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2nd Edition

Technical Analysis

FOR DUMMIES®

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Barbara Rockefeller

Expert on technical analysis



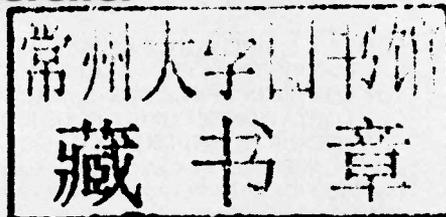
Technical Analysis

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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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.