

Investing in the Share Market using Technical Analysis

Thinking of investing wisely in the markets?

Investing in the share market using Technical Analysis (Part 1 and 2)

for U3A Waverley April 2025

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Version: 10.3



Introduction

Additional comments

When Robert publishes presentation slides such as this set, there is usually a version of the slides available for Brainy's Share Market Toolbox (premium) members which includes additional explanatory comments — referred to as the "Speaker Notes".

Each page in the set has the slide on the top half of the page and the "notes" on the bottom half (as shown at right).



Slide#2

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Introduction

Special comments

This set of presentation slides "Part 1" & "Part 2" is a general introduction to investing/trading the share market using T.A. In particular for U3A Waverley, March 2025.

This full slide set comprises many more slides than can be delivered in the time available; but they are offered here in order to provide a more detailed explanation of the topic.

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 **Introduction**

Today's Agenda – Part 1, INTRODUCTION

Investing in the share market using Technical Analysis:

- Starting thoughts, and fundamental analysis
- Technical analysis – What is it? and Why is it useful?
 - Trends, uptrends, downtrends, support, resistance
 - candlesticks, bars, chart patterns
- Real systems and strategies – an introduction, samples
- Next steps and some tips.

Part 2 / More advanced? – see next slide ... /

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 **Introduction**

Today's Agenda – Part 2, More Advanced

Investing in the share market using Technical Analysis

- Your system – entries, exits and back-testing (ASX Game)
- What Resources? – brokers, websites, software, computer
- How much time does it take? – The "journey"!
- How much money? How many shares?
- What type of person to "trade" shares?
- Risk and money management (no, not today)

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 **Introduction**

Firstly – *trading v investing*

- Terminology:
"trading" versus "investing" – a grey area
also: *trader* versus *investor*
- "Shorter term investing" ~ "trading"
- Both investors and traders can hold positions
for several days up to several years
- The material in this presentation
applies to all these people!
- "Day trading" is a special (short term) activity.

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Introduction

SCOPE

- Today's focus is only on investing/trading in Australian **shares**
- CFDs might be mentioned as an aside;
- Cryptocurrency might get a mention;
- Not discussed: currencies (forex), options, warrants, futures;
- But the principles still apply.

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Introduction

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 20+ 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**
- Former member Mensa
- Engineering Degree (structured thinking with an eye for charts and diagrams)
- 30+ years – professional experience (IT and management)
- **No AFS license!** (Can't give advice)
- **BullCharts software** (convenor Australian BullCharts User Group and authorised reseller offering special pricing)

Conflict of interest?

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

Important Notice — No Advice!

- This presentation does not include any advice.
- For proper advice, your personal financial situation needs to be considered.
- This presentation is pure education, only for your general awareness.
- There are no recommendations to take any action, or to invest any money in any way.
- Always consult a properly licensed advisor before making investment decisions.

advice (with a red prohibition sign over it)

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Introduction

Important Notice



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1. Investing / Trading?

Thinking of trading or investing in the share market; but doing it *smarter*?



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1. Investing / Trading?

If you already have investments...

- Do you feel comfortable and in control of your investments?
- Have you seen your investments reduce in value?
- Have you felt helpless while the markets have fallen?

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 **1. Investing / Trading?**

Are you interested in:

- Easily protecting your capital from downside risk and;
- Minimising any losses?

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 **1. Investing / Trading?**

Two basic analysis methods

- Fundamental analysis:
 - An analysis method to evaluate the *intrinsic value* of an asset (eg. shares) by examining financial statements, industry trends, and economic factors, aiming to determine if it's overvalued or undervalued.
- Technical analysis:
 - The interpretation of past share prices and volume (typically on share price charts) to try to gauge likely future price action.

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 **1. Investing / Trading?**

Two basic analysis methods

Which is "best"?

- Fundamental analysis or
- Technical analysis?

Is one analysis method better than the other?

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 **1. Investing / Trading?**

Fundamental analysis

Very briefly:

- Examine company financial statements
- Study industry trends
- Consider a range of economic factors
- Consider company earnings guidance
- Consider the estimates/guesses of analysts and brokers
- Try to work out what the future share price ought to be.

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 **1. Investing / Trading?**

Fundamental analysis

There is one thing about fundamental analysis:

- Ask a hundred analysts and brokers what they think a company's shares are worth.
- And you will get many different answers.

Ask ten brokers for a buy/hold/sell recommendation:

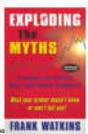
- And there is a good chance they will NOT all give you the same recommendation.

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 **1. Investing / Trading?**

Beware the common investing traps

- The vast majority of finance industry professionals peddle falsehoods;
- They want to maintain control over your investments, and keep taking the commissions;
- Beware myths such as:
"It's time in the market that's important, because you cannot time the market!"
- *Actually*, we CAN "time the market"!
- Frank Watkins' book explains more:-

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1. Investing / Trading?

The mindset is very important

- Beware the long-term investor buy-and-hold mindset, even though the professionals claim it wins over the very long term
- Be prepared to sell down a position, and not hold indefinitely – to protect capital
- Don't be distracted by "blue chips"
- In stock picking, a 100% success rate is a good aspiration, but is not achievable.

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1. Investing / Trading?

Analysis – summary

- The usefulness of fundamental analysis is not really all it's cracked up to be
- Too much focus on "fair value" or "share price valuations" and forward estimates (which are really just "educated opinions" with a variety of built-in assumptions)
- Technical analysis certainly provides an advantage for the investor and trader (because it summarises the current opinions of the market participants about "fair value").

Every chart tells a story.

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2. What is Technical Analysis?

Technical Analysis
What is it?
Why use it?
Is it useful for investors?
Can we make money with it?

*Every chart tells a story.
It pays to understand the stories in the charts.*

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2. What is Technical Analysis?

Technical Analysis is very useful!
for investors and traders!

*Share market price charts summarise the underlying opinions and emotions of the **real market participants** (the actual buyers and sellers).*



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2. What is Technical Analysis?

Why use technical analysis?

- ✓ To help understand more about WHY the share prices are moving (it's to do with opinions and emotions)
- ✓ Minimise downside risks
- ✓ Maximise upside potential
- ✓ Protect hard-earned capital
- ✓ Minimise any losses

The more successful traders and shorter-term investors use some form of technical analysis.



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2. What is Technical Analysis?

T.A. is a very broad field including:

1. Price charts – candlestick charts or bar charts
2. Chart patterns
3. Chart Indicators:
 - Moving Average, MACD, RSI, P-SAR, etc.
4. Numeric (computational) analysis
5. Specialist topics:
 - Fibonacci, Elliott Wave, W.D.Gann
6. Using charting software

But you don't have to master all of it!!



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2. What is Technical Analysis?

The most useful aspects (for investors)

1. Uptrends and downtrends
2. Support and Resistance
3. Chart patterns
4. Volume (or daily value) – is important
5. Price breakouts as one example.

Technical analysis is very useful for both investors and traders

Every chart tells a story. It pays to understand the stories in the charts.

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2. What is Technical Analysis?

Uptrends

Could you have been tempted to buy this stock?

If only we could readily spot *uptrends* and take profits.

Up 81% in 40 weeks.

A weekly line chart of BHP over 10 months

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2. What is Technical Analysis?

Up 780% in 52 weeks!

A weekly line chart of BAL over 52 weeks

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2. What is Technical Analysis?

Defining an "uptrend" – it's simple

1. Identify the Peaks and Troughs.
2. Look for: Higher Peaks (HP) and Higher Troughs (HT) (or Higher Highs and Higher Lows).

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2. What is Technical Analysis?

uptrend = Higher Highs and Higher Lows

Get a feel for what the price is doing.

Identify trends: *uptrend*, or *downtrend*, or non-trending.

Terminology:-
Higher High = Higher Peak
Higher Low = Higher Trough

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2. What is Technical Analysis?

uptrend = Higher Highs and Higher Lows

Terminology:-
Higher High = Higher Peak
Higher Low = Higher Trough

"The trend is your friend"

Once in place, an **uptrend** is likely to continue*.

Join the trend until it has finished.

* – One of the six tenets of Dow Theory

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2. What is Technical Analysis?

Beware the *downtrend*

On a weekly candle chart every candle summarises the price action in one week.

Not a good idea to invest in a *downtrending* stock, until the trend has finished.*

* based on the principles of Dow Theory

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2. What is Technical Analysis?

Downtrends

Might you have been tempted to buy this (downtrending) stock?

Do you know which stock this is?

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2. What is Technical Analysis?

Downtrends

Might you have been tempted to buy this (downtrending) stock?

A weekly line chart of Telstra, 1999-2002 (down 46%). Both government and advisers were recommending to buy each tranche – T1, T2, T3. (Could argue that was criminal)

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2. What is Technical Analysis?

T.A. – One accepted definition

The use of market data and charting skills to anticipate market direction and timing to make consistent profits.

The chart displays the weekly price of BHP Billiton Limited from 2005 to 2011. A blue trend line is drawn across the price movement, showing an overall upward trend with some fluctuations. The y-axis represents price, and the x-axis represents time in weeks.

2. What is Technical Analysis?

The Weekly Line Chart

Weekly line chart shows the Closing price at the end of each week, joined together by short straight lines.

A downtrend is likely to continue (like catching a falling knife)

A weekly chart can cover any period in time. This one is 4 months.

The chart shows the weekly closing prices of BHP Billiton Limited from May 2008 to September 2008. A red arrow points to a downward-sloping line, indicating a downtrend. A blue horizontal line marks a period of 17 bars (17 weeks) from May 2008 to July 2008.

2. What is Technical Analysis?

Price Support and Resistance

On a monthly candle chart every candle summarises the price action in one month.

Support lines

Resistance line

Past resistance was eventually defeated, and the same price level then became support later on.

A support "zone", with the price falling towards it, and then bouncing away.

Note: Sometimes a "fat pencil" is appropriate especially on monthly or weekly price charts.

The chart shows the monthly price action of BHP Billiton Limited from 2005 to 2011. A red horizontal line indicates a resistance level that was eventually broken. A green horizontal line indicates a support level. A yellow box highlights a support zone where the price bounces off a price level.

2. What is Technical Analysis?

Key price chart observations

1. Weekly candlesticks
2. Log price scale
3. MA chart indicator
4. Price consolidation (below resistance)
5. Break out
6. Uptrend

AMU Weekly AMU Weekly Moving Average

Every chart tells a story.

2. What is Technical Analysis?

Base Consolidation

For 38 months, market participants had an opinion: "This stock is worth more than 8 cents but less than 14 cents." So, price was stuck under "resistance" ...

AMU Monthly C1=0.220 O=0.220 H=0.220 L=0.220 0.000 0.000 1/07/2011

Every chart tells a story.

2. What is Technical Analysis?

Price breakout and volume spike

...price was stuck under "resistance" until July 2003, then opinion changed and price broke above resistance with a Big White candle and much higher volume.

AMU Monthly C1=0.220 O=0.220 H=0.220 L=0.220 0.000 0.000 1/07/2011

Every chart tells a story.

2. What is Technical Analysis?

Chart patterns – Ascending Triangle

Price trades in a narrower and narrower range. In this example there is a horizontal resistance at \$4, but there is a rising lower level – indicating progressively more and more "support" at higher levels. (There are many different Chart patterns)

AscendingTriangle_demo.bc: T15 Weekly - T11.5T...
T15 Weekly O=4.200 H=4.150 L=4.200 L=4.130 +B 3/11/2008
5.0
4.5
4.0
3.5
2006 2007

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2. What is Technical Analysis?

Bars and Candles

The **bars** and the **candles** on a price chart tell us a lot about the opinions of the market participants.

(do you know how?)

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2. What is Technical Analysis?

OHLC Bar and Candle...

Each **bar** on a bar chart, and each **candle** on a candle chart summarises the price action in any one "period" (a day, week, month, etc.).

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2. What is Technical Analysis?

Candle features — the White candle

“open” price for the period (bottom of candle body)

“low” price for the period (bottom of candle tail)

“high” price for the period (top of candle tail)

“close” price for the period (top of candle body)

A “period” is a day, week, month, etc.

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2. What is Technical Analysis?

Candle features — the Black candle

“open” price for the period (bottom of candle body)

“low” price for the period (bottom of candle tail)

“high” price for the period (top of candle tail)

“close” price for the period (top of candle body)

A “period” is a day, week, month, etc.

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2. What is Technical Analysis?

Which candle is which?

“close” price for the period

Just think that the black coloured candle is gloomy, so it is “down” for the period, and its close is lower than open

“open” price for the period

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 **2. What is Technical Analysis?**

T.A. Summary Comment

1. Technical analysis (T.A) can be used on:
 - company share price charts
 - commodity price charts (eg. oil, gold, etc.)
 - foreign currency (forex) charts
2. T.A is very good; but not 100% guaranteed, nor 100% reliable (because the charts summarise the opinions of the real market participants).

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 **2. What is Technical Analysis?**

T.A. Summary Comment

1. Technical analysis (T.A) can be used on:
 - company share price charts
 - commodity price charts
 - foreign currency (forex) charts
2. T.A is very good; but not 100% guaranteed, nor 100% reliable
3. Using T.A can give an unfair advantage over the buy-and-hold investors. 
4. Also need to use wise *money management* and *risk management* principles.

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 **2. What is Technical Analysis?**

Technical Analysis is very useful!

- *Share market price charts summarise the underlying opinions and emotions of the real market participants*
- *Every chart tells a story* 
- *It pays to understand the stories in the price charts.* 

 **Every chart tells a story.** © Copyright 2014-2025 Robert B. Brain — *Brainy's Share Market Toolbox* — www.brainyshare.com  54

 **2. What is Technical Analysis?**

Can you make money?

Many technical analysts do make money;

but many do not, because of their misuse of T.A. or their lack of preparation or understanding.

*Every chart tells a story.
It pays to understand the stories in the charts.*

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 **2. What is Technical Analysis?**

Research papers?

Over the years a number of researchers have performed simulations and case studies to test the veracity and usefulness of technical analysis and many conclusions are based on incorrect or misinformed use of technical analysis.

Beware of the inherent **confirmation cognitive bias** of believing these without reviewing the arguments and studies in favour of T.A.

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 **Introduction**

Part 1, INTRODUCTION – Summary

Investing in the share market using Technical Analysis:

- Starting thoughts, and fundamental analysis
- Technical analysis – What is it? and Why is it useful?
 - Trends, uptrends, downtrends, support, resistance
 - candlesticks, bars, chart patterns
- Real systems and strategies – an introduction, samples
- Next steps and some tips.

(The following slides are also Part 1, but not shown at U3A Waverley in March 2025 due to lack of time)

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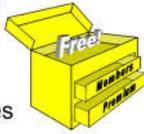
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 - Info: share market, charting, BullCharts
 - Weekly Market Updates and Watch List
 - monthly e-Newsletter topics
- Good charting software – BullCharts
www.robertbrain.com/bullcharts/
- My contact details:
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 **3. Systems and Strategies**

Real
Systems
and
Strategies

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 **3. Systems and Strategies**

Plans, Strategies, Systems?

- **The plan** — Focuses on the reason for investing and takes into account the investor's age, tolerance for risk, time frame, types of investments etc.
- **The strategy** — Looks at how that plan will be implemented, for example using a value, fundamental, technical or passive, etc.
- **The system** — Provides a set of rules which tell the investor what and when to buy and sell, how the risks are managed and it provides specific guidelines on portfolio management.

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 **3. Systems and Strategies**

Success for traders and investors...

Success is dependent on...

- Having a specific, **defined set of criteria** for stock selection, entry conditions, and the exit conditions
- Having **confidence** that your strategy is likely to be successful over time
- And **adhering to the strategy** (which can be challenging due to **emotional inputs** and inherent **cognitive biases**).

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 **3. Systems and Strategies**

Trading strategy thoughts

1. Find stocks using *fundamental analysis* and time entry with *technical analysis* (this is *Funda-Technical Analysis*);
2. Long term bull market strategy, different to shorter term bull market strategy;
3. Different for a bear market.

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3. Systems and Strategies

Sample Trading Strategies

- Trend following
- Price breakout
- Chart patterns (eg. triangles, double top, etc.)
- High dividend yield
- Reversal trading
- Momentum indicator + MA-of-Momentum (see next slide)

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3. Systems and Strategies

Sample Strategies

Momentum indicator and MA-of-Momentum

Weekly candles

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3. Systems and Strategies

MOVING AVERAGE CROSS-OVERS

Daily chart of BHP.

MA Cross-Over on Closing price using 5 and 21 day Simple MA.

Golden Cross - Buy Signal
Faster MA crosses "Above" the slower MA.

Dead Cross - Sell signal (also Death Cross)
Faster MA crosses "Below" the slower MA.

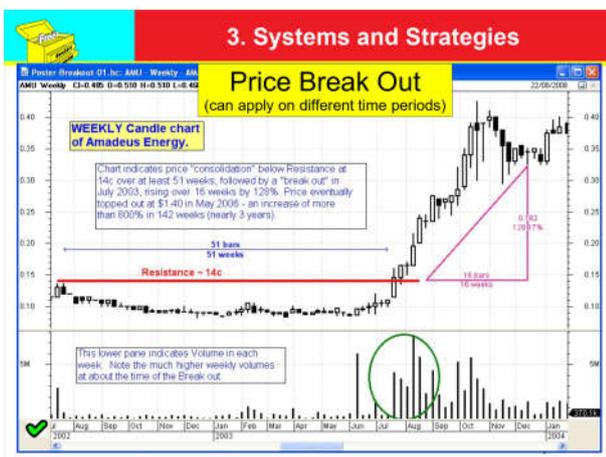
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3. Systems and Strategies

More sample strategies

- Use **ADX** chart indicator for entry (refer Chuck Le Beau)
- Use **Parabolic SAR** for exits
- Price Breakout (see next slide)

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3. Systems and Strategies

Some successful strategies

These are in use by some successful traders:

- Use the **MACD** and the **RSI** indicators. Look for RSI **divergence** against the share price.
- Use **Stochastic** indicator and **Directional Movement (ADX)** to give joint signals.

Tip!

Caution:- Not guaranteed!!

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 **3. Systems and Strategies**

How to do this?

- Identify *uptrend*, and ride the trend
- Identify Moving Average increasing (confirming the trend)
- Identify *Support* and *Resistance* levels and then set buys, sells and stop loss
- Look out for potential *Break outs*, then identify, confirm and respond quickly (use Scan feature in charting software)
- Many, many more possibilities....

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 **3. Systems and Strategies**

Isn't this gambling?

- Some people think that share trading is just gambling?
- Without a proper **trading plan** and **trading strategy** then maybe it is.
- Sensible **risk and money management** make a very big difference.
- But if you have a proper, proven and tested **plan**, then it is actually calculated **risk taking**.
- Compare with other professions:
 - farming, retail business, catering,
 - tourist trade, tradesman, handy man, etc.

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 **4. Next steps and tips**

NEXT STEPS
and
TIPS



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 **4. Next steps and tips**

Next steps

- Continue to learn about technical analysis and possible strategies
- Gather your thoughts and ideas
- Think about entries and exits
- Test out some ideas in a "sand box" (paper trade)
- Understand the motives and strategies of the "big boys"
- Talk and meet with like-minded people
- Find useful organisations (eg. ATAA).

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 **4. Next steps and tips**

ATAA — networking, and more
For totally unbiased and broad support:

 **Australian
Technical Analysts
Association**

- **Member-focused** national association
- Seven locations around Australia
- **Monthly meetings** and more
- **Online meetings** and more
- **Lots of resources** — www.ataa.asn.au

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 **4. Next steps and tips**

Arguments for and against

<u>FOR</u>	<u>AGAINST</u>
<ul style="list-style-type: none">• Can be rewarding• Can be profitable• Aim for success rate of about 50%+• Let profits run	<ul style="list-style-type: none">• Can be high risk• It can take time• There will be losses• But quit losses early• Can be traumatic and emotional

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4. Next steps and tips

Trading — Final Tips

Watch out for:

- Use a stop loss!
- Beware low liquidity securities
- Watch diligently (don't take your eyes off the ball)
- Understand retracements
- Look out for sucker rallies
- Profit takers exist and move the price
- Beware the 3-period pause in a rally

Tips!

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 - Trends, uptrends, downtrends, support, resistance
 - candlesticks, bars, chart patterns
- Real systems and strategies – an introduction, samples
- Next steps and some tips.

Part 2 / More advanced? – Follows .../

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Share Strategies

**ADVANCED MATERIAL
FOLLOWS**

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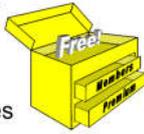
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 **MORE INFORMATION**

Don't forget my Toolbox

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

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 **Introduction**

Today's Agenda – Part 2, More Advanced

Investing in the share market using Technical Analysis

- Your system – entries, exits and back-testing (ASX Game)
- What Resources? – brokers, websites, software, computer
- How much time does it take? – The "journey"!
- How much money? How many shares?
- What type of person to "trade" shares?
- Risk and money management (no, not today)

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 **5. Your system / strategy**

Your system / strategy

The entries, and exits.
Documenting and testing.
The ASX Game?

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 **5. Your system / strategy**

Your Trading Plan / Strategy / System

- Have all this recorded — very beneficial
- Include things like:
 - Investment objectives and horizon
 - Funding arrangements (eg. cash, loan, security, margin lending, etc.)
 - Your preferred financial instrument or
 - Multiple instruments?
(eg. equities, stocks, CFDs, warrants, options, futures, currencies, etc.)
 - Your *stock universe*.

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 **5. Your system / strategy**

Trading Strategies / Systems

"A predetermined set of rules for making trading decisions"

- That is, the stock selection criteria, the buy criteria and the sell criteria
- Stop loss, profit levels, and money mgt
- The trading mechanical and automatic, no subjectivity, no gut-feel and no emotion
- Can have multiple strategies.

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 **5. Your system / strategy**

Discretionary trading

Without a carefully prepared and tested strategy/system → *discretionary trading*

- Trading decisions based on “intuition”
- Need many hours of experience to be successful

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 **5. Your system / strategy**

Key elements

- Stock universe
- Entry criteria
- Exit criteria
- Money and risk management aspects



More details on these on next slides.../

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 **5. Your system / strategy**

Stock universe

- Set up a particular set of stocks (securities)
- To help stay focused
- Helps remove distractions
- Might be “all stocks”.

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5. Your system / strategy

Entry criteria

- For example:
- Definite *uptrend*, eg:
 - Moving Average (MA) increasing
 - higher peaks and higher troughs
- Highest High value in last x days.
- Other...
- But, make it clear, so the signal will be clear.

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5. Your system / strategy

Why have an Exit strategy?

Sensible *money management*

- We cannot be 100% correct with investing or trading decisions.
- Protect hard-earned capital
- Capture and maximise the profits
- Minimise losses





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5. Your system / strategy

Sample exit conditions

- Break below *uptrend* line
- Moving Average Cross-over
- Based on a technical analysis chart indicator such as the ATR (eg. Chandelier Exit).
- A pre-determined *Stop Loss* price level
 - Break below Support level
 - Using indicator like P-SAR.

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5. Your system / strategy

Protecting profit and capital — *Stop Loss*



Sound and sensible money management

Have a pre-planned exit strategy. Utilise a Stop Loss to protect capital, and minimise losses.

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5. Your system / strategy

Stop Loss? — under Support?



Initial Stop Loss position could be under recent support and under recent price action.

Downtrend is "broken". A new uptrend might have started.

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5. Your system / strategy

Stop Loss — eg. using ATR

Wilson ATR Trailing Stop indicator

ATR = Average True Range

The stop is set at a multiple of ATR



The Wilson ATR Trailing Stop is a series of dots (like P-SAR) and says: "if the price falls to here tomorrow, then sell".

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 **5. Your system / strategy**

Back test or Paper trade

- Important to “back test” somehow
 - Use back testing software
 - Use charting software and test stock selection criteria over time
- Paper trading is essential
 - Studying the theory and actually doing it are different (emotions come into play)
 - Trade on paper – hypothetical trades
 - Play an online stock market game (eg. asx.com.au)

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 **5. Your system / strategy**

Online Trading Games

- Play an online stock market game eg. www.asx.com.au — set up your MyASX logon account, and register for the game
- Game #1 for 2025 started 6th March, and runs until mid-June.

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 **6. Resources and time**

The resources?

Brokers, Websites,
Software, a computer?

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 **6. Resources and time**

Full service brokers v Online

Be aware of the difference

Full service brokers:

- Will place the trades for you
- Are likely to charge more than online brokers

Online brokers:

- Generally much cheaper
- Have many tools and much info to share
- Give you more control and flexibility.

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 **6. Resources and time**

Websites

Many different websites with resources:

- Your online broker's website
- Various third party websites
- Reference sources
(eg. ex-div dates, reporting dates, dividend amounts, etc.)
- Discussion forums
(eg. HotCopper, Aussie Stock Forums — beware of some)

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 **6. Resources and time**

Charting and software

- Web-based charting options
- Real charting software
- Features and costs?
- Share price data
- Trading platforms

**Beware “Black Box” software versus
“you are in control” software**

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 **6. Resources and time**

A good computer?

- A good computer might be useful
- Especially if using charting software with a built-in database of stock prices
- Otherwise, a laptop or tablet, especially if using the broker's online tools
- Beware of trying to do this on a smartphone — not so easy.

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 **6. Resources and time**

Use good charting software

- If using a basic charting tool, the information might be limited to the basics
- Use a better tool for greater flexibility and more informative results.

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 **6. Resources and time**

Charting software – key features

- **Data** — Easy access to download data
- Price charts in various **time frames**
- **Intraday** data (optional)
- **Indicators** – draw them on the chart
- **Watchlists** – several lists of stocks to easily keep an eye on them
- **Scans** – Specify selection criteria, and scan the data for stocks that match the criteria
- **Line studies** and **annotations** on the chart

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 **6. Resources and time**

How much time does this take?

The “journey”!

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 **6. Resources and time**

How much time is required?

It depends on:

- Your investing/trading *objective*
- Your *investment horizon* — months, years, etc.
- Your degree of aggressiveness (eg. this can impact your *exit strategy*)
- Your *level of interest* in the market.

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 **6. Resources and time**

How much time is required?

It can be:

- 40 hours per week (full time job), or
- Maybe just 2 hours per day
- Or only 2 hours per week (eg. on the weekend)

Suggested:
At least weekly (for an hour or so).

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 **6. Resources and time**

Your interest and availability

- A few minutes each day, possible to respond to "exit signals" and lock in more profit, minimise any loss, and preserve capital.
- If you only do weekly, then:
 - greater slips of share price,
 - slower to respond to "exit signals",
 - able to lock in only smaller profits, and
 - perhaps suffer larger losses.

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 **6. Resources and time**

The Journey

Many people don't realise they customise their activities, focus on enjoyable aspects => so that *the "journey" is important.*

The more time you devote to the right aspects, the greater the chance of being more successful.

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Share Strategies **7. How much money**

How much money do I need?

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Share Strategies **7. How much money**

How much money do I need?

- Maybe just \$5,000
- Some professional traders make 20% pa
- If you had \$250,000 in capital, and if you made 20% pa profit, this equates to \$50,000 pa.
Is this enough?
- About \$100,000 is a good starting amount
- Don't forget other costs:
 - Brokerage, interest on borrowed funds, tax on profits, software costs, data costs, other subscription costs, etc., etc.

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Share Strategies **7. How much money**

Using leverage

It is possible to use leverage to start with a smaller amount of capital and magnify the wins and the losses.

- Margin Loan
- CFD (Contract for Difference)
- These can be very dangerous and need very special care.

CAUTION

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Share Strategies **7. How much money**

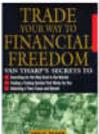
Position Size is important

- If too small, then it gets swallowed up by brokerage and slippage.
- \$1500 is about the minimum.
- Ideally, more than \$2500 to \$3000.

Strategy options:

- Fixed Position Size every time, OR
- Adjust the Position Size using something like the "Two Percent Rule" (refer van Tharp)

Money and risk management



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Share Strategies 8. How many shares?

How many shares to invest in?

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Share Strategies 8. How many shares?

How many shares?

- Many people prefer / suggest about 10 different companies ("...it's easier to manage").
- Some *risk management* rules:
 - Invest no more than 10% of capital in any one position
 - Limit the position size to no more than 5% of daily volume, and/or 5% daily value
 - Keep the "amount at risk" to less than 2% of total portfolio value (refer van Tharp).

Risk management

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Share Strategies 8. How many shares?

Stock liquidity

If your Exit Strategy specifies to sell a holding on a specific condition, then it's important to be able to **sell the entire holding**.

- Many listed companies are not liquid enough to help ensure that a complete sale is possible.
- The daily *volume*, or daily *trades*, values might be too small.

Risk management

eg. Try selling 10,000 shares at \$1 each (\$10,000) when daily values are around: **volume — 5,000 shares** and **value — \$5,000**. That's half of the normal amount.

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 **9. What type of person?**

What “type” of person do you need to be to spend your day trading / investing?

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 **9. What type of person?**

Trading styles / types

Personal preference which style(s) to adopt:

- *Trader versus investor*
- Intra-day trading? ~ Day trader
- Inter-day trading? — for investors and traders
- Position trader — for investors and traders
- Trend trader — for investors and traders
- Momentum trader — for investors and traders
(some of these terms are not clearly defined)

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 **9. What type of person?**

Is trading* for you?

- Emotions — Fear and Greed (and Hope)
- Could you sleep at night?
 - If you have thousands tied up and at risk, could you sleep easily?
 - What if one position went belly up? Would that worry you?
- What about your Risk Tolerance and Profile?

* trading, or short-term investing

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9. What type of person?

Why would you want to do this?

- To make a reasonable living
- To increase your net worth
- To build capital
- To produce an income stream
- Because the activity is enjoyable (it's the journey).

But, how does it compare with the alternative ways of achieving the same end?



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9. What type of person?

Some home truths about "trading"

- Day-trading can be a lonely experience, sitting in front of a screen all day (but it does not have to be this way)
- Every one has some losses – you need to accept this, and minimise them
- Try to maximise the profits
- If you follow the "rules", you might come out ahead
- If not, then you could have significant losses.



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9. What type of person?

Attributes of a successful trader

Common attributes that apply to the more successful traders/investors:

- have a trading plan
- trading strategy
- proper money mgt
- proper position sizing
- discipline
- intuition
- relevant experience
- goal setting
- open minded
- flexible
- confident
- commitment
- independence
- willingness to learn
- action oriented
- attitude
- good physical health
- spiritual health
- responsibility
- psychology
- passion

Note: "Day trading" — Is a specialised activity, and rather different to inter-day trading!!!
It can be very challenging!



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Summary & Wrap up

Summary and re-cap

Investing in the share market using TA, Part 1:

- Starting thoughts, and fundamental analysis
- Technical analysis – What is it? and Why is it useful?
 - Trends, uptrends, downtrends, support, resistance
 - candlesticks, bars, chart patterns
- Real systems and strategies – an introduction, samples
- Next steps and some tips.

Part 2 / More advanced? – see next slide ...!

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Summary & Wrap up

Summary and re-cap

Investing in the share market using TA, Part 2:-

- Your system – entries, exits and back-testing (ASX Game)
- What Resources? – brokers, websites, software, computer
- How much time does it take? – The "journey"!
- How much money? How many shares?
- What type of person to "trade" shares?
- Risk and money management (no, not today)

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Summary & Wrap up

THE END

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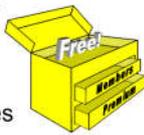
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 **Summary & Wrap up**

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 **Summary & Wrap up**

Q & A

Questions?



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 **Introduction**

BTW

- I send occasional email to interested people
- My **Share Market Toolbox** web site:
 - Toolbox Members receive weekly email with (charts) analysis of our market
 - And there's lots more (stop loss, trends, etc...)
- Register for free and not miss out.
- Visit: www.robertbrain.com

Slide#8 

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Summary & Wrap up

Backup slides may follow
(they may be "hidden")

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