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IN BLACK AND WHITE

The Week Beginning 16/12/2019

A market technician's view

FX INDICES EQUITIES



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SUMMARY-

Is a trade deal in place or just a back down from both the US and China over Tariffs?

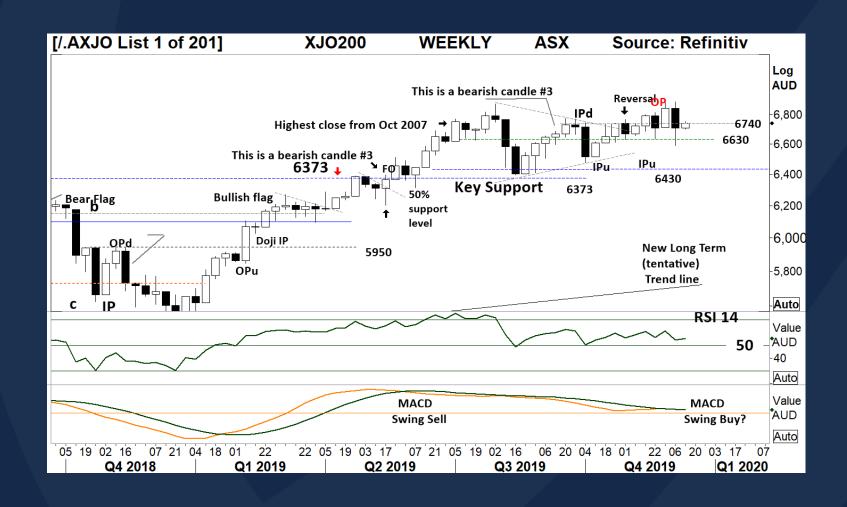
The market will decide in the coming days the validity of the negotiations and prices will respond accordingly. Both the US and Australia have shown a weakening momentum from last week that may follow through in the coming days.

Gold and Silver has displayed an early bullish signal, however some key levels will need to be breached in the coming days.

WTI oil is on track to test a significant resistance level a win for the Bulls.

Australian 200 index - Weekly





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

The large range bar of two weeks ago continues to provide resistance at the "mid point" of 6740.

This level is now a significant resistance level for the buyers.

As last weeks small range shows indecision and low momentum, a bearing reversal is possible in the coming weeks.

RSI remains over the key 50 level but moving sideways.

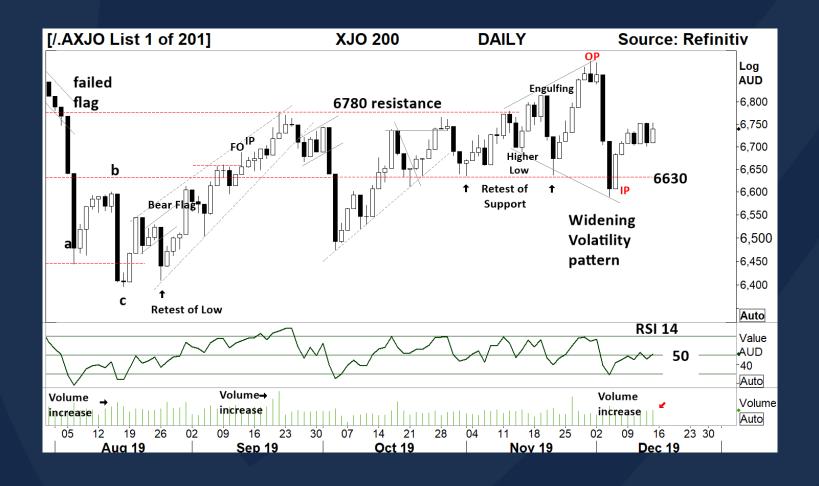
MACD has turned neutral as it moves lower.

Comments from last week:

A clear large range reversal bar last week further consolidates the XJO above 6630. Current resistance remains at 6740. This type of consolidation remain a positive precursor for a Xmas rally.



Australian 200 index - Daily



The high volume inside day last Friday is at risk of reversing lower in the coming days. A further breakout over 6750 is required to remain bullish.

Overall the XJO now displays a Widening volatility pattern, a retest of the lower edge below 6630 is possible in the coming days

The Relative strength Indicator has turned higher, however momentum remains neutral at the 50 level.

Comments from last week:

Strong reversal periods from the OP high retesting 6630 followed by the inside range reversal a very positive sign of further gains in the coming days. Traders would look for a retest of the 6850 high in the coming days.





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

#3 2 weeks ago is a bearish indicator. A move below last weeks low of 3126 would signal a potential reversal within this up trend. (Not a new bear market)

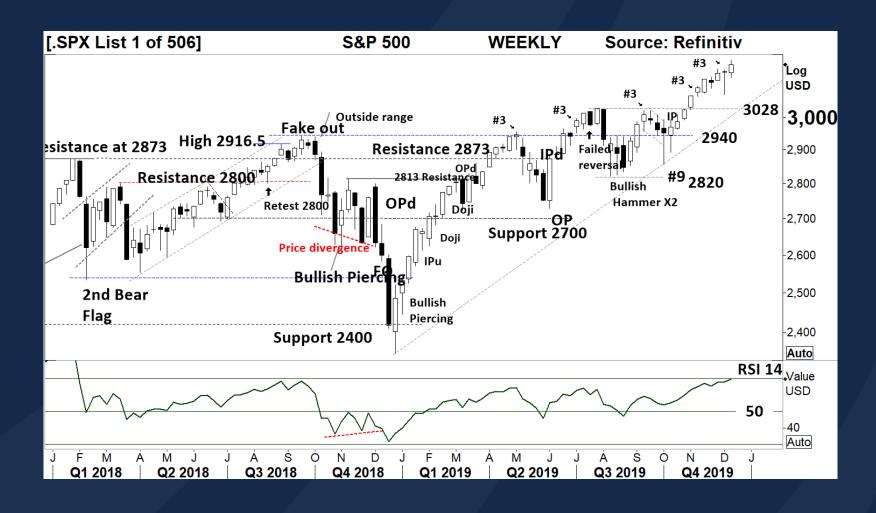
3028 remains the major support level on any further retracement moves.
RSI remains positive swinging higher.

(See notes below for #3)

Comments from last week:

Last weeks long lower shadow candle show signs of early selling within the prevailing UP trend.

Traders would look for a further recovery to ne highs in the coming week.







STRONG bearish divergence is now in play.

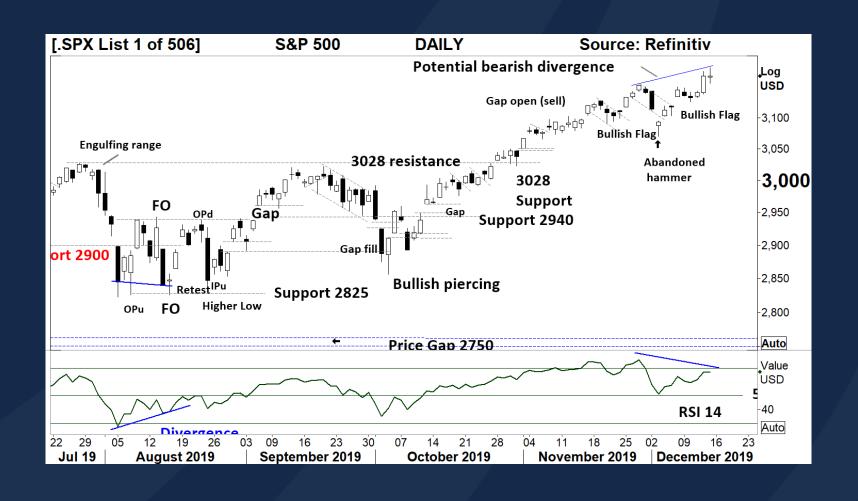
Last Fridays short trading range suggest the market is in balance. The RSI suggests momentum is significantly weakening in this bullish

The RSI has turned flat but has remained above the key 50 level, and remains positive as a signal of positive price momentum.

Comments from last week:

price run.

The developing Bullish flag has broken to the Upside following the abandoned hammer bar. This remains a very bullish market with sellers being over come at every sell point.



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.)

Transports have now set 10780 as immediate resistance.

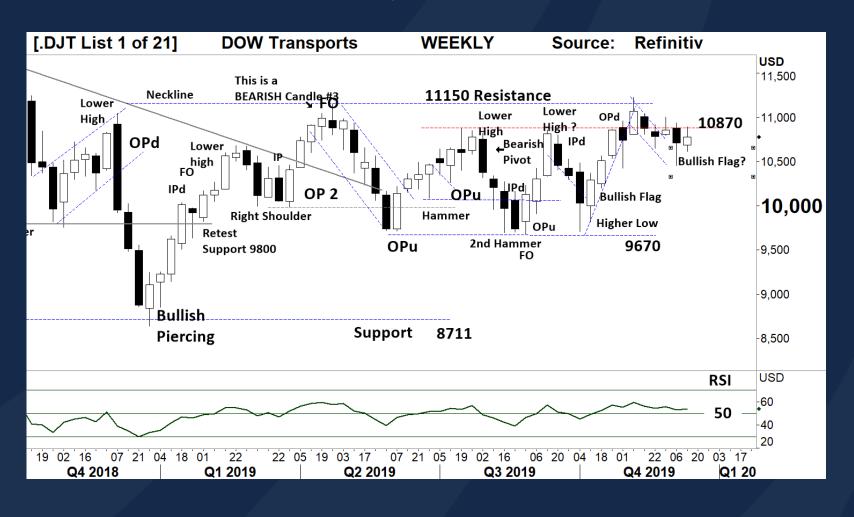
The bullish flag breakout is at risk of failing to move over this resistance level and test 11150. A bearish signal for the greater market.

Relative strength has turned lower and remains over the key 50 level a sign of decreasing price momentum inside this consolidation pattern...

Comments from last week:

With an initial breakout followed by reversal last week. Observers should note the "midpoint close of the weekly range as a Bullish signal for further gains.

10870 remains the key level, a weekly close over this level is required to give Buyers confidence of further gains.



GOLD Weekly



GOLD remains in a Primary DOWN TREND.

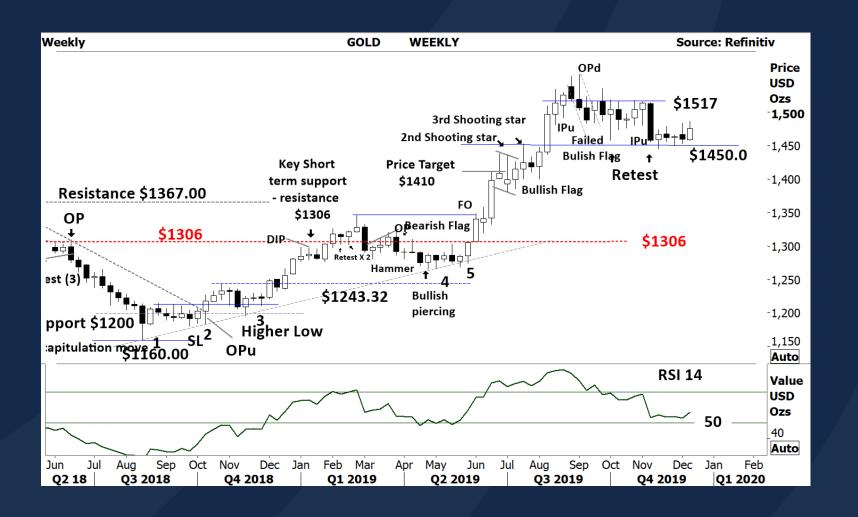
Again solid support along the \$1450 level last week.
Last weeks higher close in the range is a short term bullish signal.

This is now a SIGNIFICANT level to hold in the coming weeks.

Relative strength remains over the 50 level, however the indicator is trending down and currently moving sideways.

Comments from last week:

Last week showed further consolidation above \$1450 a very strong sign of building support at this level. A further close below \$1450 would be a very bearish signal.





Gold Daily

GOLD remains in a PRIMARY DOWN TREND.

The intimate inverse Head and Shoulder pattern with the higher low right shoulder has closed on interim resistance at \$1476.00. This is a very bullish sign for further

Relative strength again swings above the key 50 level, this is a bullish sign and suggests further positive momentum.

gains in the short term

Comments from last week:

\$1476 remains a key resistance level on a Daily basis. Fridays strong down move indicates a retest of \$1450 underway.

This will be a key level in the coming days.







No Bull market here:

The closing low of 2 weeks has failed to see a lower price follow through. Traders would look for a close over the \$17.30 level in the coming days.

Relative strength has remained lower a sign for further weaker price momentum, however the RSI is rising overall, a move over the 50 level would indicate strong price momentum as bullish divergence is now in place.

Comments from last week:

XAG closes below the key Daily support level of \$16.60. With he large range set on Friday a further move lower could be expected in the coming days.





Australian Volatility Index

Current volatility levels, show a decrease in volatility values, as a Bullish sign the market has discounted the immediate risk.

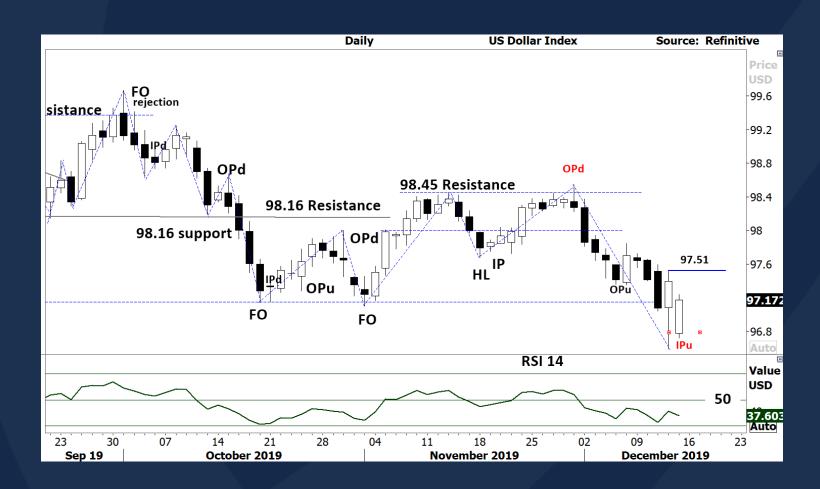
This news driven indicator is reflecting an decrease in risk and uncertainty in markets going forward.

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.









The failed reversal at 97.2 support with the DXY setting a new low. A Daily down trend is now in place.

Fridays inside range may provide a turning point as the close remained over the key 97.2 level.

Traders would look for a close over 97.50 to remain bullish.

RSI turns lower and remains below the key 50 level, a signal of weak momentum.

Comments from last week:

Friday saw a large range OPu (Outside period) develop following the decline during the Week. A strong signal the low is in and considered the retest of 97.2 is now complete.

WTI Oil WEEKLY



The continued development of the bearish flag suggested a retest of the support level at \$50.60.

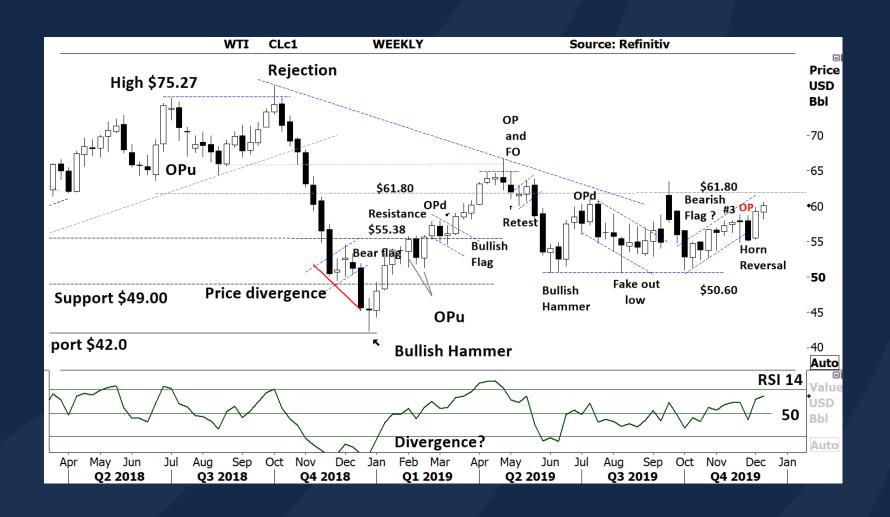
Last Week posted a small rise as WTI approaches the key resistance level of \$61.80.

This pattern now confirmed as a side by side or Horn reversal, a bullish continuation pattern.

The Relative Strength Indicator turns higher above the 50 level, a sign of increasing Upside momentum.

Comments from last week:

This Weeks reversal of the BEARISH Flag breakdown, not only increase volatility, but shows the market is unwilling to test lower levels. WTI remains range bound, however this strong up side move is a very positive sign of further Gains.





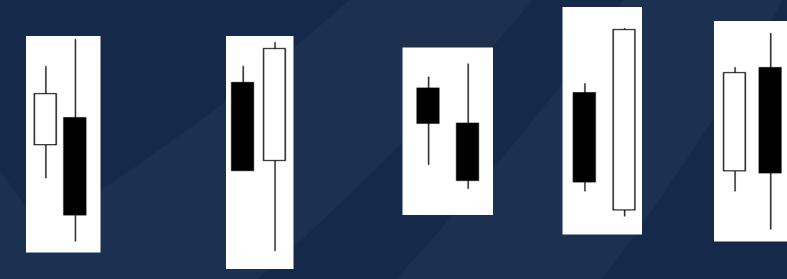


A price range with higher high and lower low than the previous range often indicates a market turning point. (Krastins research)

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

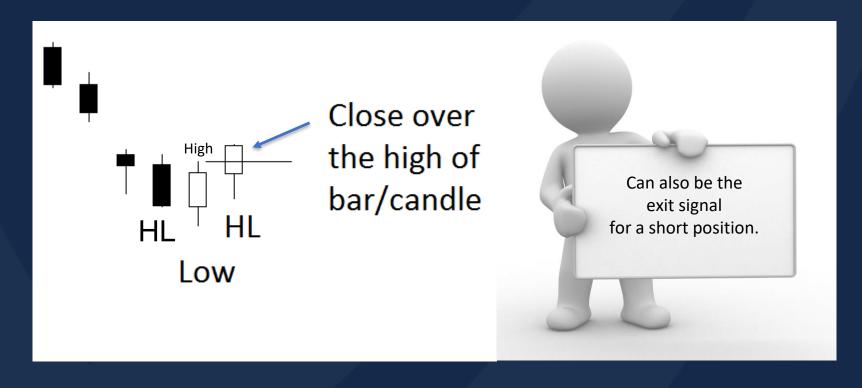
OPu is an up close bar OPd is a down close bar.

The OP period comes in all shapes and sizes.



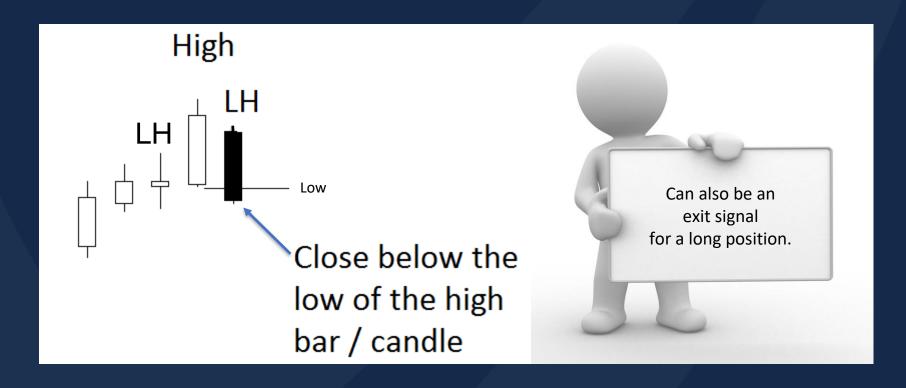


The technical setups. The Pivot point reversal





The technical setups Pivot point reversal





The technical setups WEEKLY #3 reversal

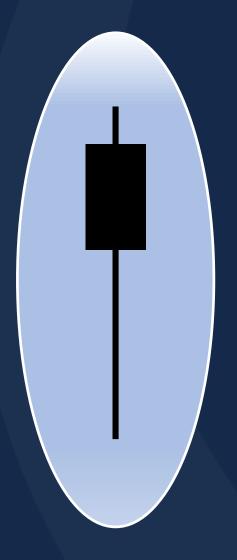
When Line #3 is found at a HIGH PRICE AREA Long positions should be closed within a week.

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.

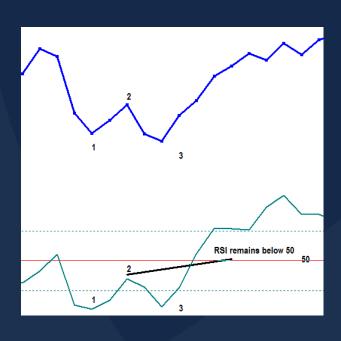
If this is a short line the trader should wait for the market to show direction.

Following Price movements can "engulf" this short movement.



THE TECHNICAL SETUPS Relative Strength





Relative Strength Indicator

SWING BUY SIGNAL.

•Market makes a low, (1) RSI swings below the 30 level. (1)

•Market closes higher, (2) RSI moves higher but not over the "50"

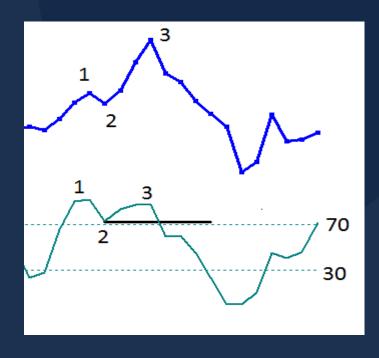
level. (2)

•Market makes 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. 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"**

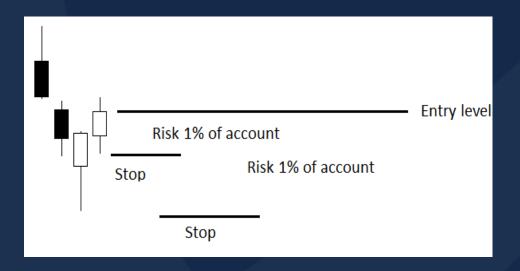
Swing failure is identified with the break of point 2 on RSI



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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Comments and Feedback: support@fpmarkets.com

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THANK YOU