

Hands-on Technical Analysis and chart reading

Real demonstration with
audience participation

Might you have
bought this stock in
October 2019?



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About this material

This set of presentation slides was used in a workshop in the ATAA Melb meeting in December 2019.

The basic set of slides is intended to be available to ATAA members on the ATAA website www.ataa.asn.au

The members of Brainy's Share Market Toolbox can also download these slides plus the more detailed Speaker Notes from the Share Market Toolbox www.robertbrain.com/presentations/

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BTW — Did you buy this?

Back in April 2019
we looked at this stock
and its share price up to
early February



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BTW — Did you buy this?

- We looked at this stock back in April
- And we talked about its chart
- We did NOT make any recommendations
- We simply analysed and commented
But what actually happened next?

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BTW — Did you buy this?



Did you know?

About 80% of ATAA members are trend traders on ASX stocks.

Is that your preference?
If so, then the rest of this presentation will be of interest to you.

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Session purpose

- To demonstrate **some aspects** of technical analysis
- To explain **some** elements of **just one** trading plan/strategy
- To encourage the sharing of experiences and opinions around the audience
- **To enhance your knowledge.**

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In this session...

- We will demonstrate the use of real price charts and technical analysis (using a laptop with no internet connection), and
- We will ask YOU the audience to offer your thoughts, experiences and suggestions.

This is your prompt to contribute to the discussion...



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Session overview

- Look for:
 - confirmed uptrend
(a trend is likely to continue; "*the trend is your friend*")
 - support and resistance levels
(they summarise the opinions of market participants)
 - chart patterns
(ditto previous item)
- Review some technical analysis indicators.

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Today's assumptions

- 1) Stock universe
- 2) Finding uptrending stocks (and defining "uptrend")
- 3) Some technical analysis indicators

Details on next slides...

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Assumption 1 – Stock universe

The 200 stocks in the XJO index
(ie. S&P/ASX 200 index)

Remember that this index:

- is popular among large investors,
- its stocks are heavily analysed and reported (and traded)
- its stocks are very liquid (so lack of liquidity is not an issue)

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Assumption 2 – "Uptrending"?

How to easily find uptrending stocks?

- There are several ways to define and to find "uptrending" stocks
- Conventional definition of "uptrend": *Higher Peaks and Higher Troughs* but can be hard to find quickly
- Search for a "rising Moving Average"
 - Weekly SMA(30) rising for 3 weeks.

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Assumption 3 – Indicators

Many indicators available, but only look at:

- Moving Average (a trend indicator)
- MACD (a trend indicator)
- Momentum (a momentum indicator)
(and MA of Momentum)
- RSI (a momentum indicator)
- what about a volatility indicator?
- and Volume is important!!!

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Let's go...

Here comes the first chart...

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Was this a buy in late Oct?



Let's analyse...



MACD







Weekly versus Daily?

Those charts were Weekly.

Would daily charts tell us more?

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Any other analysis?

Switch to interactive charting using charting software...?

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What happened next?

Given our analysis, is it reasonable to buy?

YES / NO ?

If so, where is your initial stop?

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Show more price action

Let's go forward
a few weeks...

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Daily + 3 weeks



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Show more price action

What did we think about that?

Let's go forward
some more...

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Elephants!

My view is that it is always useful to zoom out and view the bigger picture, because the **“market is like an elephant”!**

Why?
Answer another day,
or Google the phrase!



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Bigger PICTURE



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Conclusions? Comments?

- Overall conclusion/comments'
- Daily versus weekly useful?
Or make sure to use both?
- This case study was doubtful from the start.



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Trading Insights

What about a discussion on:

- Stock universe
- Other instruments
- Buy signals
- Trend trading (more)
- Other strategies
- Brokers and their fees
- Position sizing
- Initial stop loss
- Risk management
- Trading plans and strategies

“Trading Insights” segments in Melb Chapter meetings in 2020

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SUMMARY

- Demonstrated technical analysis
- Explained **some** elements of **just one** trading plan/strategy
- Encouraged the sharing of experiences and opinions around the audience
- **Enhanced your knowledge.**

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Acknowledgements

- Robert’s charts are created using BullCharts charting software.
- Some materials are taken from Robert’s Share Market Toolbox website: www.robertbrain.com

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WARNING

Conflict of interest statement

Robert Brain can derive income from the sales of BullCharts software.

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