



Technical Analysis

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Contain

1. Introduction

2. Candle Chart

3. Trend Analysis

4. Pattern Analysis

1.Introduce

1.1 What is Technical Analysis?

- Technical analysis is a tool to estimate a proper security value by focusing on the historical price and trading volume.
- Technical analysis is often called “ Chart analysis”.
- The underlying assumption is 1) the historical trend or pattern will repeat in the future, 2) the share price and trading volume graphs show the information on the supply and demand for the stocks.

1.Introduce

1.2 Technical Analysis' strength and weakness

Strength

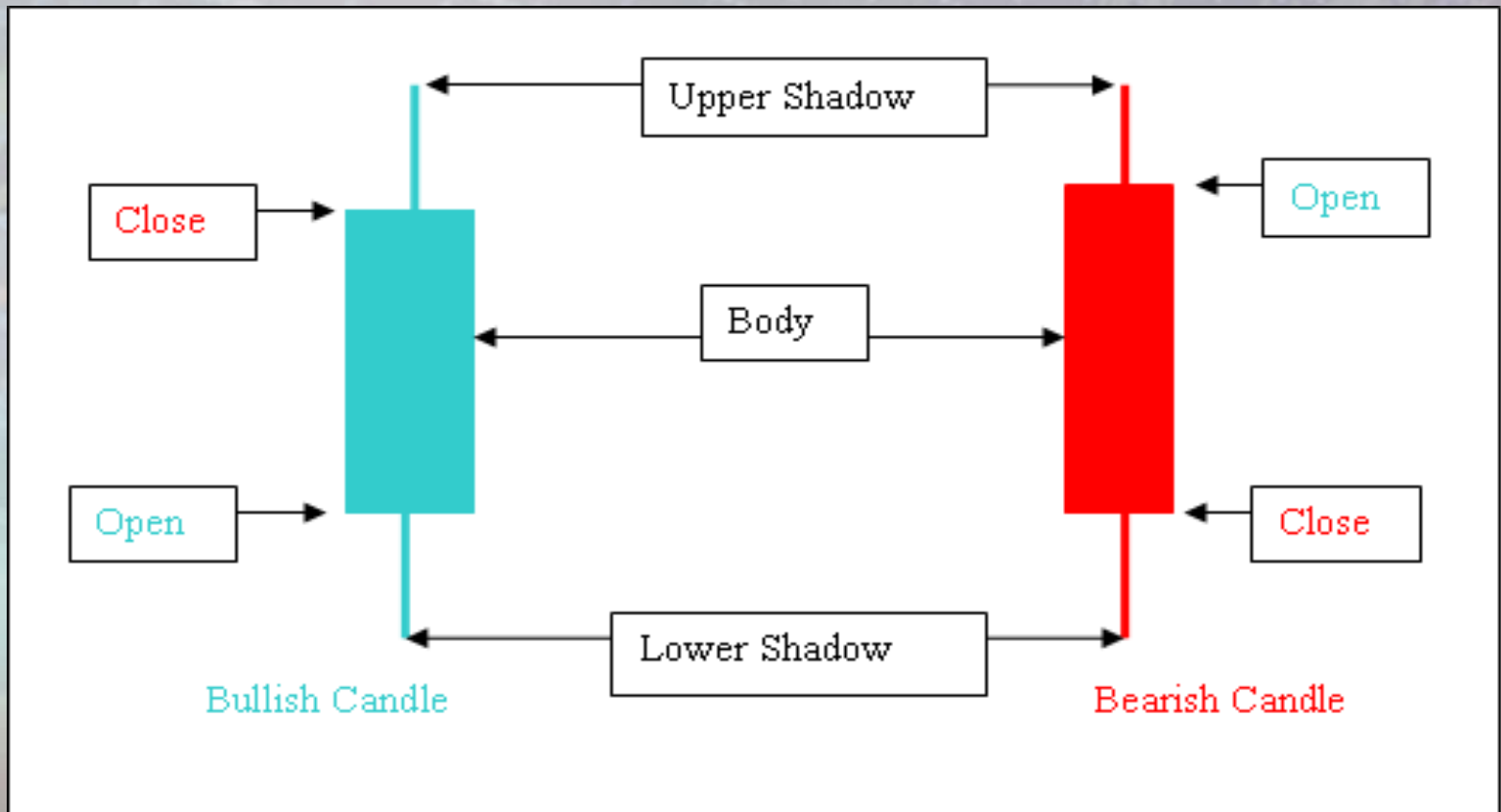
- Share price is affected by *fundamental as well as psychological factors*, and the technical analysis makes up the factors that fundamental analysis does not cover.
- Technical analysis *provides the information on the entry/exit points*.

Weakness

- When *the stock price diverges from the historical trend*, the technical analysis does not work.
- Technical analysis *misses* the cause of the stock price movement.

2.Candle Chart

2.1 Introduction



2.Candle Chart

2.2 Example



2.Candle Chart

2.3 Bar Chart

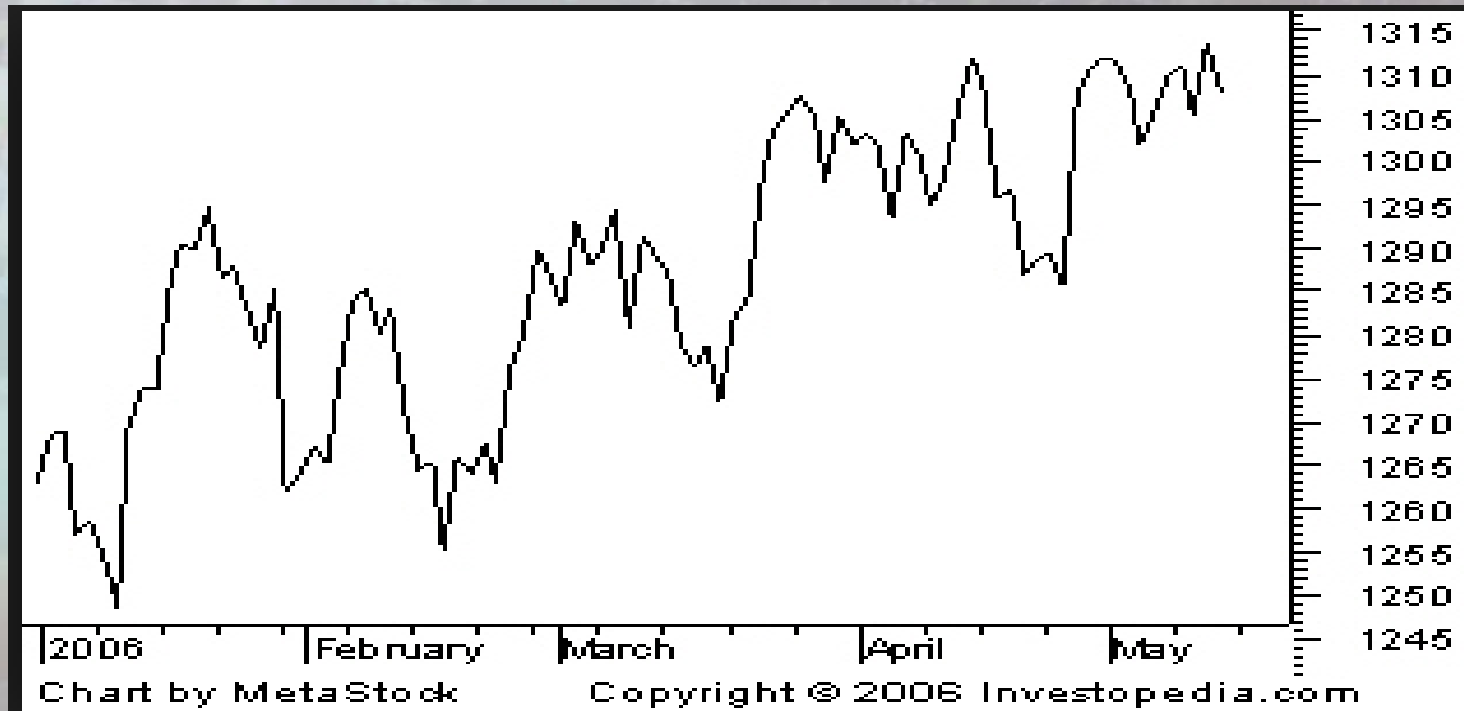
- Comparing with candle chart, bar chart does not have body. Instead, the opening (closing) price is shown as a tic to the left (right) of the vertical bar.



2.Candle Chart

2.3 Line Chart

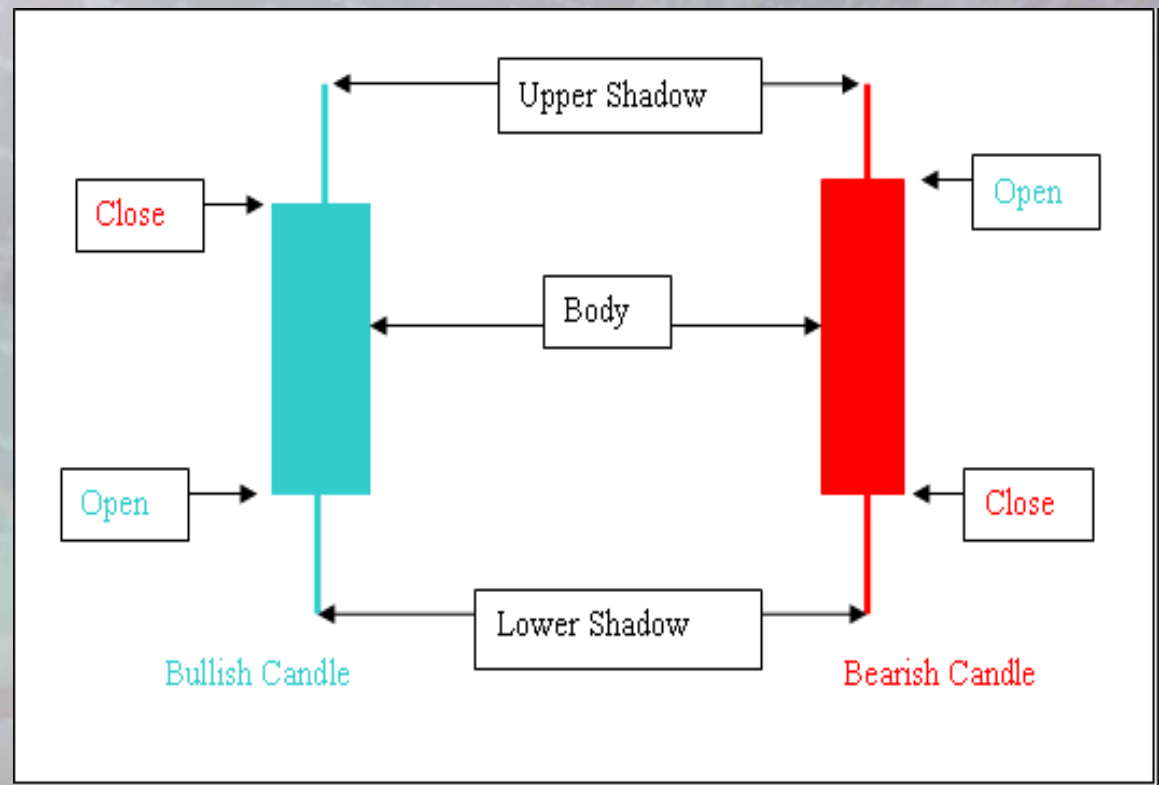
- Line chart produces a solid line by connecting the successive closing prices. This does not show opening, high, and low prices.



2.Candle Chart

2.4 Application

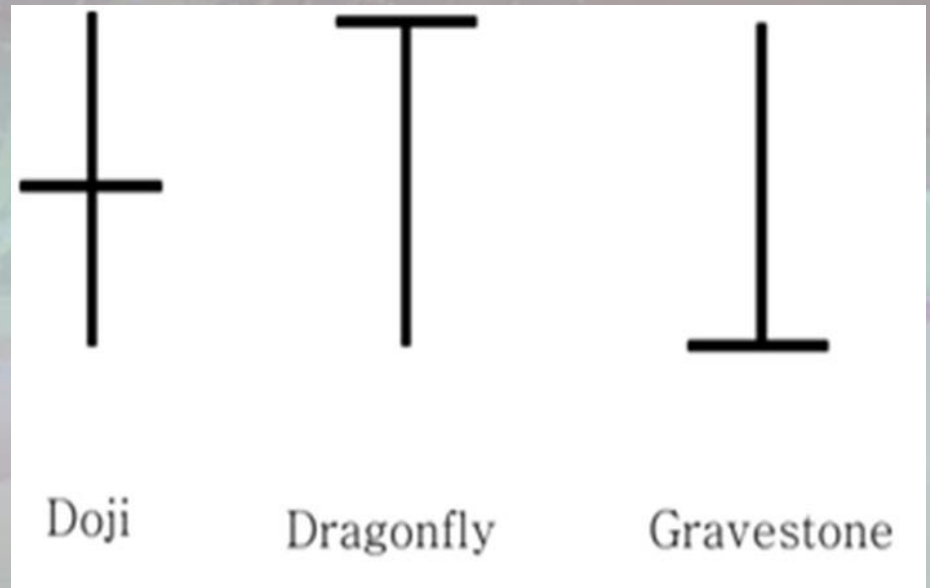
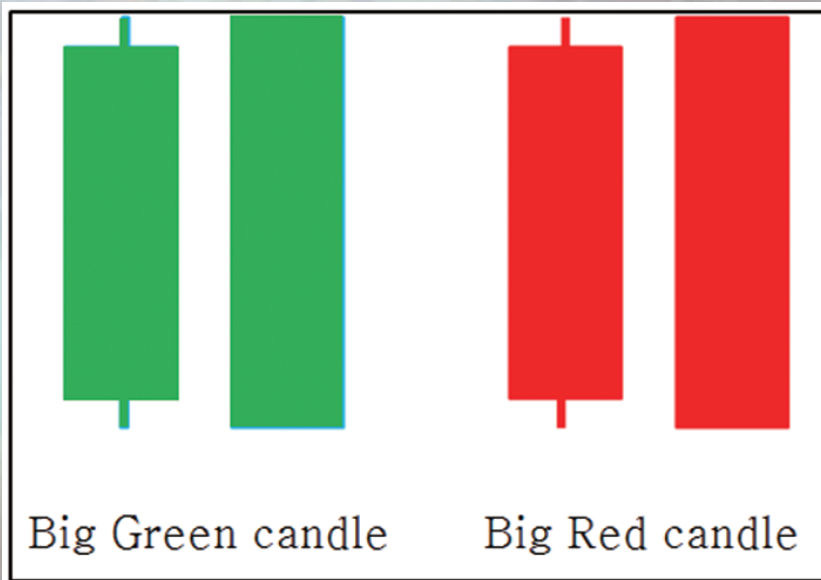
- Long Body: Strong up (down) trend, but Continue?
- Long Upper Shadow: Change to Downturn
- Long Lower Shadow: Change to Upturn



2.Candle Chart

2. 5 Simple Patterns (here Green is bullish and red is bearish)

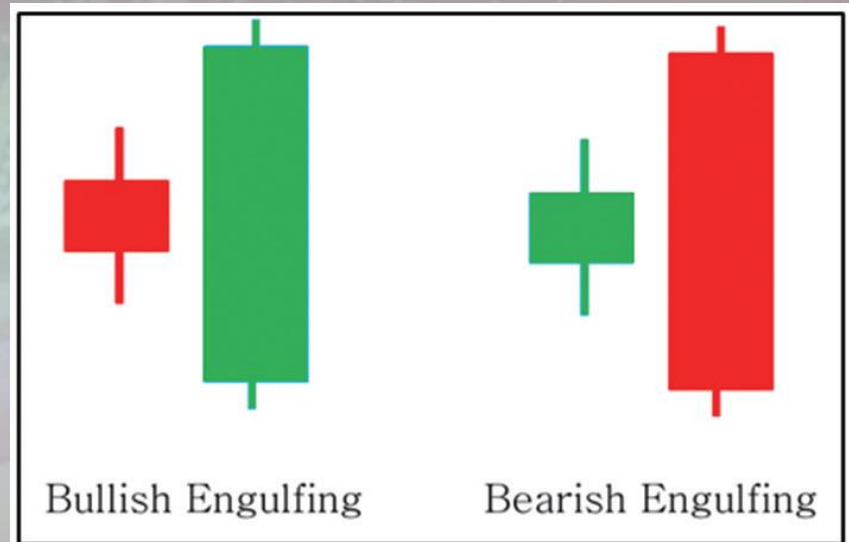
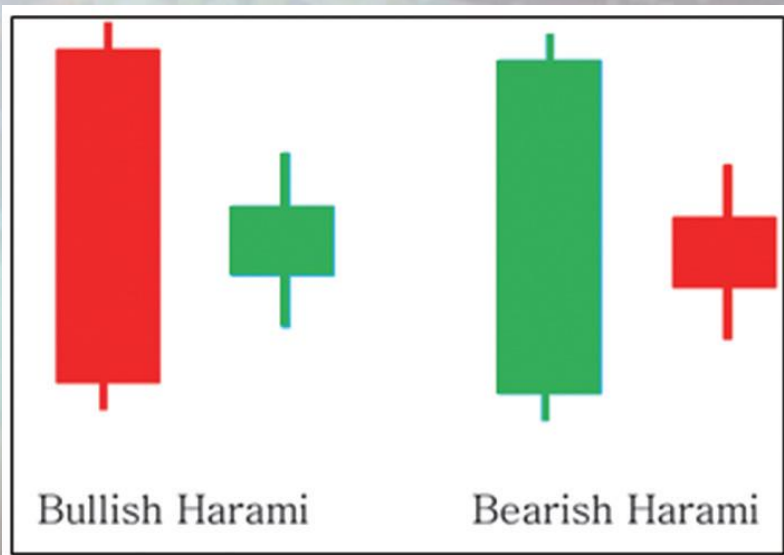
- Big Red Candle
- Big Red Candle
- Doji
- Dragonfly
- Gravestone



2.Candle Chart

2. 6 Complex Patterns (here Green is bullish and red is bearish)

- Bullish Harami
- Bearish Harami
- Bullish Engulfing
- Bearish Engulfing

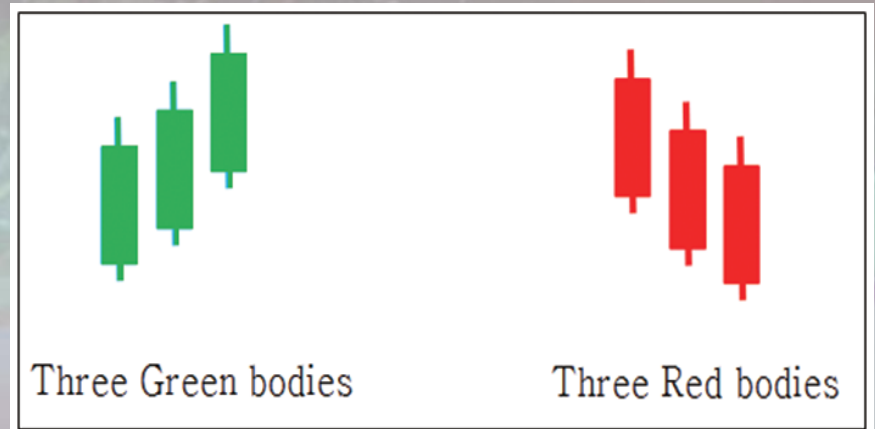
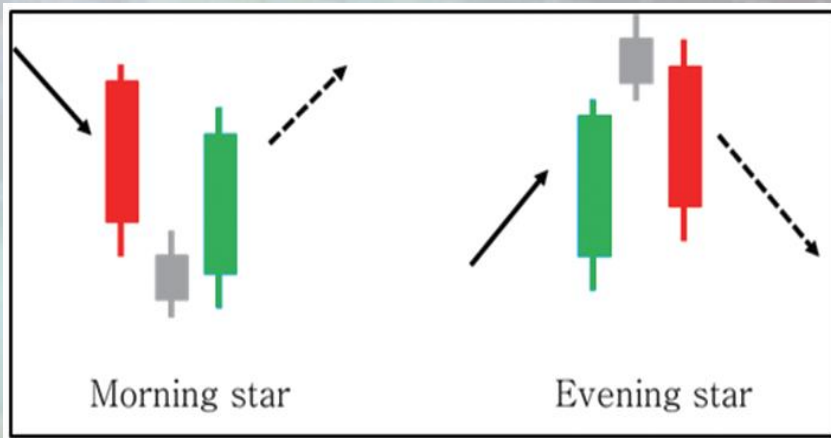


2.Candle Chart

2. 6 Complex Patterns (here Green is bullish and red is bearish)

- Morning Star
- Evening Star

- Three Green bodies
- Three Red bodies



2.Candle Chart

2.7 Some examples of the patterns above mentioned.

- Engulfing Pattern

Engulfing Pattern



2.Candle Chart

2. 7 Some examples of the patterns above mentioned.

- Morning (Evening) Star Pattern

Morning (Evening) Star Pattern



3. Trend Analysis

3.1 Introduction

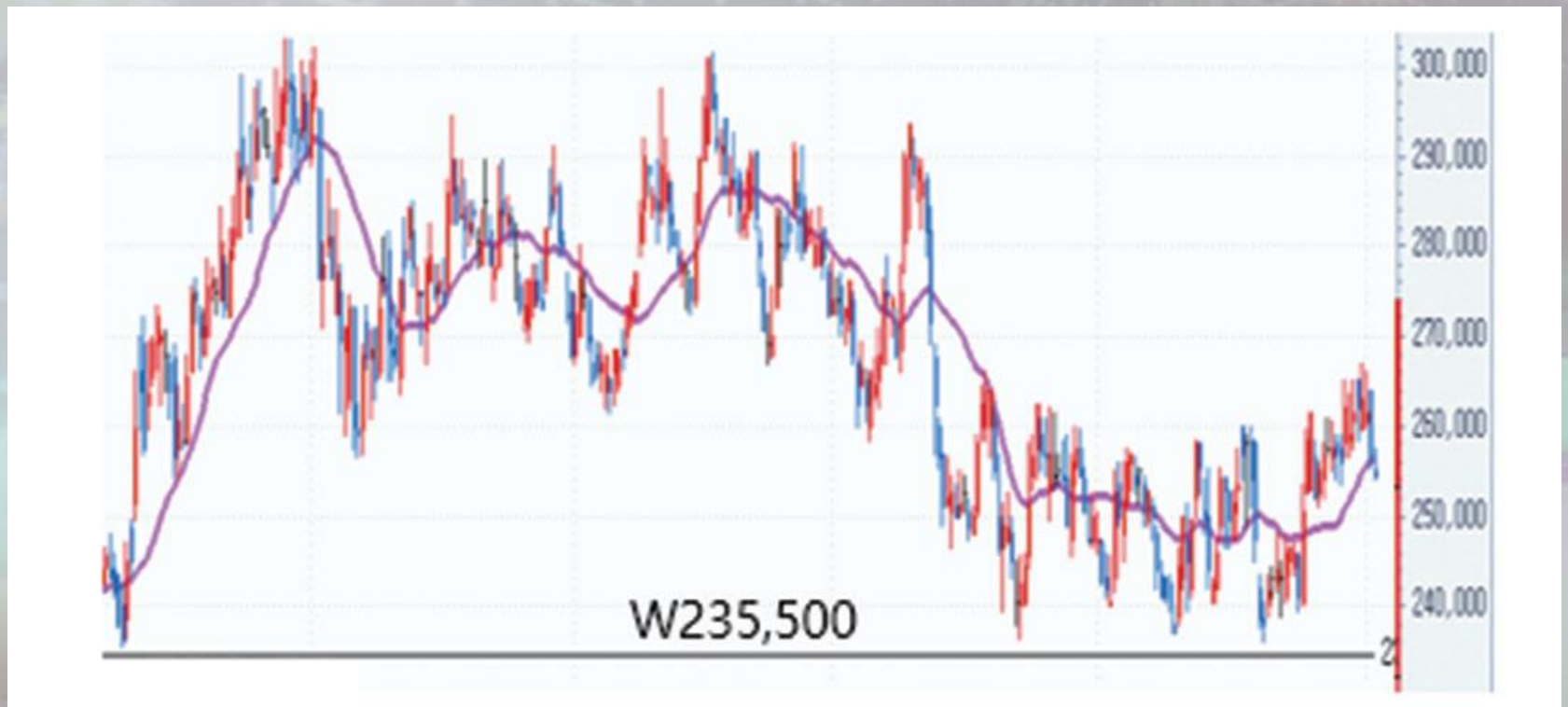
The underlying assumption is that the historical trend will continue in the future.

Like other technical analysis, the success in the past does not always guarantee the success in the future.

3. Trend Analysis

3.2 Support and Resistance

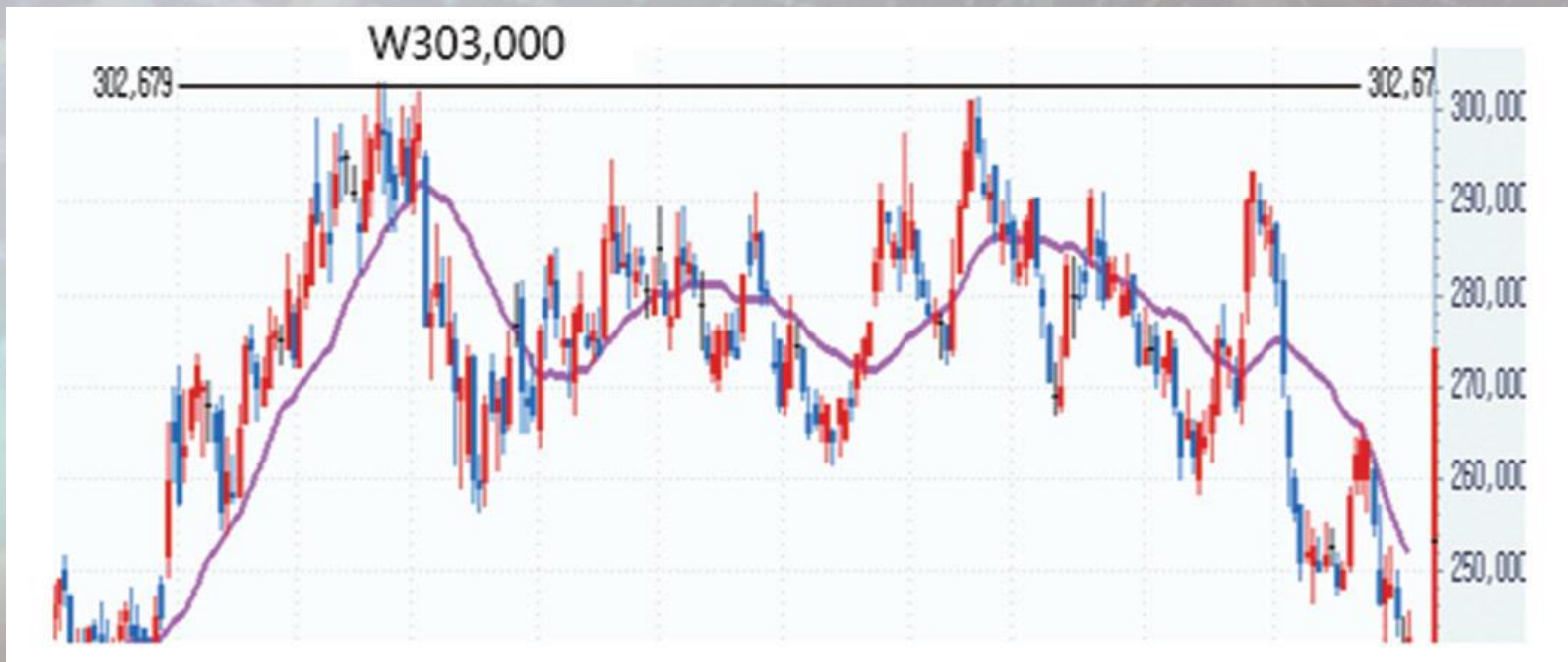
3.2.1 Support



3. Trend Analysis

3.2 Support and Resistance

3.2.2 Resistance



3. Trend Analysis

3.2 Support and Resistance



3.Trend Analysis

3.3 Exercise

What do you think?



3.Trend Analysis

3.3 Exercise(1)

What do you think?



3. Trend Analysis

3.3 Exercise(2)

What do you think?



3. Trend Analysis

3.3 Exercise(3)

What do you think?



3.Trend Analysis

3.3 Exercise(4)

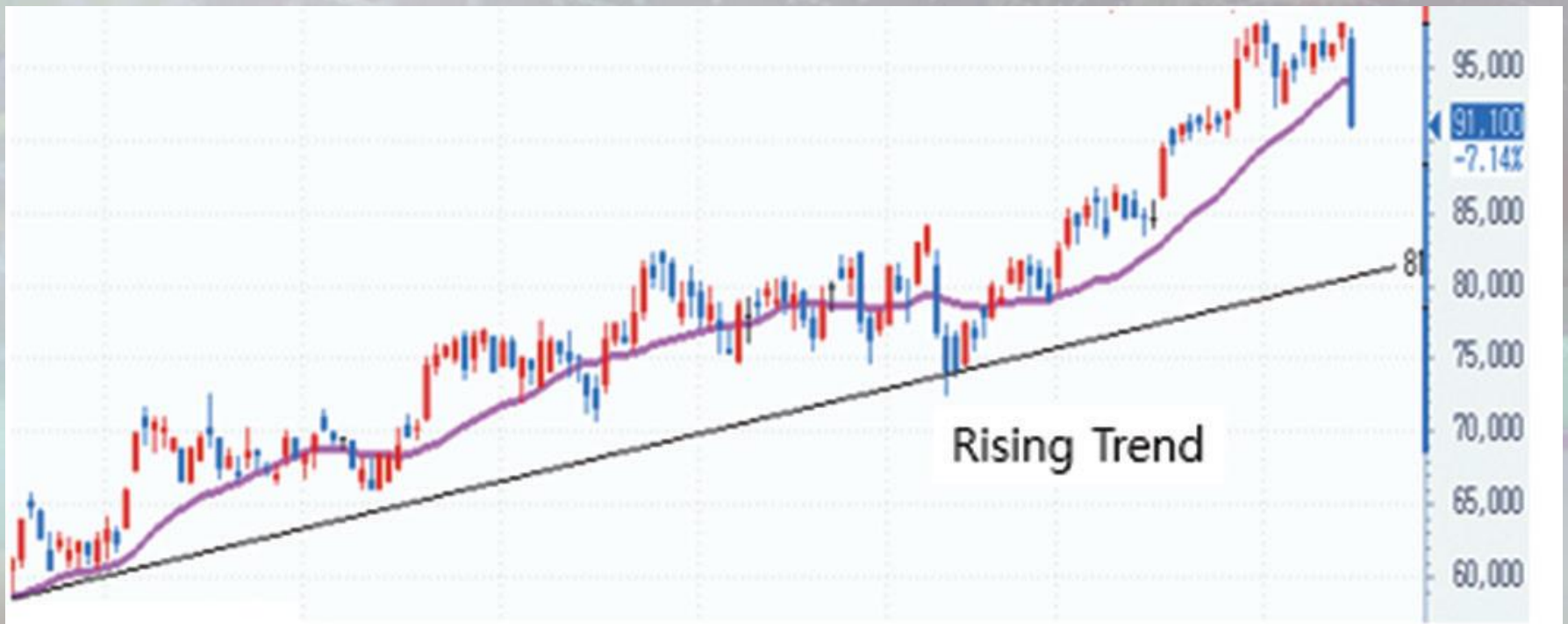
What do you think?



3. Trend Analysis

3.3 Exercise(5)

What do you think?



3.Trend Analysis

3.3 Exercise(6)

What do you think?



3.Trend Analysis

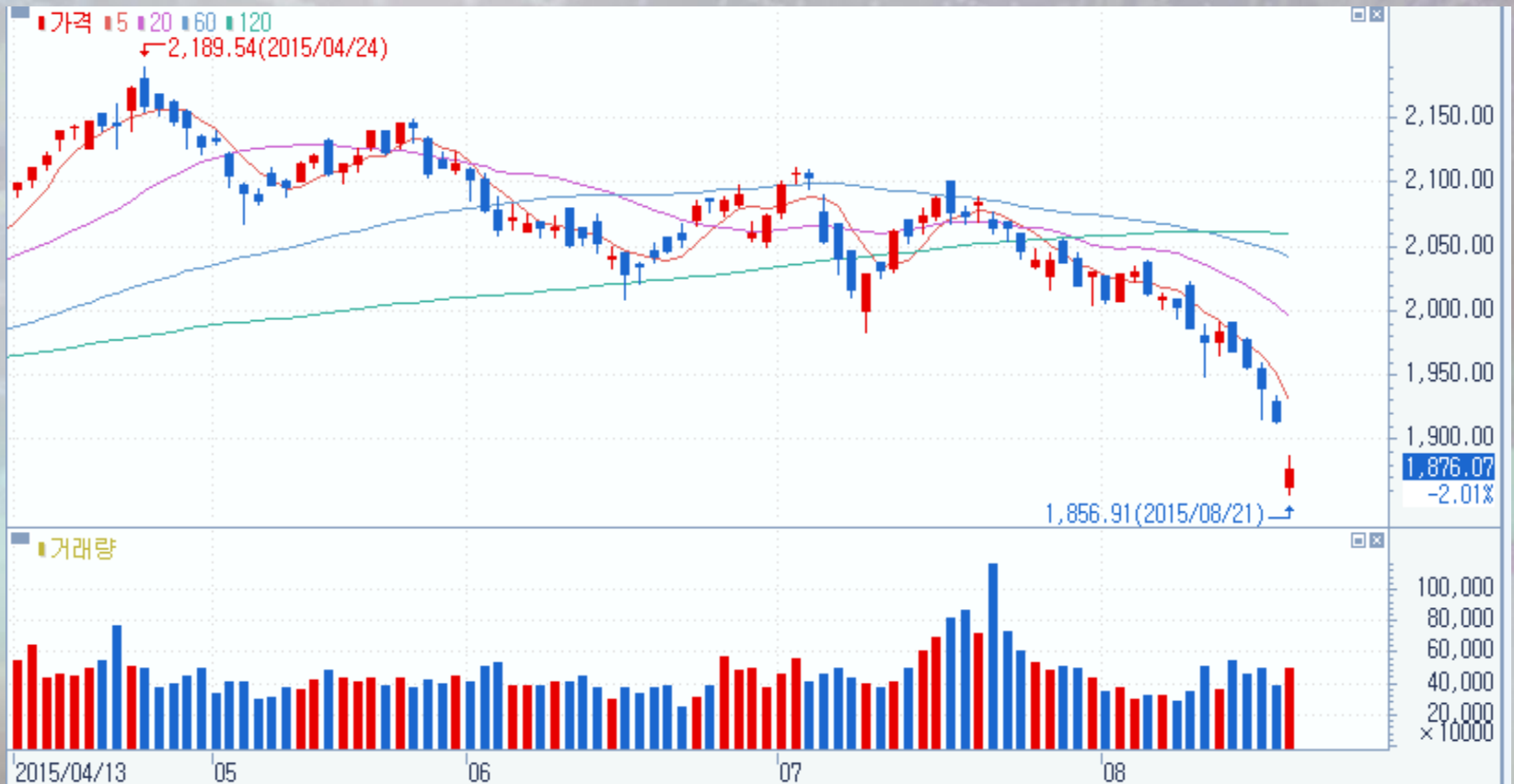
3.3 Exercise(7)

What do you think?



3. Trend Analysis

3.4 Moving Average



3. Trend Analysis

3.5 Exercises

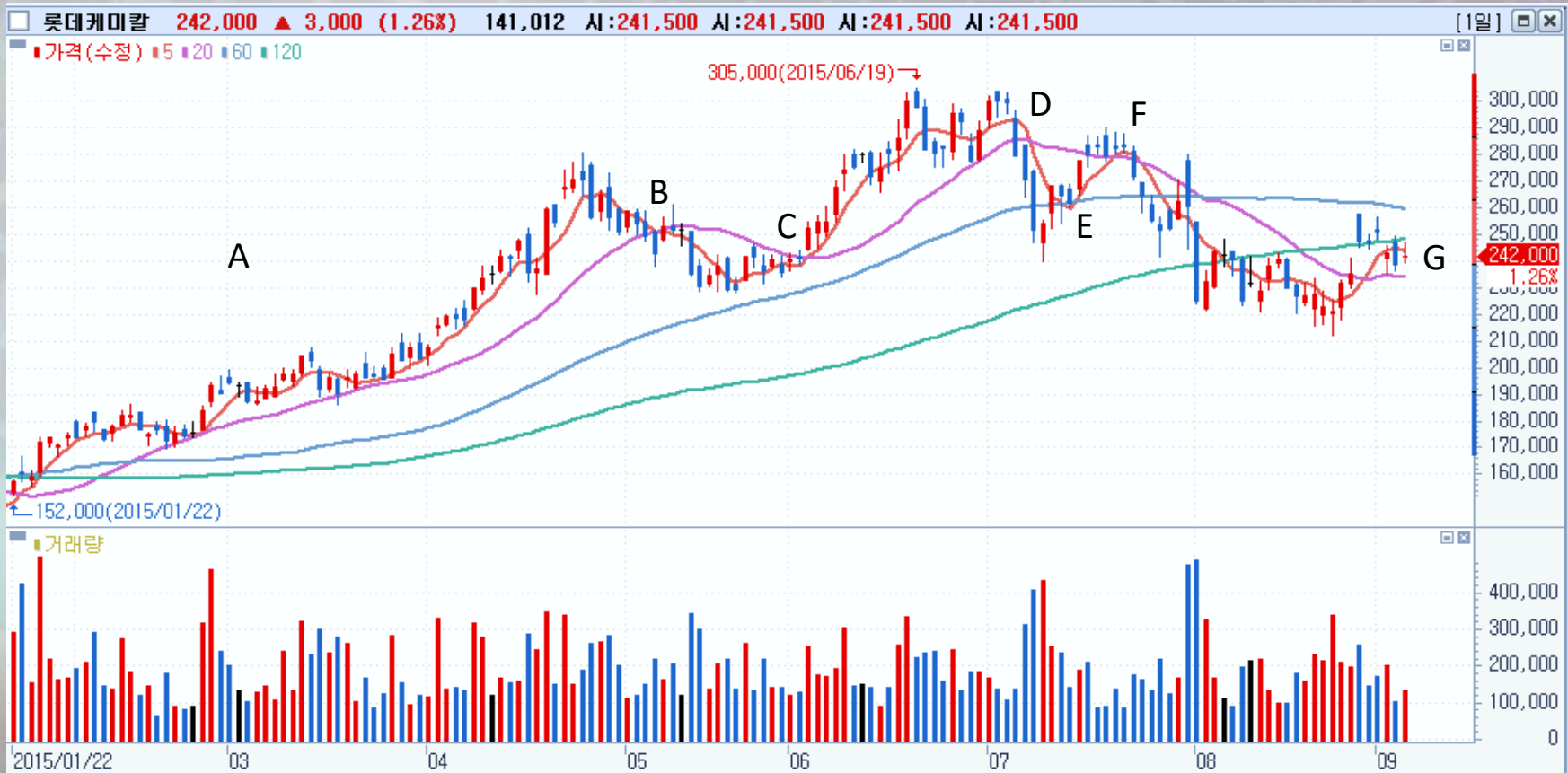
What do you think?



3. Trend Analysis

3.5 Exercises(1)

What do you think?



3. Trend Analysis

3.5 Exercises(2)

What do you think?



3. Trend Analysis

3.5 Exercises(3)

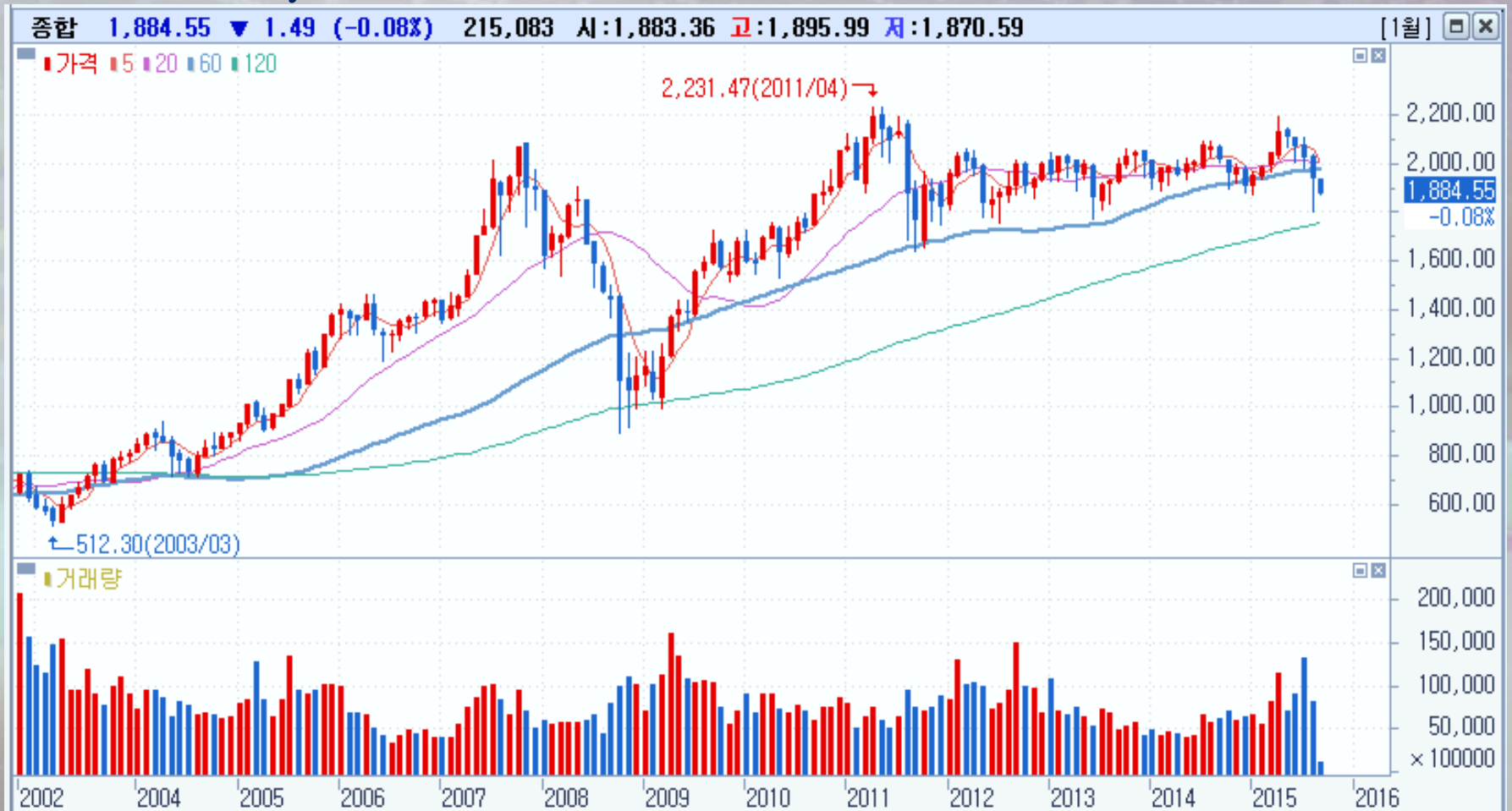
What do you think?



3. Trend Analysis

3.5 Exercises(4)

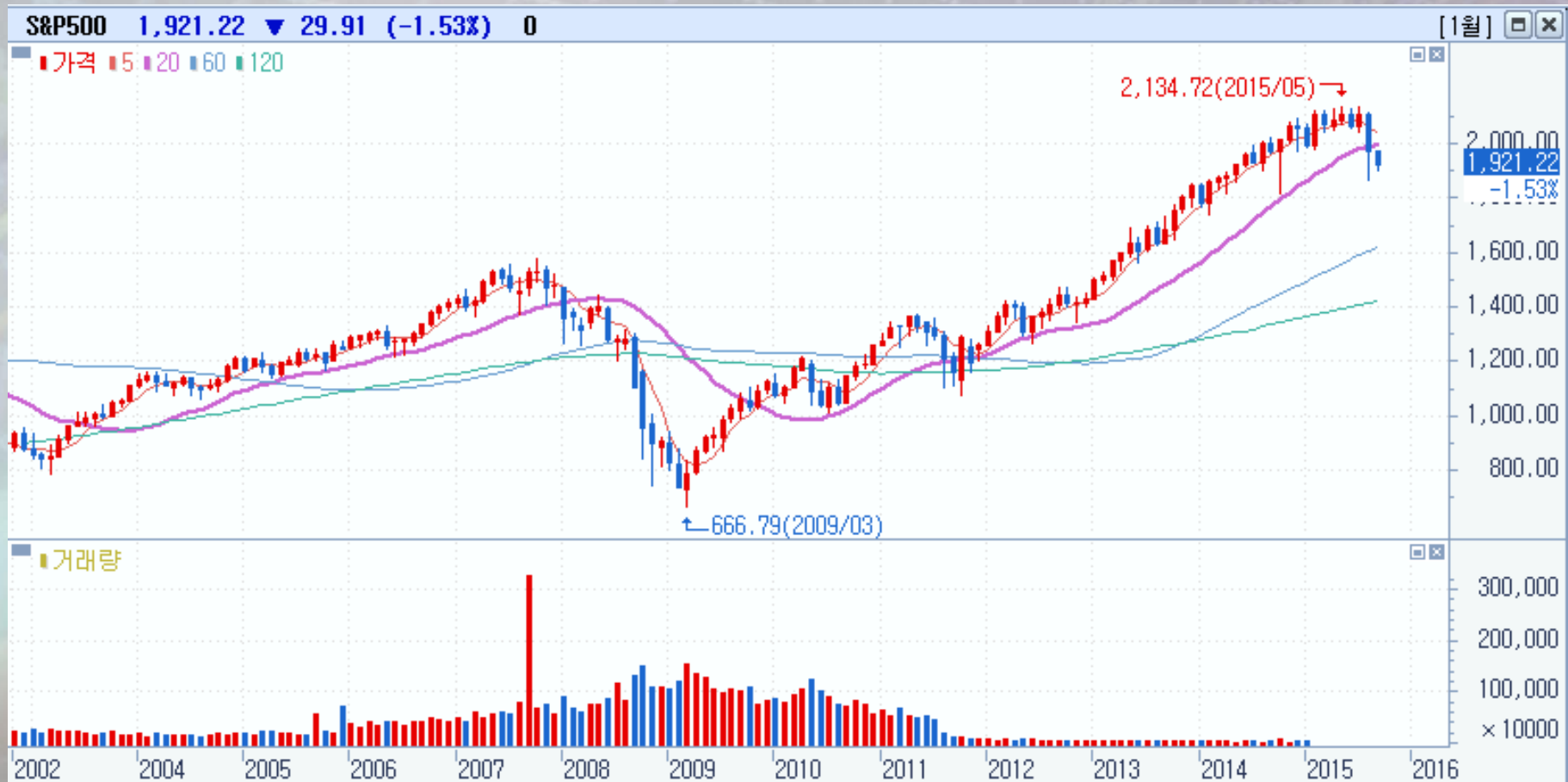
What do you think?



3. Trend Analysis

3.5 Exercises(5)

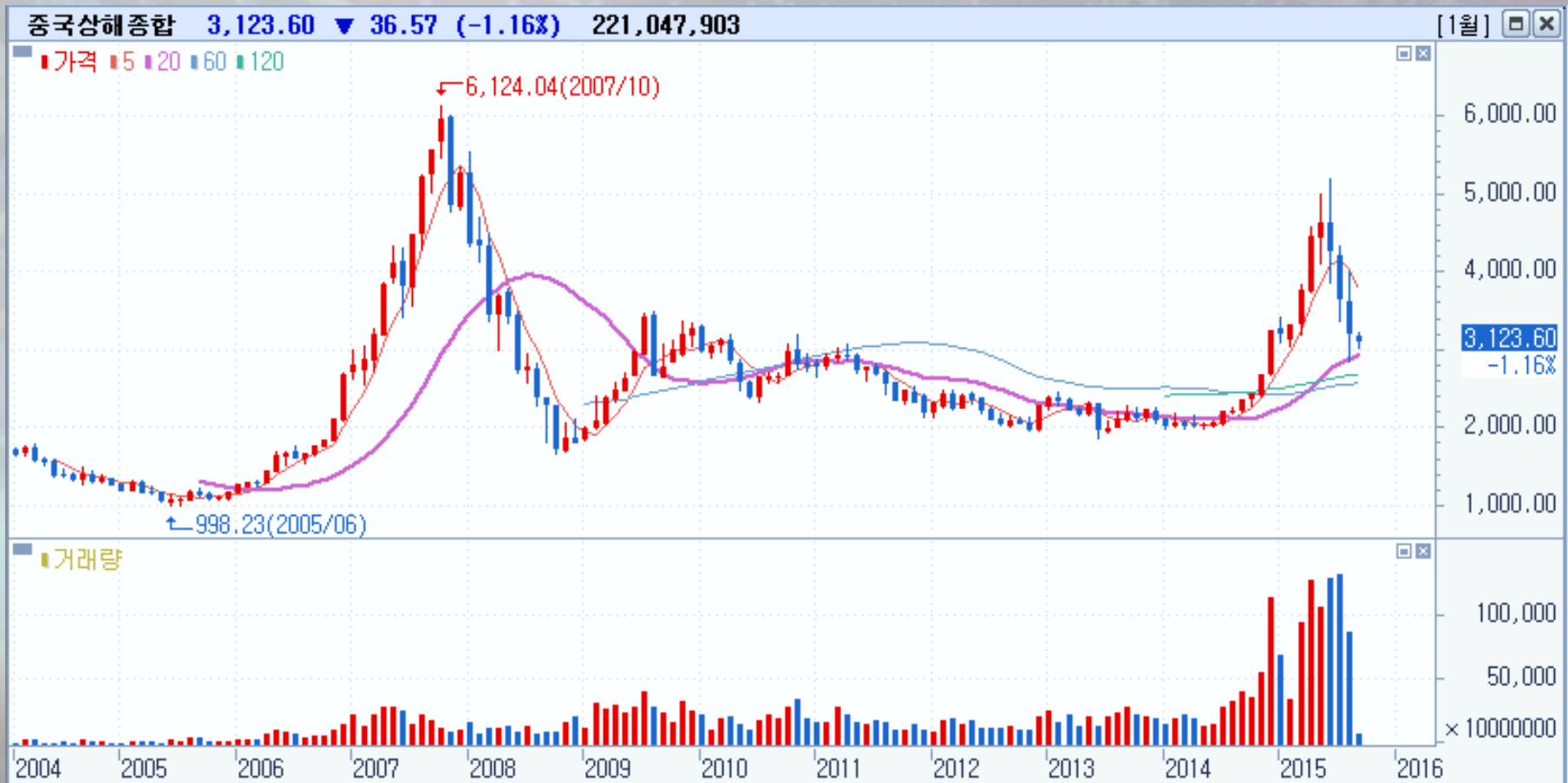
What do you think?



3. Trend Analysis

3.5 Exercises(6)

What do you think?



4. Pattern Analysis

4.1 Introduction

Patterns are classified into two groups

- 1. Direction change:
 - 1.1 Three bodies
 - 1.2 Head and shoulder (tops/bottoms) formation
 - 1.3 Rounding (top/bottom) formation
 - 1.4 Double top (double bottom)

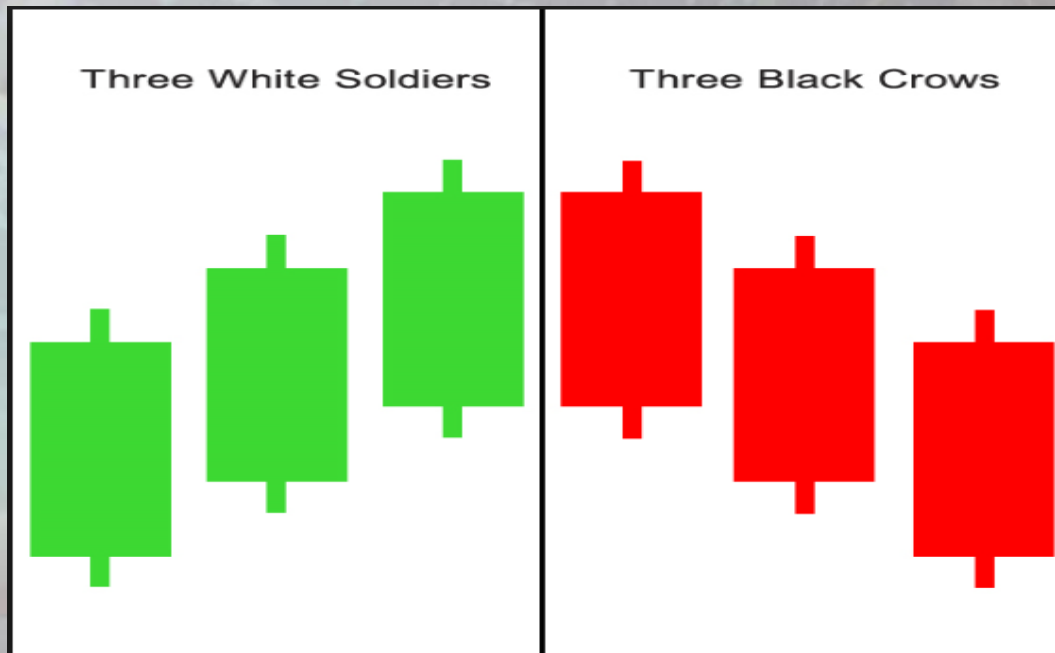
- 2. Continuation:
 - 2.1 Flag formation
 - 2.2 Rectangle formation

Others: triangle formation, wedge formation

4. Pattern Analysis

4.2 Three Bodies

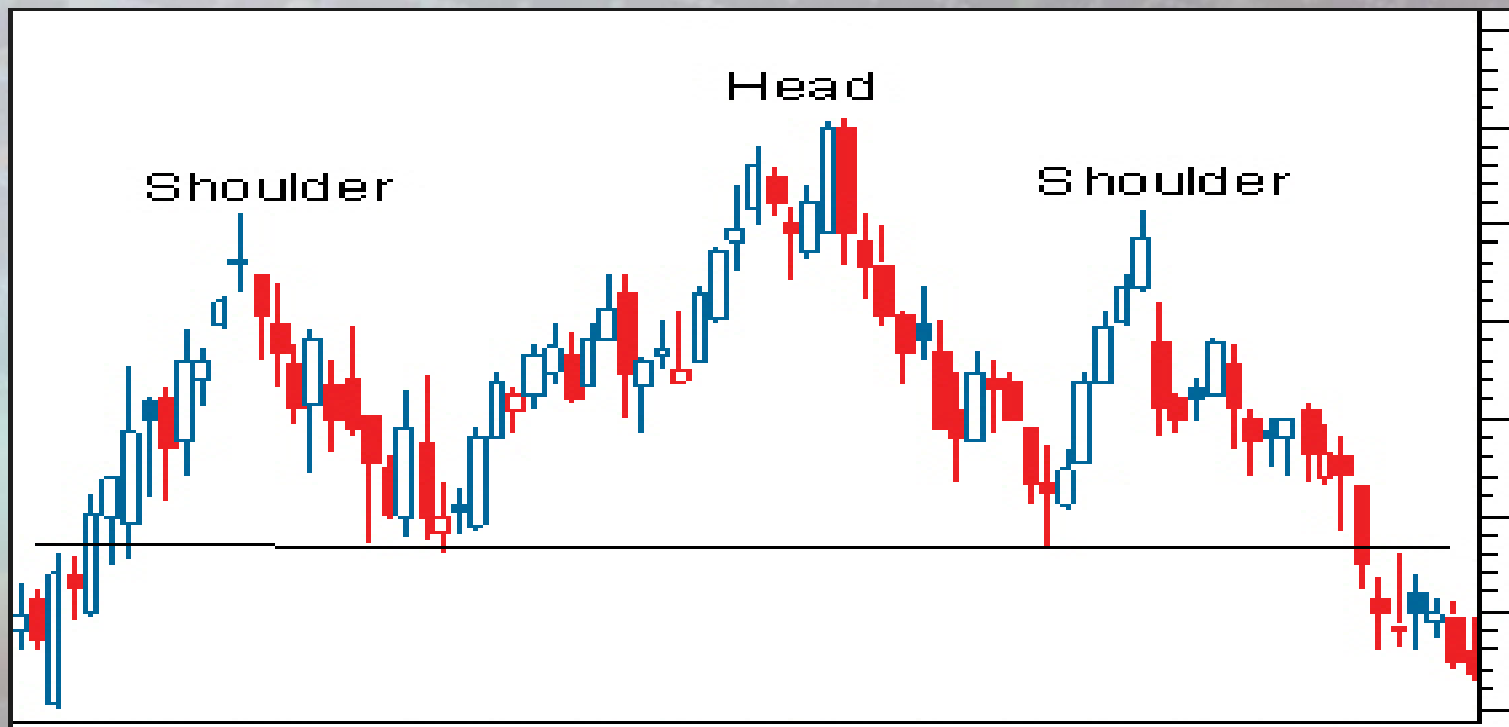
- Three White Soldiers
- Three Black Crows



4. Pattern Analysis

4.3 Head and Shoulder Formation

- Head and shoulder tops formation



4. Pattern Analysis

4.3 Head and Shoulder Formation

- Head and shoulder bottoms formation



4. Pattern Analysis

4.4 Rounding Formation

- Rounding Top Formation



4. Pattern Analysis

4.4 Rounding Formation

- Rounding Bottom Formation



4. Pattern Analysis

4.5 Double Formation

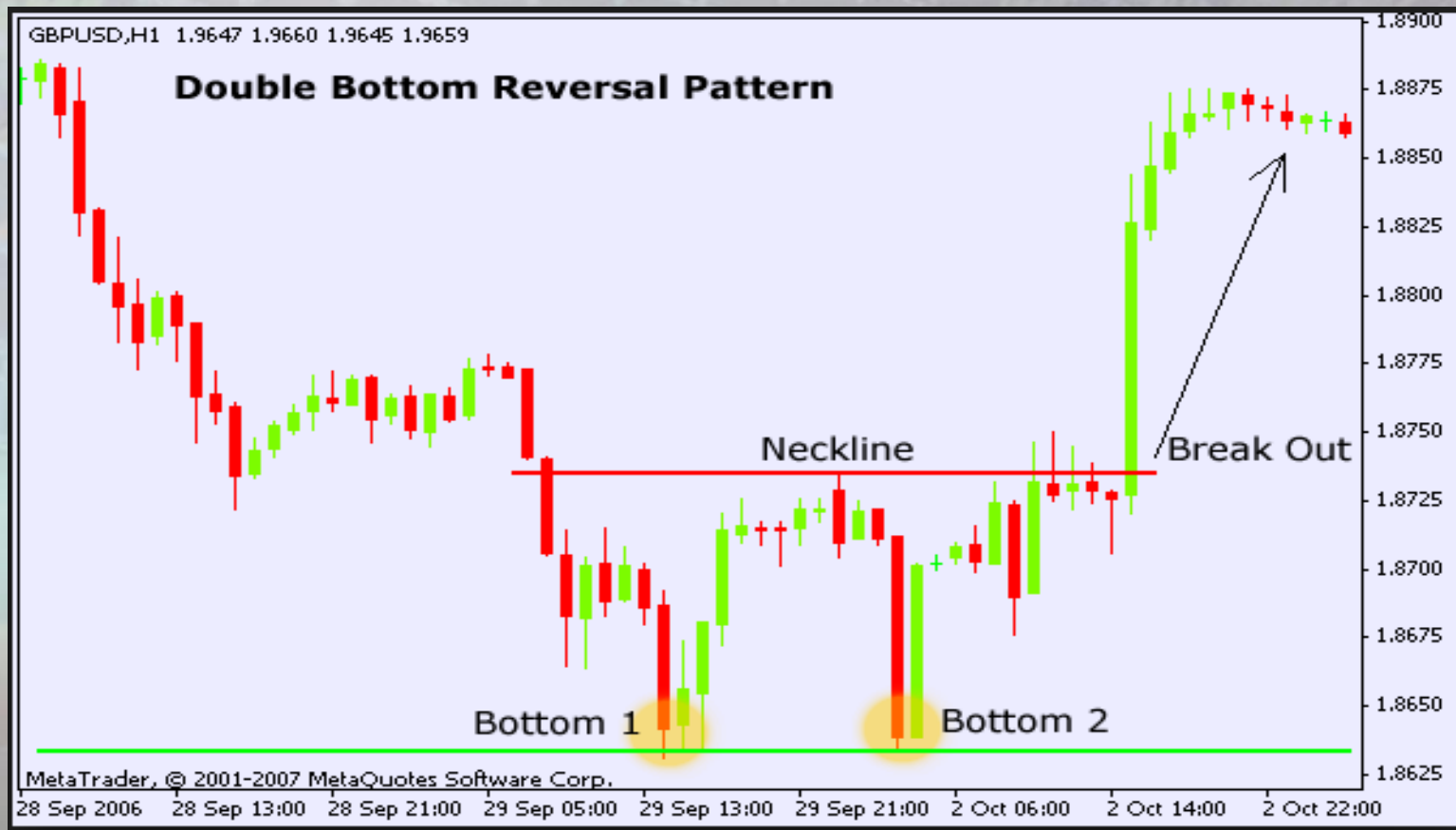
- Double Top Formation



4. Pattern Analysis

4.5 Double Formation

- Double Bottom Formation



4. Pattern Analysis

4.6 Flag Formation

- Bull flag formation



4. Pattern Analysis

4.6 Flag Formation

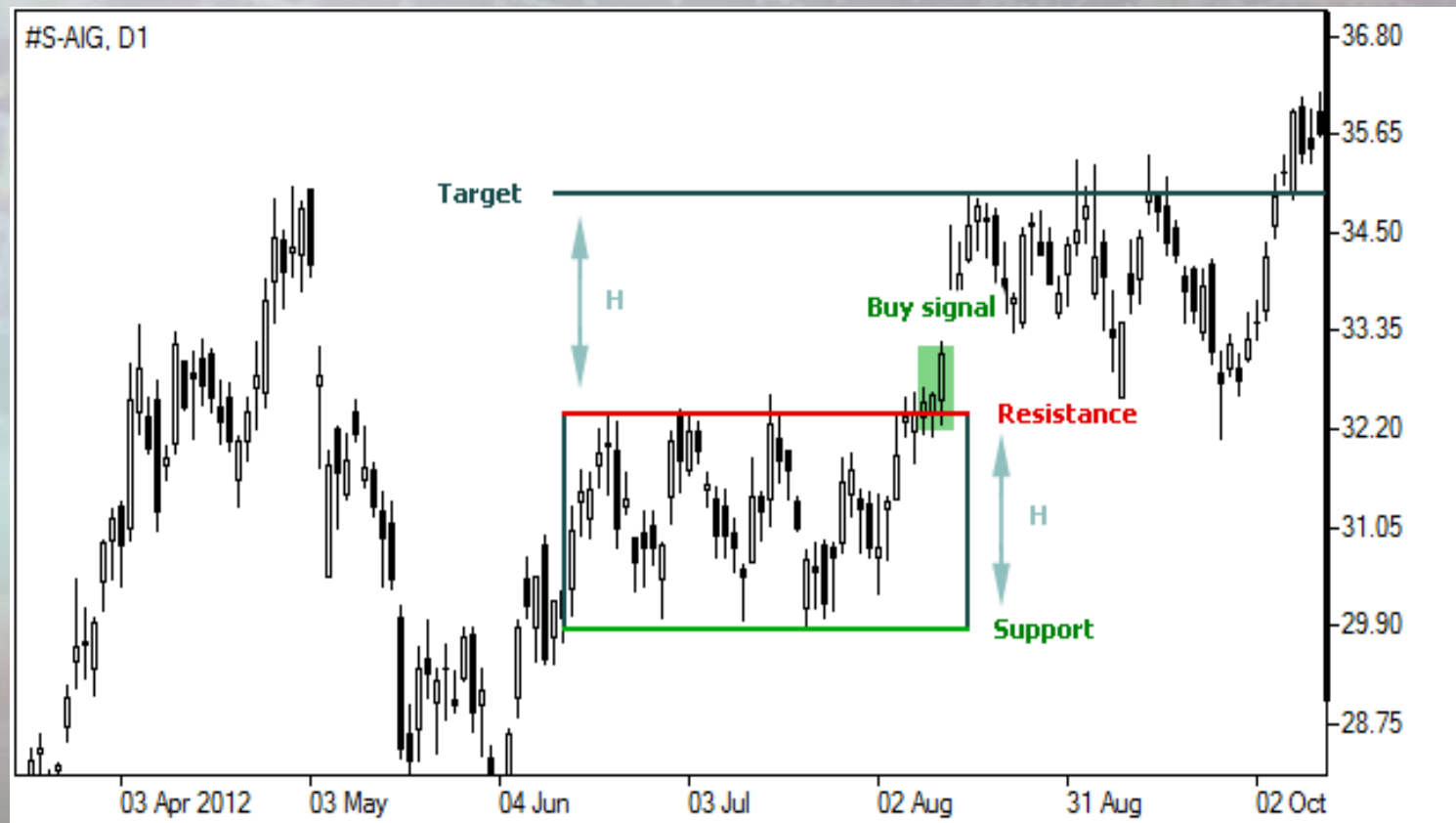
- Bear flag formation



4. Pattern Analysis

4.7 Rectangle Formation

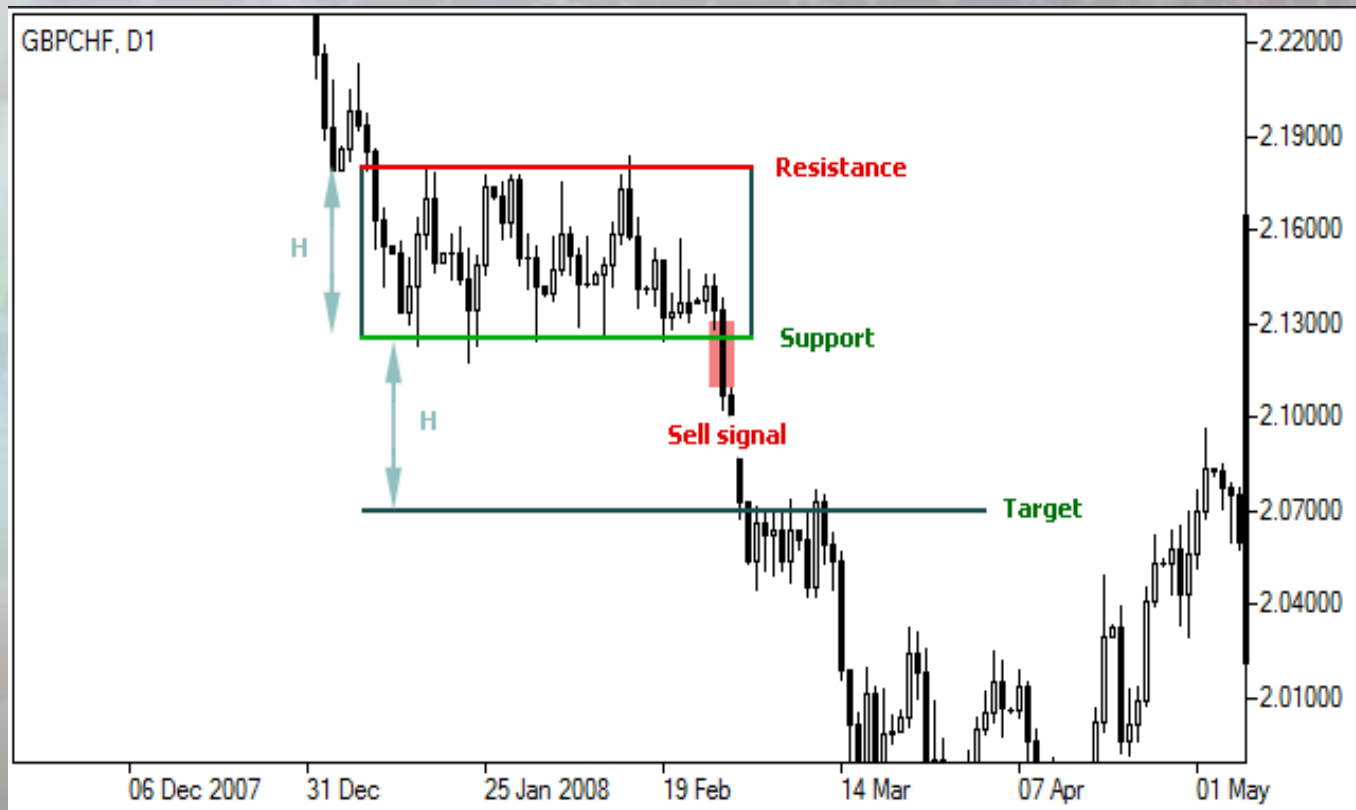
- Rectangle formation usually takes 1~3 months to be formed.
- After the share price rally



4. Pattern Analysis

4.7 Rectangle Formation

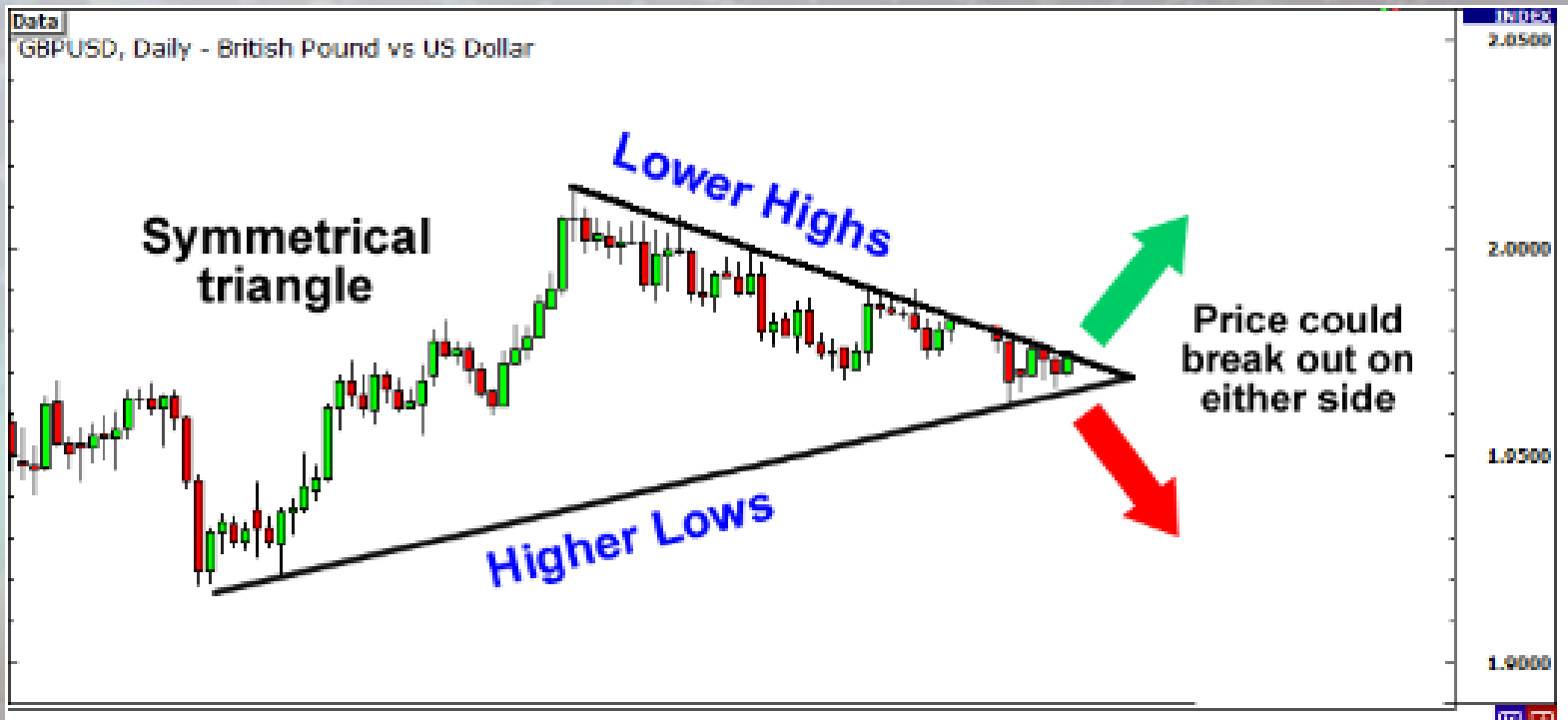
- Rectangle formation usually takes 1~3 months to be formed.
- After the share price down



4. Pattern Analysis

4.8 Triangle Formation

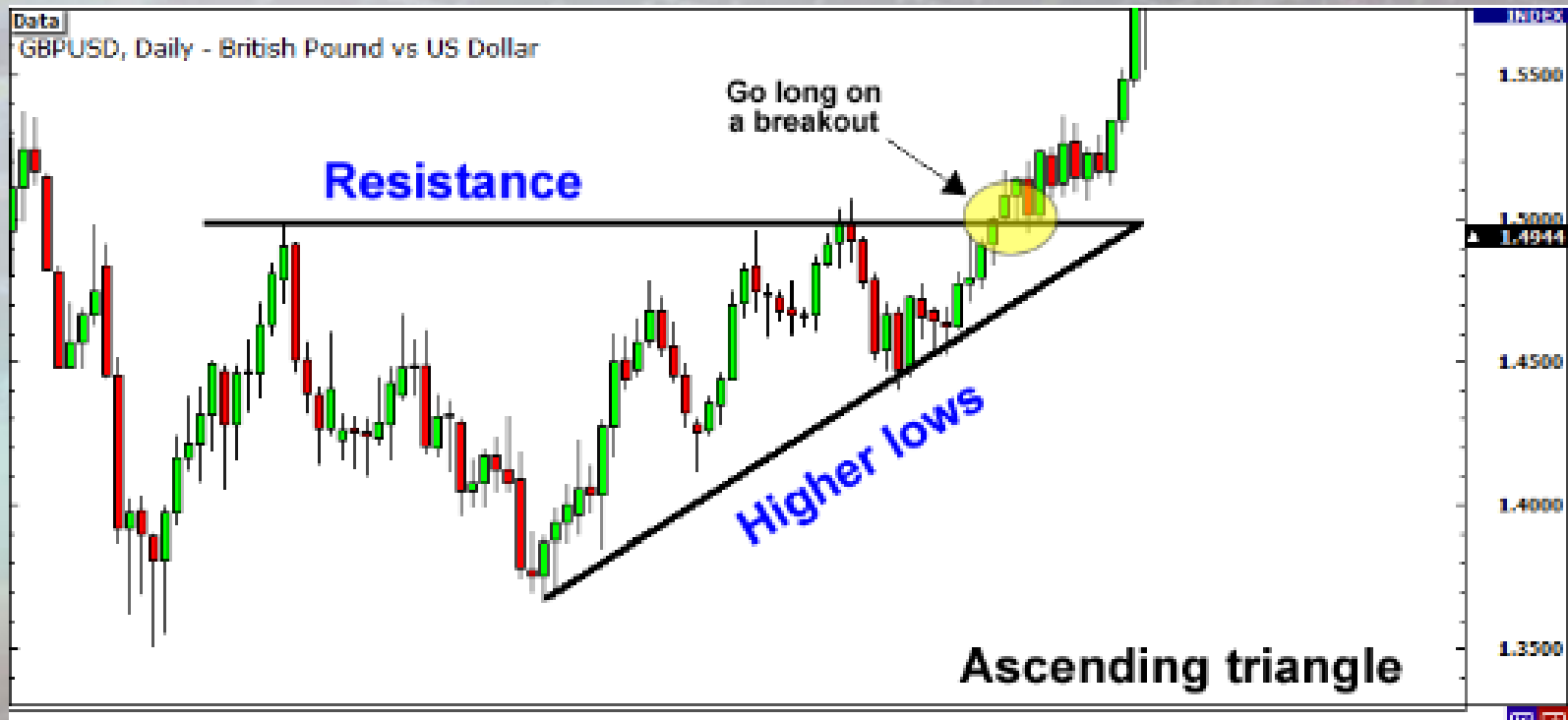
- Symmetrical triangle formation



4. Pattern Analysis

4.8 Triangle Formation

- Ascending triangle formation



4. Pattern Analysis

4.8 Triangle Formation

- Descending triangle formation



4. Pattern Analysis

4.9 Wedge Formation

- Rising Wedge formation



4. Pattern Analysis

4.9 Wedge Formation

- Falling Wedge formation



4. Pattern Analysis

4.10 Exercises

What do you see?



4. Pattern Analysis

4.10 Exercises

What do you see?



4. Pattern Analysis

4.10 Exercises

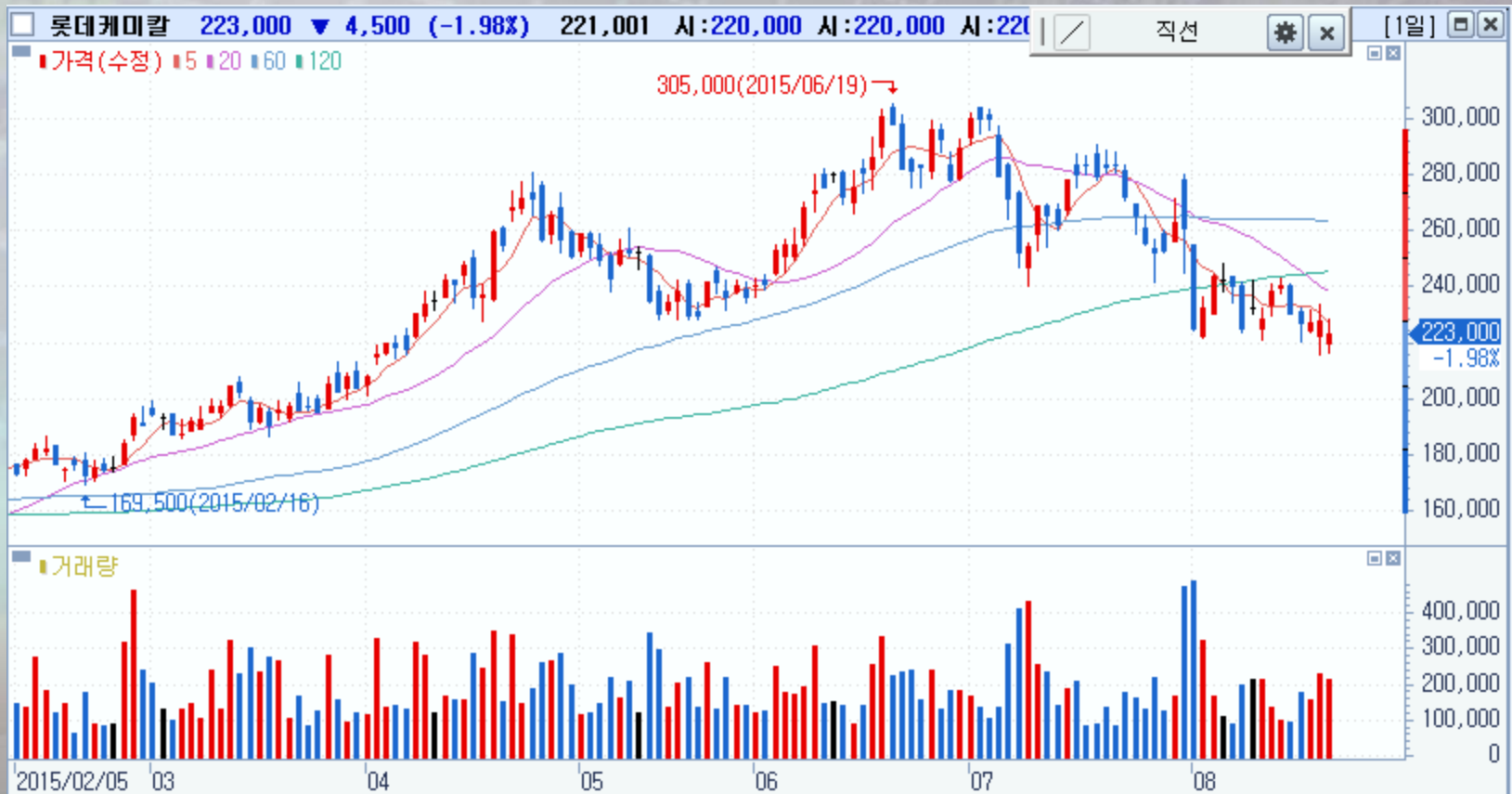
What do you see?



4. Pattern Analysis

4.10 Exercises

What do you see?



4. Pattern Analysis

4.10 Exercises

What do you see?



4. Pattern Analysis

4.10 Exercises

What do you see?



