fpmarkets

1. TECHNICAL ANALYSIS AN INTRODUCTION

Prepared by Gary Burton.

The Australian School of Technical Analysis.

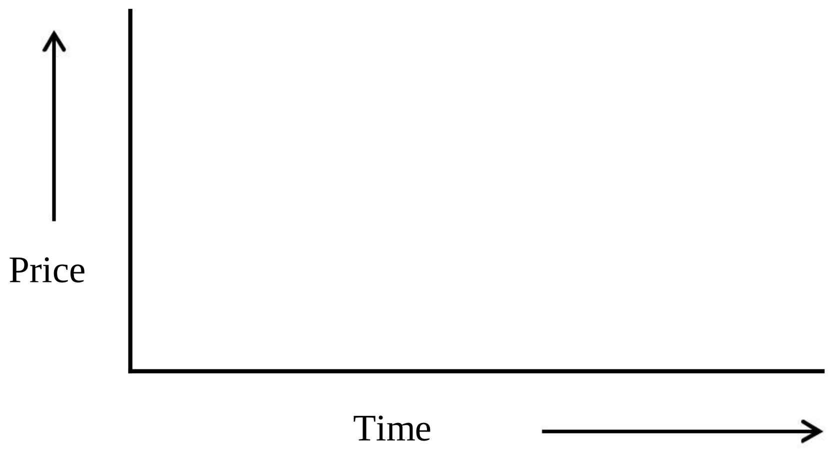
For those who choose to start in the right direction.

"Believe you can do it Believing something can be done puts your mind to work for you and helps find ways to do it"

Dow Theory

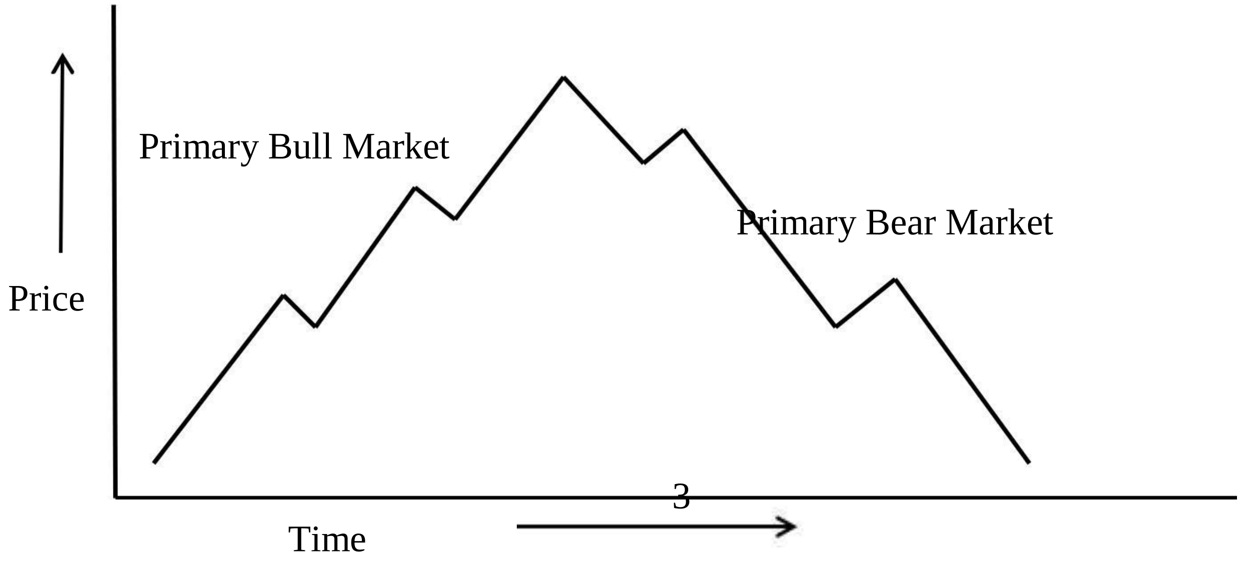
At the turn of the century Charles Dow the then Editor of the Wall Street Journal and the originator of the DOW Industrial average, with the help of William Hamilton devised the charting concept known as the stock market average.

With Price being a vertical Axis and Time being the horizontal axis.



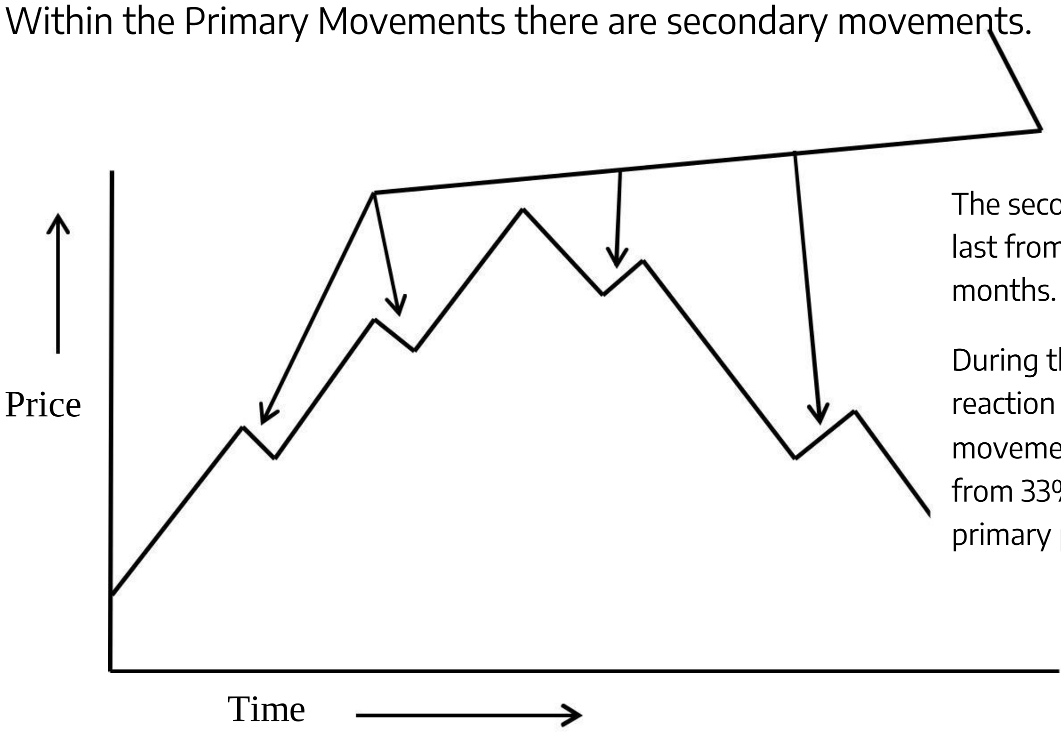
Dow put forward that -: Bull markets and bear markets run for 4 and 5 years at a time. It can be determined by the **relationship** of the averages to past data, where the current market is in the cycle.

This is the basic assumption of all Technical analysis.



Secondary reactions

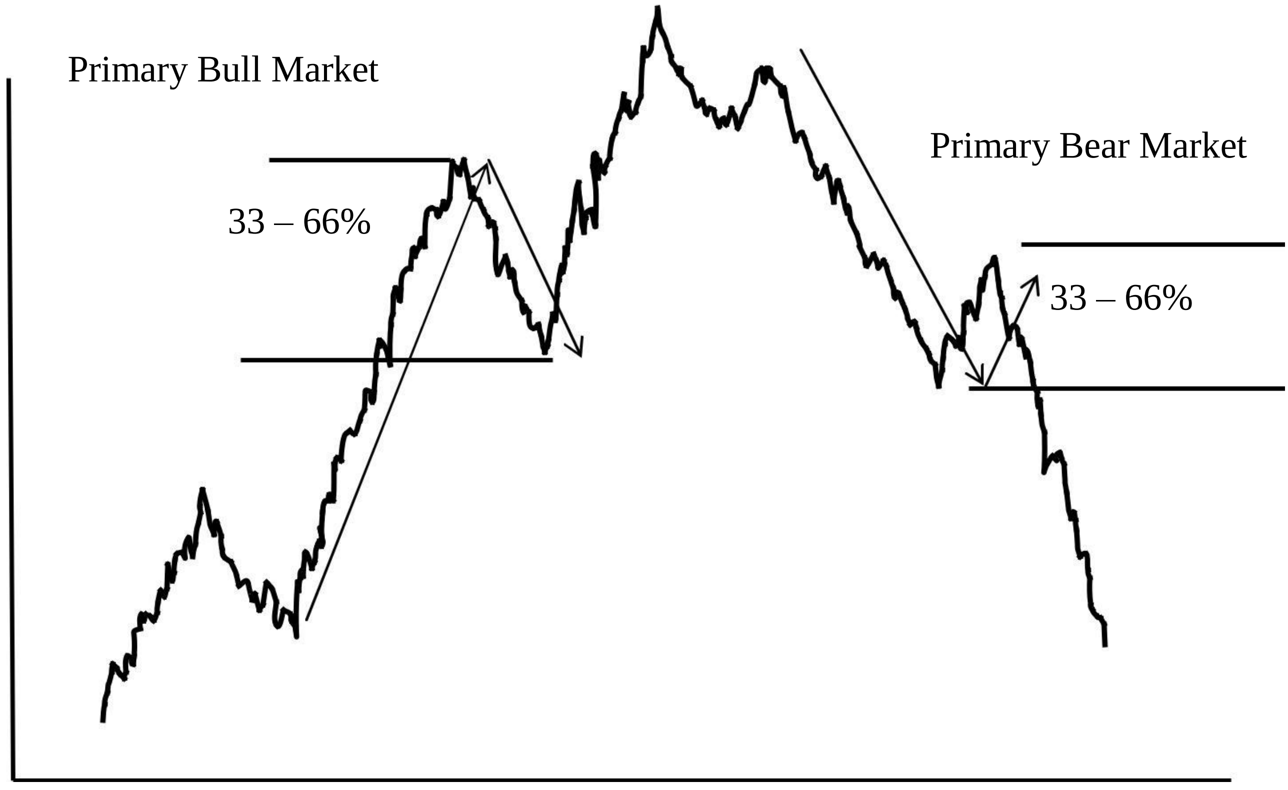
Within the Primary Movements there are secondary movements.



The secondary reaction may last from 3 weeks to many months.

During the secondary reaction the price movements generally retrace from 33% to 66% of the primary price movements.

Within these primary and secondary movements are the daily movements.



Principles of Dow and Trends.

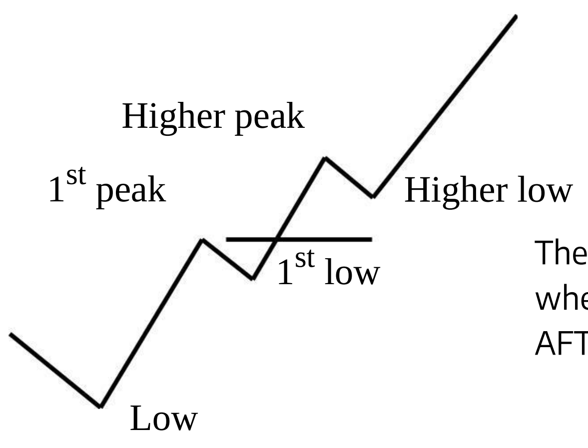
Technical analysis can now determine the mood of the market by way of a rising market or a falling market. This takes into account the business cycle, interest rates, commodity prices and the amount of participation in the market by way of volumes traded.
Also the news of the day.
We must remember price discounts everything!

We can view a rising market as buyers entering the market place.
Optimism abounds and buyers are willing to pay higher prices as the purchase of stock as it seems to be a sound investment. Profits are made so more buying proceeds.

A falling market being pushed down by sellers of the day. Or buyers not willing to participate in the market. Negative sentiment abounds, buyers not willing to risk the purchase of stock and sellers wanting to withdraw from the market and place cash into another area. Markets will generally fall faster than they rise as the emotion of fear grips the market.

A Rising market.

During the primary phase of the rising market new highs are made and higher lows are made with buyers not wanting to wait for lower prices.
A rising trend can be Identified by way of Higher highs and higher lows.(troughs)
Remembering this applies to both Primary and secondary markets.

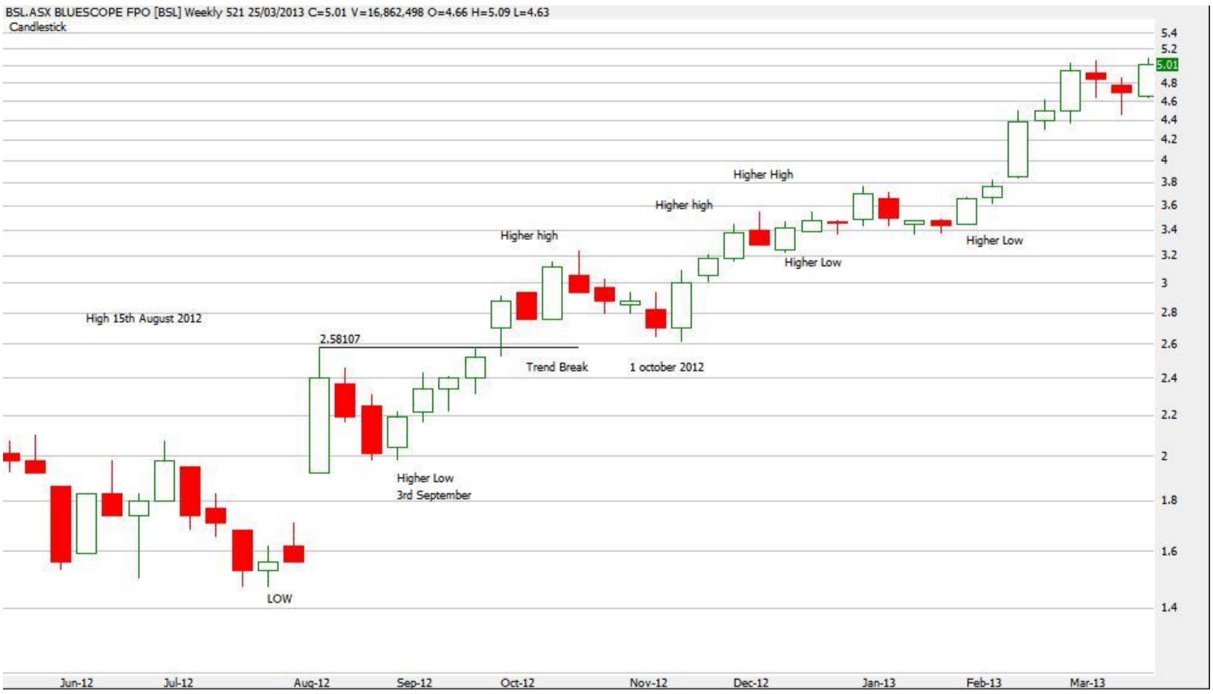


The start of an Uptrend is Identified when the price makes a new high AFTER making a higher low.

This example of a daily price UP trend shows a low on 15th August with a

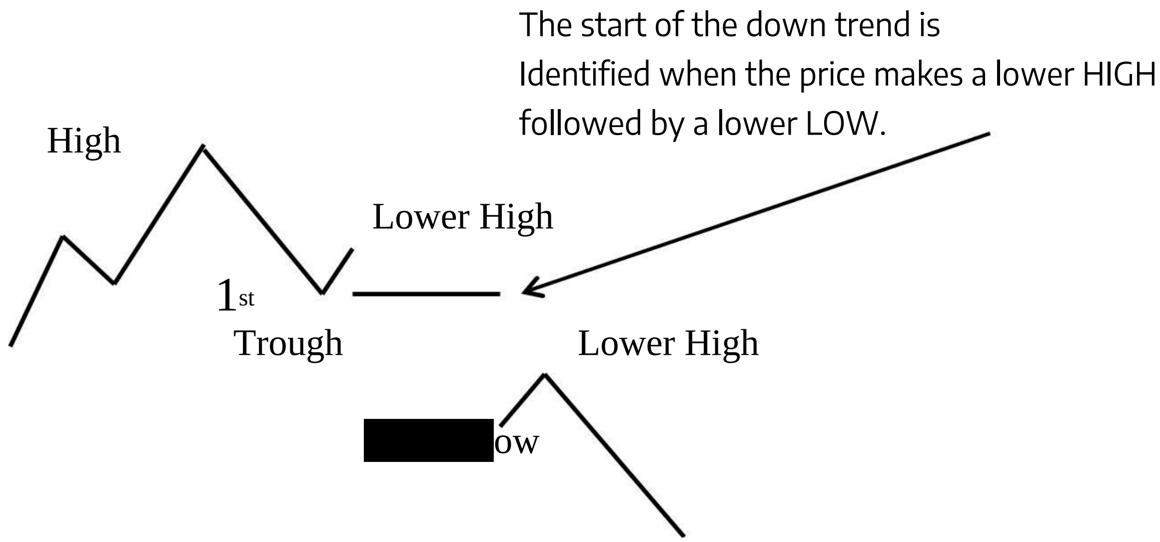
Higher low on 3rd September this would alert the buyer to a possible trend change, the confirmation came on the 1st October 2012.

The same chart seen in a weekly time frame.



Falling Markets

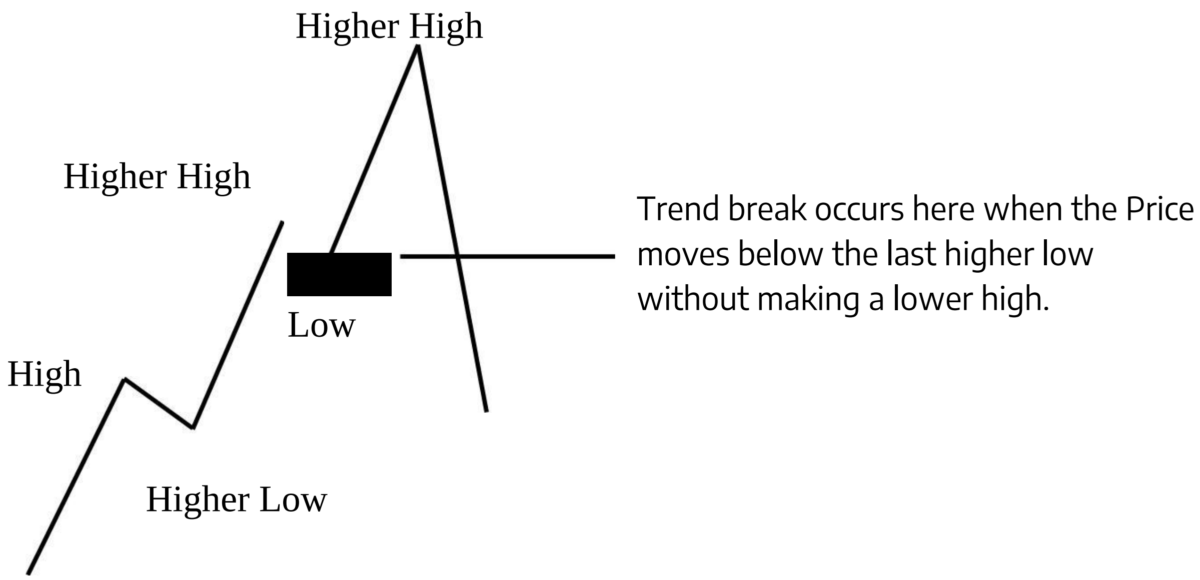
During the Primary phase of the falling market new lows are made and
Lower highs are made.
A falling trend can be identified by way of Lower highs and
lower Lows. (troughs)



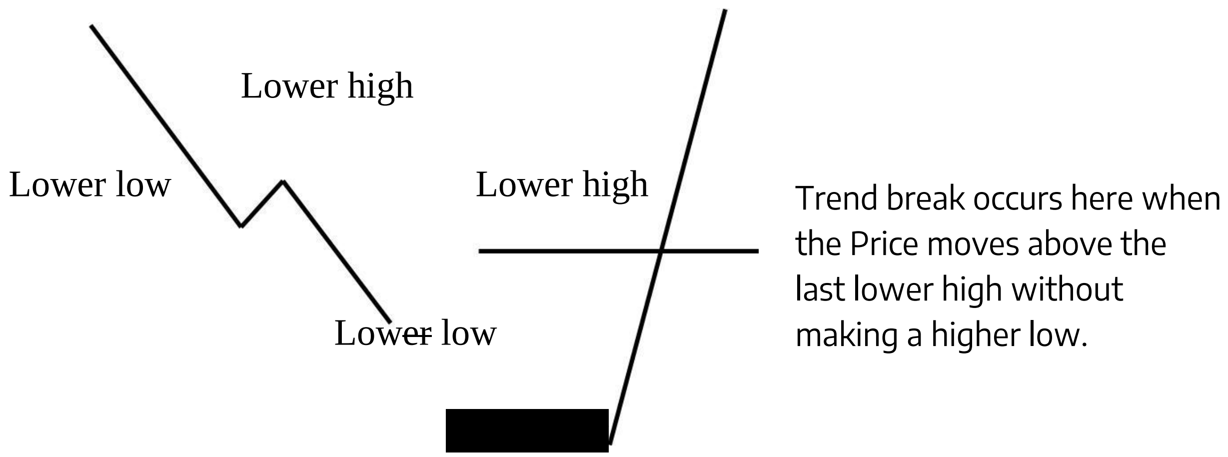
Falling Market

The large price correction.

It would be easy if the market continually followed an easily identifiable trend as set out in Dow Theory. But markets are subject to large corrections in price both on the down side and the up side.
An up trend exists because we identify a series of higher highs and higher lows, when the market breaks this configuration then it may be considered the trend has been broken.



And the same methodology applies to the down side when a large upside correction takes place we can consider the current trend has been broken.

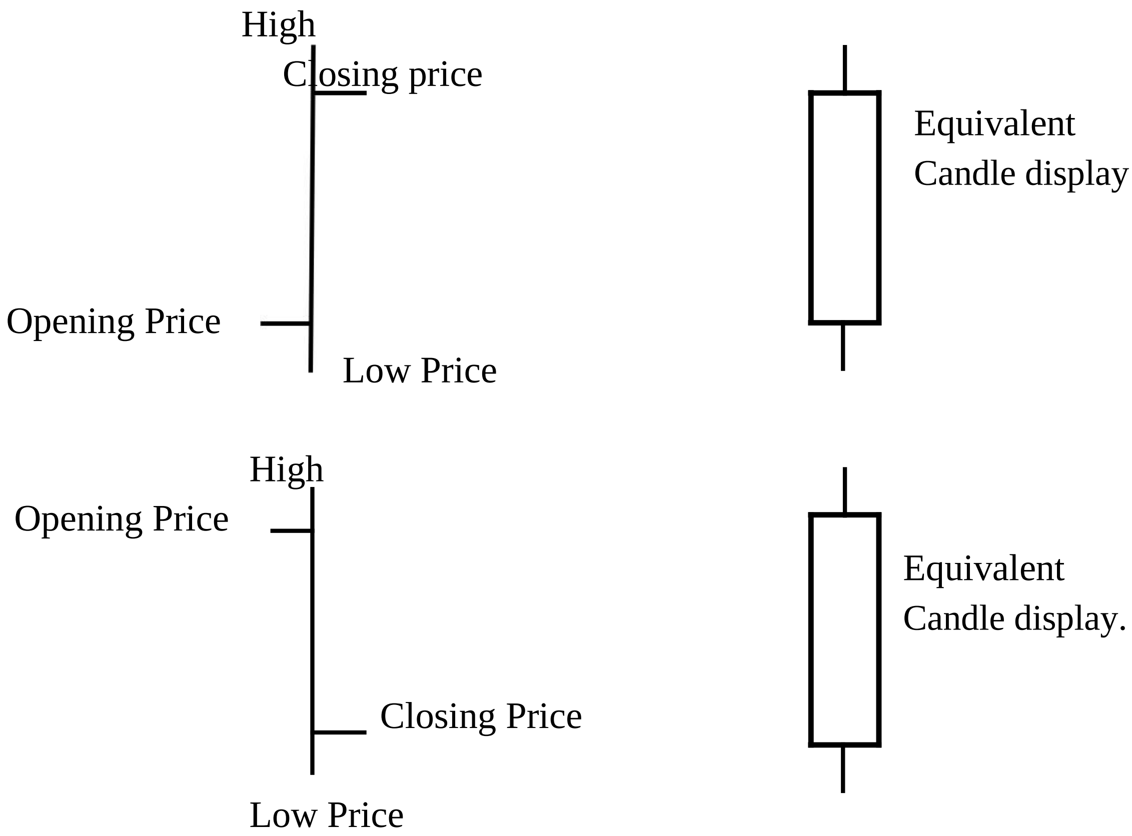


Charts

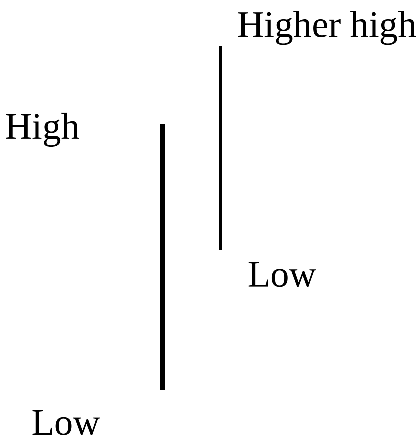
Now that we understand DOW Theory, this concept can be applied to different time frames.
Common time frames are the longer term Weekly and Daily movements. Whereas the longer term Investor may use a longer time frame the shorter term trader would be focused on the short term time frames.
Shorter time frames such as 3hour and 1 hour down to 10, 5, and 1 min charts can are often used.

How Prices are displayed in time.

Looking at the most common time frame, the daily price bar shows 4 pieces of information used to determine the power of the buyers or the power of the sellers. From this information over time we can see how trends unfold into larger time frames.

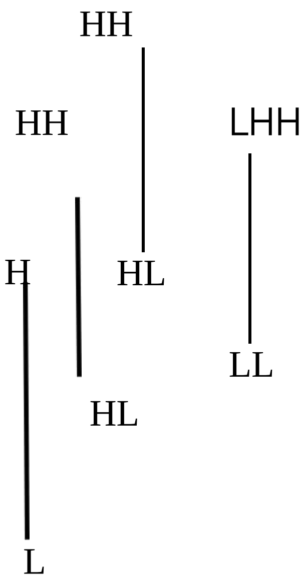


Building price movement shows the fight between the buyer and seller. Applying this methodology to daily price bars a succession of higher highs and higher lows will represent an uptrend controlled by the buyers.



A trend in place showing the buyers in control.

Going one step further we can then consider the ending of a trend based on the Dow theory method.

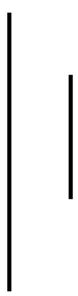


Here we can consider the up trend and has ended and changed to downtrend.

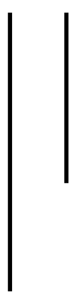
The last bar when referenced to the previous bar has a lower high and a lower low so setting a new trend. This shows the buyers have lost control.

What then of situations that don’t exactly fit the definition of a trend, here are some examples.

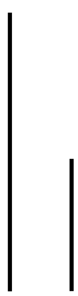
Inside Range

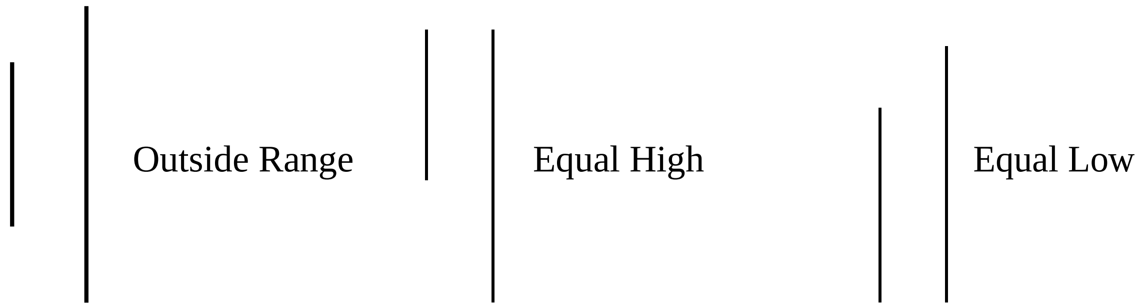


Equal High



Equal Low





This is an excellent example where technical analysis becomes subjective.
With many variations not fitting our model of Dow Theory.

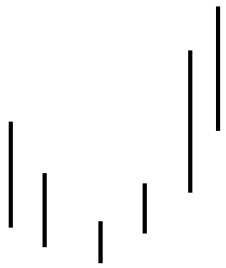
Many times these price configurations can lead of misleading signals and loss of potential profits.

Label the Trends
At the final bar is the trend UP or DOWN?

Price Range

As with the direction of the range of the price bar we are able to see a trend forming and reversing or not forming at all in the case of equal ranges. The range or size of the price bar can give much information about the commitment of the buyers and sellers.

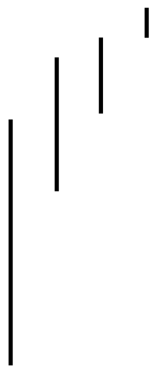
At the beginning of new trends price bars may be short when compared to the recent range of bars. This is the commitment of the buyers or sellers in the trend. At trend tops when the market has been in the control of the buyers bars may become shorter showing lack of commitment in the continuation of trend.
The range of the bar can show decision by traders or indecision about entering, when further comparison with volume analysis a picture of the market can be used for forming a view about the control between the buyers and sellers in the market.



First uptrend bar is short
leading to a break in the trend and continuation in a new direction.

Down trend bars becoming shorter

Further analysis with closing prices will also give the trader or investor information about potential strength of price movements as buyers and sell try to take control in the trend.



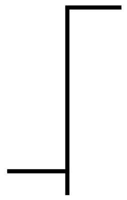
With this type range movement what could the next price move be?

Opening price and closing price.

Commitment of the buyers and sellers during trading sessions.
The range of the trading period also contains the opening and closing price.
It can be considered the closing price is the most important piece of information to view commitment of the buyers and sellers.
The longer term trader or investor would be more interested in the weekly or monthly bar or candle chart. With the short term trader using daily or intraday price bars at 5 minutes or 1 hour.

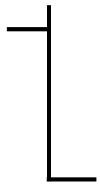
Closing price is compared with the range of the price bar for example if the close was at the top of the range this would indicate the buyers have control of the price. As with a closing price in the low part of the range would indicate the sellers have taken control during the trading period.

A high close compared to the range of the bar
Indicates the buyers have control of the price.



Open

Open

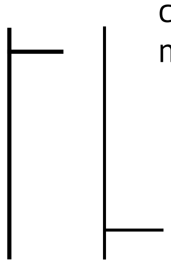


A closing price at the
low part of the range
shows the sellers have control.

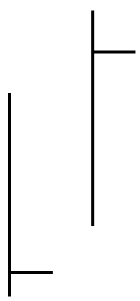
Putting it together

The effective use of technical analysis is to define the market by way of the buyers and sellers forming trends in different time frames.
It can be said when the days close is higher than the day before the buyers have won control.
When the days close is lower than the day before the sellers have won control. However this comparison cannot be taken as the sole reason for making a trading decision, but serves to alert the trader or Investor of the ebb and flow of the price movements in the market.

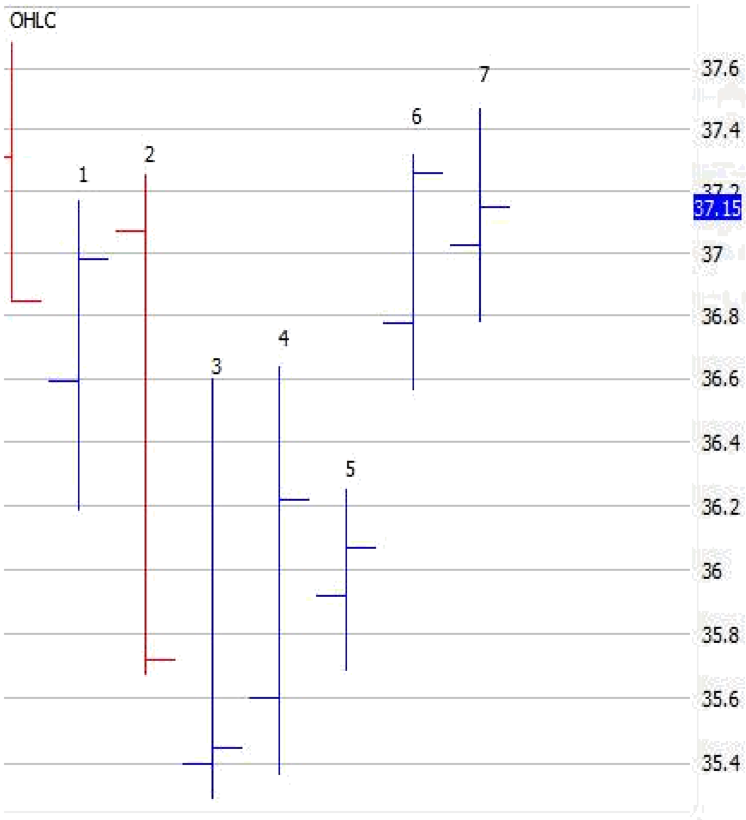
Further Examples.



Seller have won
control over the price
movement.



Buyers have won
control from the
sellers.



Price commentary

1. Buyers in control
2. Buyers open the session but the sellers take control.
3. During the session buyers had control, with sellers taking the price down to the close.
4. Buyers in control.
5. Indecision, inside period.
6. Buyers opening the session strongly and keeping the price high.
7. Sellers opening the session with indecision as buyers close above the open but below the previous close.

s

In this type of commentry it is importnt to introduce the observation of INSIDE periods and OUTSIDE periods

Line 2 is an Outside period bing a greater range than the previous range.

Candle stick methodology refers to this as Engulfing.

Line 5 is an Inside period being inside the previous range.

Candle stick methodology refers to this as Harami.

Price Patter ns

Trend Lines

Continuation patterns

Reversal patterns

Price projection

Pat'tern n.

A composite of traits or features characteristic of an individual or a group:
One's pattern of behaviour

Prepared by Gary Burton

Drawing Trend Lines

Trend lines are drawn from the end of a range not the closing price.

Trend lines, when extended backwards NEVER cut through price action.

This means the first trend line is drawn from the lowest low or the highest high.

When a trend line is broken it is no longer of use on the chart.

These Trend lines are no longer of use.

Trend lines start from the lowest low or the highest high, the second connector point makes the line “tentative” the third touch is confirmation of the line.

Lines drawn around patterns are not trend lines.
Trend lines are drawn across all time frames.

Price patterns

Price patterns are formations price action that can be used to make decision about future probabilities of price movement.
Price patterns can be a window to market sentiment.
Patterns can be subjective and the trader and investor is reminded to follow the price action.
Patterns do not always work!

When patterns develop that are not ideal we should be on guard the we are not unconsciously finding the chart we want to see.

Price may react within a trend at whole number values, for example a stock may trend to a round number of price say $10 which may be a psychological barrier for traders or investors. These barriers may also work in reverse in that the price may be supported at a certain price level.

Trends do not occur all of the time it would be simplistic and unrealistic to consider a stock may continually trend because of the market dynamics themselves.
It can be said the market is always trying to find equilibrium or the true value, by trending ain a direction only to stop trending for a period of time and then resume trend in the continuation or reverse direction.

The time of price action "rest" is where price patterns are formed and can give the trader or investor a valuable insight into the market forces behind the stock. The trading contained in this area can also be referred to as a trading range.

The first requirement for a pattern is that the price must be trending either up or down.

Support and Resistance.

Support and resistance is the most important aspect of Technical analysis this is where patterns develop.

Resistance is broken FEB 14

Resistance during Mach 14 shows Support over April May and June

Current resistance is shown.

When considering "risk" the current price action clearly shows a retest of the support level could occur.

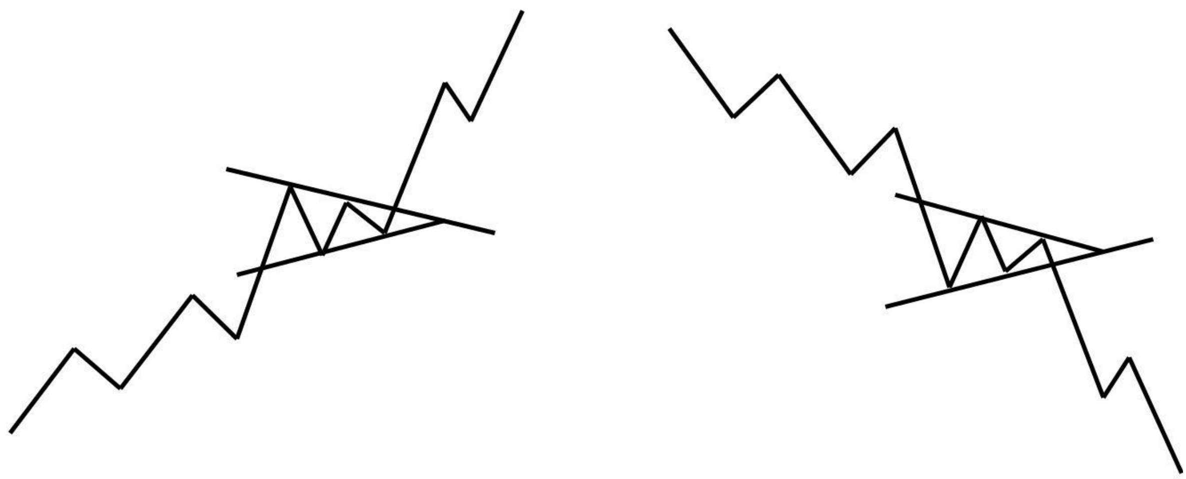
Types of patterns

Patterns can be placed into 2 categories.   Continuation and Reversal.

Continuation patterns.

A trading range that follows a trending move is a continuation pattern if the price break out in the same direction as the trend.

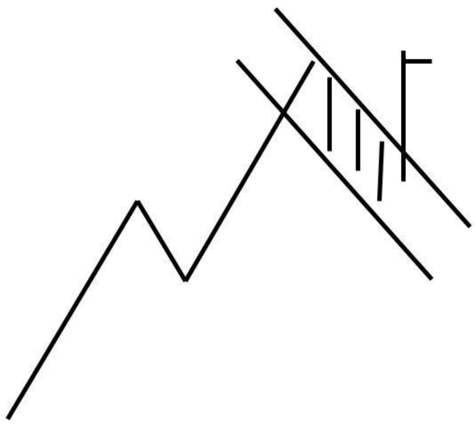
Continuation pattern can form very quickly and be in a relatively small price range.



This example of a continuation pattern, note the volume decrease as the price consolidates, with a volume increase on the continuation of the trend.

Continuation patterns.

Bullish and bearish flag formations form during strong up trend and strong down trends.
During a strong uptrend the price give way to a price decline into a parallel formation where a line can be drawn across the tops and across the lows. The bullish flag will slope downwards against the broader price movement or trend. The flag is completed when the price breaks and closes above the top of the down sloping line.A basic characteristic is that the price “overlaps” each trading session before the final breakout.



This example shows the bullish flag formation with overlapping price movements with the breakout in the direction of the trend.

This indicates the buyers have entered the market again.

Notice the volume increase with the price breakout.

Bearish Flag.

During a down trend the price consolidates into a parallel formation where a line can be drawn across the lows and across the highs this is where the trading periods overlap the previous trading period, showing a lack of conviction to the price moves as this occurs in an established trend it is considered a continuation pattern when the price continues its tending move with a break down on increased volume.
This bearish pattern will slope upwards against the established trend.

Continuation Pattern Ascending and descending triangle.

Ascending and descending price patterns show an area of support or resistance these patterns take longer than the pennant or flag pattern to form.
The ascending and descending pattern can take many weeks to unfold when viewed in the primary market. Intraday patterns are as valid in the defined timeframe.

The ascending pattern has a price level that acts as resistance with the price forming a series of higher lows under the resistance until the breakout.

Descending Triangle

The descending patterns show up as being continuation patterns with in an up trend. It is often said that from consolidation comes a trend a it is the only logical that only a trend can occur after a period of no trend...
Periods of consolidation can come from periods of time where the traders or investor is waiting for news or a report to be released, relating to the stock in question or traders are just taking a rest to confirm the price move.
The resulting break in price can be quite dramatic and the opening price can stir traders or investors from the sidelines into action. Confirmation of this type of move is by volume analysis.

Descending Triangle.

Descending triangles can show buyers unwilling to bid he price higher whilst believing the stock has support. At times the traders or investor would wait for the break out to determine the new or continuing trend. The lower tops show sellers entering the market earlier after each push by the buyers.

Reversal Patterns   **Head and Shoulder Bearish**

Reversal patterns are trading ranges that breakout in the opposite direction to the prevailing trend. These patterns can take many weeks to unfold and show the buyers unable to take the price higher with sellers taking control of the price direction.

The Dow theory trend methods hold true and while these patterns take many weeks to unfold news of the day both economic and individual company announcements can often change the sentiment towards the market.

The head and shoulder pattern is a classic Dow theory reversal by way of trend analysis.

Fig 1

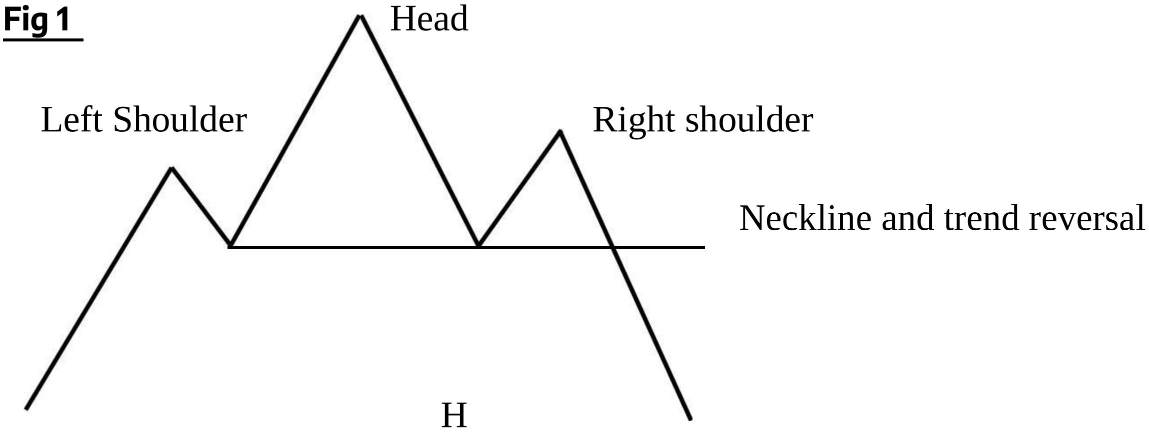


Fig 2

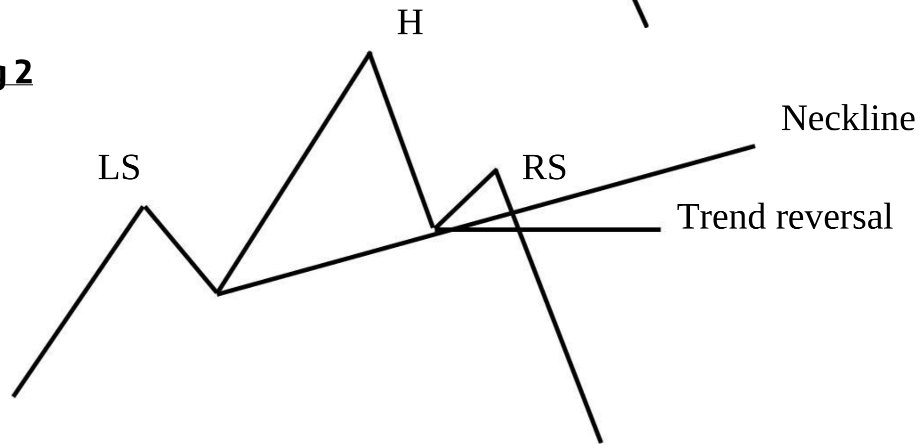
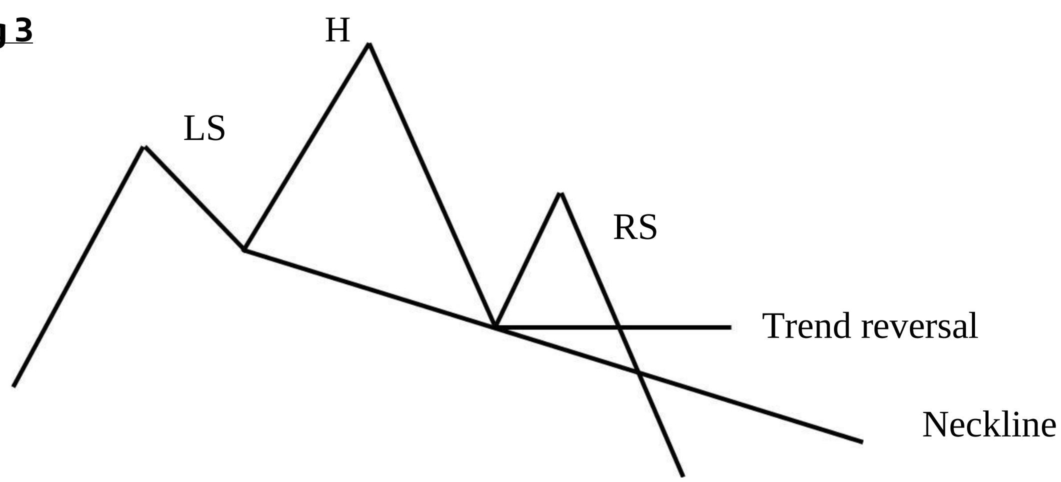


Fig 3



Head and shoulder pattern

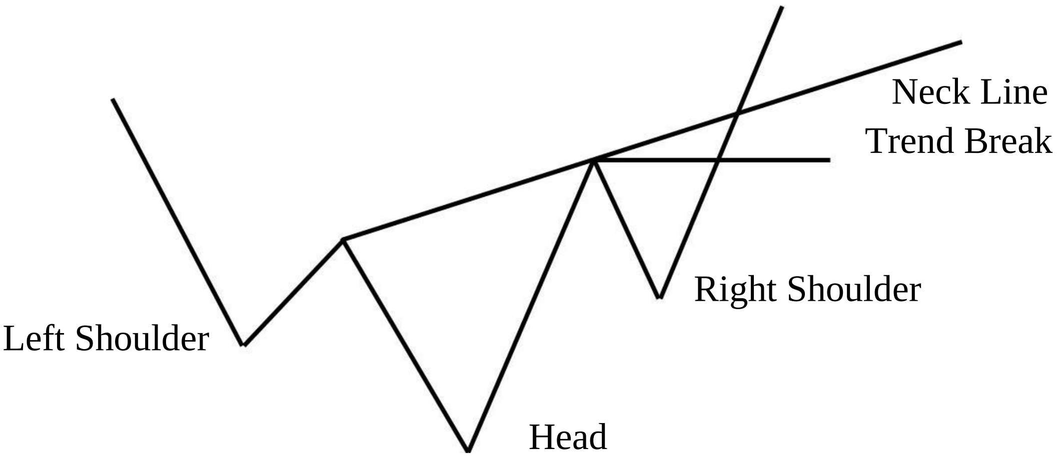
Each of the 3 very different head and shoulder patterns shown previously display a clear trend break at the right shoulder completion.
This type of price pattern is often found at major turning points that are based economic news or resistance points.

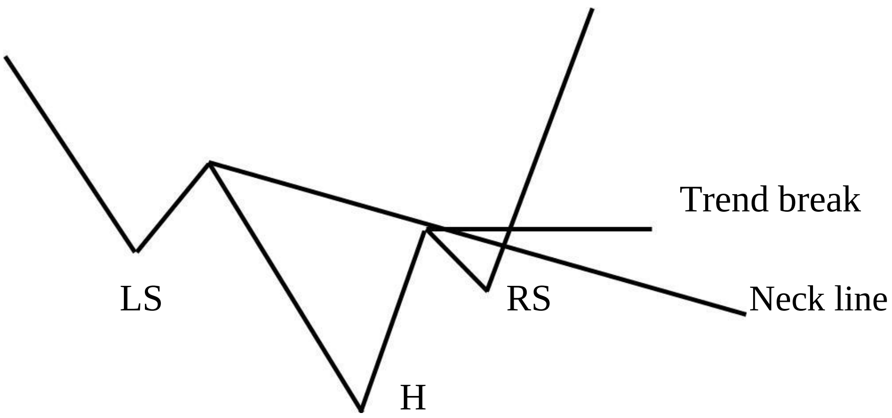
Fig 2. Where the pattern is sloping upward with a higher right shoulder the market may considered quite strong with buyers will to enter earlier believing the current trend to be in place. This type of price pattern can be prone to failure with the resumption of the primary trend.

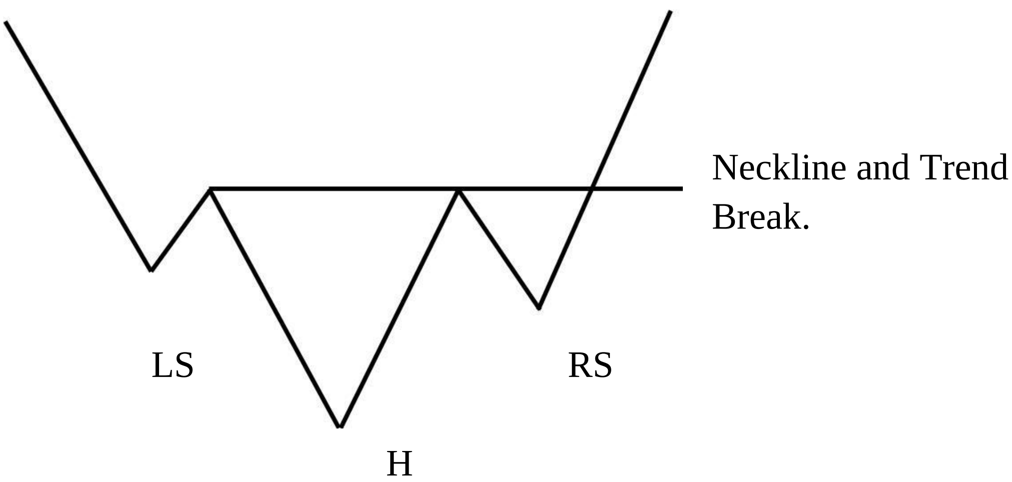
Fig 3. The head and shoulder pattern with the lower right shoulder the trend has been broken much later giving weight to a new trend in place.
Head and shoulder patterns can take many weeks to unfold and complete. Confirmation is the lower low in the right shoulder, often a retest of the neckline will occur, volume study should be considered giving weight to the forces of the buyers and sellers.

Head and Shoulder Bullish

The inverse head and shoulder pattern is shown as the opposite formation to the head and shoulders. It is a common reversal pattern at the end of a down trend. The right side of the pattern being a classic Dow theory Trend change of trend confirmation. Volume study should be used to give weight to the completion of the pattern.







Head and shoulder Bullish

This example shows the prevailing down trend in place, during the left shoulder formation volume falls away into the completion of the shoulder the following volume increase would alert the trader and investor to the continuing down trend. With the volume being lower in the Right shoulder forming a higher low showing the sellers exhausted a break of the neckline on increased volume shows the buyers in control and a change of trend.

Reversal patterns   Double Top and Double Bottom

Double bottom and double tops also form at the end of a trend where prices may go into a trading range identified by equal price peaks or equal price bottoms While no price pattern should be acted upon before it completes the double top and double bottom can be quite deceptive as there patterns can go on to form trading ranges in the form of sideways channels or triple tops and triple bottoms. With all of the pattern the Technical analyst is focused on the battle between the buyers and sellers and how trend begin and end.

INDICATORS

Moving averages
RSI - Momentum
Stochastic
Bollinger Bands

The last thing you want is Indicators that behave like Sycophants, flattering you by confirming your opinion, telling you what you already know, or worse what you wish to hear. The time that this trap most often bites is when the user looks through a number of indicators until one is found that confirms the analysis.
John Bollinger

Sycophant n.
A servile self seeker who attempts to win favour by flattering influential people.

Prepared by Gary Burton

Introduction to indicators

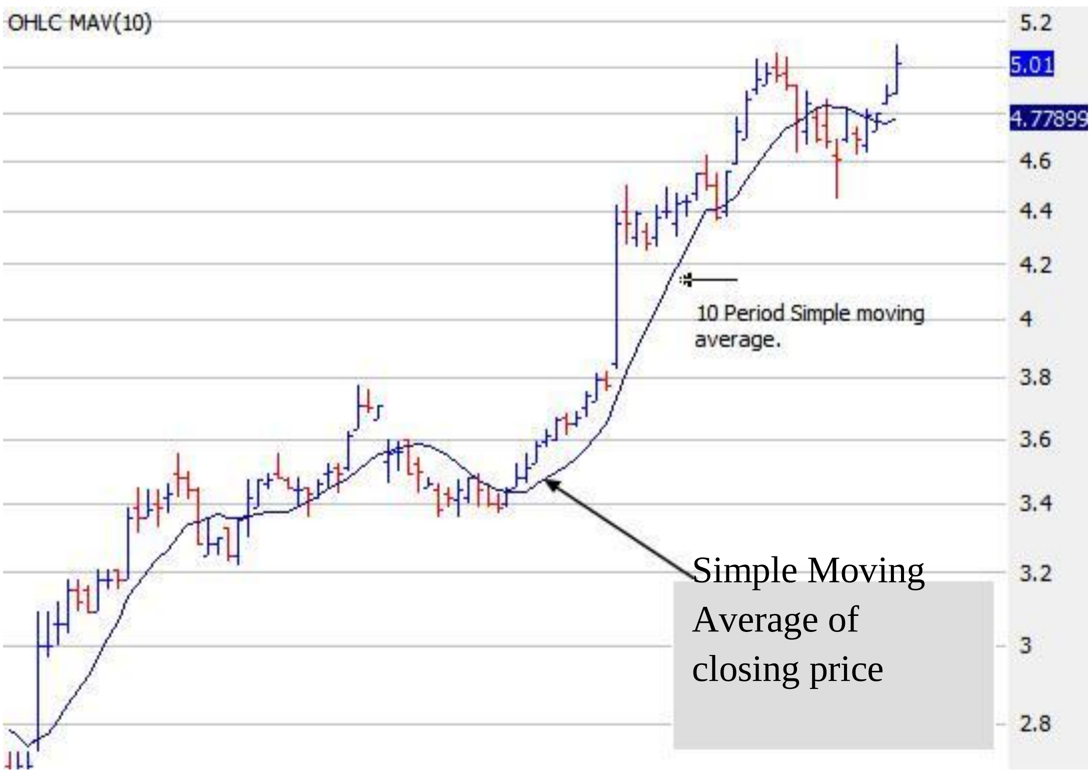
The measure of the closing price over a period of time past.
Averages belong to a group of indicators called trend following indicators. The second group of indicators called momentum indicators will be discussed later.

The moving average can be used as a trend following tool much like a trend line except the average reacts to price of the underlying instrument or Index.
Most charting programs use the closing price as the default value for calculating the value of the average.
Because most charting is done with the use of a computer the average values are very easy to see on a chart.

The concept of an average is to “smooth” the price action into a line.

There are 3 types of moving average.

1. Simple moving average
2. Exponential moving average
3. Weighted moving average.



The chart above shows a “simple” moving average over the price data.

This moving average can be used as a trend indicator as we have used trend lines and our Dow theory of higher highs and higher lows for an up trend and lower highs and lower lows for a down trend.

Calculation of a simple moving average.

For Example.. Logically.. To calculate a 5 day simple moving average value at least 5 days of data are required.

Closing price data =

Closing price

$8.56

$8.50

$8.41

$8.32

$8.35

$42.14 / 5 = $8.43 as our moving average value.

To calculate further the last value ($8.56) is dropped off the calculation and the new data is added to the base of the calculation.

This moving average calculation can be used on monthly, weekly, daily or intra-day charting.

The Weighted moving average takes the closing price of a stock and weights it against the index covering that particular stock.

Manual calculations are complicated. So it best left to the computer.

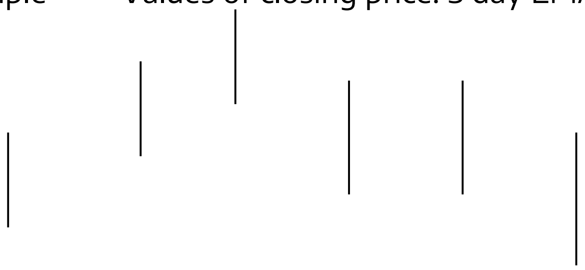
The best time to invest is when it is extremely difficult to summon up the courage to do so." - Jim Slater

Expodential moving average

An Expodential moving average calculates the average value by using different % values for each piece of closing price data.

This average will be more responsive to price changes and will actually change its past position on the chart as each week or day or minute passes. The calculations can be difficult and time consuming and best left to the charting package being used.

Example   Values of closing price. 5 day EMA



0%   10%   15%

20%   25%   30%

Using moving averages as a trading tool.

A common trading tool using moving averages is a price cross over. Some experimentation will be required to find what period is best suited to each stock. This type of trading will require some refinement to suit the traders risk profile.

Moving average

The above method can be difficult to trade when the market is undecided about its direction leading to losses as the price crosses back and forth over the average with the addition of high brokerage costs.

With further refinement the moving average method can be used to "filter" out market noise. And some experimentation is required for the traders style and risk profile.

This chart shows the closing price of the stock as a line with a 9 day simple moving average and a 20 day simple moving average.

It is clear to trade on a 9 day average would give many false trading signals. Where the 20 day simple moving average would give more stable entry and exit signals.

The period marked would have given unstable signals on both averages

What position would the trader hold at the right side of this chart? ______________

Oscillators

Oscillators are a group of indicators that use a zero reference point. They are constructed so that they swing back and forth within set boundaries, with this type of display it becomes easy to see extremes in value and divergence.

Oscillators have more use in trading ranges than trends.

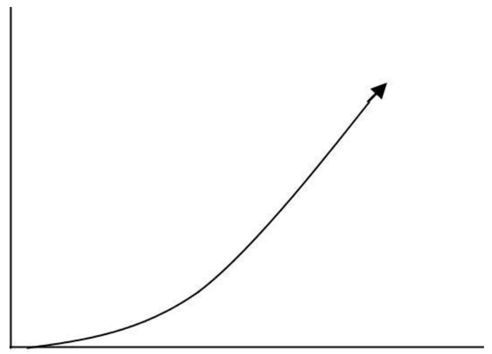
As prices rise the oscillator will rise and fall emphasising changes in the speed at which the price is changing.

Oscillators include :- Relative Strength Index RSI , Stochastic cstat , Moving Average Convergence Divergence MACD. Relative strength. J Welles Wilder.
Complex to calculate but easy to read!
Relative strength can also be regarded as a Momentum indicator.
The relative strength is a measurement of the internal strength of a stock and is plotted on a graph from 1-100.
There are 2 values to use.
A plot below 30 would be considered “over sold” and a plot over 70 is considered “over brought”.
The value to use with the RSI depends on the traders outlook but 7 or 14 period is the most common.
Divergence is where price makes a higher high but the indicator makes a lower high.
This chart of the Index shows 3 “oversold” periods and 2 periods of Bearish “divergence”. Resulting is a price correction. Please label the second period.

Momentum.

Momentum measures the “Rate of change” over time.

Price



Time

Up move

Momentum equals to-days price minus the price N periods ago = momentum

N= the period selected.

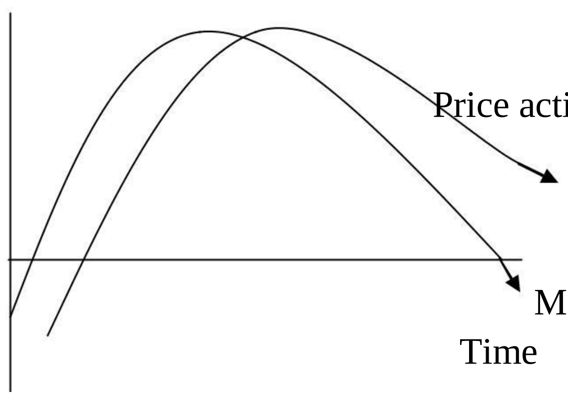
For Example if to-days price is 50 cents and yesterdays price was 45

cents then the Momentum is 5 cents per day.

Momentum is considered a “leading” indicator of price action because it can indicate a slowing of price action.

** Similar to a car turning a corner it must first slow down, so by observing when a car slows it could be considered to be getting ready to turn a corner. **

Price



Momentum.

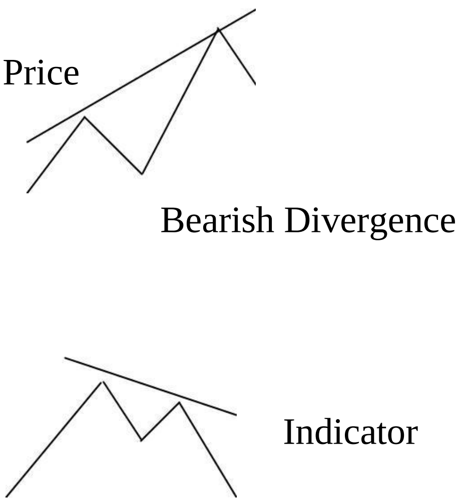
It must be stressed that Indicators should not be used solely for trading decisions. But rather as an additional piece of information to back up price action.Divergence where price makes a higher high but the indicator makes a lower high.

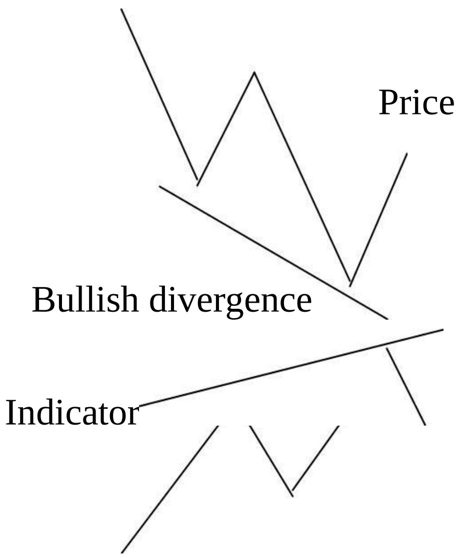
A Short note on Divergence.

Divergence is a very strong indicator of market sentiment.

Divergence is classified as bullish and bearish.

Bullish divergence although converging is still called divergence!





Stochastic or Cstat. George Lane

The Stochastic uses 2 lines % K and % D .

This Indicator measures the percentage change of the closing price in relation to a smoothed % K line.

%K = (Current Close - Lowest Low)/(Highest High - Lowest Low) * 100 %D = 3-day SMA of %K

Both lines oscillate between 0 – 100 with the % D line being the more important of the two by providing the trading signal.

The Cstat uses a line at 20 to indicate oversold and a line at 80 to indicate over brought.

Divergences are considered to be an important tool for future price action.

A trading signal is generated when the K line crosses the slower D line.

What type of divergence is showing on this chart? ____________________

Bollinger Bands.

Bollinger Bands measure price volatility (price movements in time) about a central measure.

Bollinger Bands central measure is a simple moving average with a band of volatility being plotted each side of the average as a standard deviation. Remembering the simple moving average is calculated from the closing price

** Chaikins Volatility is the calculation of an exponential moving average of the difference between the daily high and low prices, the volatility calculation takes the percentage change in a given time period.

(Marc Chaikins volatility is calculated over 10 days.)

Bollinger suggested a standard deviation from the average of 2 (20 days)

With further squaring of the deviation, the values become magnified and the bands grow wider on high volatility and squeeze in on the price data on low volatility.

For the mathematicians....

X= data point U = the average

N = number of data points.

$$\sigma = \sqrt{\frac{\sum (X - U)^2}{N}}$$

For technical trading purposes we will look at several setups provided by the Bollinger Bands and related price action within the band.

The most common use of Bollinger Bands for the trader is relativity of price to the band by way of simple observation.

Should the price action be consolidating into a trading range we would expect the bands to close in as a sign of volatility dropping.

When this is observed the trader may take a sideline view or position on the stock awaiting for the price to break out. **One market truism is that low volatility begets high volatility and high volatility begets low volatility.**

Low volatility = Narrow bands = The squeeze

From this 20 period Bollinger squeeze a break out to the upsideoccurred

From the squeeze high volatility occurs and the bands open out as a result of the fast price movement in time. **

From the initial break out a piercing of the band may occur this would be considered very bullish and would be an opportune time to set a position in the direction of the break out.

As the function of the band is to measure volatility then high volatility begets low volatility an end to the price break out can be observed by the turning of the opposite band back towards the price action.

**Volatility

High Volatility = Widening bands = The break out.

As we have observed Technical analysis can be subjective, this is an excellent example of a false break (fake out) before the real trend is set in place.

This example shows the break out but <u>not</u> confirmed by a rise in volume alerting the trader to a possible false break. The next days trading would have confirmed indecision with an open price gapping down and the open close being almost equal on high volume.

* (As always a proper stop loss should be used.)

More on Bollinger Bands

When to close....on extreme price action.

As with low volatility leading to the price break and subsequent new trend, the Bollinger bands can be used to indicate when to open or close a position back with the underlying trend.

As trends do end most times with euphoric gaps or long range days on both the upside and down side, it has been observed that when a price opens and closes outside the band the trend will reverse almost immediately. These opportunities can be confirmed with the use of another type of indicator or with volume confirmations. Reference Bollinger on Bollinger bands

Stop Loss

Elasticity by Ivan Krastens

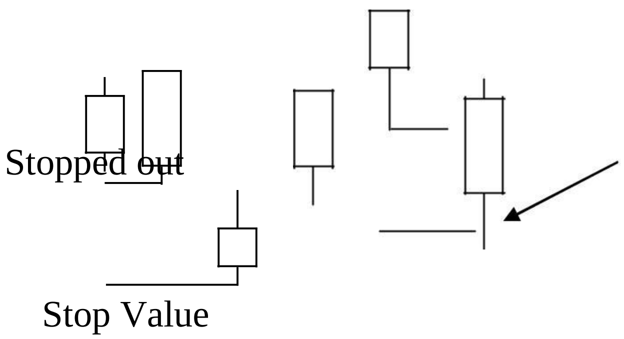
Stop loss is where the trader acknowledges his/her trading decision is incorrect, because the market has moved on and is showing NEW information. This is the time when conserving the trading capital becomes more important than being “right”.

Remember!!

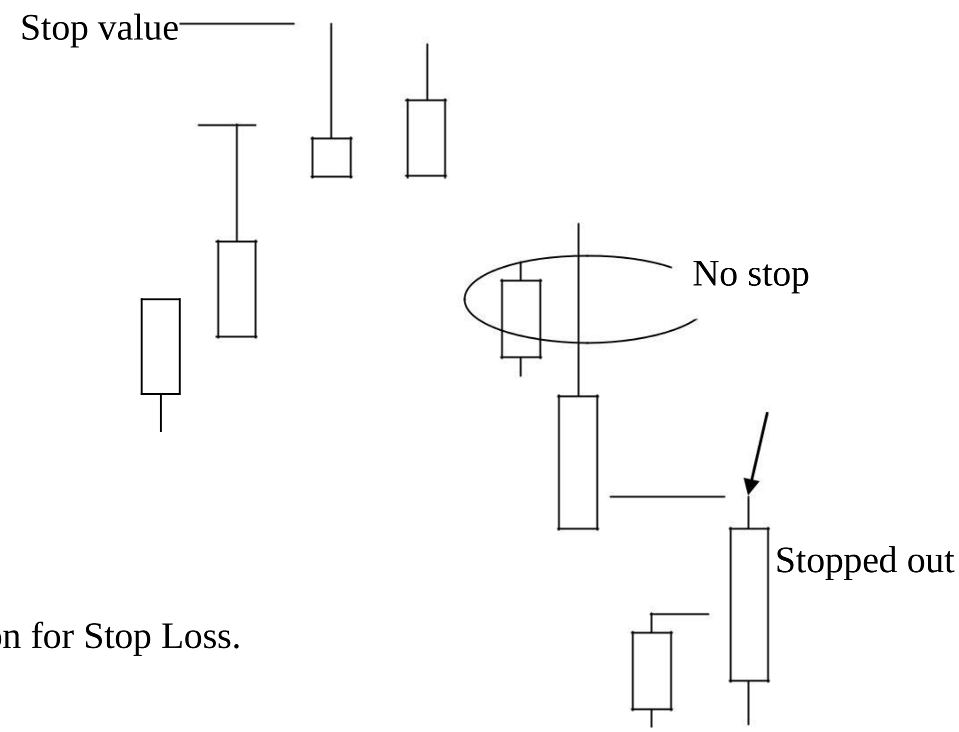
Traders go broke being “right”.

What value is it to be “right” when our intention is to have winning trades.

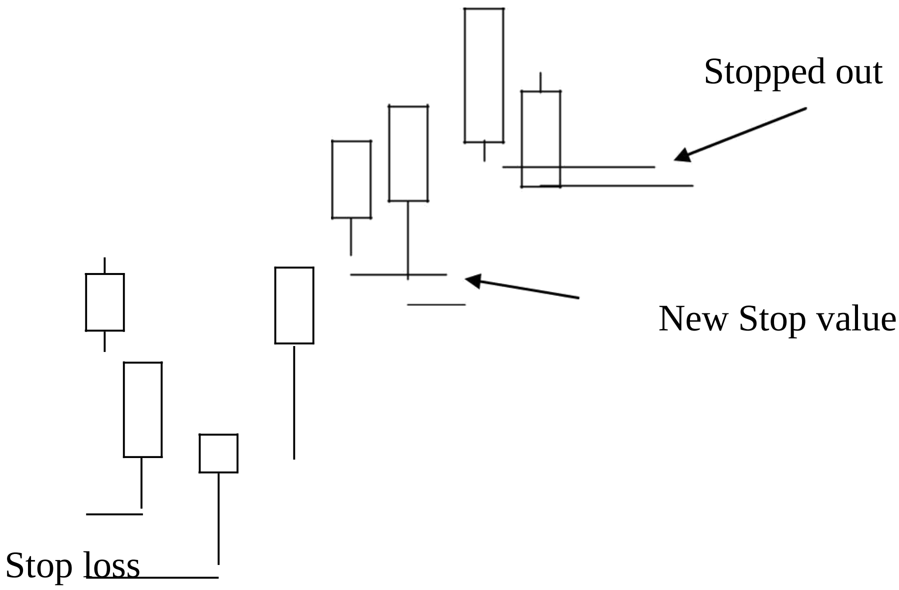
A simple stop loss......for an uptrend

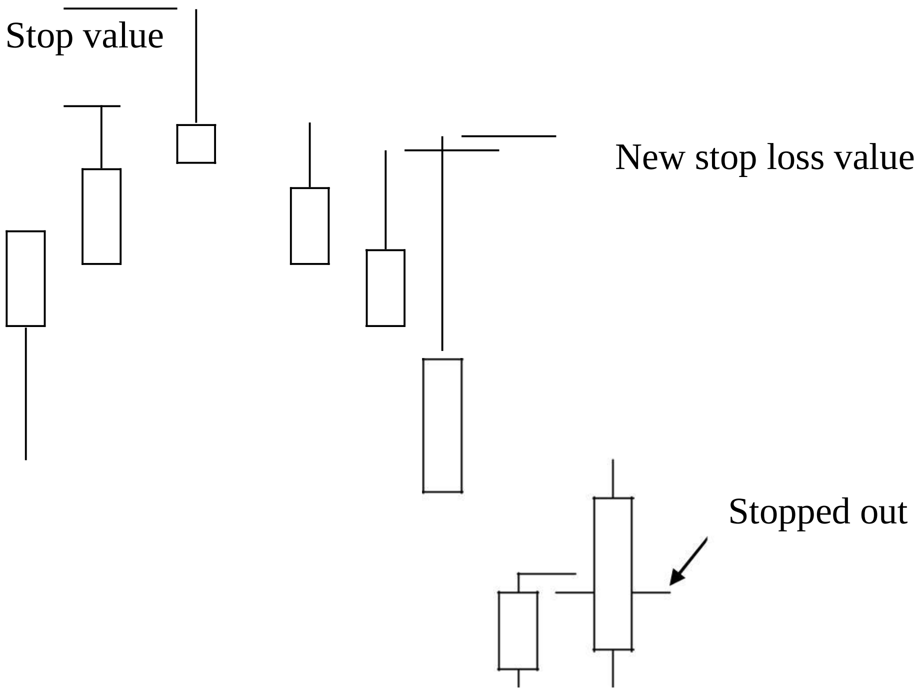


A Simple stop loss for a down trend.



A variation for Stop Loss.

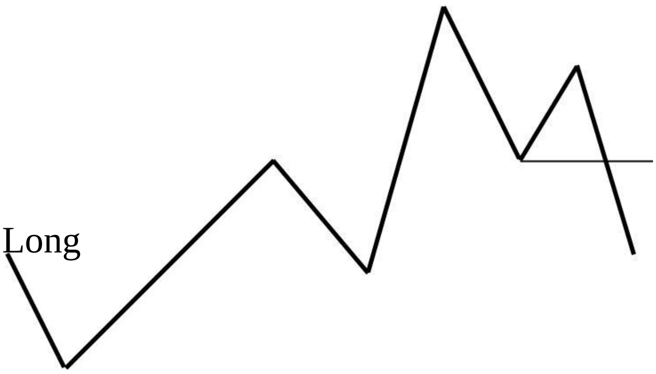

Stopped out
New Stop value
Stop loss


Stop value
New stop loss value
Stopped out

Stop loss by subject

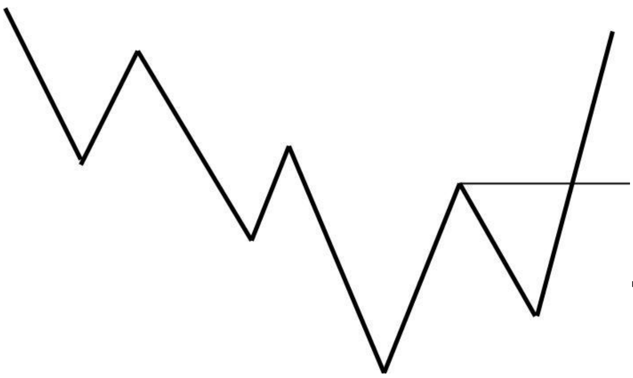
Dow's trend analysis

Long



Trend break stop loss.

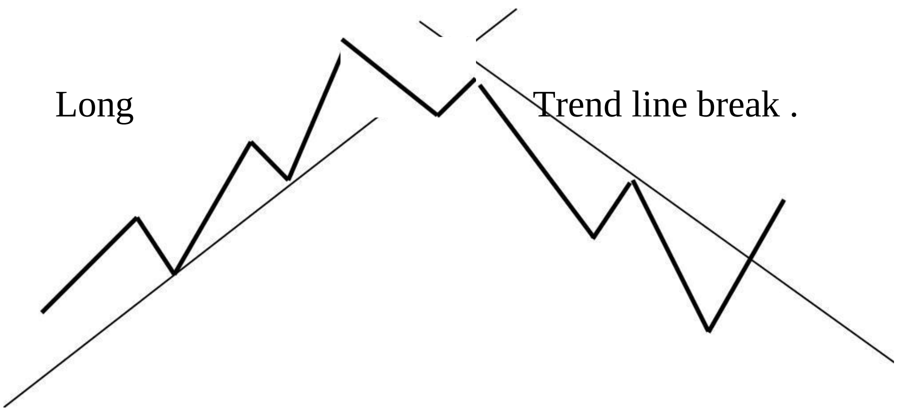
Short



Trend break stop loss

Trend Lines

Long

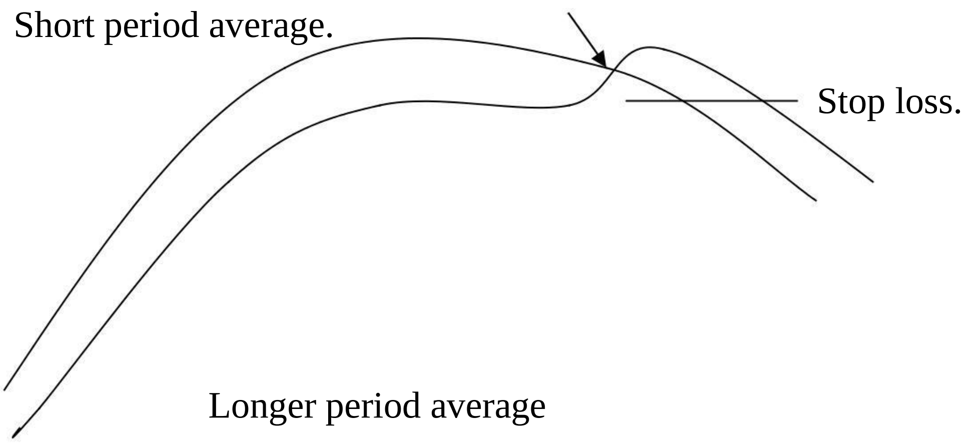


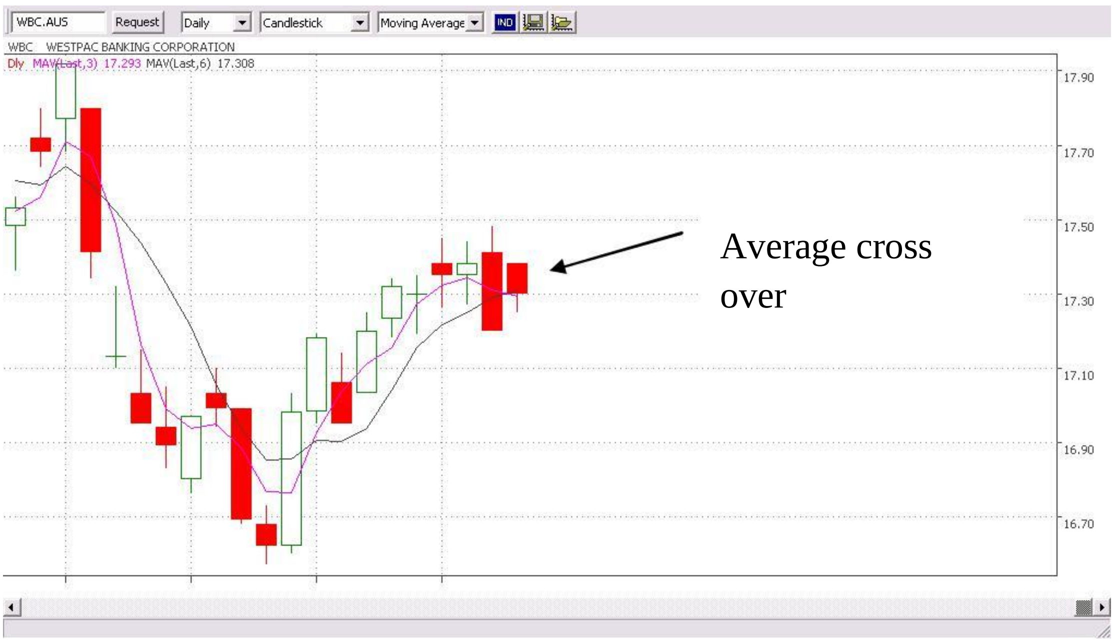
Trend line break .

Moving average.

The moving average should reflect the traders time window a longer term trader will use longer term averages for example weekly and monthly chart.

While a short term trader will use short term averages on a short term chart for example 5 minute or 1 hour over daily or hourly charts.





Indicators confirmation of stop loss.

As discussed in past chapters the momentum Indicators can give entry and exit signals based on the speed or volatility of the price movements.
As easily as they give an entry signal at support levels or trend line support they can also be used to give exit signals based on slowing of momentum or the price move just being to fast to soon.

As with all technical analysis the trader could use a secondary confirmation of market sentiment towards the stock or contract.

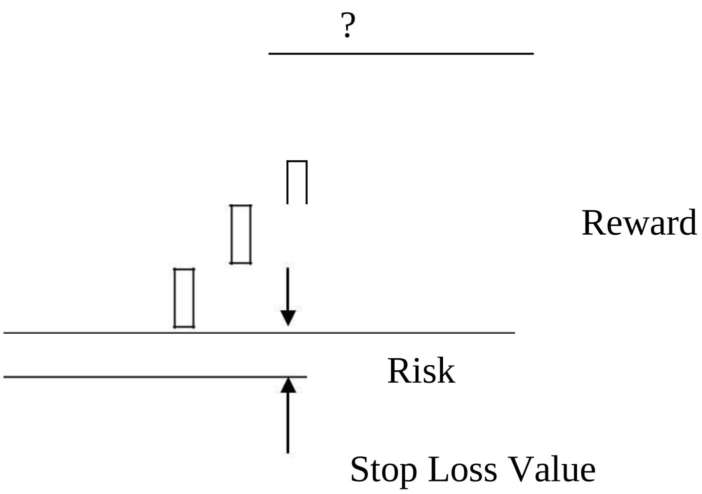
Secondary confirmation could be by way of short term bar analysis or moving average cross over or trend line break.

These secondary confirmations could show up at previous support and resistance levels.

Trading on indicators alone may leave considerable profits on the table leaving the trader concerned about future entry points.

However ALL TRADERS SHOULD HAVE A STOP LOSS LIMIT

A stop loss is part of the risk : reward scenario where a trader identifies a technical trade entry using price action and mathematical formula's (indicators) on charts.
Using technical analysis for entry points is a valid form of trading, and so using technical analysis for exit point must also be a valid form of trading.



Summary

It is most important that the trader develop a trading plan based on his/her personality and requirements from the market.

With trading the amount of time spent learning about yourself and your expectations will ultimately dictate your success in the market.
The market does not know you are there, and so neither cares if you come or go from trading.

Trading is not about money, it is about your understanding of yourself and your relationship with the information provided to you from the market place via your computer screen or broker.

A Trading Plan

Decide what type of trader you want to be.
This will allow you to decide what type of information you require from the market.
If you are a longer term “Technical Investor” then weekly charts and end of day data will probably do.
Should you wish to trade “intra day” then Dynamic live data is essential with 2 computer screens. An internet Broadband connection will be required.

Establish how you are going to trade.

Many traders will open an account with a Full Service broker to get some fundamental feed back on a particular trade before it is placed.

Intra day trading requires an online platform for order setting and execution.
Online brokers generally do not and will not offer any advice.

How much money to risk on a trade.

Borrowing money to trade is not recommended !!
If you can't make $10 work for you then there is no way you will be able to make $1,000,000 work for you.

Although many and varied strategies exist for establishing a trade value risk, a good rule of thumb for stocks is to spread your risk over several indices such as Banks Materials Transport Telecommunications
This spread will reduce the risk of portfolio failure should one theIndices is not performing to the overall market.
And allows the trader to focus on one Indice from time to time when volatility shows larger profits can be made.

And 20% of your investment cash should be kept aside from trading and kept in the bank earning interest.

Decide how much you wish to risk on a trade.
This will depend on how you spread your trades but as a general rule no more than 20% of your bank should be on one position.

Decide where you will be wrong.
Every trade should carry a stop loss as a general rule a stop loss would be no more than 2% of the trade value, which is $2.00 in every $100.
Stop loss values should be written down on the trade sheet and ACTED ON! Immediately it is hit.
Remember a good trade is one that follows the trading rules.......

Be focused Stay calm Stay disciplined

……………………………………………………………………………………..

www.theaustralianschooloftechnicalanalysis.com.au

Contact Gary Burton 0409025723

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Should you have any questions or enquiries, please don’t hesitate to contact FP Markets.

Level 5, Exchange House 10 Bridge Street
Sydney NSW 2000

T:- 1300 376 233

F:- +61 2 8252 6899

fpmarkets.com

AFSL 286354 ABN. 16 112 600 281