



IN BLACK AND WHITE

the week beginning  
**20/01/2020**

A market technician's view

FX  
INDICES  
EQUITIES

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## SUMMARY-

US markets continue to defy gravity as Indices' set new highs without retracement. The Transports Index has now confirmed the cyclical bull market underway for 2020.

Gold and Silver maintain good levels of price support, both remaining in a Primary up trend.

Market forward Volatility remains low, a bullish sign for further Equity market gains.

# Australian 200 index – Weekly



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

With a solid breakout and follow through, 7300 remains as the extension target. Long periods of consolidation often lead to extended price breakouts, look for the Financials to continue to lift the Index higher.

RSI remains over the key 50 level and turning higher, confirmation of increasing price momentum.

MACD has turned BULLISH as both averages move higher.

**Comments from last week:** Current weekly chart displays a solid breakout from the ascending pattern, a further price extension to 7300 is achievable. Financials remain the driver for further Index gain.

# Australian 200 index – Daily



Following Mondays “retest” of the breakout the market has displayed a significant primary move higher to record highs.

Psychological support should be developing at the round 7000 point level. Currently the technical support level remains at 6893.

Relative strength Indicator has turned higher again after the swing low crossing below the “50” level. The current move over 70 shows very strong price momentum, and also indicates an exhaustion on strong buying.

Comments from last week With a primary move underway from Mondays lows, the closing high on Friday signals further gains. To maintain a bullish view look for the 6893 level to hold on any retracement ( Monday ) The current move over 70 shows very strong price momentum, and also indicates an exhaustion on strong buying.

# S&P 500 Index – Weekly

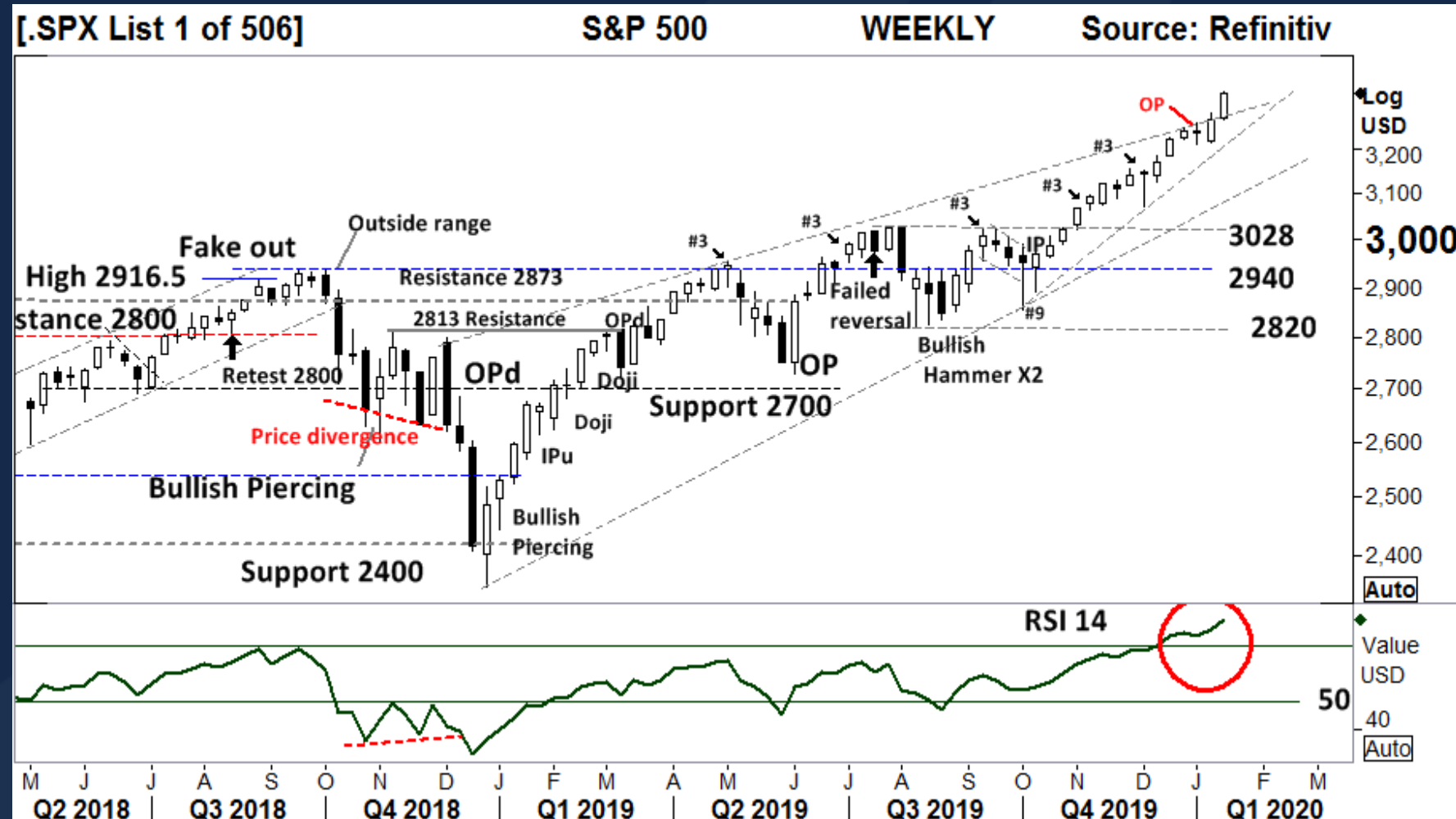
The Primary UP trend remains in place. As Volatility measures remain high.

The S&P Index continues to defy all technical indications of a top in place or provide any significant reversal.

The current breakout over 3000 remains very bullish as this “wedge” accelerates higher.

The larger technical view shows this market may trade out to 3600 points before any meaningful retracement.

**Comments from last week.** The S&P continues to develop the “rising wedge” pattern, with new weekly highs, traders should be aware of the “rolling” Relative strength Indicator as a sign of slowing momentum.



# S&P 500 Index - Daily

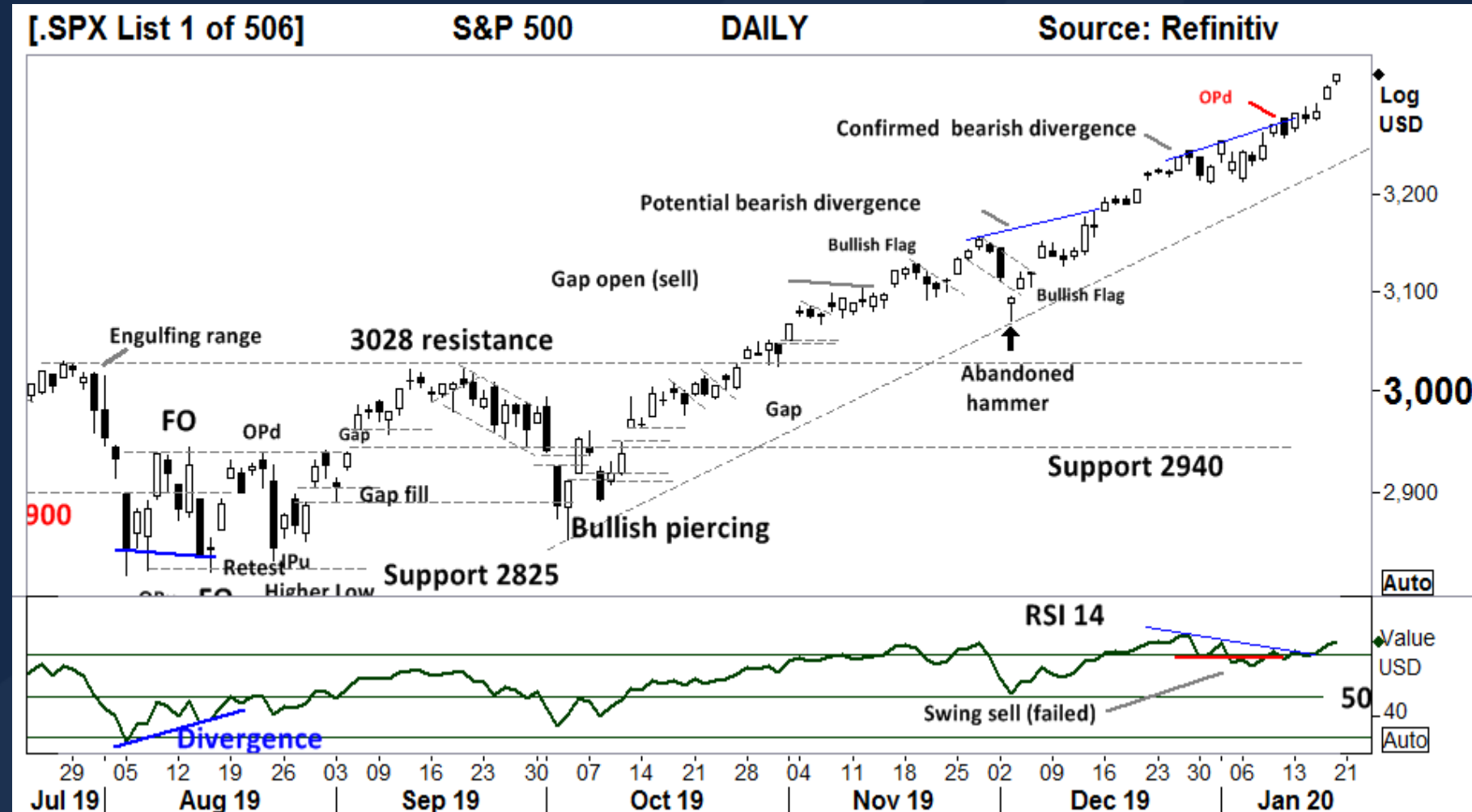
The primary Up trend remains in place.

Failure of the “OPd” to reverse price and failure of the Relative strength Swing sell signal.

With the final 2 bars “gapping” open a further exhaustion signal is evident. 3300 will be the psychological support level to hold in an price consolidation.

Relative Strength move higher over the 70 level is a sign of continuing strong price momentum.

Comments from last week: S&P continues with Bearish price divergence in the Relative strength Indicator that has now shown a swing sell signal. Fridays OPd ( see notes ) is further evidence a short term top may be developing.





# Transports Index

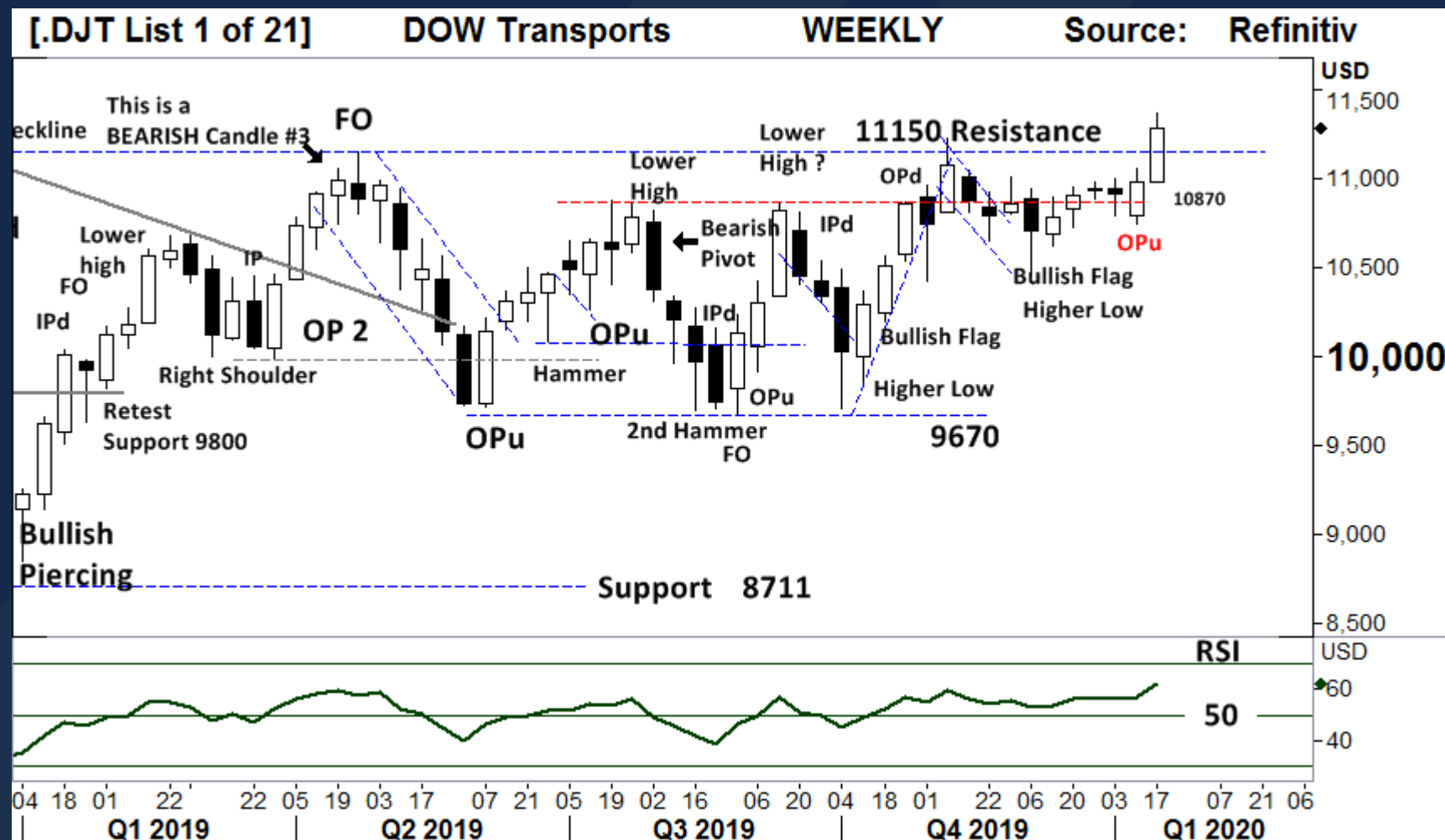
Dow Theory trend analysis states, the transports must confirm major indices.

CONFIRMATION of the long term Bull market, a break of 11150 points has now confirmed the Major indices'.

Last weeks strong breakout is a very bullish signal for further gains. In the case of a Daily price retracement 11150 will be an important support level.

Relative strength remain remains over the key 50 level and turns higher a sign of increasing price momentum at this breakout level.

**Comments from last week:** Price consolidation around the 10870 level over the past 3 months is not a strong Bullish sign. The OPu is a good signal for a continued move higher,



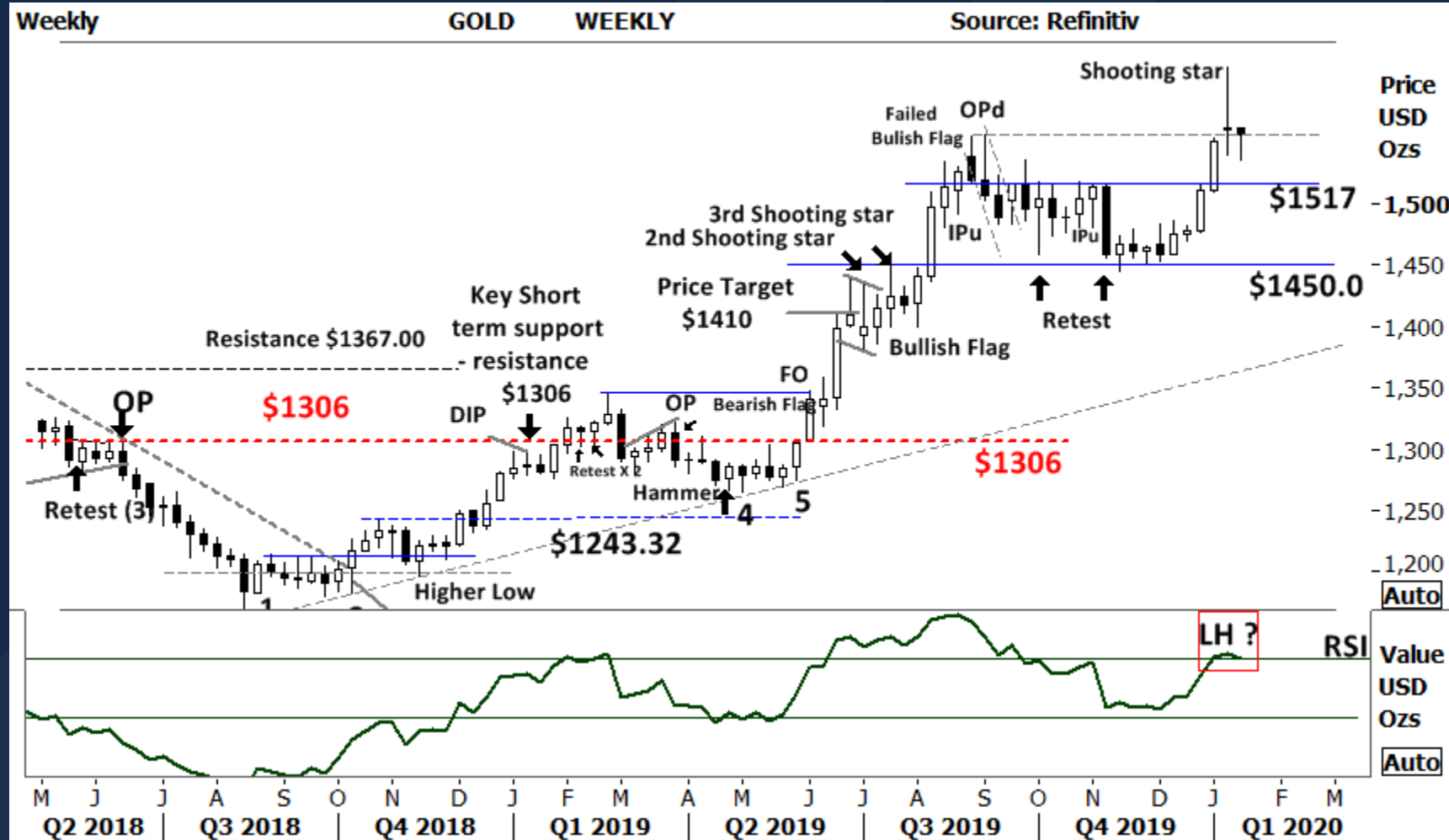
# GOLD Weekly

Last weeks relatively short range is a bullish sign of buyer support.

Consolidation above the August high is a very good sign for Gold to consolidate before a significant move higher.

Relative strength remains over the 50 level, the current 70+ level turning lower has the potential to show a lower high a sign of weakening momentum.

Comments from last week: Rejection of high prices in the form of a shooting star. This long price range bar with a low close suggests consolidation above \$1517 is now expected in the next week.



# Gold Daily

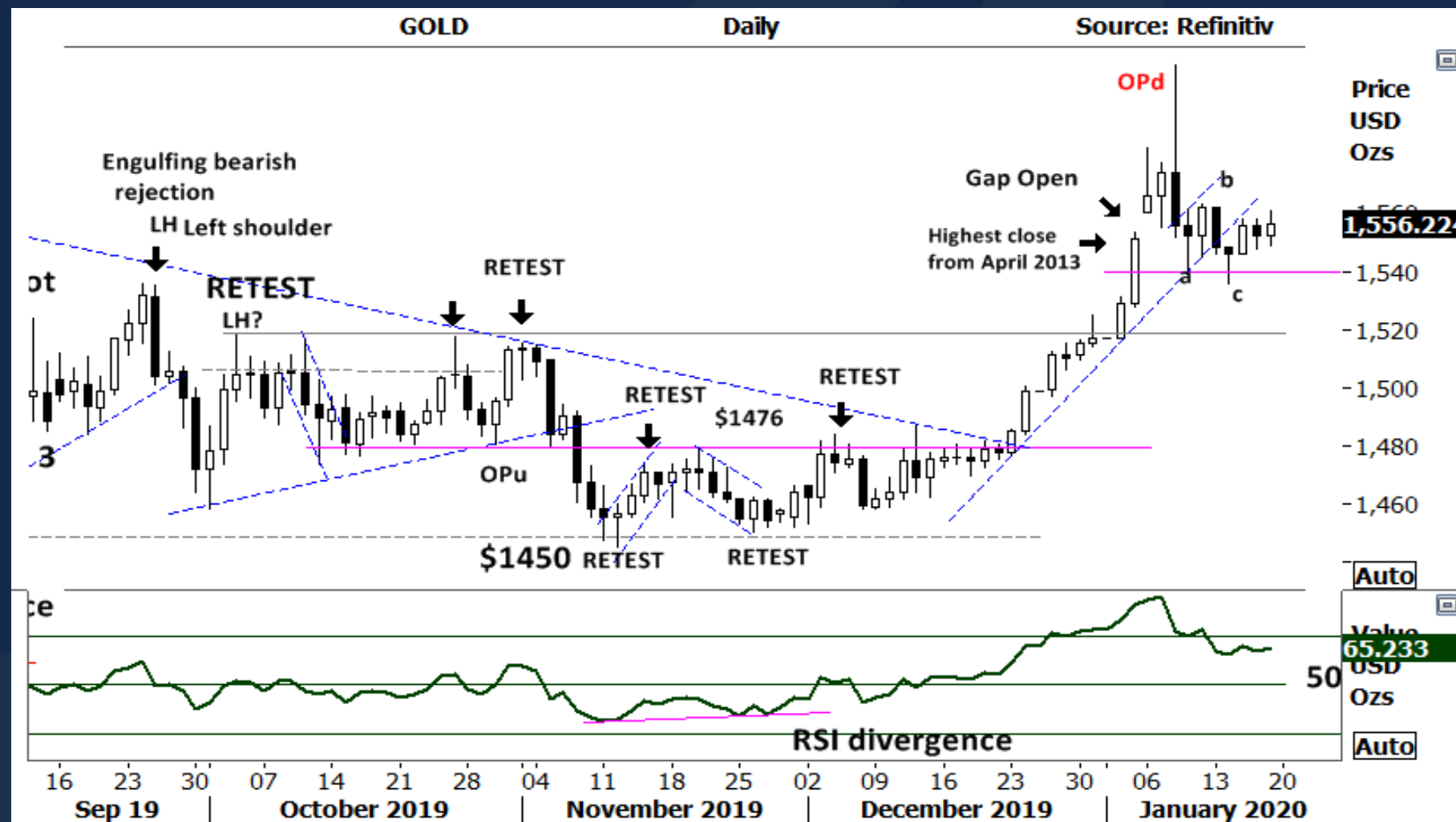
**GOLD moves to a Daily UP TREND.**

Daily consolidation above \$1540 remains a bullish consolidation prior to further gains.

The current a,b,c retracement is now complete as has provided an important support level.

Relative strength again swings above the key 50 level and 70 level, this is a bullish sign. However the indicator has moved lower from the over brought area. Should profit taking take place, RSI must remain above 50 to remain bullish.

**Comments from last week:** Mondays Gap open and Wednesdays large range rejection OPd has Gold in a consolidation range currently above \$1540. Current price action suggests a bearish flag developing with the potential to test \$1517 support.



# SILVER Daily

With resistance shown at \$18.15 combined with support at \$17.50, Silver remains in a bullish consolidation phase.

This shallow retracement should be expected to retest the highs over \$18.73.

The Relative Strength Indicator is again rising overall, the current move over the 50 level and the 70 level indicates increasing price momentum.

**Comments from last week:** Decisive price rejection at \$18.73 resistance.  
Look for further consolidation below \$18.15 in the coming week. For Silver to remain Bullish a close over \$18.73 is required in the coming week.



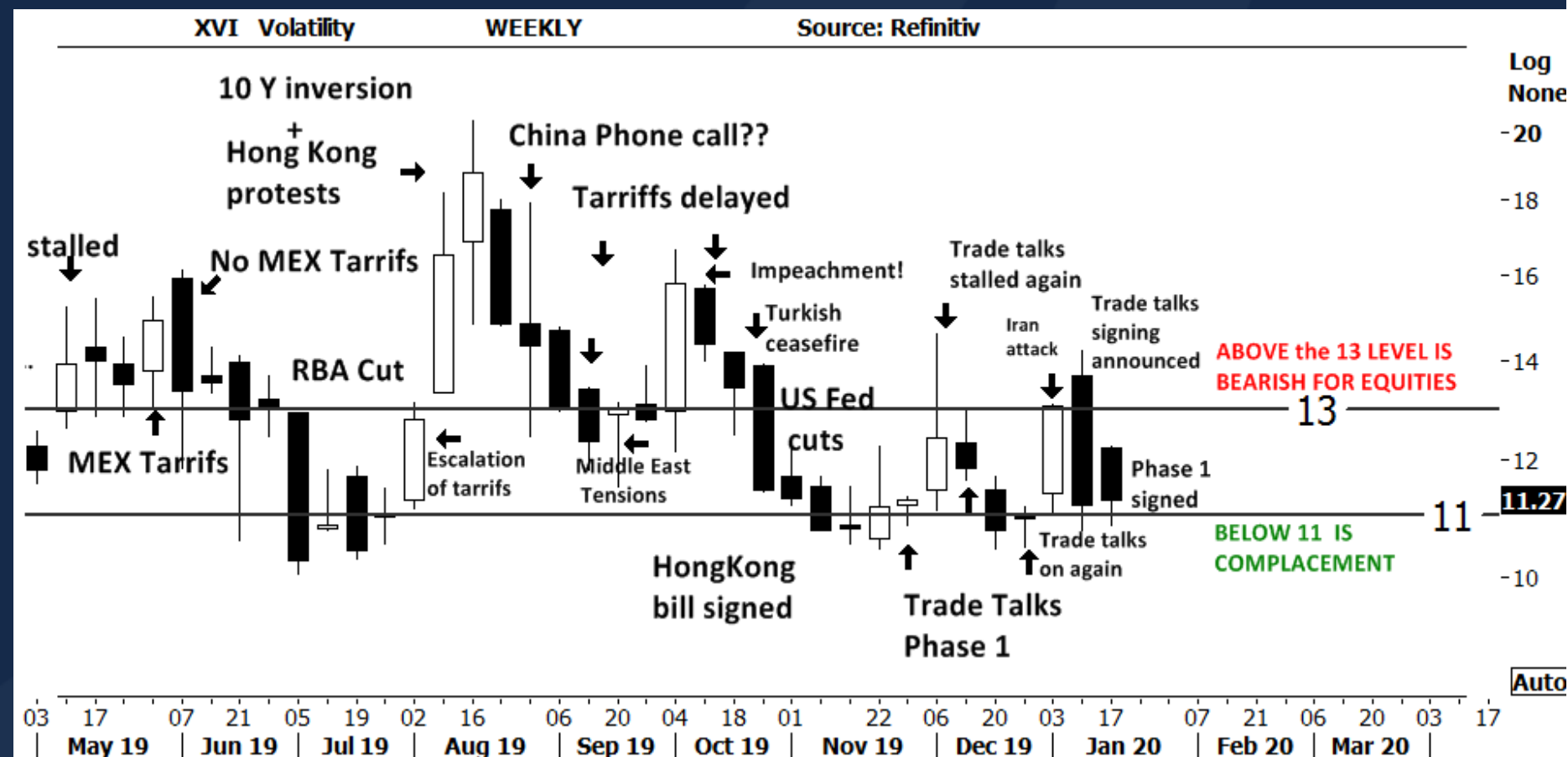
# Australian Volatility Index

Current volatility levels, show a significant decrease in forward volatility values, this is a Bullish sign the market has discounted immediate near term risk.

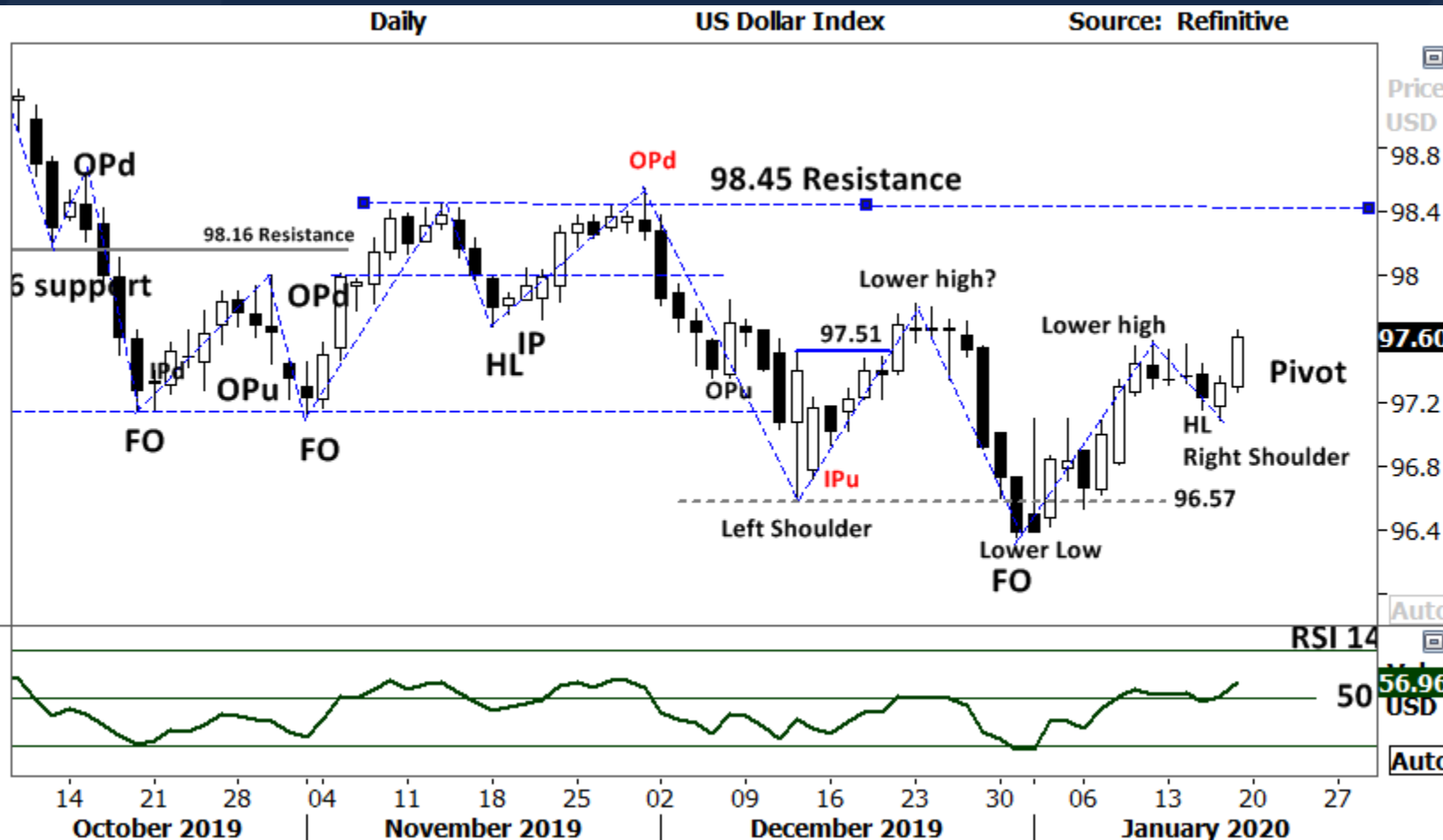
The XVI is the difference of 1 month forward pricing of ETO Options against current month.

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



USD Index has developed a bullish inverse Head and Shoulder pattern.

Fridays strong range day completes the pivot reversal as the Relative strength turns higher reflecting the increase in positive price momentum.

A breakdown below 97.20 would be a bearish signal in the coming weeks.

Comments last week: DXY enters into a Primary down trend. Commodities to come under pressure. RSI turns lower from over the "50" a signal of slowing upward momentum.

# WTI Oil WEEKLY

The OP of 2 weeks continues to influence price action within this now 4 Quarter consolidation phase. WTI remains “trendless”, a breakout higher would be a significant move leading to a \$75 target.

The Relative Strength Indicator turns sharply lower from above the 70 level and now below the key 50 level a significant reversal of upward momentum.

Comments from last week Friday's significant OPd reversal keep the current price channel active. A retest of the major support remains at \$50.60 the target in the coming week. Underlying price remains in consolidation



# The technical setups

## Outside period

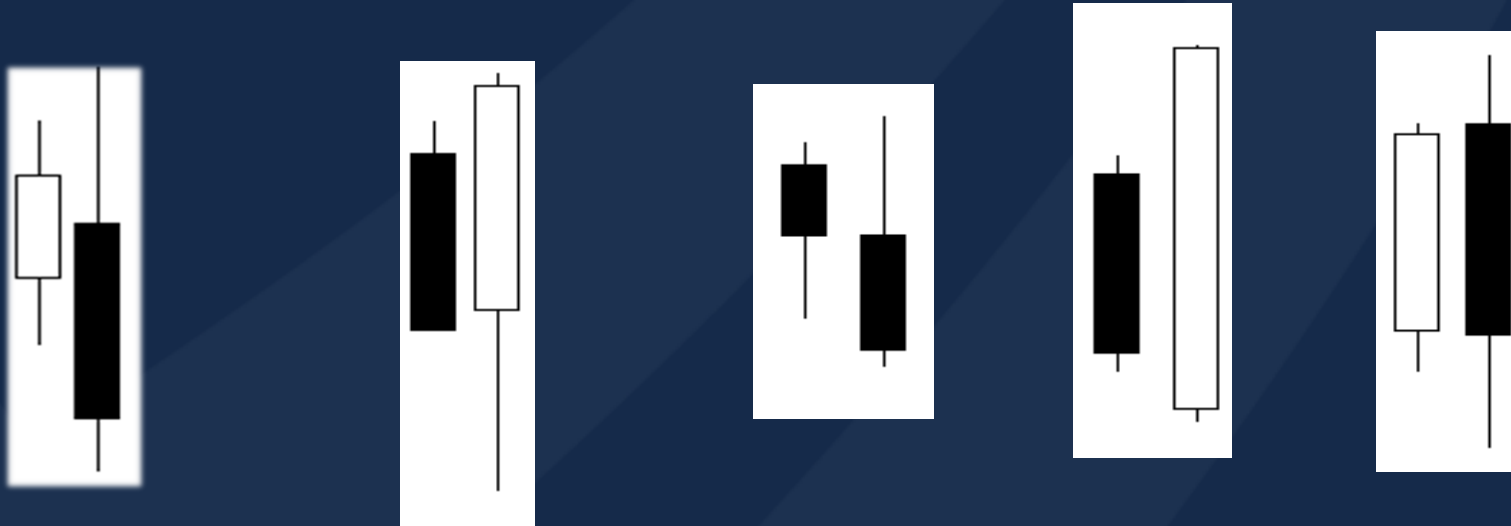
### OPu and OPd

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

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

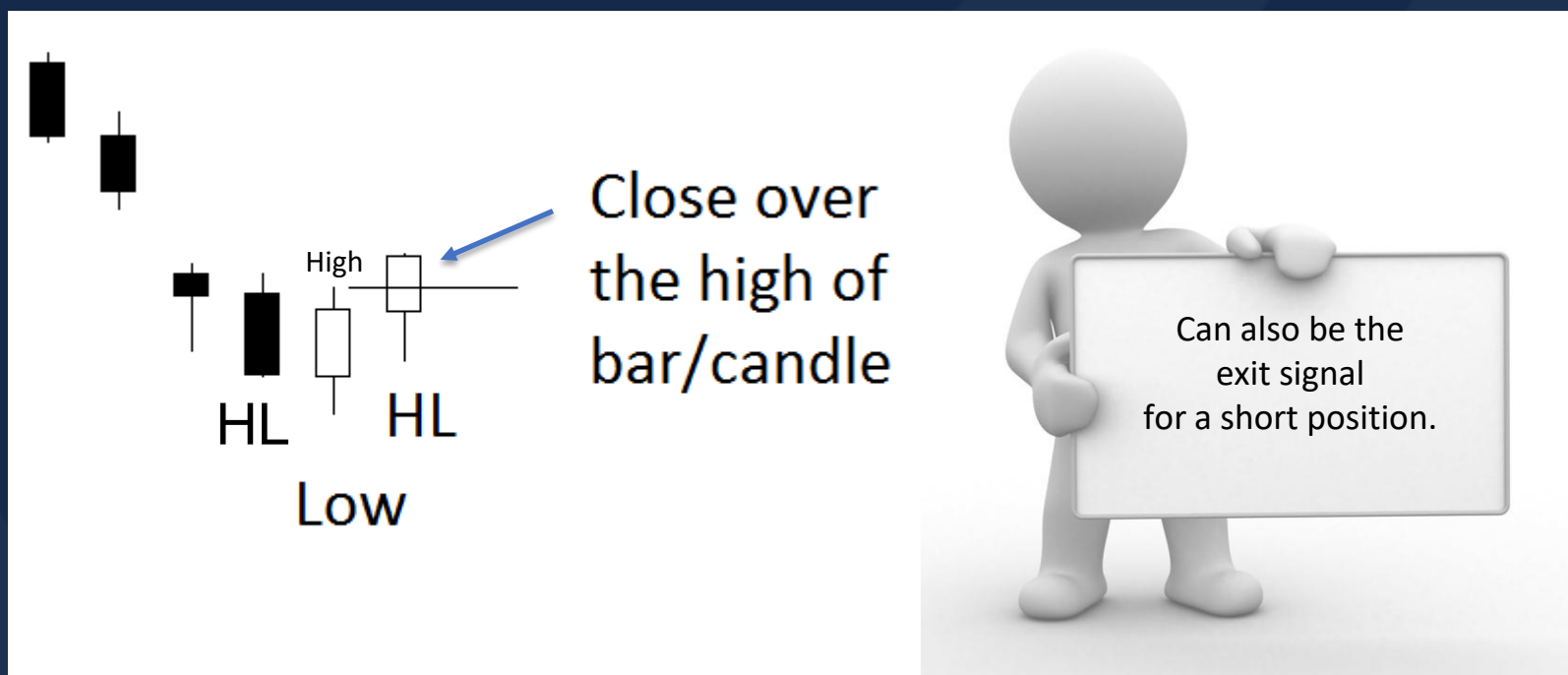
OPu is an up close bar OPd is a down close bar.

The OP period comes in all shapes and sizes.



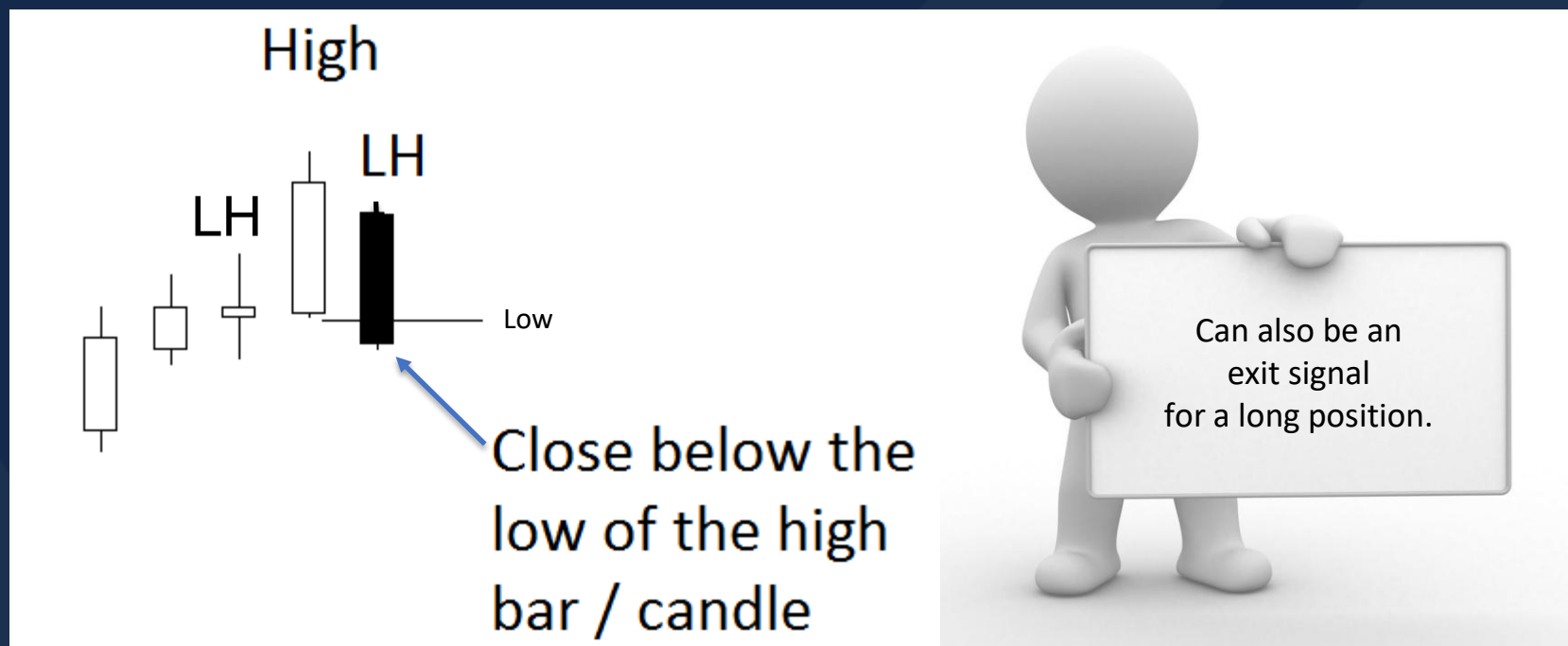


# The technical setups. The Pivot point reversal



# 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 Mid-point. With the closing price lower than the Open.

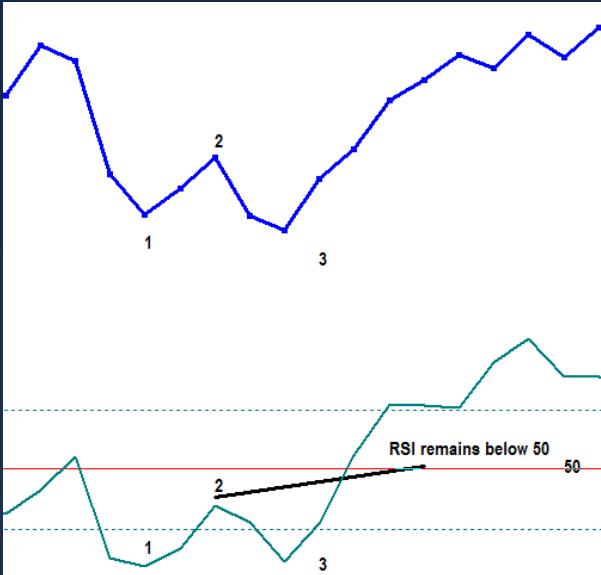
If this is a short line the trader should wait for the market to show direction.

Following Price movements can “engulf” this short movement.



# THE TECHNICAL SETUPS

## Relative Strength



### Relative Strength Indicator

#### SWING BUY SIGNAL.

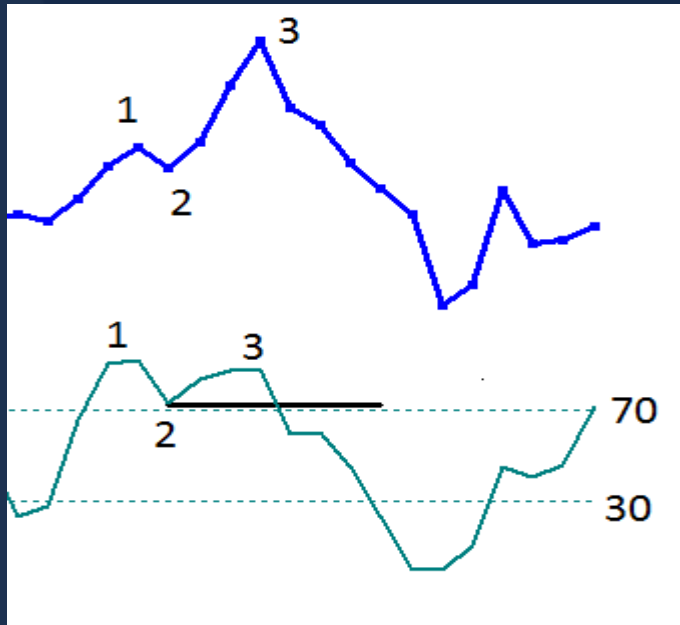
- Market makes a low, (1)
- Market closes higher, (2)
- Market makes new lower low, (3)

- 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" \*\*

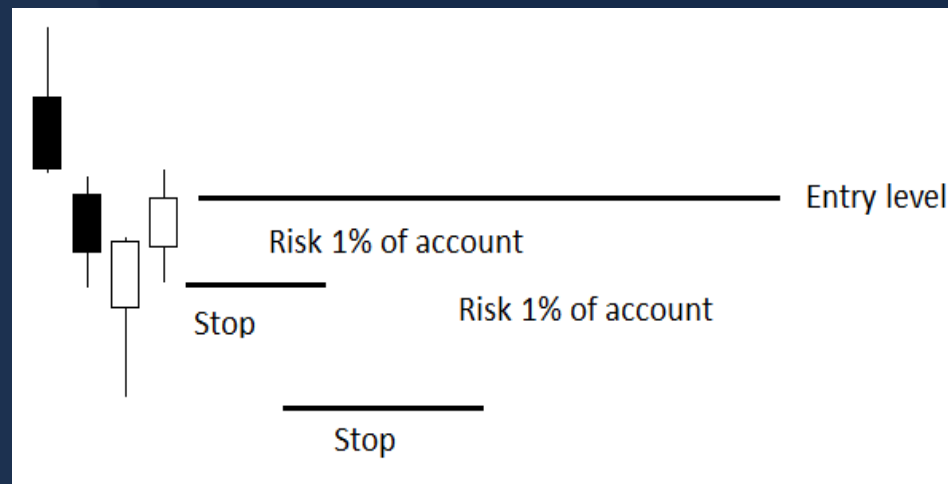
Swing failure is identified with the break of point 2 on RSI

# 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.



**Comments and Feedback:**  
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THANK YOU