Technical Analysis

We are studying "price movement, volume, and price relationships"
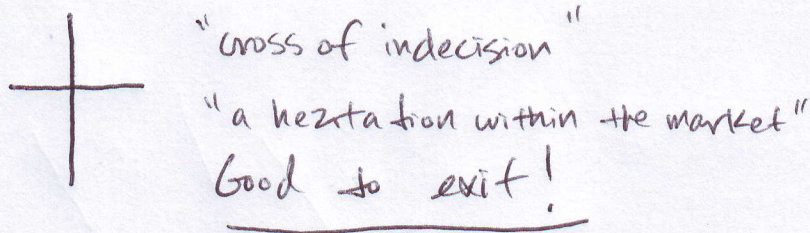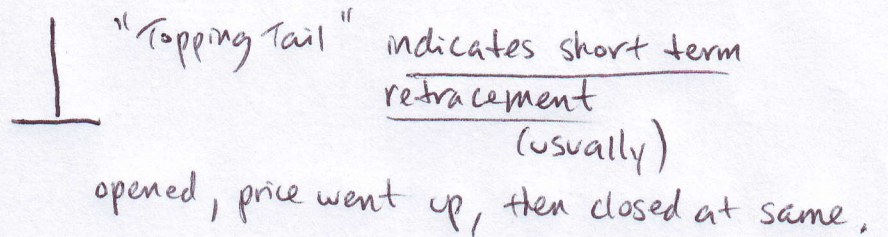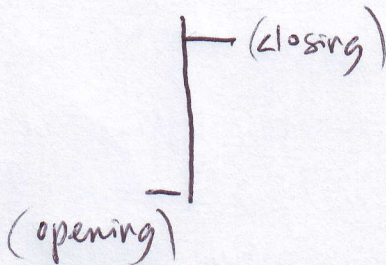
A chart shows "the price across time."

Draw lines to show key price levels.

"Different periocities of charts" (1hr, 1 day etc.)

We will be focusing on [Candlestick Charts]

however for [Bar Charts]

─┤ (closing)

─| (opening)

⊥ "Topping Tail" indicates short term retracement
(usually)
opened, price went up, then closed at same.

┼ "cross of indecision"
"a hezitation within the market"
Good to exit!

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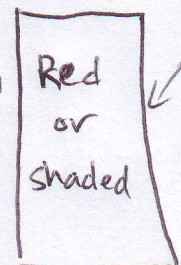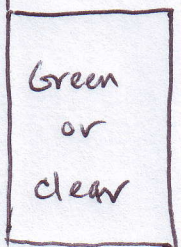[Candlestick Charts] "good story tellers"

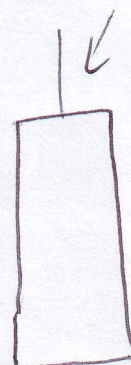"which one controlled the market for that day?" "We need to be able to spot the trend reversals"
Buyers/sellers"

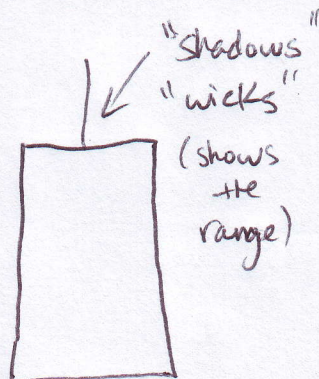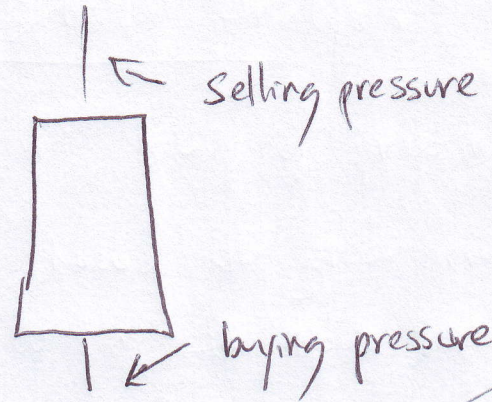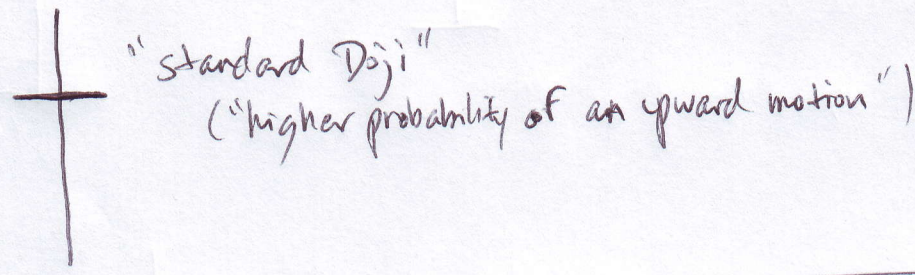Buyers   Sellers   "shadows"
                                                               "wicks"
"Bulls" | Green or clear | "Bears" | Red or shaded | Body tells us who controls the market   (shows the range)

Selling pressure

Either Green (clear) or Red (shaded) controlled the market.

buying pressure

if no body there, it opened and closed at the same price.
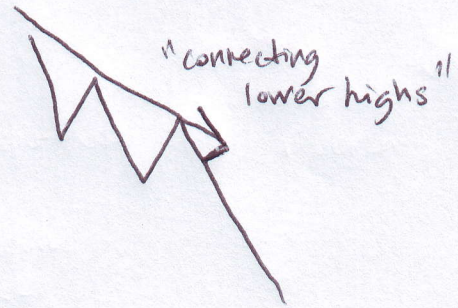
"Doji"

↙ "Fuzz on top"

"standard Doji"
("higher probability of an upward motion")
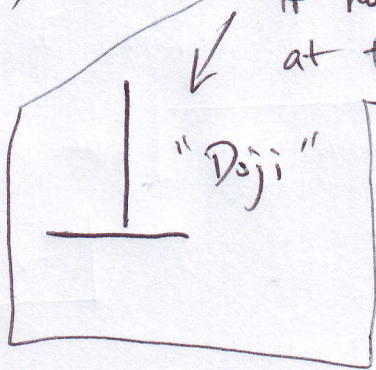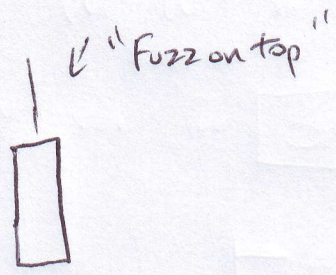
Trends

up - "series of higher highs, higher lows"

"lows control"
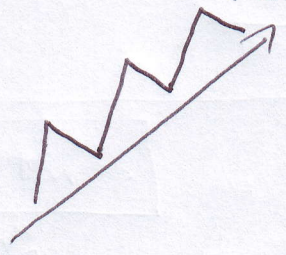
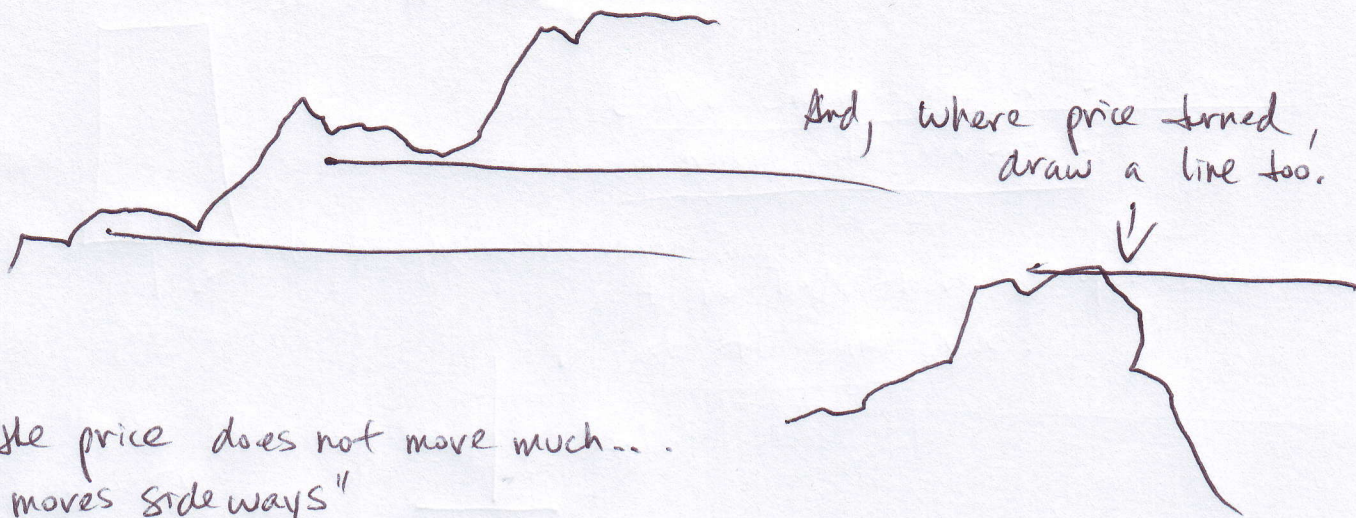we draw a trend line at the bottom of price

"connecting lower highs"

"We need 3 points of contact to confirm the trend"

"Draw a line and set a rule."

"if the price breaks the trend line get out of the trade."

"or sell" (that is)

"Let the trend be your friend."

Find the support areas, Draw a line.

And, where price turned, draw a line too.

When the price does not move much....
"moves sideways"
Its called "Basing" or "building a base"
Volume will push price up or down.

↓ "Channel"

← "consolidation"

└ if turning Red: "weakening"
   (shaded)
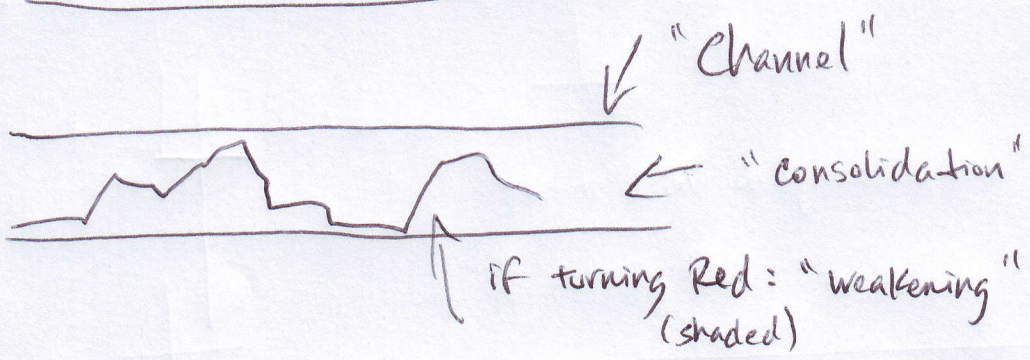
When the activity starts to increase we can make a plan.

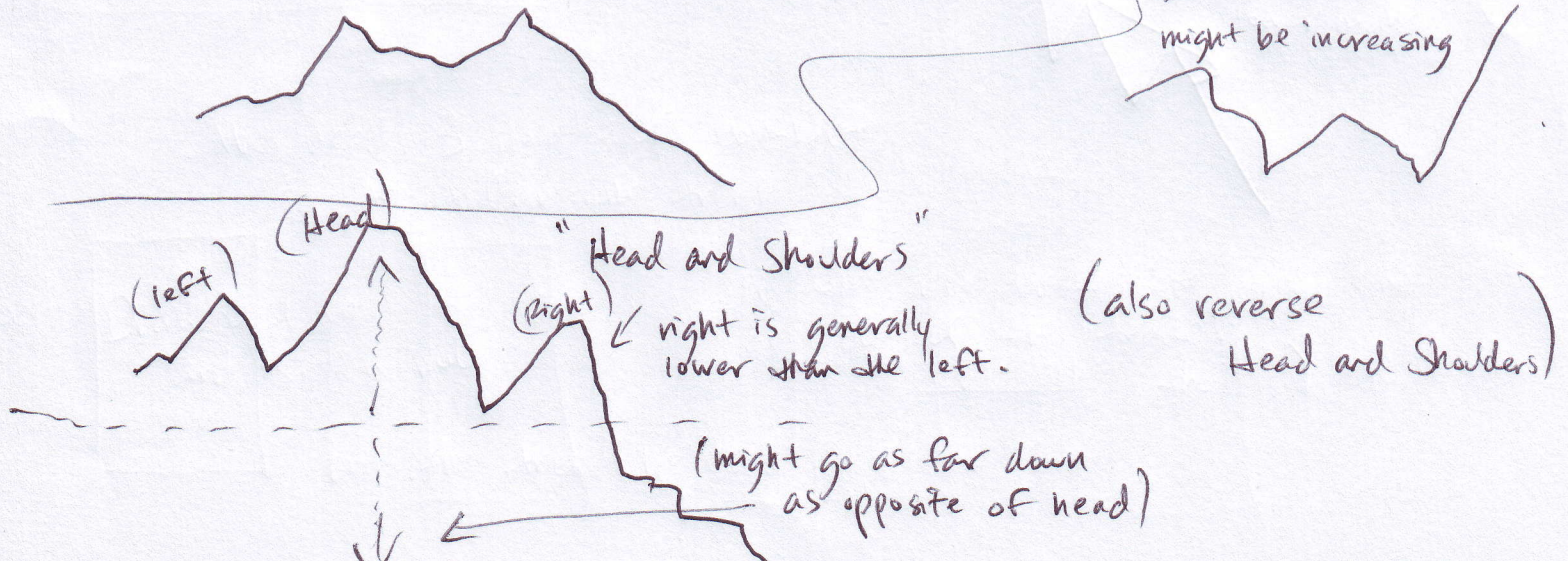Is this sideways movement resistance or support?

Are there any patterns in the past that tend to repeat?

Changes in Trends   "Trend Reversals"

"Double Tops" 2 tops, might be decreasing trend.

"Double Bottoms" might be increasing

(left)   (Head)

"Head and Shoulders"

(right) ← right is generally lower than the left.

(also reverse Head and Shoulders)

(might go as far down as opposite of head)

<u>Volume</u> – determines the strength of the move.

"Steam in the engine"

ADV = Average Daily Volume (good indicator)

enter – volume up
close – volume down

Volume pace is required to break support or resistance levels.

"<u>Volume</u> spikes happen to be where price changes occur."
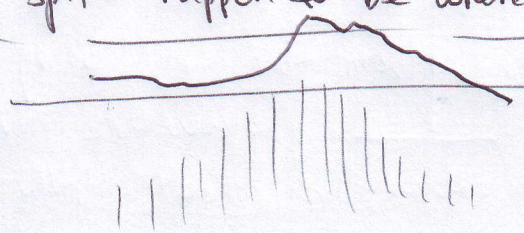
("trend reversals")

if volume drops, the market will tend to drift down.

"when we break a resistance, stay until next resistance"
(unless change happens of course...)

"Trend lines have 2 points of contacts and a corresponding 3rd."
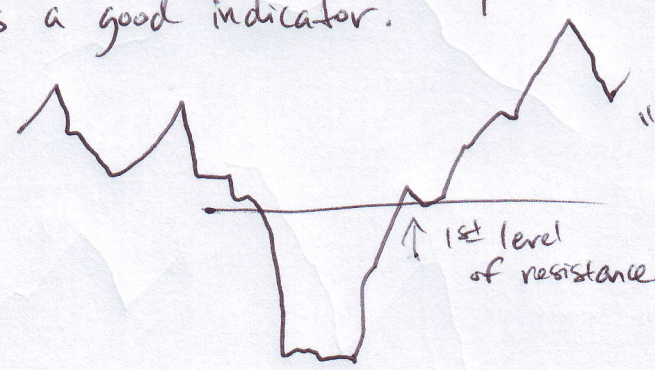If we anticipate a 4th, take some profit.
(check it as it goes)
if the trend weakens, sell.

If trend keeps going,
Draw a new trend line.

orig. (A)
orig (B)
orig (C)

must be lower highs. (or up trend higher lows)

We need confirmation to buy – Green (clear) candles above 1st resistance is a good indicator.
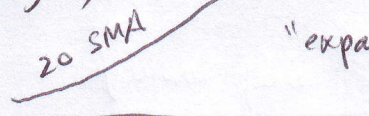
"V bottom"

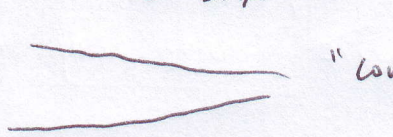↑ 1st level of resistance   (stop if goes below the resistance) !!

S & R lines (AKA) support and resistance.
(shows ~~~~ the turning points)

" Deciding based on the trend line/price movement, takes the emotion out of the decision. "

Simple Moving Average ✳

If have 20 SMA's and 50 SMA's
(simple moving averages)

✳ trend has momentum if — 20 SMA "expanding"

50 SMA

✳ trend is losing momentum if — "contracting"

"Don't wait for cross over"

"Divergence" vs "Convergence"

or expansion vs. compression

Remember trends must have 2 points and a corresponding 3rd!
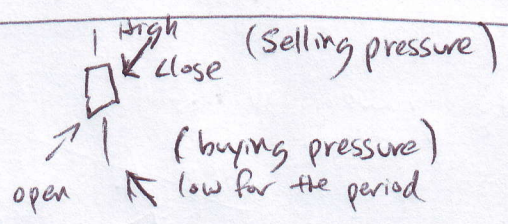

Continuation Patterns

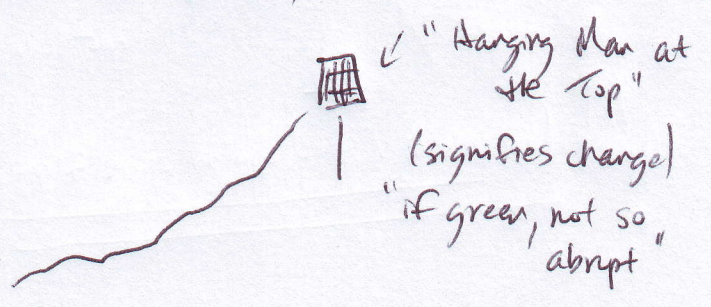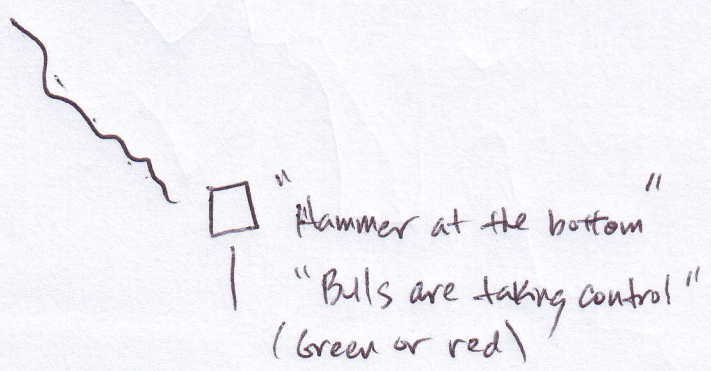if buyers/sellers are closer in up trend, becomes "Bullish".

" Always wait for the confirmation."

"Are buyers pushing the price up"

"sentiment of the trend"

Basic Candlesticks

High
□ Close (Selling pressure)

(buying pressure)
open — low for the period

+ "cross of indecision"
long bottom shadow
"buying pressure"
("opportunity for turn in market")

⊞ "Hammer / Hanging Man"
(ends down trends)
Hanging Man (ends up trends)

⊞ "Hanging Man at the Top"
(signifies change)
"if green, not so abrupt"

□ "Hammer at the bottom"
"Buls are taking control"
(Green or red)

"spinning top"

↙ sellers

"indecision
with bias"

↖ buyers   (common
            in consolidation)

"High Wave"

"who's left over from
the battle"
"stalemate"

"Shooting Stars"

"we may find
a trend change"

(seller pressure)
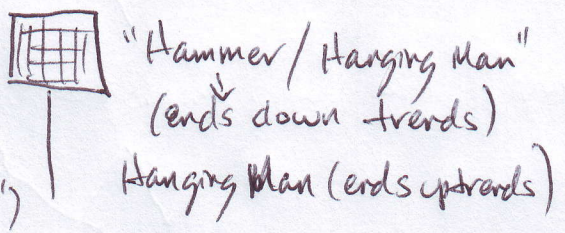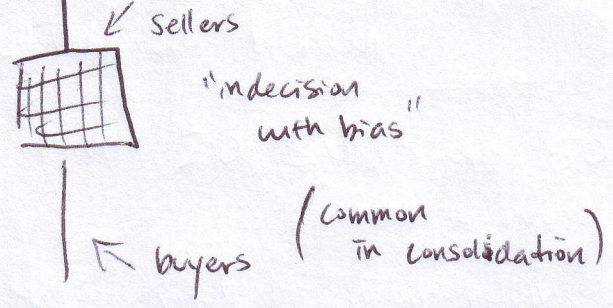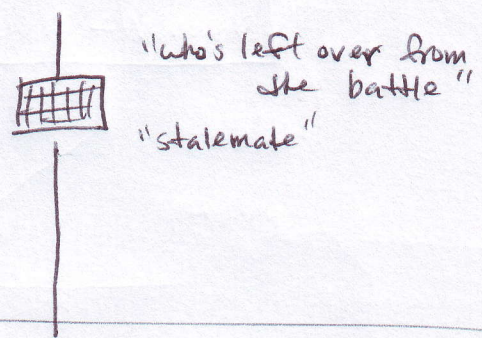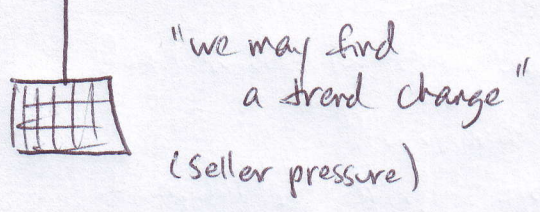
"Harami Reversal Pattern"

↙ "pregnant"
    with the potential future?
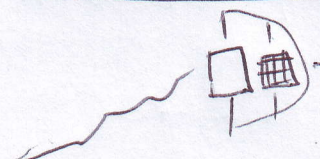"location is more important
        than colors"
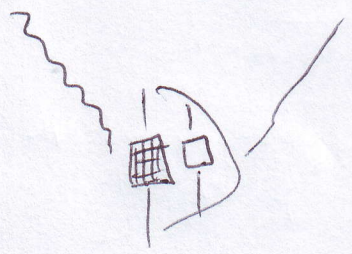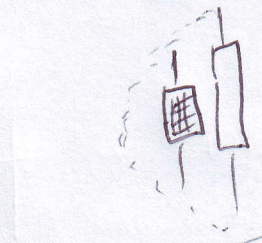"signifies a change"
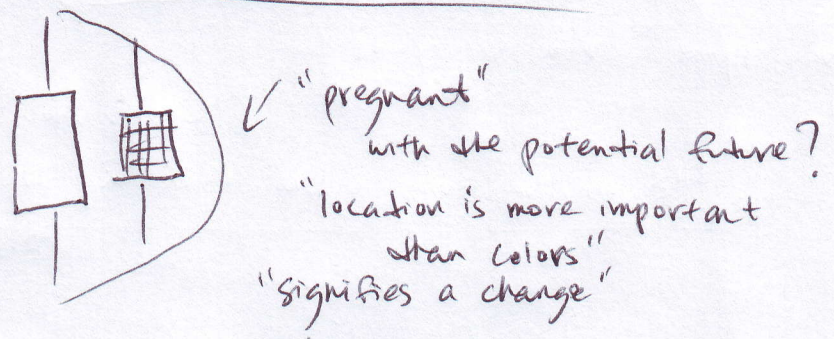
"Bullish Harami Pattern"

"Bearish Harami Pattern"

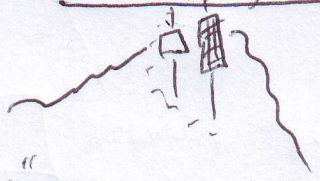↙ just shows the
    Harami relationship
"pregnant"

"Engulfing Pattern"
(reversal pattern)
"opposite of Harami"
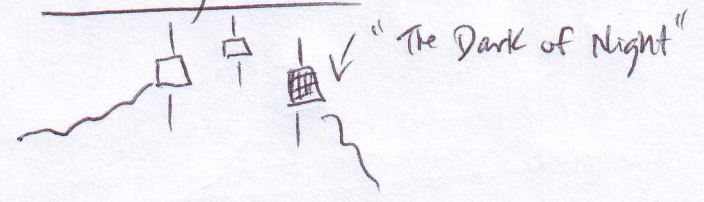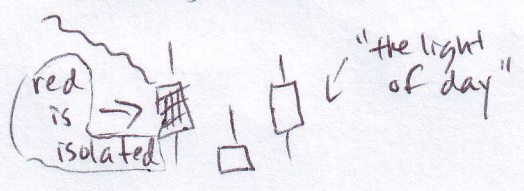
Basic Reversal Patterns
(trend)

"Bearish Engulfing"   "Bullish Engulfing"

"Morning Star"

red
is
isolated

"the light
of day"

"Evening Star"

"The Dark of Night"

"Evening Doji Star"   "Morning Doji Star"

(strong buying power)
longer shadow
at bottom