RECOGNIZE OPPORTUNITY. REALIZE PROFIT.

Introduction to Technical Analysis

Peter Ashton
VP, Retail and Self-Directed Investing

Agenda

- *Who is Recognia?*
- *Introduction to Technical Analysis*
- *Classes of Events*
- *Live demo*
- *Q & A*

Disclaimer

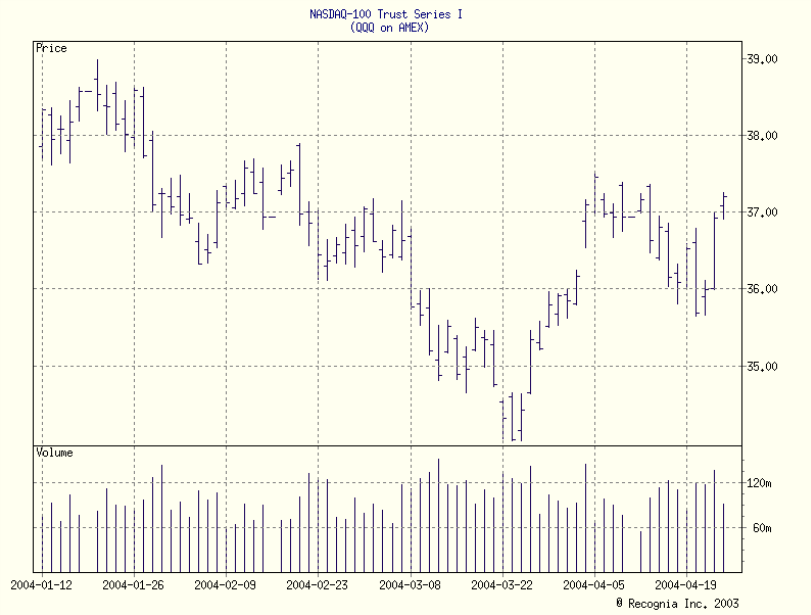
The information presented here is for educational and informational purposes only. The inclusion of any specific securities detailed is for illustrative purposes only. No information contained in this presentation is intended to constitute a recommendation by Recognia to buy, sell, or hold any stock, option, or securities.

Who is Recognia?

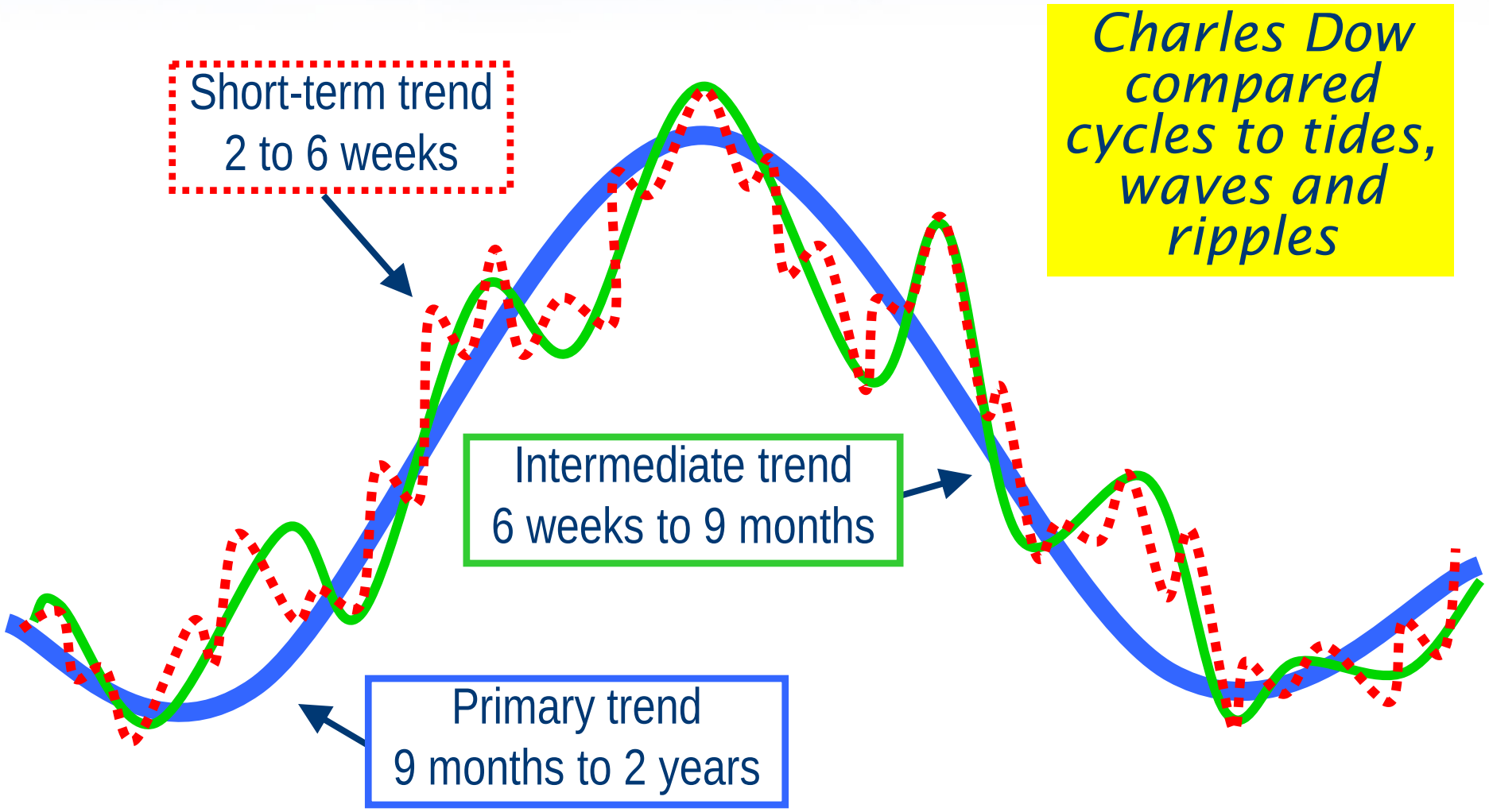
- *Industry leader providing technical, fundamental and quantitative research for retail online investors and traders*
- *Our products help automate the investment decision-making process*
- *Focused for more than 15 years on the needs and requirements of self-directed investors and traders - it's what we do*

What is Technical Analysis?

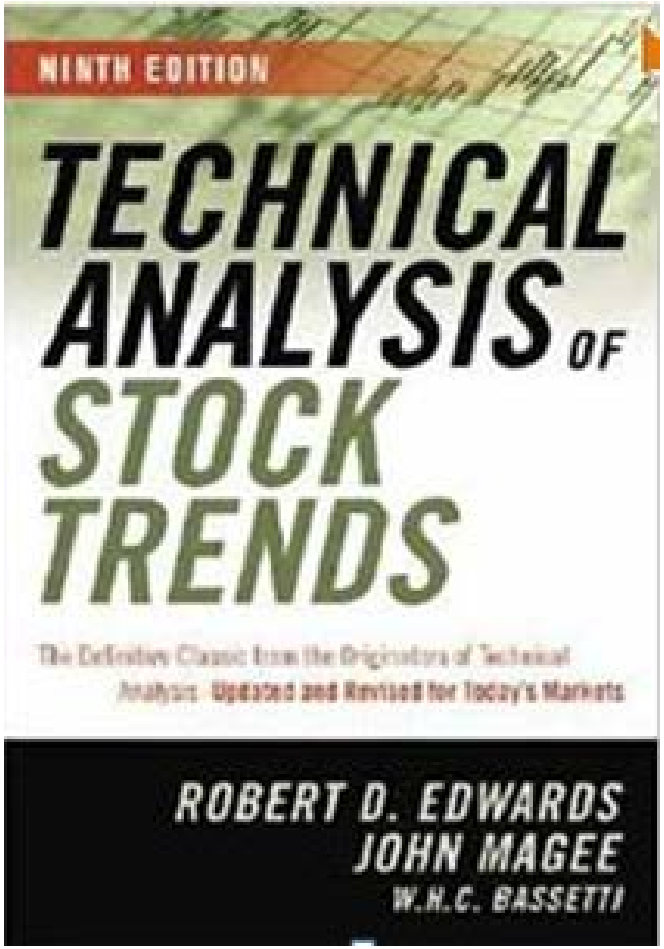
- *Looking for patterns and relationships in price and volume history that identify attitudes of buyers and sellers*
- *Shifts in the balance of supply and demand*
- *To assist in making investment and trading decisions*



Market Cycles

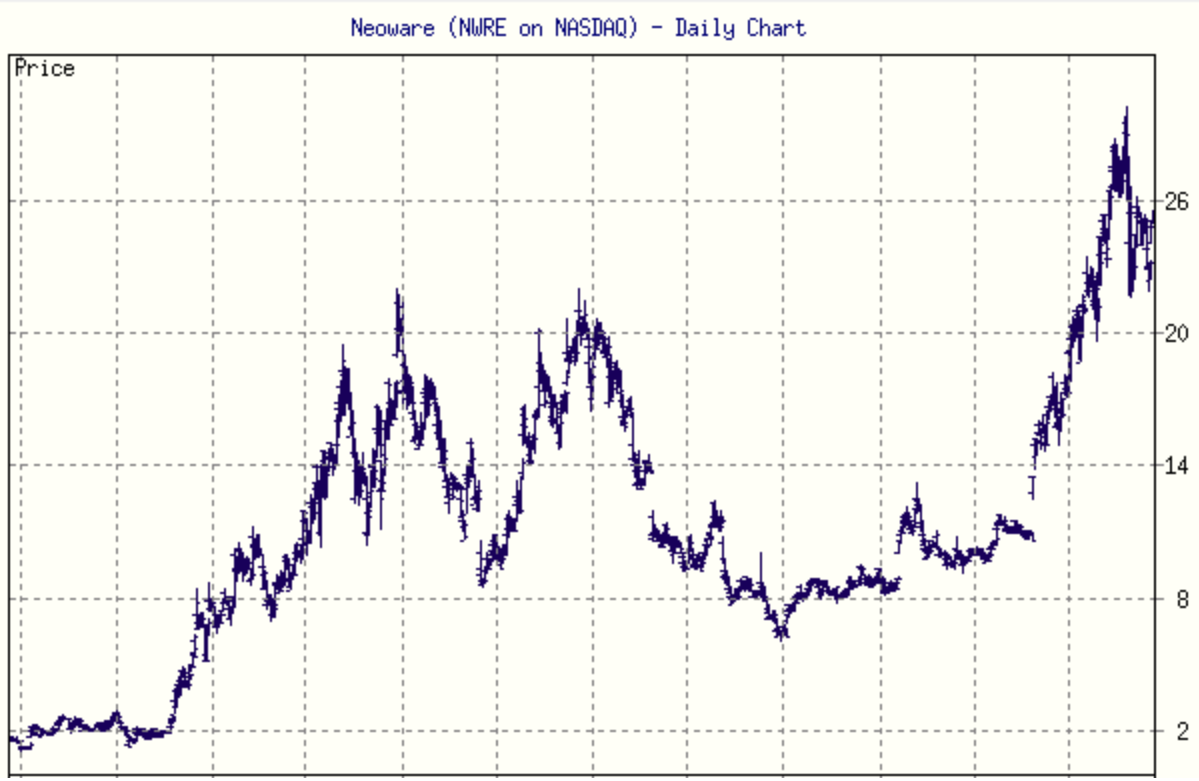


Why Study Price?



"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**

- Prices move in trends until …
- Something changes to affect supply and demand
- **Marked by patterns in price and volume history**

Technical Event Classes

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

Price
16.00
15.00
14.00
Hammer
Volume
3m
1.5m

Price
16.00
15.00
14.00
Hammer identified
Volume
3m
1.5m

Price
Shooting Star
Hammer
54.00
53.00
52.00
51.00
Volume
25t

Technical Event Classes

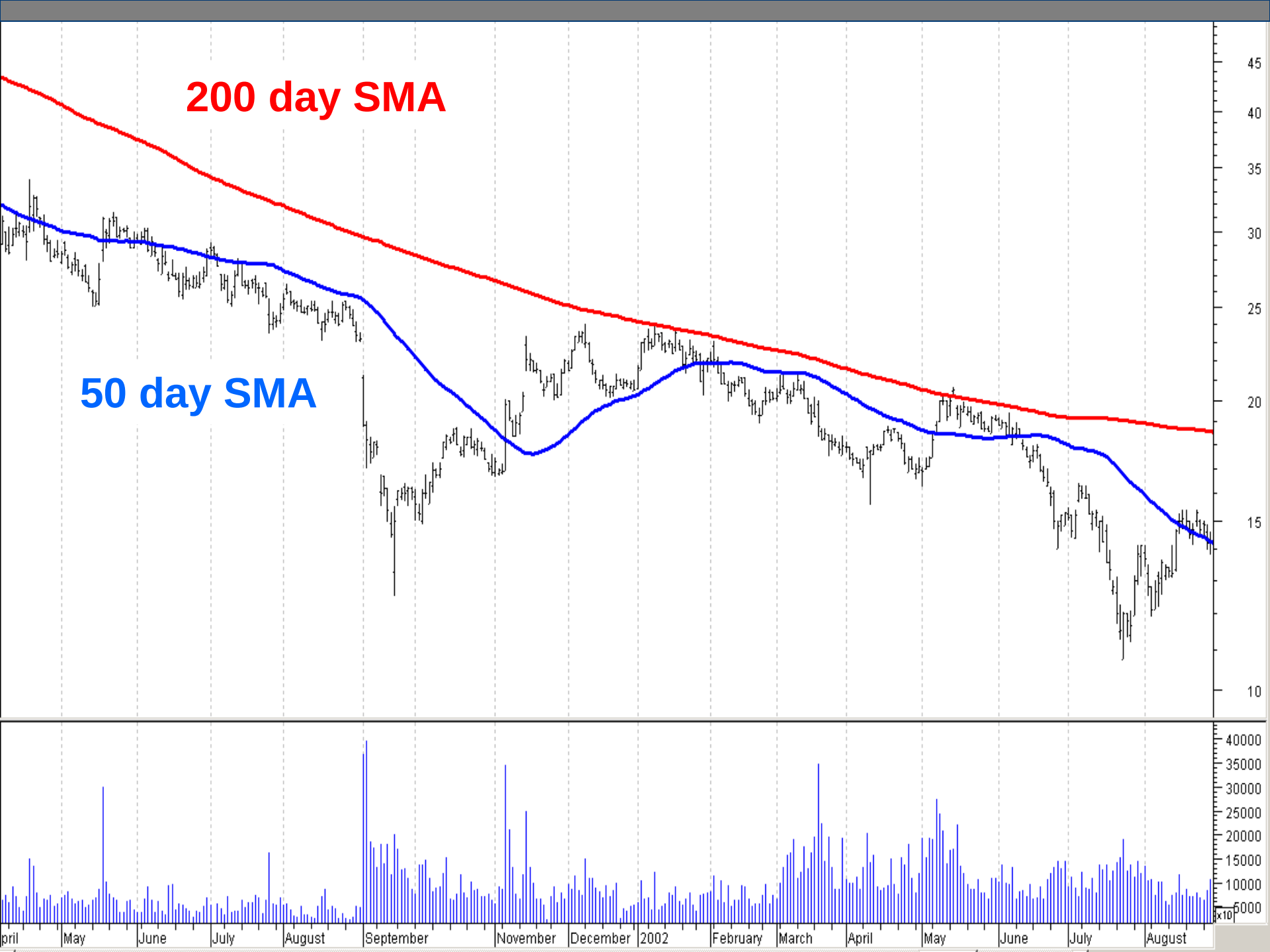
- *Short-term Patterns*
  - *Based on the shape and relationship of candlesticks or price bars*
- **Indicators & Oscillators**
  - *Based on moving averages and various mathematical functions*
- *Classic Patterns*
  - *Distinct price swings forming shape on chart*

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*


200 day SMA
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December
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February
March
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July
August

200 day SMA
50 day SMA
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Technical Event Classes

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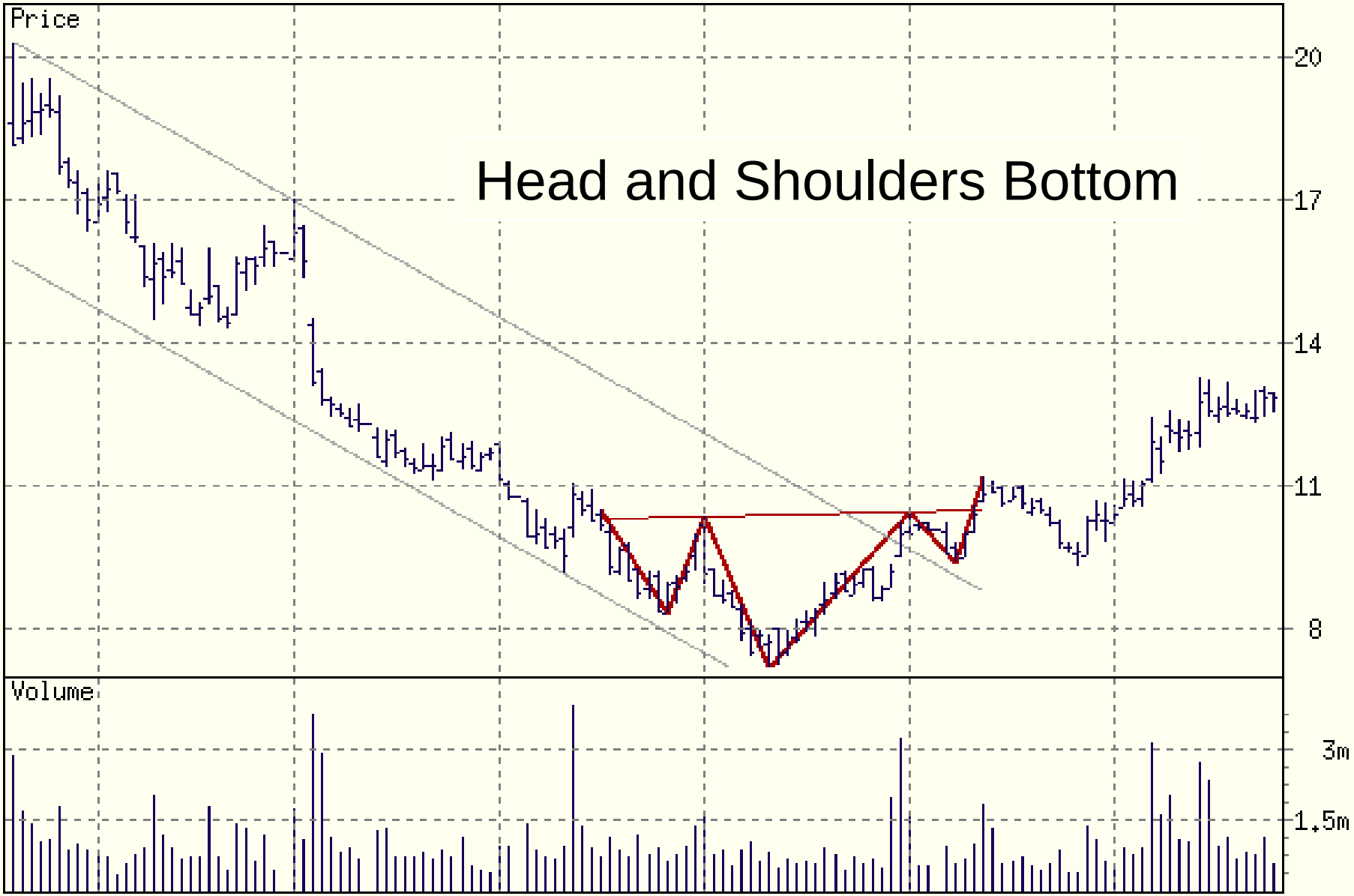
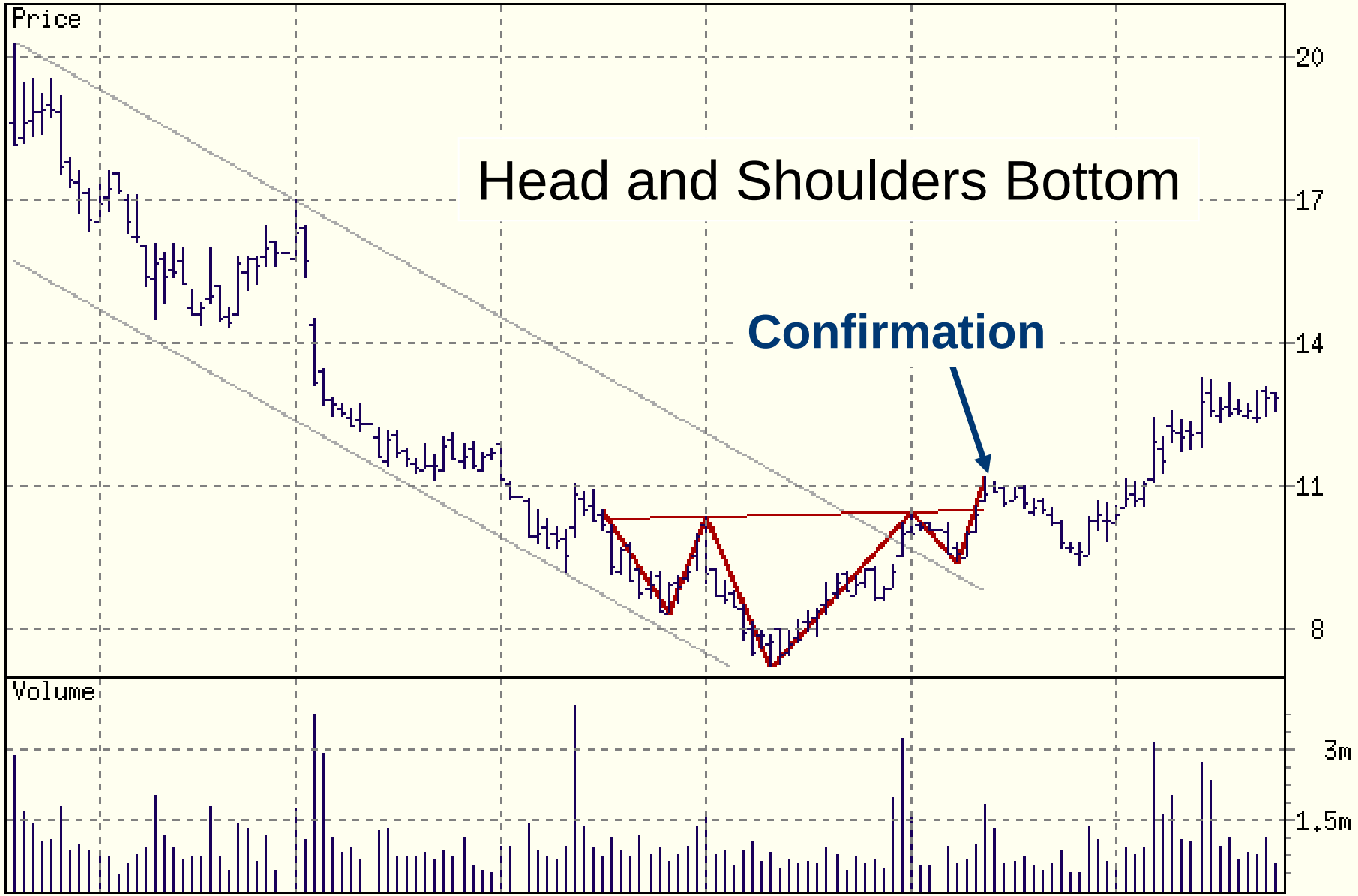

Price
Head and Shoulders Bottom
20
17
14
11
8
Volume
3m
1.5m


Price
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Confirmation
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17
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Volume
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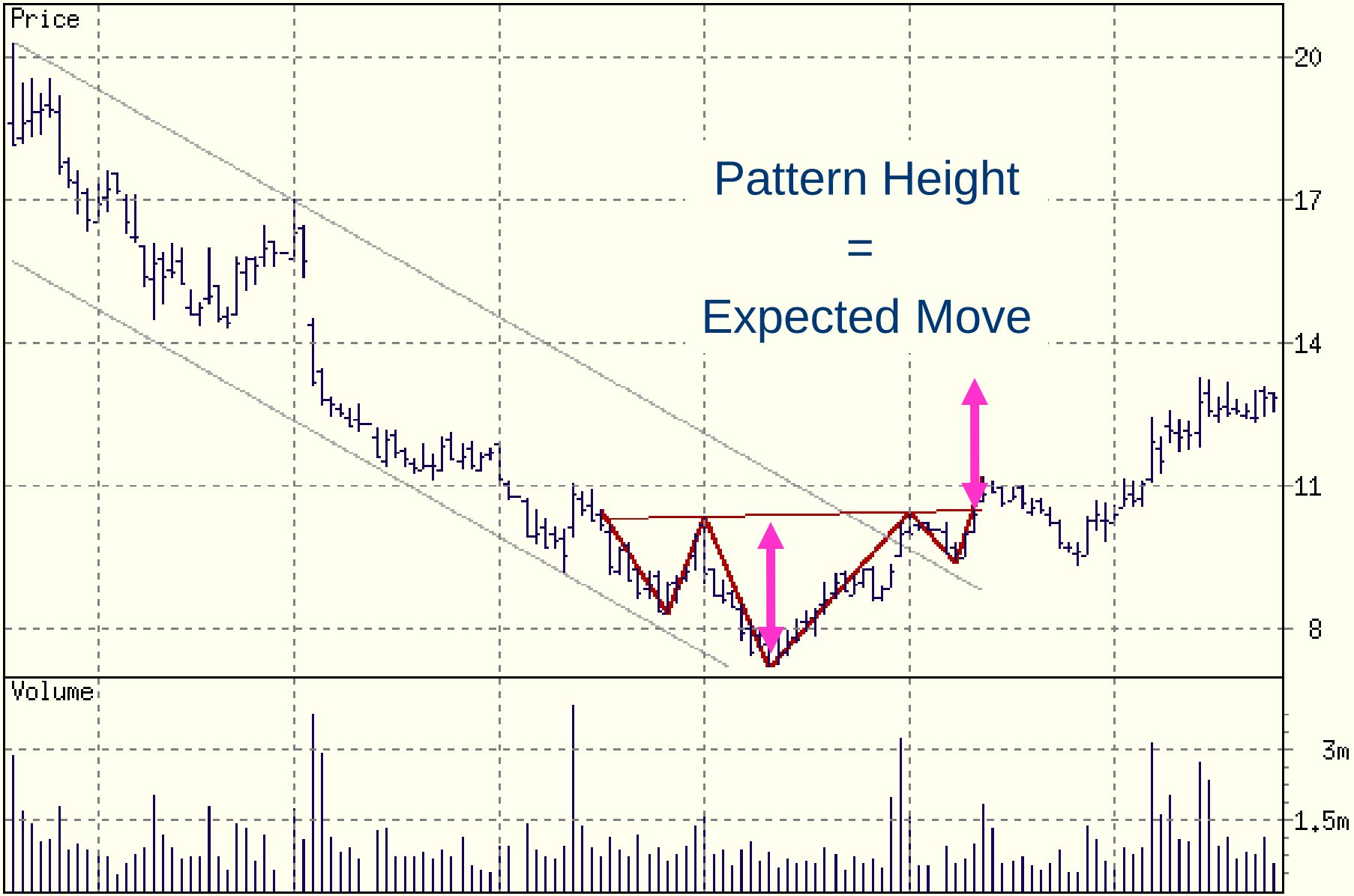
Price
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17
14
11
8
Pattern Height
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Expected Move
Volume
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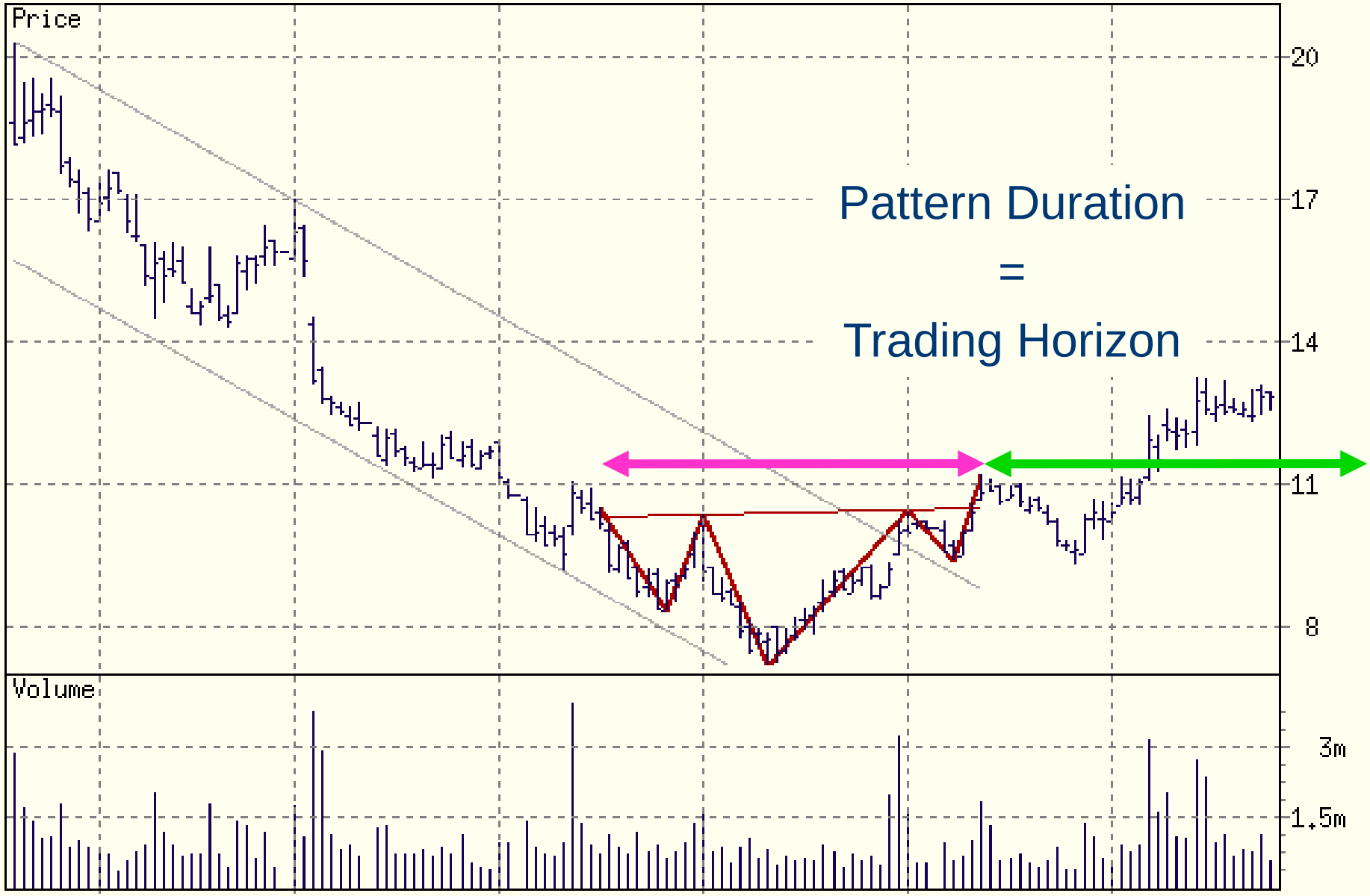
Price
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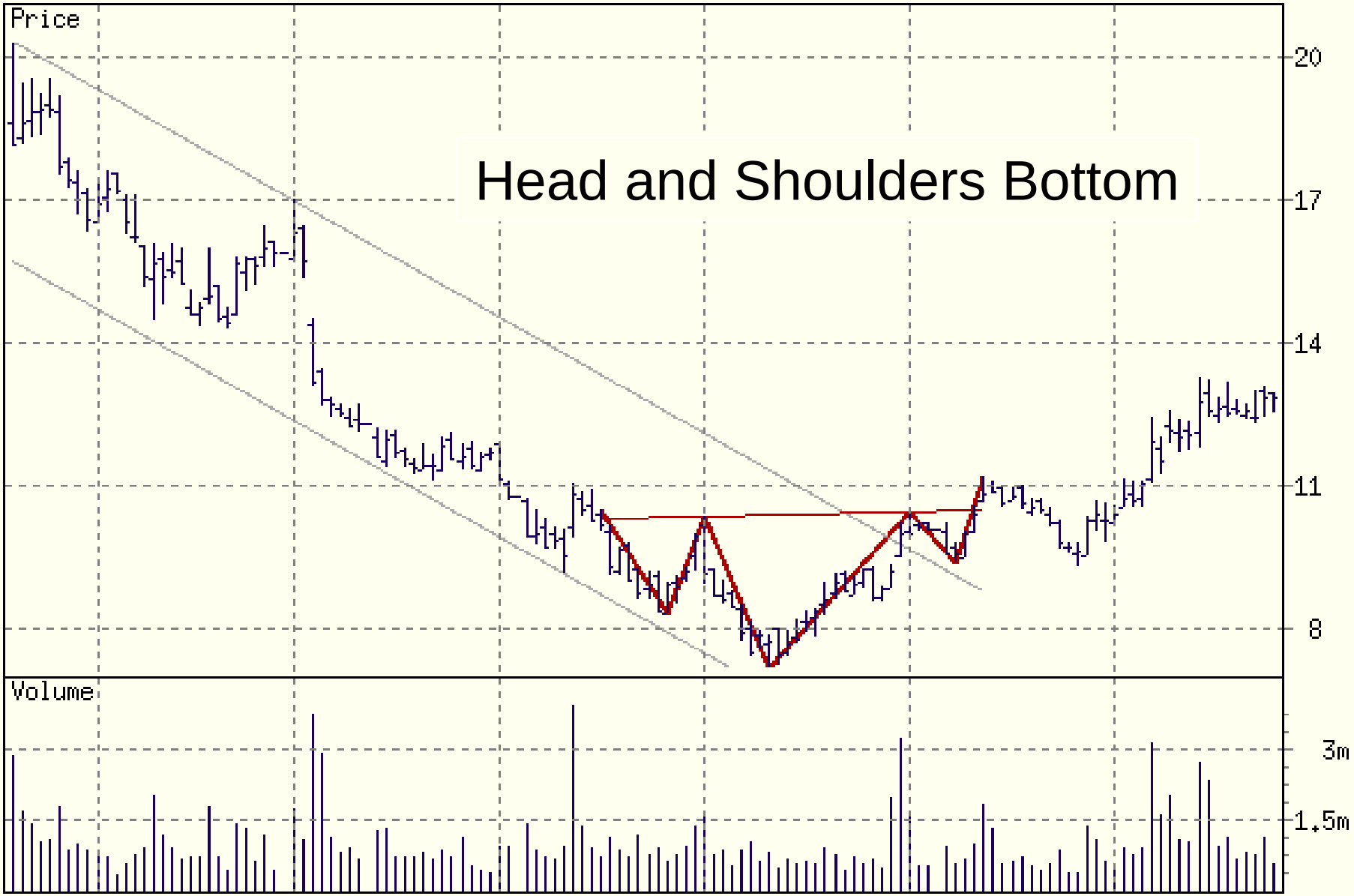
11
8
Pattern Duration
=
Trading Horizon
Volume
3m
1.5m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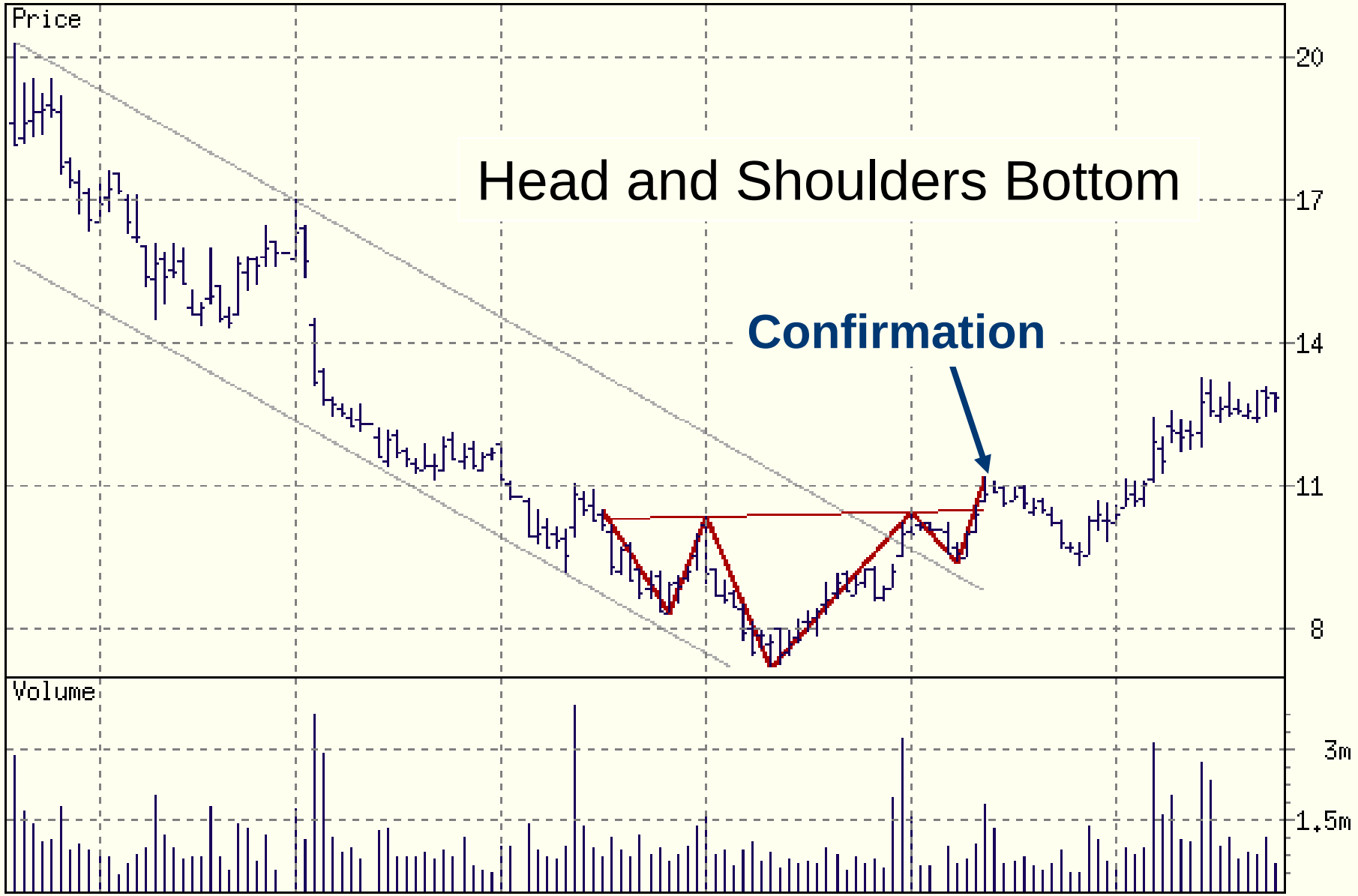
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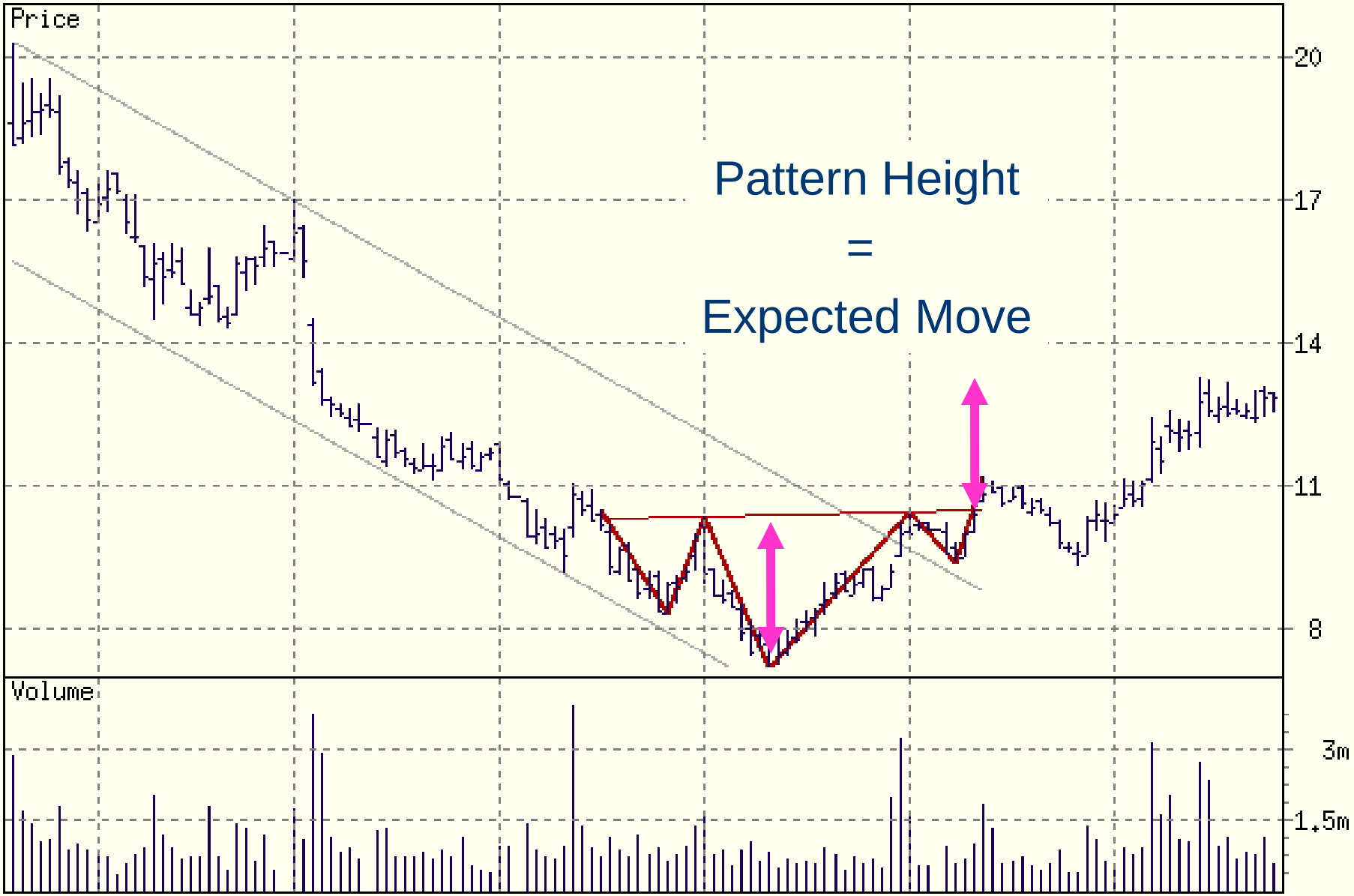
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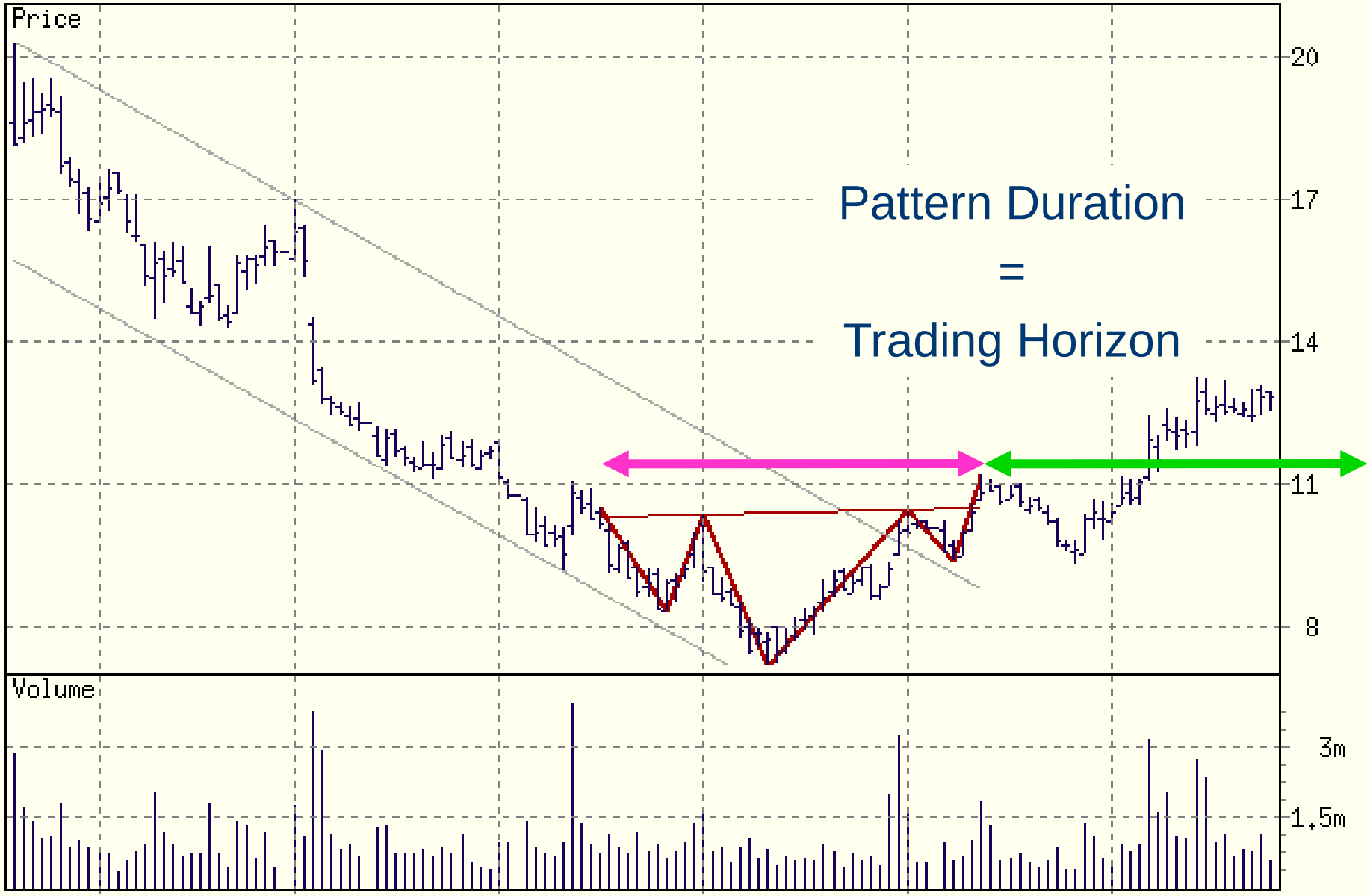
Price
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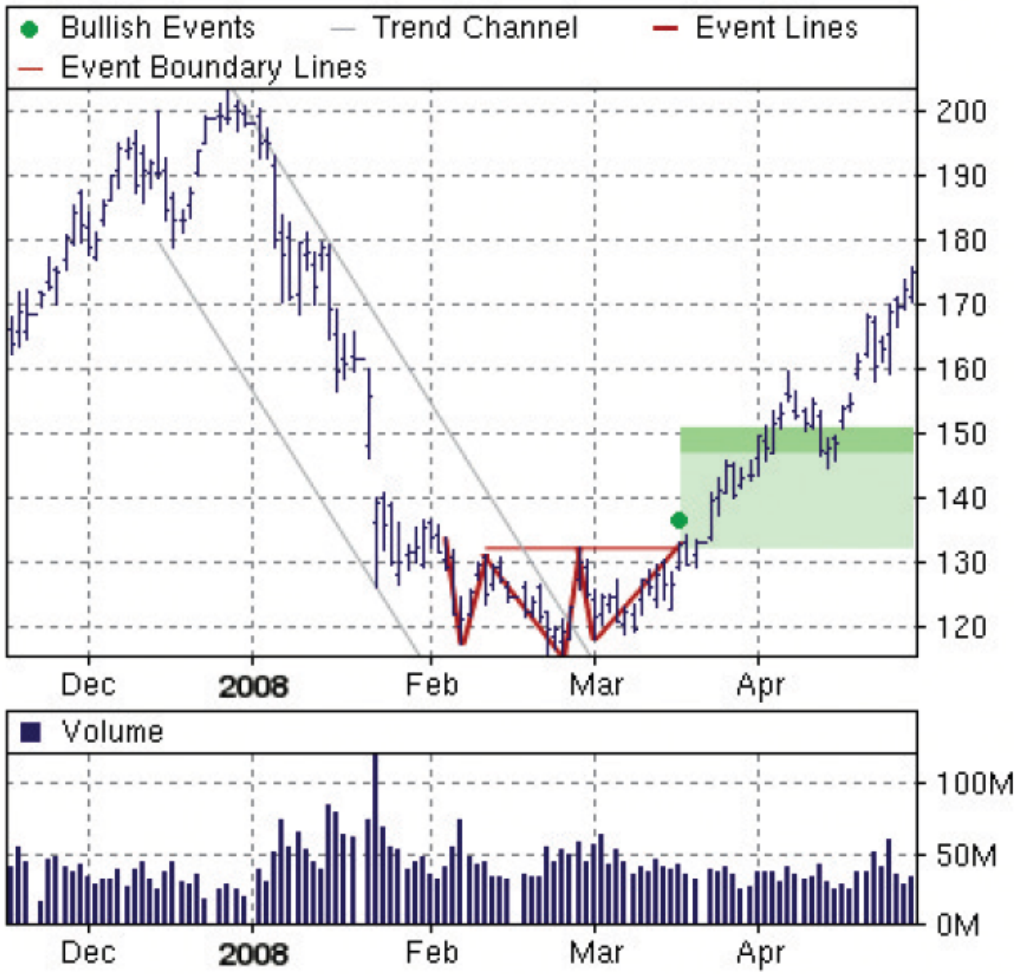
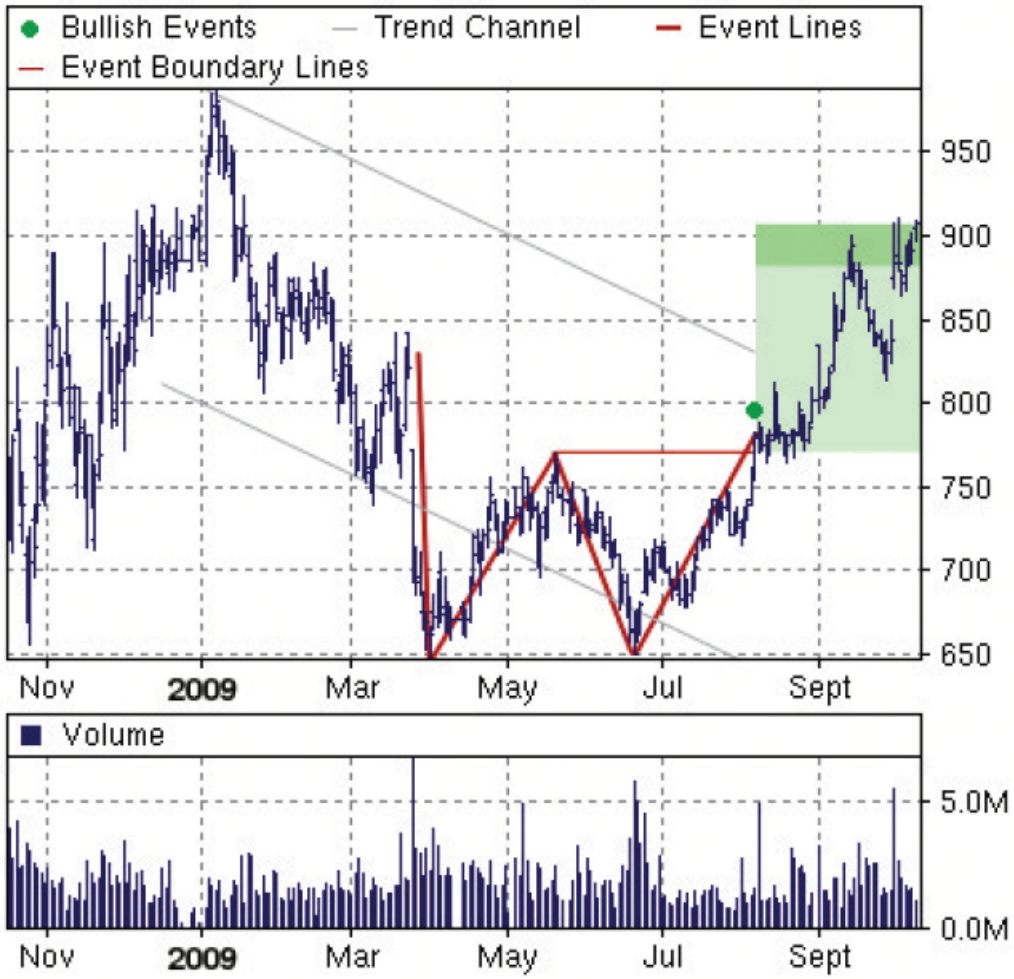
17
14
11
8
Pattern Duration
=
Trading Horizon
Volume
3m
1.5m

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

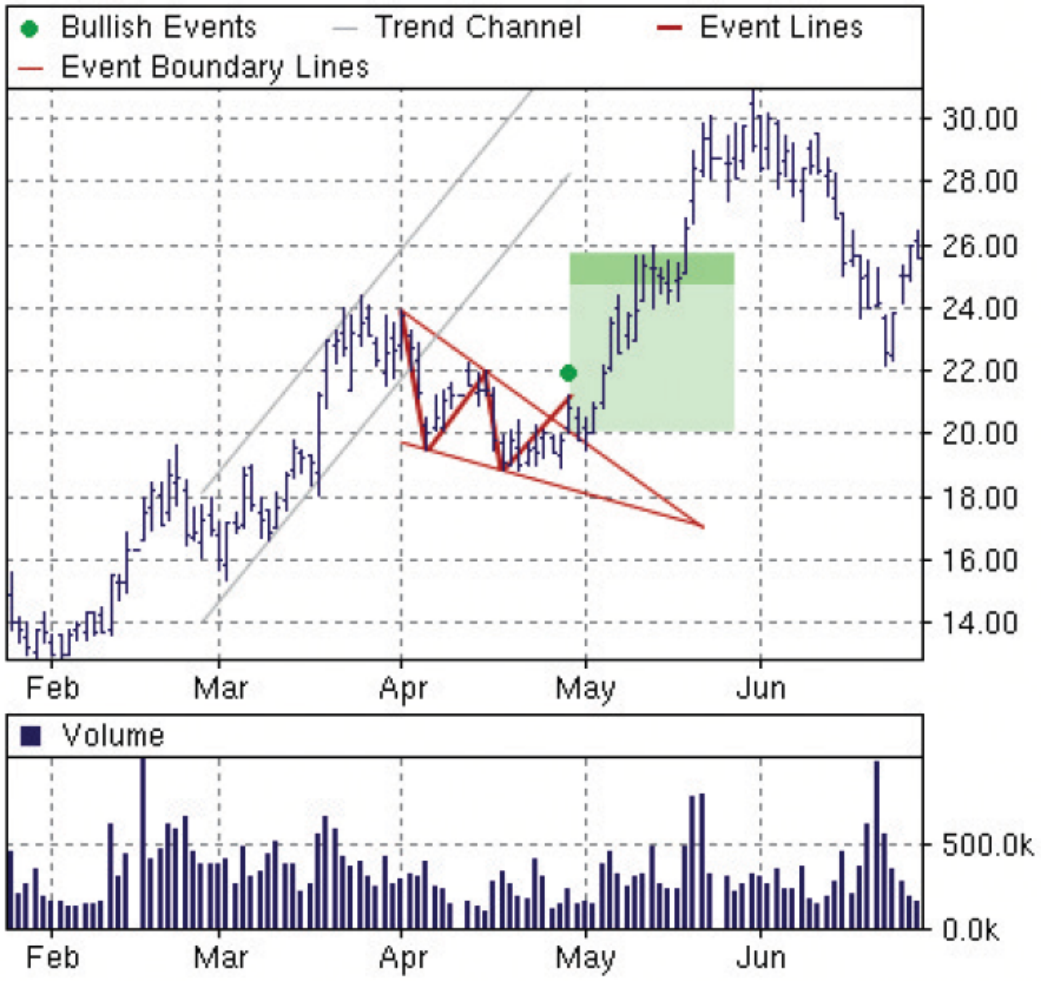


- *The Double Bottom pattern marks the reversal of a prior downtrend*
- *The price form two distinct lows are roughly the same level*
- *Price finally breaks upward above the highest high to confirm the bullish signal*
- *Bearish counterpart is the Double Top*

Triangles

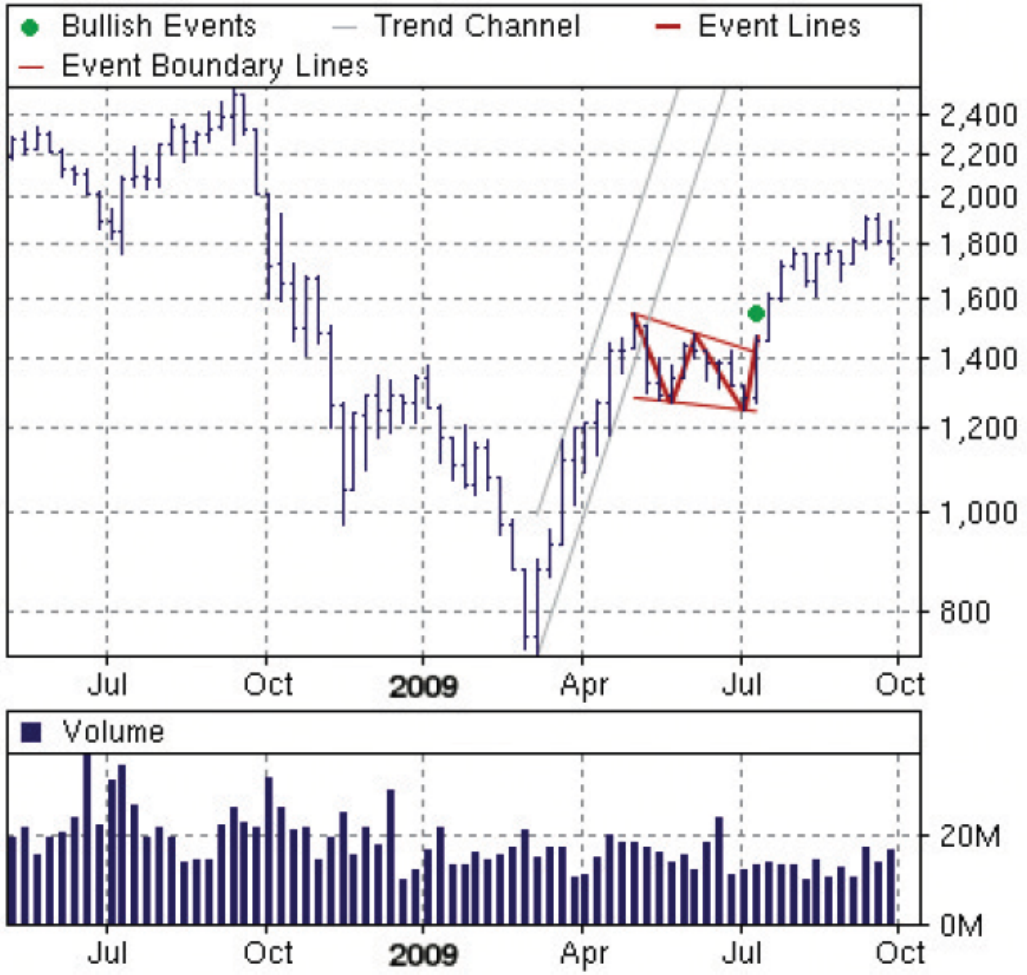
- *The bullish triangle is characterized by two converging trendlines as prices reach lower highs and higher lows*
- *At roughly 2/3 to 3/4 of the distance to the apex, the price breaks upward above the upper trendline with a noticeable increase in volume*
- *Types of triangles include: top triangles,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

Wedges



- *Wedges are continuation patterns*
- *A bullish Continuation Wedge consists of two converging trendlines (like a triangle) but the apex slants downward at an angle*
- *The bullish pattern is confirmed when the price breaks upward above the upper trendline*
- *Bearish counterpart is the bearish Continuation Wedge*

Flags and Pennants



- *A bullish flag pattern follows a steep rise in price (the flagpole) and is marked by two parallel trendlines around a period of consolidation*
- *Price breaks above the upper trendline marking a resumption of the bullish uptrend*
- *Pennants have converging rather than parallel trendlines during the consolidation period*

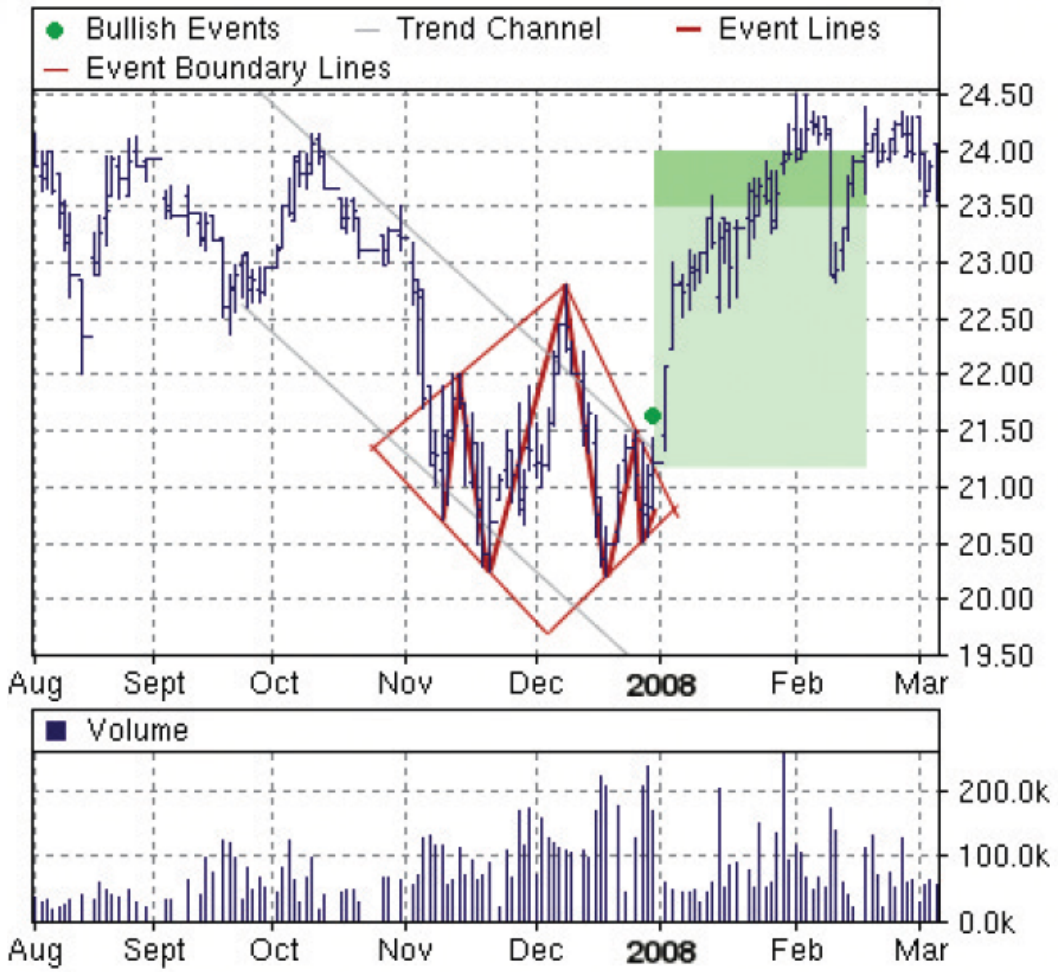
Upside / Downside Breakouts

- *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

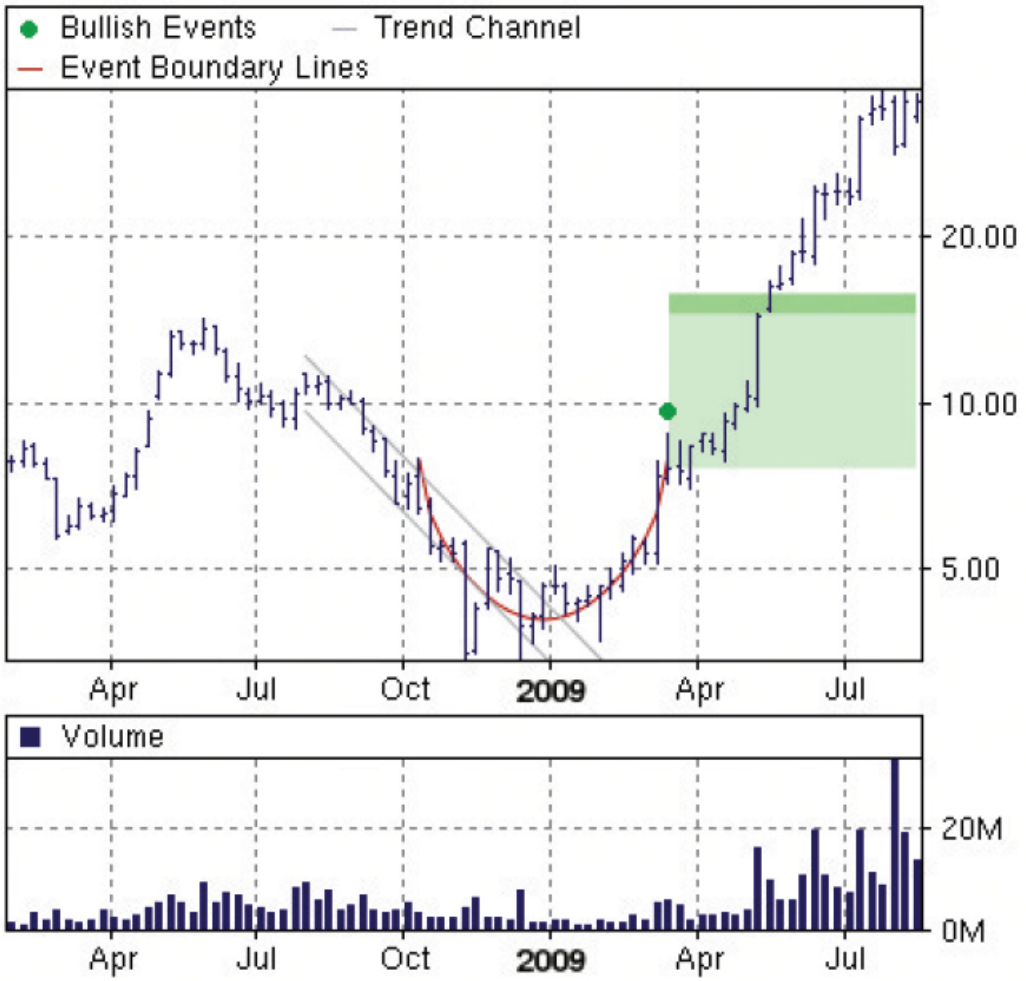
- *The rare Megaphone Bottom (a.k.a. Broadening Pattern) is characterized by its successively higher highs and lower lows which form after a downward move*
- *The bullish pattern is confirmed when the price breaks upward above the highest high and fails to fall below this level again*
- *The bearish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

Short-term Patterns

- Gap ups and downs
- Hammers
- Shooting stars
- Bullish engulfing line
- Bearish engulfing lines
- Gravestones
- Hanging man
- Inverted hammers
- Island bottoms
- Island tops
- Shooting star
- 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 breakouts
- Downside breakouts
- 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…

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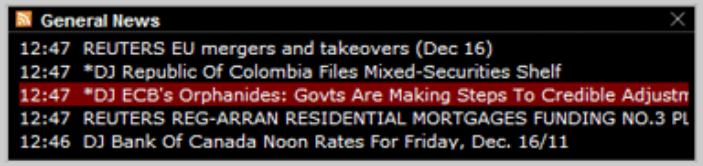
		Period	Consensus	Actual	Surprise
08:30	CPI Ex Food & Energy (M/M)	NOV	0.1%	0.2%	0.1%
08:30	CPI Ex Food & Energy (Y/Y)	NOV	2.1%	2.2%	0.1%
08:30	Consumer Price Index (M/M)	NOV	0.1%	0%	-0.1%
08:30	Consumer Price Index (Y/Y)	NOV	3.5%	3.4%	-0.1%

2. Dow Jones Trader News DOW JONES

3. Reuters Global Newswire THOMSON REUTERS



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- Financial Statements, Ratios, and Dividend Calendars
- Sell side analyst ratings summaries and financial forecasts
- Comparable company listings

Income Statement	Quarterly	2011-09-30	2011-06-30
Revenue		1,737.30	1,800.80
Other Revenue, Total		298.60	207.20
Total Revenue		**2,035.90**	**2,008.00**
Cost of Revenue, Total		1,458.80	1,392.80

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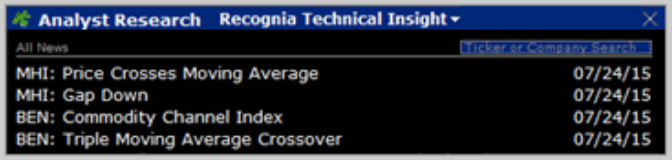

MHI: Price Crosses Moving Average	07/24/15
MHI: Gap Down	07/24/15
BEN: Commodity Channel Index	07/24/15
BEN: Triple Moving Average Crossover	07/24/15

recognia®

Live Demo

Q & A