

EQUITIES and CFDs in black and white

A market technician's view

1 MAY 2017



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The economic week ahead

Here are this week's economic highlights:

Date / Time	Event	Previous	Forecast	Sector affected
Mon 1st May 22.30pm	USD Personal expenditure	1.80%		USD
Tues 2nd May 00.00am	USD ISM Manufacturing	57.2	56.7	USD S&P500
Tues 2nd May 10.20am	JPY BOJ Kuroda speaks			
Tues 2nd May 14.30pm	AUD RBS rate decision	1.5%	1.5%	AUD/USD
Wed 3rd May 17.55pm	EUR German unemployment	-30K		EUR/USD
Thurs 4th May 00.00am	USD /ISM non Manufacturing	55.2	55.9	S&P500 USD
Friday 5th May 00.00am	USD Non Farm Payroll	98K	180K	USD

Full report here: <https://www.dailyfx.com/calendar>



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Can \$10,000 work?

Below are the results from the long and short recommendations based on the 1% position sizing methodology and stop loss levels provided in this note. **Entry is taken at the end of the day on Monday.**

* Positions were closed out on a pivot point reversal or stop loss.

The account has advanced 11% with 13 stop loss or closure events being taken.

The stop loss is the key to account preservation. As the upside in any position is unknown, the only two conditions that can be controlled are the entry and the stop loss level.

* *See position sizing notes.*



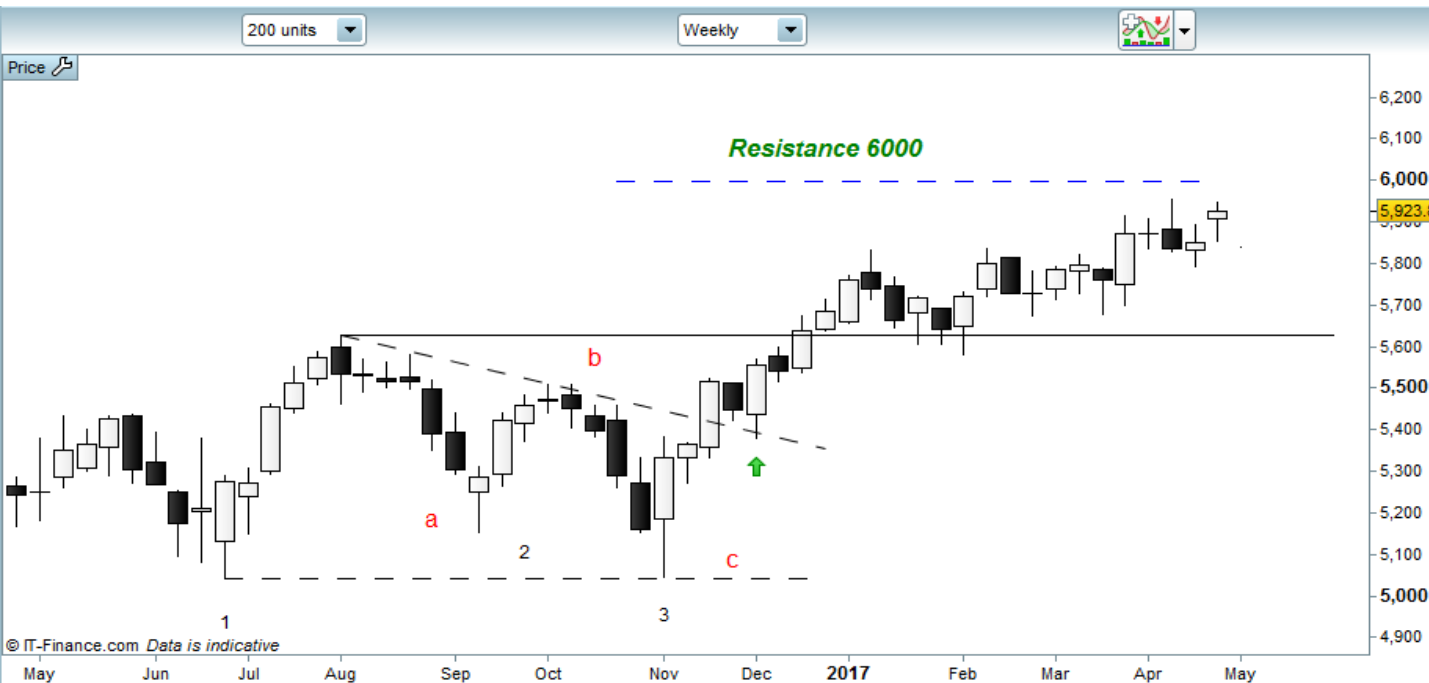
PORTFOLIO RESULTS

Date	Code	B/S	P/size	Entry	Stop or Exit	P&L	Running Total	Last
6th Mar	CTD	B	244	\$19.27	\$18.86	\$190.32	Closed	19.64
	ORI	B	238	\$19.30	\$18.88	-\$119	Stopped	
	WBC	B	119	\$34.17	\$33.33	-\$99.96	Stopped	
13th Mar	SRX	B	65	\$17.49	\$16.05	\$24.05	Closed	17.86
	GUD	B	227	\$10.92	\$10.48	\$290.56	Closed	11.76
	MQG	B	34	\$89.42	\$86.50	-\$99.28	Stopped	
20th Mar	NEC	B	909	\$1.10	\$0.99	\$118.17		\$1.23
	GMG	B	2500	\$7.66	\$7.61	-\$100	Stopped	
	MMS	B	233	\$12.70	\$12.23	\$265.62	added Div 31c	\$13.53
27th Mar	OSH	B	435	\$7.00	\$6.77	\$182.70	Closed	\$7.42
	SGR	B	435	\$5.43	\$5.20	\$21.75	Closed	\$5.48
	WOW	B	313	\$25.94	\$25.26	\$294.22		\$26.88
3rd April	ABC	B	500	\$5.65	\$5.45	-\$35.00	Closed	\$5.58
	NXT	B	833	\$3.93	\$3.81	\$183.26		\$4.15
	MTS	B	526	\$2.46	\$2.27	-\$100	Stopped	\$2.27
10th April	WPL	B	74	\$33.21	\$31.85	\$0.00	Closed	\$33.19
	SKC	B	333	\$4.02	\$3.72	\$46.62	Exit Dark cloud	\$4.16
	GMG	B	294	\$8.05	\$7.71	\$14.70		\$8.10
	APA	B	455	\$9.08	\$8.86	\$36.40		\$9.16
							+ \$1,115.13	



Aussie 200 index view - weekly

With the Wednesday opening gap filled, the primary uptrend for the Aussie 200 remains intact. The small body of the candle is towards the high end of the weekly range and signals 1 week in advance a lower index value coming.



Comments from last week:

The key support resistance level of 5833 has held, with a close at 5852 points. The primary uptrend is intact and should extend to 6000 points on further price gains.

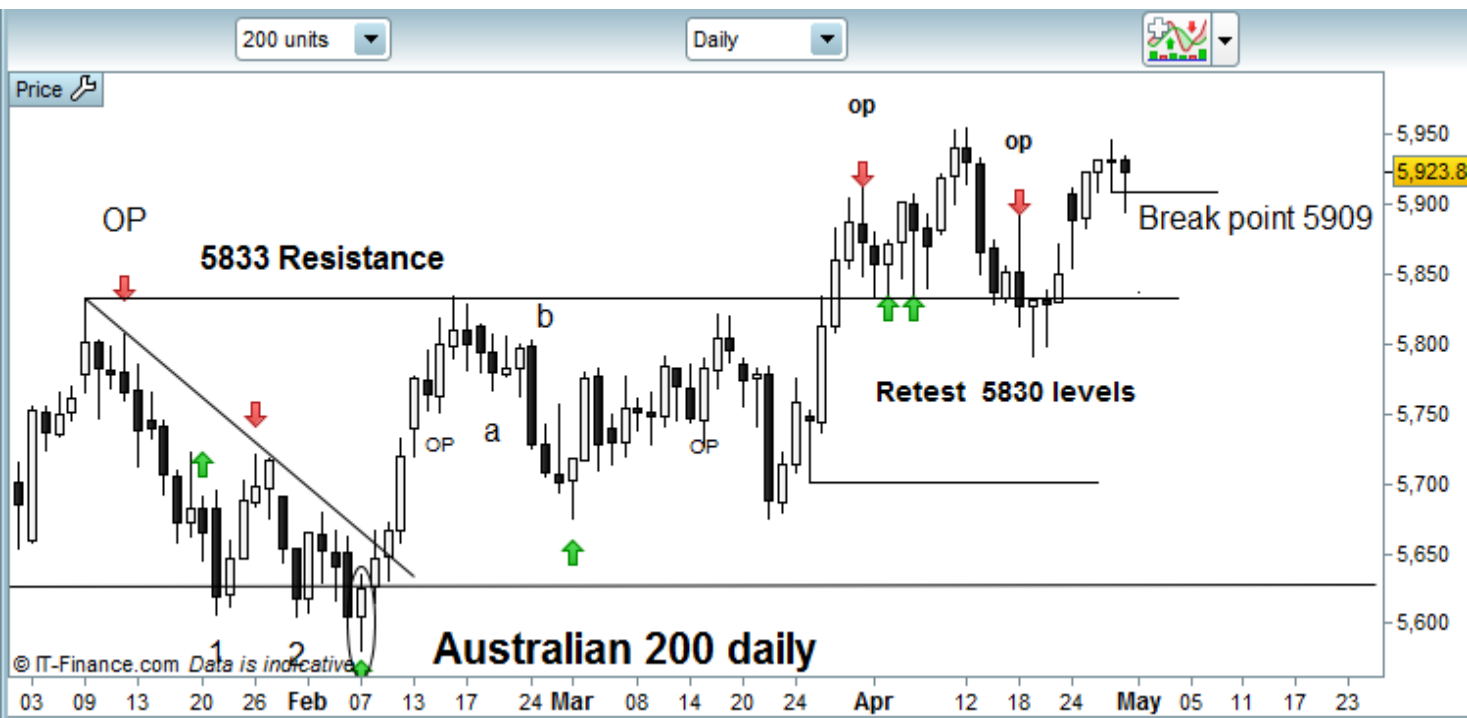


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Aussie 200 index view - daily

The daily chart may show weakness as the market crosses over the 12 April high of 5955 and would be required to close over this level to remain bullish. The high close on Friday's (28th) range suggests a higher market. My preference would be to remain long on individual stocks only, and move stops higher looking for reversal signals.

My preference is to remain cautiously long and sell on strength.



Comments last week.

Wednesday shows the 5791 low formed into a bullish hammer bar with Friday completing the pivot point setup (bullish). With the reversal in place the price structure supports the weekly view of a test of 6000. The outside period (OP) should be resolved to the upside with the last end of week close over the key 5833 level.



*stats show the OP has 92% probability of showing a reversal, (Krastins).

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Index view - weekly

S&P 500 weekly:

The 500 index at the week's high of 2398.5 fell short of taking out the 27 February high 2401. It's important!

The close for the week remained around the mid-point of the weekly range. This is a weak signal and the market is at risk of retracement. Only a close over 2401 would change the view.

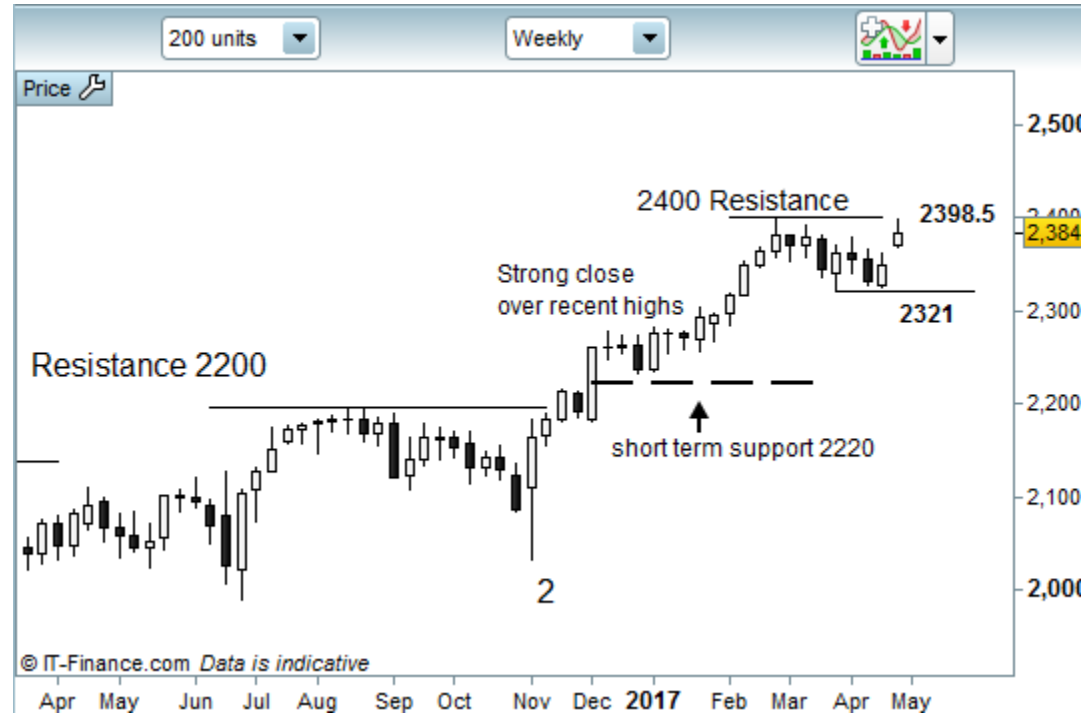
Comments from last week.

The key 2321 level is holding, with a bullish engulfing body candle for the week setting up a move higher to test 2400 points.

The primary trend remains up. With a breakout of 2400, the index would target 2500 points.

A breakdown below 2321 would negate this view.

My preference still remains to look for the next bullish buy signal in this primary uptrend.



Index view

FTSE 100 weekly:

An inside week, lower high and higher low than the previous week.

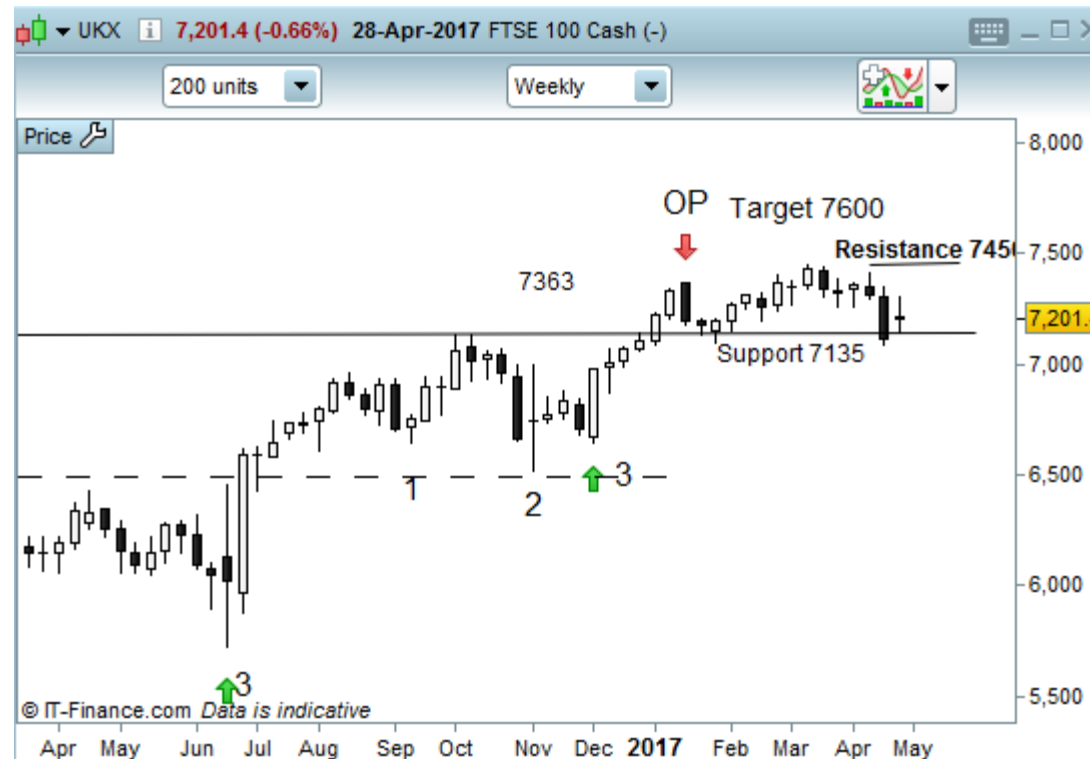
This shows indecision above the 7135 support level. A daily close below this level would signal weakness and extend the downtrend in place.

Comments from last week

The lower high in place followed by the weekly close below 7135 now puts a bearish outlook in place. The primary trend is now down.

Last week's strong / long-range period only suggests further weakness to 6810.

The primary trend is DOWN



Short interest

Stocks are shorted for many reasons, including “hedging” against a same-sector equity long position, or an outright belief the stock price will fall in the near future.

Some observations:

Orocobre (ORE) short interest is at 21.7 %. From 20.5% last week, having risen from 7.5% in early February.

ACX, WSA, SYR and VOC all remain at 13% short interest.

NEC is again entering the list with over 11% short interest.

It should be noted the big end of the resource and financial sectors also have low levels of stock sold short.



Trade idea

The chart below shows the seasonality of the Aussie 200.

This is the 30-year average as a percentage of gain/loss, signifying directional movement.



Trade idea

Gold weekly:

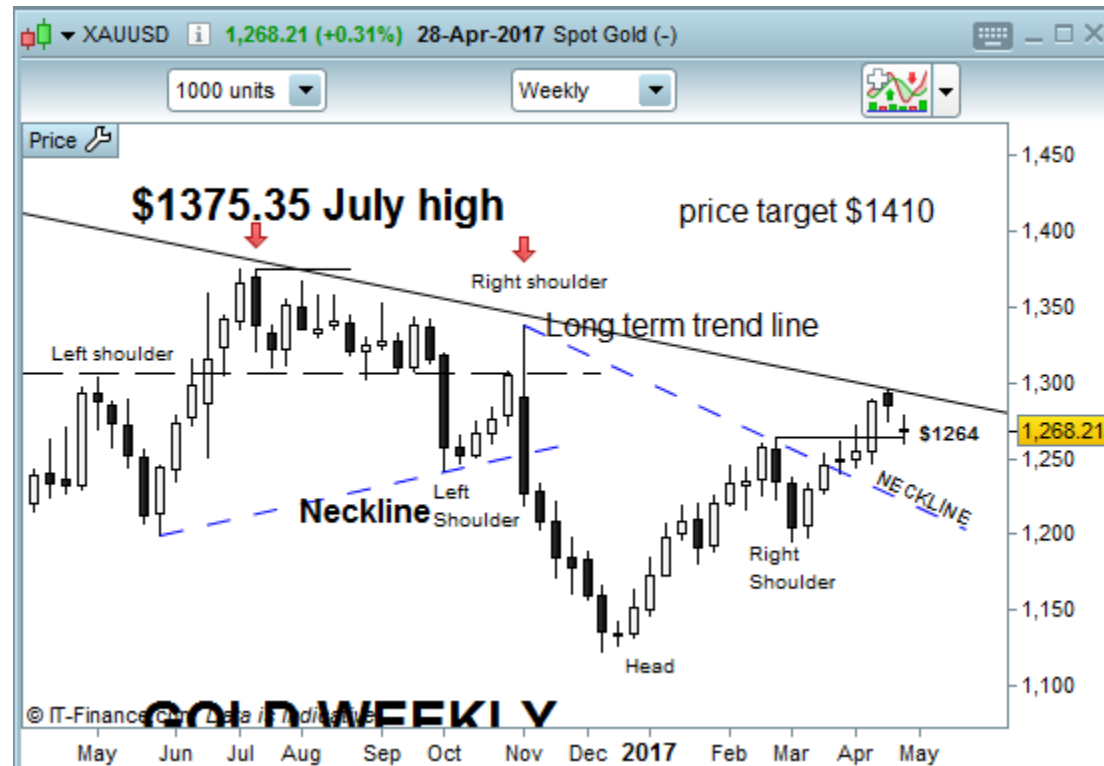
Gold remains in a new primary uptrend.

The internal support level of \$1264 needs to hold for the bullish case to persist. Further price weakness could test the neckline at \$1200. A test of the long-term trendline is favoured with a further break higher towards the PT \$1410.

Comments from last week:

Resistance at the long-term trend line remains the key level to overcome in this primary uptrend. Further weakness would see the neckline back at \$1200 retested.

A favoured consolidation above \$1264 would be very bullish into this week.



Trade idea

Gold daily:

The daily support level is now highlighted in the observation of price support. A retest of the downtrend line at \$1285 would be expected in the short term.

Comments from last week:

The retest of \$1261 is now the clear inflection level on any further weakness. However, the trend remains and current consolidation does offer a buy point and does not reflect a committed sell by the market.

Stops are required below \$1261.00



1 hour



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Trade idea

Note on OIL (4 hour chart):

The spike low below \$49 has resulted in a higher low in the Relative strength indicator. The 4 hour Bollinger is now becoming relatively narrow as price move along the centre average.

The 4 hour downtrend is changing to a potential uptrend.

Comments from last week.

The price walk below the middle average early in the week breaks \$53 support.

The lows of \$50.50 offered an incomplete a,b,c move. However, this now looks complete.

The RSI did not complete the swing signal and now only indicates weak momentum. A move over \$50.50 would be very bullish in the short term.



Trade idea

MQA Macquarie Atlas:

As the trade idea developed from the cup and handle pattern, the stock price retraced to the \$4.57 low in early March.

The price has posted a new closing high last week and puts the price into a primary uptrend. The same price target of \$6.17 is maintained with a stop loss set at \$5.19.



Trade idea

AAC Australian agriculture:
A new primary uptrend (weekly) is developing in AAC with the breakout last week.

This break is also outside of the short pattern line and follows a consolidation along the same line.

Relative strength (14) is supportive of price momentum as it moves above the “50” equilibrium level.

Stop loss is at \$1.65.



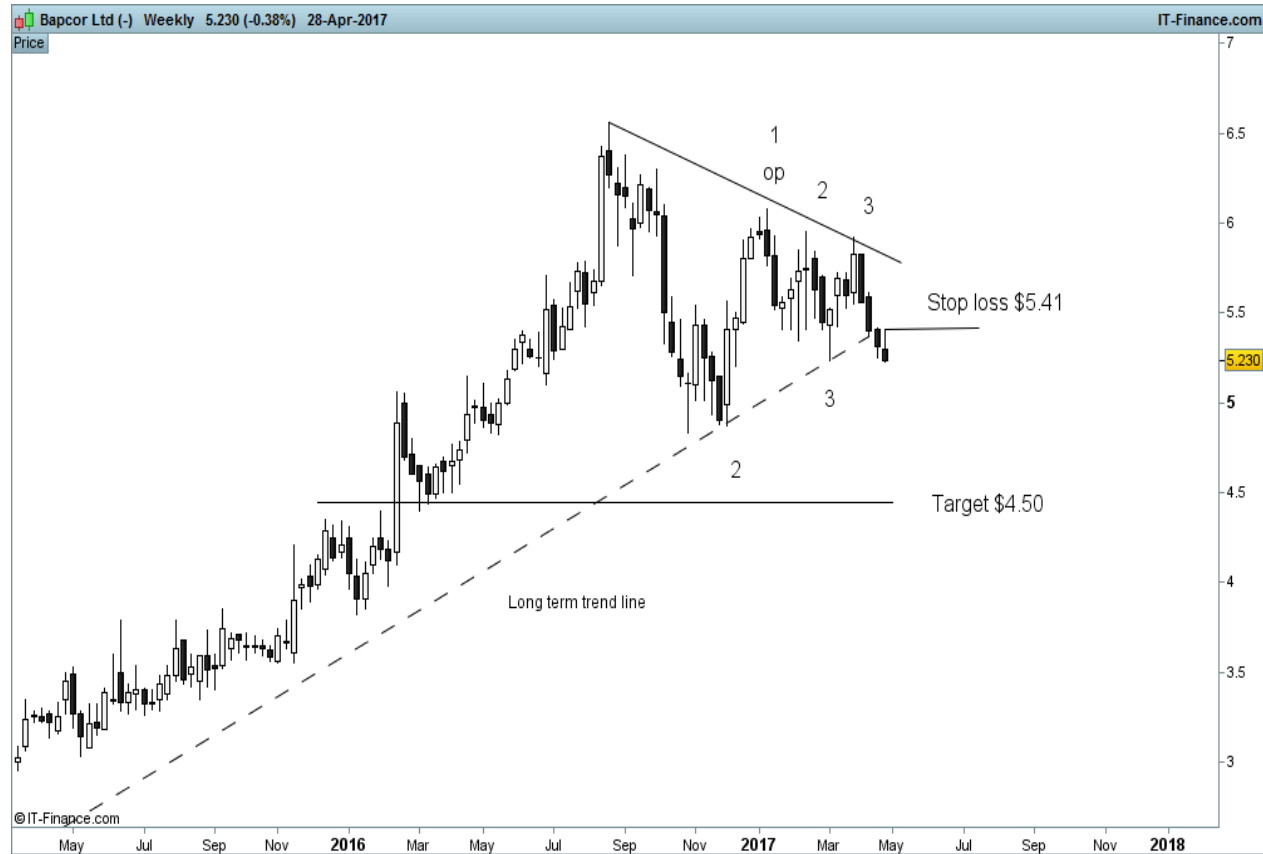
Trade idea

BAP Bapcor: SELL

From the high of \$6.50 a price fall at (2) had set up a tentative trendline with retest at (3) now a valid trendline.

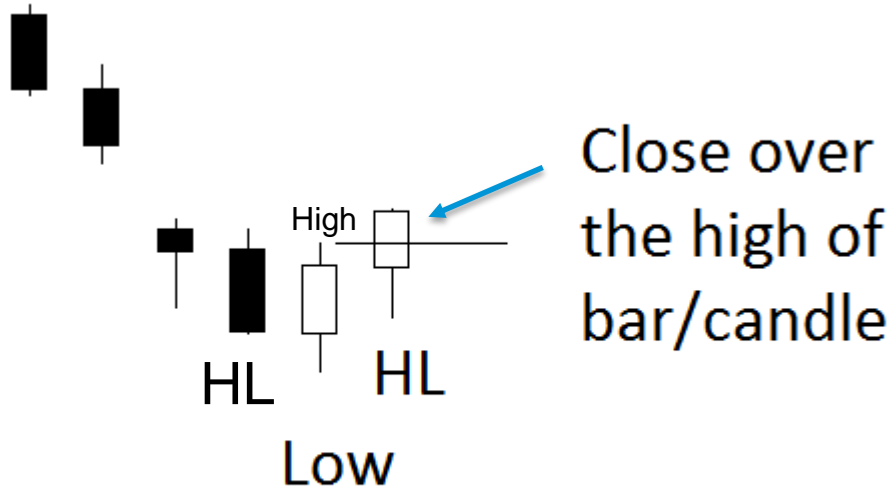
The price structure is now a pennant with the lower line now broken and offers a short sell position with a target of \$4.50.

Stop loss is at \$5.41.



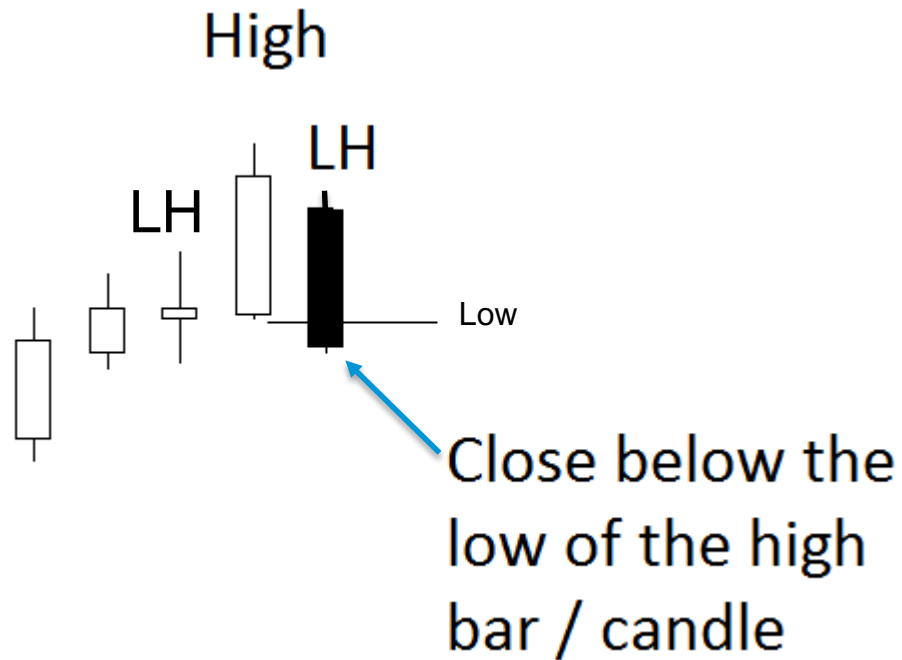
The technical setups

Pivot point reversal



The technical setups

Pivot point reversal



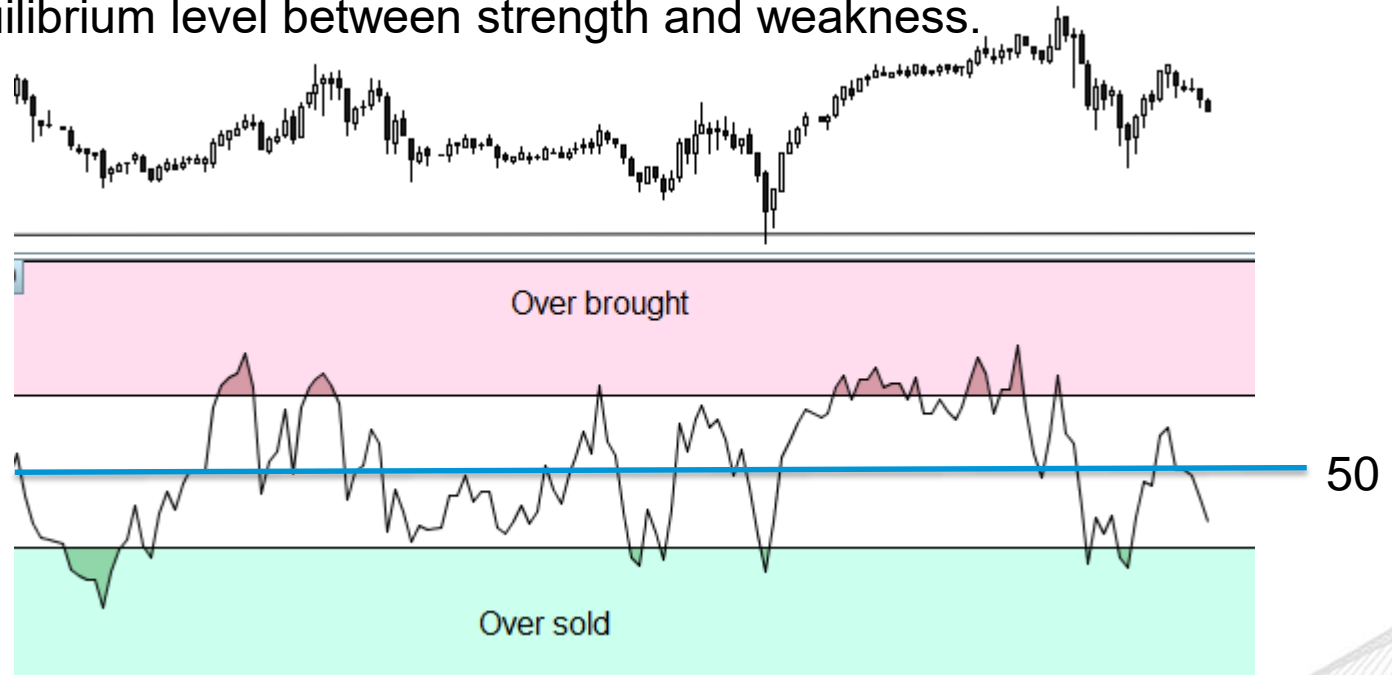
THE TECHNICAL SETUPS

Relative Strength

The Relative Strength Indicator (RSI) is a summation of higher closes, minus - lower closes, over a given look back, usually 14 periods. Seven periods can be used as a more aggressive signal.

Levels over 70 are a signal of extreme price strength and a potential reversal signal. Levels under 30 are an indication of extended weak prices and reversal signal would be looked for.

The “50” is the equilibrium level between strength and weakness.

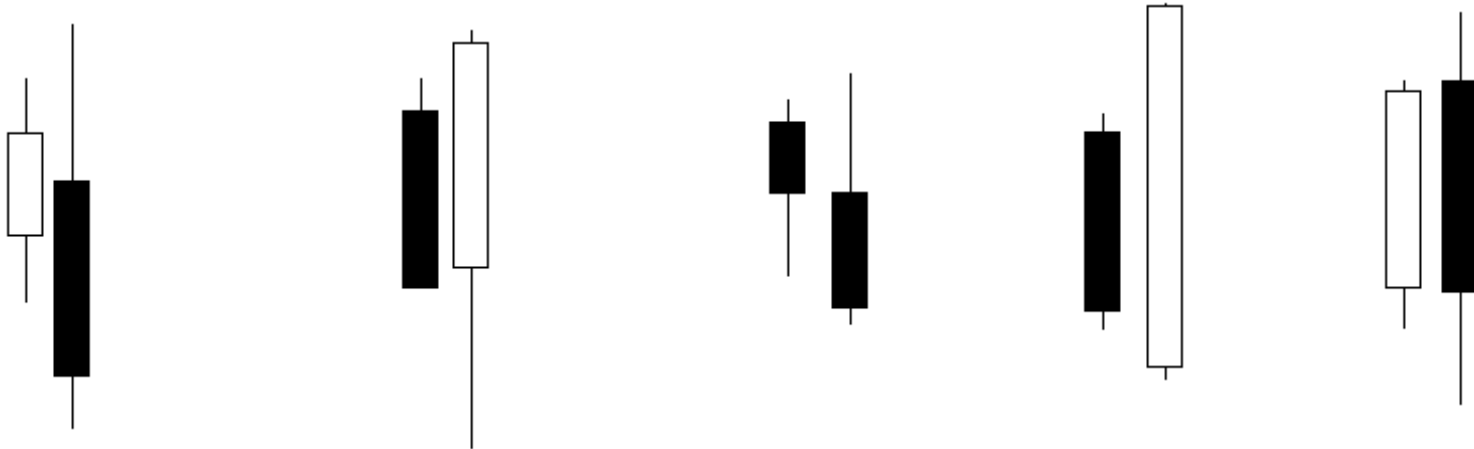


The technical setups

Outside range

A price range larger than the previous range often indicates a market turning point. (Krastins research)

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

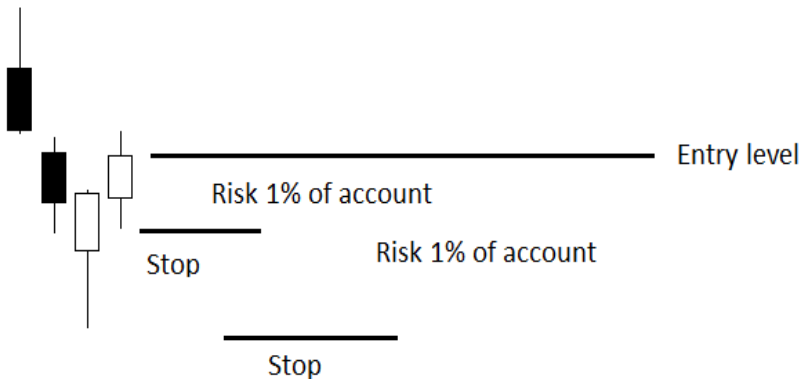


Position size and management guidelines

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.



Last week's trade ideas from 24 April 2017



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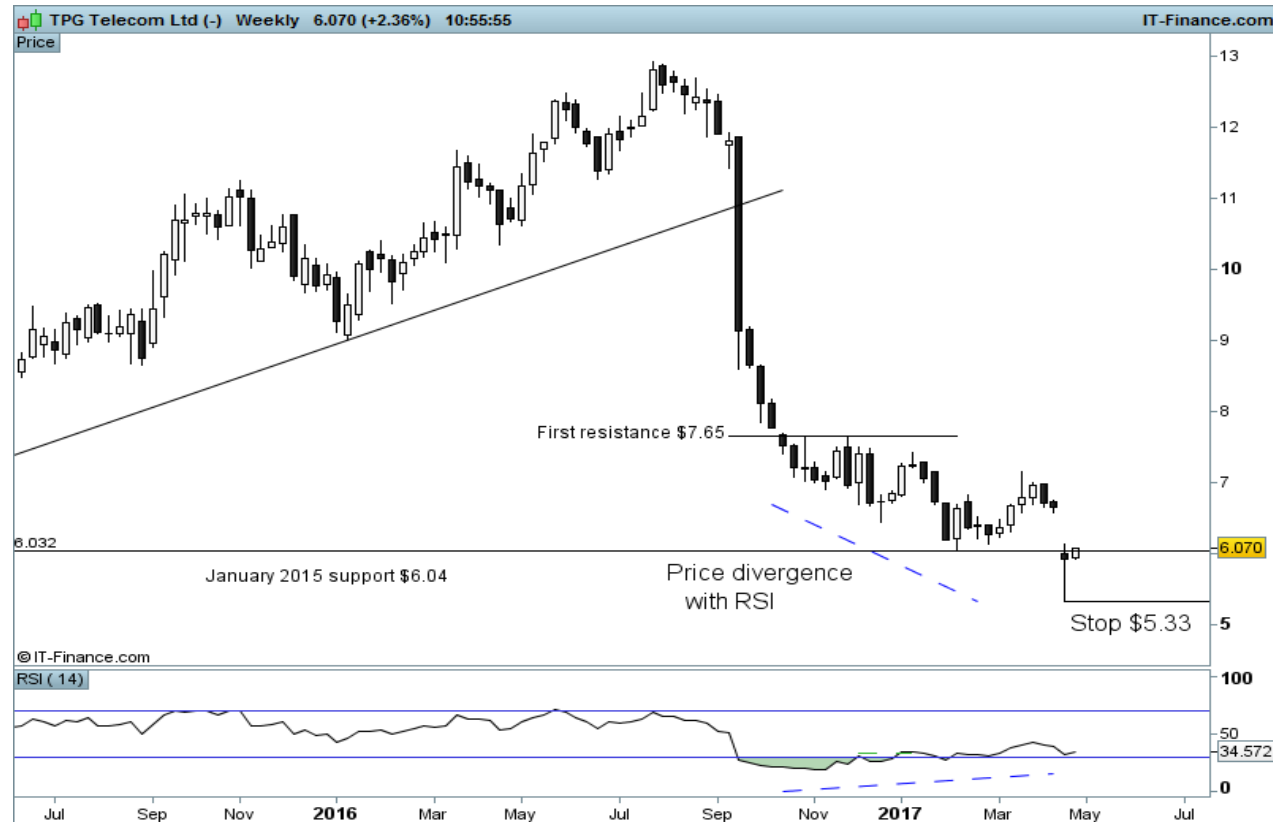
Trade idea

TPM (TPG P/L)

From an uptrend to a September corrective move back to January 2015 lows.

Last week's gap down open and subsequent trading showed a bullish hammer on completion. There is significant bullish divergence between the rising relative strength indicator and falling price. Look for a price movement back into the consolidation level resistance of \$7.65.

Stops are required at \$5.53.



Trade idea

Nanosonics (NAN)

The daily chart of NAN offers a breakout trade from the “bullish flag” setup. The inside period followed by the outside period has set the price base leading to a pivot point and breakout.

The RSI has swung back over the key “50” level and indicates price momentum.

Stops are required at \$2.98.



Trade idea

Retail food group (RFG)

The daily chart of has a breakout of a falling wedge following 3 spike lows within the pattern.

The RSI has shown bullish divergence to the falling price over the past month. The swing back over the key “50” level indicates price momentum.

Stops required \$5.14



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