Financial Markets

Risk Management

Are we using a combination of techniques?

* * * * * * * * * * * * * * * *

"After you do good, wiggle your way out."

"layer different disciplines"

Check: candlestick principles
trend confirmation
momentum
volume (if there is a change and volume stays or increases or decreases?)

Extra Thoughts

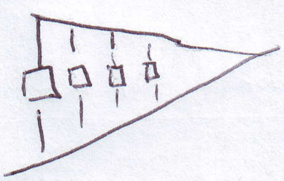
"Continuing Patterns"

"Bullish Symmetrical Triangle"

"candles are getting smaller"

only in up trend

Ascending Triangle



(try using 1 month daily)

"buyers and sellers are getting closer" {increases the probability of continuing trend}

"Series of higher lows"

"consolidates sideways then moves up".

"Are there 4 points of contact?"

Careful of double bottoms, we need good retracement.

Ask questions of your plan?

Have SMA's crossed?
Calculate fib ratios?
Are SMA's compressing/expanding?
Are there engulfing patterns?
Check support lines, are there breaks?

Always confirm.

Have we finished a trend that is in consolidation?
Which way will the price movement go, and why?

Also check for a "Descending Triangle"

(opposite of "Bullish Symmetrical Triangle")

"Series of lower highs"

"Breakdown

(Thanks to Online Trading Academy and Mike Mcmahon.)

"Remember to always use a combination of techniques."

Technical Indicators

MACD - Moving Average Convergence Divergence

AKA "Mac D" "A technical tool that tries to measure momentum."

"the speed of price over time."

"Is price changing quickly or slowly?"

MACD is usually found below price and volume on the chart.

The MACD line measures the distance between two moving averages.

① 12 period EMA (exponential moving average)

② 26 period EMA

(A "signal line" is a 9 period EMA, "slower" ... usually does not show on the chart)

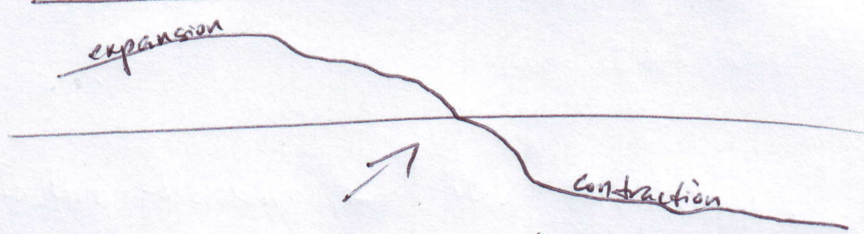
expansion - "change"
compression - "less change"

when 12 and 26 cross MACD line is at zero.

"cross over is a technical weakening"

ex:

"Technical weakening or strengthening"



"convergence / divergence"

When MACD is
above zero and Signal line = "buy long confirmation"

When MACD is overbought and crosses under signal, be careful!

When MACD is below the Signal line and both cross below zero, "sell".

When MACD is oversold and crosses back above signal, take profit. (Be careful)

Another Technical Indicator

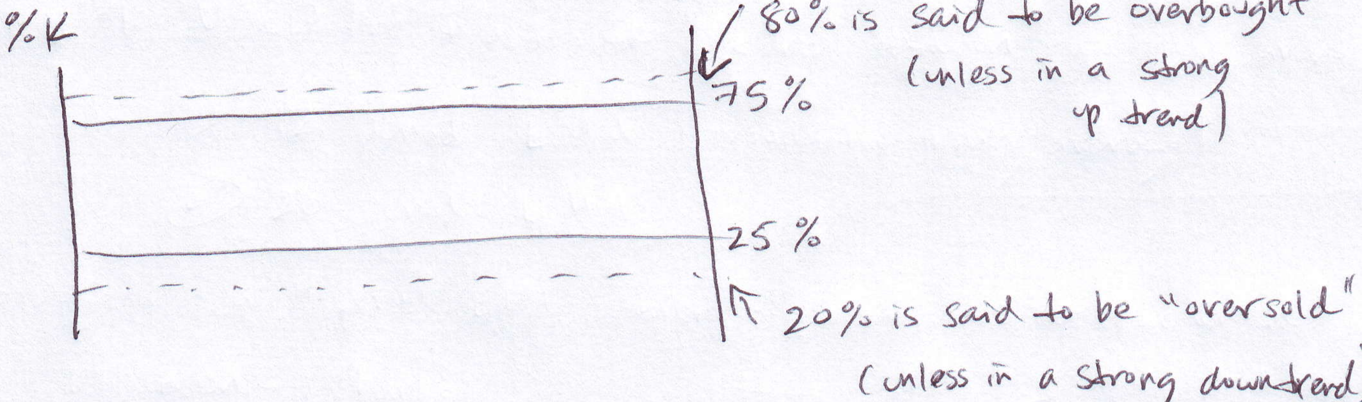
"Stochastics" (Momentum indicator)

"Shows the closing price of each period, plotted on a scale of zero to one hundred percent."

"Tells us what the price is closing further or higher away."

"A turning point for the trend: the price will close further away from the high/low."

"Stochastics line" = % K line



% D is "slow stochastics"

(sometimes used because % K is jagged)

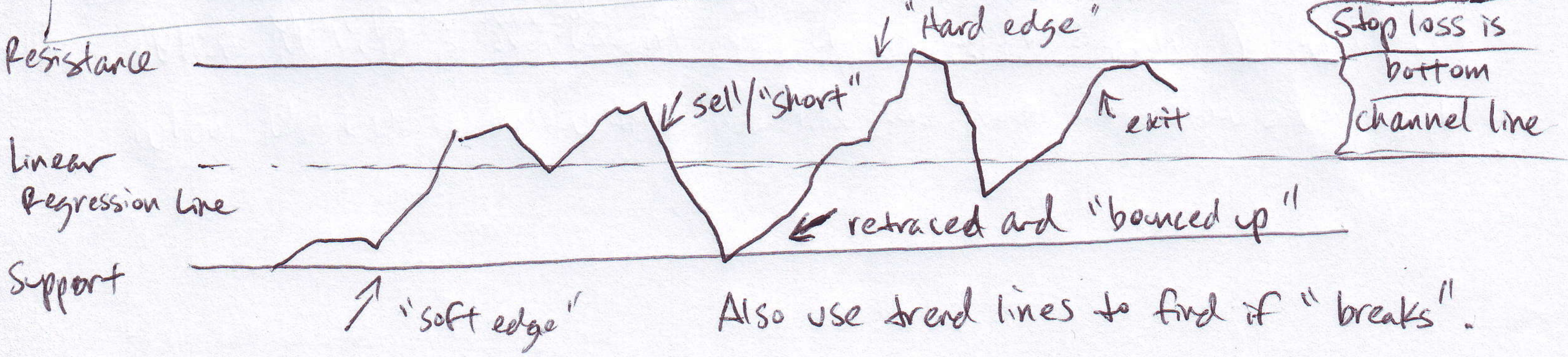
Linear Regression Channel

"Least squares / best fit method."
(central regression line)

"A statistical tool to measure trends predicting future values from past values."

"We use parallel, equidistant lines two standard deviations above and below the linear regression line."

Will the channel hold?



Also use trend lines to find if "breaks".