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Barbara Rockefeller

Expert on technical analysis



Technical Analysis

FOR

DUMMIES®

2ND EDITION

by Barbara Rockefeller



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About the Author

Barbara Rockefeller is a writer specializing in international economics and finance, with a focus on foreign exchange. She also trades in the foreign exchange market. She is the publisher of a daily newsletter on the foreign exchange market, "The Strategic Currency Briefing." Her newsletter combines technical and fundamental observations. Additionally, she publishes separate daily "Trader's Advice" reports for spot and futures foreign exchange traders. Newsletter subscribers include central banks, investment banks, hedge funds, multinational corporations, investment managers and individuals. Miss Rockefeller also prepares custom charts on a consulting basis for individuals and institutions.

Before starting the newsletter business, Barbara was in the credit, foreign exchange, and risk-management departments at several U.S. banks, including Citibank and Brown Brothers Harriman. Conventional economic theory failed to generate valid currency forecasts at Brown Brothers, which led her to spearhead a technical analysis system at Citibank. This decision was in 1980, long before technical analysis went mainstream and at a time when it was considered at least a little crackpot.

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Dedication

This book is dedicated to Robert James Deadman, founder of Technical Systems Analysis Group, who taught as much of “the scientific way of thinking” as it’s possible to cram into a “social science” mind, and with endless patience.

I also dedicate the book to Alfred A. “Chip” Olbrycht, who forces me to question the easy way and to look at everything a second time, and a third time, too.

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Contents at a Glance

Introduction	1
Part I: Defining Technical Analysis	7
Chapter 1: Opening the Technical Analysis Toolbox.....	9
Chapter 2: Uncovering the Essence of Market Movement	23
Chapter 3: Going with the Flow: Market Sentiment.....	41
Part II: Preparing Your Mind for Technical Analysis.....	57
Chapter 4: Using Indicators to Trade Systematically.....	59
Chapter 5: Managing the Trade.....	75
Part III: Observing Market Behavior.....	91
Chapter 6: Reading Basic Bars: Showing How Security Prices Move.....	93
Chapter 7: Reading Special Bar Combinations: Small Patterns	113
Chapter 8: Redrawing the Price Bar: Japanese Candlesticks	137
Part IV: Finding Patterns	153
Chapter 9: Seeing Chart Patterns Through a Technical Lens	155
Chapter 10: Drawing Trendlines	169
Chapter 11: Transforming Channels into Forecasts.....	183
Part V: Flying with Dynamic Analysis.....	203
Chapter 12: Using Dynamic Lines	205
Chapter 13: Measuring Momentum	227
Chapter 14: Estimating Volatility	243
Chapter 15: Ignoring Time: Point-and-Figure Charting	255
Chapter 16: Combining Techniques	267
Chapter 17: Considering a Trading System	283
Part VI: The Part of Tens.....	295
Chapter 18: Ten Secrets of the Top Technical Traders.....	297
Chapter 19: Ten Rules for Working with Indicators	303
Chapter 20: Ten Ways the Market Has Changed.....	307
Appendix: Additional Resources	313
Index	317

Table of Contents

Introduction..... 1

About This Book.....	1
Conventions Used in This Book.....	2
What You're Not to Read.....	2
Foolish Assumptions.....	2
How This Book Is Organized.....	3
Part I: Defining Technical Analysis.....	3
Part II: Preparing Your Mind for Technical Analysis.....	3
Part III: Observing Market Behavior.....	3
Part IV: Finding Patterns.....	4
Part V: Flying with Dynamic Analysis.....	4
Part VI: The Part of Tens.....	4
Icons Used in This Book.....	4
Where to Go from Here.....	5

Part 1: Defining Technical Analysis..... 7

Chapter 1: Opening the Technical Analysis Toolbox9

Introducing Technical Analysis.....	9
Trading or investing: The many faces of technical analysis.....	10
Setting new rules.....	10
Making the case for managing the trade.....	11
Making the Trend Your Friend.....	12
Focusing on the price is right (and respectable).....	13
Charting your path.....	14
Taking a Closer Look at the Many Faces of Trendedness.....	15
Quantifying trendedness.....	15
Discovering Why Technical Analysis Does and Doesn't (Always) Work...	16
Beating the Market.....	17
Finding Order.....	19
Viewing the Scope of Technical Analysis.....	20
Charting.....	20
Market timing.....	20
Trend-following (there's that word again).....	20
Technical analysis.....	21
What You Need to Get Started.....	22

Chapter 2: Uncovering the Essence of Market Movement 23

The eBay Model of Supply and Demand	23
Securities aren't socks: The demand effect	24
Creating demand from scratch	24
Identifying Crowd Behavior	25
The individual versus the crowd	26
Playing games with traders' heads	26
Figuring Out What's Normal: Considering the Normal Distribution	27
Reverting to the mean	27
Trading mean reversion	28
Identifying and Responding to Crowd Extremes	29
Breaching the limits: Overbought and oversold	30
Going against the grain: Retracements	31
Catch a falling knife: Estimating where and when a retracement will stop	32
Big-Picture Crowd Theories	34
The Gann 50 percent retracement	35
Magic numbers: "The secret of the universe"	37
Seeing too many retracements	38

Chapter 3: Going with the Flow: Market Sentiment. 41

Defining Market Sentiment	42
Getting the Low-Down on Volume	42
Leading the way with spikes	43
Tracking on-balance volume	43
Refining volume indicators	46
Thinking Outside the Chart	46
Sampling information about sentiment	47
Following the earth's axis: Seasonality and calendar effects	50
Blindsiding the Crowd	51
Considering historic key reversals	52
Enduring randomness	53
Remembering the last price	53
Thinking Scientifically	54
Conditions and contingencies	54
Sample size	55

Part 11: Preparing Your Mind for Technical Analysis..... 57**Chapter 4: Using Indicators to Trade Systematically 59**

Introducing Indicators	59
Classifying indicators	60
Understanding what indicators identify	60
Choosing your trading style	61

Examining How Indicators Work	63
Finding relevant time frames.....	64
Heeding indicator signals	65
Establishing Benchmark Levels	67
Choosing Indicators	67
Optimizing: Putting Indicators to the Test.....	68
Constructing a backtest optimization.....	69
Refining a backtest.....	70
Fixing the indicator.....	71
Applying the indicator again	72
Evaluating the risks of backtesting.....	72

Chapter 5: Managing the Trade 75

Building Trading Rules.....	75
Your trading plan outline.....	76
Common questions and concerns	77
Taking Money off the Table: Establishing the Profit Target	78
Controlling Losses	79
Using the First Line of Defense: Stop-Loss Orders	80
Mental stops are hogwash.....	81
Sorting out the types of stops	81
Adjusting Positions	86
Reducing positions	87
Adding to positions	88
Applying stops to adjusted positions	89

Part III: Observing Market Behavior 91

Chapter 6: Reading Basic Bars: Showing How Security Prices Move . . 93

Building Basic Bars.....	93
Getting in on the action: The price bar in brief	94
Setting the tone: The opening price	96
Summarizing sentiment: The closing price	98
Going up: The high.....	101
Getting to the bottom of it: The low	102
Putting It All Together: Using Bars to Identify Trends.....	102
Identifying an uptrend.....	103
Pinpointing a downtrend	104
Wading through Murky Bar Waters	104
Paying heed to bar series	105
Understanding relativity	106
Avoiding misinterpretation	107
Knowing when bar reading doesn't work.....	108
Looking at Data in Different Time Frames.....	109
Using daily data.....	109
Zooming out to a higher time frame.....	110
Zooming in to a shorter time frame.....	110

Chapter 7: Reading Special Bar Combinations: Small Patterns . . . 113

Finding Clues to Trader Sentiment.....	114
Tick and bar placement	114
Types of configurations	115
Trading range	116
Identifying Common Special Bars.....	116
Closing on a high note.....	117
Spending the day inside.....	117
Getting outside for the day.....	118
Finding the close at the open.....	119
Decoding Spikes.....	119
Grasping Gaps.....	122
Pinpointing a gap	122
Using primary gaps to your advantage.....	124
Filling That Gap.....	128
Using the Trading Range to Deal with Change Effectively	129
Paying attention to a changing range.....	129
Determining the meaning	
of a range change	130
Looking at the average trading range.....	131

Chapter 8: Redrawing the Price Bar: Japanese Candlesticks. . . . 137

Appreciating the Candlestick Advantage	138
Dissecting the Anatomy of a Candlestick	138
Drawing the real body	139
Doing without a real body: The doji.....	140
Catching the shadow	140
Sizing Up Emotions.....	144
Identifying Special “Emotional Extreme” Candlestick Patterns.....	145
Interpreting candlestick patterns	145
Turning to reversal patterns	147
Continuation patterns	148
Combining Candlesticks with Other Indicators.....	150
Trading on Candlesticks Alone.....	151

Part IV: Finding Patterns..... 153**Chapter 9: Seeing Chart Patterns Through a Technical Lens 155**

Introducing Patterns	155
Got imagination?	156
Coloring inside the lines	157
Cozying Up to Continuation Patterns	158
Ascending and descending triangles.....	158
Dead-cat bounce	159

Recognizing Classic Reversal Patterns	160
Double bottom	160
Double tops	162
The ultimate triple top: Head-and-shoulders	163
Evaluating the Measured Move	165
Taking dictation from the pattern	165
Resuming the trend after retracement.....	167
Measuring from the gap	167
Chapter 10: Drawing Trendlines	169
Looking Closely at a Price Chart.....	169
Following the Rules with Rule-Based Trendlines	170
Drawing rule-based trendlines	171
Using the support line to enter and exit	171
The other side of the coin: Using resistance to enter and exit	174
Fine tuning support and resistance.....	175
Playing games with support and resistance lines	176
Drawing Internal Trendlines	177
Rules for drawing a linear regression	178
Identifying trendedness	178
How to use the linear regression.....	180
Chapter 11: Transforming Channels into Forecasts	183
Diving into Channel-Drawing Basics	184
Drawing channels by hand	185
Letting software do the drawing.....	187
Considering the benefits of straight-line channels	187
Delving into the drawbacks of straight-line channels	188
Using channels to make profit and avoid loss	188
Dealing with Breakouts	189
Distinguishing between false breakouts and the real thing	189
Putting breakouts into context	192
Riding the Regression Range.....	195
Introducing the standard error.....	195
Drawing a linear regression channel.....	196
Confirming hand-drawn channels.....	197
Sizing up the special features of the linear regression channel....	198
Discovering the drawbacks of linear regression channels.....	199
Pivot Point Support and Resistance Channel	199
Calculating the first zone of support and resistance	200
Using pivot support and resistance	201
Part V: Flying with Dynamic Analysis.....	203
Chapter 12: Using Dynamic Lines	205
Introducing the Simple Moving Average	205
Starting with the crossover rule	206
Using the moving average level rule	209

Dealing with limitations	211
Magic moving average numbers	213
Adjusting the Moving Average.....	214
Getting acquainted with moving average types.....	214
Choosing a moving average type	216
Using Multiple Moving Averages	217
Putting two moving averages into play.....	217
Trying the three-way approach	219
Delving into Moving Average Convergence and Divergence	221
Calculating convergence and divergence	222
Creating a decision tool	223
Interpreting the MACD	224

Chapter 13: Measuring Momentum.....227

Doing the Math: Calculating Momentum.....	227
Using the subtraction method	228
Utilizing the rate-of-change method	228
Adding context: Percentage rate of change.....	230
Pondering the Trickier Aspects of Momentum.....	231
Smoothing price changes.....	232
Filtering momentum	232
Applying Momentum.....	233
Discovering divergence.....	233
Confirming trend indicators	234
Determining the Relative Strength Index (RSI).....	235
Calculating the RSI.....	235
Picturing RSI	236
Using the Rest of the Price Bar: The Stochastic Oscillator	238
Step 1: Putting a number to the fast stochastic %K	239
Step 2: Refining %K with %D	240
Fiddling with the stochastic oscillator on the chart	241

Chapter 14: Estimating Volatility.....243

Catching a Slippery Concept.....	243
How volatility arises	244
Low volatility with trending	245
Low volatility without trending.....	246
High volatility with trending.....	246
High volatility without trending.....	246
Measuring Volatility	247
Tracking the maximum move.....	247
Considering the standard deviation	248
Using the average true range indicator.....	249
Applying Volatility Measures: Bollinger Bands	250
Applying Stops with Average True Range Bands	252

Chapter 15: Ignoring Time: Point-and-Figure Charting	255
Creating a Point-and-Figure Chart to Visualize What's Important	256
Putting each move into a column	256
Dealing with box size	257
Drawing the daily chart	259
Applying Patterns	260
Support and resistance	260
Double and triple tops and bottoms	262
Projecting Prices after a Breakout	262
Using vertical price projection	262
Applying horizontal projection	264
Combining Point-and-Figure Techniques with Other Indicators	265
Chapter 16: Combining Techniques	267
Standing the Test of Time: Simple Ideas	267
Adding a New Indicator: Introducing Complexity	269
Choosing a ruling concept	270
Studying a case in complexity	271
Expecting a Positive Result	276
Calculating positive expectancy technically	276
Enhancing positive expectancy by entering gradually and exiting at once	278
Evaluating Efficient Entries and Ruthless Exits: Setups	279
Starting off early	279
Exiting the setup game	280
Working hard while trading like a pro	280
Reading promotions carefully	281
Chapter 17: Considering a Trading System	283
Defining a Trading System	284
Meeting the strict requirements	286
Finding your place on the spectrum	287
Discovering Why Mechanical Systems Fail	287
Fooling around with new ideas	288
Backtesting until you're blue in the face	288
Not knowing your time frame	288
Practicing self sabotage	289
Following Big-Picture Rules	290
Stopping out versus the stop-and-reverse	290
Trading more than one security	290
Don't trade on too little capital	291
Buying a Trading System	292
Overcoming phony track records	292
Looking under the hood	293
Picking the Tool, Not the Security	293

Part VI: The Part of Tens..... 295

Chapter 18: Ten Secrets of the Top Technical Traders.....297

Trust the Chart	297
Befriend the Trend	298
Understand That You Make Real Cash Money Only When You Sell.....	298
Take Responsibility	299
Avoid Euphoria and Despair	299
Focus on Making Money, Not Being Right.....	300
Don't Let a Winning Trade Turn into a Losing Trade	300
Sidestep the Temptation to Curve Fit.....	301
Know When to Hold 'Em and When to Fold 'Em.....	301
Diversify	302

Chapter 19: Ten Rules for Working with Indicators.....303

Listen to the Price Bars	303
Understand Your Indicator	304
Trade What You See.....	304
Use Support and Resistance	304
Follow the Breakout Principle.....	305
Watch for Convergence and Divergence	305
Backtest Your Indicators Properly.....	305
Acknowledge That Your Indicator Will Fail	306
Accept That No Secret Indicators Exist.....	306
Play Favorites.....	306

Chapter 20: Ten Ways the Market Has Changed307

Technical Analysis Is Universally Accepted	307
Algorithmic Trading Is on the Rise.....	308
Foreign Exchange Is More Prevalent.....	308
Hard Assets Have Revived Interest	309
Intermarket Trading Is Blooming.....	309
Leverage Is Dangerous	310
Internationalization Is Becoming More Popular	310
Hedge Funds and Sovereign Wealth Funds Are the New Big Dogs	311
Platforms Are Emerging.....	312
Exchange-Traded Funds Have Made Their Mark.....	312

Appendix: Additional Resources..... 313

The Bare Minimum.....	313
Online resources	313
Charting software	314
Additional Reading.....	315

Index..... 317

Introduction

Timing is everything.

Timing is critical in cooking, romance, music, politics, farming, and a hundred other aspects of life on this planet. Putting money into a securities market is no different — you need good timing to get the best results.

Technical traders all over the world, amateur and professional alike, earn a living by using technical analysis to time their trades in many different markets. They not only earn a living, but are also still standing after a market crash. In this book, I try to explain how they do that, and how you can do it, too.

About This Book

The technical analysis industry is positively blooming. Go to an Internet search engine and type in **technical analysis**, and you get over 45 million responses. The phrase **support and resistance** results in over 10 million hits. Okay, everyone knows the limitations of Web searches, but even after weeding out the mismatches, that's still a huge amount of material. Don't be intimidated. In this book, I include core concepts, some of which you can apply *today* with no further research.

I want you to grasp the mindset of the technical trader or investor: To think independently, to take responsibility for actions, and most of all, to act on observation rather than conventional wisdom. Try to leave your preconceptions about trading and investing behind. For example, a core technical concept is that the technical trader cuts losses and lets the winning trades run. Chances are you think that, after taking a loss, you should continue to hold the security, because if it's a true value investment, it'll come back.

But try to think like a 10-year-old as you read this book. In fact, go find a 10-year-old, if you have one handy, and ask him, "Which is better to hang on to: a thing that has already let you down (losses) or a different thing that's delivering exactly what you wanted (profits)?" See? Technical analysis is subversive that way.

Beating the system is fun and rewarding. The market doesn't know you, your age, gender, ethnicity, good looks or lack of them, singing talent, or anything else about you except whether you're a successful trader. The market is blind. In fact, the market is indifferent. It's the one place you can go to be judged solely on your merits. Use this book to help you find your way.