

# Where's the market going?

Aussie Markets Update using "4 Windows"

**Where's the market going?**

Analysis using contemporary technical analysis tools

October 2013  
Robert Brain

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Revision 30

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**Introduction & Housekeeping**

**About this presentation**

- This set of slides includes an analysis of the Aussie market (the All Ordinaries index), utilising Robert's "4 Windows" approach.
- THIS version was delivered to the two ATAA chapters in Toowoomba and Melbourne in October 2013. Of course, the webinar delivery required some special slides, while the Melbourne delivery included a lot of prompted audience interaction.
- Earlier versions were presented in Jan 2013 in Melbourne, and in July in Brighton.

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**Introduction & Housekeeping**

**Underlying premise**

**The price charts of stocks and the indexes summarise the underlying opinions and emotions of the market participants.**

- Therefore, every chart can tell a story
- It is very useful to be able to understand the stories in the price charts.

**Every chart tells a story.  
Understand the stories in the charts.**

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# Where's the market going?

 Introduction & Housekeeping

Today's session:

- Real analysis of Australian market using key Technical Analysis tools
- Audience participation to share opinions and your own analysis
- Help everyone to understand technical analysis
- Some tips to help with learning more about Technical Analysis.

 Time limit applies



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 Introduction & Housekeeping

My approach:

- Plain price charts, both short-term and long-term
- Chart patterns, support, resistance
- Some chart indicators, Momentum, GMMA, ...
- Some "favourite" approaches
- The market is like an elephant!

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 Introduction & Housekeeping

For the less-experienced:

The "4 Windows" approach.



Will help you to follow the detail, and remember the detail, by sharing a sensible "framework".

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# Where's the market going?

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## Introduction & Housekeeping

### About... Robert Brain

**Nimble Short term Investor**  
consultant, educator and part-time\* share trader  
web-based sharemarket-support business

- Many years experience as trainer, presenter, conference facilitator (Scouts)
- Share Market – active 14+ years\* (slowly at first)
- Chartist ie. technical analyst (ATAA member and national director)
- Provide support and tuition to traders and investors **Brainy's Share Market Toolbox**
- Member Mensa
- Engineering Degree (structured thinking with an eye for charts and diagrams)
- 30+ years – professional experience (IT and management)
- Do not hold AFS license! (Can't give advice)
- BullCharts software** (convenor Australian BullCharts User Group and authorised reseller with special pricing)

\* Not yet enough capital to live off the proceeds of trading (after trading as a hobby until a career change in 2008)

**Conflict of Interest**

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## The ATAA

### This session:

Understand the underlying market sentiment by interpreting the price charts

Showing "current" charts can be risky.

**(1) There is no prediction**

**(2) There are no forecasts.**



(technical analysis considers the balance of probabilities)

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# Where's the market going?

 **Introduction & Housekeeping**

**Interactive...**

- Please ask questions
- Share your views and analysis
- Let's discuss details
- View the price charts.

(until we run out of time)

*Every chart tells a story.  
Understand the stories in the charts.*



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**Firstly:**

**Is the  
"big picture"  
useful?**

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 **Big Picture?**

**Think about this...**

- Is it useful to view long-term charts?
- Day traders might regard 5 days as long term
- Short to long term traders & investors might regard several months as long term

**Consider the following charts...**

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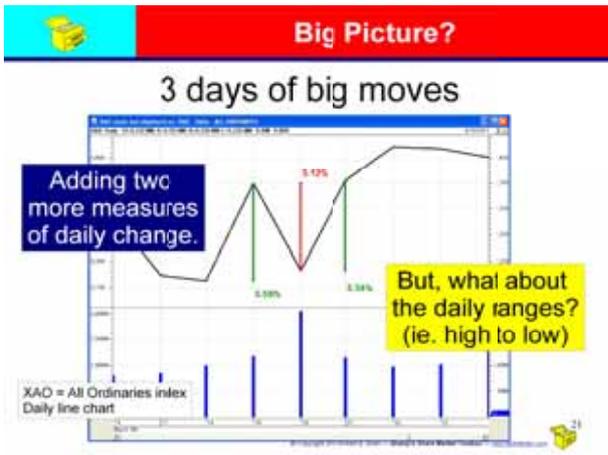
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Where's the market going?



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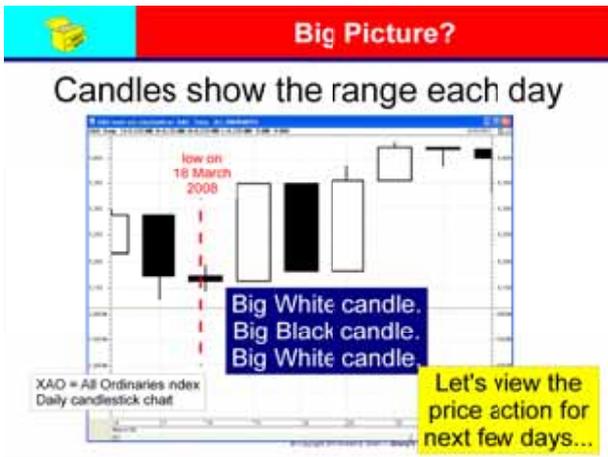
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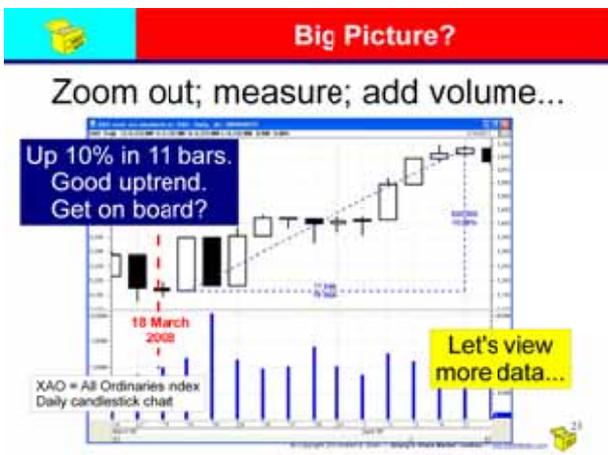
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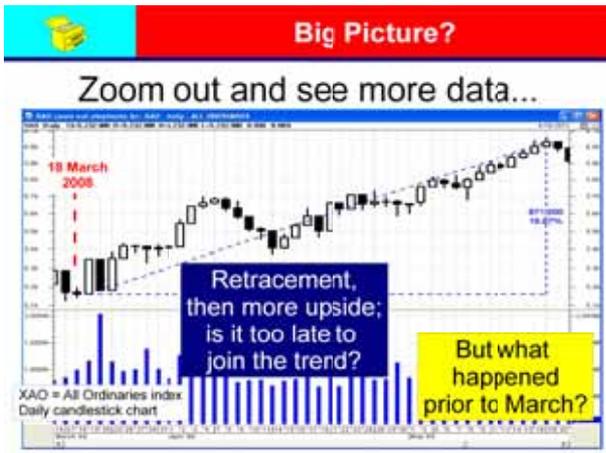
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# Where's the market going?



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**Big Picture?**

*The trend is your friend*

In the last few slides we have seen a nice rising trend. If this was a price chart of a stock we might be tempted to join the trend (if we hadn't done so already). As this chart is the index, we could have bought the index (trading CFDs or the SPI).

BUT, before we jump in, shouldn't we zoom out and look back in time to see where the price has come from?

(perhaps there is a bigger timeframe influence...)

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Where's the market going?



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# Where's the market going?

 **Big Picture?**

**What did we observe?**

In the last few slides we have seen that there was a bigger-picture (large timeframe) down trend in place, and this down trend was resumed.

So the nice uptrend that we spotted from March until May was simply a short-term retracement within the bigger downtrend.

Lucky we remembered about the elephants...

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 **Big Picture?**

**So: *Remember the elephants...***

- It can be very useful to check out the bigger picture...
- Understand what has happened "recently"
- And where the price has come from.

Remember:

*The market is like an elephant... (and if we just stand in the way we might get trampled).*



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**My weekly routine**

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# Where's the market going?

**My routine**

## My approach

- What is the Australian market doing? (use the All Ordinaries index — XAO)
- If bearish, then invest with caution:
  - (1) Don't open multiple positions at same time
  - (2) Wait until in profit before opening more
  - (3) Have a fighter Stop Loss
  - (4) Monitor positions more frequently and cautiously
  - (5) Be able to close positions quickly if need be
  - (6) If really bearish, then be prepared to go to all cash.

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**My routine**

## Weekly routine

Four key aspects to the weekly routine:

1. Study the plain price chart
2. Check "big" picture and consider popular "studies" (eg. Weinstein)
3. Use some T.A. indicators
4. Consider volume.

***This gives me four "views" of the market.***

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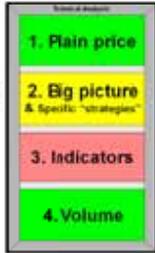
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**My routine**

## Weekly routine

The "4 Windows" analysis approach is a good check list, offering four different "views":

1. Plain price chart — trends, support, resistance, chart patterns
2. Coppock, Weinstein, candle patterns
3. Indicators
4. Volume



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# Where's the market going?



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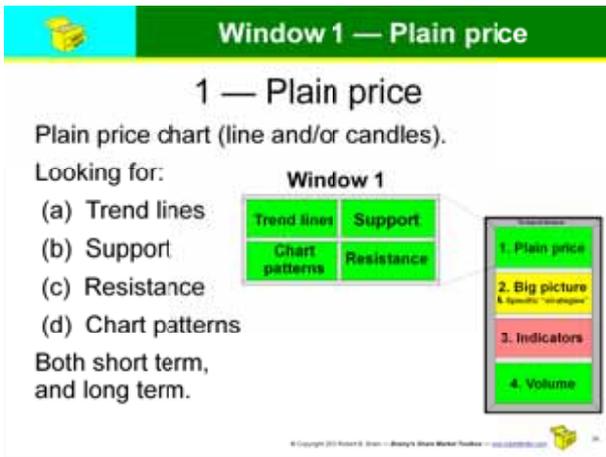
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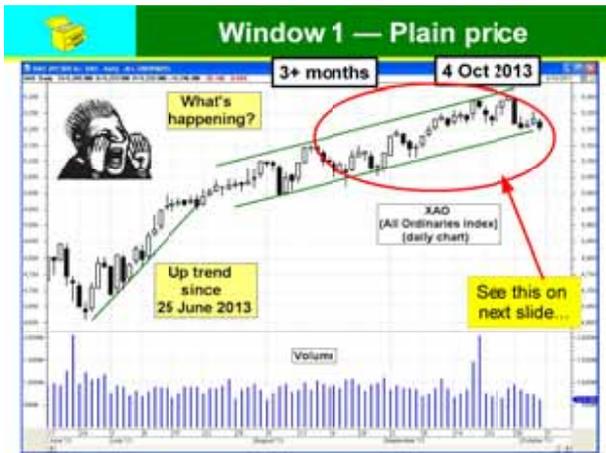
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Where's the market going?



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Window 1 — Plain price

**"Fat Pencil"?** - Remember:

- The XAO index is an aggregation of 500 stocks
- And is heavily weighted to the large-caps.

Also:

- Need to "zoom out" and check the bigger picture because *the market is like an elephant...*

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# Where's the market going?




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**Window 1 — Plain price**

Quarterly, monthly, weekly...?

- The period of the chart is important:
  - Quarterly
  - Monthly
  - Weekly
  - Daily

} We should be studying at least two periods

- The **daily price** can be considered most important...

**TIP!** **BUT WHY?**

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Where's the market going?



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**Window 1 — Plain price**

Support levels, trend lines...

These chart features are caused by:

- the market participants,
- who have different opinions about what a share is actually worth, and
- their opinions can converge towards agreement, or diverge in disagreement, and
- news (announcements) can easily change the opinions and move the price.

**TIP!**

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Where's the market going?



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**Window 1 — Plain price**

1 — Plain price

Plain price chart (line and/or candles).

Looking for:

- (a) Trend lines
- (b) Support
- (c) Resistance
- (d) Chart patterns

Both short term, and long term.

Trend lines	Support
Chart patterns	Resistance

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**Window 1 — Plain price**

Plain price ~ "Primary analysis"

**BTW**

Leon Wilson talks about this in his book:  
*The Business of Share Trading*

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# Where's the market going?

**Window 1 — Plain price**

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**Window 2 — Big picture+**

2 — Big picture + more...

Very big picture + own preferred "strategies"

- Long-term view
- Coppock indicator
- Weinstein view
- Candlestick patterns (including *composite candles*)

Coppock	Weinstein
Candles	your favourite

**Window 2**

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Where's the market going?



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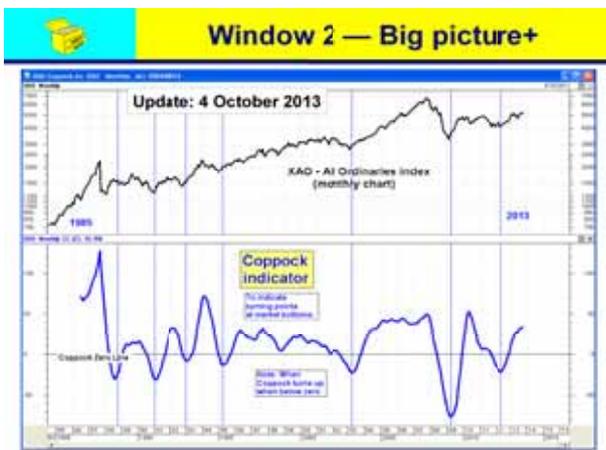
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Where's the market going?



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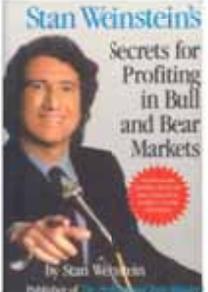
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Where's the market going?

**Window 2 — Big picture+**

### Who is Weinstein?

*Secrets for Profiting in Bull and Bear Markets*  
Stan Weinstein, 1988  
About the best book for novices in TA.  
And he won't write another.



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**Window 2 — Big picture+**

4 October 2013

### Candles & patterns

weekly chart

Three strong black candles

Long lower tails testing lower prices.

Hammer

Hanging Man. In up trend, small body, and long lower tail testing lower prices. Potential reversal? - not this time.

Big Black candle

daily chart

Many shorter candles, lack of conviction



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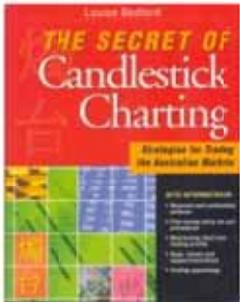
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**Window 2 — Big picture+**

### A book on candles?

*The Secret of Candlestick Charting*  
Louise Bedford



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# Where's the market going?

**Window 2 — Big picture+**

2 — Big picture + more...

Very big picture + own preferred "strategies"

- Long-term view
- Coppock indicator
- Weinstein view
- Candlestick patterns (including *composite candles*)

Coppock	Weinstein
Candles	your favourite

Window 2

1. Plain price  
2. Big picture  
3. Indicators  
4. Volume

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**Window 3 — Indicators**

3 — Indicators

***Some people don't use chart indicators at all.***

My favourite indicators:

- GMMA — trend "health"
- Momentum indicator
- Twigg's Money Flow

Trend indicator	Momentum indicator
Volatility indicator	Volume indicator

Window 3

1. Plain price  
2. Big picture  
3. Indicators  
4. Volume

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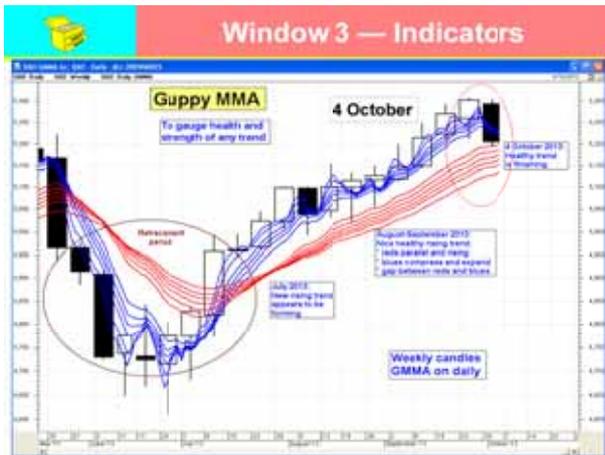
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Where's the market going?



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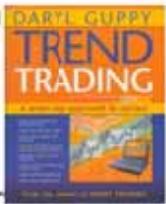
**Window 3 — Indicators**

**GMMA — key characteristics**

For a healthy uptrend:

- **Red group** of averages: rising nicely and all roughly parallel
- **Blue group** of averages: gently compressing and expanding
- Gap between the red group and blue group

A book?  
*Trend Trading*, Daryl Guppy



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Where's the market going?



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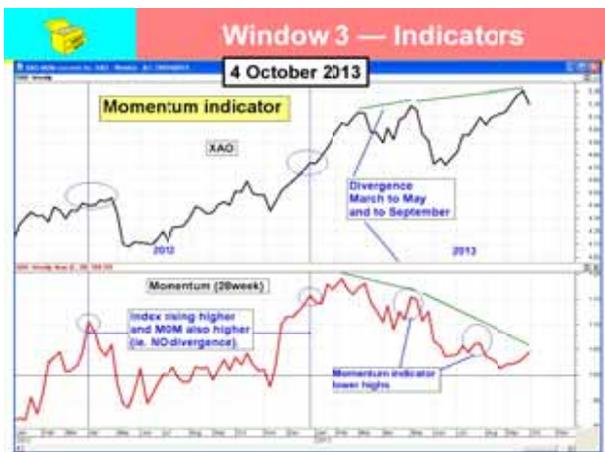
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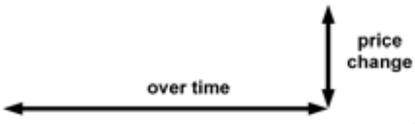
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# Where's the market going?

**Window 3 — Indicators**

## Momentum indicator

Measures the change in price over a specified time period.



Look for divergence **TIP!**  
(also relevant on other indicators).

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# Where's the market going?

**Window 3 — Indicators**

## 3 — Indicators

My favourite indicators:

- GMMA — trend “health”
- Momentum indicator
- Twigg's Money Flow

Trend indicator	Momentum indicator
Volatility indicator	Volume indicator

1. Plain price
2. Big picture & Symbols “strategies”
3. Indicators
4. Volume

**Window 3**

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**Window 4 — Volume**

## 4 — Volume

Volume is important

- Consider the volume (relative to previous periods)
- Look at:
  - Weekly chart over long term
  - Daily chart over recent weeks
- Use Moving Average of volume
- When tracing, also consider: Trades and Value.

Window 4	
Volume	
Trades	Value

**Window 4**

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Where's the market going?



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# Where's the market going?

**Window 4 — Volume**

## 4 — Volume

Volume is important

- Consider the volume (relative to previous periods)
- Look at:
  - Weekly chart over long term
  - Daily chart over recent weeks
- Use Moving Average of volume
- When tracing, also consider: Trades and Value.

**Window 4**

Volume	
Trades	Value

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**Summary & Wrap up**

## Overall conclusions?

- What do you think about the current market?
- Is it useful to draw a conclusion to be bearish or bullish?



**Where is the market going now?...**

- I can't provide prediction or forecast!
- You can consider each aspect on the earlier slides and then decide.

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**Summary & Wrap up**

## Key points

- Always consider **big picture** because the **market is like an elephant...**
- **Daily close** price is very important
- Technical analysis **indicators** can be useful
- Look for **divergence** on indicators
- **Volume** is important.



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# Where's the market going?

**Summary & Wrap up**

## Question for you...

**Various news from around the globe can move many financial markets.**

- To draw a bullish or bearish conclusion, can we do better than "gut feeling"?
- Is there a way to measure the state of health of economies?



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**Summary & Wrap up**

## THANK YOU

Robert analyses the market (as shown here) every Friday night and shares the charts with **Share Market Toolbox** Members.

These slides will be on the ATAA web site soon, and in my Share Market Toolbox:  
[www.robertbrain.com/presentations/](http://www.robertbrain.com/presentations/)

The "4 Windows" approach:  
[www.robertbrain.com/4-windows/](http://www.robertbrain.com/4-windows/)

Business Barometer blog:  
[www.blog.robertbrain.com](http://www.blog.robertbrain.com)



**BullCharts** - my favourite charting software.

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**Summary & Wrap up**

## Don't forget my Toolbox

- Brainy's **Share Market Toolbox**
  - (1) [www.robertbrain.com](http://www.robertbrain.com)
  - (2) Loads of eBook (PDF) Articles
  - (3) Info: share market, charting, BullCharts
  - (4) Weekly Market Updates and Watch List
  - (5) monthly e-Newsletter **special topics**
- Good software – BullCharts  
[www.robertbrain.com/bulcharts/](http://www.robertbrain.com/bulcharts/)
- My contact details:  
web site above, or phone: 0438 355 910



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Where's the market going?



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