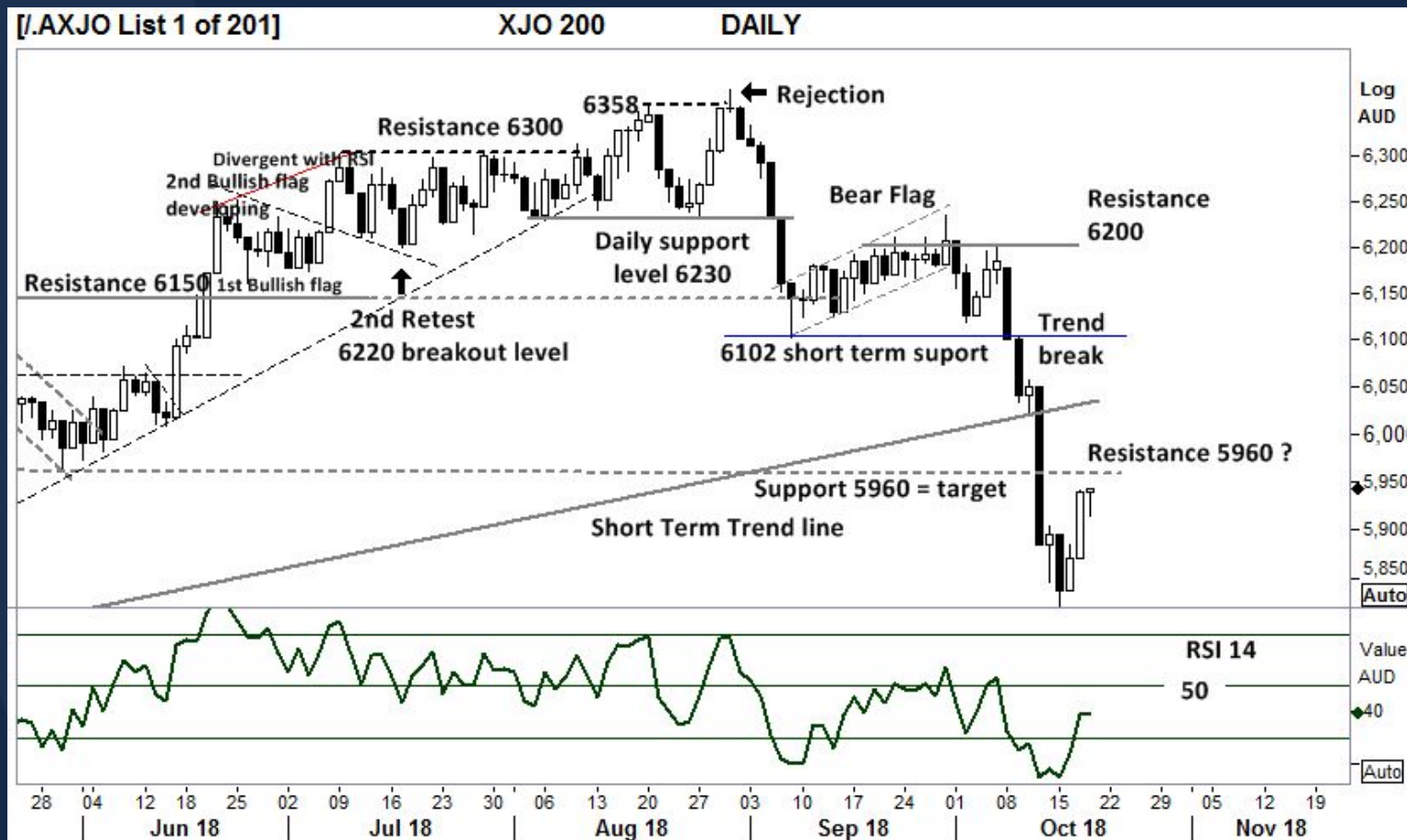
(This type of a,b,c pattern also occurred during Q1 2018.)

This current weeks bullish reversal candle has not tested the 5720 level, a sign the buyers have re-entered the market. Only a closing price over the 6150 would provide a bullish case in the coming weeks.

The Relative strength Indicator has moved below the key "50" level indicating a loss of upside price momentum, but this week has turned up in line with this current closing price.

**Comments from last week:** Last weeks candle, a time of indecision, has been followed this week by a very Bearish line now confirmed as a Bear flag breakdown.

# Aussie 200 index - Daily



The 6200 resistance level has provided resistance, with the breakdown below 6102 the Daily chart is in confirmation with the Weekly price line.

The Relative strength indicator has swung from below the "30 level", but has not moved over the key "50" level, this will continue to be monitored for "bullish divergence" in the coming days.

See notes below on Relative Strength divergence.

# S&P 500 Index - Weekly

## PRIMARY TREND REMAINS UP.

Prior weeks Outside range is a high percentage reversal, (93% within 3 bars, Krastins.)

An outside range is a time of confusion in the market as a new high has been made and a lower low from last week. This move remains "corrective" and does not confirm a down trend.

The "inside range" following a near test of 2700 points indicates some buyer support at low prices.

A retest of 2870 resistance is the target on a further rally.

A breakdown below 2700 would constitute a down trend.

Relative strength (14) had moved below the key "50" level showing a loss of positive price momentum, the current up turn shows a loss of down side momentum.

## Comments from last week.

This move remains "corrective" and does not confirm a down trend.





# S&P 500 Index - Daily

The Index on target to reach 3000 points has met significant resistance.

The next key support level is 2700, with a lower high retracement **bear flag** pattern this current movement is setting up for a retest of support at 2700.

Relative strength (14) had moved strongly below the "30" level, this pivot point pattern is a loss of upward momentum with the RSI turning down again. This will be monitored over the coming days for "bullish divergence".



# FTSE 100 Index - Weekly

## FTSE 100 weekly:

The Primary trend in the FTSE is down.  
This week small range candle with a retest of 7090 is not a strong indication of bullish price recovery.  
A continuation lower is expected to test 6860.

The Relative strength indicator 14 has moved below the "50" level, showing negative price momentum. Although the indicator has turned up this shows a slowing momentum only.

### Comments from last week:

Follow on from the "pivot point" reversal bring the 7600 level firmly into play.  
Rejection at this level reaffirms the **Primary down trend**.





# GOLD Weekly

Gold has changed the Primary trend to UP.

The current consolidation around the \$1200 can be viewed as "Gold is building a base" within the down trend. The current price breakout has moved to a new high this week, but on a small range.

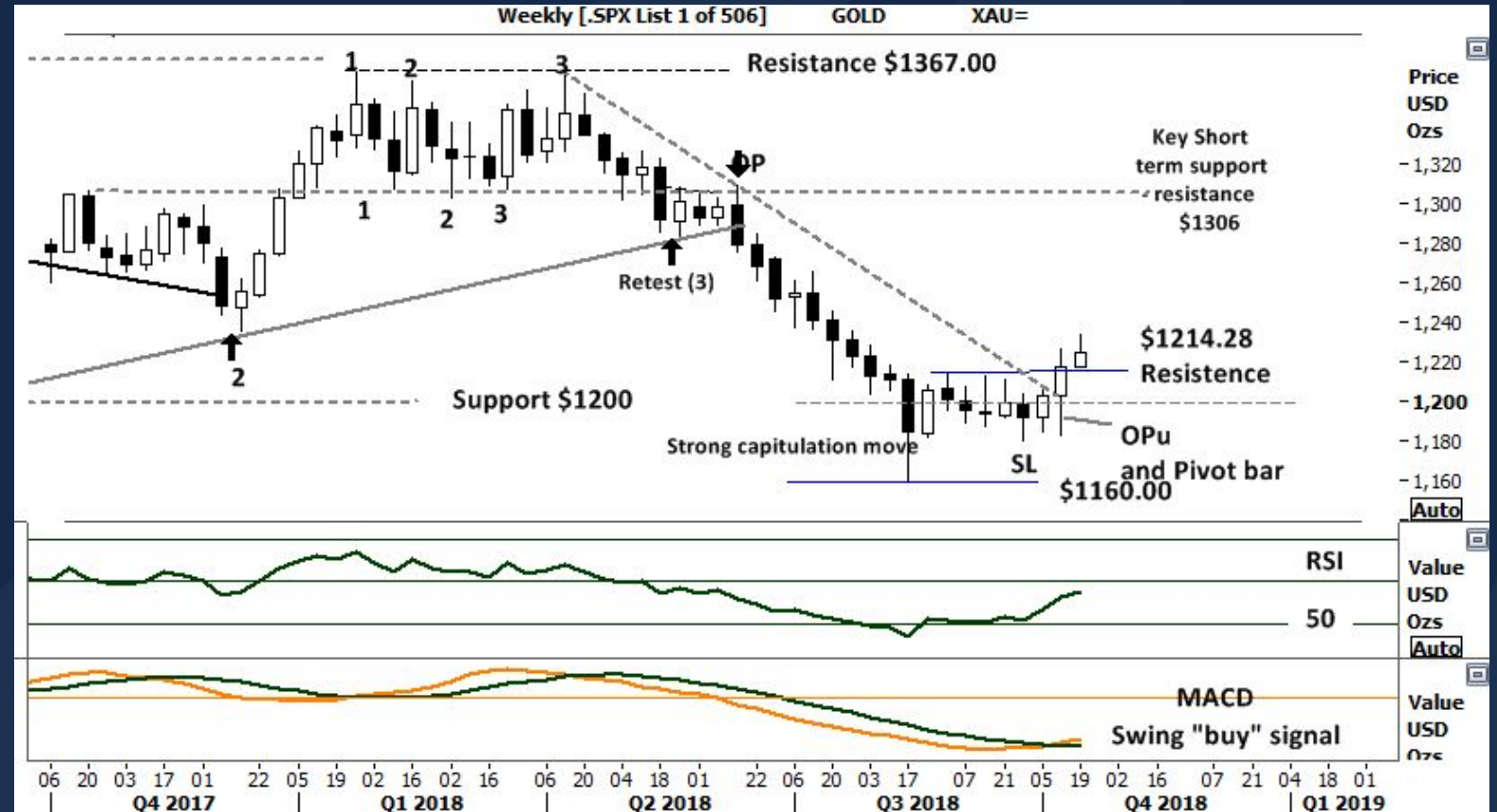
In the case of price weakness the \$1200 level will be key support in the coming weeks.

Last weeks Outside range is a high percentage reversal, (93% within 3 bars, Krastins.)

An outside range is a time of confusion in the market as a new high has been made and a lower low from last week.

## Comments from last week:

This week's close also completes a pivot point reversal from the SL point.

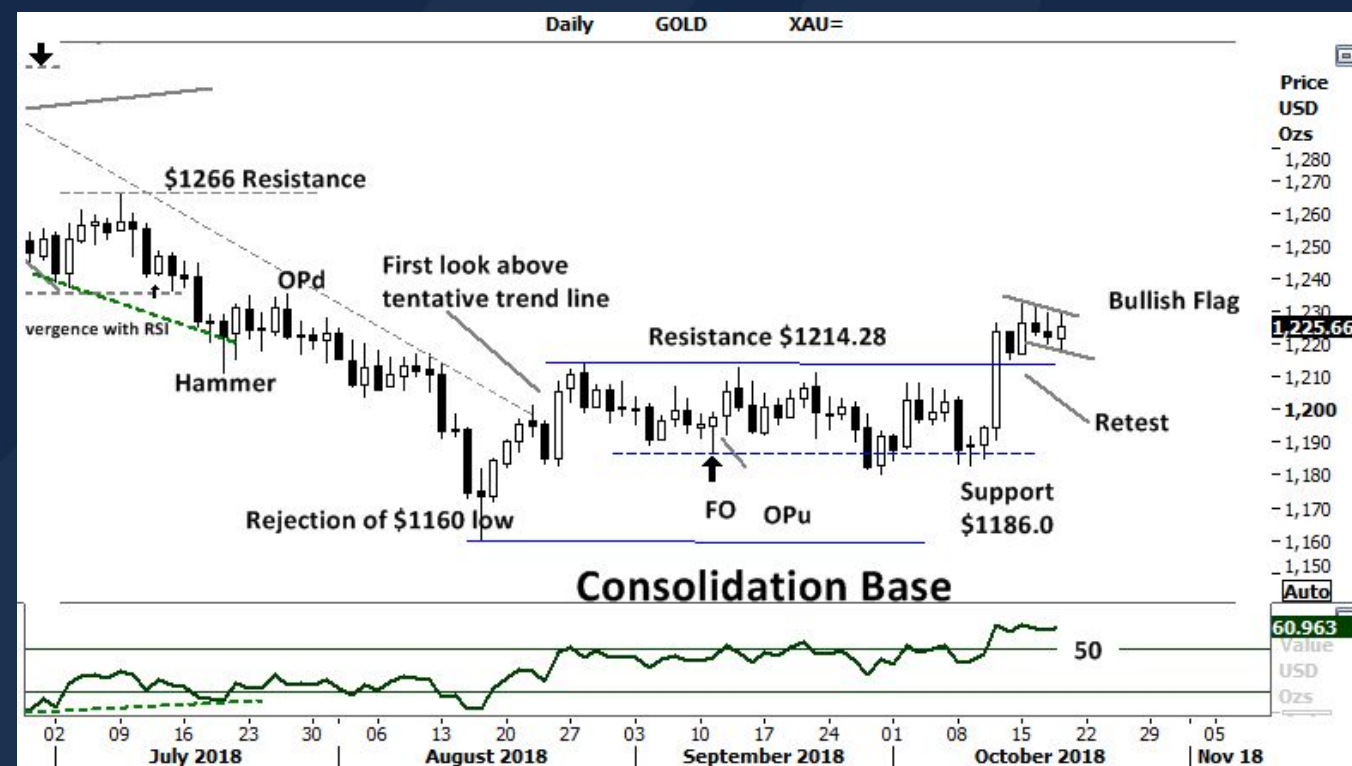


# Gold Daily

This week has seen small consolidation above the \$1214.28 level.

The bullish flag developing complete with the retest of the breakout level has the potential to push higher into the \$1266 level.

RSI has turned higher above the "50" level indicating positive price momentum.



## Comments from last week:

This daily chart has entered into an UP trend with \$1266 as the current target price. High volatility has returned.

# Australian Volatility Index

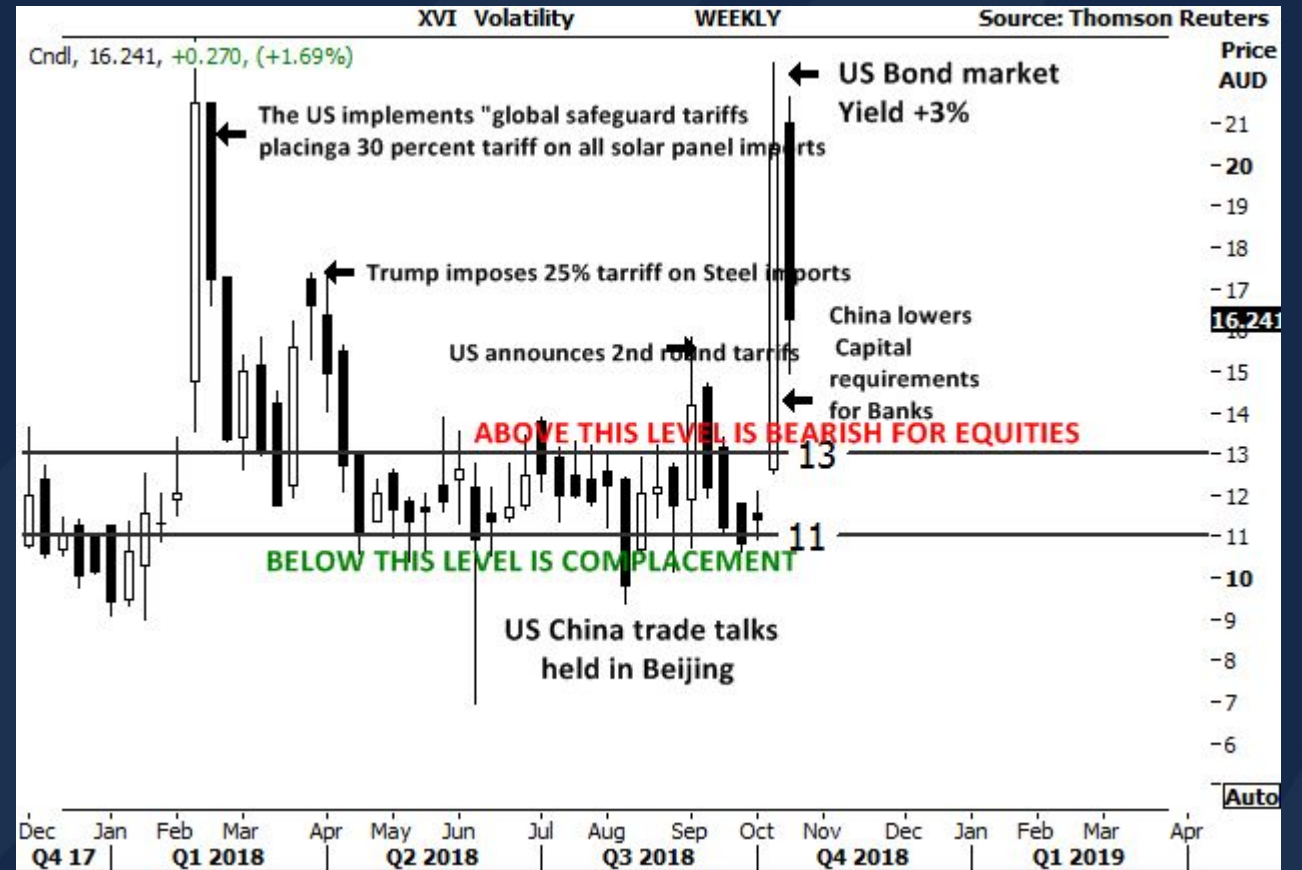
The Australian has a volatility indicator XVI.

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

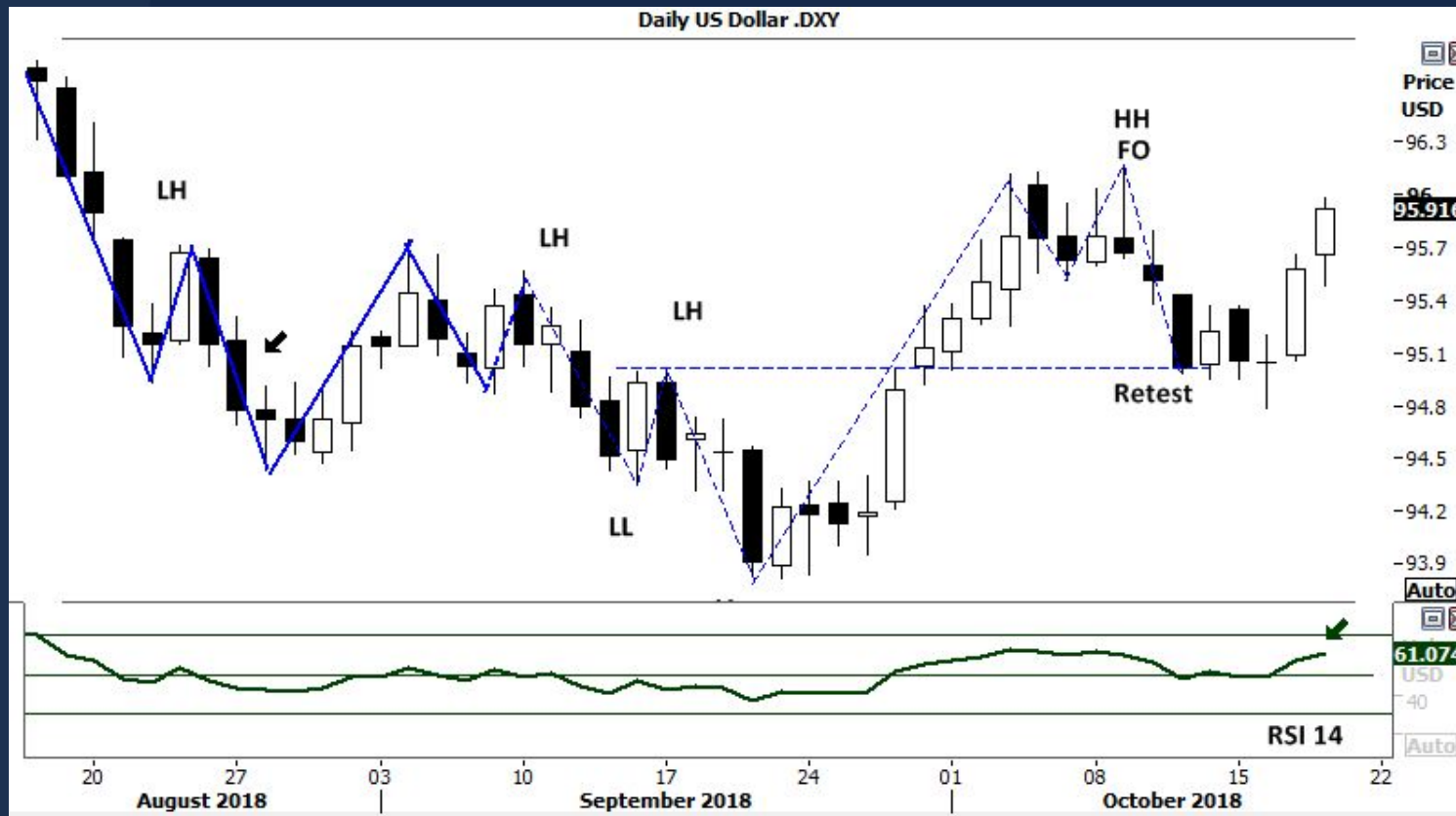
As markets anticipate events, the forward priced option volatility changes, hence as forward price changes this "skew" is pricing is measured in this XVI.

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

A high XVI over "13" is generally bearish for equities. Last week this registered 21.8, this week's reading is 16.24 a move to the 13 level is expected.



# US Dollar Index



The Relative strength Indicator ( 14) has turned higher confirming of upward momentum. A retest of the key 95 level on a very strong range, is now complete.

Last week's commentary suggested further Weakness would see the 94 level again tested. With the doji of 3 days ago the retest was complete.

The US Dollar index is 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.

# WTI OIL WEEKLY

## Weekly OIL

The primary trend remains UP during this time of potential price consolidation the retest of \$71.28 and further move down is significant.

A new trend line has developed, a retest of this line would have oil at \$68.00

\$75.27 is the next key resistance level on price recovery.

\$64.00 remains the first major key support level.

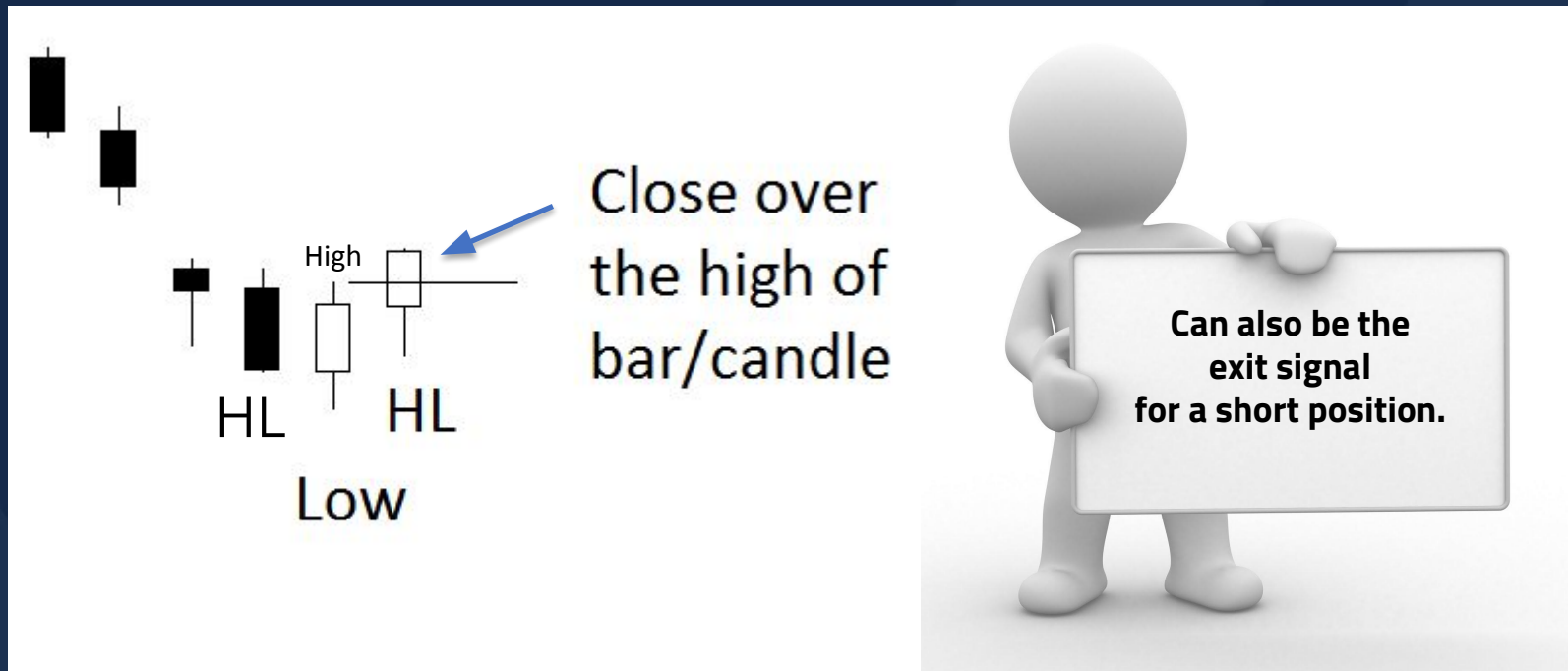
### Comments from last week:

A new trend line has developed, a retest of this line would have oil at \$68.00





# The technical setups. The Pivot point reversal





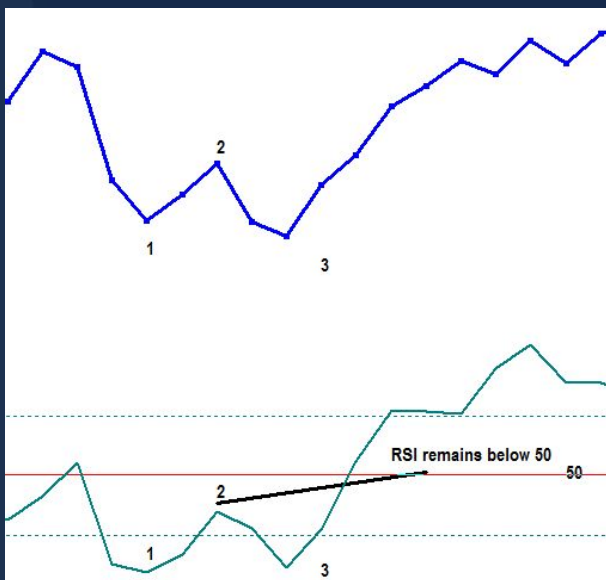
# The technical setups

## Pivot point reversal



# THE TECHNICAL SETUPS

## Relative Strength



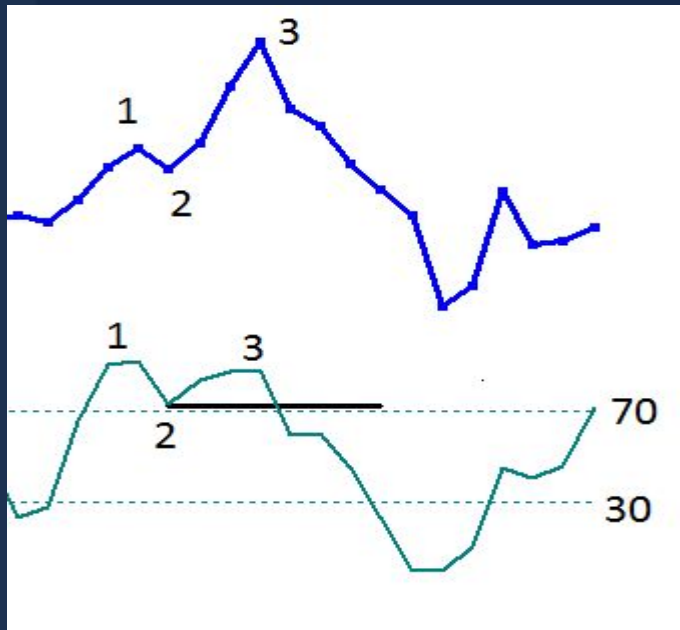
### Relative Strength Indicator

#### 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

# The technical setups

## Outside period

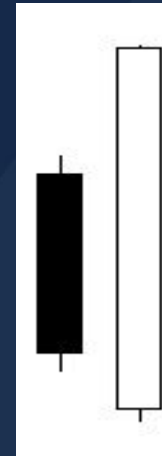
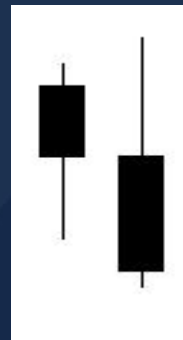
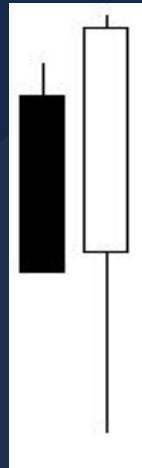
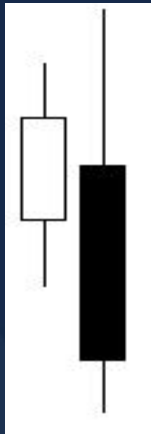
### Opu and OPd

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.

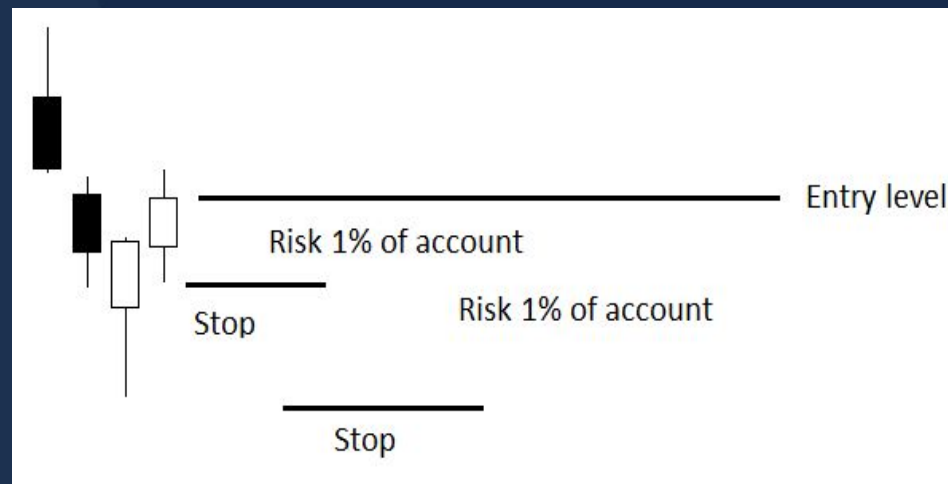
The OP period comes in all shapes and sizes.



# 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:**  
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**THANK YOU**