



Morning notes

Thursday, October 31, 2019

INFO and LTF -> End of the month and we finally have both ECB and FED events in the rear window. Earnings season is still on, but on US markets all the biggest companies already reported, while in Germany we still have half of **DAX** components to report. October will be one of the rare months in which **DAX** was better performer than **SPX**. Getting a rate cut was widely expected, and third cut this year was given yesterday. However, "The Fed indicates it may pause rate cuts from here." So, back to "increased level of data dependence". Both **Apple** and **Facebook** had an earnings beat last night, but US indices remained flat. Markets need time to digest FOMC Statement, and there could be more ranging and better moves next week. Investors will now turn their attention to US-China trade talks. Chinese Manufacturing PMI and Non-Manufacturing PMI was released in Asian session, indicating contraction of factory activity for the sixth month in the row. Asian markets are mixed, with Nikkei, Hang Seng and KOSPI up, while Shanghai and ASX 200 are down.

Sharp rejection yesterday of that dip around 4 pm on **DAX** around last Friday low and on **SPX** that partially filled the first gap to the downside, was indication that buyers were ready to pick up those dips. Those levels will stay important in the future, and as long the market is above them, buyers are in control. **Economic calendar:** German Retail Sales m/m at 08:00 CET; EU CPI Flash Estimate y/y at 11:00 CET; US Employment Cost Index q/q and other news at 13:30; Chicago PMI at 14:45. All times are CET – and none of this news has the ability to move markets.

DAX Zones - For trading futures, adjust zones for CFD/futures difference.

Zone changes – Levels 12,820; 12,920 and 12,960 deleted. Zone 12,940-950 adjusted.
Zones 12,880-900 and 12,745-760 are now ordinary zones, not better zones.
(Small ▲ symbol is on the zones that were updated/adjusted or new)

TRADING PLAN -> **Main zones for today are: Main Support /12,709-805/ with unfilled gap at 12,798 and Main Resistance /13,000-015/ with unfilled gap at 13,010. Small TF Bias is neutral.**

Prev. cash close is at 12,910. Note that first zones above it and below it, which are R /12,940-960/ and S /12,880-900/ are zones that were already tested multiple times. Those zones, together with premarket range, will be the gauge of the market strength, and decisive break from this 12,880-940 range could be the tell of market intentions, and something that can help us determine the intraday bias. Since after FOMC Statement, there are only low impact news, we could get yet another slow day, with false breaks as possible setups. So fading only the better zones, and reading real time market signals. For good winners we need better environment, and until that happens – be picky about your entries.

First Resistance of interest is R /12,980-990/, but better resistance is **Main Resistance /13,000-015/** with that unfilled gap at **13,010** which can serve as a magnet to price. Expect sellers to be active there, on the first test. Strong market would be the one that stays above 12,880; neutral market could test Yesterday low – or our First Support of interest - **S /12,830-845/**, which is a zone where buyers can react on the first test. In case we got a dip below this zone, buyers will likely react at **Main S /12,790-805/**, where we have another unfilled gap at 12,798.

Going above 13k – not just to poke above it, but to test higher R zones - would require strong upside momentum. Going below Main Support would require full daily ATR move and more, with strong and sustained downside momentum. Likely scenario for today is market between Main zones. Maybe we can get one of those gaps filled.

In case of REAL break of Main zones – do not fade minor or ordinary zones. Entries on a pullback toward broken zones, and fading only better S/R zones, and exhaustion moves. Market is tired, but it can go higher, and buyers are still in control.

Choose your entry points carefully, and plot premarket low/high reference lines after the open.