

Trading/Investing Strategies & Technical Analysis

Some Thoughts
for group discussion

21 August 2019

Introduction

When starting out in the business of **share trading or investing**, many people are confused by the huge range of possible **analysis methods** and **strategies**.

Even with experience, some traders who use *discretionary analysis* methods manage to overlook some **basic principles**.

So, let's go "back-to-basics"...

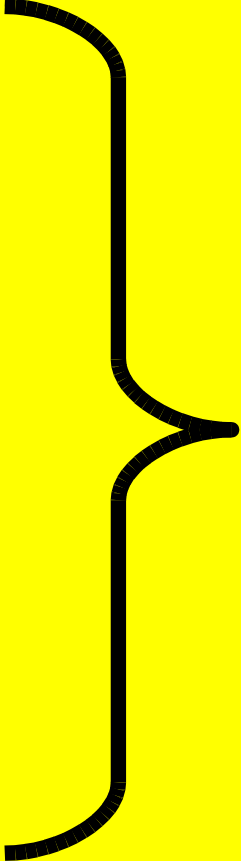
Session purpose

By group discussion:

- 1) To look at some ***key considerations*** for a trading/investing strategy
- 2) To discuss the ***pros and cons*** of the elements of a strategy

Strategy elements

- Market cap
- Sector
- Stock universe
- Liquidity
- Position size



We have discussed these topics previously, so let's move on... (we can revisit another day)

Market cap — Does it matter?

- Large cap
- Medium cap
- Small cap
- Micro cap

Stock universe?

Sector focus — Is it useful?

- There are 11 sectors to choose from

Liquidity — Does it matter?

- Is liquidity important?
- Define *liquidity*...

Some sample strategies

- Trend following
- Mean reversion
- Dividend stripping/harvesting
- Breakout
- Swing trading
- “Discretionary” !!

Chart Analysis

When looking for “ideas” for a trading strategy, it can be very helpful to actually view a price chart and to observe your desired “conditions” on the chart.

eg.

“Share price > 10 day MA”

“Momentum rising”

“RSI < over-sold and rising”

Chart Analysis — Step 1

- **Big picture*** — eg. monthly line chart
- Look for levels of ***Support*** and ***Resistance*** (they can apply for years)
- Look for ***trends*** — up, down or none
- ***Chart patterns***

* The market is like an elephant

Why?

Why look for:

- support?
- resistance?
- trends?
- chart patterns?



Why look for these?

Why look for: Support, Resistance,
Trends and Chart Patterns?

**Because price charts summarise
the opinions of the
market participants
regarding the share price, and
these chart features
help to understand their opinions.**

Chart Analysis — Step 2

Repeat step 1, except for **shorter term**:

- Shorter term — eg. weekly chart
- ***Candle*** chart (or ***bars***) can be useful
- ***Support*** and ***Resistance***
- Look for ***trends*** — up, down or none
- ***Chart patterns***

Chart Analysis — Step 3

Repeat previous, except for **shorter term**:

- Shorter term — eg. daily line chart (or even candles / bars)
- ***Support*** and ***Resistance***
- Look for ***trends*** — up, down or none
- ***Chart patterns***

Chart Analysis — Step 4

Utilise chart indicators to help understand what has been happening:

- Trend, and trend strength
(eg. MA, ADX, ROAR, etc.)
- Price momentum (Momentum, etc.)
- Price volatility? (eg. ??)
- Price over-sold / over-bought
(eg. RSI, Stochastic, etc.)
- Volume indicators?

What else?

What have we missed?

What else is there?

