



Using Technical Analysis for ETF Trading

Peter Ashton, VP of Retail and Self-Directed Investing
August 2017



Disclaimer



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Agenda



- Who is Recognia
- Event Driven Technical Analysis
- Types of Technical Events
 - Short-term patterns
 - Indicators and oscillators
 - Classic patterns
- Finding and Validating Ideas using Recognia
- Q & A

Corporate Overview

- Part of the Trading Central Group since 2015.
- Leaders in technical, fundamental and quantitative research worldwide.
- Major offices in London, Paris, New York, Hong Kong and Ottawa.
- Global coverage of stocks, ETFs, indices, options, FX and futures.
 - Team of analysts based in Hong Kong, Paris and Ottawa.
 - Automated analysis of 85,000 financial instruments daily.
- Services provisioned to 20M active traders and investors worldwide.



Basics of Technical Analysis



- Looking for patterns and relationships in price and volume history that identify attitudes of buyers and sellers
- Shifts in the balance of supply and demand
- To assist in making investment and trading decisions



Market Cycles

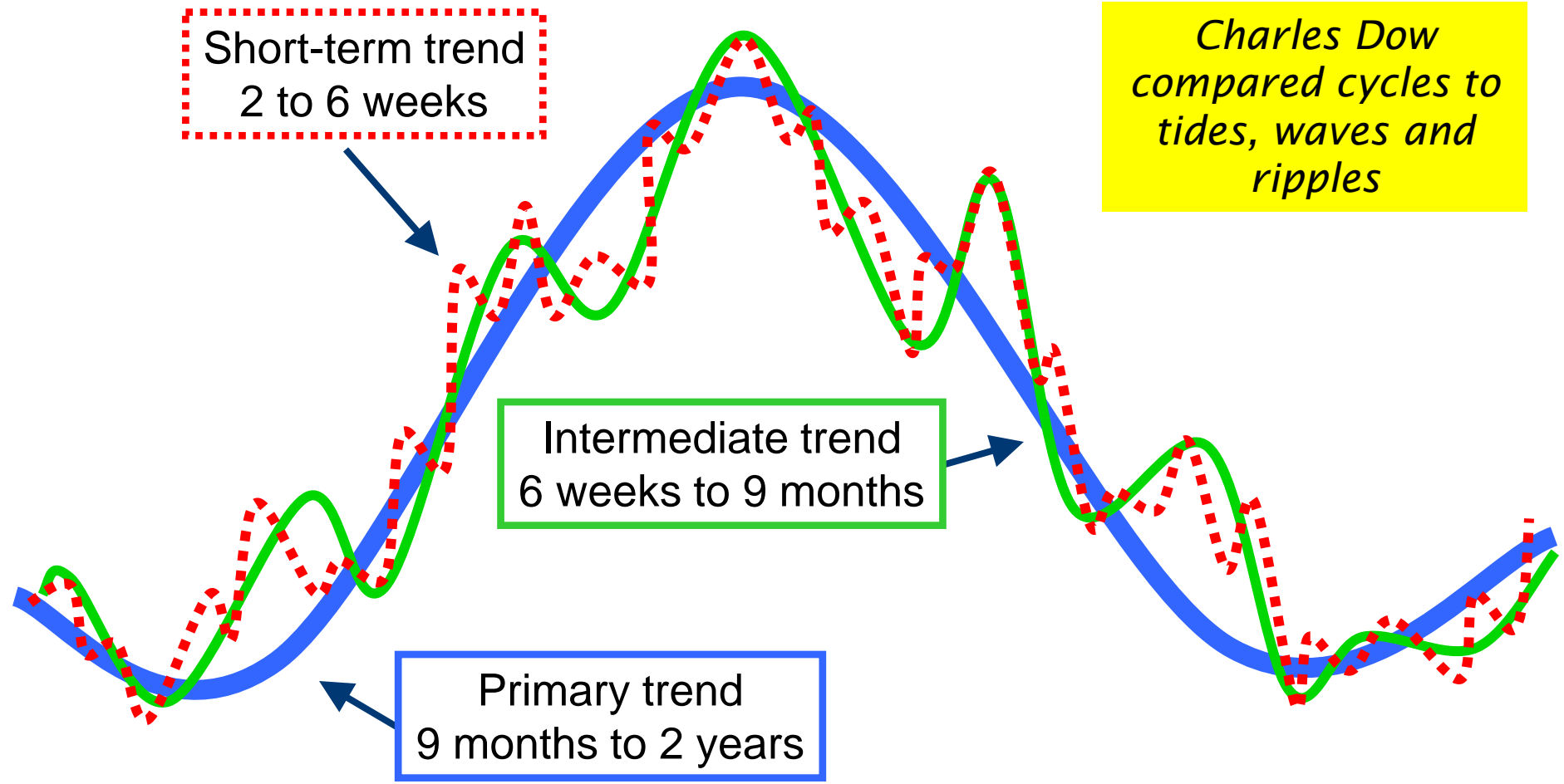


Short-term trend
2 to 6 weeks

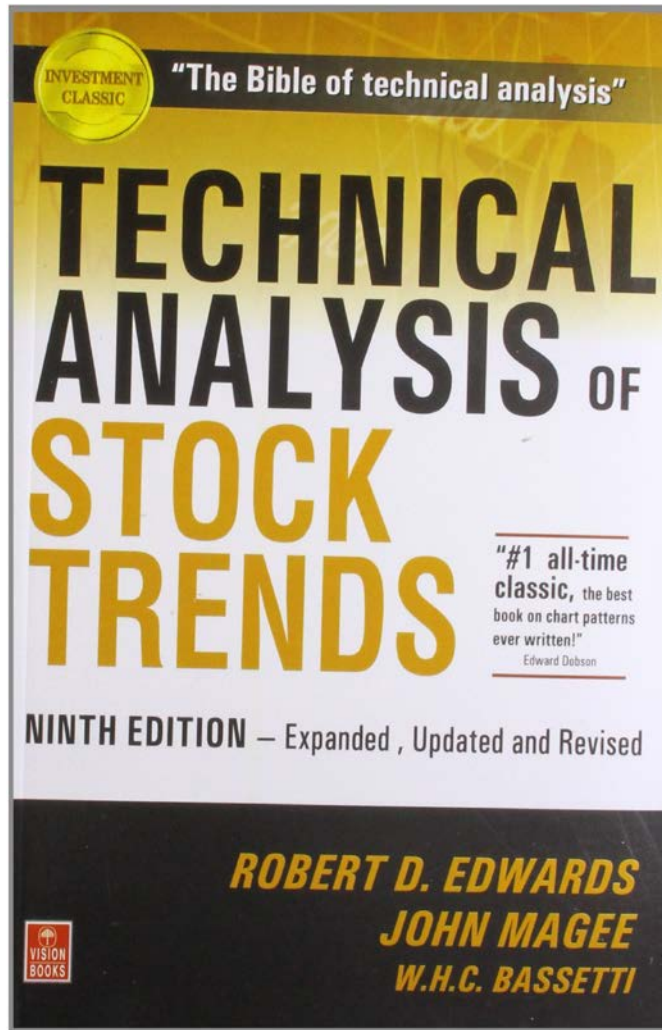
*Charles Dow
compared cycles to
tides, waves and
ripples*

Intermediate trend
6 weeks to 9 months

Primary trend
9 months to 2 years



Why Study Price?



“The market price reflects...the hopes and fears and guesses and moods, rational and irrational, of hundreds of potential buyers and sellers... Price is the only figure that counts.”

An Example...



Prices move in trends until ...

Something changes to affect supply and demand

An Example...



Prices move in trends until ...

Something changes to affect supply and demand

Marked by patterns in price and volume history



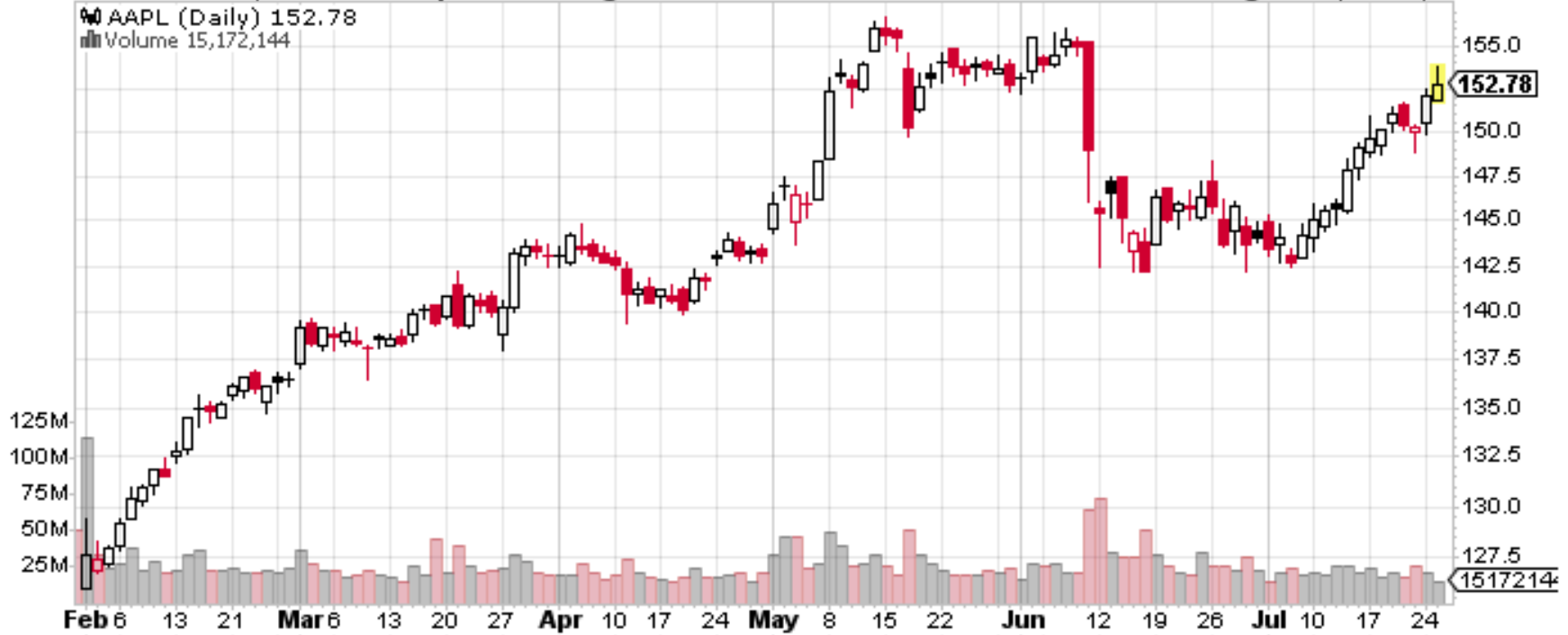
Traditional Approach

AAPL Apple, Inc. Nasdaq GS + BATS

25-Jul-2017 3:49pm

Open 151.80 High 153.84 Low 151.80 Last 152.78 Volume 15.2M Chg +0.69 (+0.45%) ▲

📊 AAPL (Daily) 152.78
📊 Volume 15,172,144



AAPL Apple, Inc. Nasdaq GS

25-Jul-2017

Open 151.80 **High** 153.84 **Low** 151.80 **Close** 152.78 **Volume** 15.8M **Chg** +0.69 (+0.45%) ▲

▲ AAPL (Daily) 152.78

— MA(21) 146.99

■ Volume 15,755,577



AAPL Apple, Inc. Nasdaq GS

25-Jul-2017

Open 151.80 **High** 153.84 **Low** 151.80 **Close** 152.78 **Volume** 15.8M **Chg** +0.69 (+0.45%) ▲

📊 AAPL (Daily) 152.78

— BB(20,2.0) 140.66 - 147.05 - 153.45

📊 Volume 15,804,094

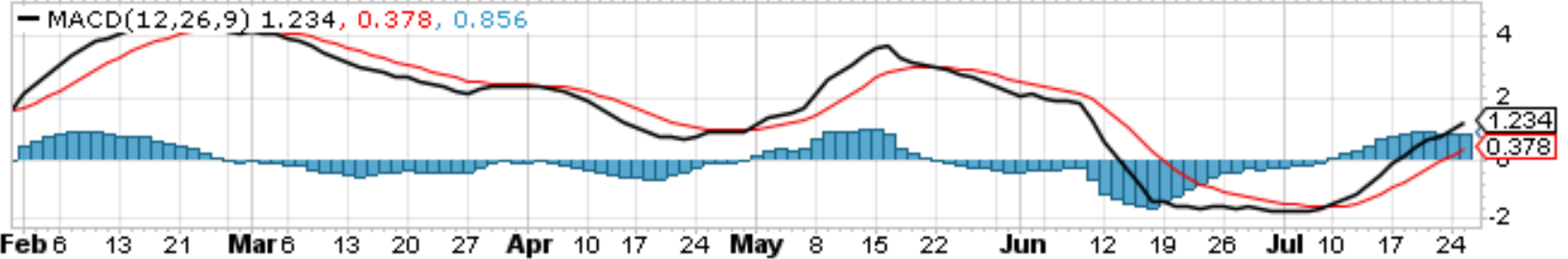
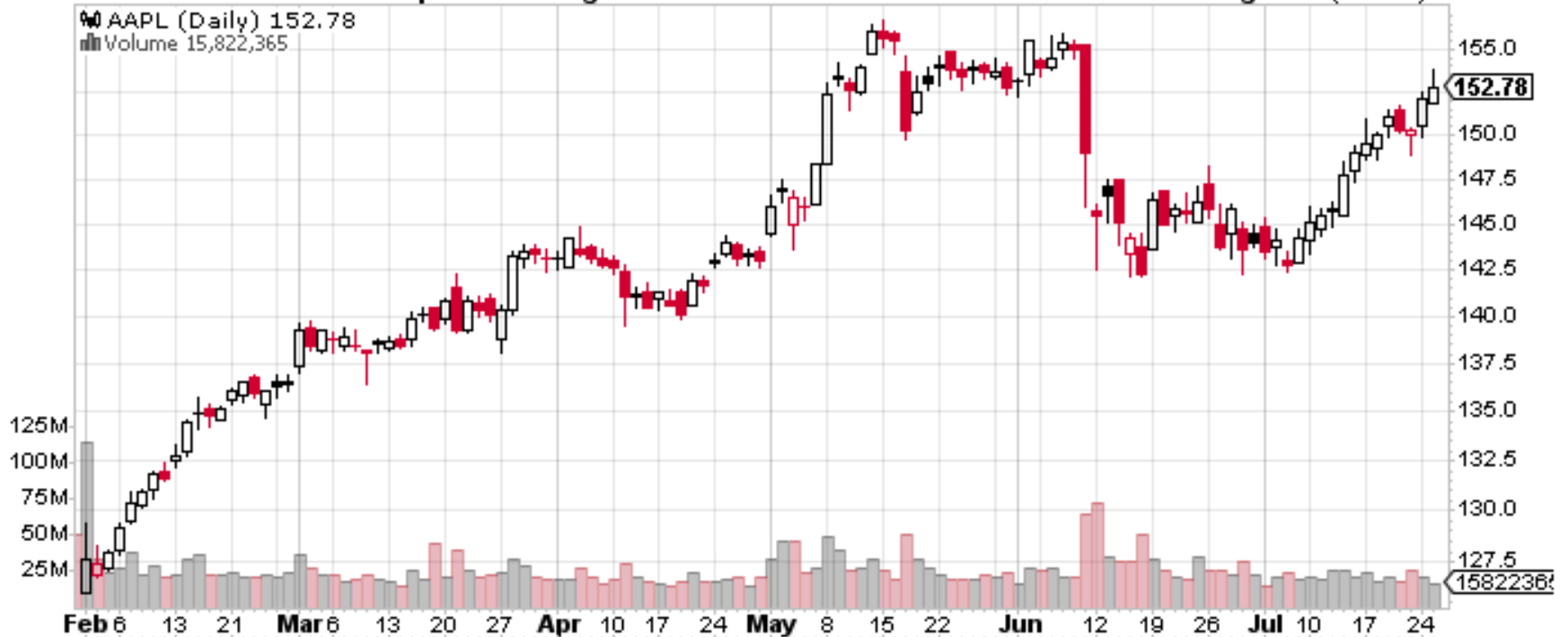


AAPL Apple, Inc. Nasdaq GS

25-Jul-2017

Open 151.80 **High** 153.84 **Low** 151.80 **Close** 152.78 **Volume** 15.8M **Chg** +0.69 (+0.45%) ▲

📉 AAPL (Daily) 152.78
📊 Volume 15,822,365



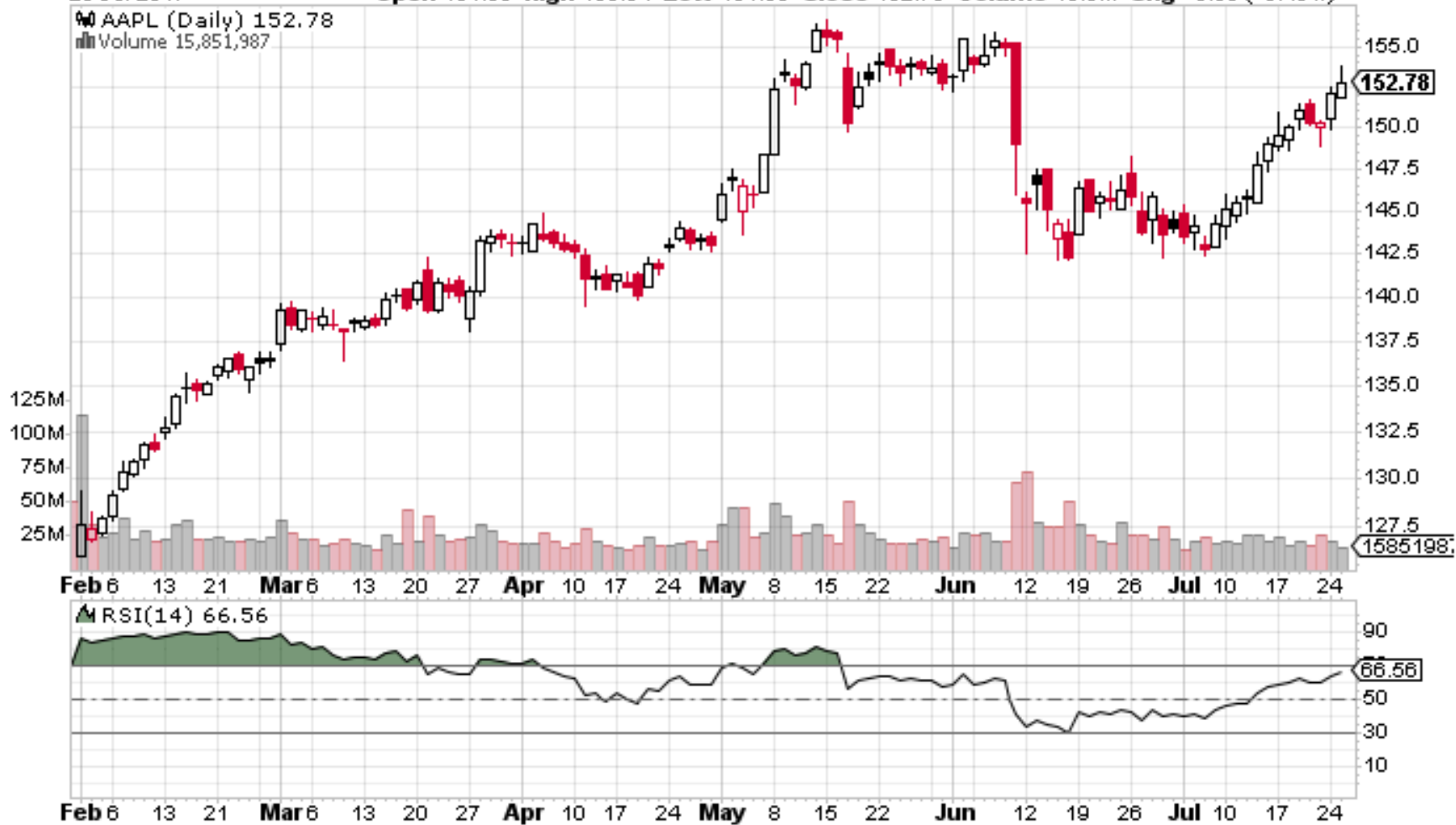
AAPL Apple, Inc. Nasdaq GS

25-Jul-2017

Open 151.80 **High** 153.84 **Low** 151.80 **Close** 152.78 **Volume** 15.9M **Chg** +0.69 (+0.45%) ▲

▲ AAPL (Daily) 152.78

■ Volume 15,851,987



My Watchlist



- AAPL
- TSLA
- NFLX
- AMZN
- GOOG
- FB
- BAC
- C
- GM
- GPRO
- SNAP
- WFC
- CSCO
- INTC
- MSFT
- F
- LLL
- V
- MDLZ
- TOL
- UNP
- NSC
- GLD
- SPY
- QQQ
- IWM
- VWO
- XLF
- MDY
- XLV
- XLK
- SDY
- XLY

And more...



An Event Driven Approach

Recognia Technical Events



Short-term Patterns

- Hammers
- Shooting stars
- Gap ups and downs
- Bullish engulfing line
- Bearish engulfing lines
- Gravestones
- Hanging man
- Inverted hammers
- Island bottoms
- Island tops
- Shooting stars
- And more...

Indicators and Oscillators

- Price Crosses Moving Average
- Double moving average crossovers
- Triple moving average crossovers
- MACD (Moving average convergence divergence)
- Momentum
- Relative strength indicator (RSI)
- Short-term KST
- Intermediate-term KST
- Long-term KST
- And more...

Classic Chart Patterns

- Head and shoulders tops and bottoms
- Symmetrical continuation triangles
- Double tops and bottoms
- Ascending continuation triangles
- Descending continuation triangles
- Bottom triangles / wedges
- Top triangles / wedges
- Continuation diamonds
- Continuation wedges
- Diamond tops and bottoms
- Megaphone tops and bottoms
- Triple tops and bottoms
- Upside/downside breakouts
- And more...

**Recognia automatically detects
60+ different Technical Events**

Technical Event Types

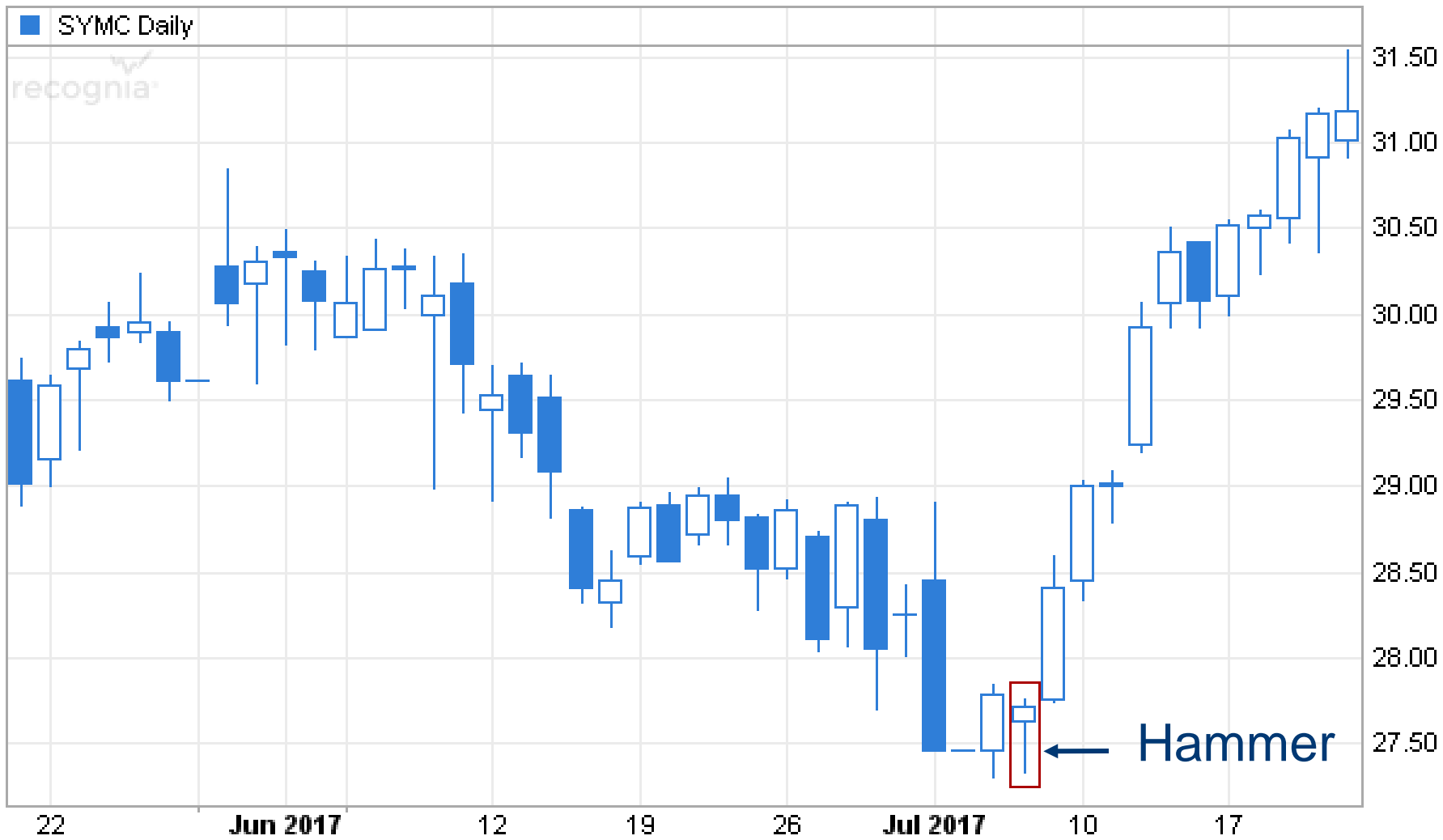


- **Short-term Patterns**

- Based on the shape and relationship of candlesticks or price bars

- Indicators & Oscillators

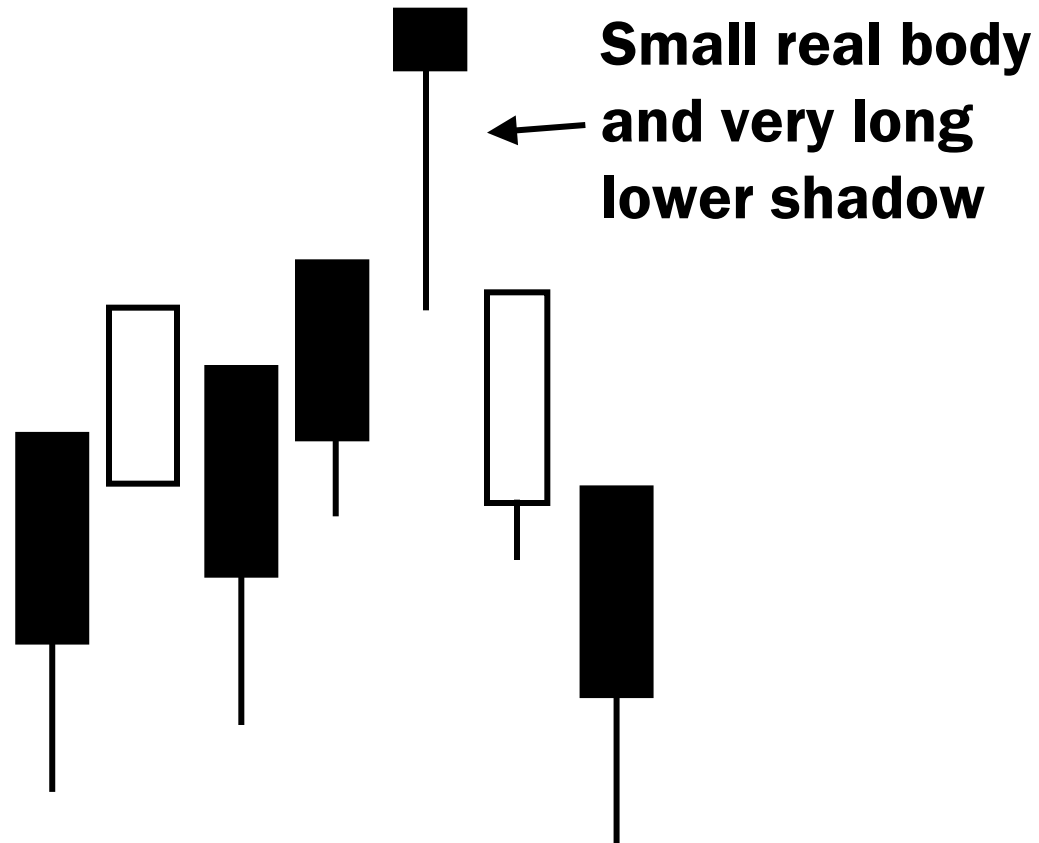
- Classic Patterns



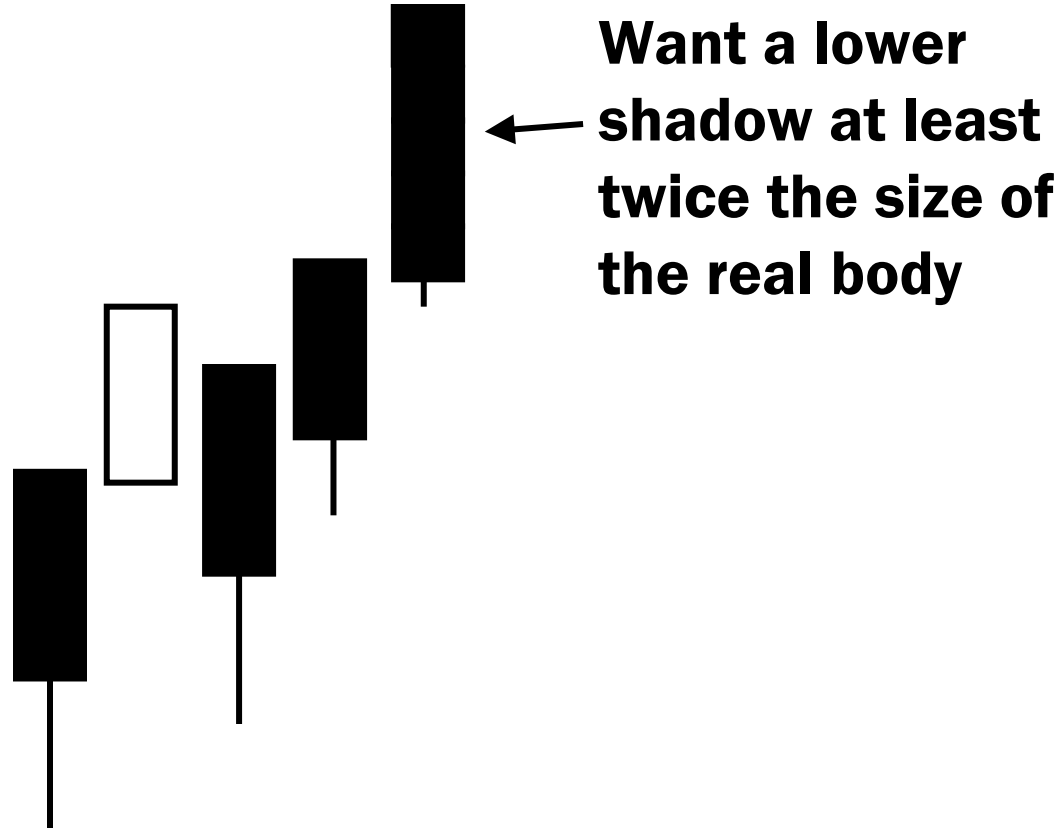


Hanging Man

A bearish reversal pattern



Hanging Man



Want a lower shadow at least twice the size of the real body

Hanging Man



Two hanging men; which is the more significant?



A

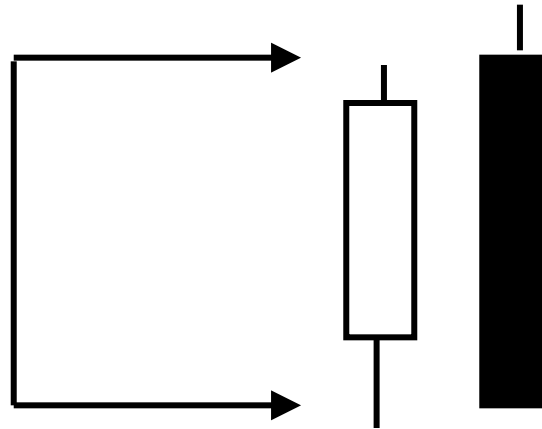


B

Bearish Engulfing Pattern



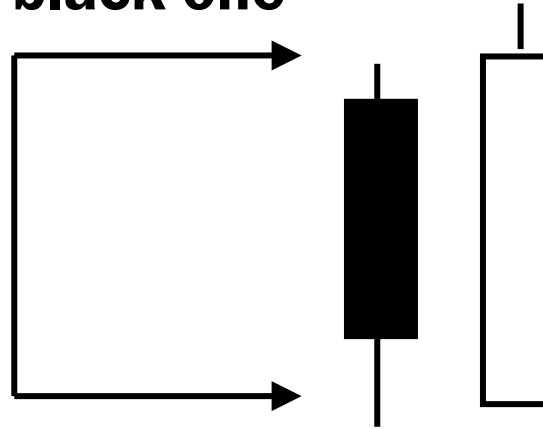
**Black
candle's real
body
completely
"engulfs" the
white one**



Bullish Engulfing Pattern

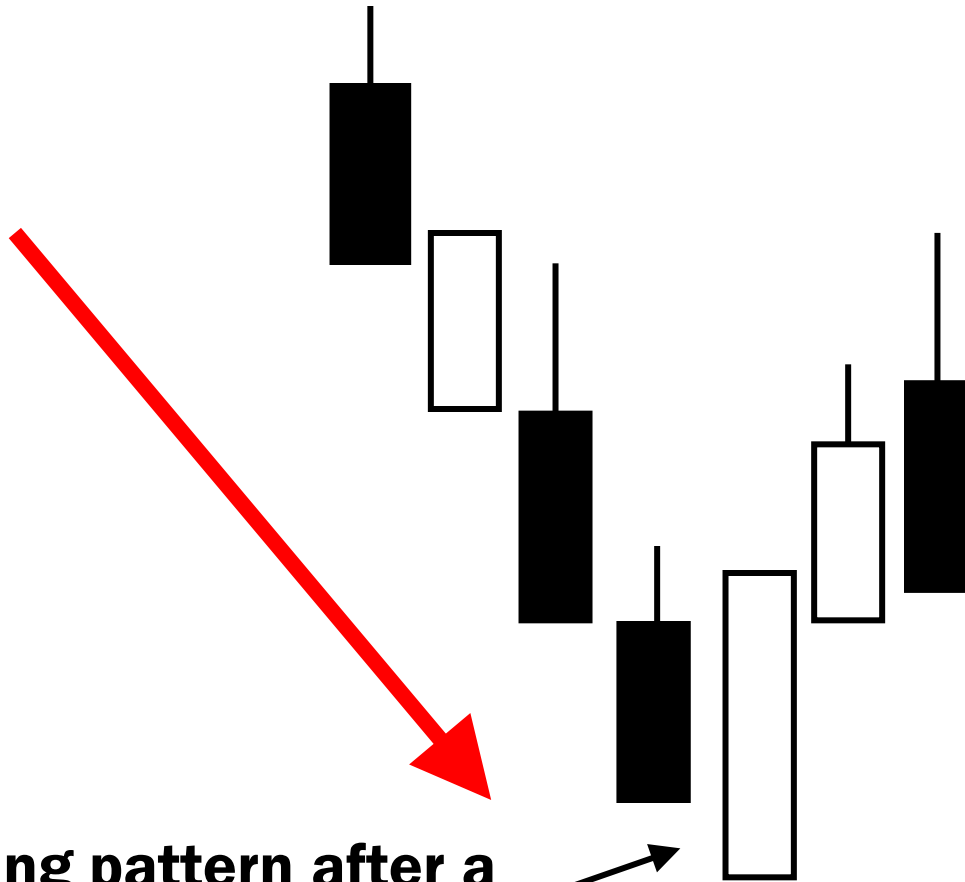


**White candle's real
body completely
"engulfs" the black one**



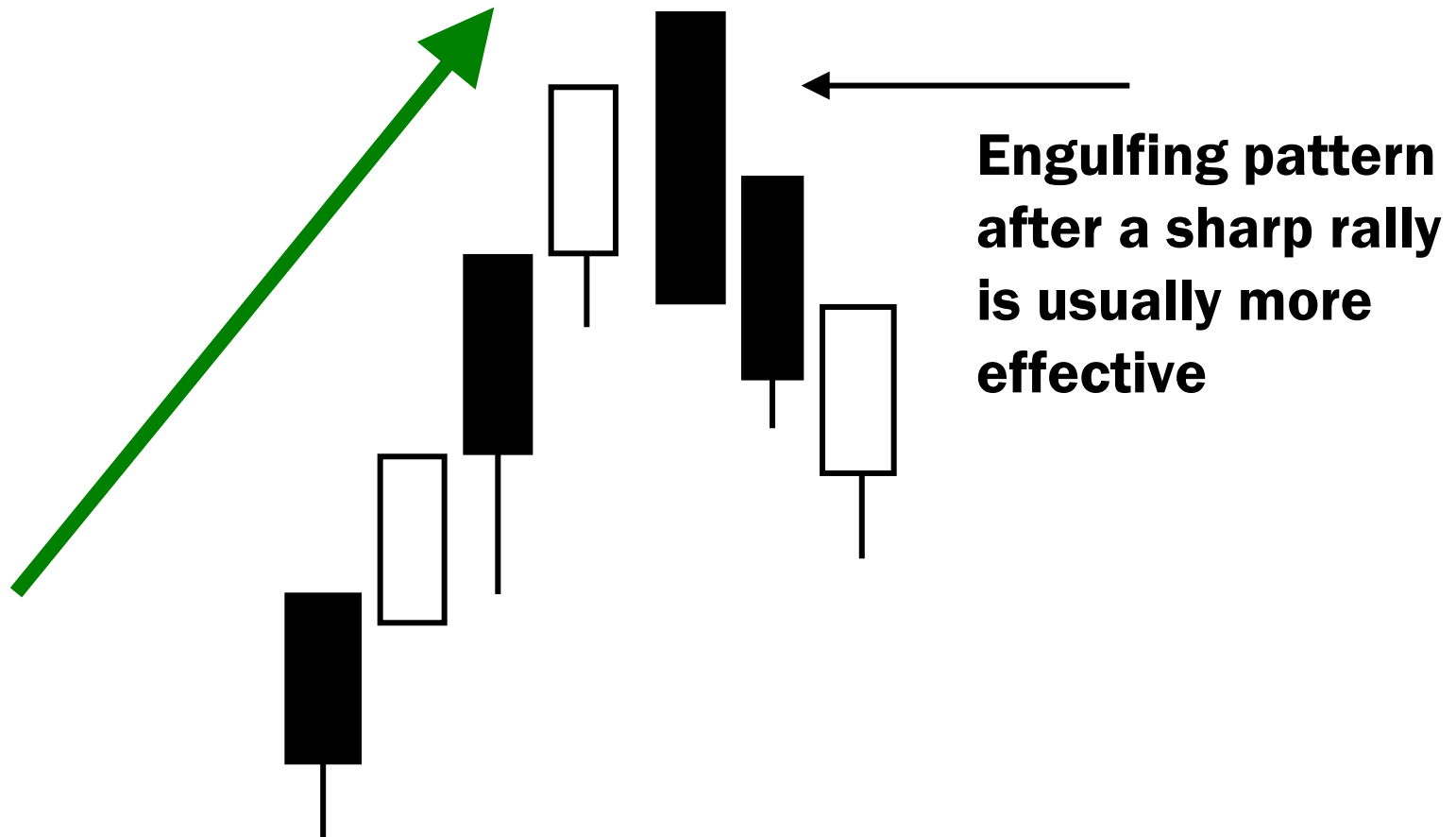
Bullish Engulfing Pattern

Bullish Engulfing Pattern

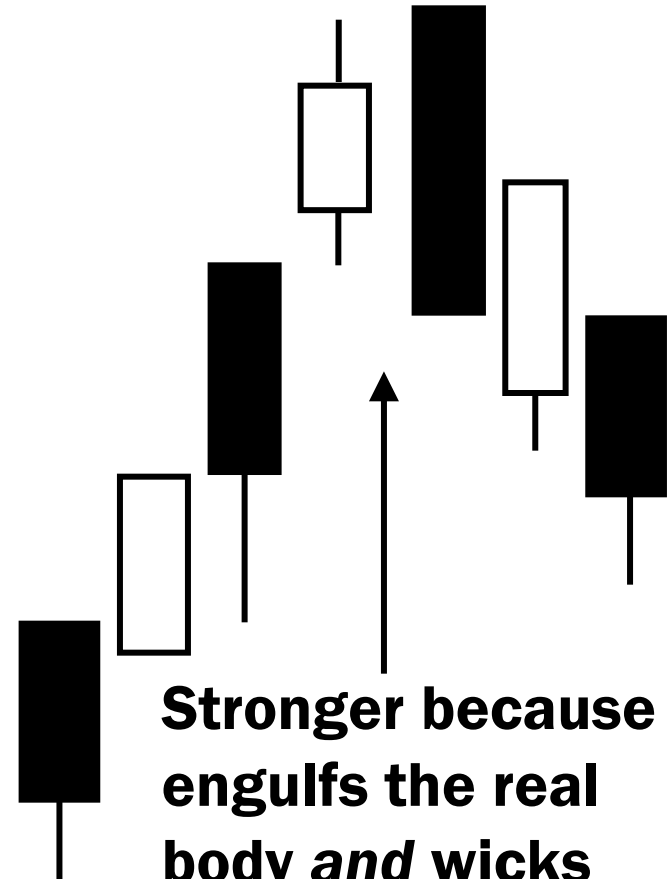
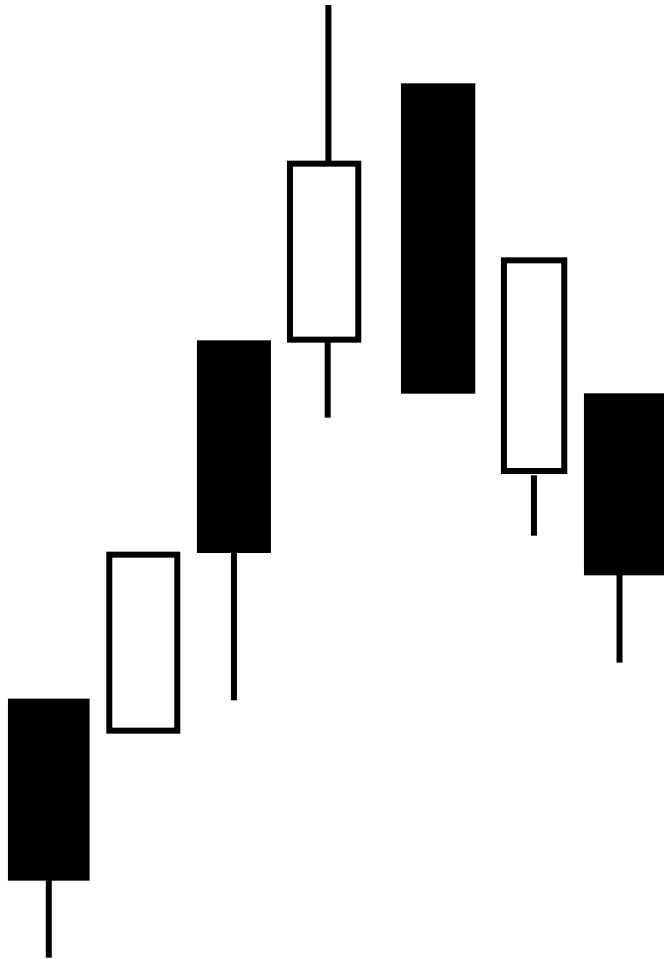


Engulfing pattern after a sharp decline is usually more effective

Bearish Engulfing Pattern



Engulfing Patterns



Technical Event Classes



- Short-term Patterns
 - Based on the shape and relationship of candlesticks or price bars
- **Indicators & Oscillators**
 - Based on moving averages and various mathematical functions
- Classic Patterns
 - Distinct price swings forming shape on chart

Various Types

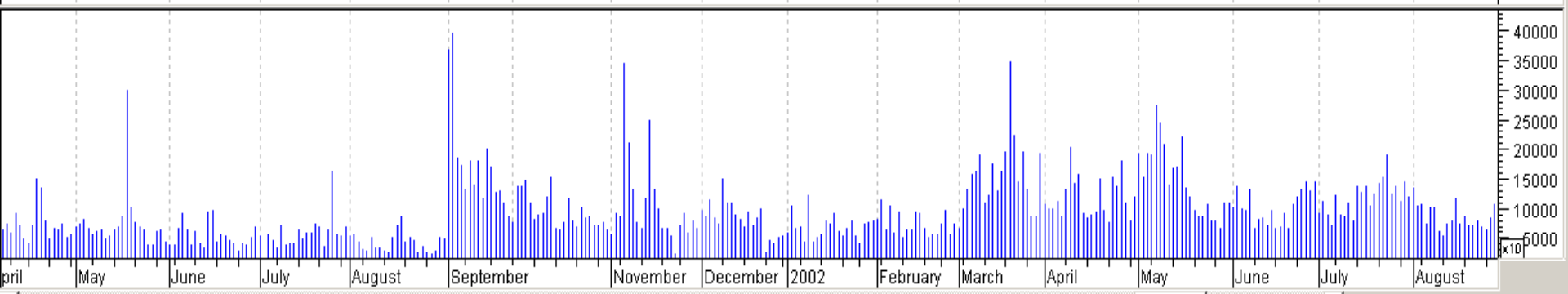
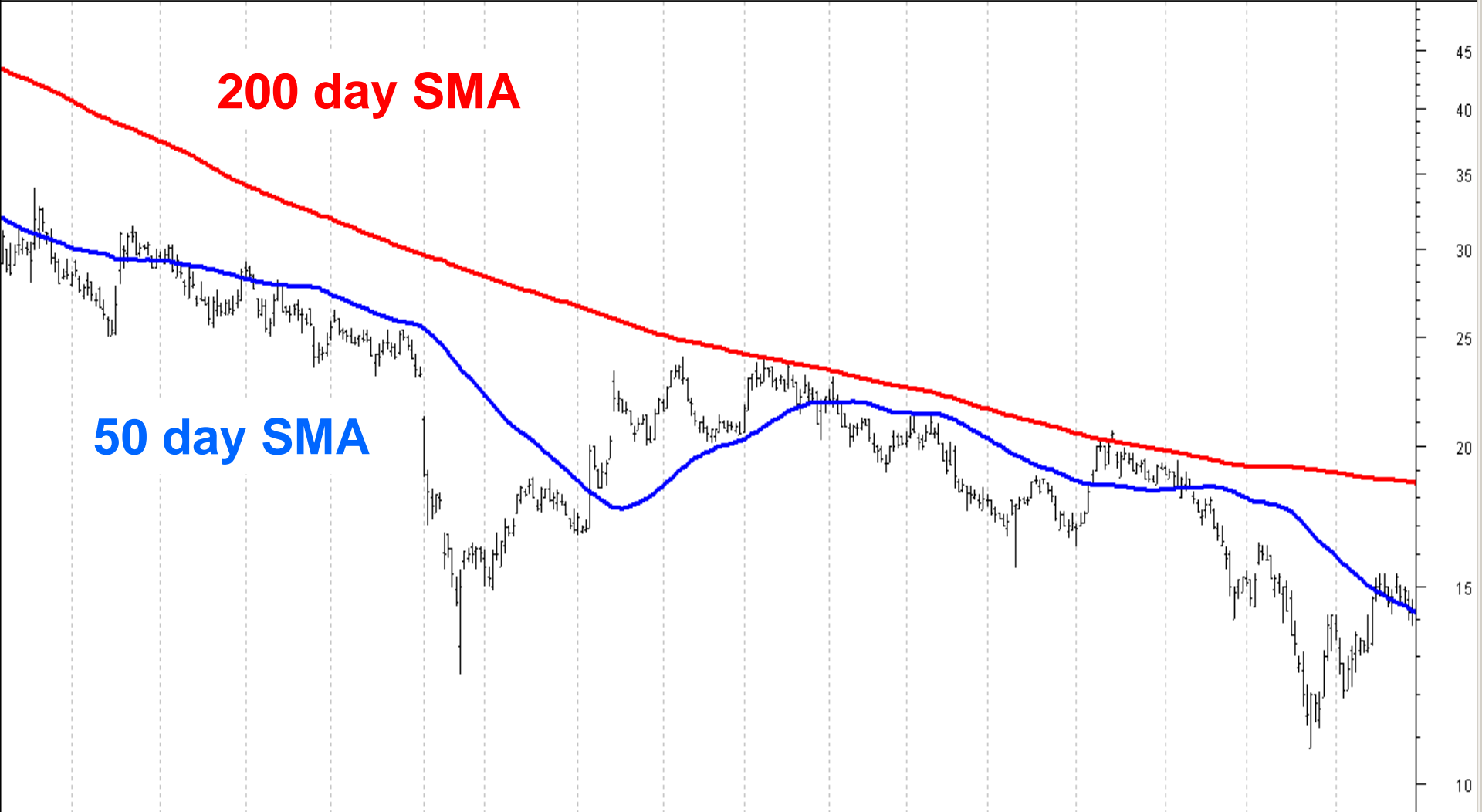


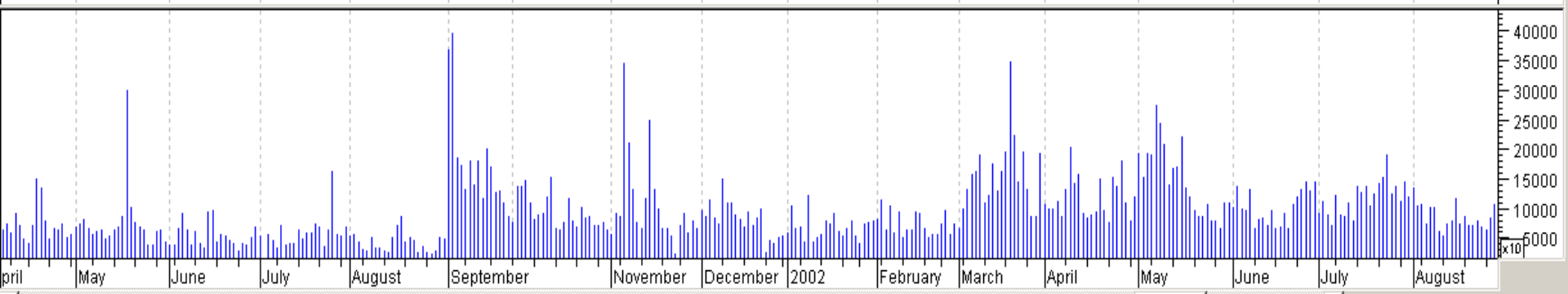
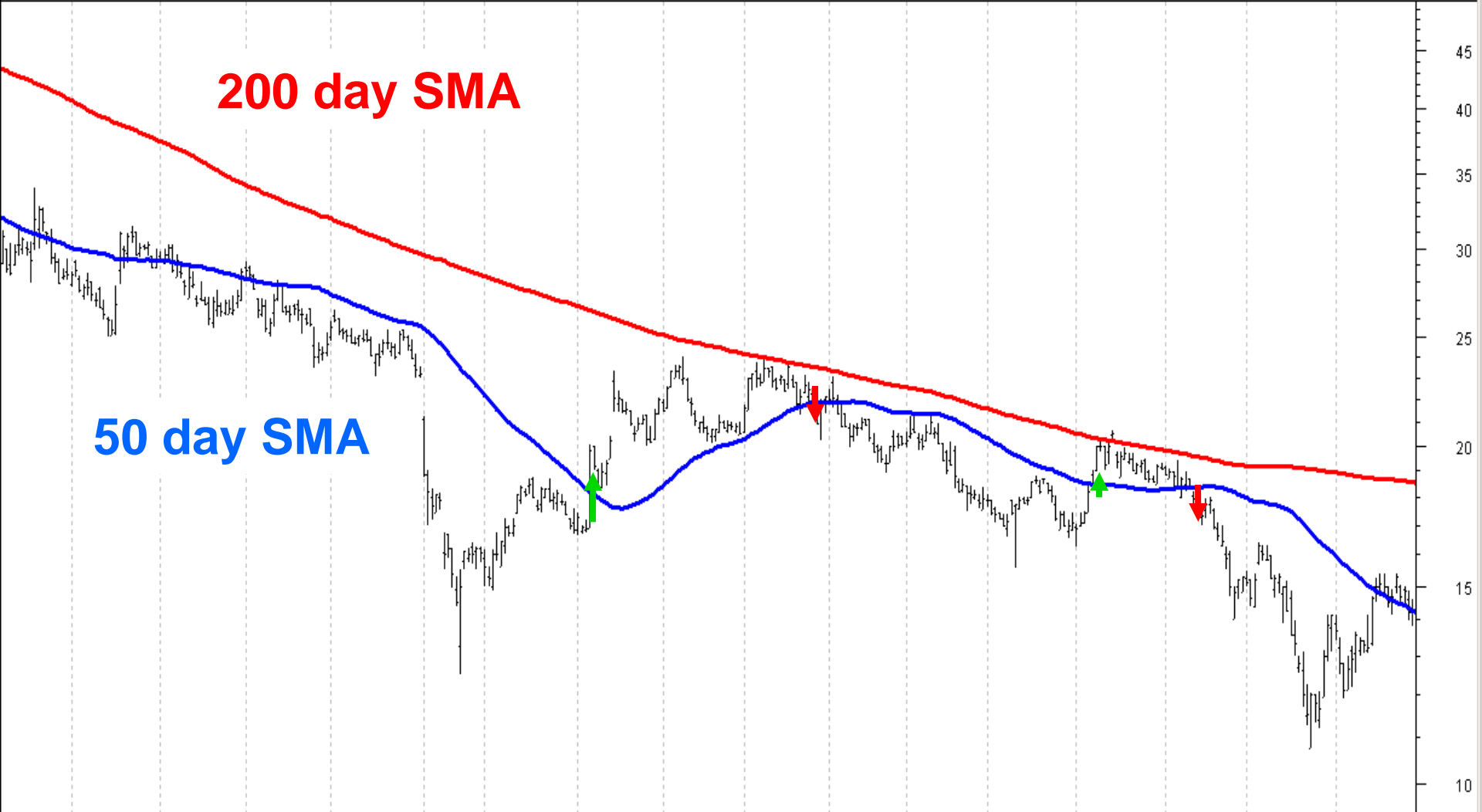
- Trend following
 - Smooths price so trends can be seen as lines
- Momentum
 - Measures the speed or direction of price changes
- Stochastics
 - Measures the position of the close price relative to the recent highs and lows

Moving Averages



- Simple Moving Average is defined to be the average price over last N days
 - Also Exponential MA, Weighted MA, Adaptive MA, etc.
- Work best in trending markets
- Time frames are relative
 - 200 day moving average used in silver because Kodak used it to monitor inventory levels
 - 4 month moving average used for soybeans because that is the shelf life of margarine

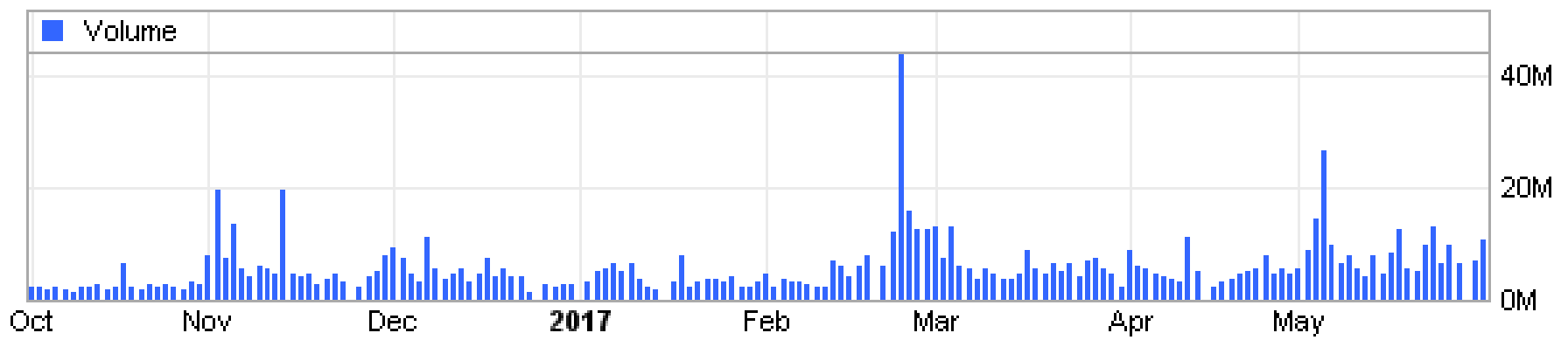
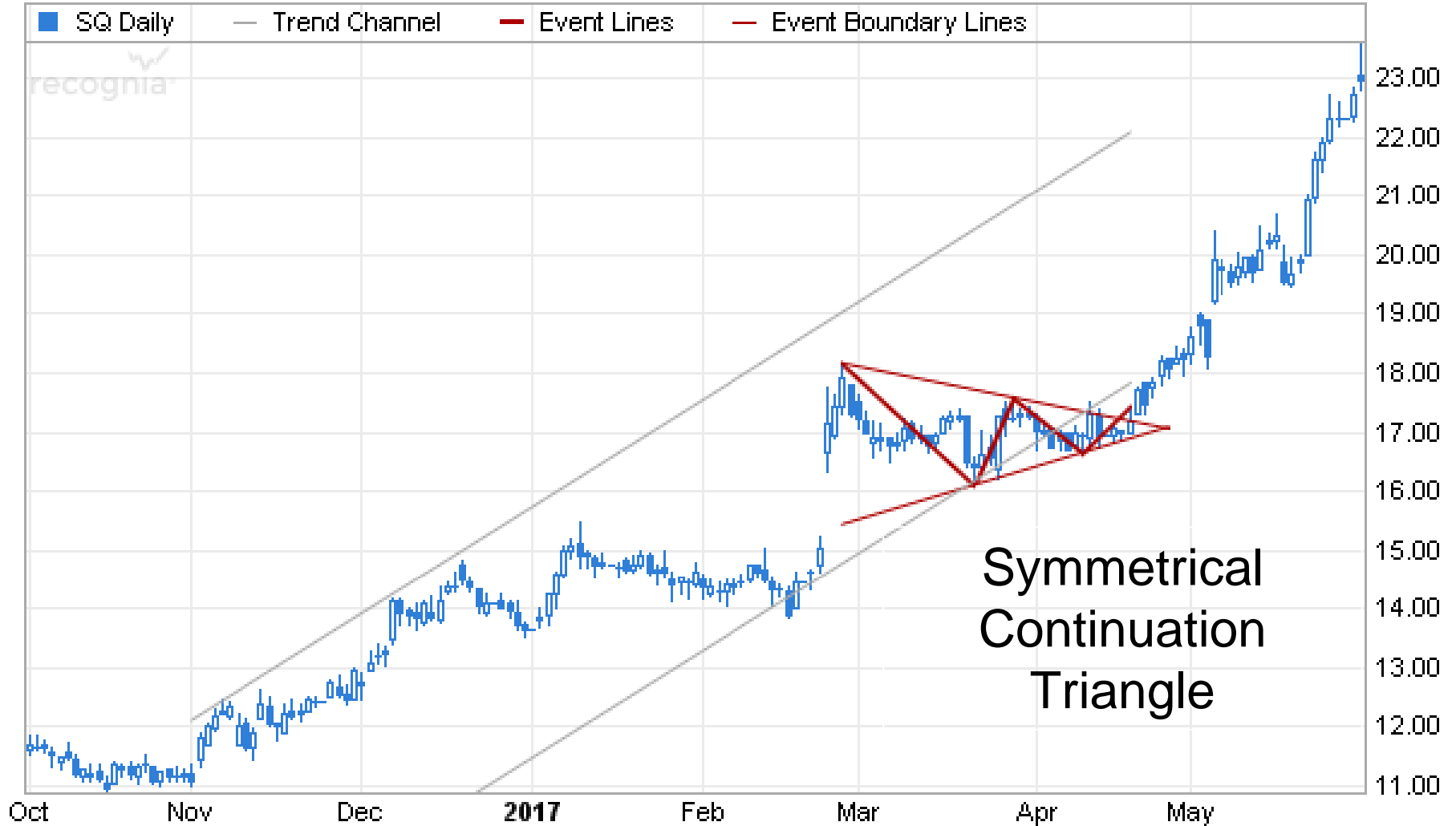


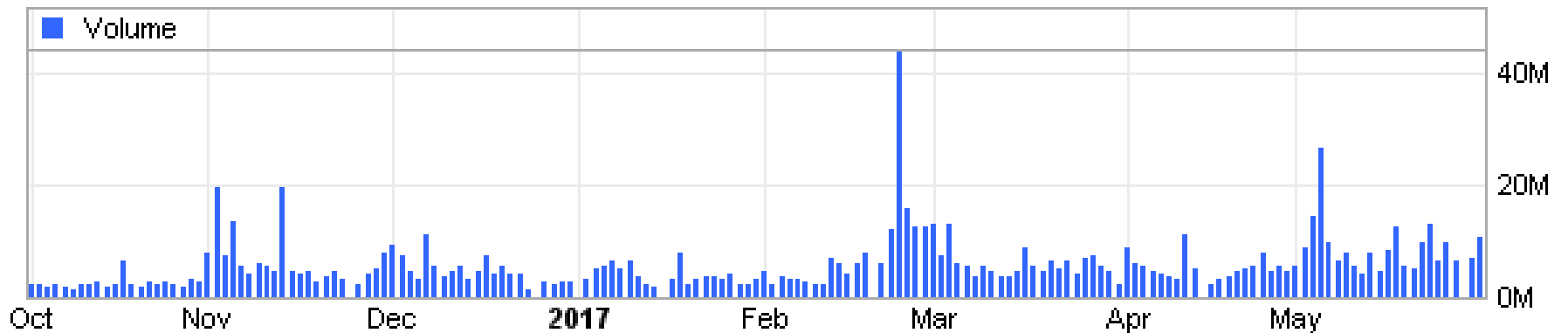
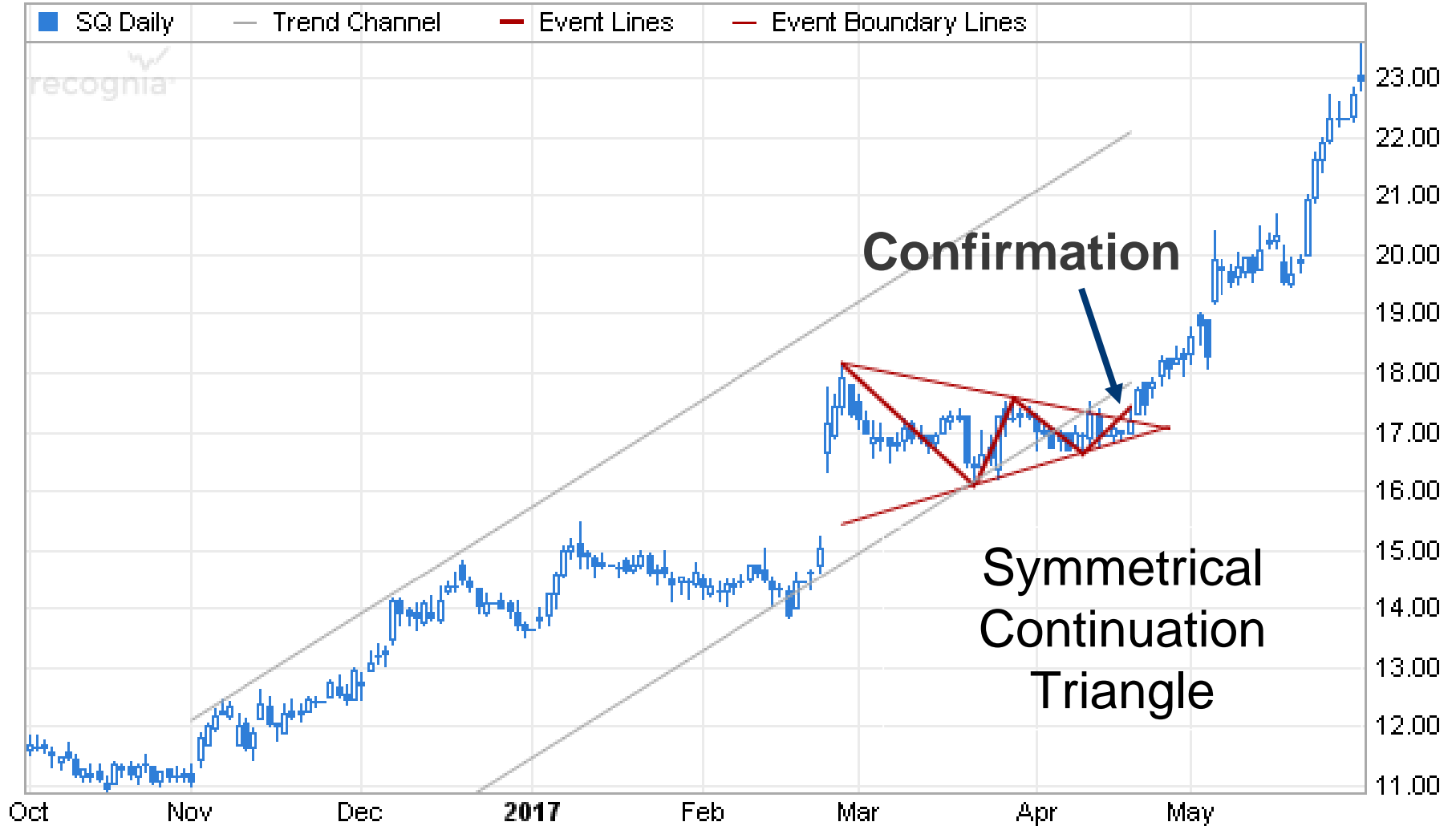


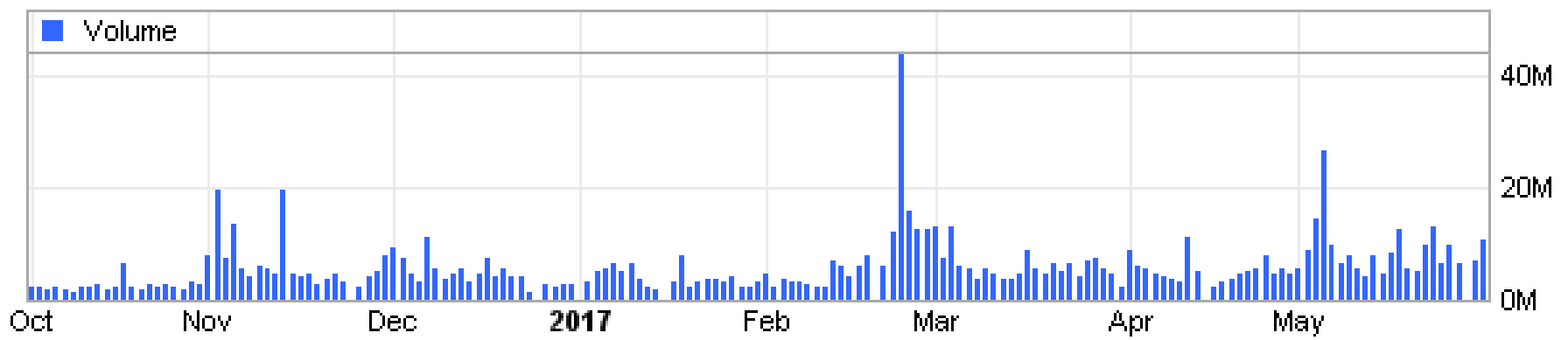
Technical Event Classes

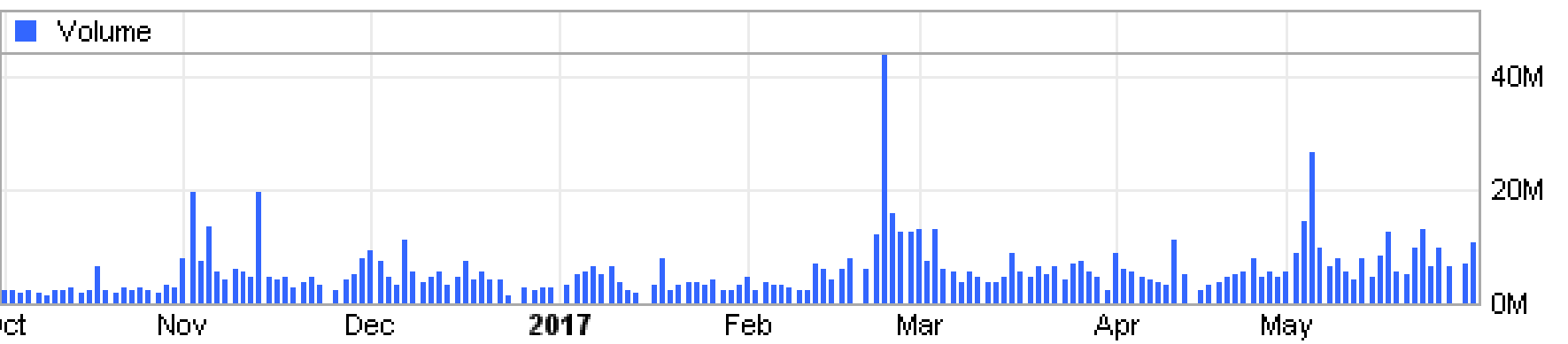
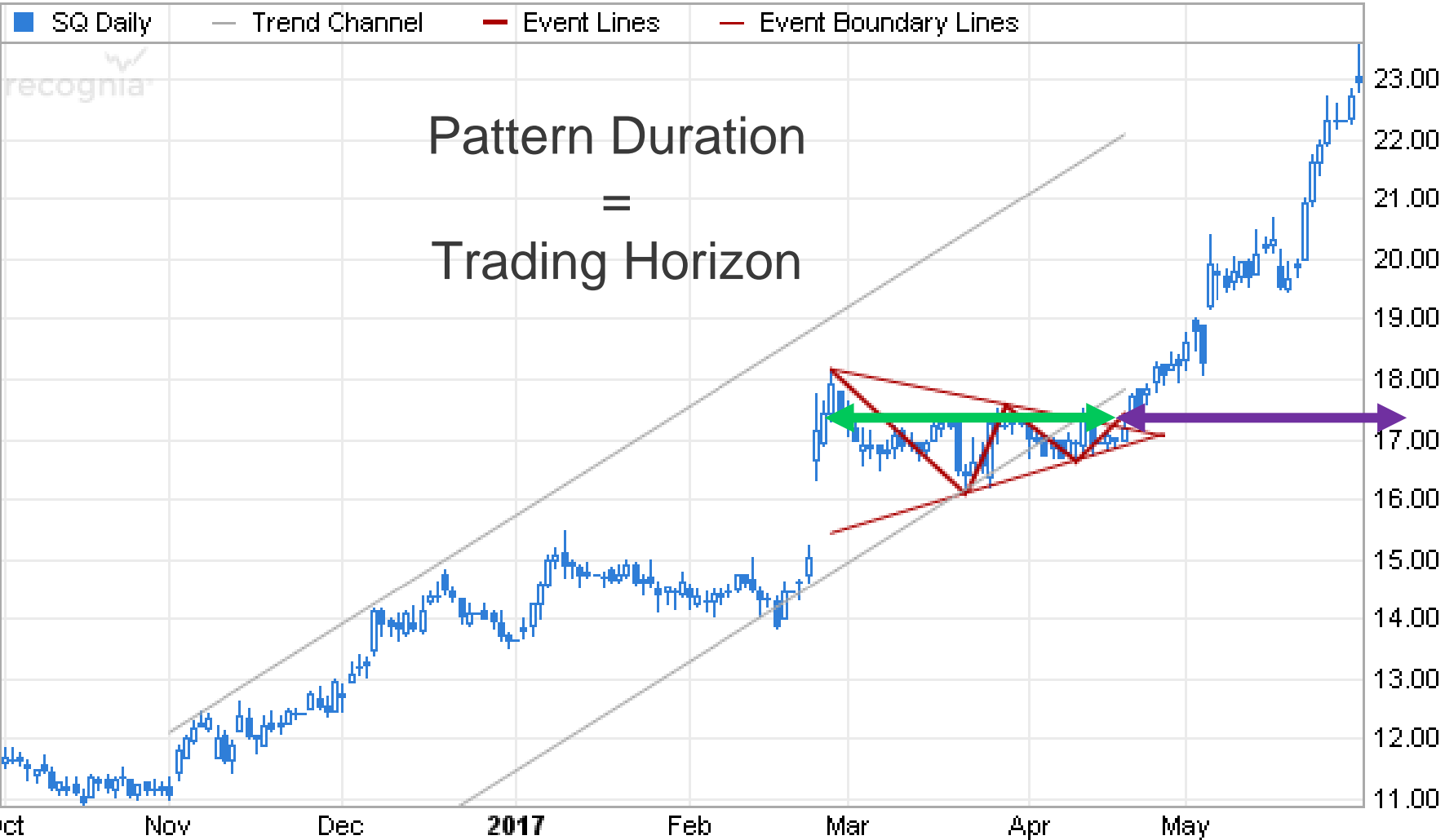


- Short-term Patterns
 - Based on the shape and relationship of candlesticks or price bars
- Indicators & Oscillators
- **Classic Patterns**
 - Distinct price swings forming shape on chart









Triple Bottoms / Tops



- *The Triple Bottom starts with prices moving downward followed by three sharp lows*
- *Volume decreases with each successive low and finally bursts as the price rises above the highest high confirming a bullish price reversal*
- *Bearish counterpart is the Triple Top*

Double Bottoms / Tops



- *The Double Bottom pattern marks the reversal of a prior downtrend*
- *The price form two distinct lows are roughly the same level*
- *Price finally breaks upward above the highest high to confirm the bullish signal*
- *Bearish counterpart is the Double Top*

Triangles



- *The bullish triangle is characterized by two converging trendlines as prices reach lower highs and higher lows*
- *At roughly 2/3 to 3/4 of the distance to the apex, the price breaks upward above the upper trendline with a noticeable increase in volume*
- *Types of triangles include: top triangles, bottom triangles and bullish/bearish continuation triangles*

Upside / Downside Breakouts



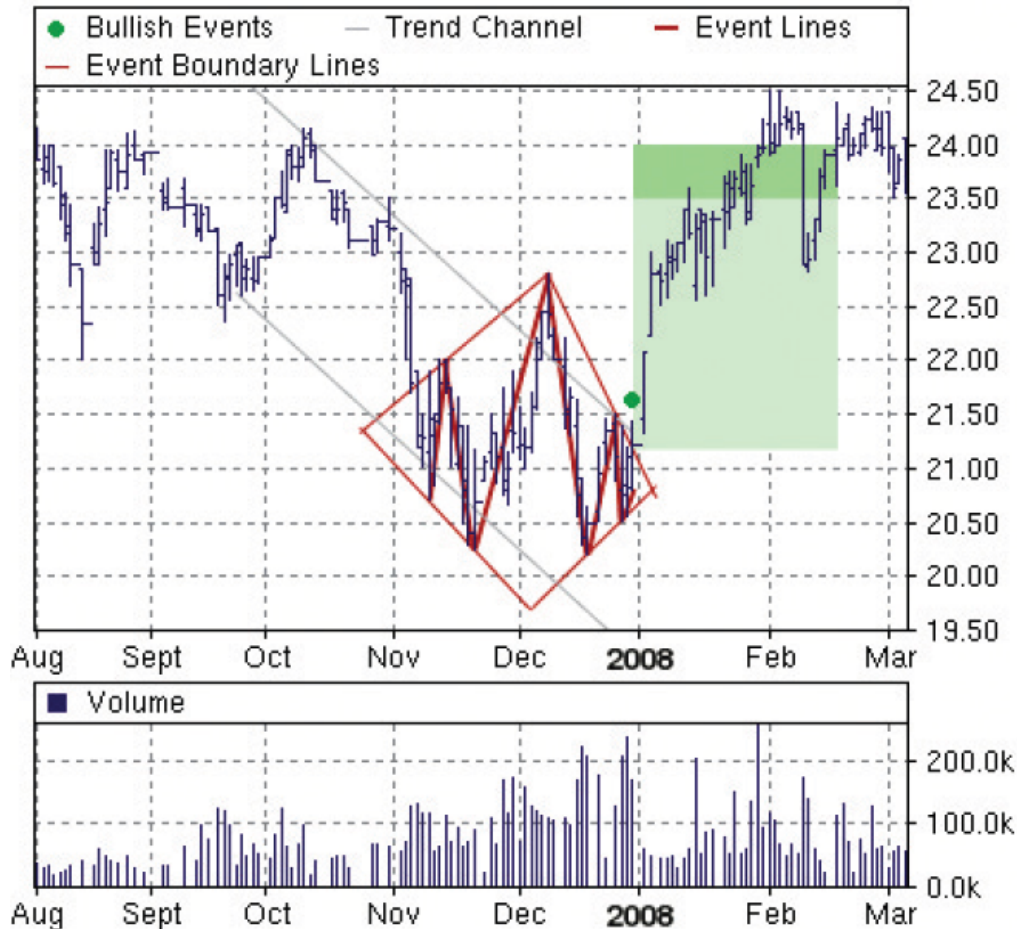
- *The Upside Breakout pattern occurs when the price breaks upward through the top of a trading range marked by horizontal trendlines*
- *This bullish pattern indicates a change in sentiment amongst traders*
- *Bearish counterpart is the Downside Breakout*

Megaphone Bottom / Top



- *The rare Megaphone Bottom (a.k.a. Broadening Pattern) is characterized by its successively higher highs and lower lows which form after a downward move*
- *The bullish pattern is confirmed when the price breaks upward above the highest high and fails to fall below this level again*
- *The bearish counterpart is the Megaphone Top*

Diamonds



- *A bullish Diamond pattern is characterized by prices forming higher high and lower lows in a broadening pattern. The trading range then narrows with lower highs and higher lows forming*
- *The price breaks upward above the upper trendline signaling the formation of a new trend*
- *Volume may remain high during the formation of a Diamond pattern*
- *Types of Diamonds include: Diamond Bottom, Diamond Top, Bullish/Bearish Continuation Diamond*

Rounded Bottoms / Tops



- *A Rounded Bottom follows a downtrend forming a gradual bowl-shape reflecting a shift in the balance of supply and demand. Volume tends to mirror the price pattern*
- *As sentiment turns, the price starts to move upward and volume begins to increase*
- *The bullish pattern is confirmed when the price crosses above its moving average*

Recognia ETF Newsletter



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NOW YOU KNOW.
TRADE IDEAS AT YOUR FINGERTIPS.

ETF TRADE IDEAS March 16, 2017

This report provides you with today's trade ideas based on chart patterns that are automatically detected by Recognia®. These are starting points for your own research to identify opportunities that make sense for you. To take a closer look, click on the chart or the pattern name. Click the Trade button to access your account and do further research including the full power of Recognia tools. Feel free to forward this to a friend!

TODAY'S TRADE IDEAS

BULLISH

[iShares Russell 2000 ETF \(IWM:NYSE\)](#)

[iShares iBoxx \\$ High Yield Corporate Bond ETF \(HYG:NYSE\)](#)

[iShares Core MSCI Emerging Markets ETF \(IEMG:NYSE\)](#)

BEARISH

[VANGUARD FINANCIALS ETF \(VFH:NYSE\)](#)

[ISHARES EDGE MSCI MIN VOL EMERGING MARKETS ETF \(EEMV:NYSE\)](#)

[iShares Russell 1000 ETF \(IWB:NYSE\)](#)

ISHARES RUSSELL 2000 ETF (IWM:NYSE)

▲ Price Crosses Moving Average



Trading closed at \$137.73 to confirm an Intermediate-Term Bullish Price Crosses Moving Average pattern

Tells Me: The price is generally in an established trend (bullish or bearish) for the time horizon represented by the moving average period (21, 50 or 200 bars).... [more details](#)

TRADE

ISHARES IBOXX \$ HIGH YIELD CORPORATE BOND ETF (HYG:NYSE)

▲ Price Crosses Moving Average



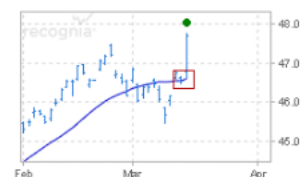
Trading closed at \$87.30 to confirm a Long-Term Bullish Price Crosses Moving Average pattern

Tells Me: The price is generally in an established trend (bullish or bearish) for the time horizon represented by the moving average period (21, 50 or 200 bars).... [more details](#)

TRADE

ISHARES CORE MSCI EMERGING MARKETS ETF (IEMG:NYSE)

▲ Price Crosses Moving Average



Trading closed at \$47.69 to confirm a Short-Term Bullish Price Crosses Moving Average pattern

Tells Me: The price is generally in an established trend (bullish or bearish) for the time horizon represented by the moving average period (21, 50 or 200 bars).... [more details](#)

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**NOW YOU KNOW.
TRADE IDEAS AT
YOUR FINGERTIPS.**

ETF TRADE IDEAS

Global X Uranium ETF forms bearish "Head and Shoulders Top" chart pattern

Mar 22, 2017

Recognia has detected a "Head and Shoulders Top" chart pattern formed on Global X Uranium ETF (URA:NYSE). This bearish signal indicates that the stock price may fall from the close of \$15.14 to the range of \$10.90 - \$11.70. The pattern formed over 52 days which is roughly the period of time in which the target price range may be achieved, according to standard principles of technical analysis.

Tells Me: The price seems to have reached the end of a period of "distribution" at the top of a major uptrend; the break down through support signals a reversal to a new downtrend. The Head and Shoulders Top is created by three successive rallies in the price following a significant uptrend. The highest high (head) is in the middle, flanked by two lower highs (shoulders) at roughly the same level. Volume is highest as the price makes the first two rallies, then diminishes through the right shoulder. Finally volume surges as the price closes below the neckline (drawn between the two lows) to confirm the reversal.

This bearish pattern can be seen on the following chart and was detected by Recognia proprietary pattern recognition technology.



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Order Entry DU2180

XSD

BUY SELL

XSD DU2180

c59.38

Last Size
Last Exch
Bid/Ask
Size
Bid Exch
Ask Exch

FYI Notifications

Mar 16 Keep Ideas Organized in Trader's Journal (new feature)

Mar 21 IB FYI: Free ETF Research Available

Interactive Brokers and iShares® by BlackRock® invite you to join a free pilot of Recognia's new daily technical trading signal newsletter for ETFs.

This email newsletter leverages the same technical signals that Recognia has provided to active traders for years on stocks and forex. Join the tens of thousands of investors who receive free daily trade ideas from Recognia® to inspire their day's trading. Please click [here](#) to sign up.

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ETF TRADE IDEAS

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Enter your email address:

ABOUT TRADE IDEAS

Trade ideas are based on Technical Events identified by research provider Recognia Inc. Every financial instrument is analyzed after every market close to confirm whether a new chart pattern has formed or technical indicator has triggered a signal, giving immediate insight into the possible direction of the price. The analysis is done for you, with full commentary, so you can find out what the price action is telling you.

https://site.recognia.com/ib_news/service.shtml?page=add

<https://goo.gl/hzMYxJ>

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Q & A

