

Disclaimer

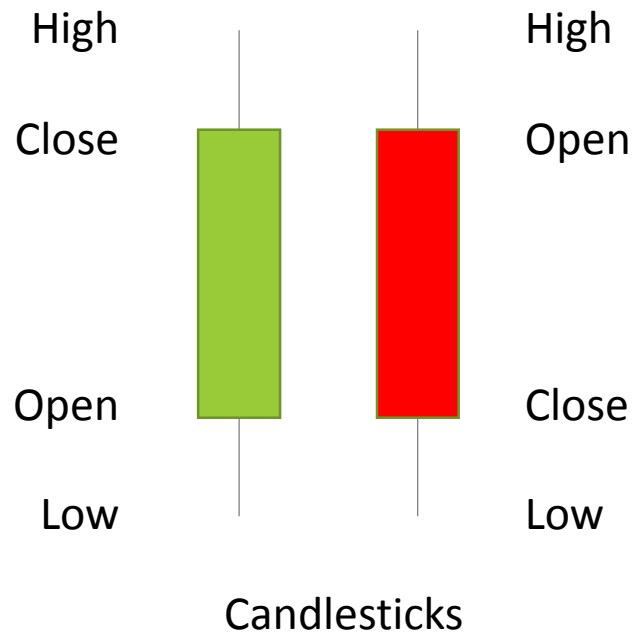
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TECHNICAL ANALYSIS

HOW TO USE TECHNICAL ANALYSIS IN TRADING
LEARNING MATERIAL

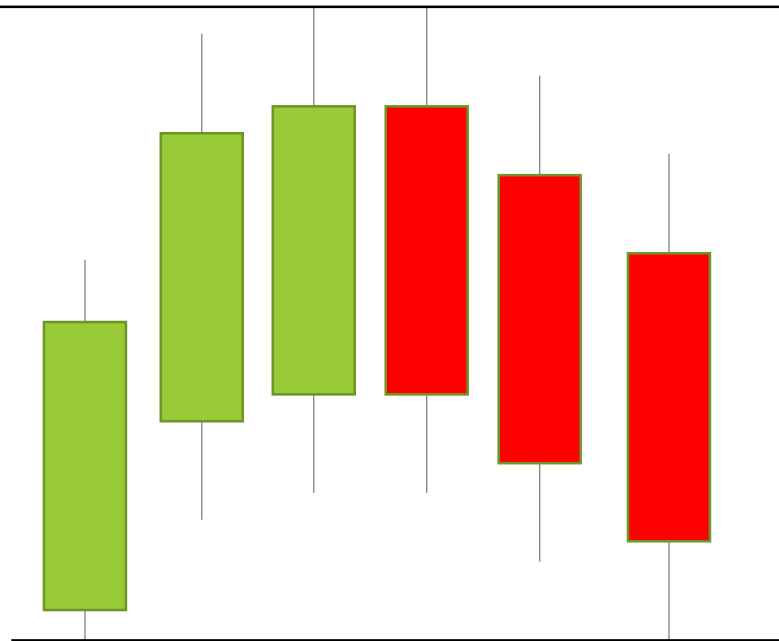
Reading a Stock Chart



- There are a variety of stock charts, including a line chart, a bar chart and candlestick charts
- A chart shows the daily, hourly, etc. movement of the stock providing an open, high, low and close for the time period
- Charts allow you to determine if the stock is in an uptrend, downtrend, or consolidation pattern

Using Support and Resistance

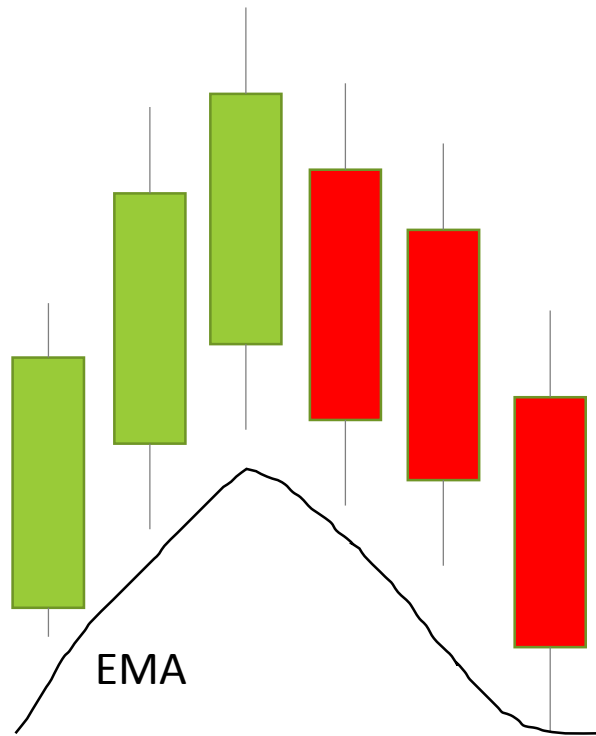
Resistance



Support

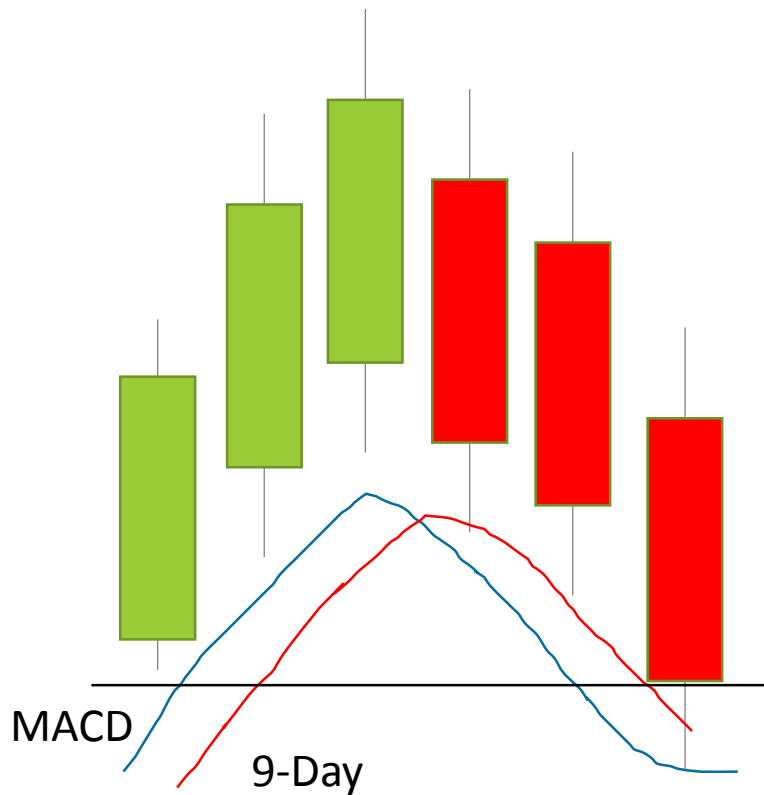
- Support is a price which a stock trades down to and then generally moves up in price
- Resistance is a price which a stock trades up to and then generally moves down in price
- Support and resistance can be used to provide sell and buy signals
- A break of support/resistance may signal a strong move

Using the Exponential Moving Average



- A simple moving average is calculated by adding together prices in a given time frame and dividing by the number of time frames
- The EMA is a weighted moving average, giving more importance to near term prices
- By using two EMAs with different time frames we get an indicator when the fast line or signal line (lower number of time frames) crosses the slow line (higher number of time frames)
- A golden cross is the 50 day crossing the 200 day to the upside and a death cross is the opposite

Using the MACD



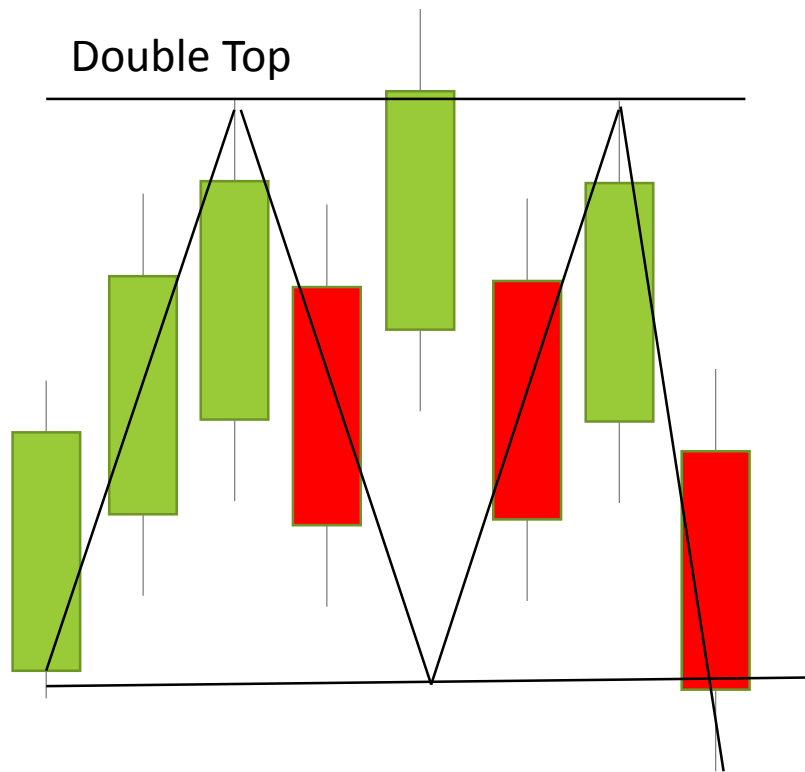
- The MACD subtracts the 12-day EMA from the 26-day EMA, and combines this with a 9-day EMA and a zero line
- A cross by the MACD to the upside is bullish, and to the downside is bearish
- A cross above the zero line is bullish and a cross below the zero line is bearish, though less important than a signal line cross
- When the stock price moves higher (lower) as the MACD moves lower (higher) this is a divergence of the MACD from the stock price and indicates a possible trend change

Trading the Relative Strength Index

RSI	Buy/Sell
Over 70	Sell
Under 30	Buy
Alternatively Over 80	Sell
Alternatively Under 20	Buy

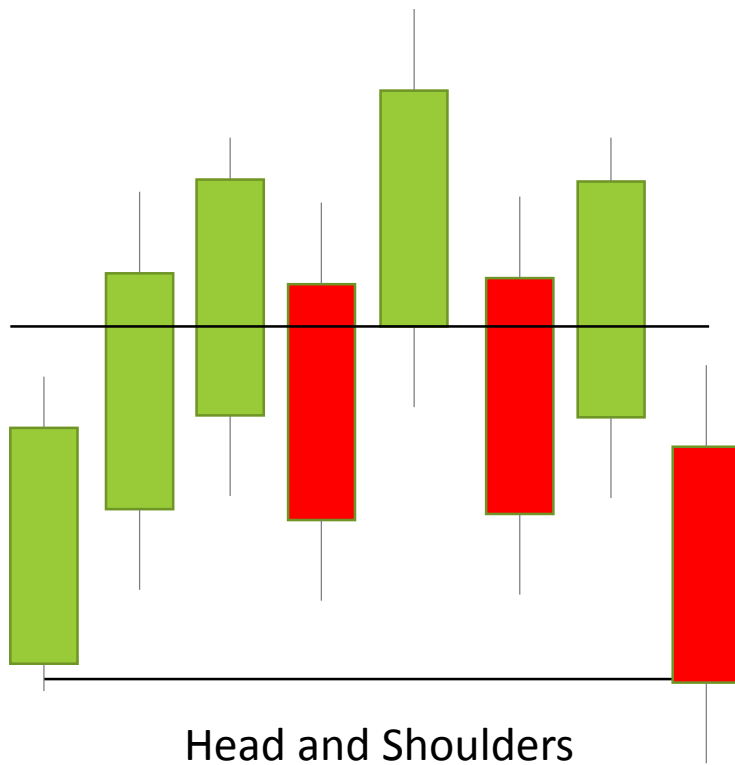
- The RSI is calculated by the following, $RSI = 100 - 100 / (1 + RS)$ where RS is the average gain of n periods minus the average loss of n periods
- RSI provides sell/buy signals when a stock reaches an overbought or oversold condition
- It is a trend reversal indicator
- Use with other indicators, look for divergence

Trading Reversal Patterns: Double Tops and Bottoms



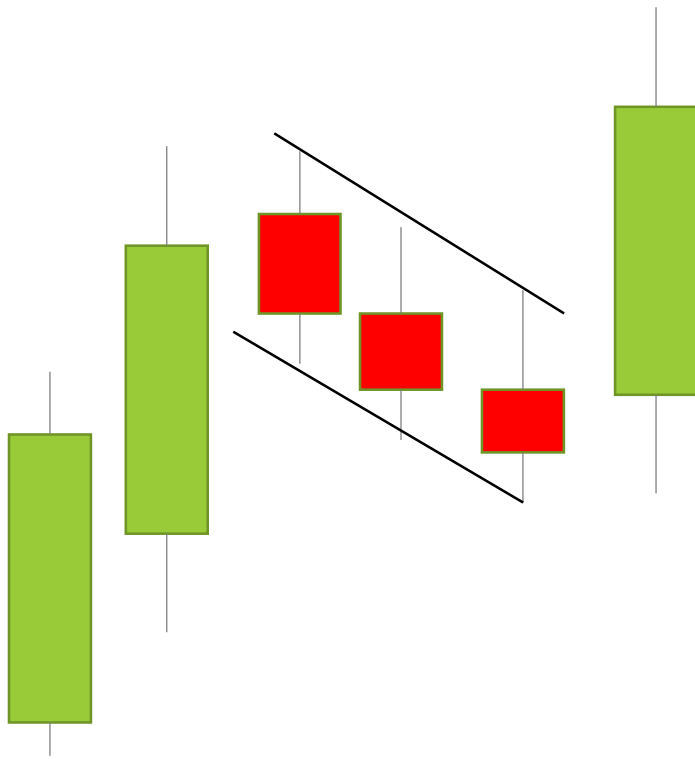
- A double top is when a stock trades to a resistance level two times in a relative short time frame
- A double bottom is when a stock trades to a support level two times in a relative short time frame
- Movement below the pullback low or above the pullback high triggers a sell or buy signal

Trading Reversal Patterns: Head and Shoulders



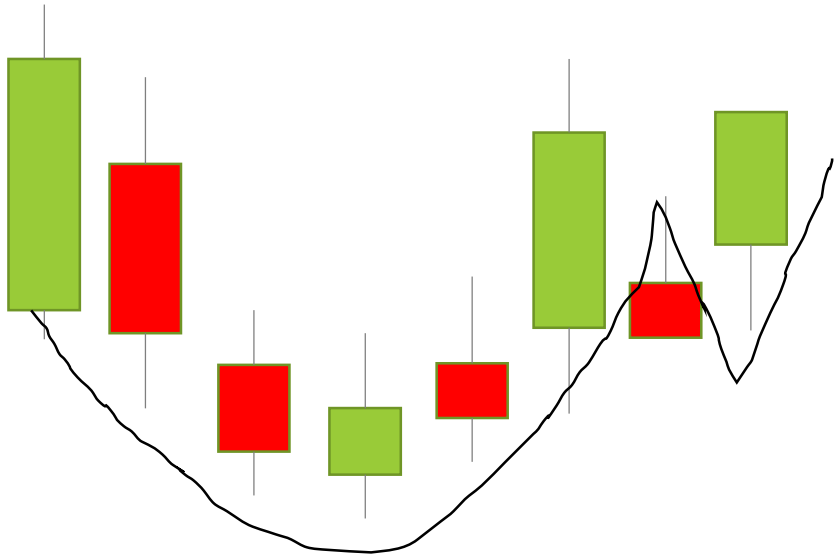
- A head and shoulders pattern forms when a stock reaches a high in an uptrend, pulls back and then reaches a higher high, pulls backs a second time and only reaches the first high
- A break of the neckline on the third pullback signals the end of the bull trend
- The stock is now forming lower highs and lower lows

Continuation Patterns: Triangles, Flags & Pennants



- Triangles, flags and pennants are continuation patterns in uptrends or downtrends
- The pattern represents a price consolidation with minor support and resistance levels
- A move through the levels triggers a buy/sell signal
- A flag looks like a rectangle, a pennant is a symmetrical triangle, and a triangle appears as a triangle

Continuation Patterns: Cup and Handle



- A stock forming a cup and handle pattern is pulling back in a rounded base before rising in the base back to resistance
- Encountering resistance, the stock pulls back, in a flag pattern before moving higher
- A break of the upper trend line in the handle should be used as a buy signal

THANK YOU FOR WATCHING!

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