

Aussie Market Update using the "4 Windows" approach

Price charts summarise the underlying opinions and emotions of the market participants. Every chart tells a story. Understand the stories in the price charts.




Aussie Markets Update utilising the "4 Windows" approach

July 2013
Robert Brain




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Introduction & Housekeeping

What do you think?

- (1) Price charts summarise the underlying opinions and emotions of the market participants.
- (2) Every chart tells a story.
- (3) Useful to understand the stories in the price charts.

What do you think? 



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Introduction & Housekeeping

Technical Analysis?

- A very useful subject
- Many aspects to T.A.
- Can be confusing
- How to get a grip on all this?
- Which aspects to focus on?

candles or bars?

indicators
MACD, RSI
Stochastic

Double Top **Head and Shoulders** **chart patterns** **Gann** **Elliott Wave**

Introduction & Housekeeping

Today's session:

- ➔ Real analysis of Australian market using key Technical Analysis tools
- ➔ Help you with your understanding of technical analysis
- ➔ Some tips to assist with learning and using more about technical analysis

Introduction & Housekeeping

This session:

Understand the underlying market sentiment by interpreting the price charts

Showing "current" charts can be risky.

- **There is no prediction**
- **There are no forecasts.**



(technical analysis considers the balance of probabilities)

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Introduction & Housekeeping

Interactive...

- Please ask questions.
- Let's discuss details.
- View the price charts using BullCharts software.



www.bullcharts.com.au

*Every chart tells a story.
Understand the story in the chart.*

Introduction & Housekeeping

About... Robert Brain

Consultant, educator and part-time* share trader
Web-based sharemarket-support business


- Many years experience as trainer, presenter, conference facilitator (Scouts)
- Share Market – active 14+ years*
- Chartist ie. technical analyst (ATAA member and national director)
- Provide tuition and support to traders and investors
Brainy's Share Market Toolbox
- Engineering Degree (structured thinking with an eye for charts and diagrams)
- 30+ years – professional experience (IT and management)
- **Do not hold AFS license! (Can't give advice)**
- BullCharts software (convenor Australian BullCharts User Group and authorised reseller with special pricing)
- Member Mensa

* - Not yet enough capital to live off the proceeds of trading (after trading as a hobby until a career change in 2008).

Introduction & Housekeeping

Important Notice — No Advice!


- This presentation does not include any advice.
- For proper advice, your personal financial situation needs to be considered.
- This presentation is pure education, only for your general awareness.
- There are no recommendations to take any action, or to invest any money in any way.
- Always consult a properly licensed advisor before making investment decisions.



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Important Notice



No predictions **No forecasts**

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My weekly routine

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My routine

Australian Equities

- What is the Australian market doing? (use the All Ordinaries index — XAO)
- If bearish, then invest with caution:
 - (1) Don't open multiple positions at same time
 - (2) Wait until in profit before opening more
 - (3) Have a tighter Stop Loss
 - (4) Monitor positions more frequently and cautiously
 - (5) Be able to close positions quickly if need be
 - (6) If really bearish, then be prepared to go to all cash.

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My routine

Weekly routine

Four key aspects to the weekly routine:

1. Study the plain price chart
2. Check "big" picture and consider popular "studies" (eg. Weinstein)
3. Use some T.A. indicators
4. Consider volume.

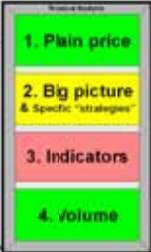
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My routine

Weekly routine

The "4 Windows" analysis approach is a good check list, four different "views":

1. Plain price chart — trends, support, resistance, chart patterns
2. Coppock, Weinstein, candle patterns
3. Indicators (eg. Moving Average, Momentum, MACD, OBV)
4. Volume.



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My analysis

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Window 1 — Plain price

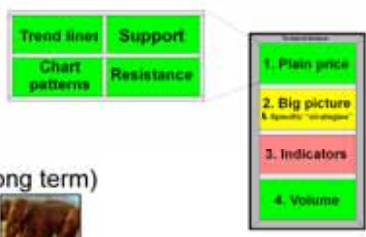
Window 1 — Plain price

Plain price chart (line chart and/or candles).

Looking for:

1. Trends
2. Support
3. Resistance
4. Chart patterns

Both big picture (long term) and short term.



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Window 1 — Plain price



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Window 1 — Plain price

What about now?

Switch to BullCharts and take a look...



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Window 1 — Plain price

Remember:

- The XAO index is an aggregation of 500 stocks (XAO = All Ordinaries — but which stocks?)
- And is heavily weighted to the large-caps.

Also:

- Need to "zoom out" and check the bigger picture because the market is like an elephant...



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Window 1 — Plain price

What about now?

Switch to BullCharts to take a look?

BullCharts

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Window 1 — Plain price

Quarterly, monthly, weekly...?

- The period of the chart is important:
 - Quarterly
 - Monthly
 - Weekly
 - Daily
- The **daily price** can be considered most important...

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Window 1 — Plain price

Support levels, trend lines...

These chart features are caused by:

- the market participants,
- who have different opinions about what a share is actually worth, and
- their opinions can converge towards agreement, or diverge in disagreement, and
- news (announcements) can easily move price.



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Window 1 — Plain price

What actually happened?
Since January?

Switch to BullCharts
and take a look at
what actually happened... 

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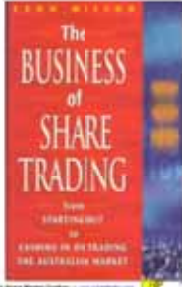
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Window 1 — Plain price

Plain price ~ Primary analysis

BTW

Leon Wilson talks about this in his book:
The Business of Share Trading



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Window 2 — Big picture+

Window 2...

Big picture + own preferred "strategies"


- Coppock indicator
- Weinstein view
- Candlestick patterns (including composite candles)

Coppock	Weinstein
Candles	your favourite



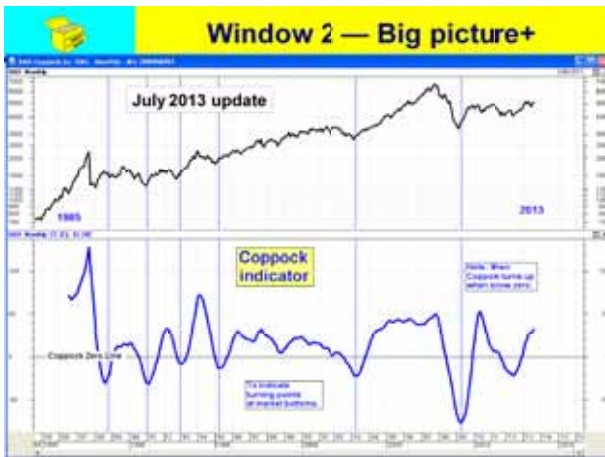
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Window 2 — Big picture+



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Window 2 — Big picture+

What about now?

Switch to BullCharts and take a look...



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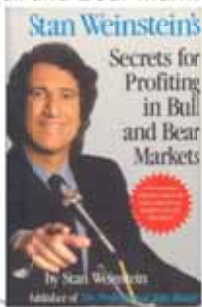
Window 2 — Big picture+

Who is Weinstein?

Secrets for Profiting in Bull and Bear Markets

Stan Weinstein, 1988

About the best book for novices in TA.



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Window 2 — Big picture+

What about today's candles?

Switch to BullCharts and take a look...



This slide features a yellow header with the text 'Window 2 — Big picture+'. Below the header, it asks 'What about today's candles?' and suggests 'Switch to BullCharts and take a look...'. The BullCharts logo, which includes a stylized bull head, is positioned to the right of the text. A small yellow cube icon is visible in the bottom right corner.



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Window 2 — Big picture+

A book on candles?
The Secret of Candlestick Charting
 Louise Bedford

Window 3 — Indicators

Window 3 — indicators

Some people don't use indicators at all.
 My preferred indicators:

- GMMA — trend "health"
- Momentum
- Twiggs Money Flow
- OBV

Trend indicator	Momentum indicator
Volatility indicator	Volume indicator

1. Plain price
2. Big picture
3. Indicators
4. Volume

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Window 3 — Indicators

GMMA — key characteristics

For a healthy uptrend:

- Red group of averages — rising nicely and all roughly parallel
- Blue group of averages — gently compressing and expanding
- Gap between the red group and blue group

A book?
Trend Trading, Daryl Guppy



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Window 3 — Indicators

Momentum indicator

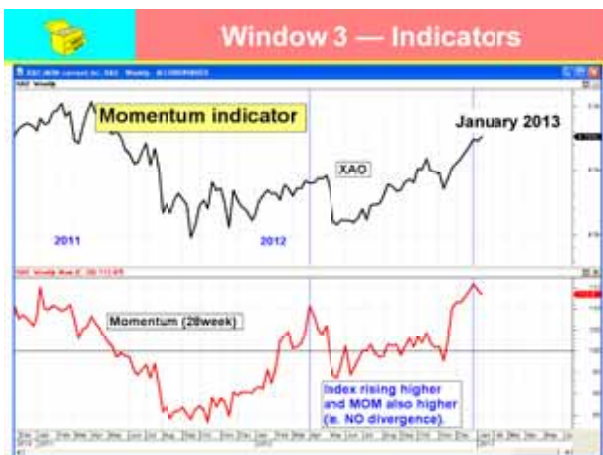
- The Momentum indicator measures the amount of change in price over a specified time period.

price change

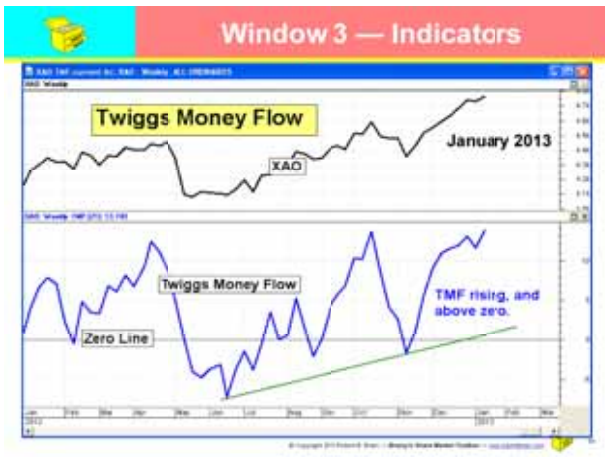
over time

- Look for divergence (also relevant on other indicators).

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Window 4 - Volume

Volume is important

- Consider the volume, relative to previous periods
- Look at:
 - Weekly chart over long term
 - Daily chart over recent weeks
- Use Moving Average of volume
- When trading, also consider: Trades and Value.

Volume	
Trades	Value

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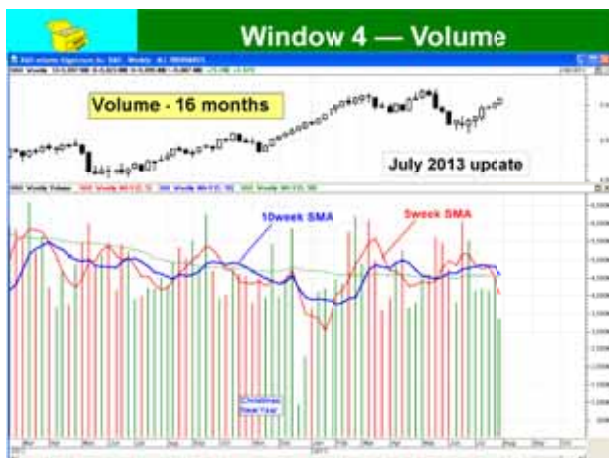
Window 4 — Volume

What about recent weeks?

Switch to BullCharts and take a look...



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Summary & Wrap up

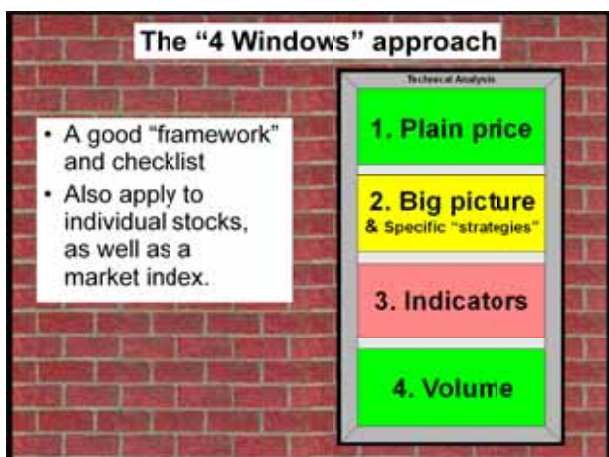
Overall conclusions?

- What do you think about the current market?

Where is the market going now?...

- Can't provide prediction or forecast!
- You can consider each aspect on the earlier slides and then decide.

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Summary & Wrap up

Key points

- Always consider **big picture** because the market is like an elephant...
- **Daily close** price is very important
- Technical analysis **indicators** can be useful
- Look for **divergence** on indicators
- **Volume** is important



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Summary & Wrap up

THE END

These slides are available in my **Share Market Toolbox**:
www.robertbrain.com/presentations/

with more detailed versions reserved for Toolbox members.

Also the "4 Windows" approach:
www.robertbrain.com/4-windows/



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Summary & Wrap up

Don't forget my Toolbox

- Brainy's **Share Market Toolbox**
 - (1) www.robertbrain.com
 - (2) Loads of eBook (PDF) Articles
 - (3) Info: share market, charting, BullCharts
 - (4) Weekly Market Updates and Watch List
 - (5) monthly e-Newsletter **special topics**
- Good charting software – BullCharts
www.robertbrain.com/bulcharts/
- My contact details:
web site above, or phone: 0438 355 910



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Summary & Wrap up


BTW Robert's choice — BullCharts

- Runs on Windows XP, Vista and Windows 7 & 8 (32-bit and 64-bit)
- Loads onto your PC
- Historical data (since 1987)
- Official web site: www.bullcharts.com.au

Free 2-week trial available

Your investment:-

- Software \$795 once off
- Data options:
 - End Of Day \$352 pa
 - EOD + Snapshots \$462 pa
 - Live data \$151.25/mth (includes EOD)



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Summary & Wrap up

Australian BullCharts User Group

We have an Australia-wide User Group

- Melbourne (since 2006)
- and over the web — Webinars for "remote" users
- Meets monthly
- BullCharts demo, Q&A and trading topics

Robert is the national User Groups coordinator.



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Summary & Wrap up

THE END

THANK YOU

(Backup slides now)

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