



IN BLACK AND WHITE

the week beginning
29/04/2019

A market technician's view

FX
INDICES
EQUITIES

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SUMMARY

Equity markets in the US have reached equal highs from August 2018, with reporting underway, the markets remain at an important nadir as US reporting draws to a close.

Brexit goes to the back burner until October.

Australian markets are now contemplating a low interest environment for many years to come, this is now reflecting into the equities markets as traders and investor look for yield returns from dividends and buy backs.

The XJO is within striking distance of an all time high over 6800 level.

Commodities remain bullish the strength in Oil and Copper with Iron Ore has the two metals and Oil consolidating below the recent high prices.

This weeks DXY chart shows potential big picture weakness coming for commodities as the US dollar move higher.

Australian 200 index – Weekly



The Weekly chart shows a very strong test of the 6373 level.

With the RSI not yet over brought has turned higher.

With last weeks strong range a further move high is expected to test the 6800 all time highs in the coming weeks.

Comments from last week:

The weekly range again remains inside the weekly FO range 2 weeks ago. A further retest of 6373 the key level in the coming weeks.

Australian 200 index – Daily



RSI turning higher in line with this daily breakout over the key 6285 resistance level.

A long consolidation from late January has the potential to make an extended move to 6800 points and higher.

Relative strength has moved over the 70 level indicating strong momentum.

Trading volumes remain strong as a sign of continued accumulation.

Comments from Last week: Small range trading days last Wednesday and Thursday will be seen as a bullish setup only with a Daily close over 6285 points.

S&P 500 Index – Weekly High 2813

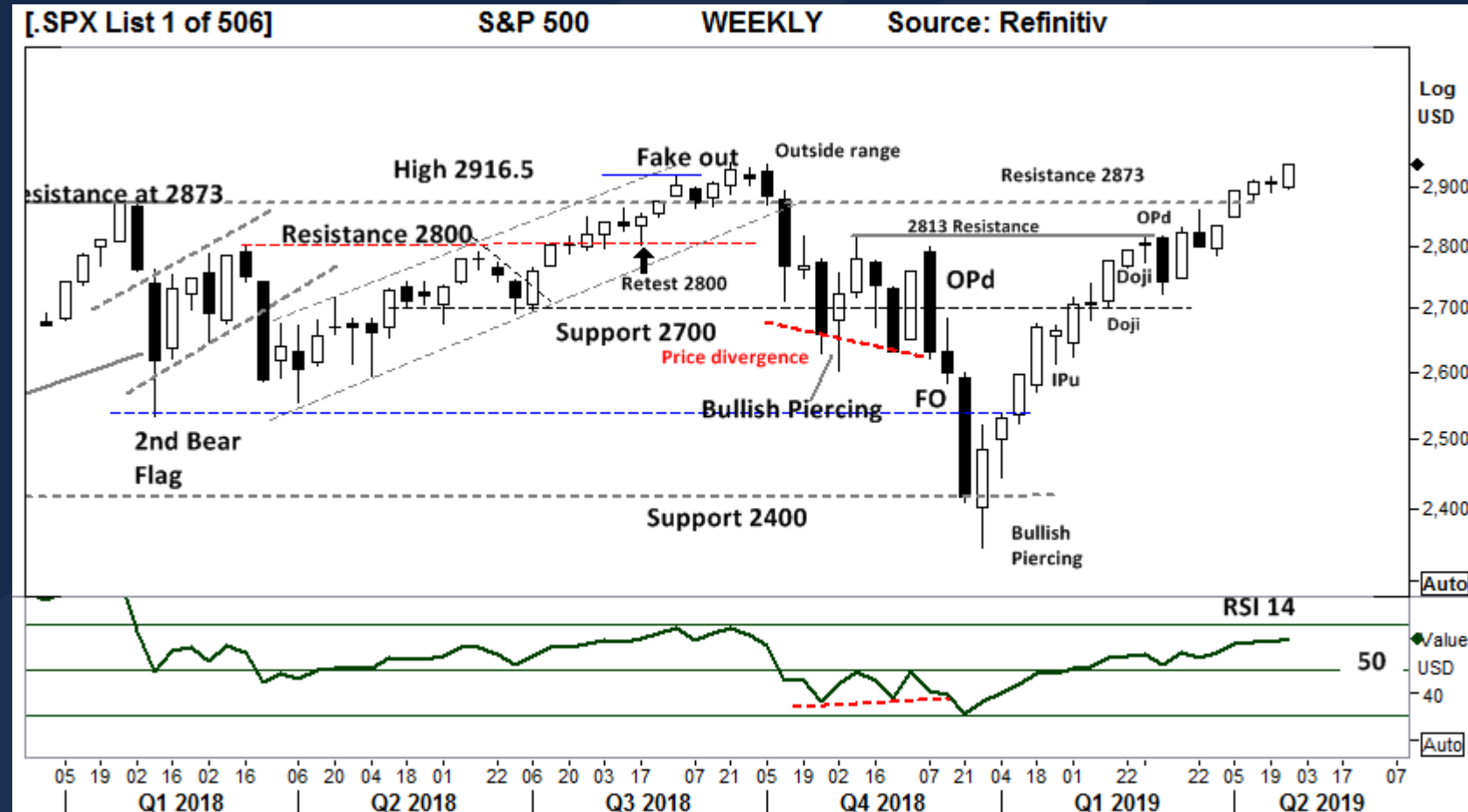
The Weekly again closes on the high for the week.
A significant resistance level has been broken on strong momentum.
This remains very bullish going forward.
Traders should monitor these current levels for a potential reversal as a retest of the breakout over 2873 points.

RSI remains over the key 50 level and again rolling higher is a positive indication of improving price momentum.

Comments from last week.

The strong breakout above 2873 is very bullish and remains in place with a potential retest of the historical Outside range underway.

A close outside of resistance will discount this view.

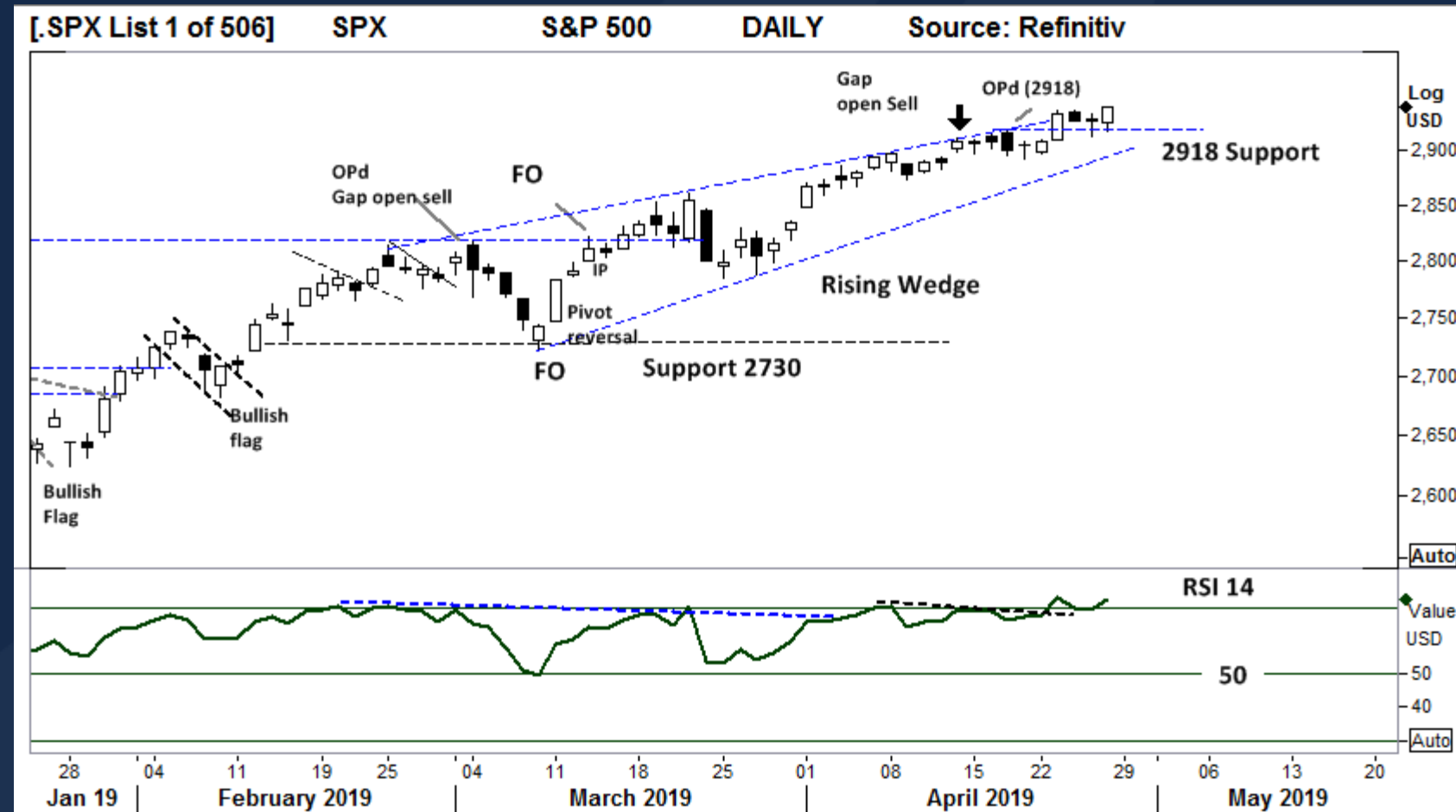


S&P 500 Index - Daily

A breakout above the “wedge pattern” will begin a new leg of the current trend and be monitored for a “Bull trap” in the coming days.
2918 is the important support level in the coming days.

Relative strength has turned higher showing an increase in price momentum.

Comments from last week. The daily chart indicates a rising wedge pattern, ultimately a bearish pattern, although may persist for several weeks.
A strong breakout is required for continuation higher.



Transports Index

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

Following the bearish candle of 2 weeks ago this week posts a rejection line.

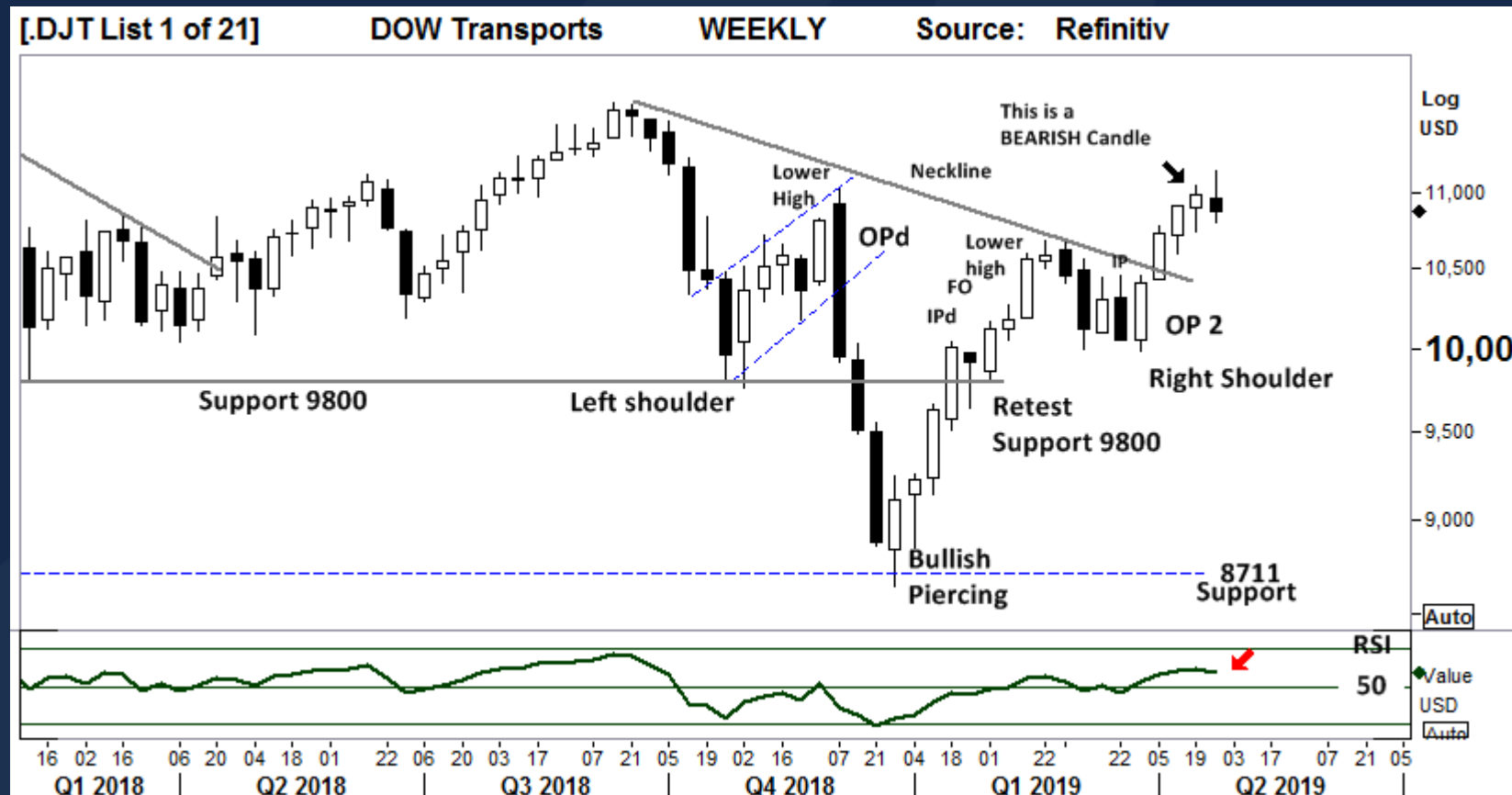
Of concern is the Transports not following the major indices and closing on the highs for the week.

Price weakness would be monitored for a retest of the neckline at 10400 points.

Relative strength dipping and rising above the 50 level and again rolling over shows a negative swing in momentum as the indicator continues to move sideways.

Comments from last week.

The lower shadow candle with a high close is a bearish sign after a "rise" in the market.



FTSE 100 Index – Weekly

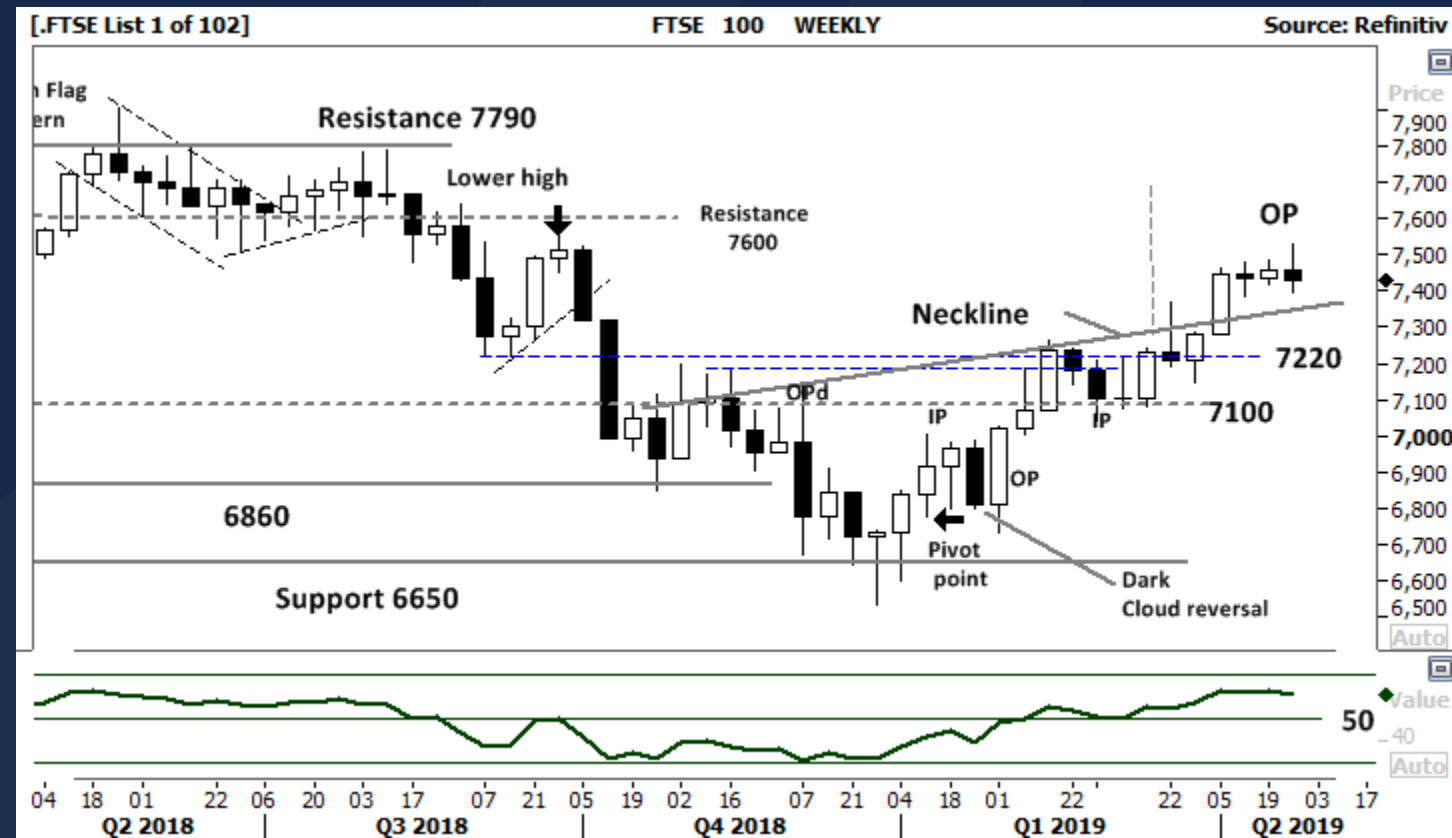
FTSE 100 weekly:

The FTSE continues to hold the break out above the neckline on a 3rd consolidation week.

A potential retest of the neckline is still possible on any price weakness in the coming weeks following this week OP (outside period)

Primary trend is UP and remains very bullish with the price target of 7700 a potential move.

RSI swings higher above the 50 level, but turned flat, this now confirms the price consolidation view as momentum slows.



Comments from last week:

.A potential retest of the neckline is possible on any price weakness.

GOLD Weekly

Gold breaks down from a PRIMARY UP TREND.

With a Bullish piercing week Gold has found some support earlier than the lower support level of \$1243.32.

Traders should monitor a close above the \$1306 level as a further bullish sign of recovery of price.

RSI swings below the key "50" level, and this week swing back higher showing positive price momentum.

Comments from last week:
Gold now swings to a primary down trend.



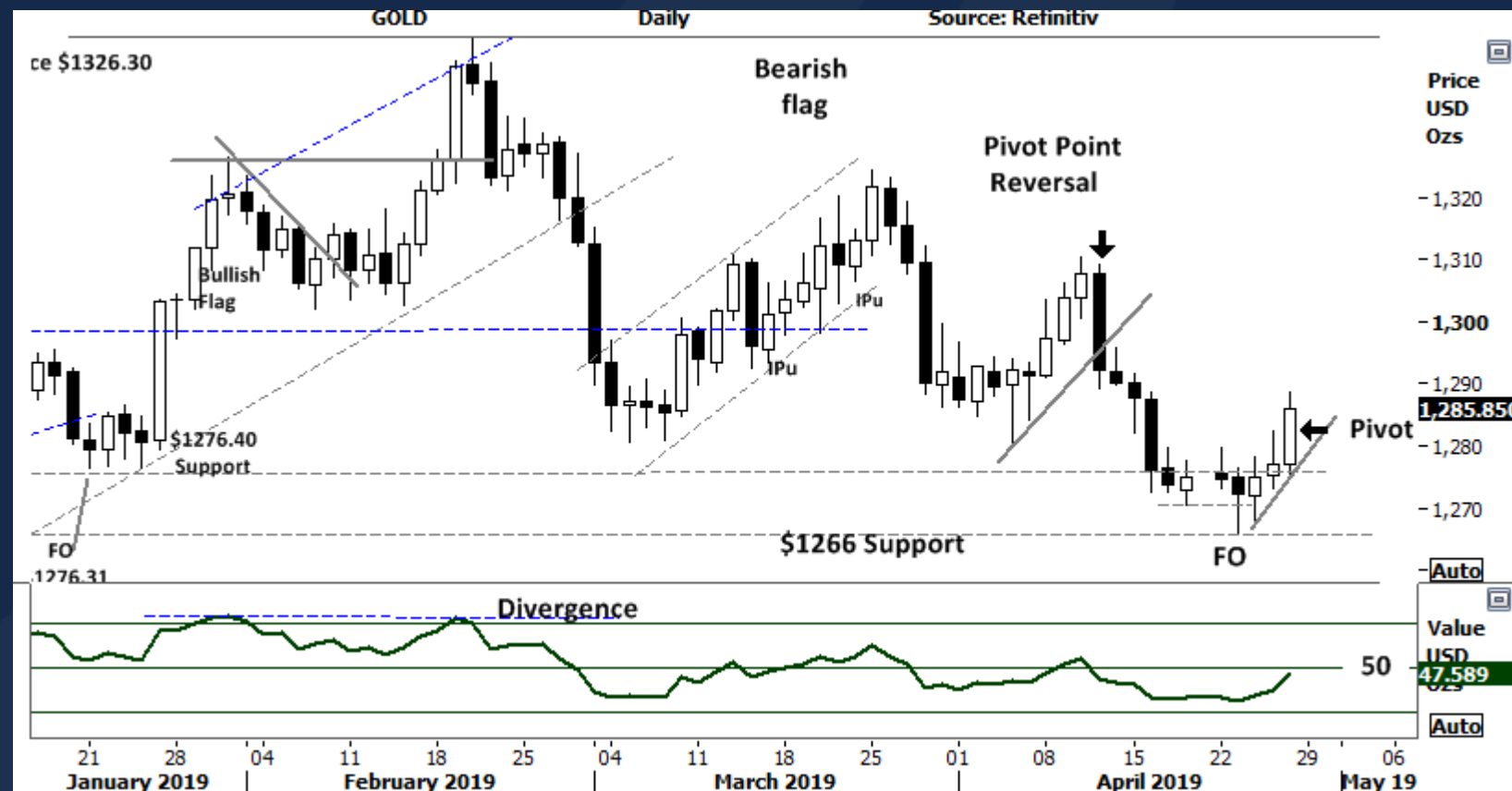
Gold Daily

The FO (fake out) low, is a sign of short covering, followed by the Pivot candle is a very bullish sign for higher prices in the coming days.

Relative Strength has moved under the 50 level indicating a loss of momentum, but turned sharply higher.

Comments from last week:

With price remaining above the support level of \$1276.40 this again remains the key level in the coming days. Should again make a strong close below this level, GOLD will have a broad top in place, suggesting no further immediate upside.



Australian Volatility Index

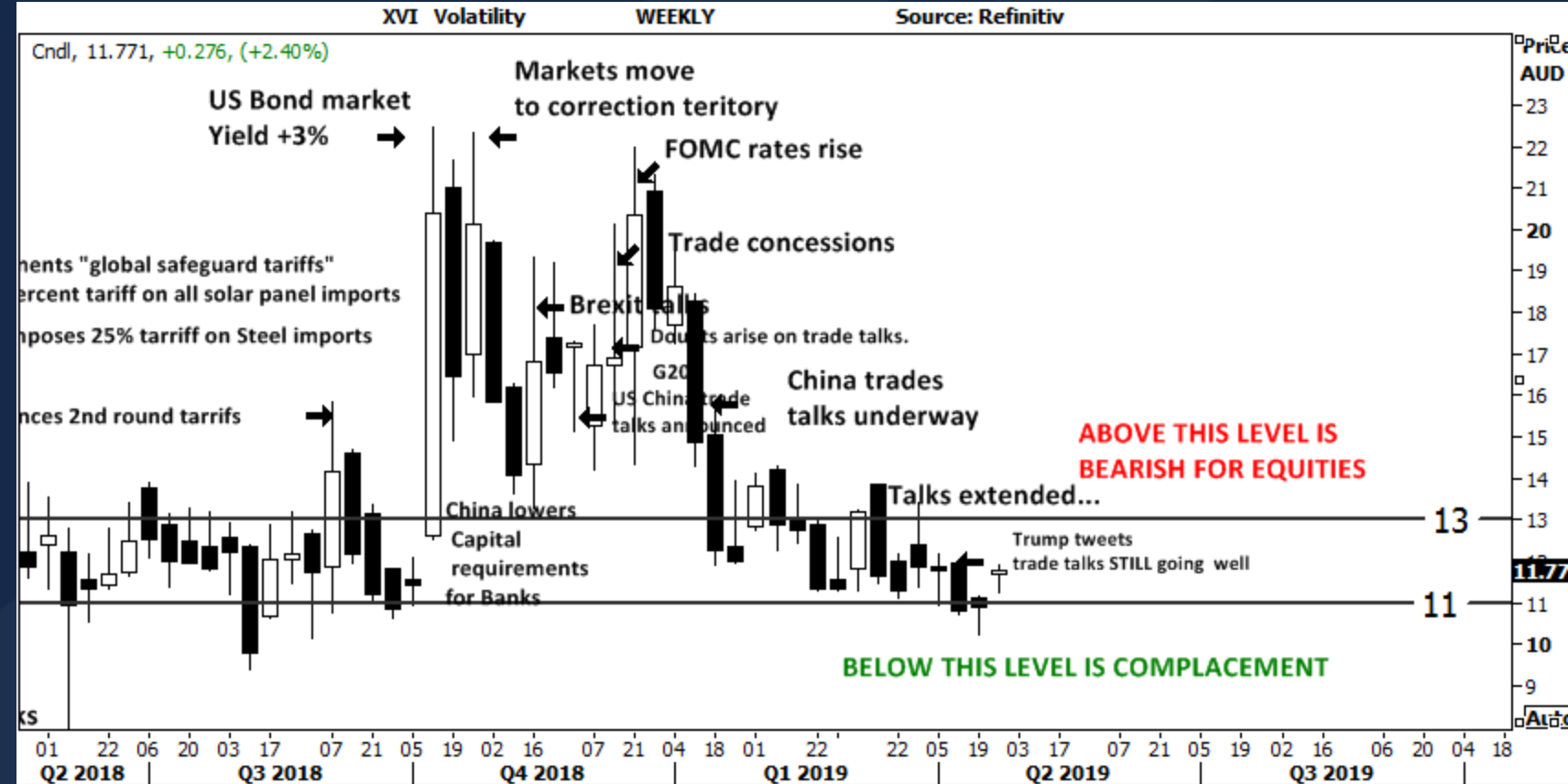
Current volatility levels, have remained below the key “13” level, this remains bullish for equities.

Last week volatility again fell below 11 showing complacency of risk with a rise back 11.77 showing a small increase in the price of insurance.

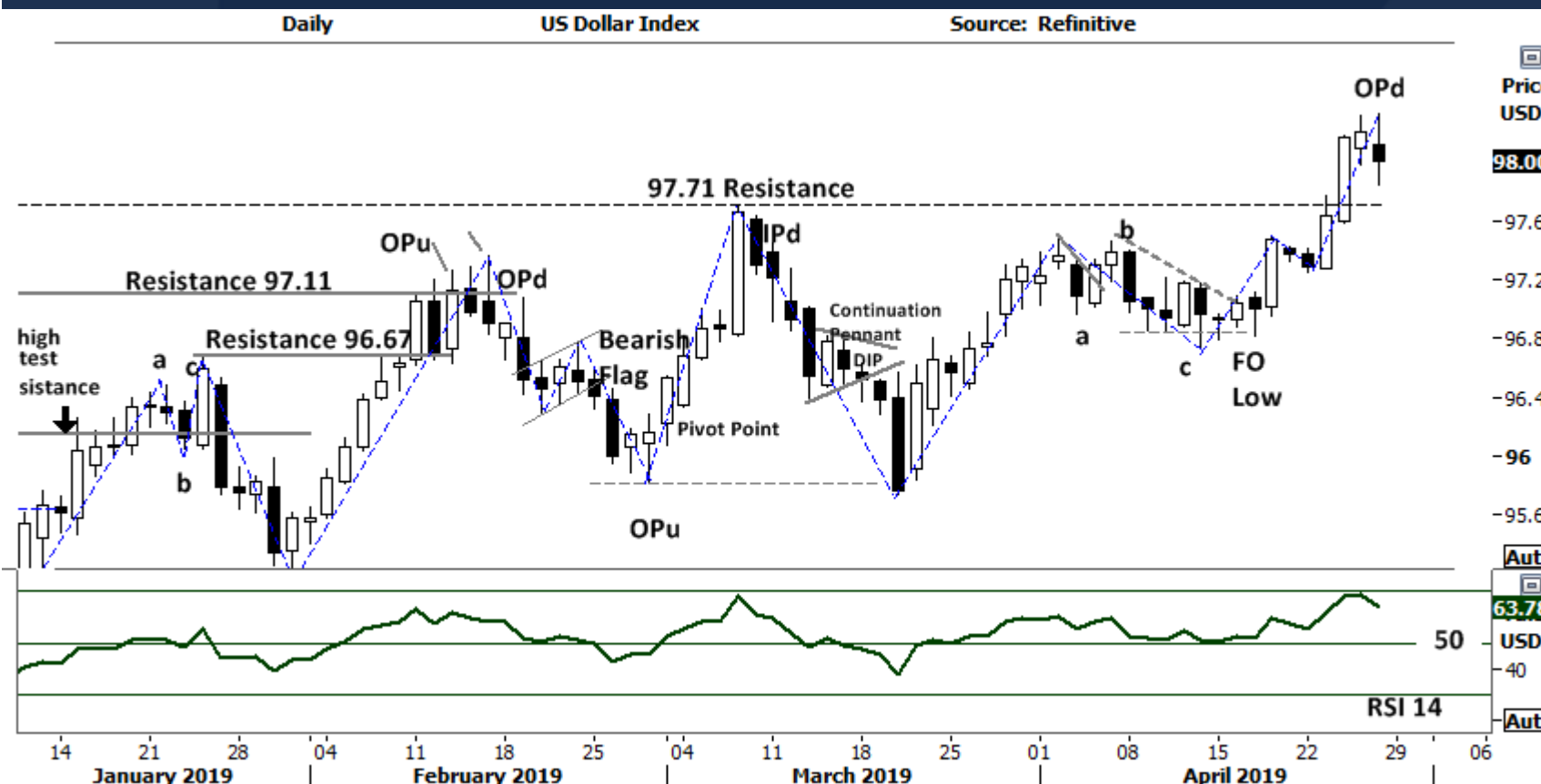
The XVI is the difference of 1 month forward pricing of ETO Options against current month.

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



Strength in the USD will bring pressure onto Commodity prices.
This weeks Opd is a reversal candle with lower values expected in the coming days.

RSI remains above the 50 level but has turned lower in line with this consolidation pattern.

Comments last week. With 97.71 remaining as resistance during this past week as the a,b,c pattern has unfolded in this secondary type of retracement followed last Wednesday with a strong move higher. This type of momentum is very positive for further gains.

WTI Oil WEEKLY

Weekly OIL shows a very significant recovery from the December lows.

Potential reversal or at best consolidation of price above \$61.80 in the coming weeks.

Relative strength has rolled over showing an increasing overbought level with very strong momentum over the 70 level.

Further to this view, a breakdown below \$61.80 (long position Stops) potentially sets a \$42.0 target.



Comments from last week.

Some profit taking has taken place with the upper range testing \$64.50 during the past 2 weeks.

The technical setups

Outside period

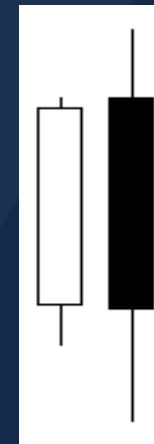
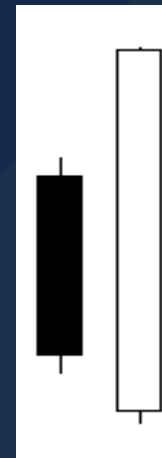
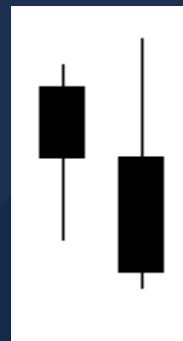
OPu and OPd

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

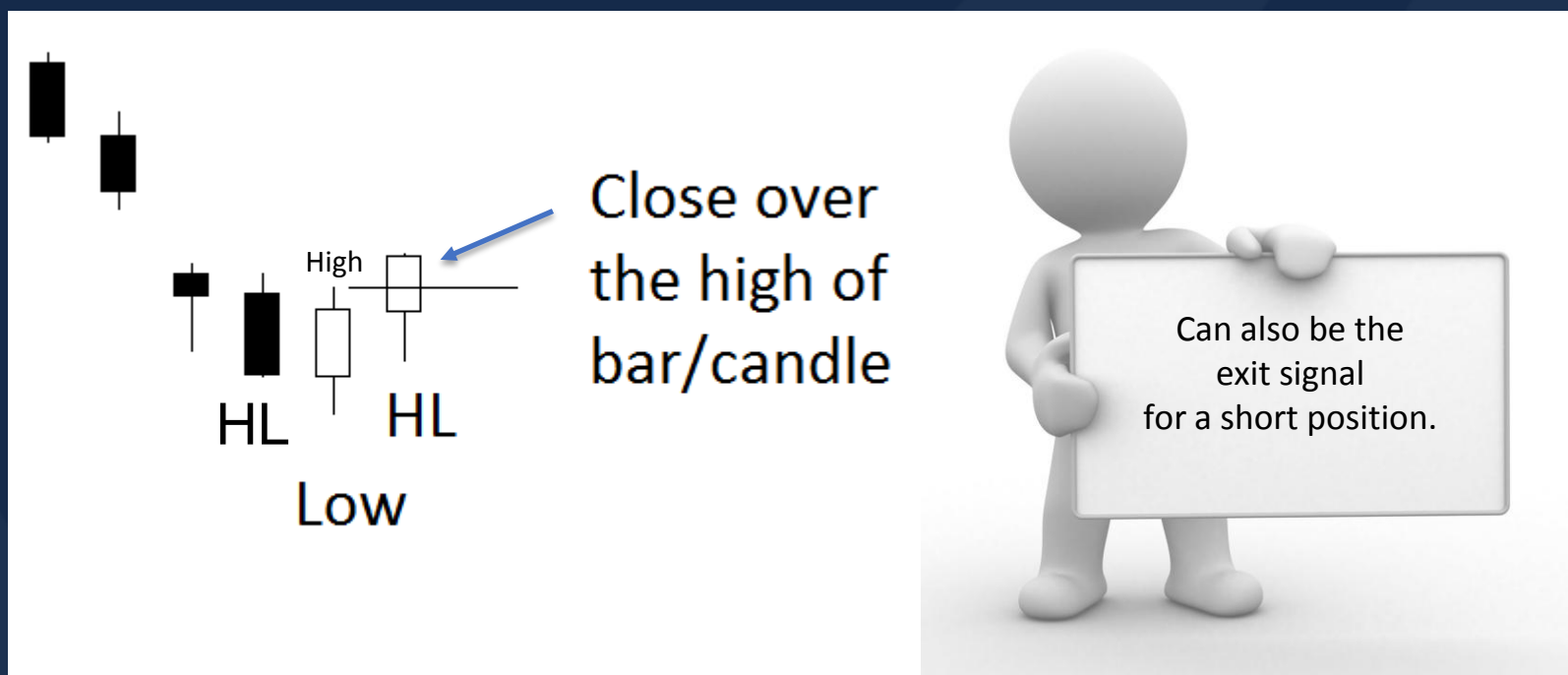
The outside period can mark a significant market turning point at or within 3 bars (93%).

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

The OP period comes in all shapes and sizes.

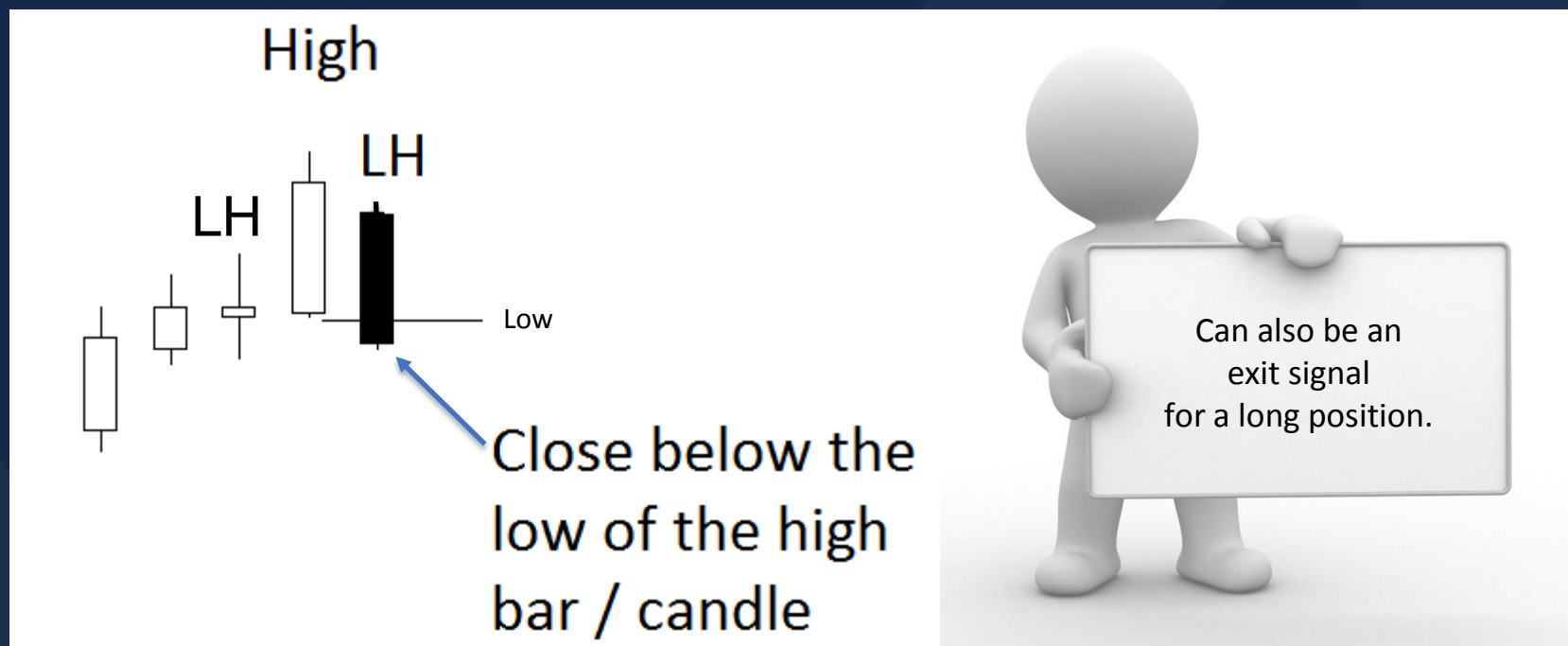


The technical setups. The Pivot point reversal



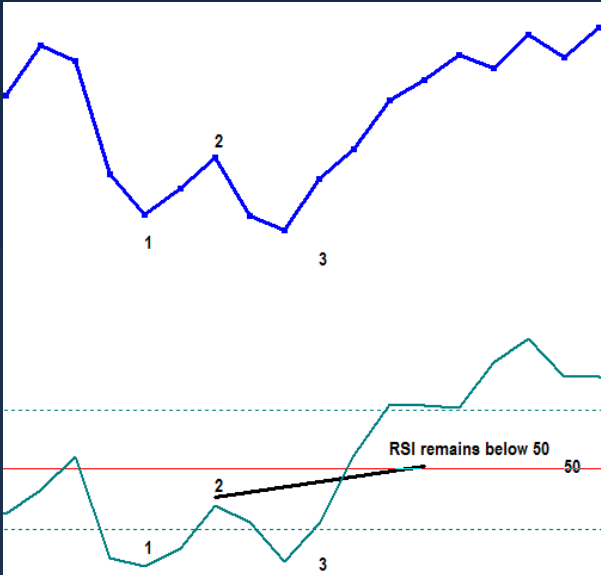
The technical setups

Pivot point reversal



THE TECHNICAL SETUPS

Relative Strength



Relative Strength Indicator

SWING BUY SIGNAL.

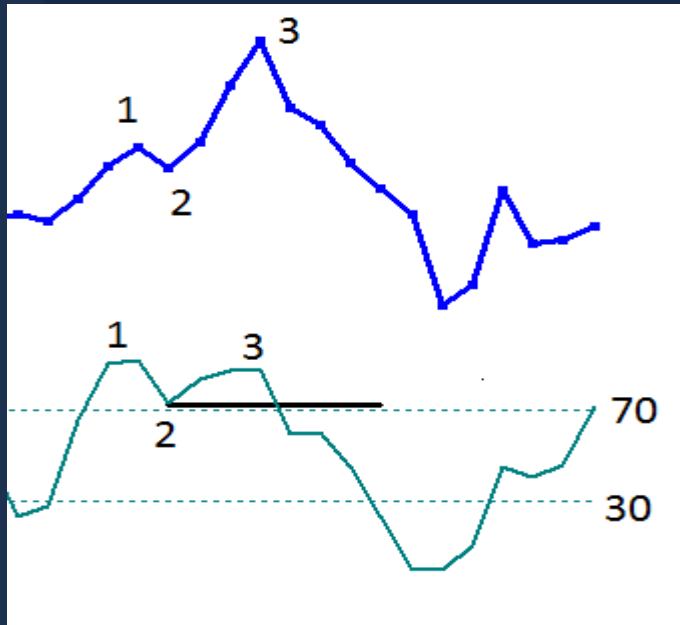
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- 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" **

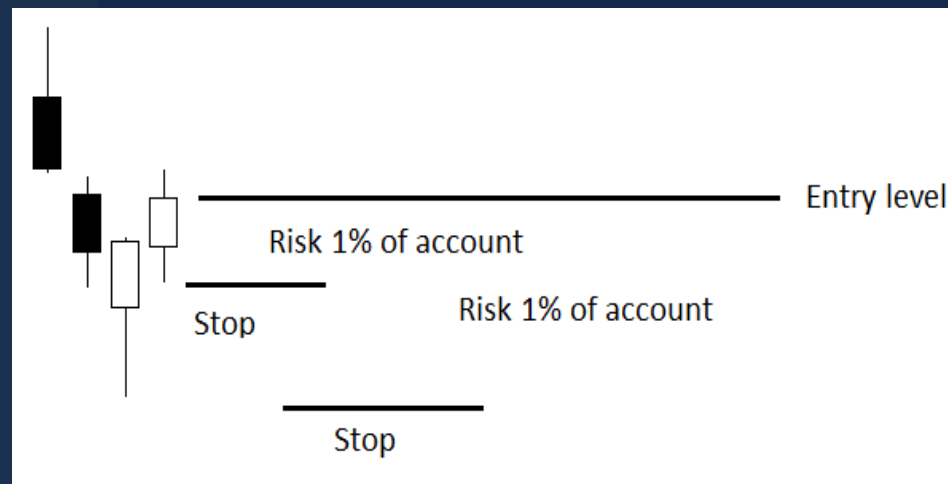
Swing failure is identified with the break of point 2 on RSI

Position size and management guidelines

Position size by account size

Building a trading system 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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