



# An Event Driven Approach to Finding ETF Trade Ideas

Peter Ashton, VP of Retail and Self-Directed Investing  
April 2018



# 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
- Introducing the Recognia ETF Newsletter
- Q & A

# Corporate Overview

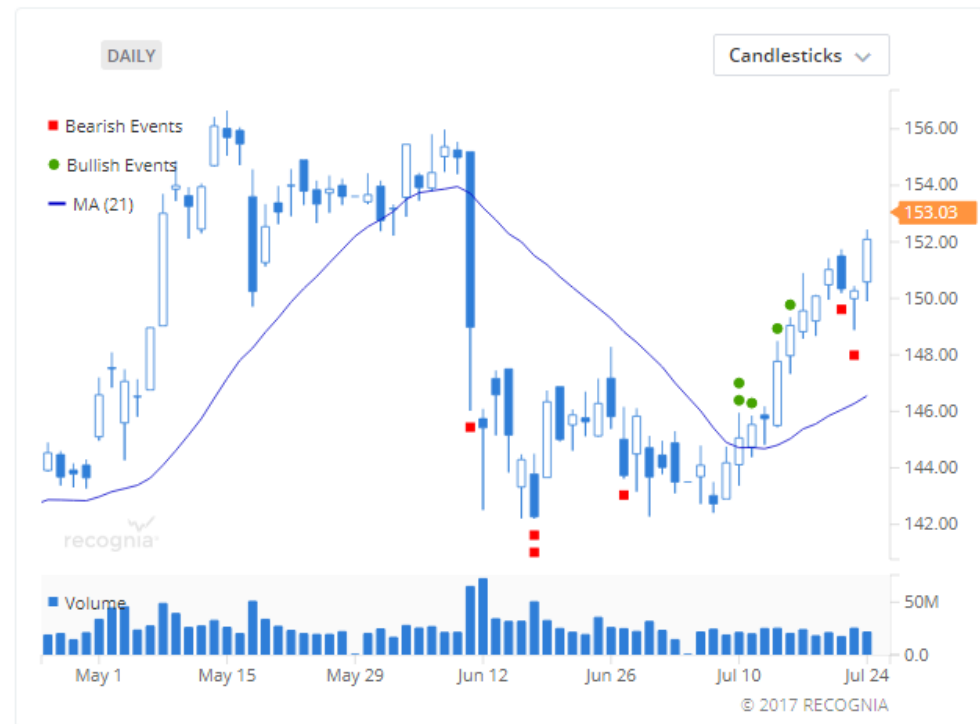
- Founded in 2000. Part of the Trading Central Group since 2015.
- Leaders in technical, fundamental and quantitative research worldwide.
- Major offices in London, Paris, New York, Hong Kong and Ottawa.
- Global coverage of stocks, ETFs, indices, options, FX and futures.
  - Team of analysts based in 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

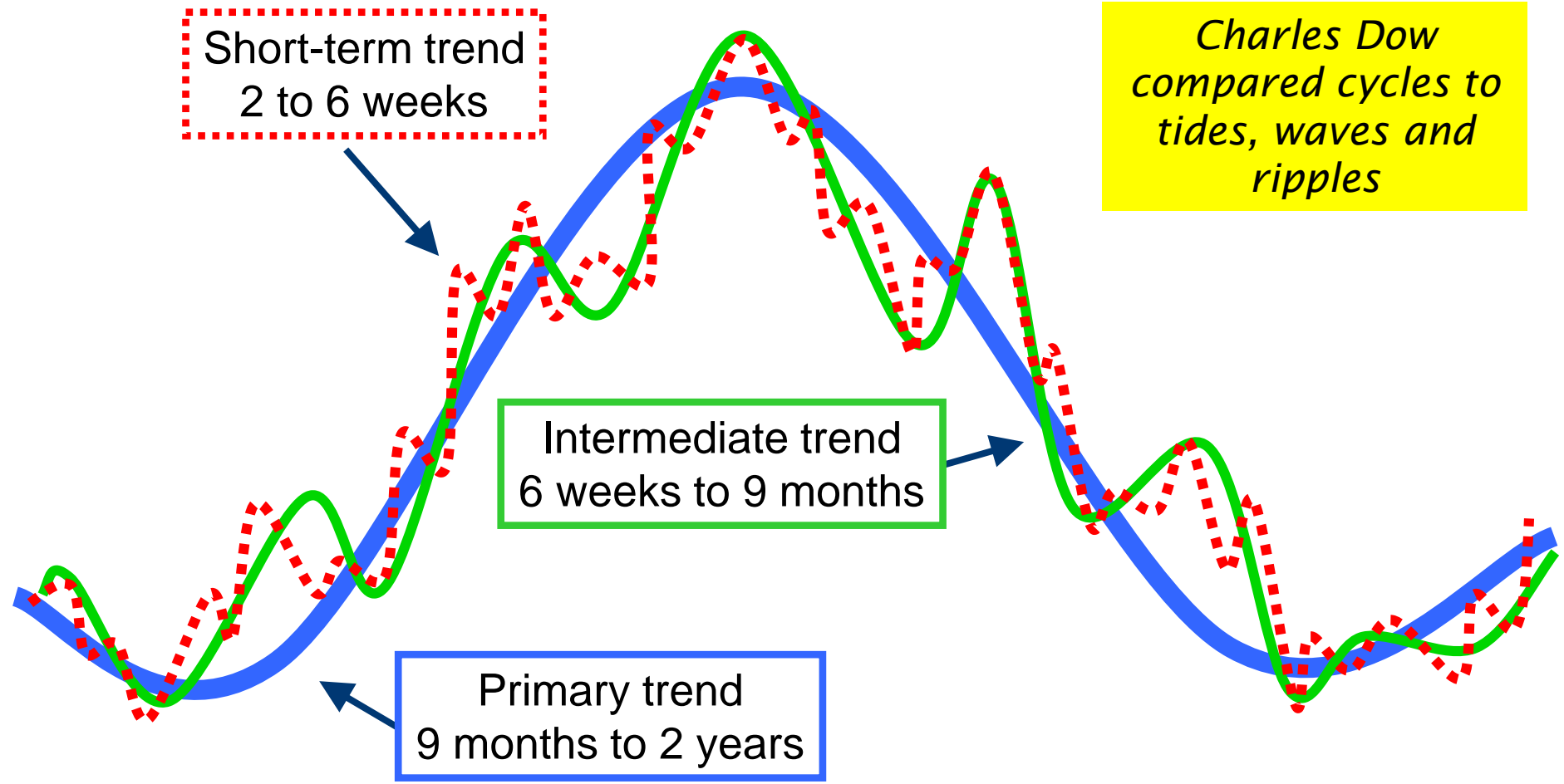


Short-term trend  
2 to 6 weeks

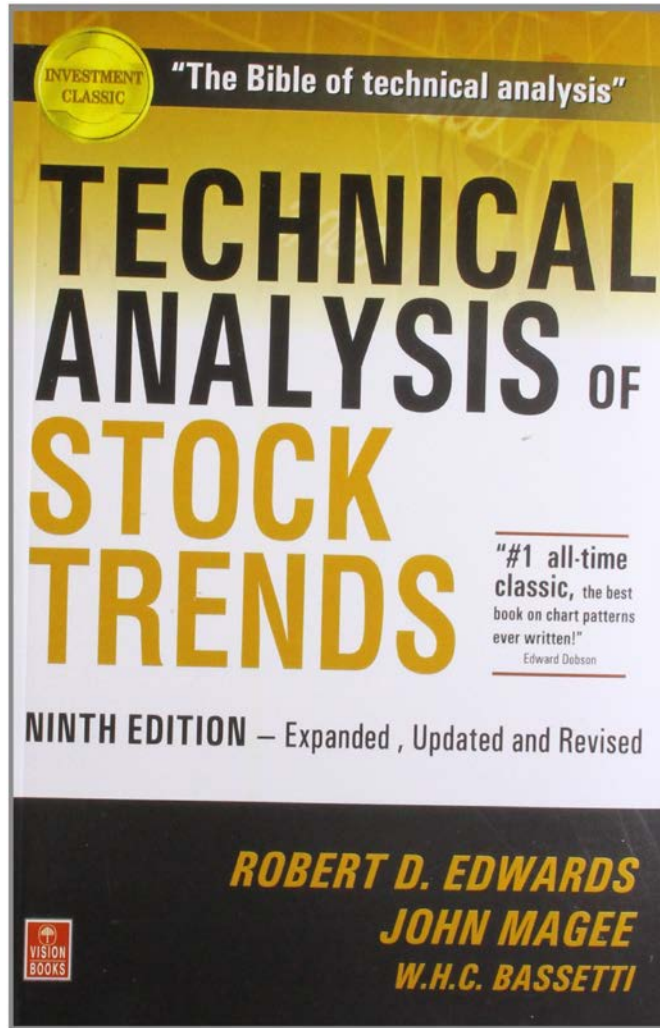
*Charles Dow  
compared cycles to  
tides, waves and  
ripples*

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**



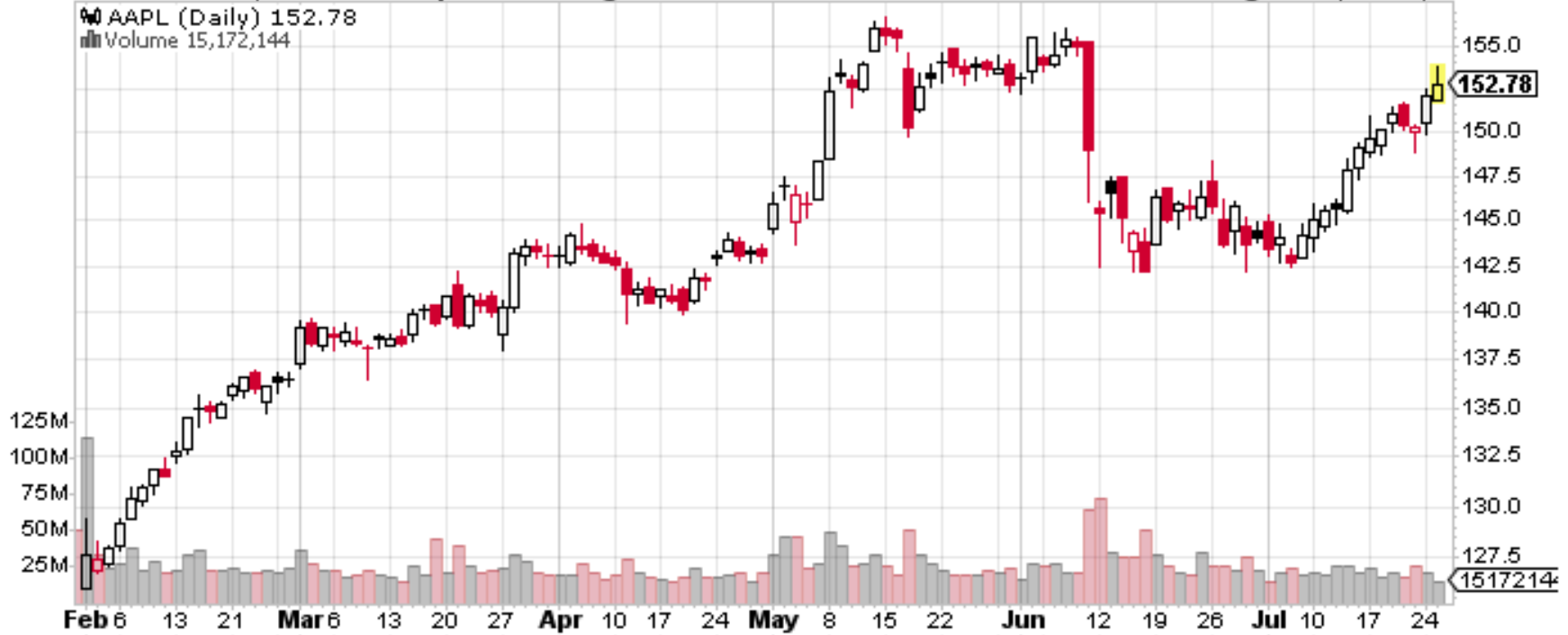
# Traditional Approach

**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

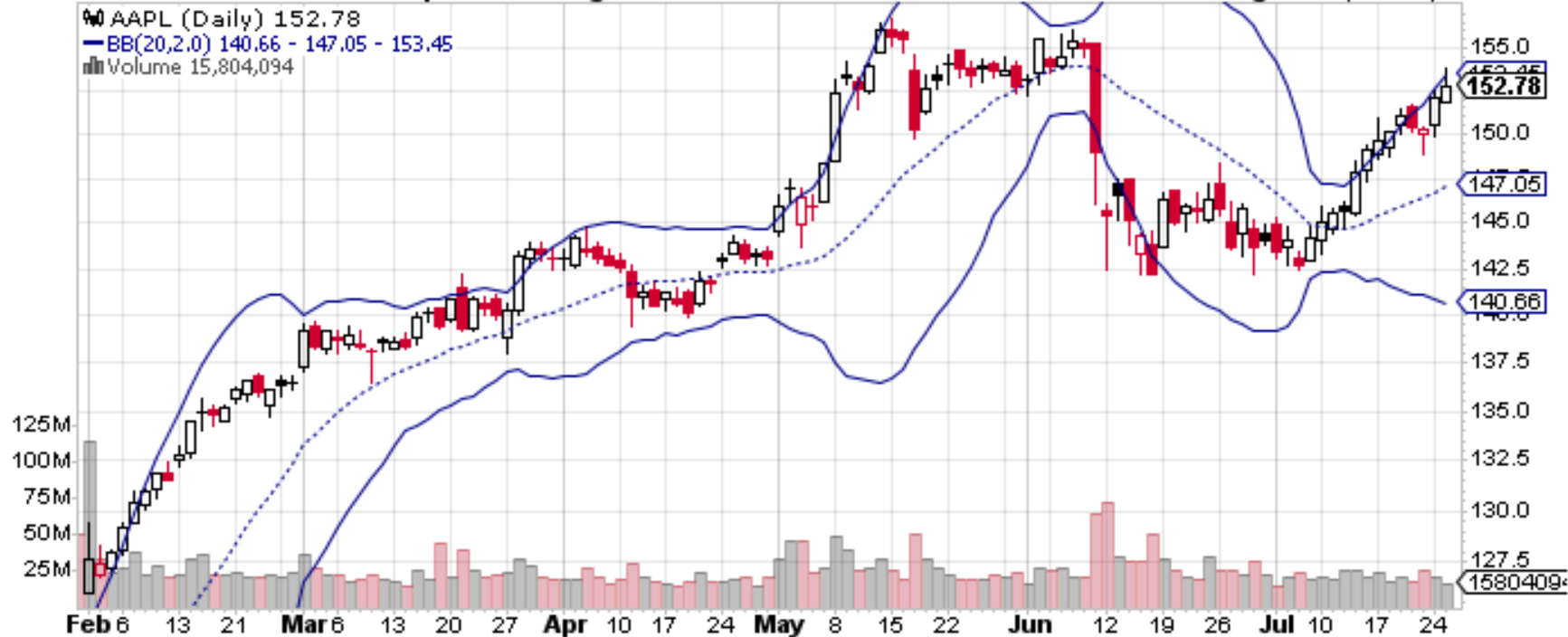
25-Jul-2017

**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

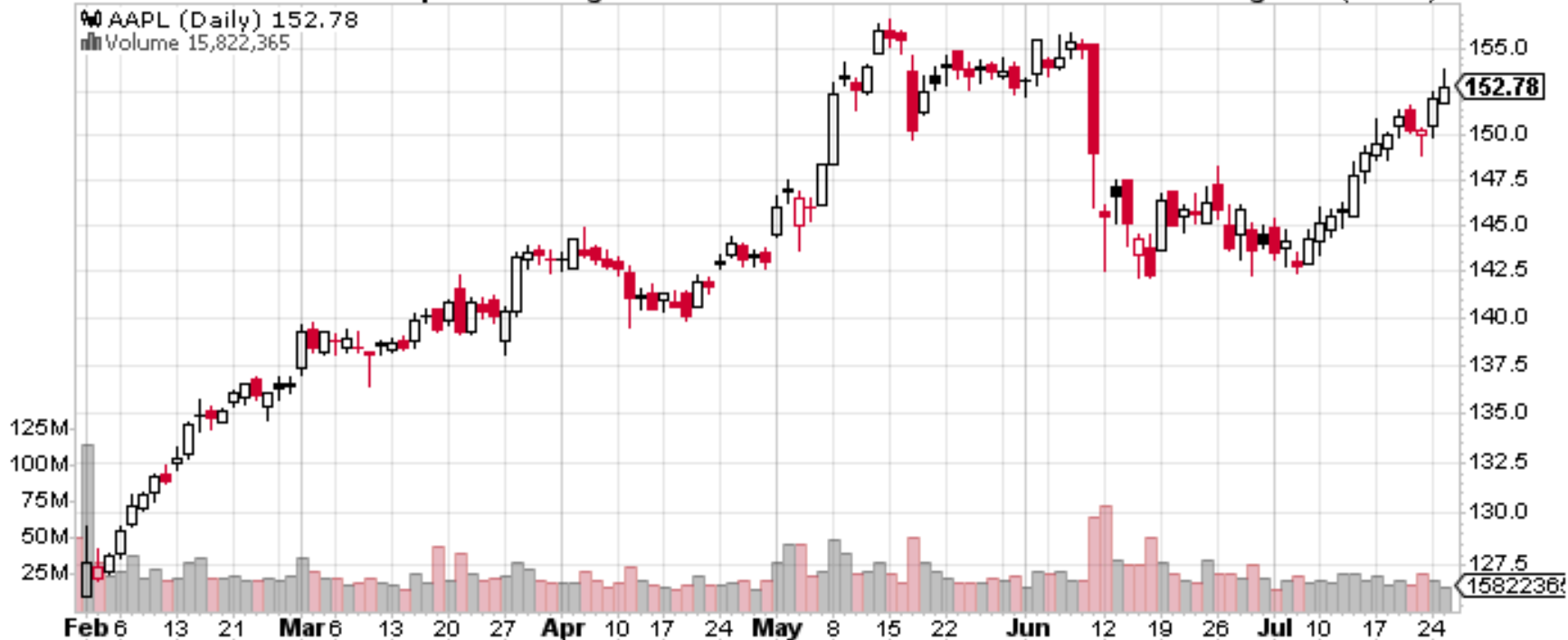


**AAPL** Apple, Inc. Nasdaq GS

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



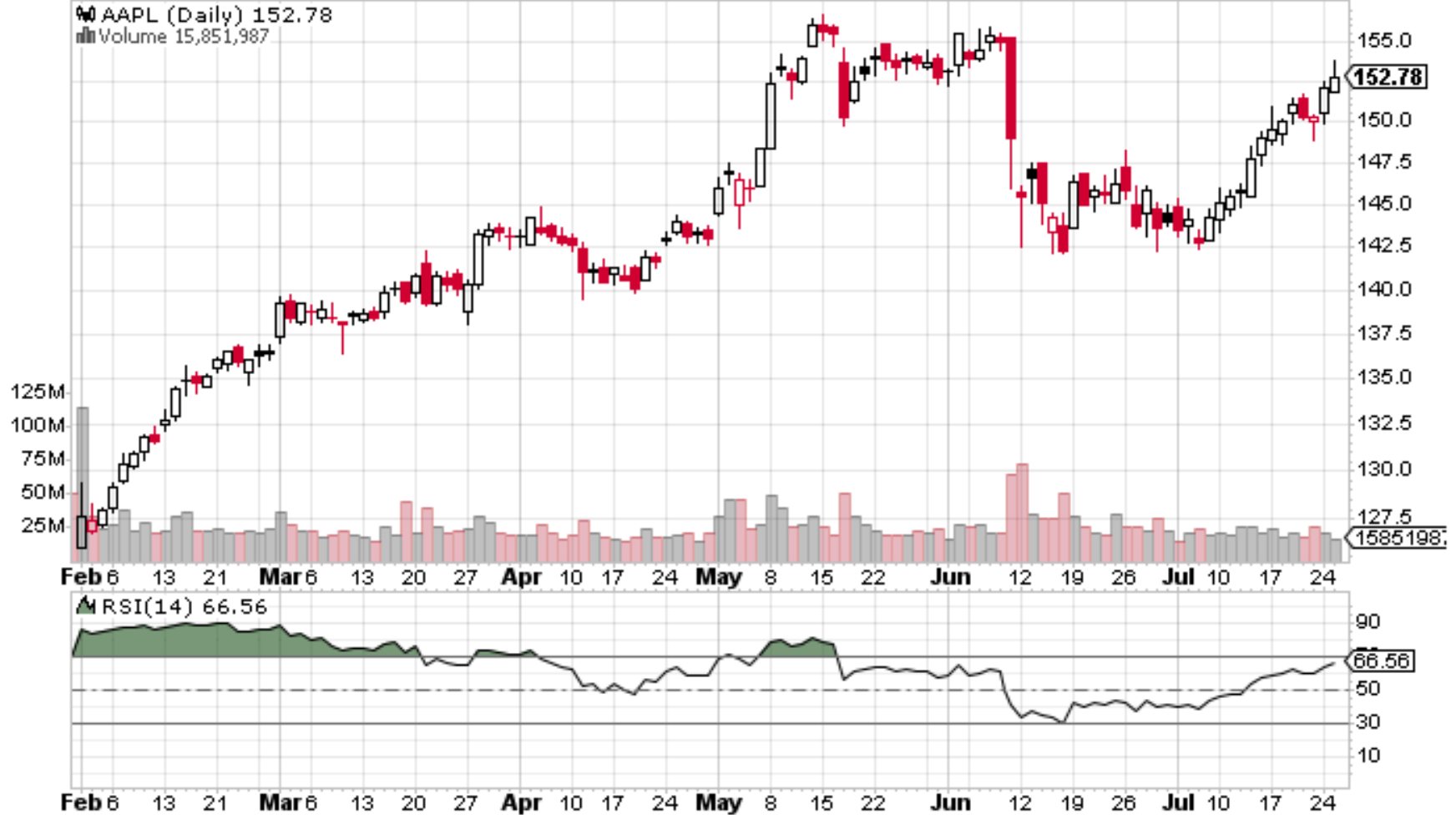
### AAPL Apple, Inc. Nasdaq GS

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

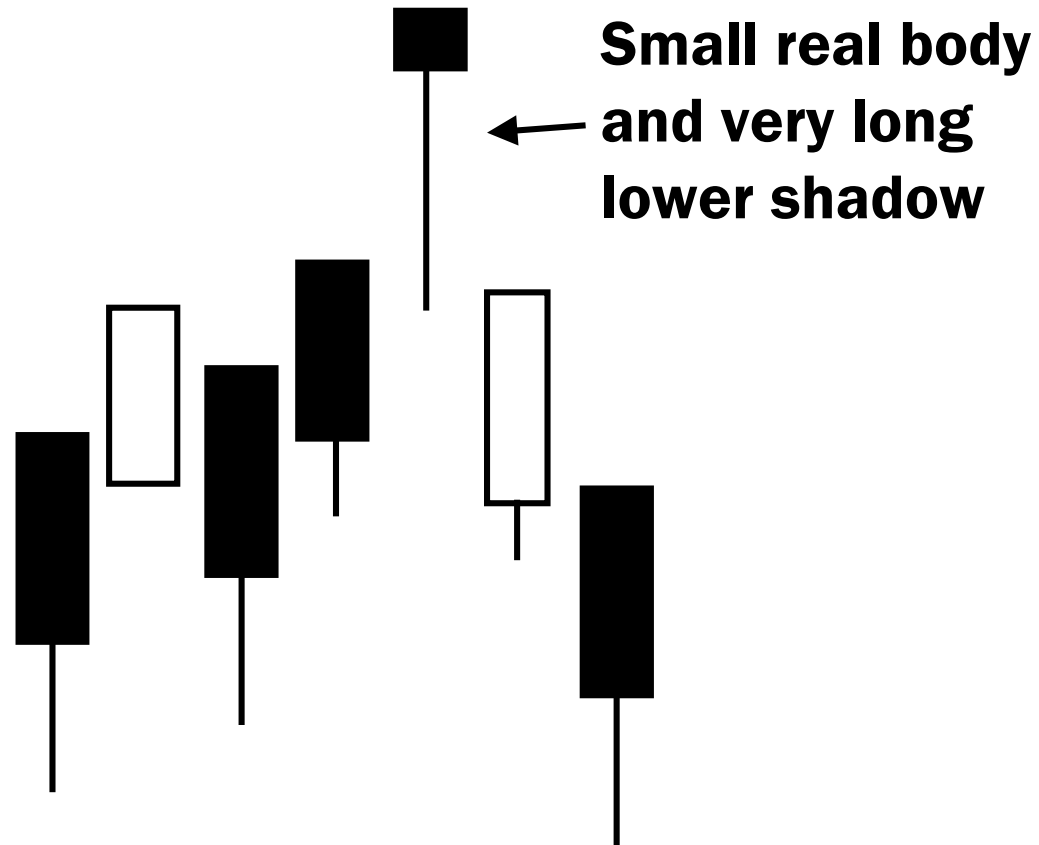
- Classic Patterns



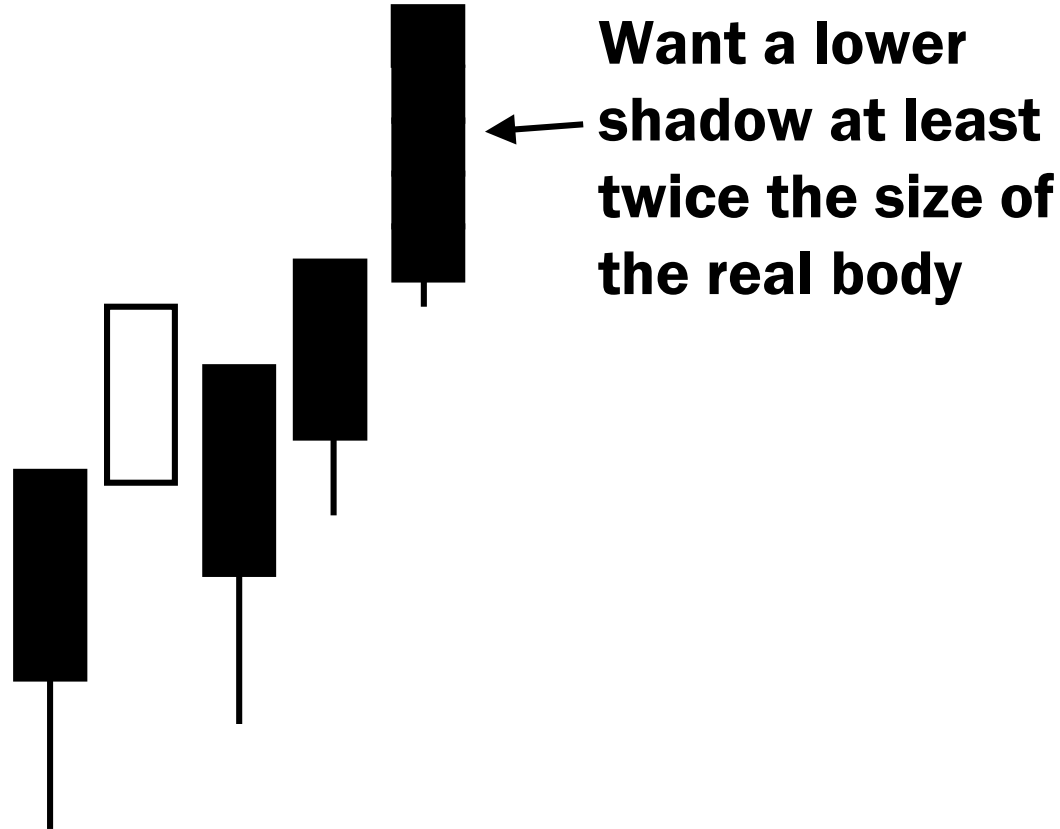


# Hanging Man

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



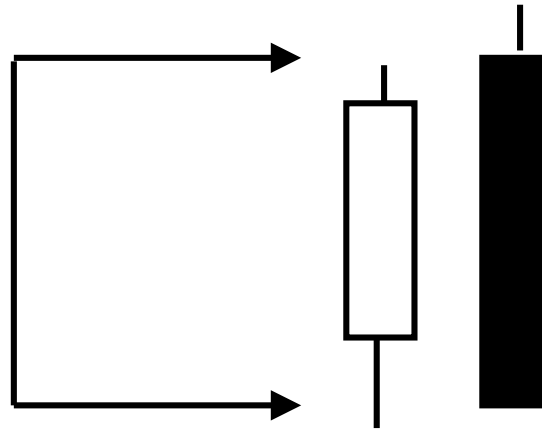
B



# Bearish Engulfing Pattern



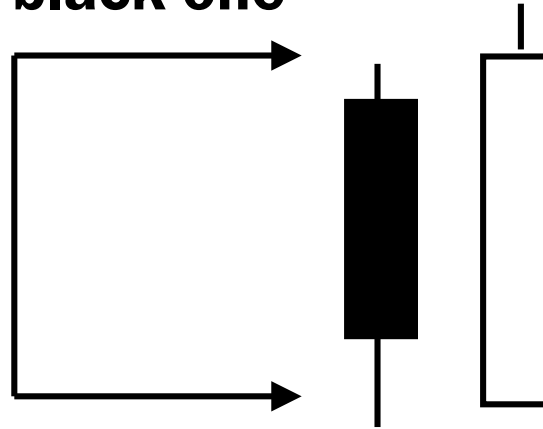
**Black  
candle's real  
body  
completely  
"engulfs" the  
white one**



# Bullish Engulfing Pattern

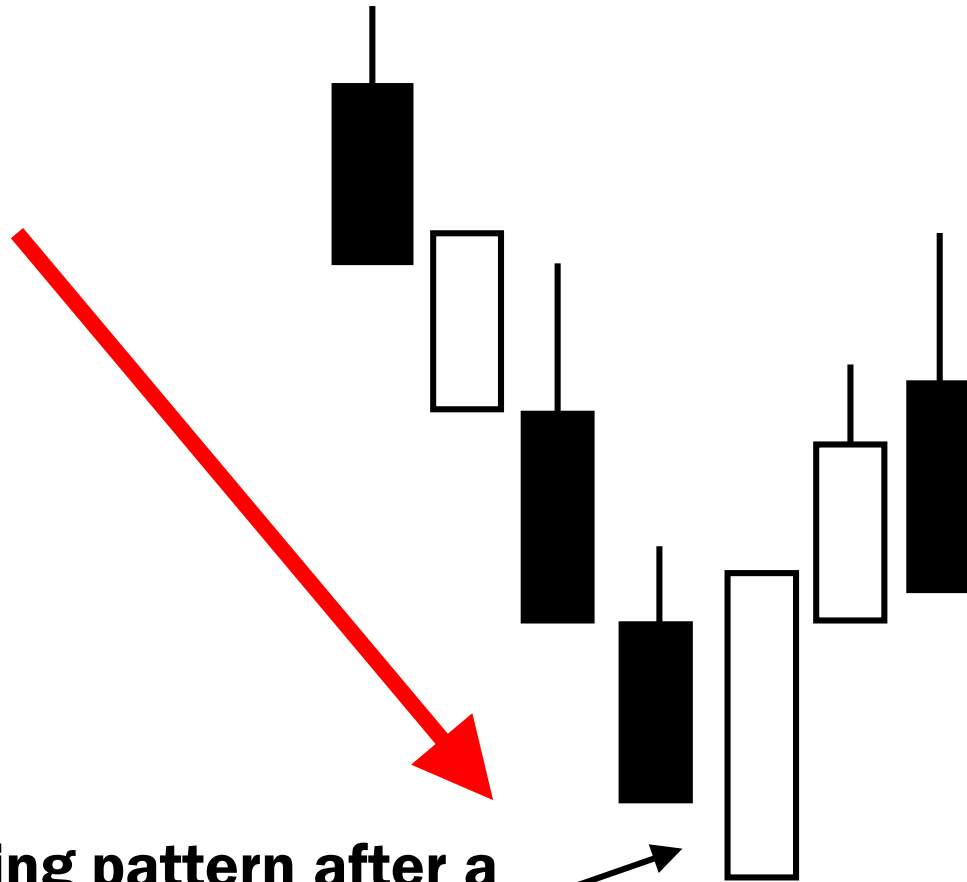


**White candle's real  
body completely  
"engulfs" the black one**



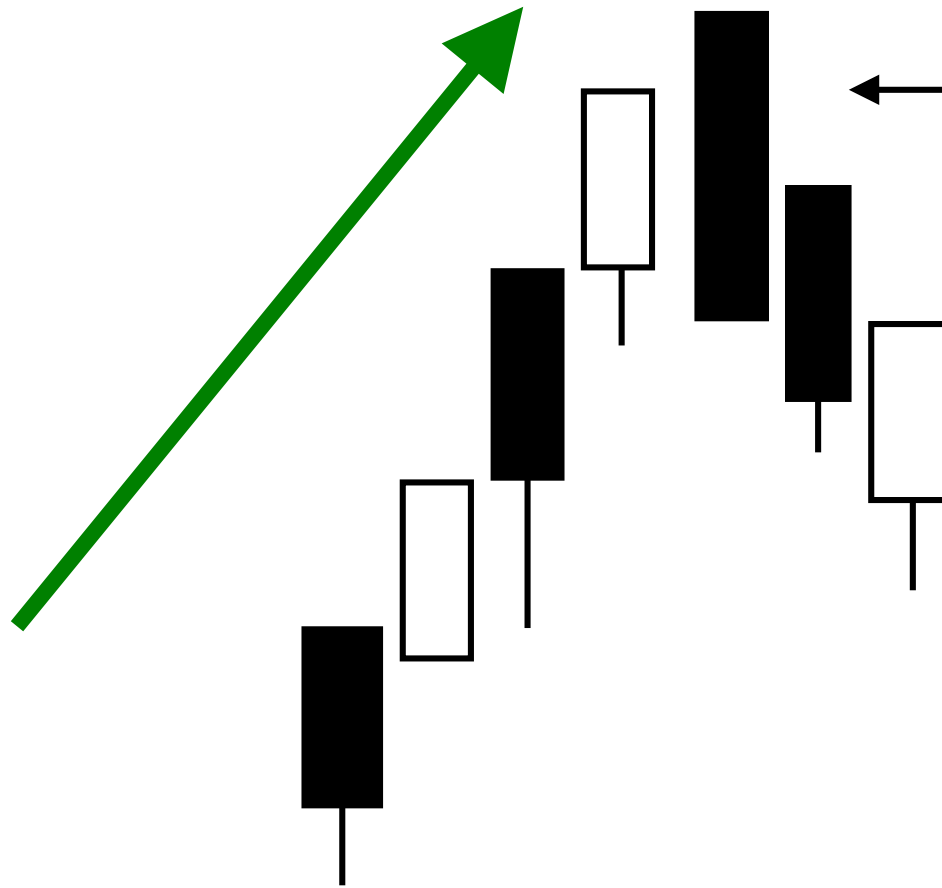
**Bullish Engulfing Pattern**

# Bullish Engulfing Pattern



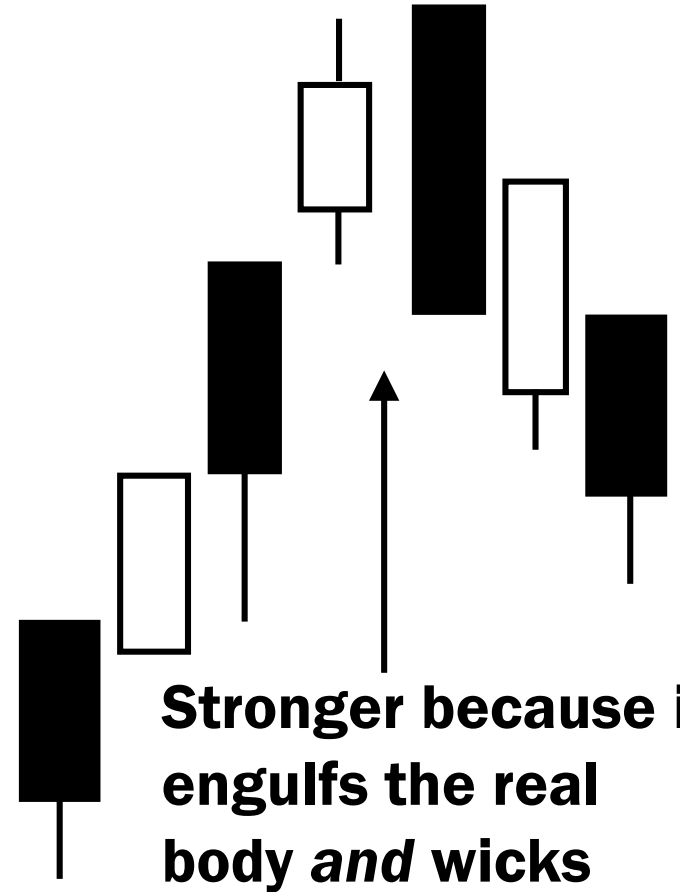
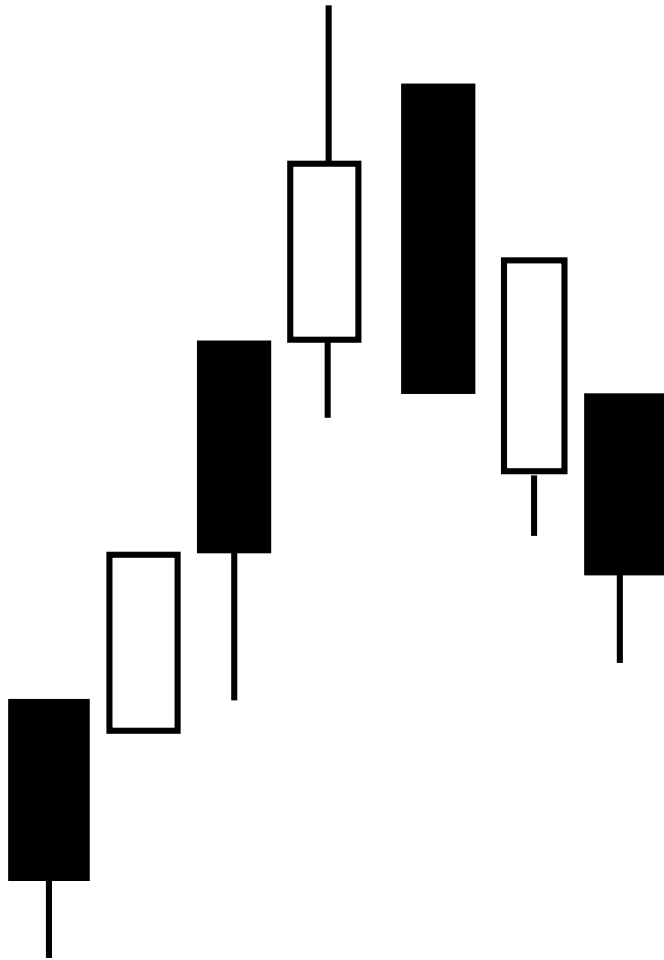
**Engulfing pattern after a sharp decline is usually more effective**

# Bearish Engulfing Pattern



**Engulfing pattern  
after a sharp rally  
is usually more  
effective**

# 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



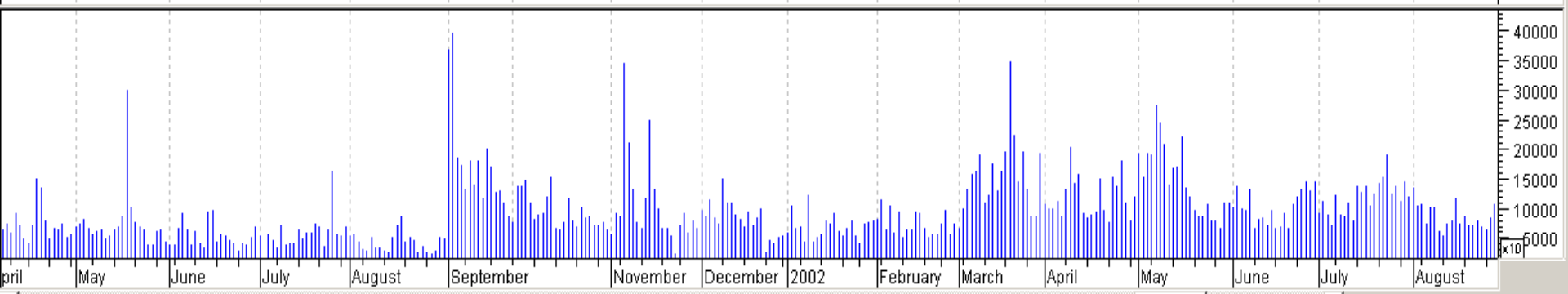
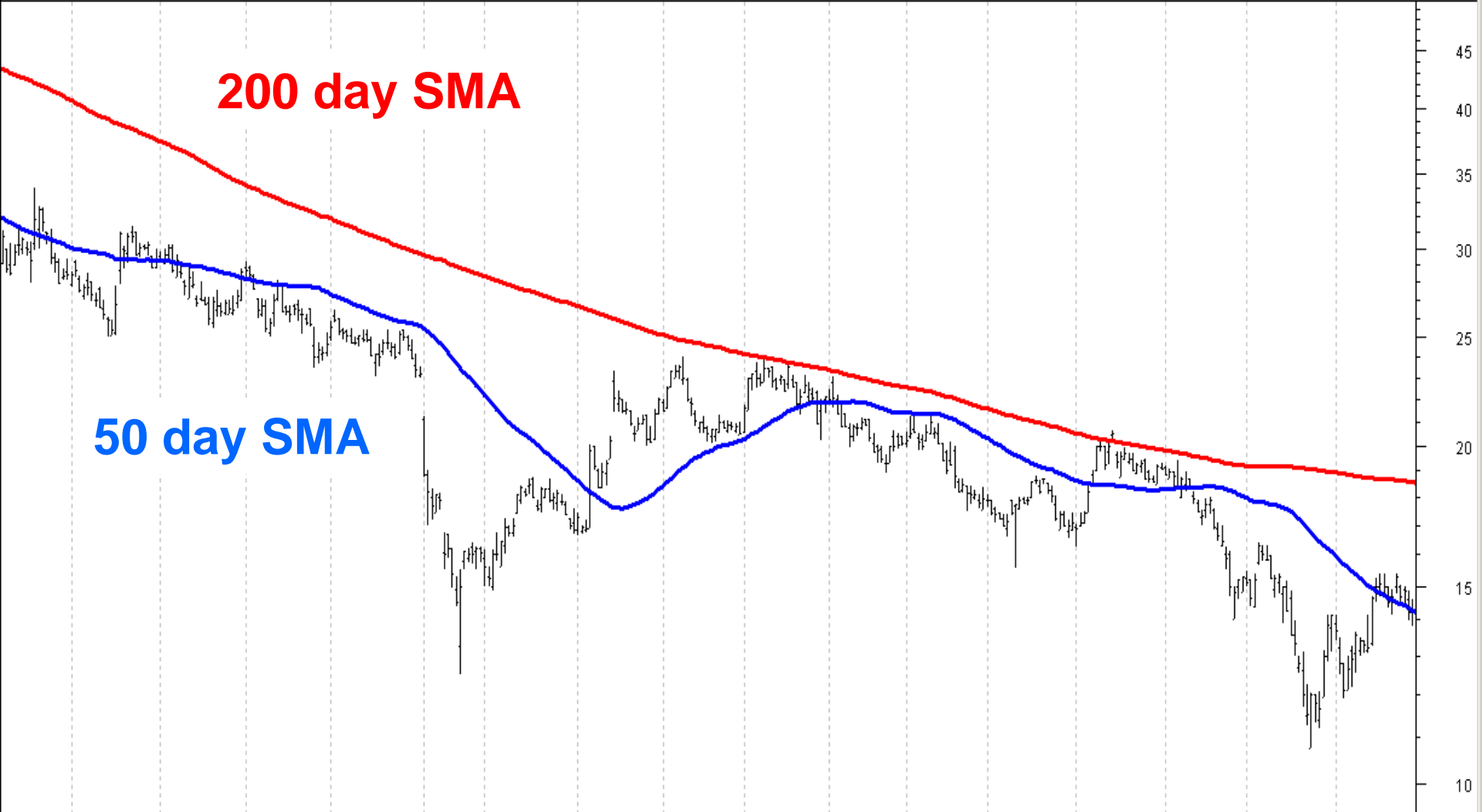
- Trend following
  - Smooths price so trends can be seen as lines
- Momentum
  - Measures the speed or direction of price changes
- Stochastics
  - Measures the position of the close price relative to the recent highs and lows

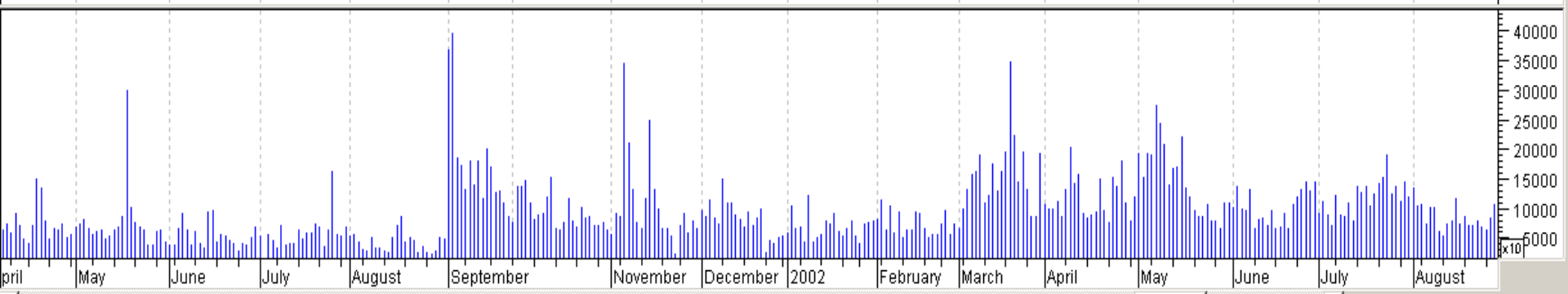
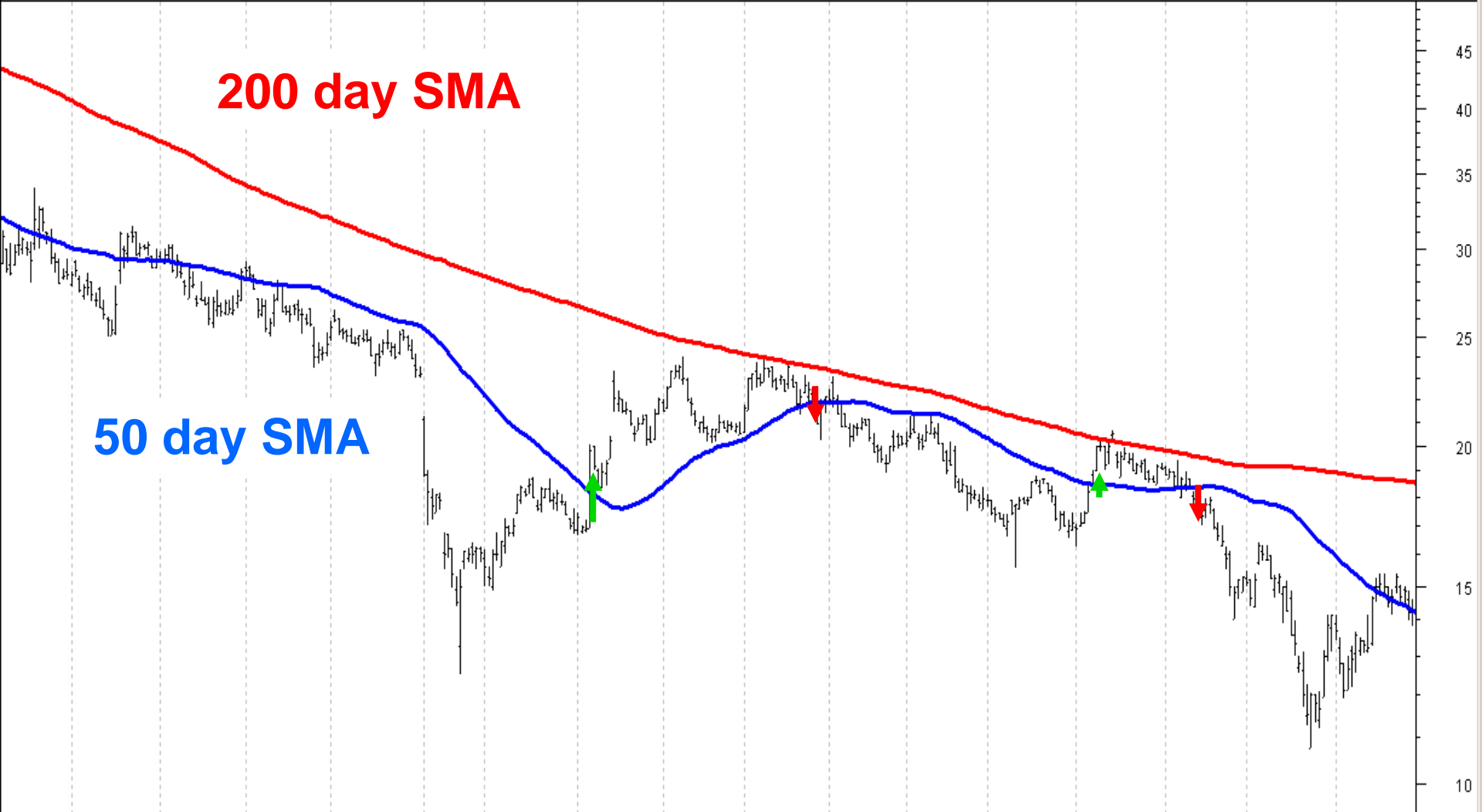
# Moving Averages



- 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



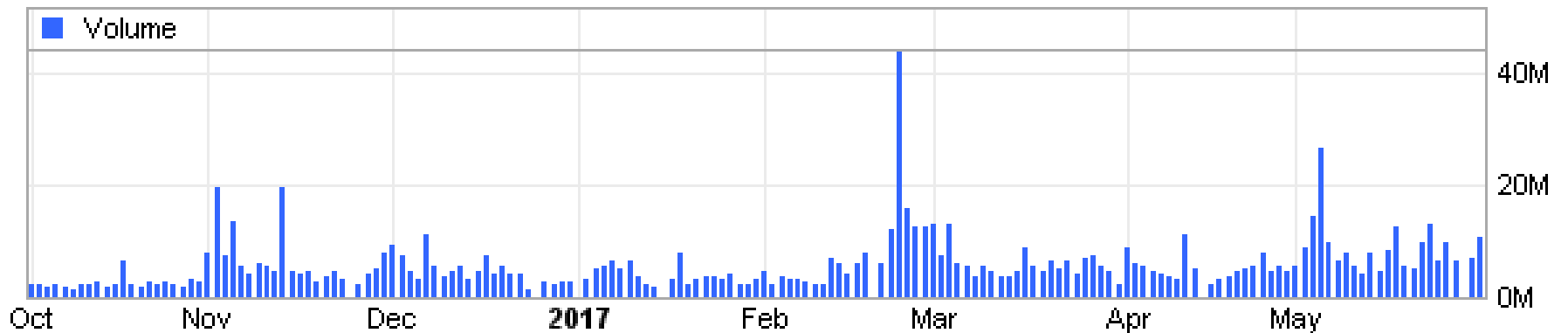
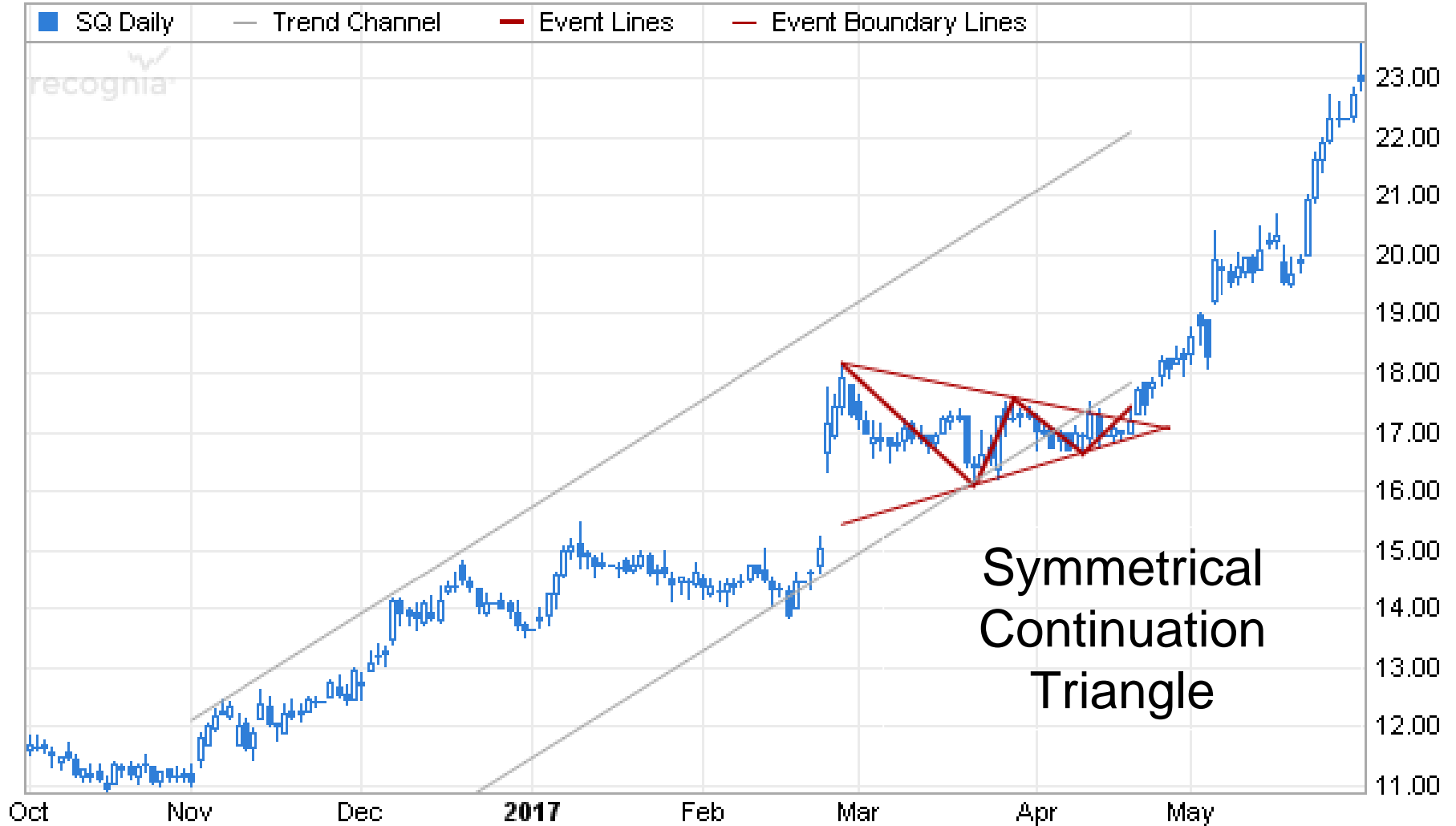


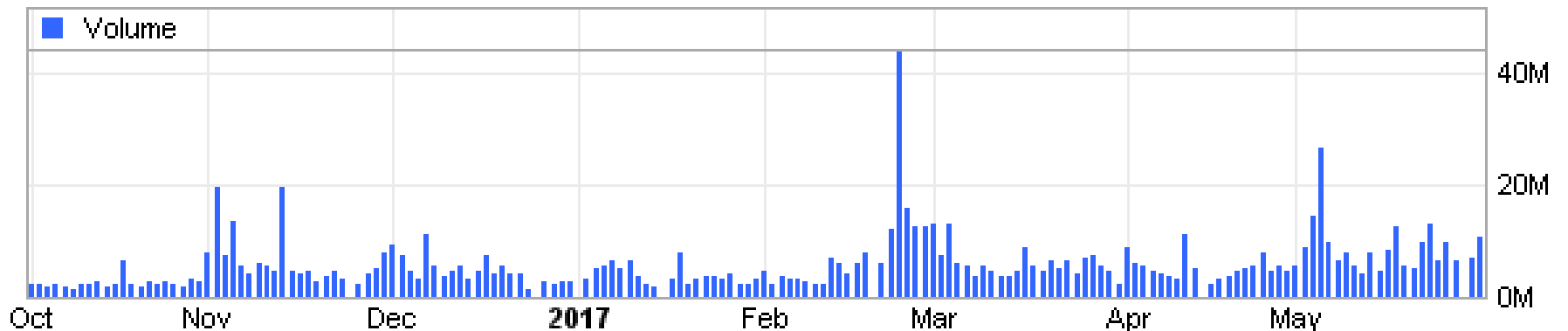
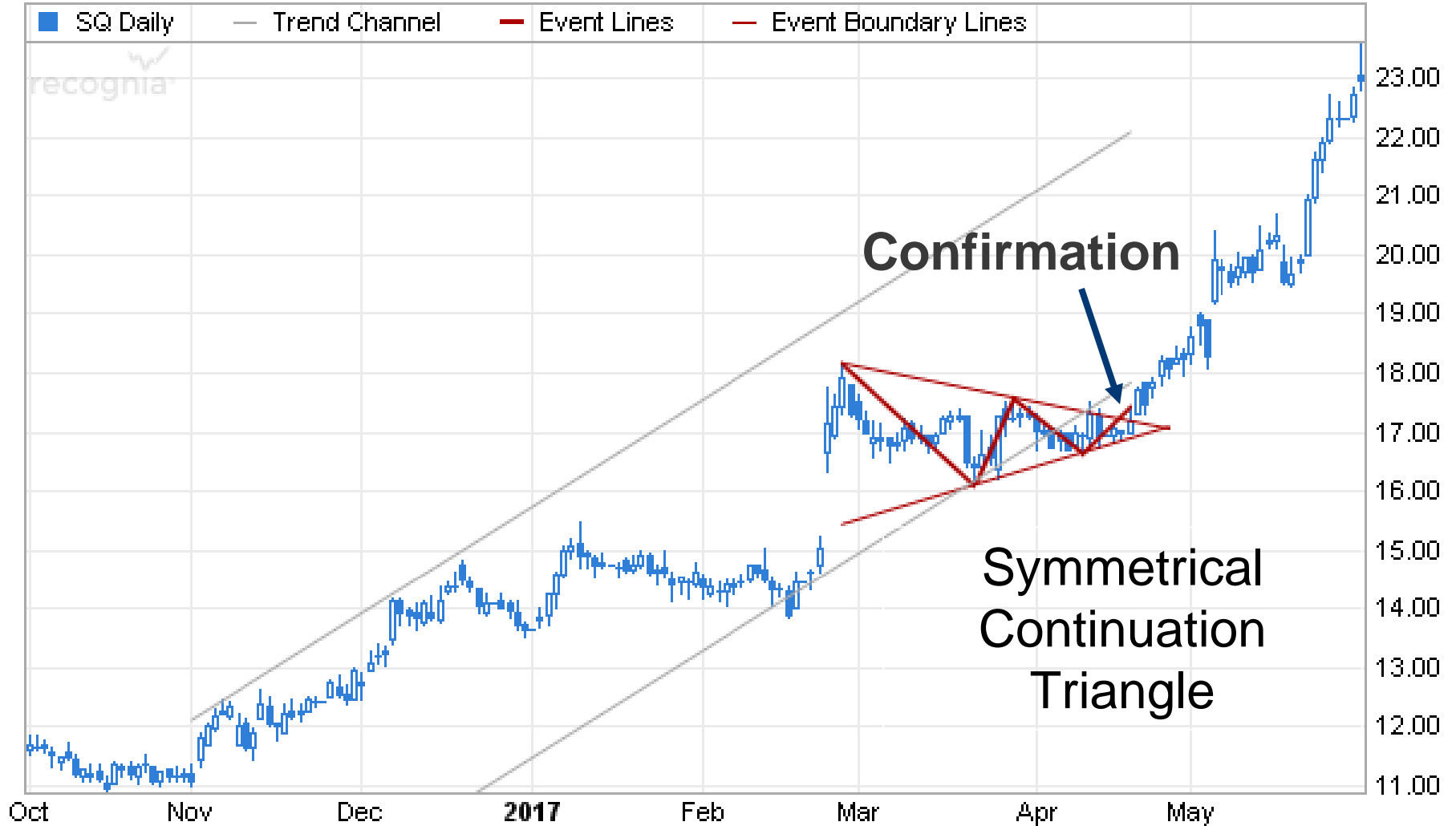


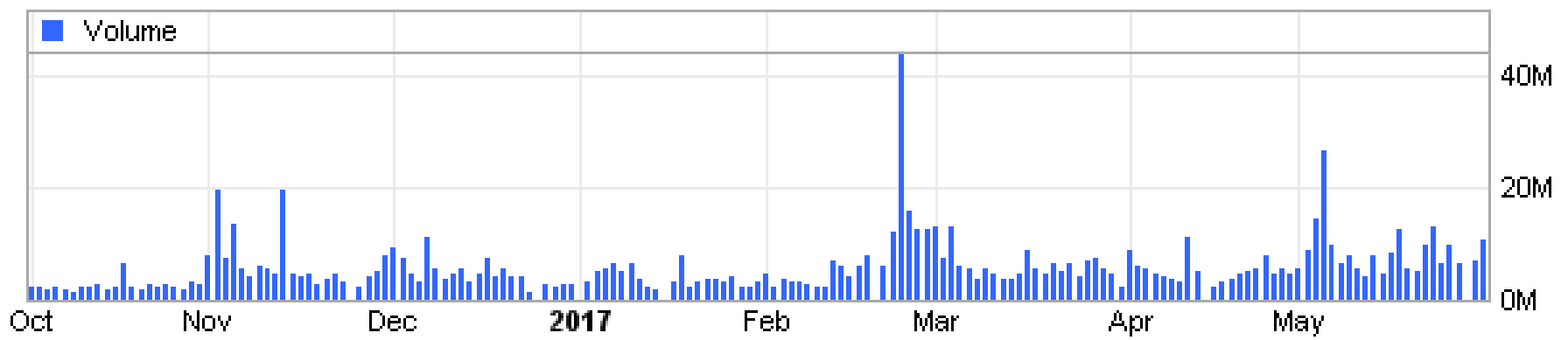
# Technical Event Classes

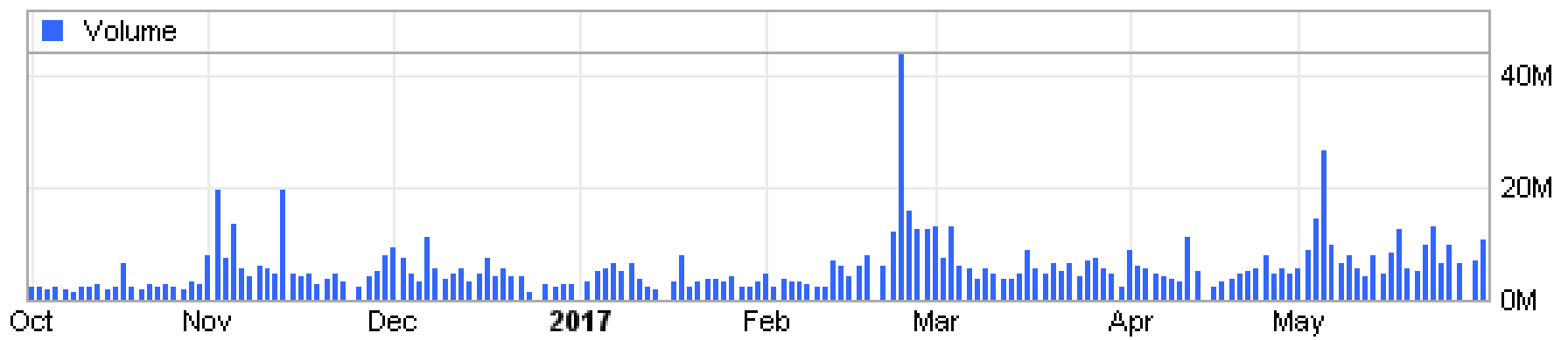


- Short-term Patterns
  - Based on the shape and relationship of candlesticks or price bars
- Indicators & Oscillators
- **Classic Patterns**
  - Distinct price swings forming shape on chart









# 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 forms two distinct lows that 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



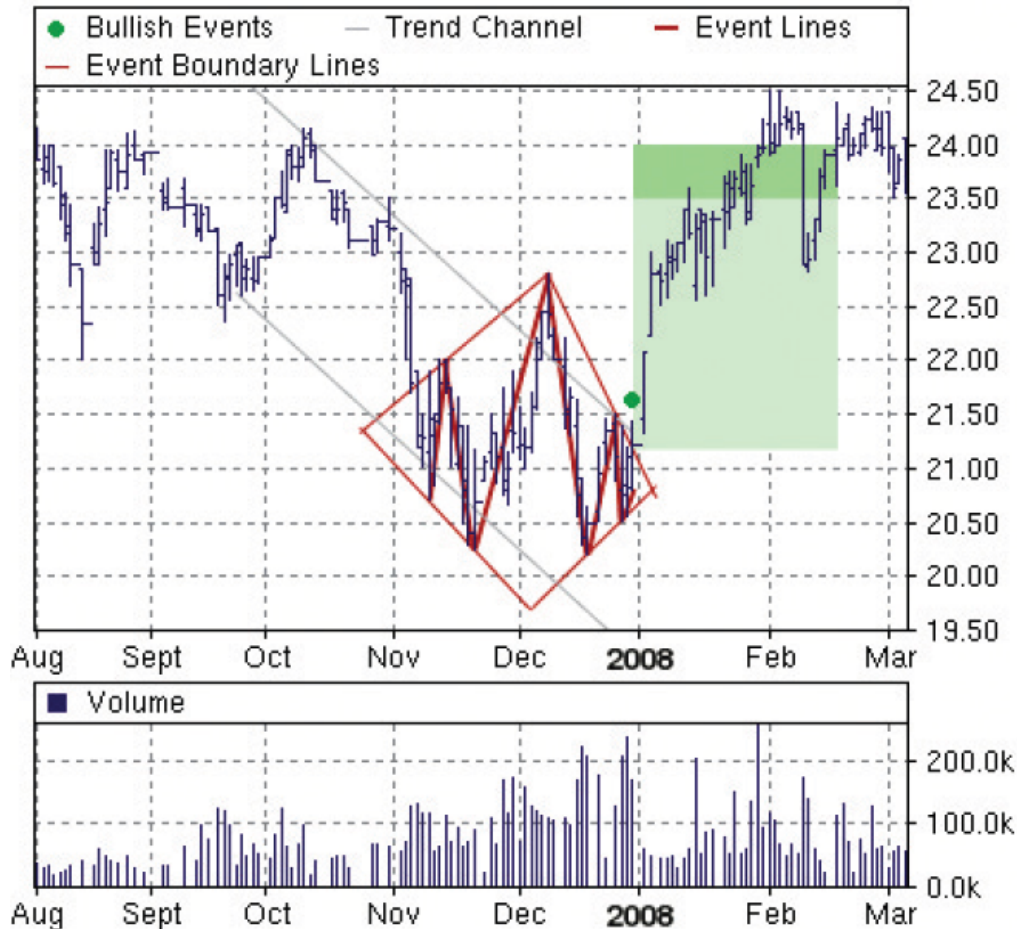
- The Upside Breakout pattern occurs when the price breaks upward through the top of a trading range marked by horizontal trendlines
- This bullish pattern indicates a change in sentiment amongst traders
- Bearish counterpart is the Downside Breakout

# Megaphone Bottom / Top



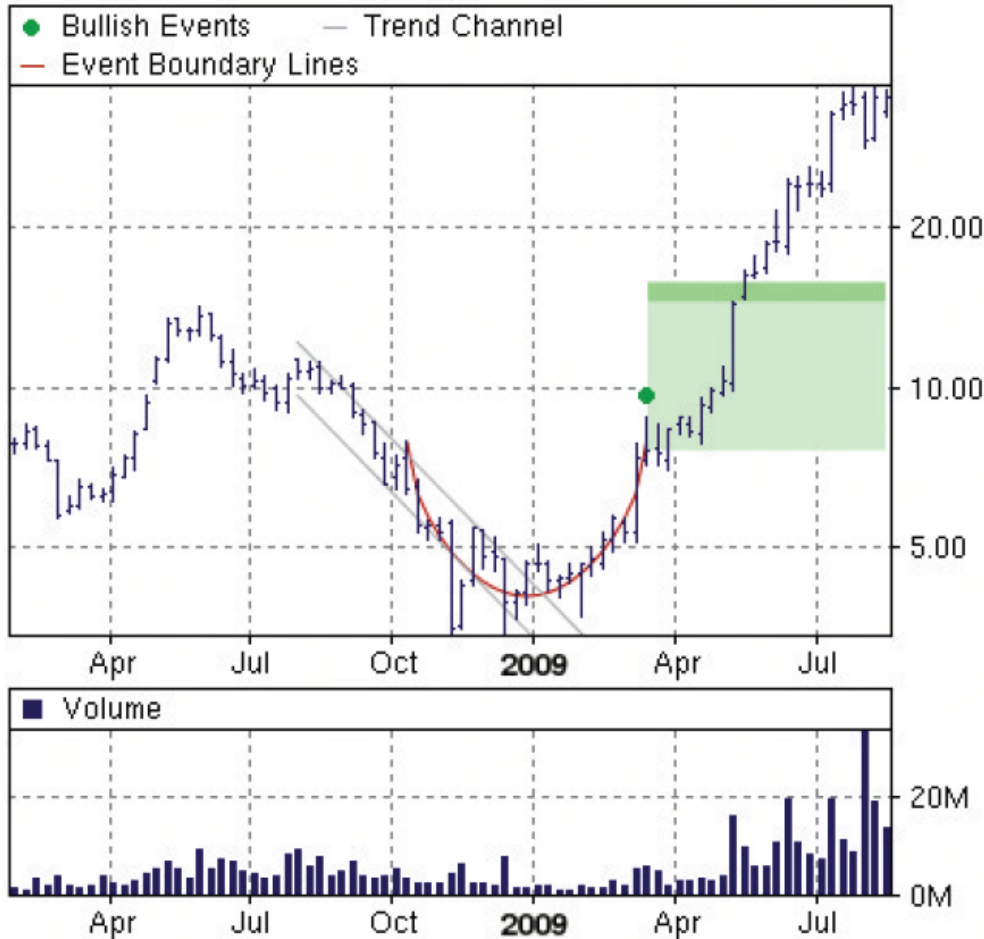
- The rare Megaphone Bottom (a.k.a. Broadening Pattern) is characterized by its successively higher highs and lower lows which form after a downward move
- The bullish pattern is confirmed when the price breaks upward above the highest high and fails to fall below this level again
- The bearish counterpart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

# Recognia ETF Newsletter



**ETF TRADE IDEAS** March 29, 2018

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

[VANGUARD REIT ETF \(VNQ:NYSE\)](#)

[SPDR Portfolio Short Term Corporate Bond ETF \(SPSB:NYSE\)](#)

[ISHARES NATIONAL MUNI BOND ETF \(MUB:NYSE\)](#)

### BEARISH

[VANGUARD ENERGY ETF \(VDE:NYSE\)](#)

[ISHARES GOLD TRUST \(IAU:NYSE\)](#)

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

### VANGUARD REIT ETF (VNQ:NYSE)

#### ▲ Price Crosses Moving Average



Trading closed at \$75.56 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](#)

TRADE

### SPDR PORTFOLIO SHORT TERM CORPORATE BOND ETF (SPSB:NYSE)

#### ▲ Price Crosses Moving Average



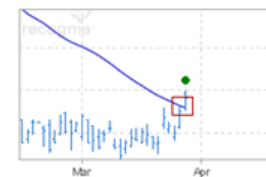
Trading closed at \$30.17 to confirm a Short-Term Bullish Price Crosses Moving Average pattern

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](#)

TRADE

### ISHARES NATIONAL MUNI BOND ETF (MUB:NYSE)

#### ▲ Price Crosses Moving Average



Trading closed at \$108.91 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](#)

# Recognia ETF Newsletter



## iShares MSCI South Korea Capped ETF forms bullish "Continuation Diamond" chart pattern

Mar 28, 2018

Recognia has detected a "Continuation Diamond (Bullish)" chart pattern formed on iShares MSCI South Korea Capped ETF (EWY:NYSE). This bullish signal indicates that the stock price may rise from the close of \$73.84 to the range of \$83.00 - \$86.00. The pattern formed over 81 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 has broken upward out of a consolidation period, suggesting a continuation of the prior uptrend. The pattern begins during a downtrend as prices create higher highs and lower lows in a broadening pattern. Then the trading range gradually narrows after the highs peak and the lows start trending upward. When the price breaks upward out of the diamonds boundary lines, it marks the resumption of the prior uptrend.

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



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

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## Q & A

