

This tutorial was originally titled "A Technician's Approach to Day Trading" and was recorded at the Online Trading Expo

Technical Analysis for Short-Term Traders

Martin J Pring

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The principal difference between Day Trading and other forms of trading is the time frame.

*Technical analysis assumes
that prices move in trends.*

Trends have a tendency to perpetuate.

*Look for the **weight** of the evidence;
(several indicators, to indicate a
reversal.)*

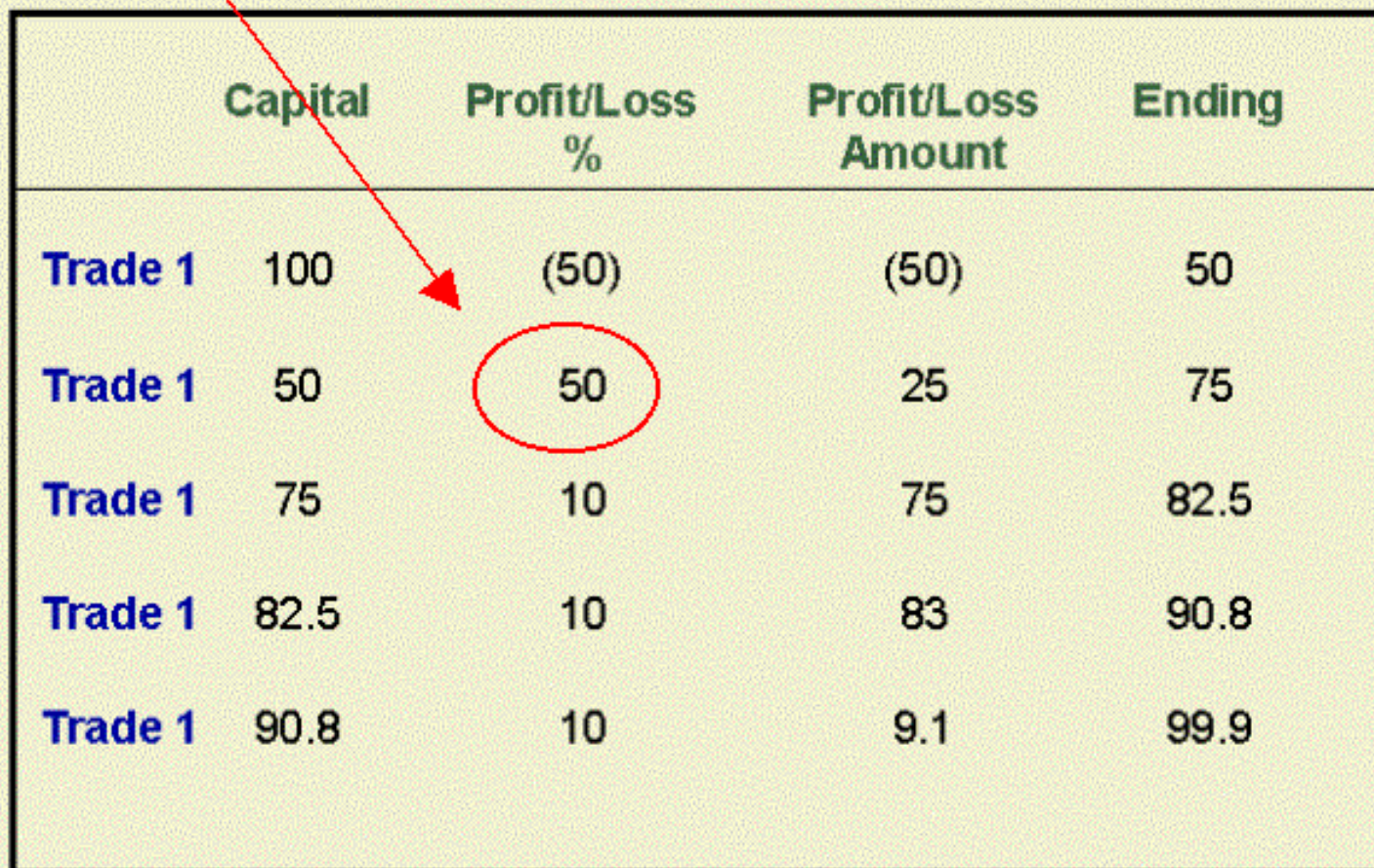
*In technical analysis we are dealing in probabilities, **never** certainties.*

First trade 50% loss! ????????

	Capital	Profit/Loss %	Profit/Loss Amount	Ending
Trade 1	100	(50)	(50)	50
Trade 1	50	50	25	75
Trade 1	75	10	7.5	82.5
Trade 1	82.5	10	8.25	90.75
Trade 1	90.75	10	9.075	99.825

Next trade 50% gain

???????



	Capital	Profit/Loss %	Profit/Loss Amount	Ending
Trade 1	100	(50)	(50)	50
Trade 1	50	50	25	75
Trade 1	75	10	75	82.5
Trade 1	82.5	10	83	90.8
Trade 1	90.8	10	9.1	99.9

???????

Next 3 trades make 10% each

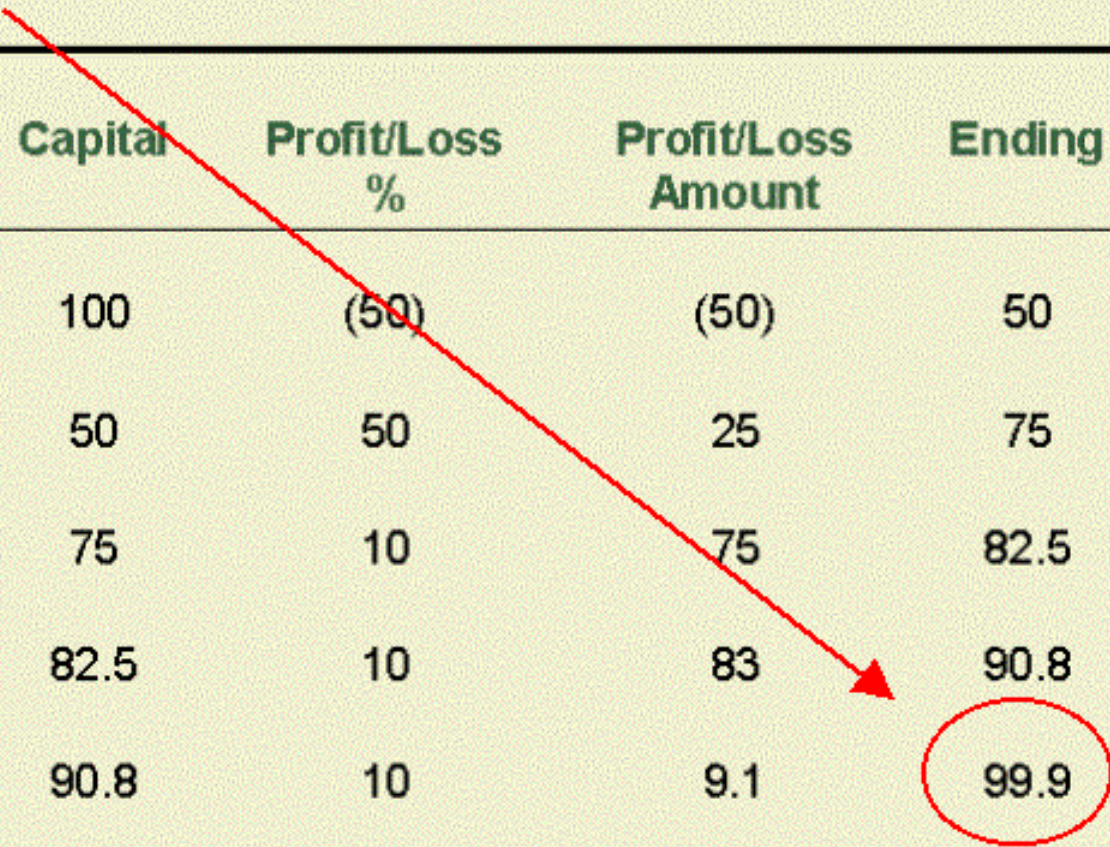
	Capital	Profit/Loss %	Profit/Loss Amount	Ending
Trade 1	100	(50)	(50)	50
Trade 1	50	50	25	75
Trade 1	75	10	7.5	82.5
Trade 1	82.5	10	8.25	90.75
Trade 1	90.75	10	9.075	99.825

4 trades trades make 80% ????????

	Capital	Profit/Loss %	Profit/Loss Amount	Ending
Trade 1	100	(50)	(50)	50
Trade 1	50	50	25	75
Trade 1	75	10	75	82.5
Trade 1	82.5	10	83	90.8
Trade 1	90.8	10	9.1	99.9

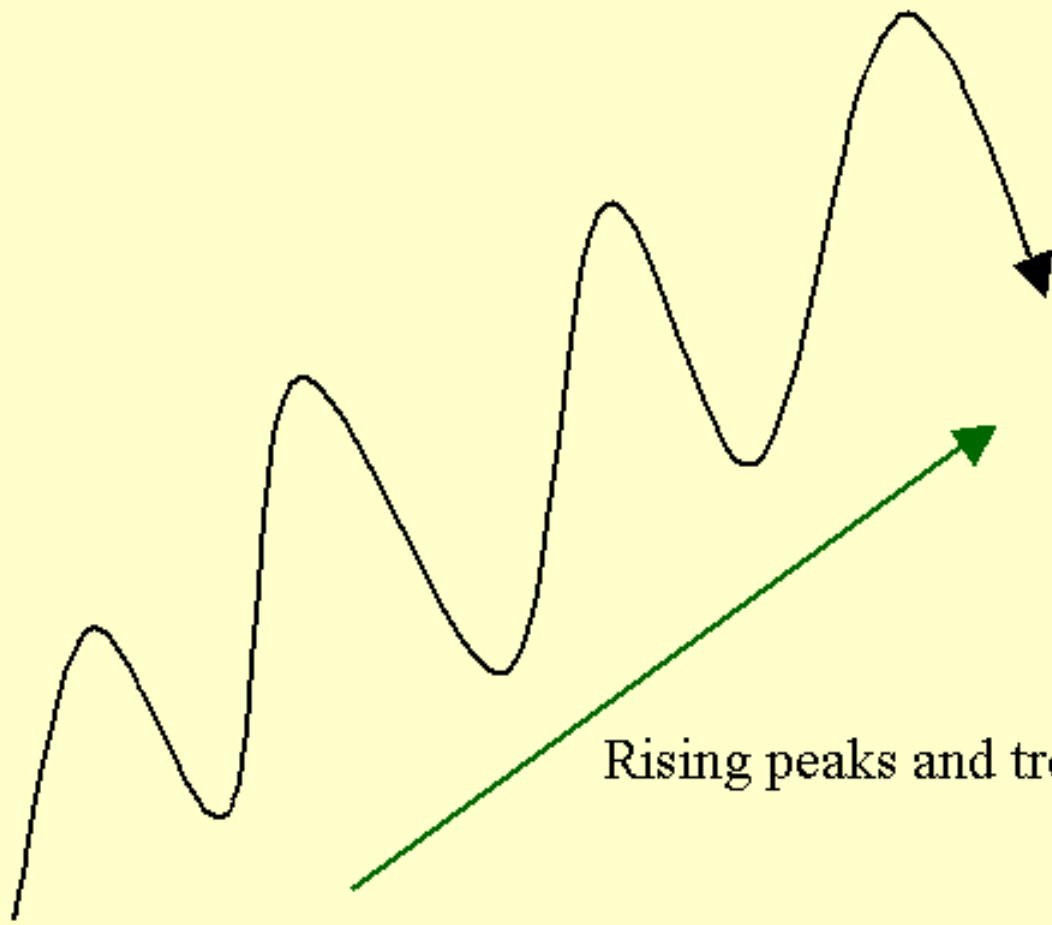
Still not back to break even????????

	Capital	Profit/Loss %	Profit/Loss Amount	Ending
Trade 1	100	(50)	(50)	50
Trade 1	50	50	25	75
Trade 1	75	10	7.5	82.5
Trade 1	82.5	10	8.25	90.75
Trade 1	90.75	10	9.075	99.825

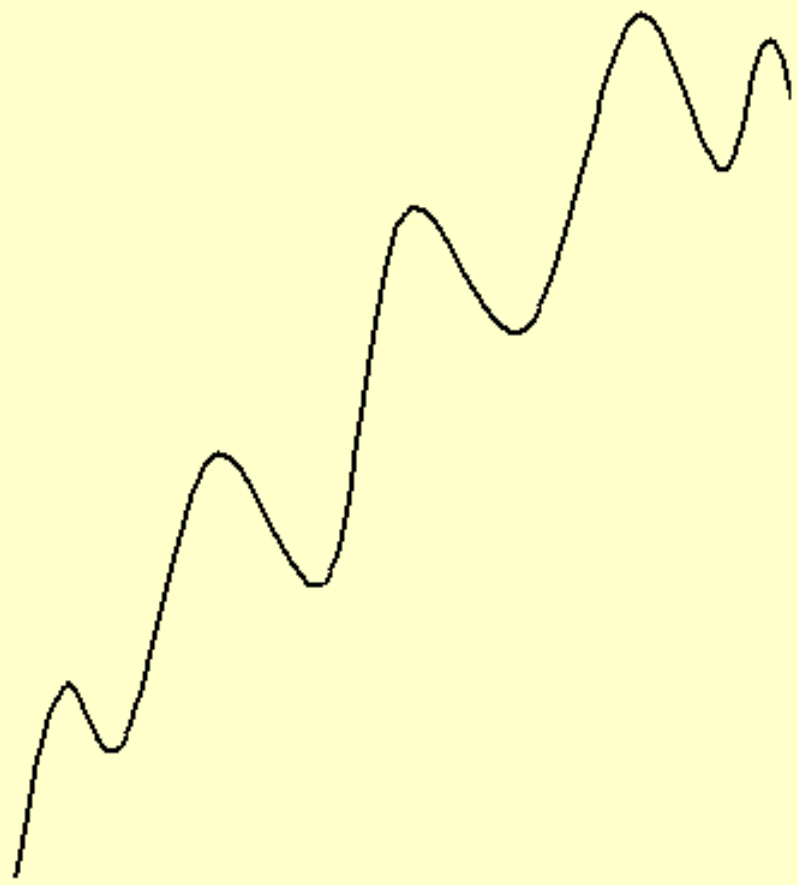


The Indicators

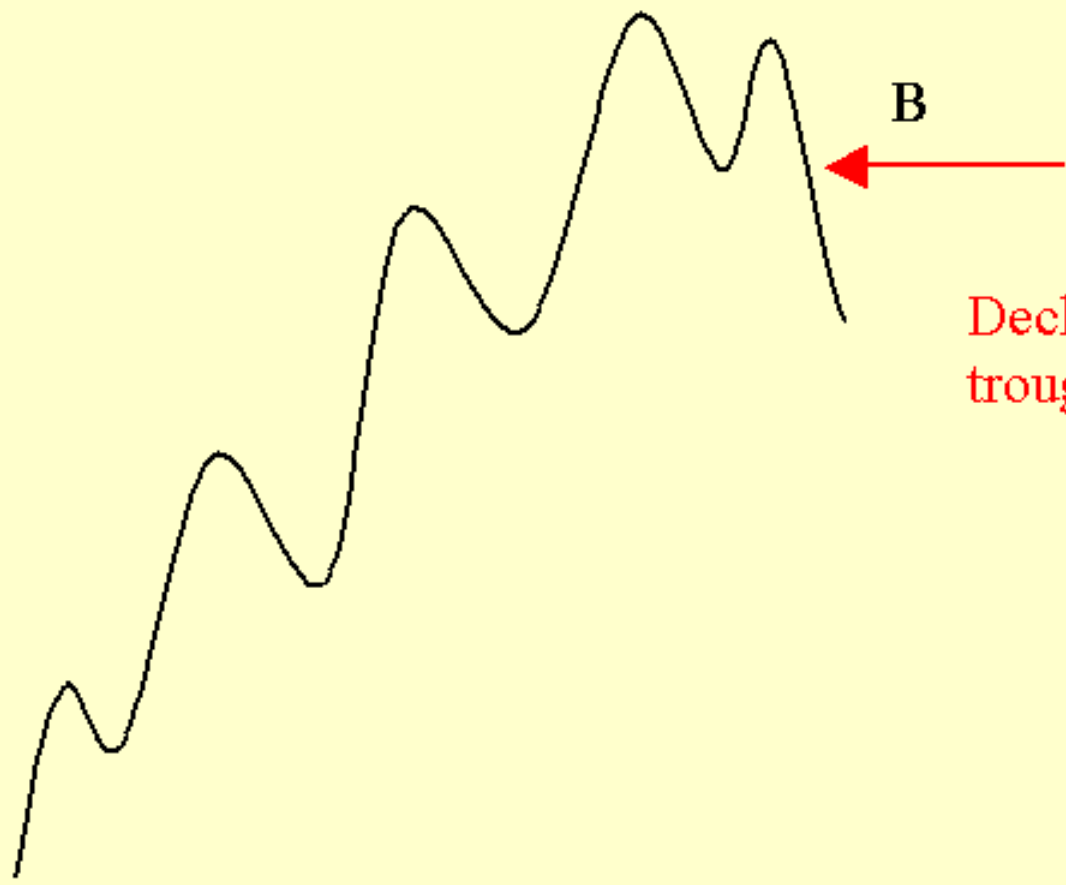
1. Peak and trough analysis



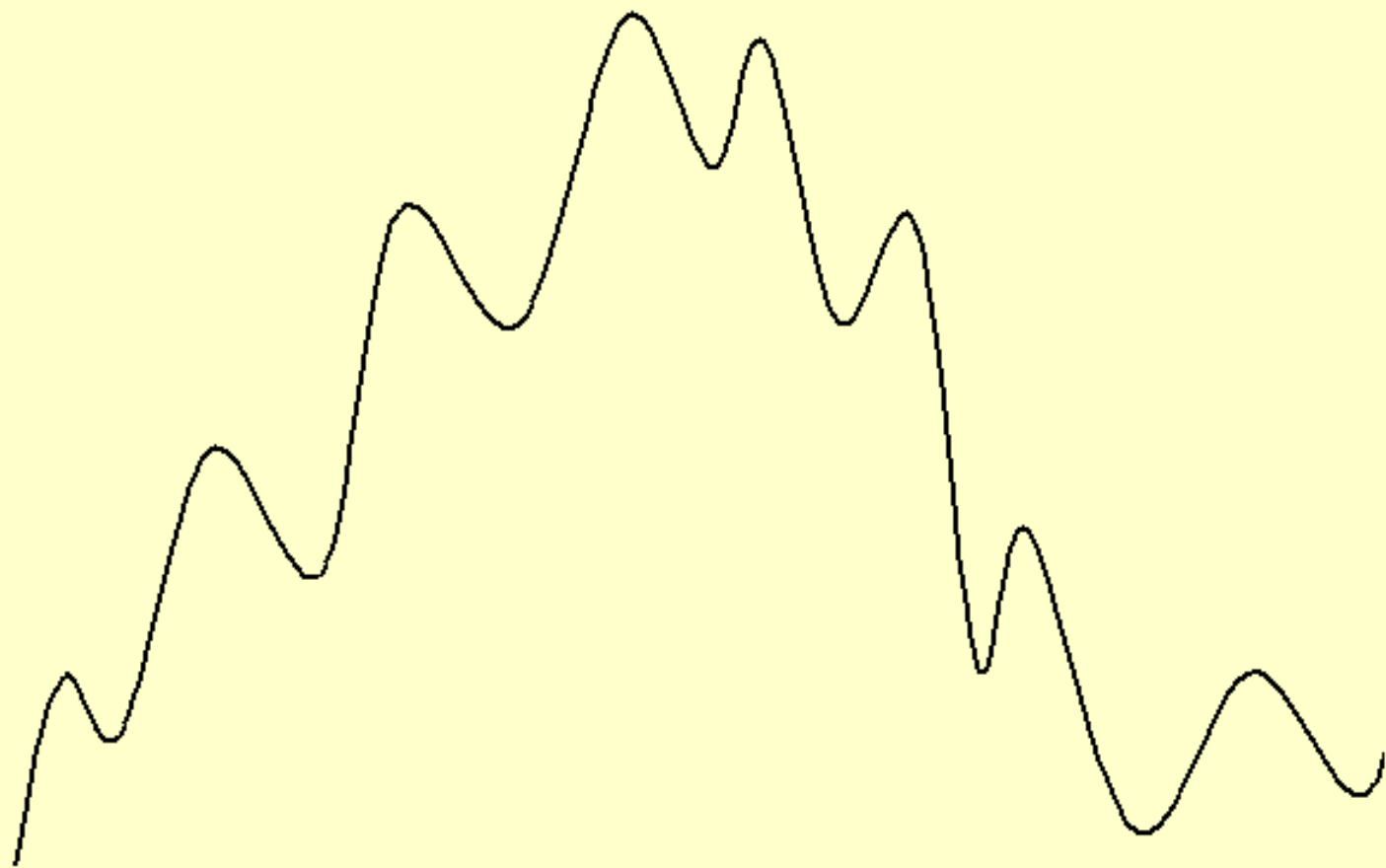
Rising peaks and troughs is bullish

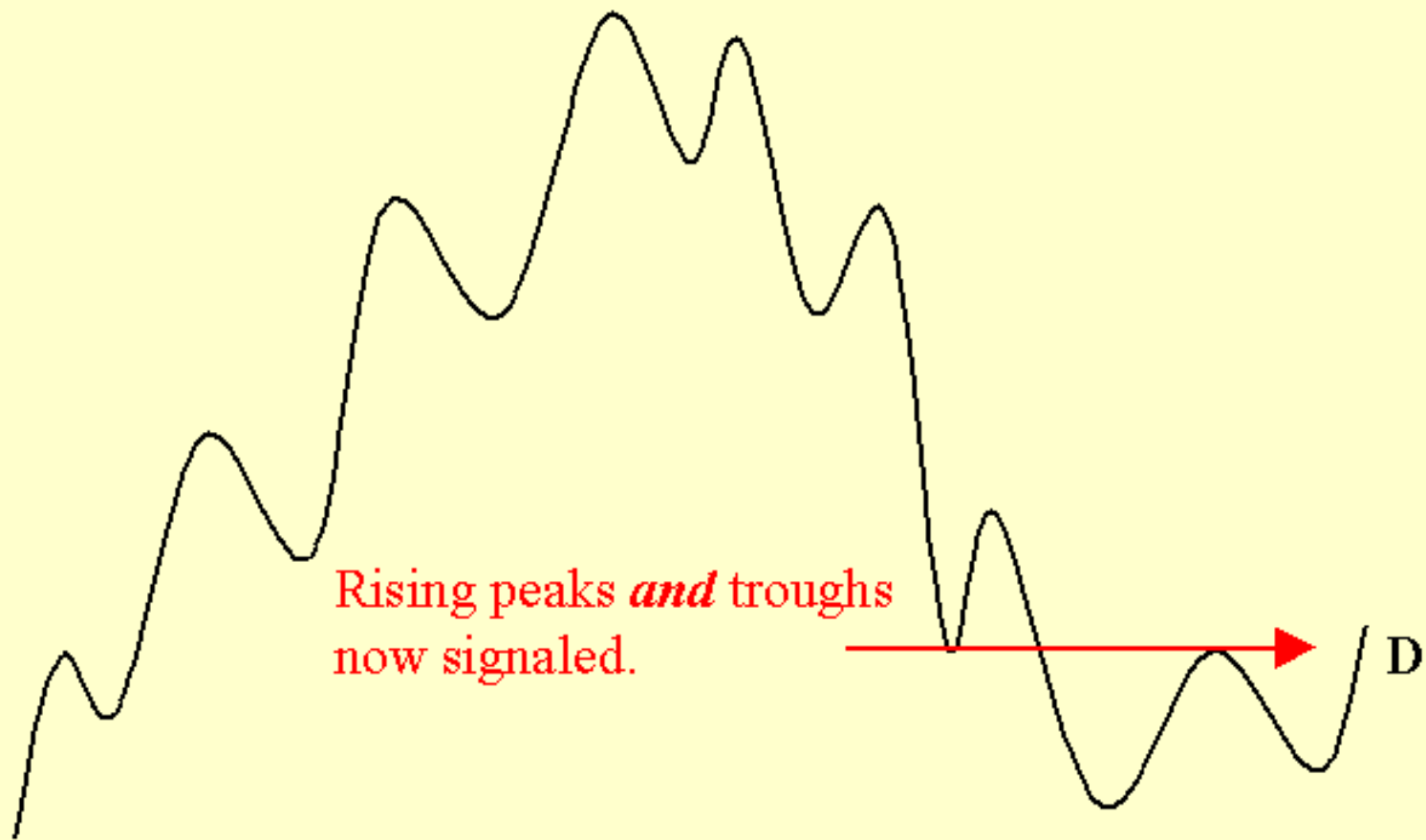


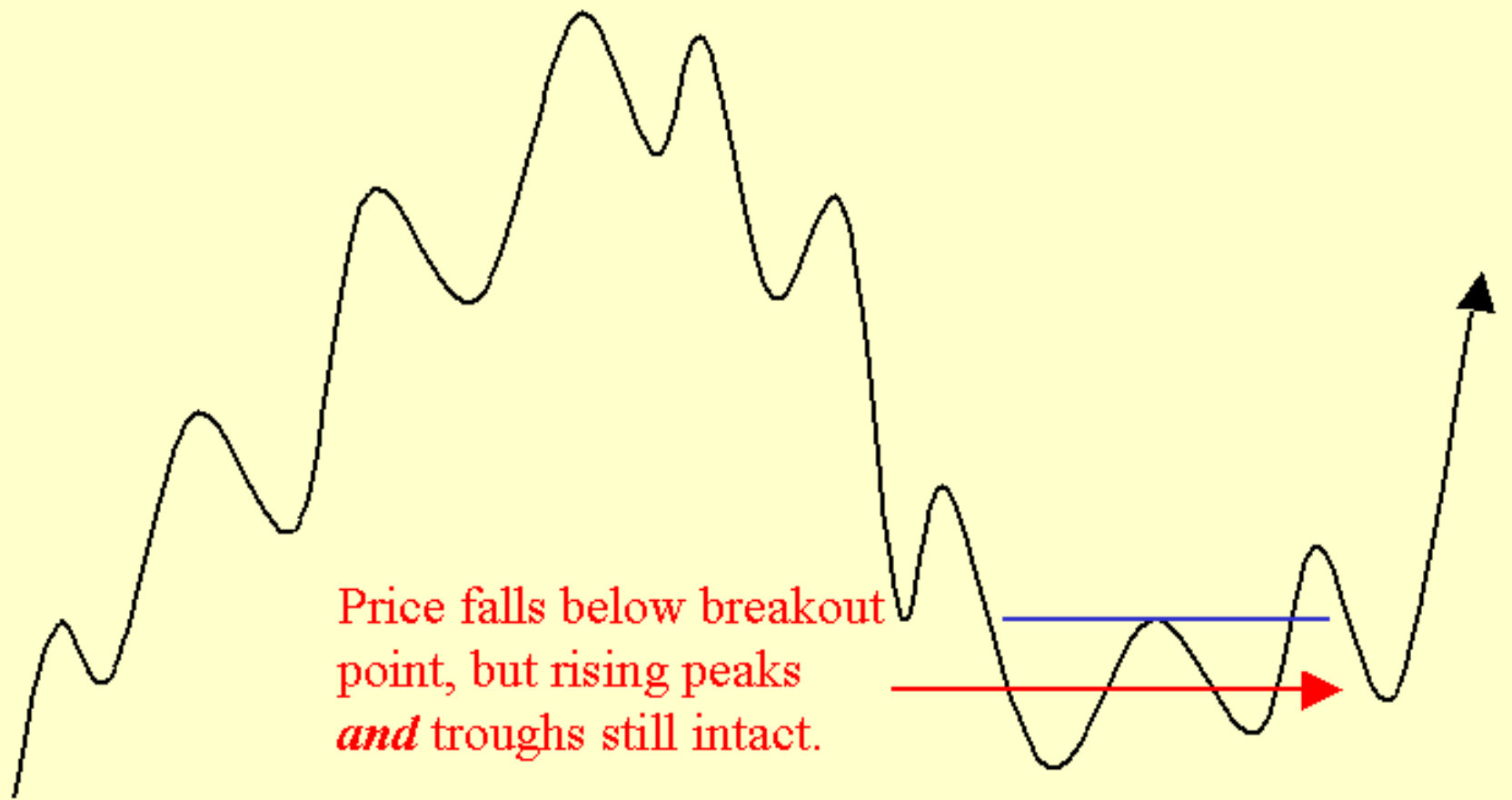
Rally fails to make a new high.



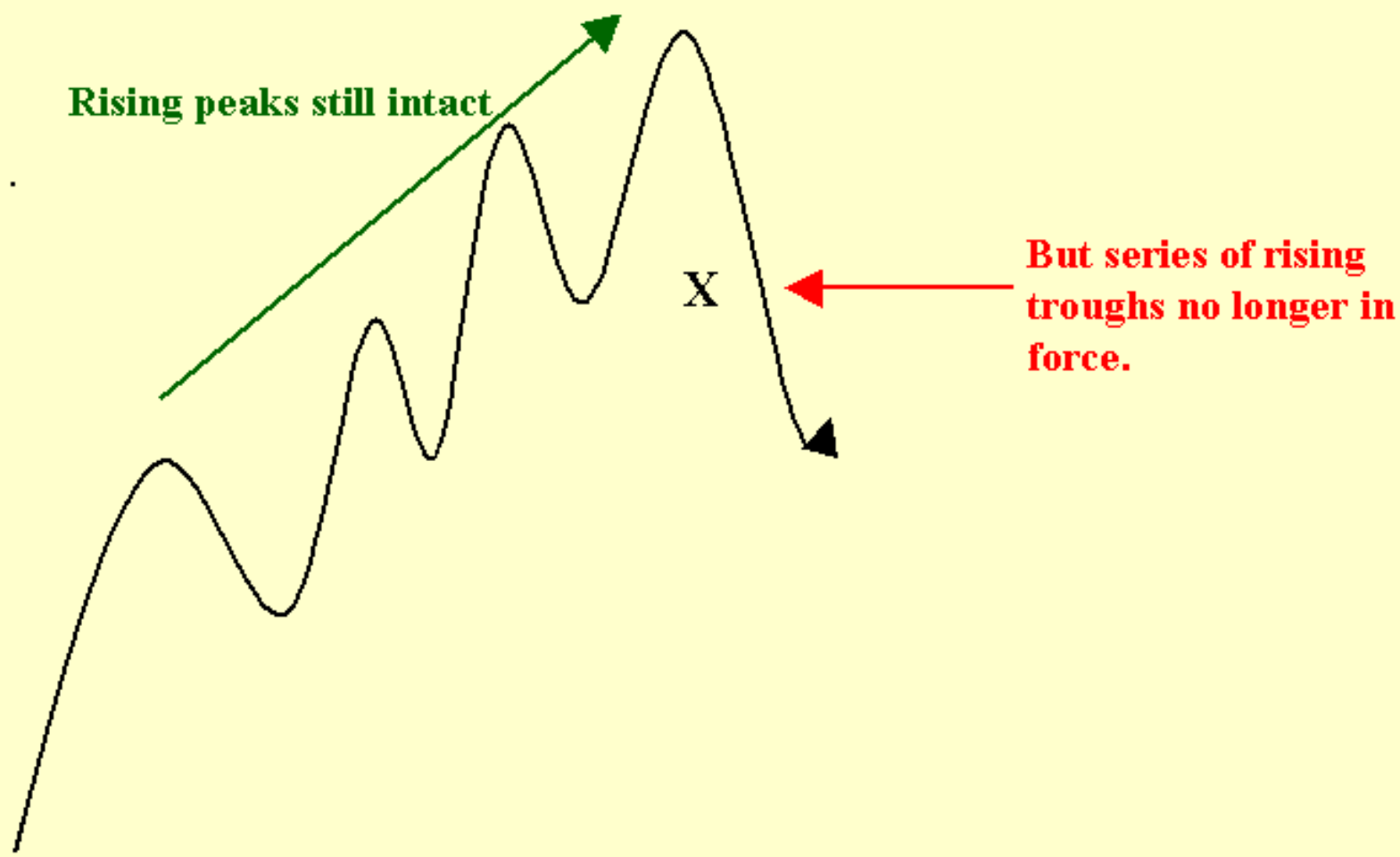
Declining peaks *and* troughs now signaled.







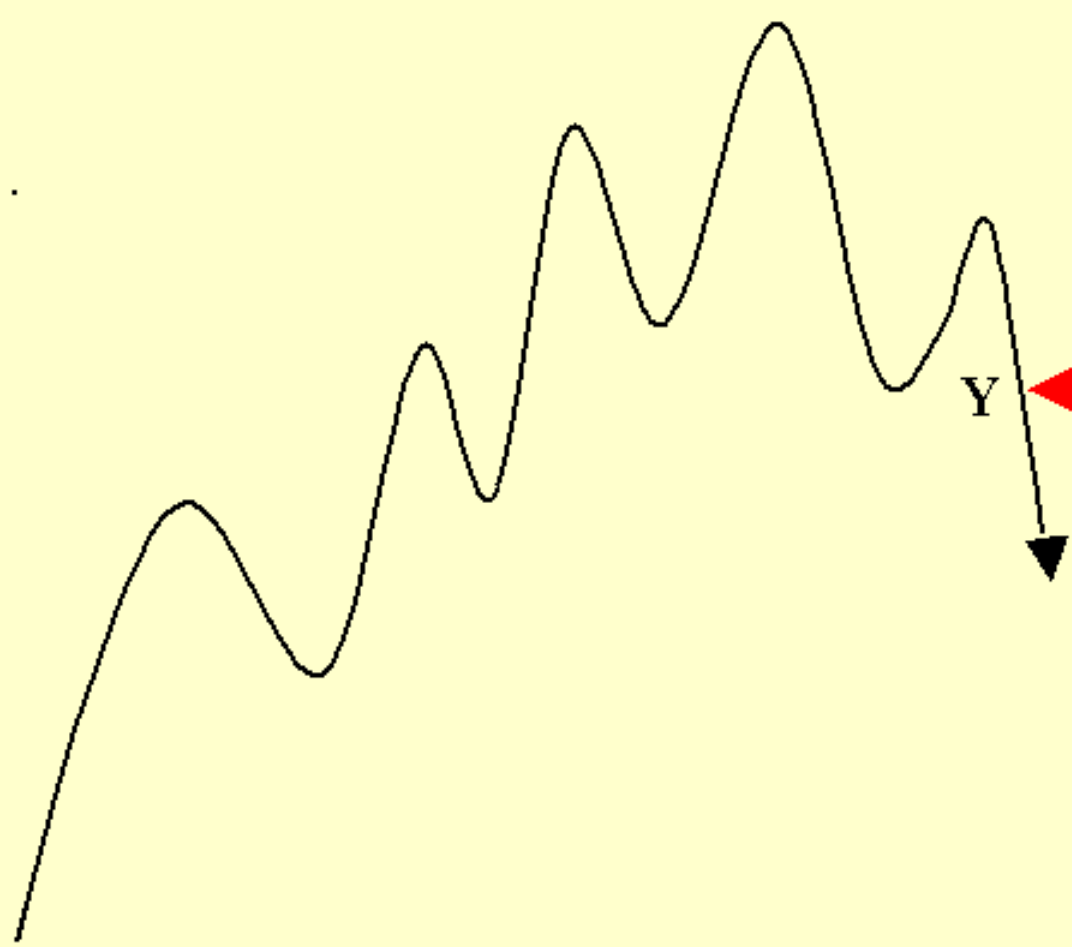
Price falls below breakout
point, but rising peaks
and troughs still intact.



Rising peaks still intact

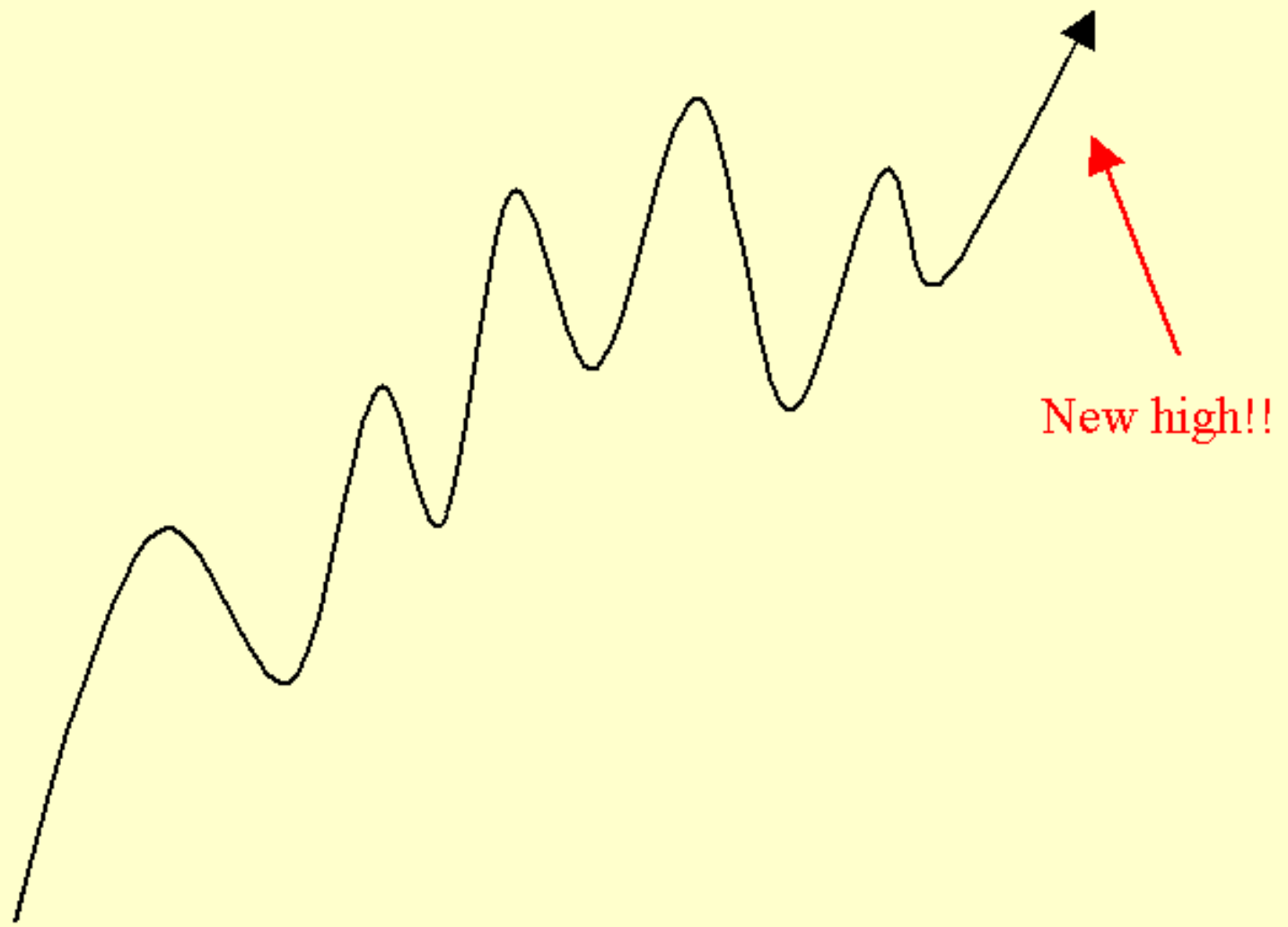
But series of rising troughs no longer in force.

X



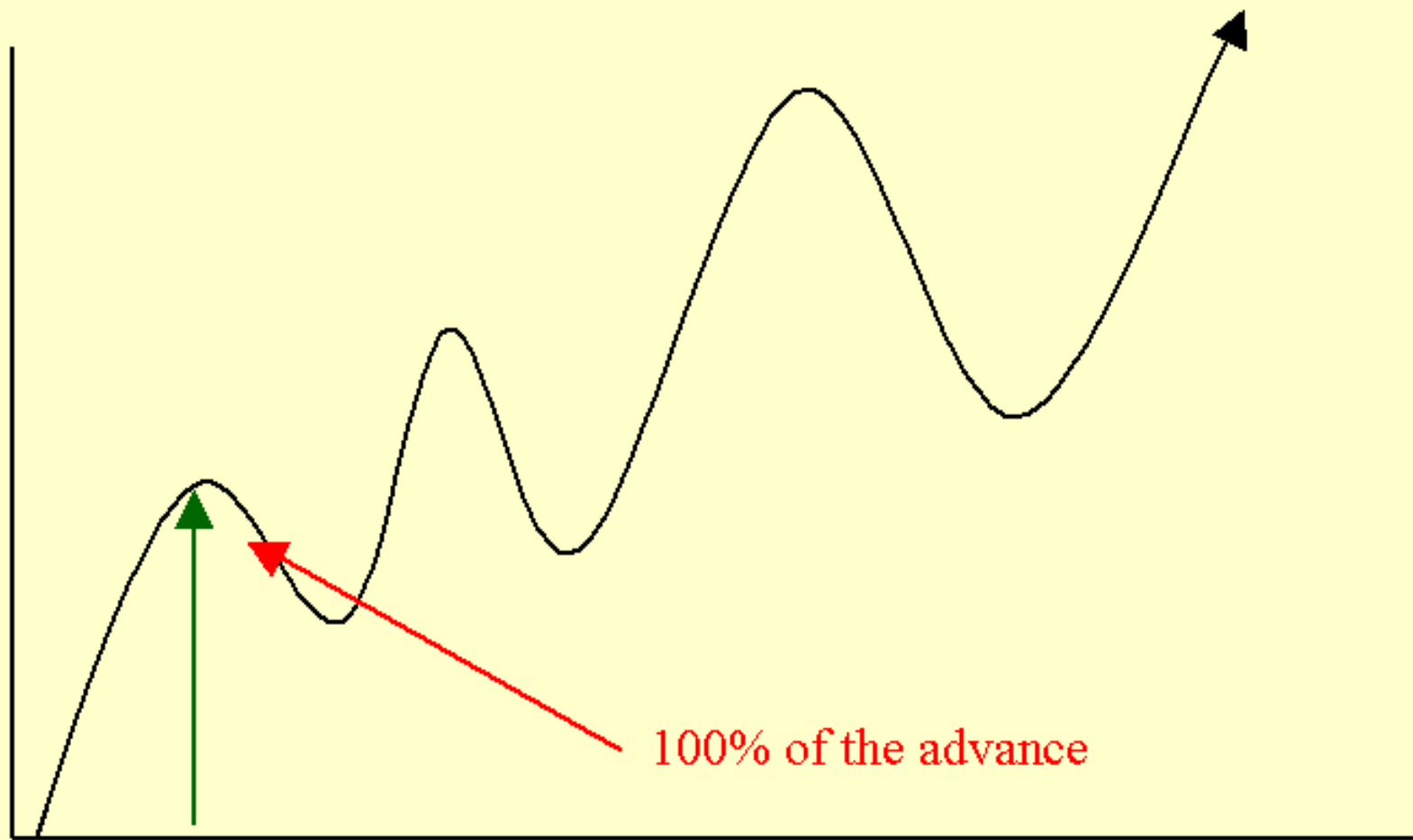
Y

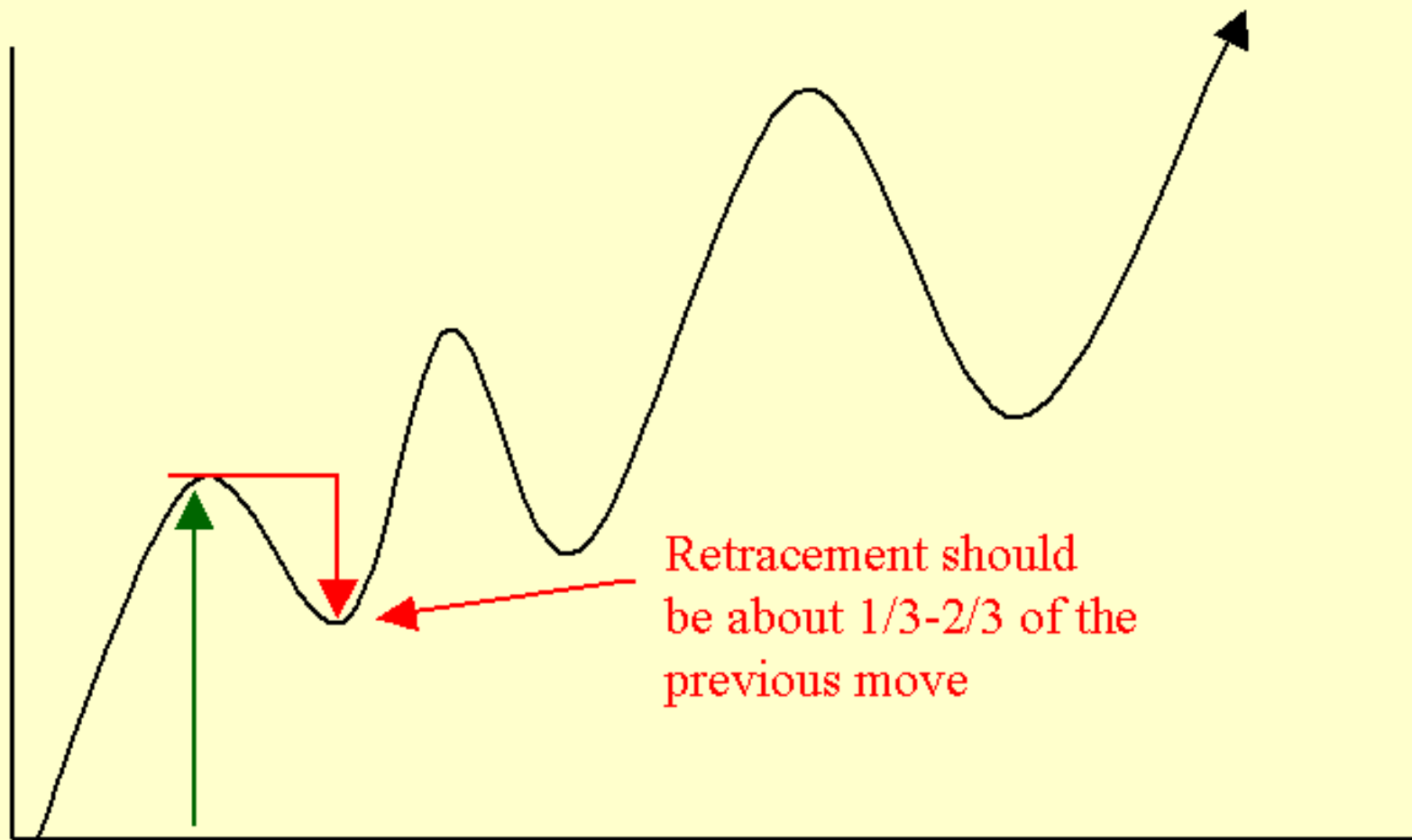
Rising peaks *and*
troughs now
broken.



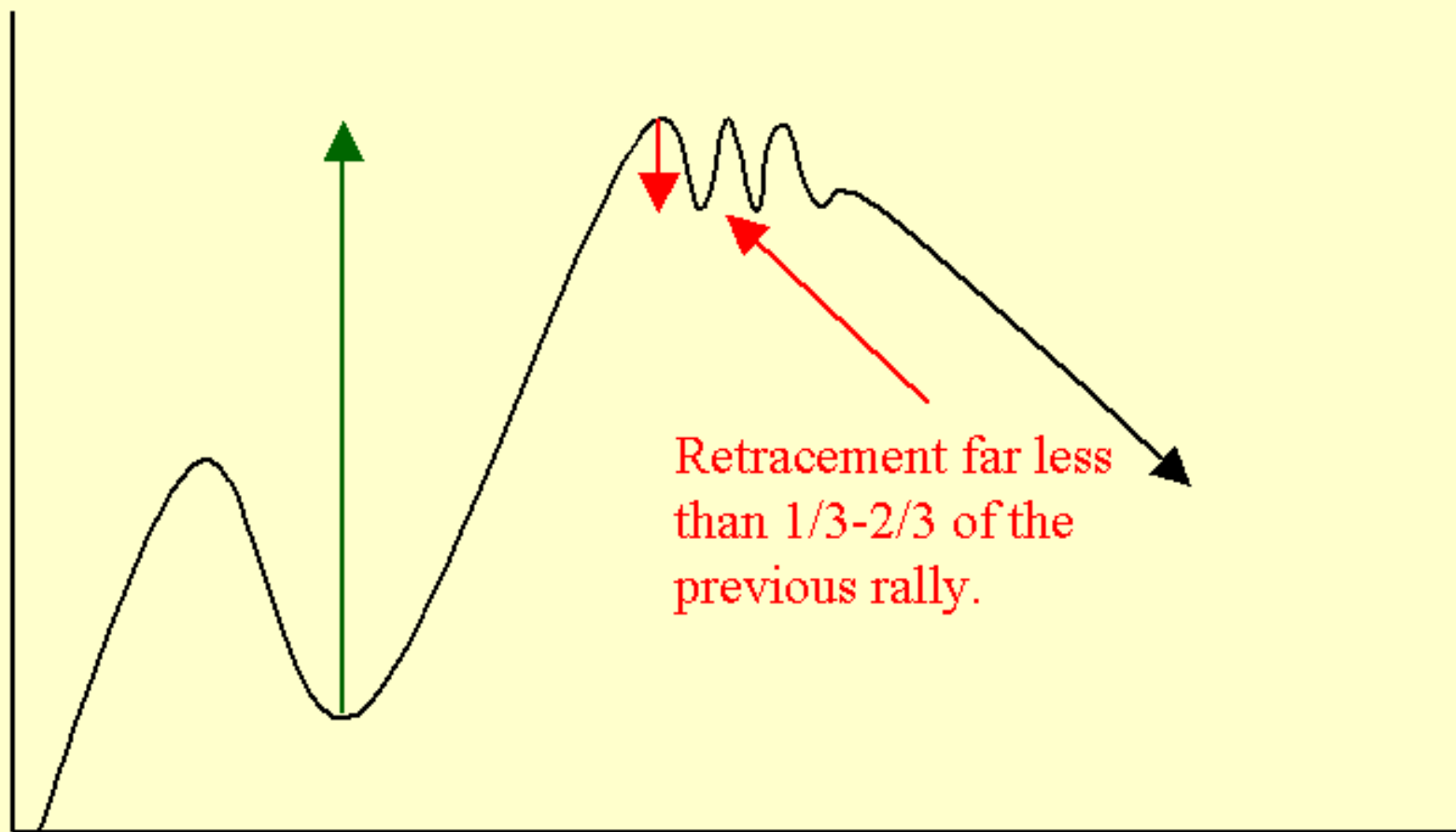
New high!!

*What constitutes a legitimate
peak or trough?*

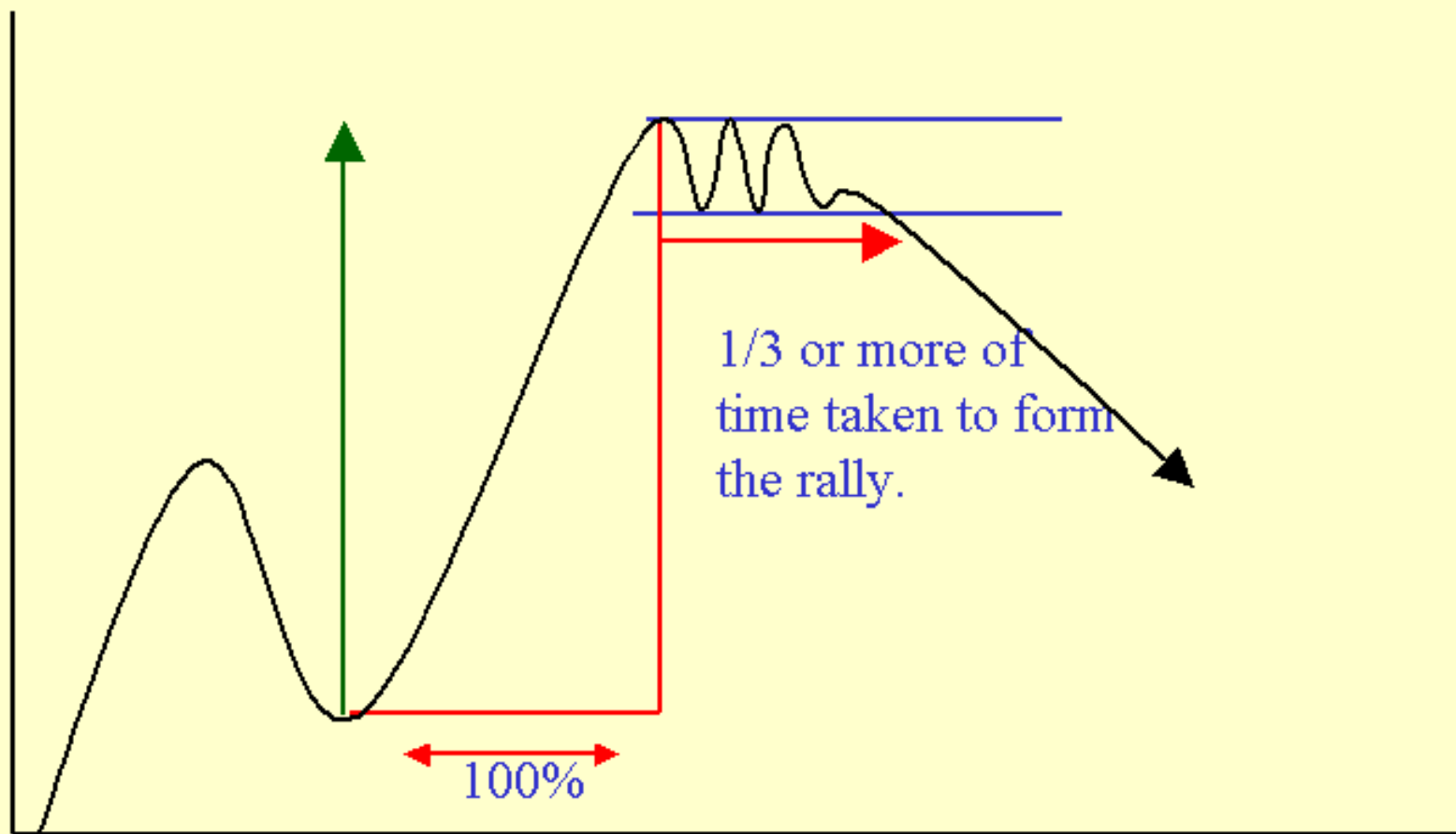




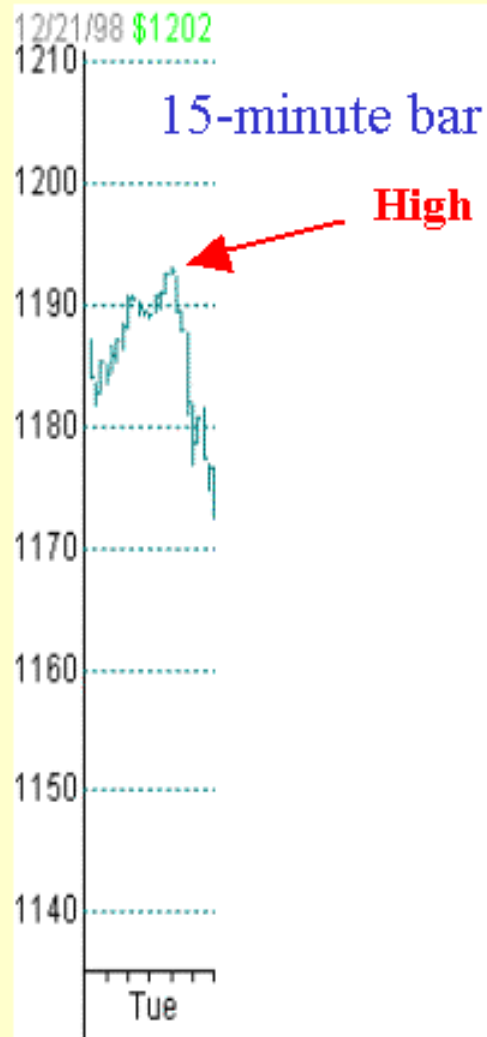
Retracement should
be about $1/3$ - $2/3$ of the
previous move



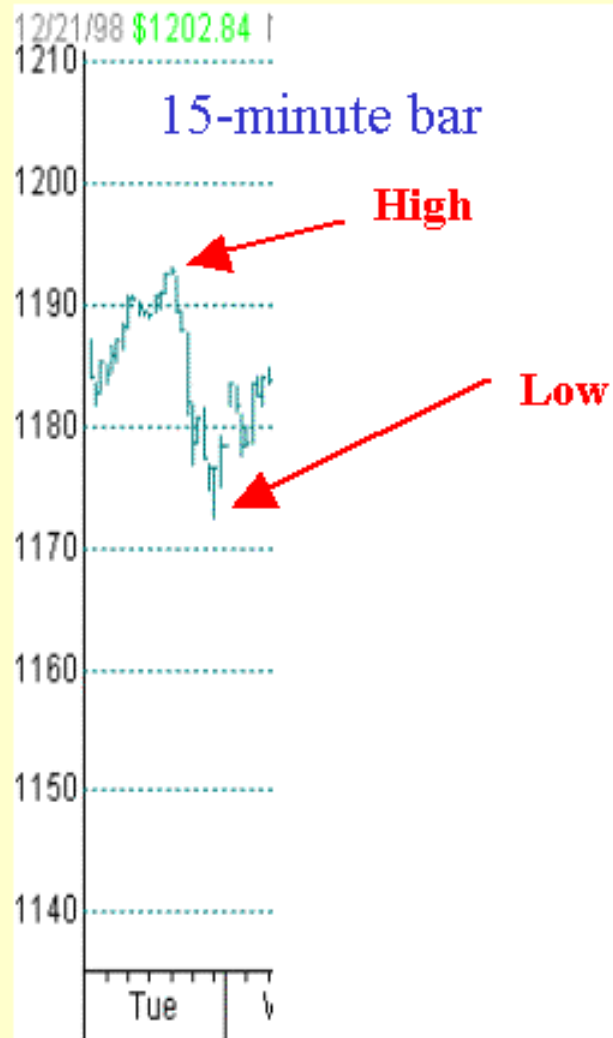
Retracement far less
than 1/3-2/3 of the
previous rally.



S&P Composite



S&P Composite



S&P Composite

12/21/98 \$1202.84 NEV

1210

15-minute bar

1200

1190

New reference high

1180

1170

1160

1150

1140

1130

1120

1110

1100

1090

1080

1070

1060

Tue

Wed

1050

1040

1030

S&P Composite

12/21/98 \$1202.84 NEW STA



S&P Composite

12/21/98 \$1202.84 NEW STANDARD



15-minute bar

Still intact

S&P Composite



Downtrend continues

S&P Composite



15-minute bar

New reference high

S&P Composite



Downtrend still intact

S&P Composite

12/21/98 \$1202.84 NEW STANDARD_POORS (SPX)10 Days Line:



Rally meets resistance

S&P Composite

12/21/98 \$1202.84 NEW STANDARD_POORS (SPX)10 Days Linear



S&P Composite

12/21/98 \$1202.84 NEW STANDARD_POORS (SPX) 10 Days Linear



Possible reference low

S&P Composite

12/21/98 \$1202.84 NEW STANDARD_POORS (SPX)10 Days Linear



S&P Composite



S&P Composite

12/21/98 \$1202.84 NEW STANDARD_POORS (SPX)10 Days Linear



New downtrend signaled

S&P Composite



S&P Composite

12/21/98 \$1202.84 NEW STANDARD_POORS (SPX)10 Days Linear



S&P Composite



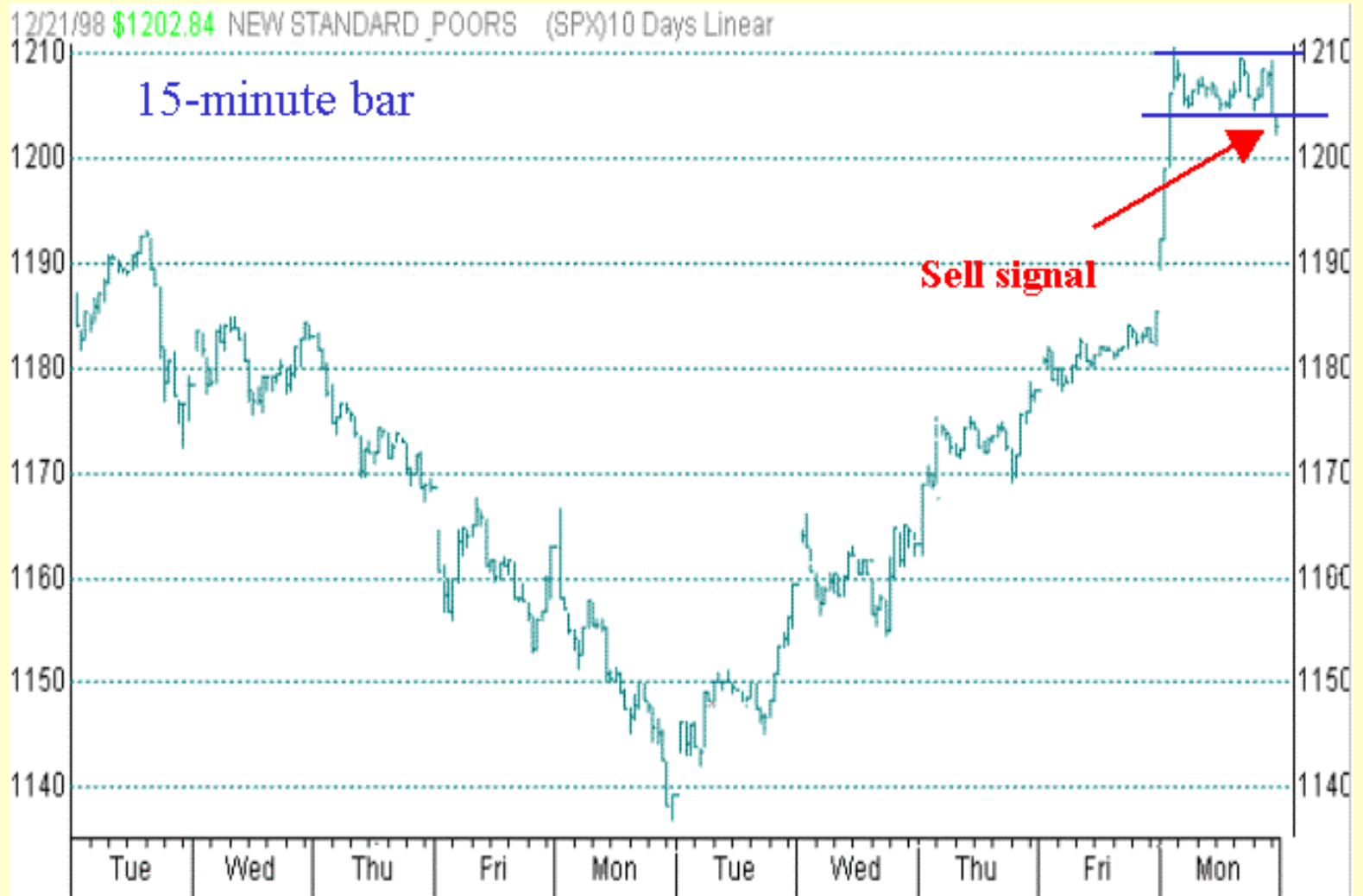
S&P Composite

12/21/98 \$1202.84 NEW STANDARD_POORS (SPX)10 Days Linear



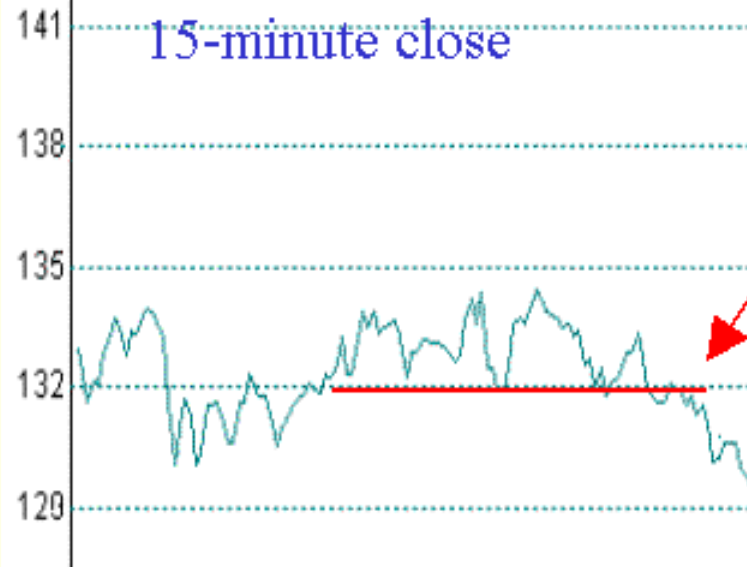
Uptrend
confirmed

S&P Composite

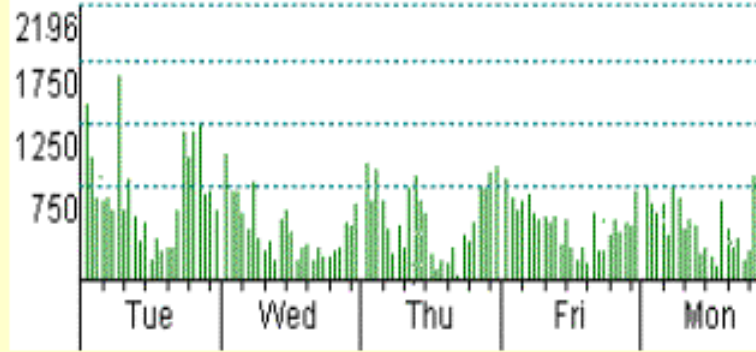


Microsoft

12/21/98 \$140.43 MICROSOFT CORP (MSFT) 10 Days Line

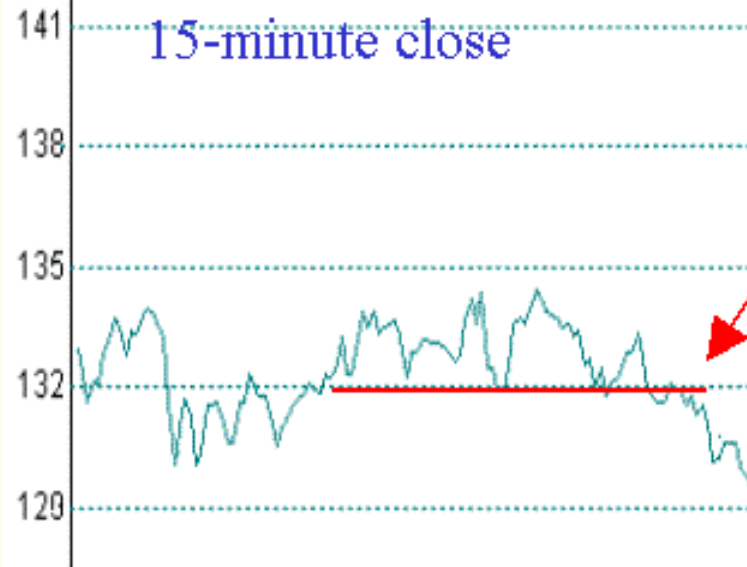


Volume - max: 2196

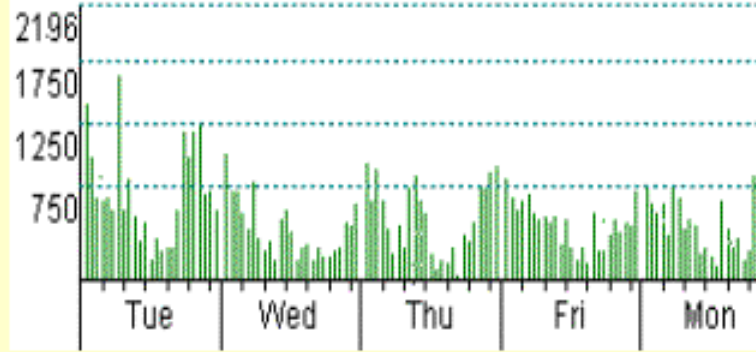


Microsoft

12/21/98 \$140.43 MICROSOFT CORP (MSFT) 10 Days Line



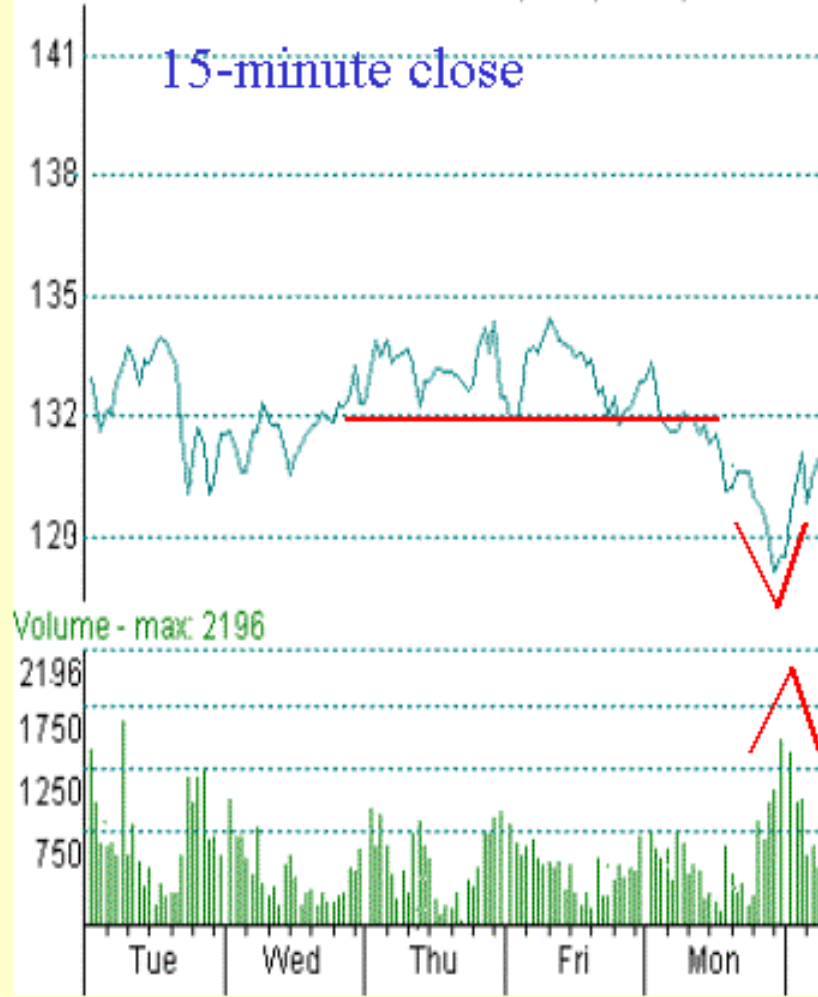
Volume - max: 2196



Microsoft

12/21/98 \$140.43 MICROSOFT CORP (MSFT) 10 Days Linear

15-minute close

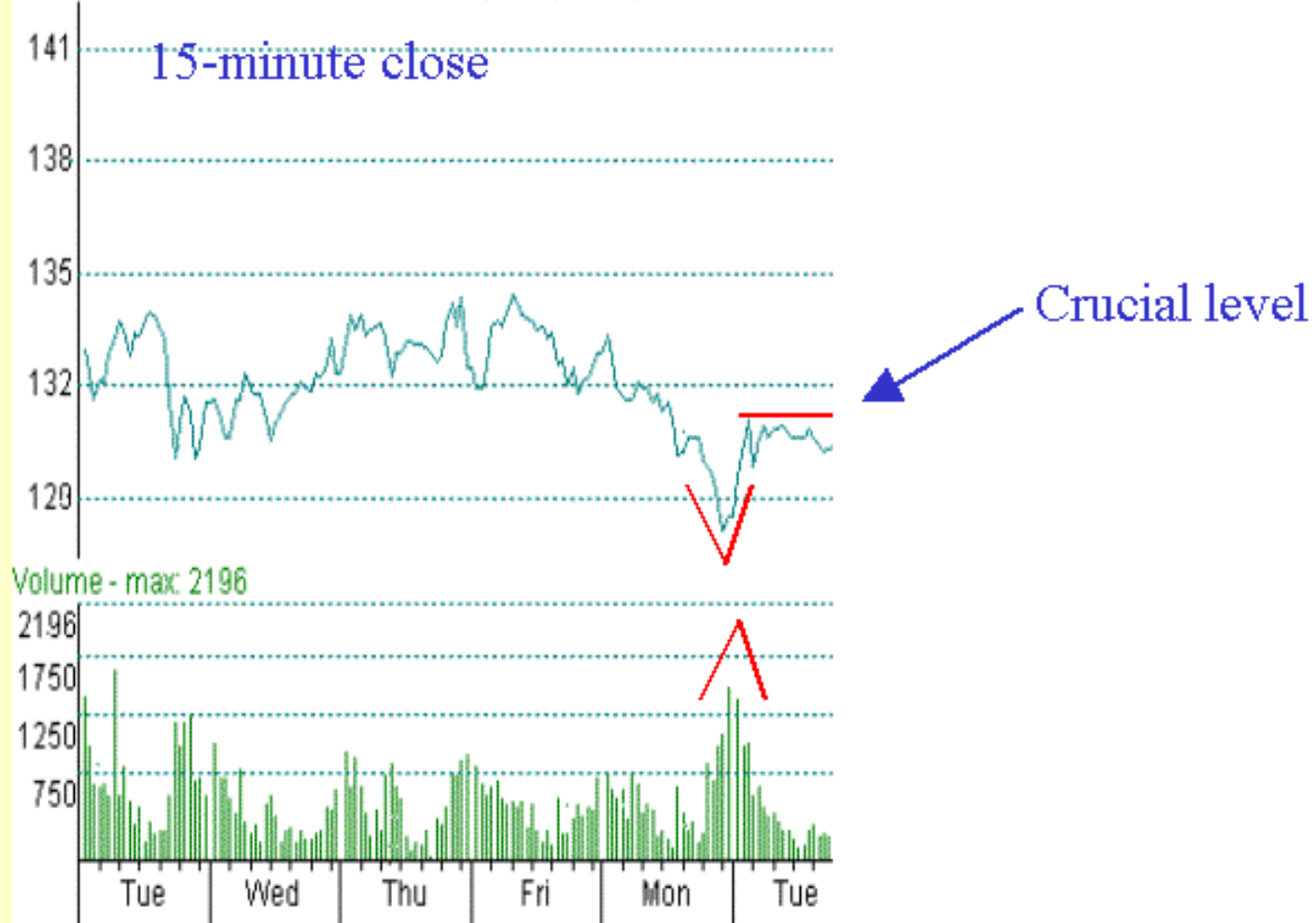


Selling climax



Microsoft

12/21/98 \$140.43 MICROSOFT CORP (MSFT) 10 Days Linear



Microsoft

12/21/98 \$140.43 MICROSOFT CORP (MSFT) 10 Days Linear



Microsoft

12/21/98 \$140.43 MICROSOFT CORP (MSFT) 10 Days Linear



Microsoft

12/21/98 \$140.43 MICROSOFT CORP (MSFT) 10 Days Linear



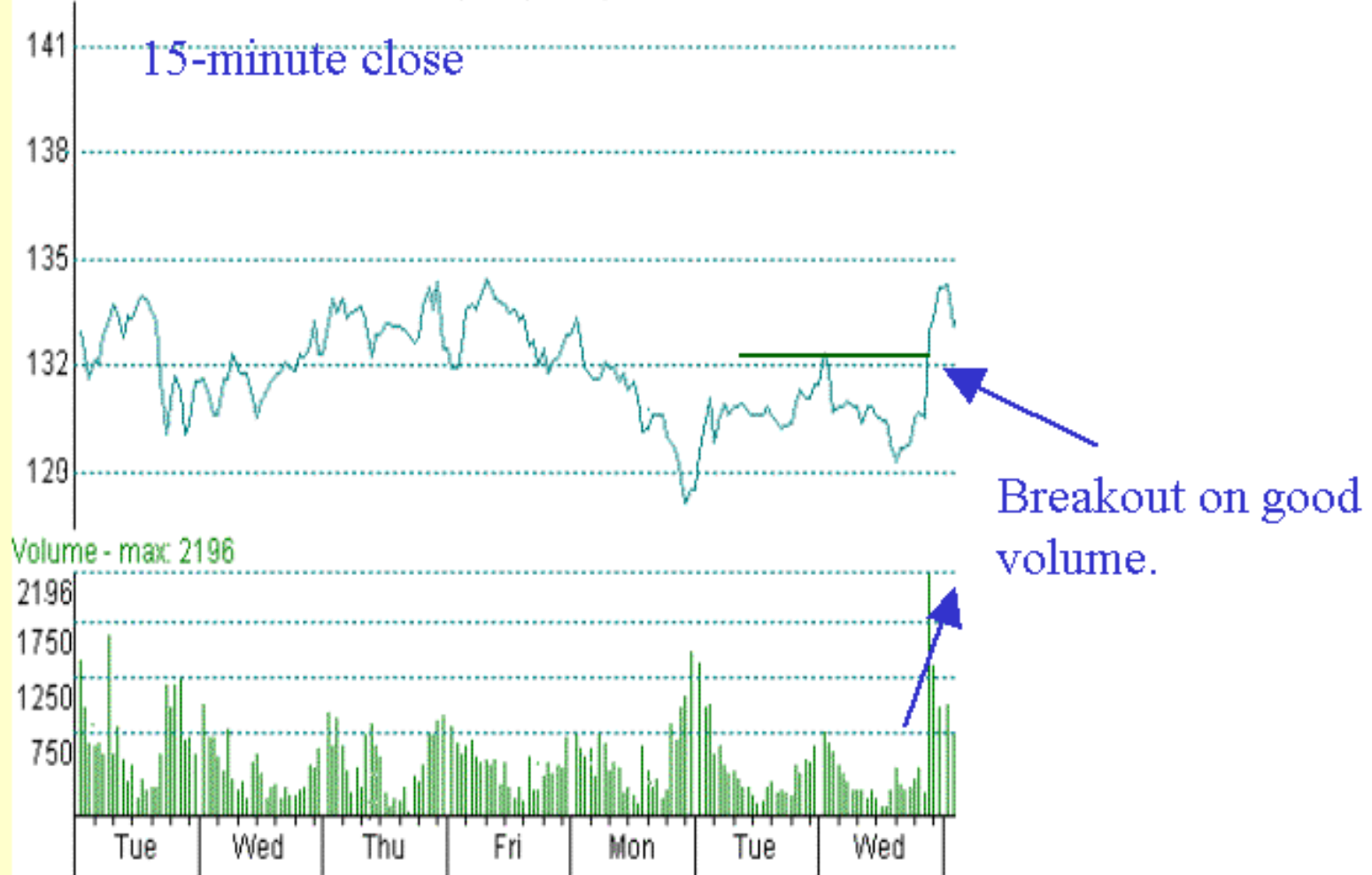
Microsoft

12/21/98 \$140.43 MICROSOFT CORP (MSFT) 10 Days Linear



Microsoft

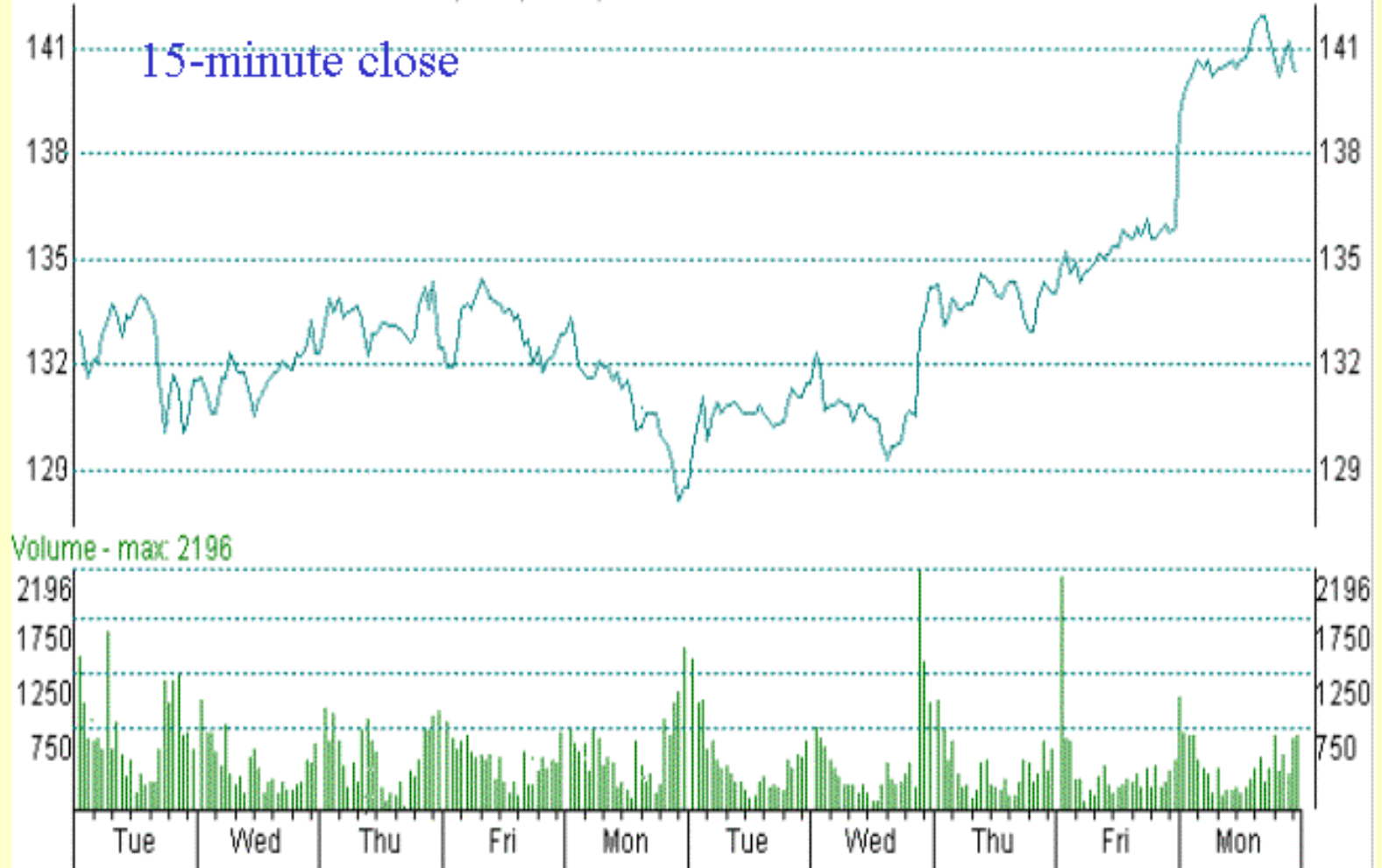
12/21/98 \$140.43 MICROSOFT CORP (MSFT) 10 Days Linear



Microsoft

12/21/98 \$140.43 MICROSOFT CORP (MSFT) 10 Days Linear

15-minute close



One and Two Bar Price Patterns

*All one and two bar price patterns
must be preceded by a short-term up
or down trend.*

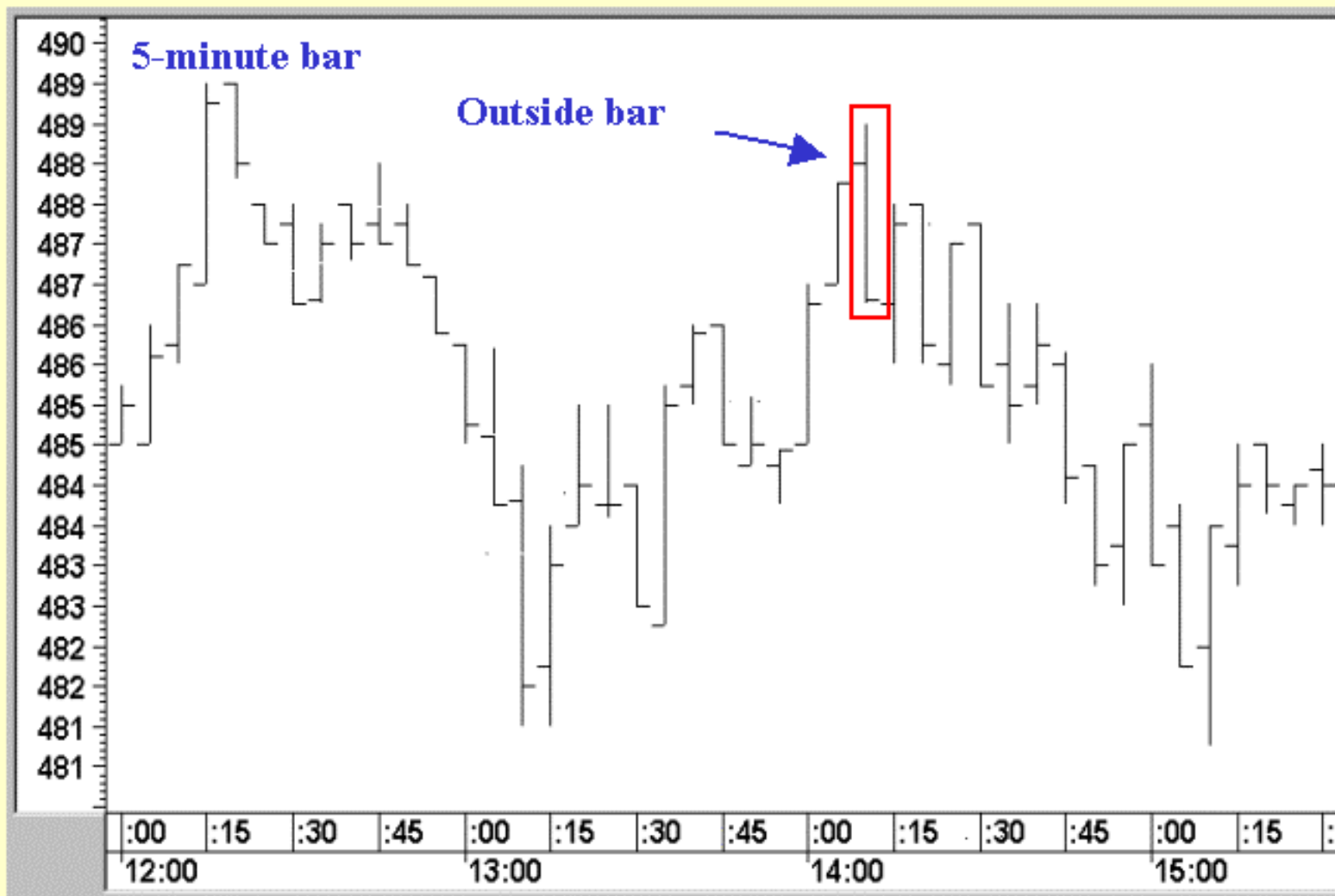
One and two bar patterns are usually short-term reversal phenomena.

*These patterns indicate exhaustion,
where market psychology has reached a
short-term extreme.*

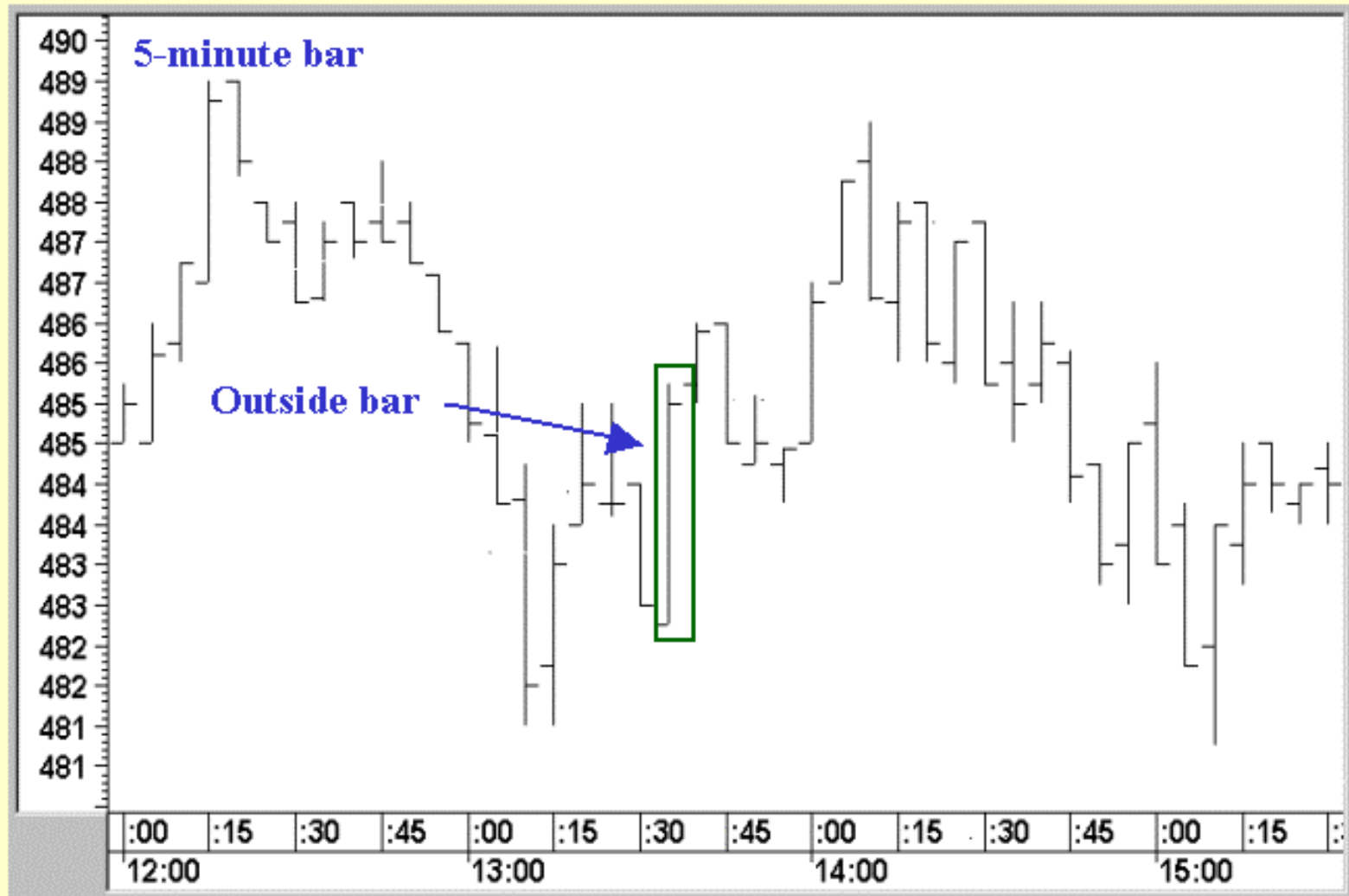
Outside bars

Outside bars are reversal patterns that indicate a change in sentiment.

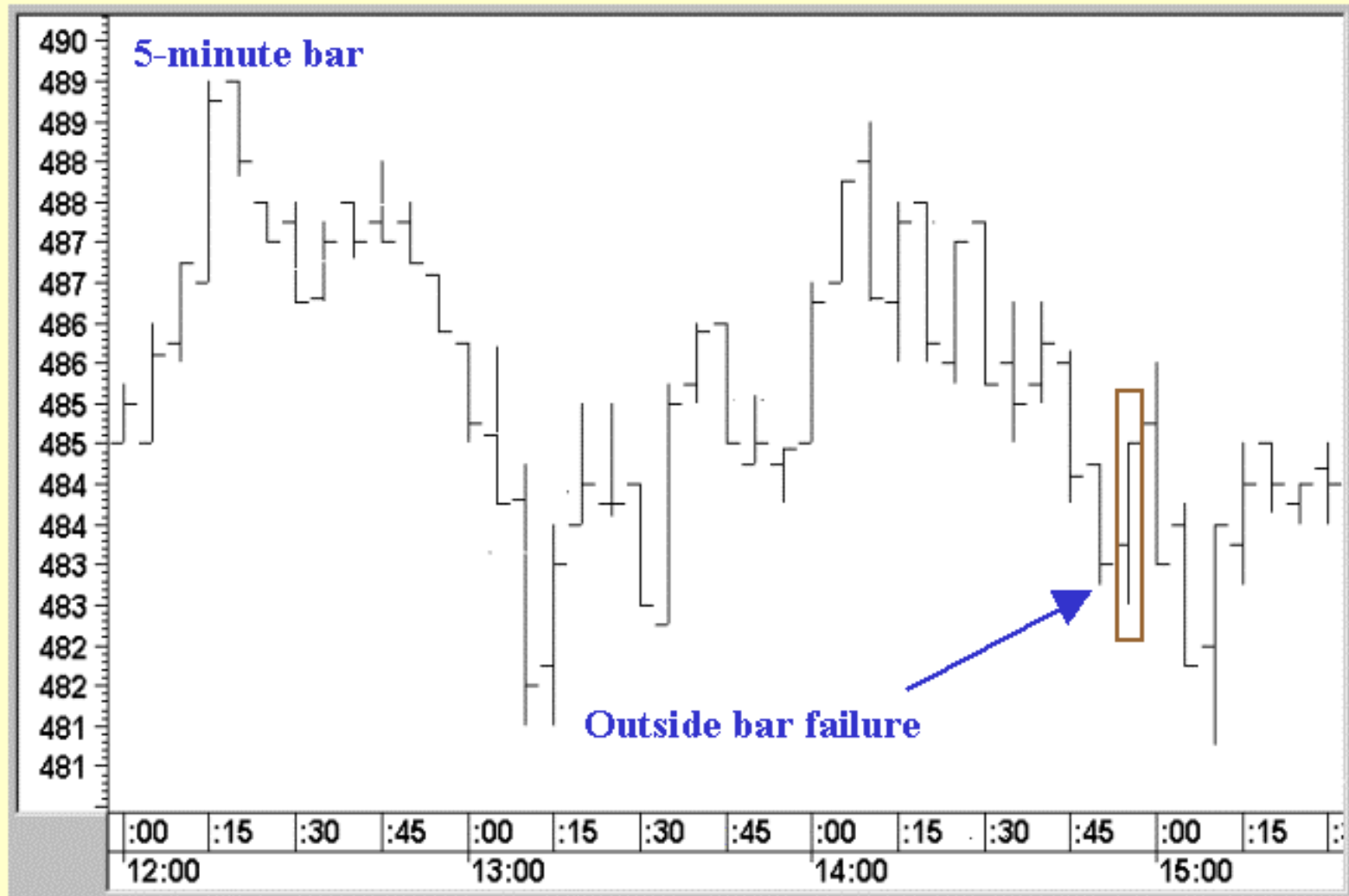
S&P Composite



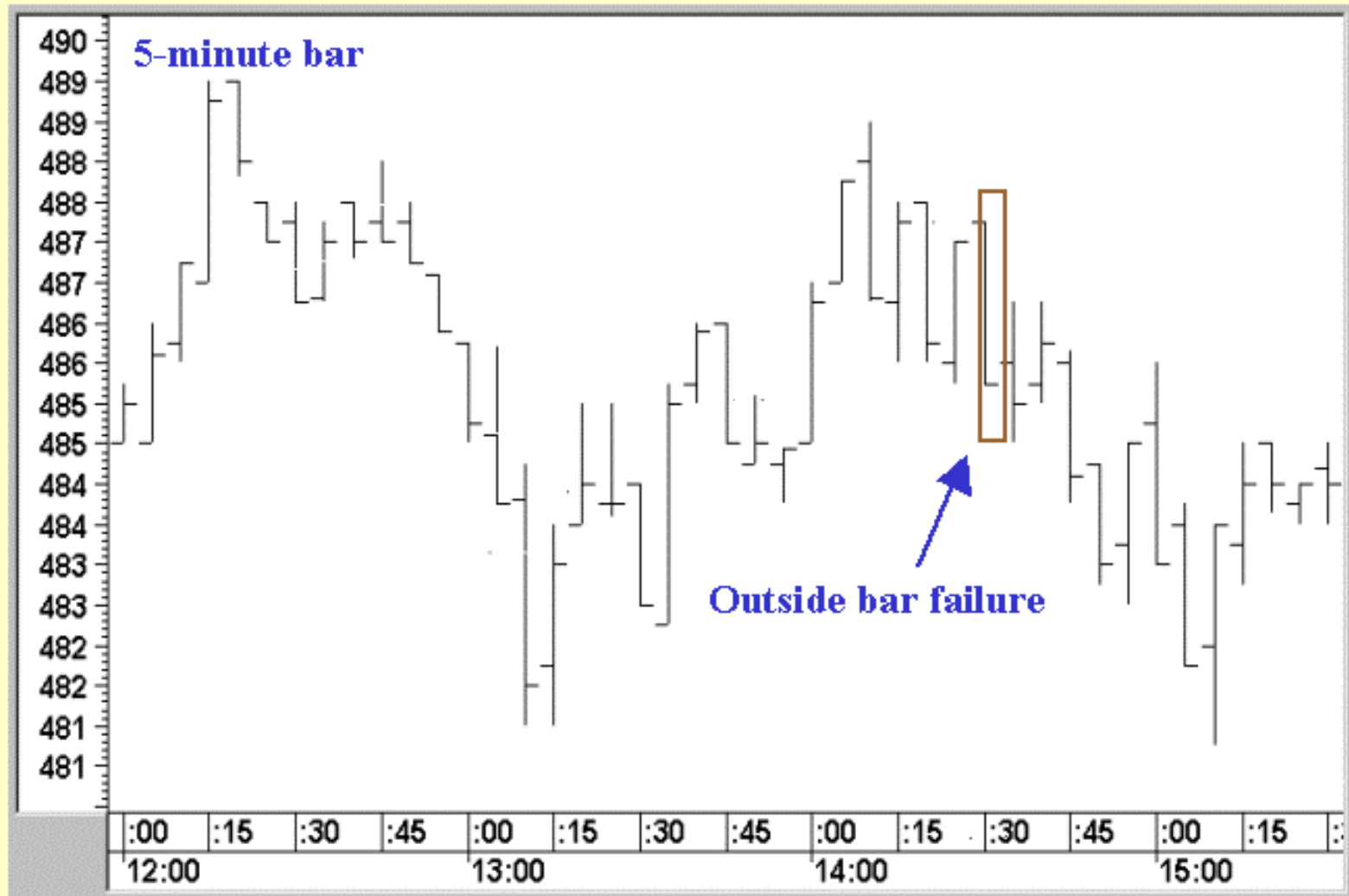
S&P Composite



S&P Composite



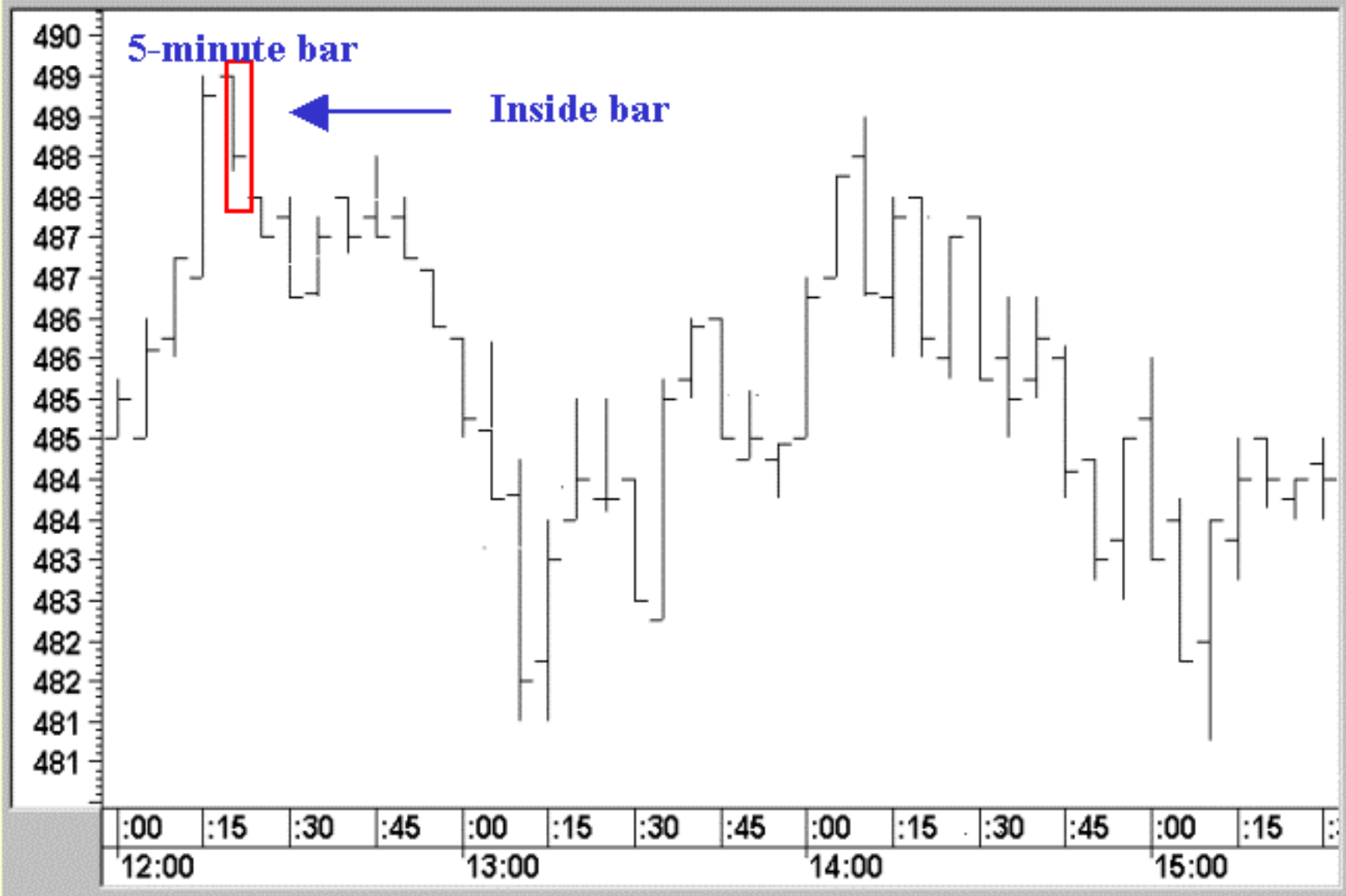
S&P Composite



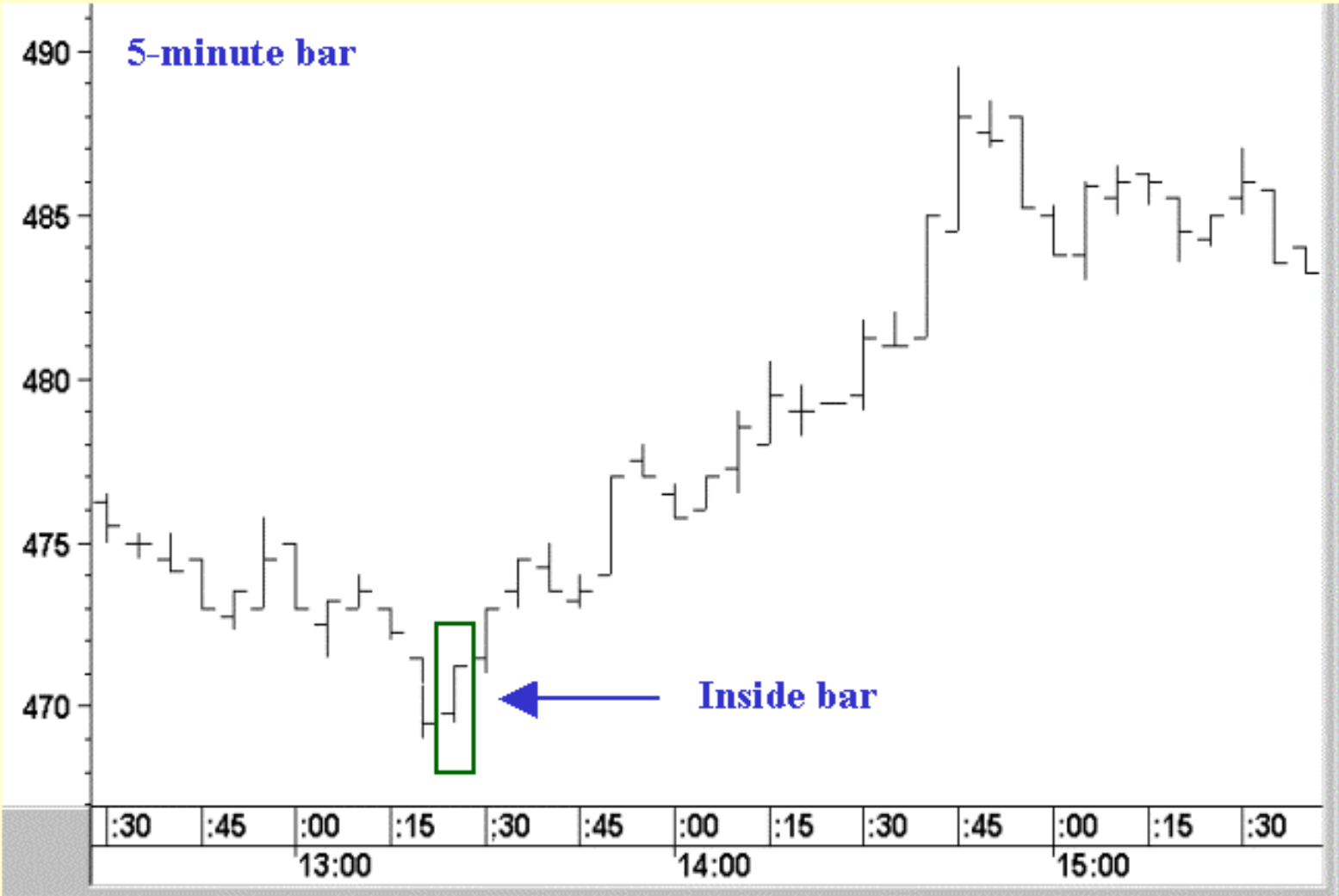
Inside Bars

Inside bars indicate that prevailing momentum has dissipated because buyers and sellers are now equally matched..

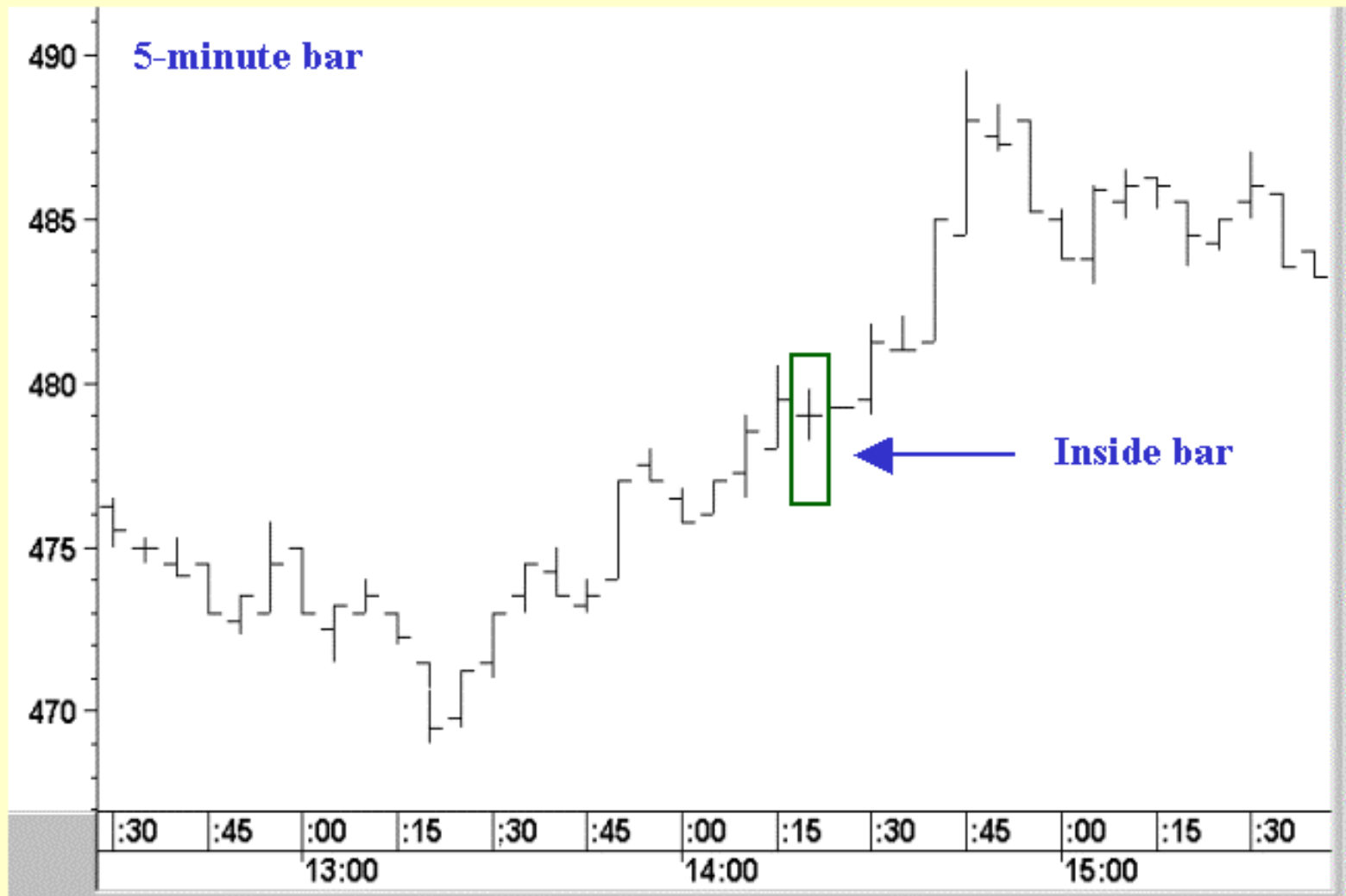
S&P Composite



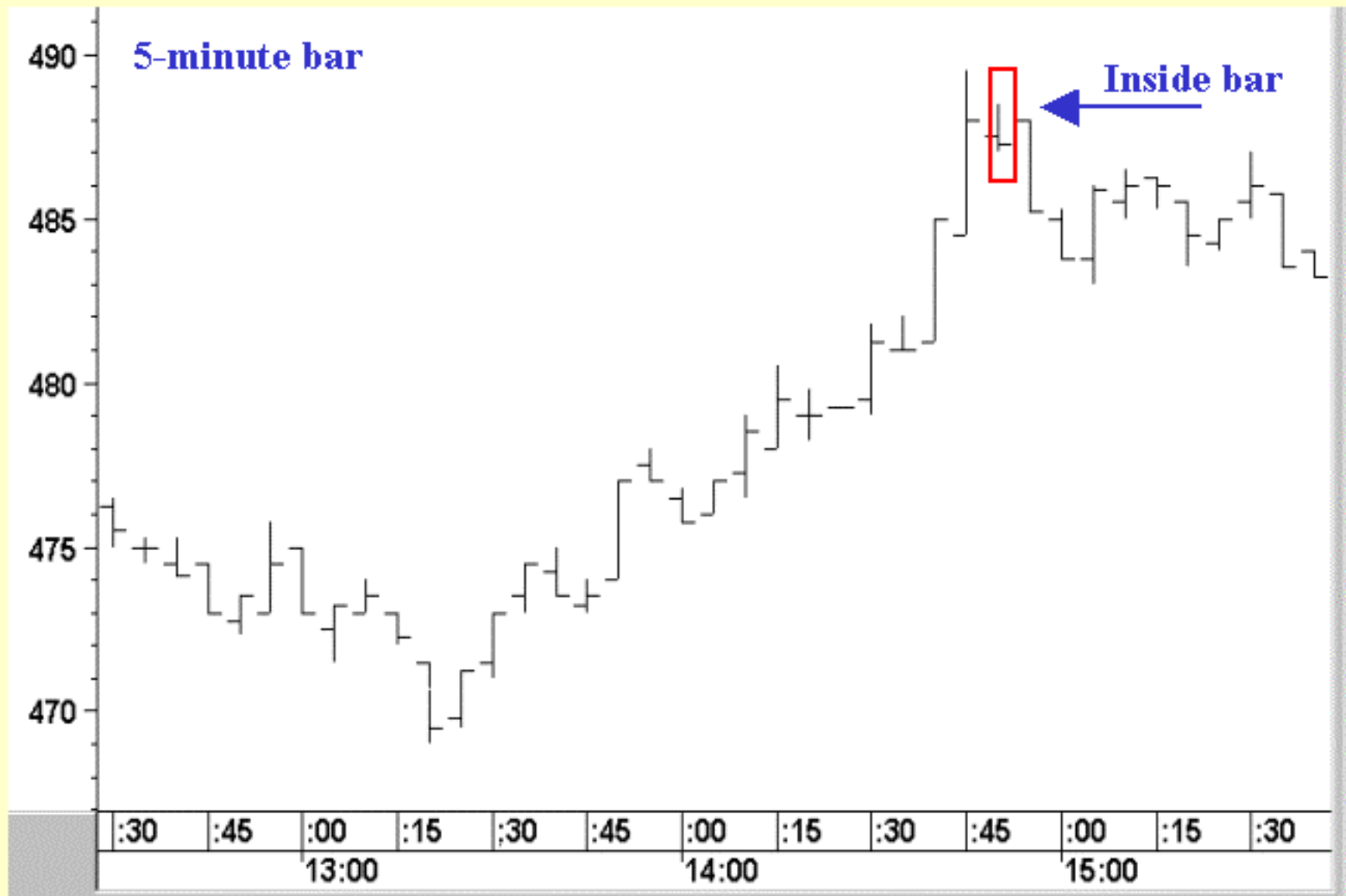
S&P Composite



S&P Composite



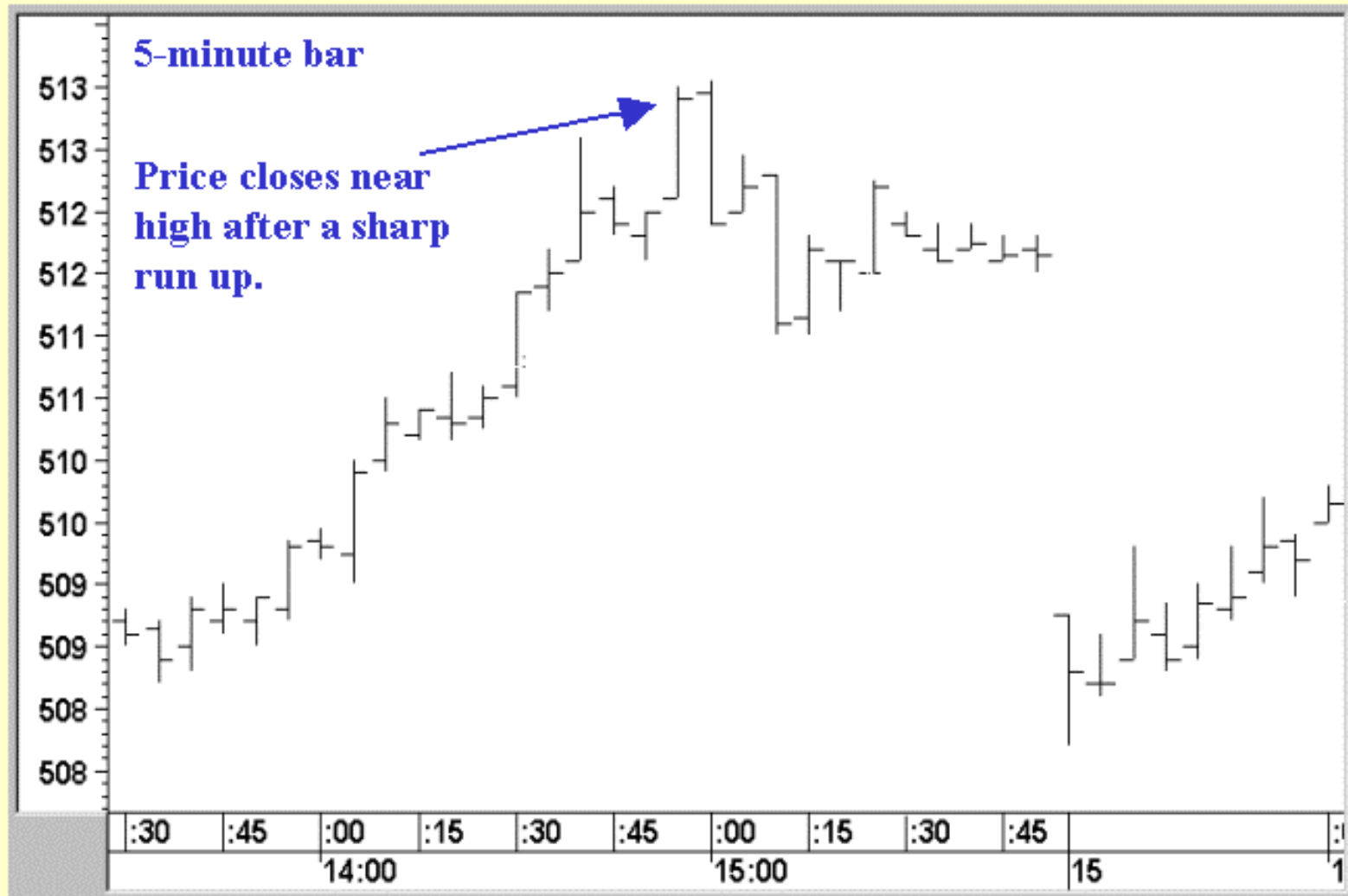
S&P Composite



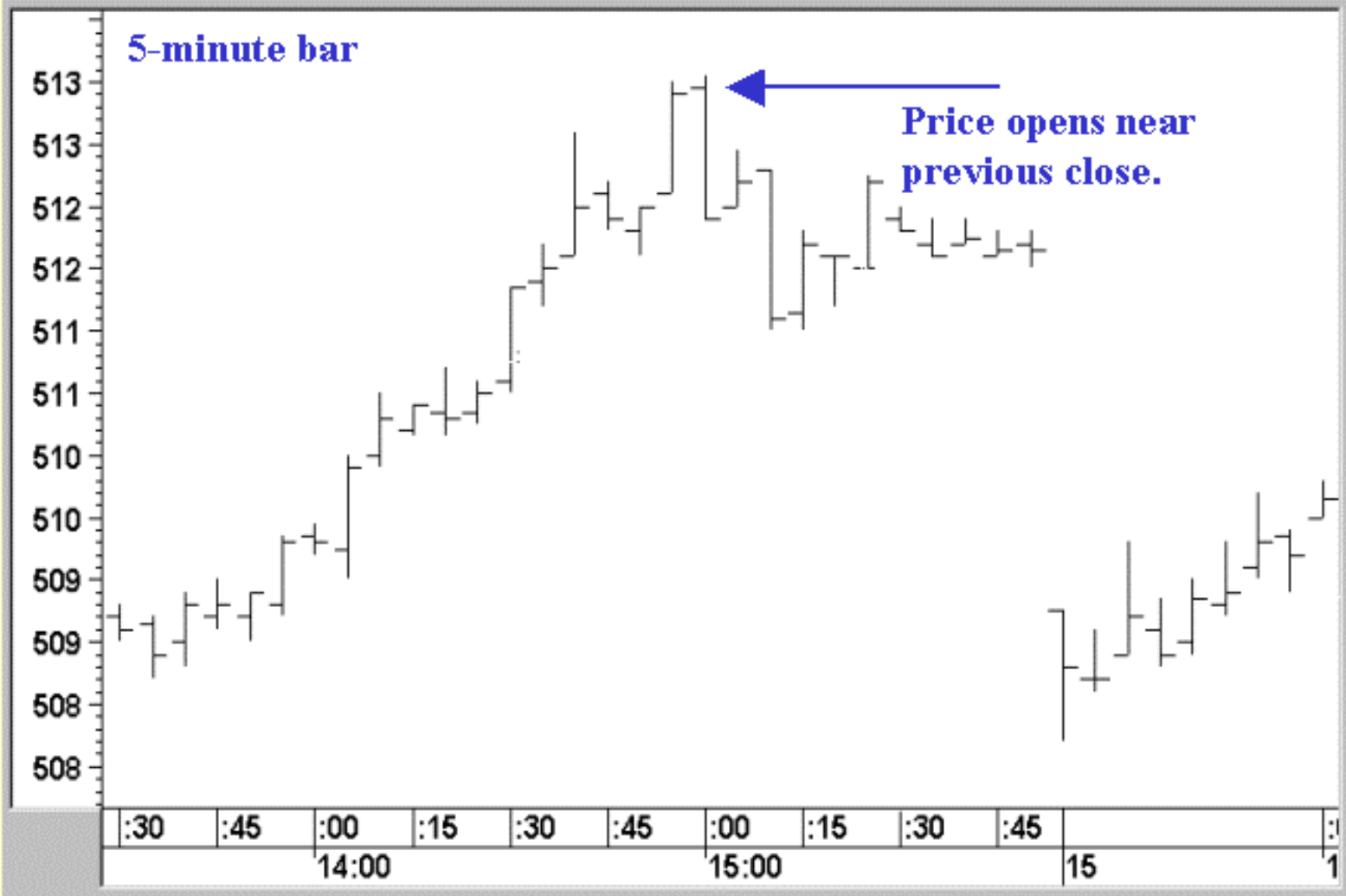
Two Bar Reversals

Two bar reversals indicate a dramatic change in sentiment..

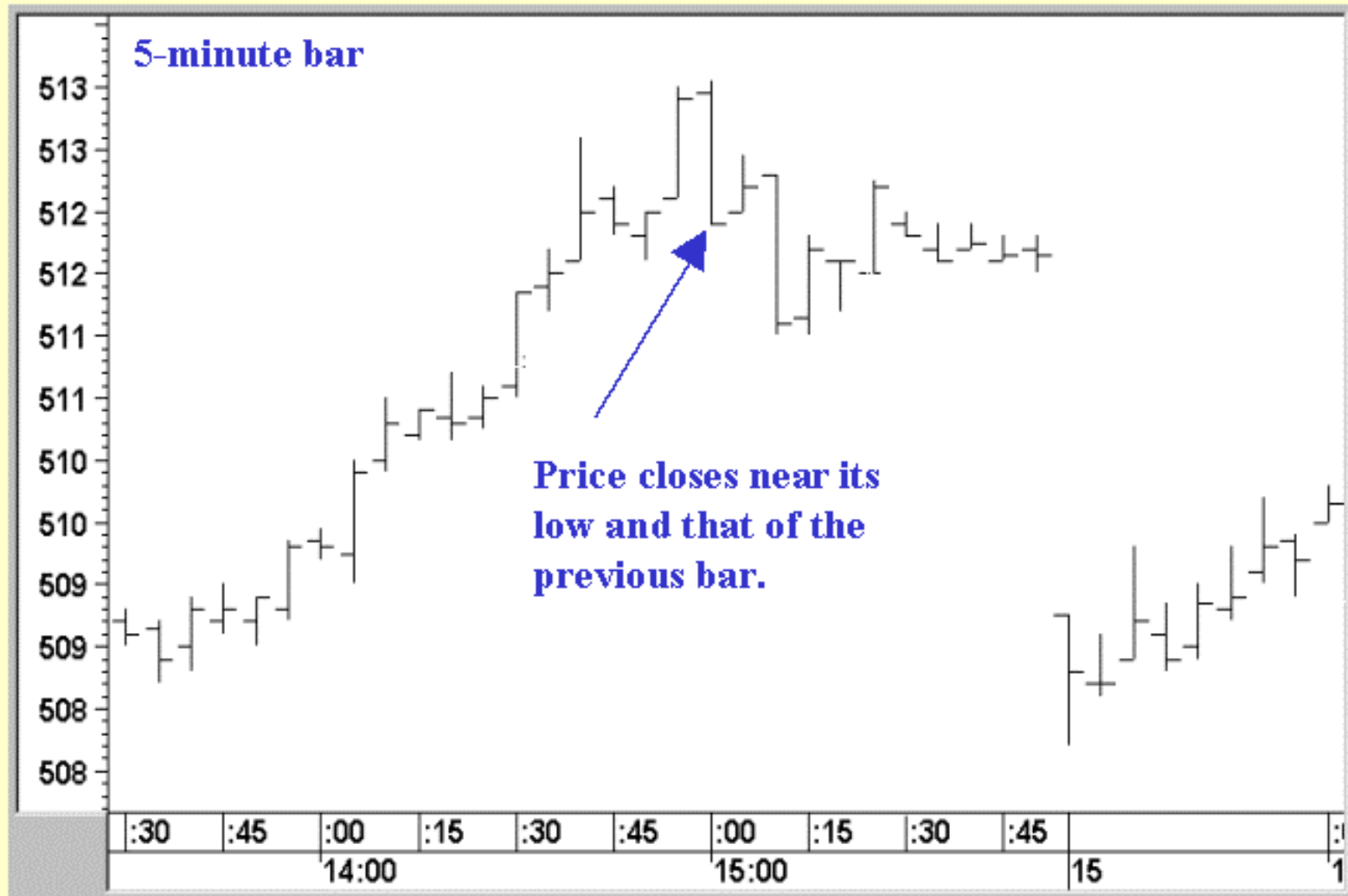
S&P Composite



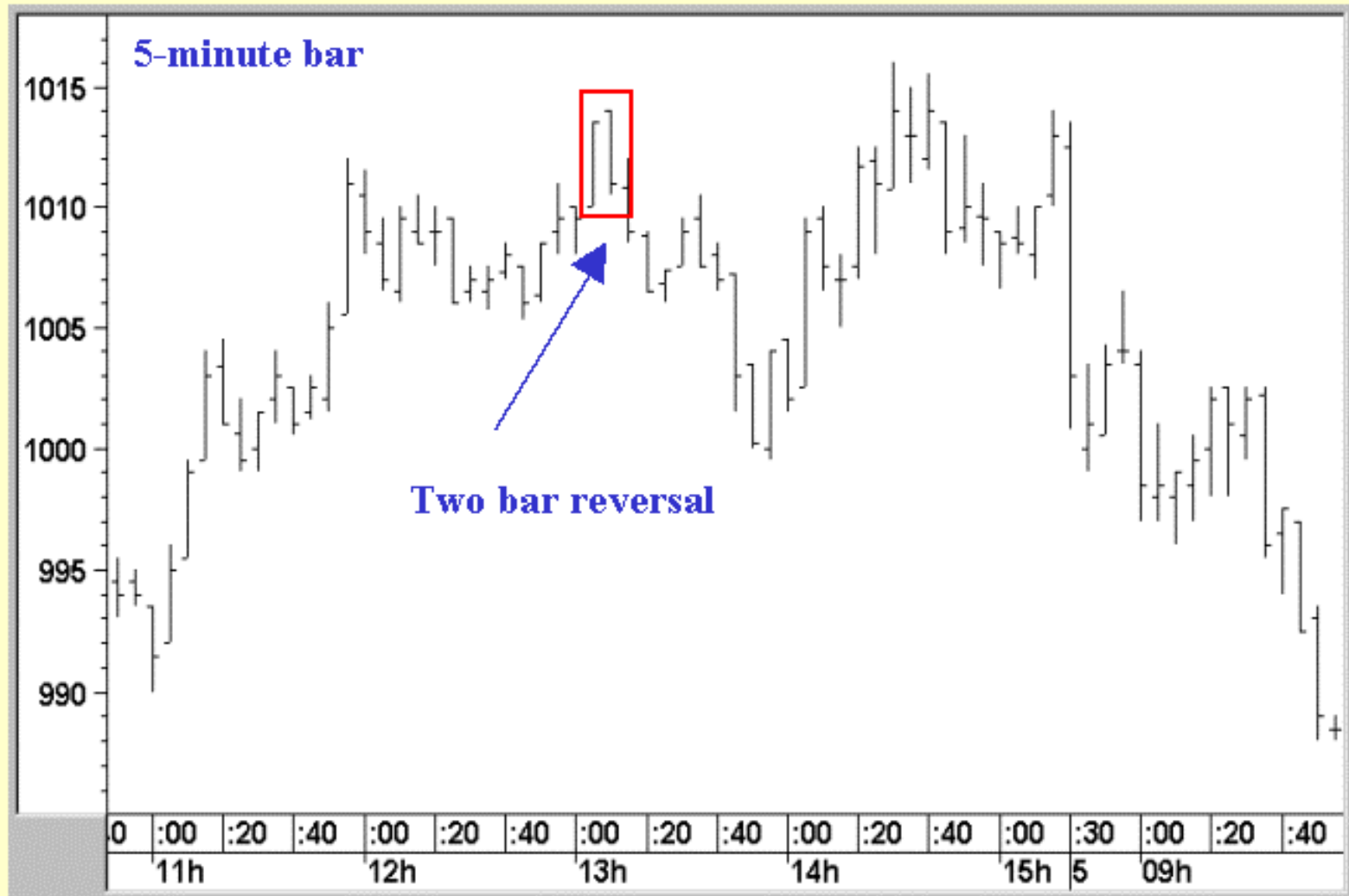
S&P Composite



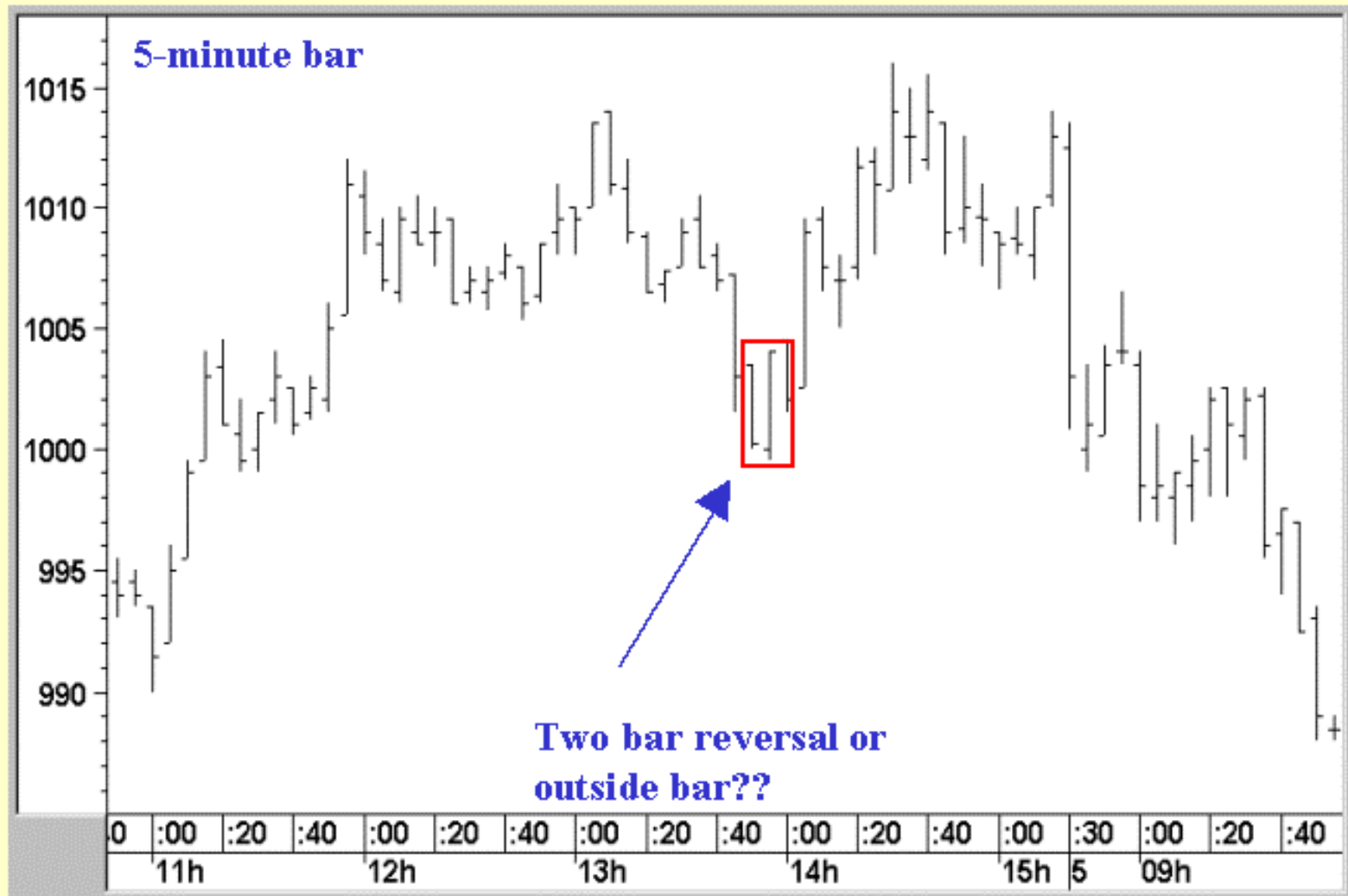
S&P Composite



December 1998 S&P



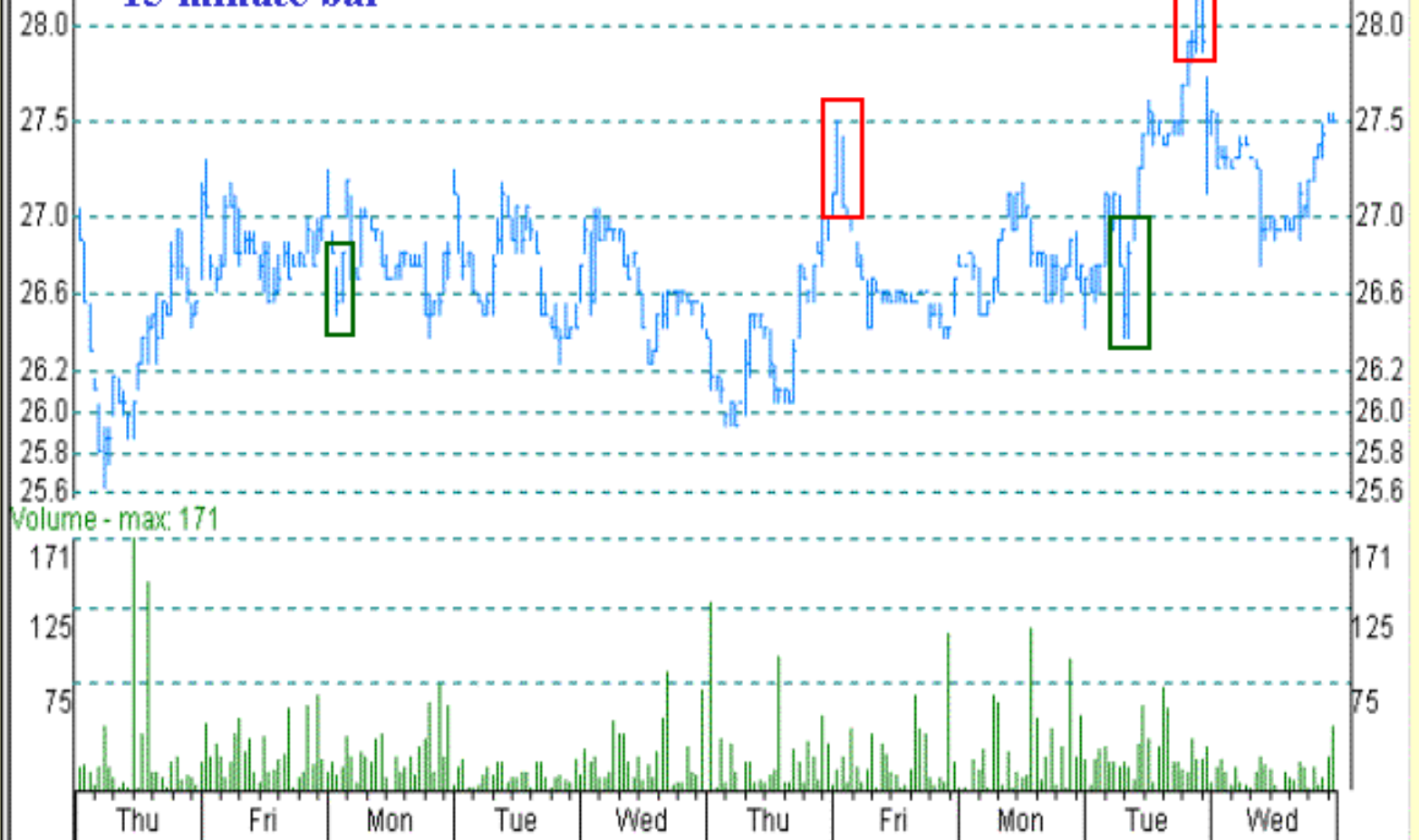
December 1998 S&P



Westvaco

2/16/00 \$27.50 WESTVACO CORP (w)10 Days Log

15-minute bar



Westvaco

2/16/00 \$27.50 WESTVACO CORP (W) 5 Days Log

5-minute bar



Key Reversal Bar

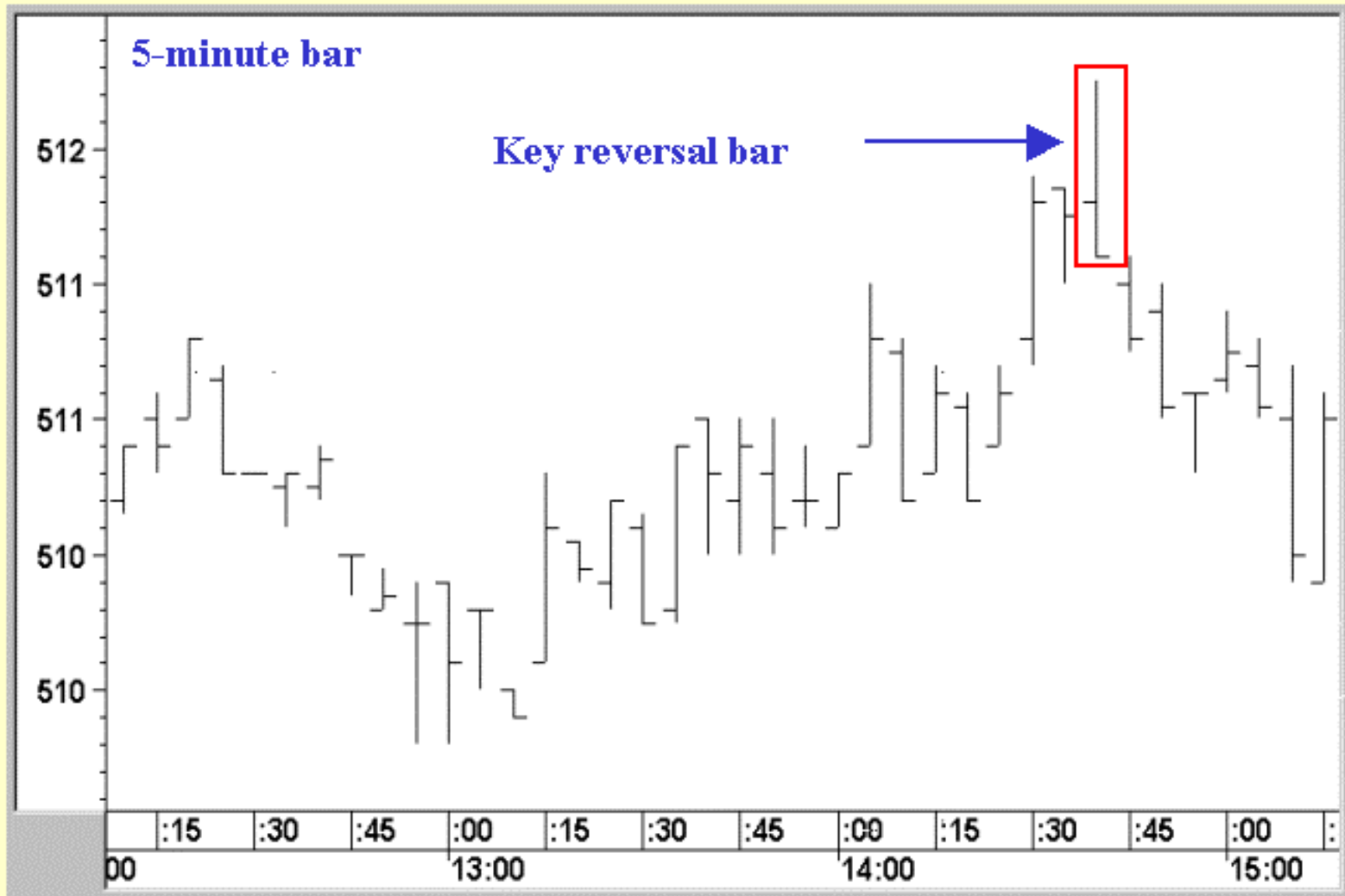
*A very strong signal of a
reversal in sentiment.*

Characteristics

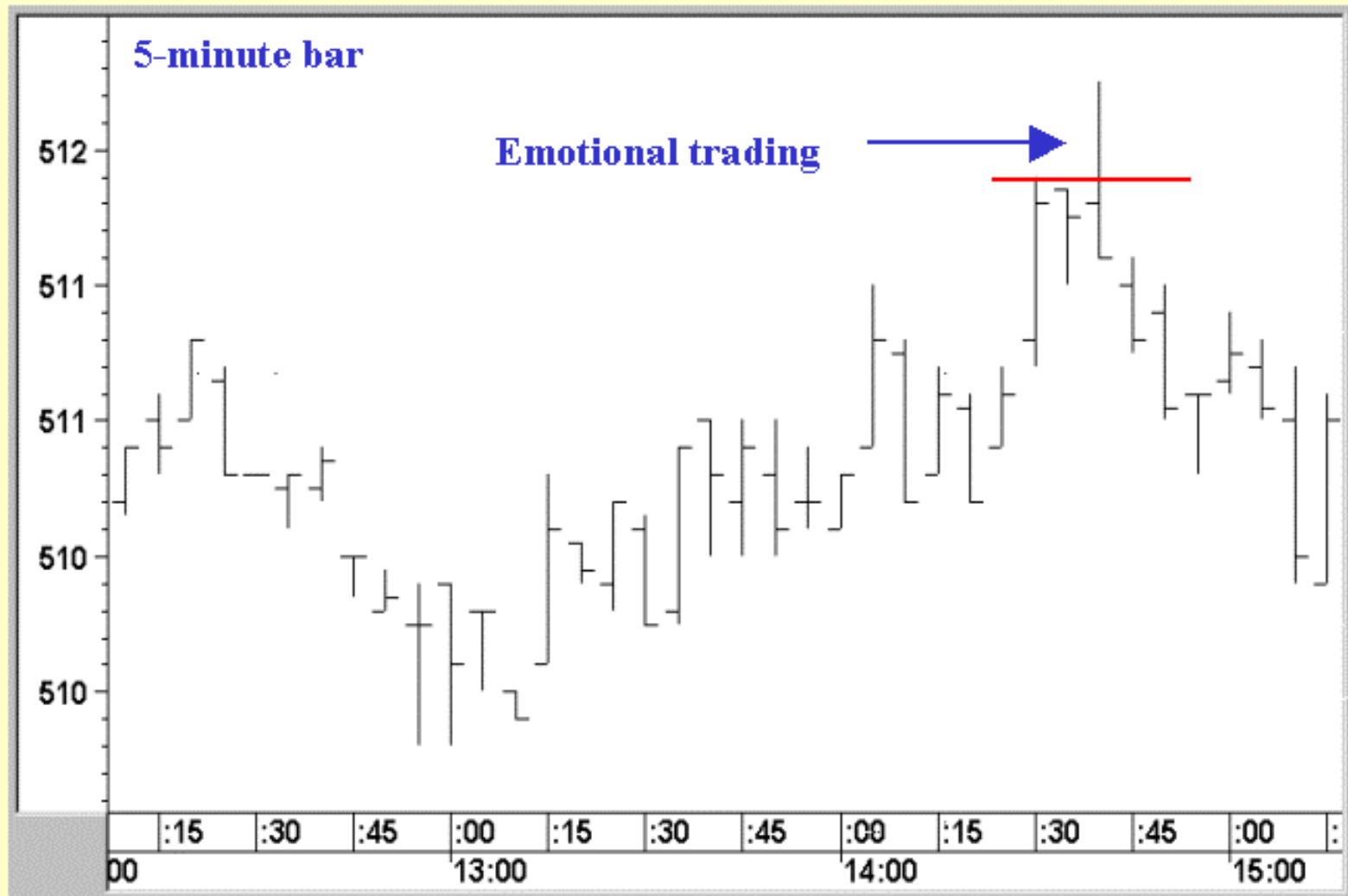
1. Price opens the bar strongly in the direction of the prevailing trend.
2. Trading range of the bar is extremely wide.
3. Price should close at or close to the previous close.

The key reversal bar should be accompanied by climactic volume.

December 1998 S&P



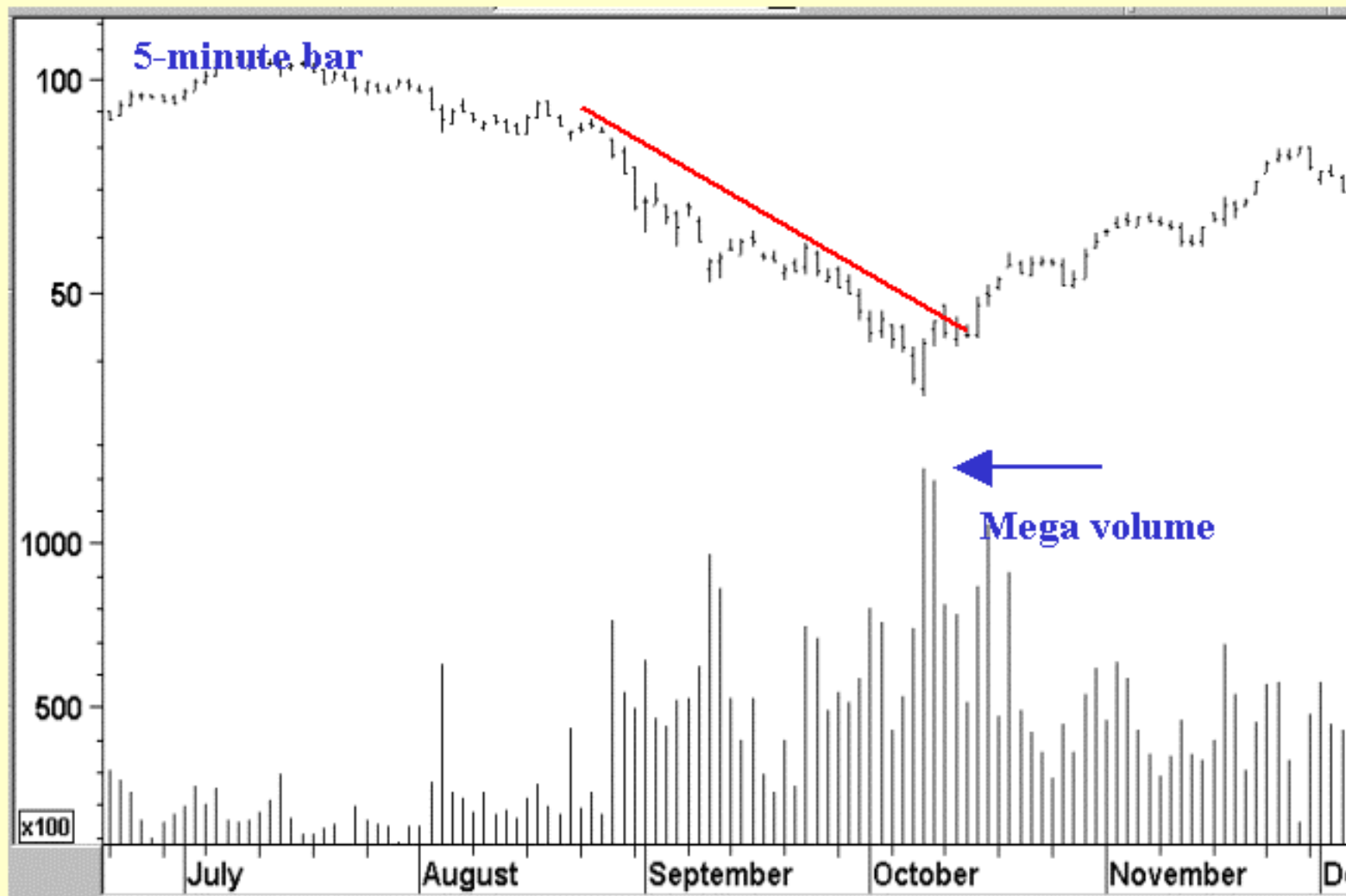
December 1998 S&P



Merrill Lynch



Merrill Lynch

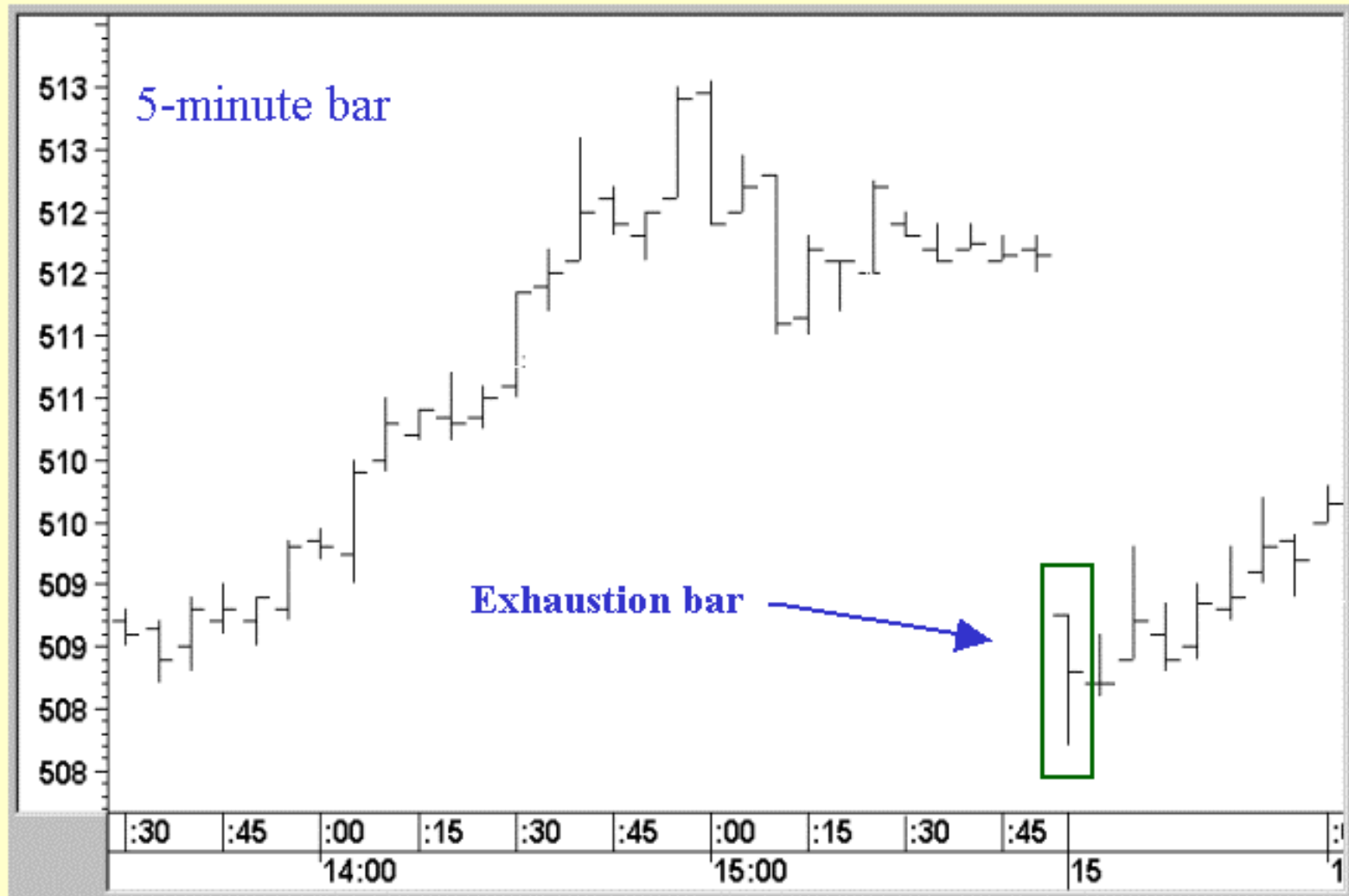


Exhaustion Bars

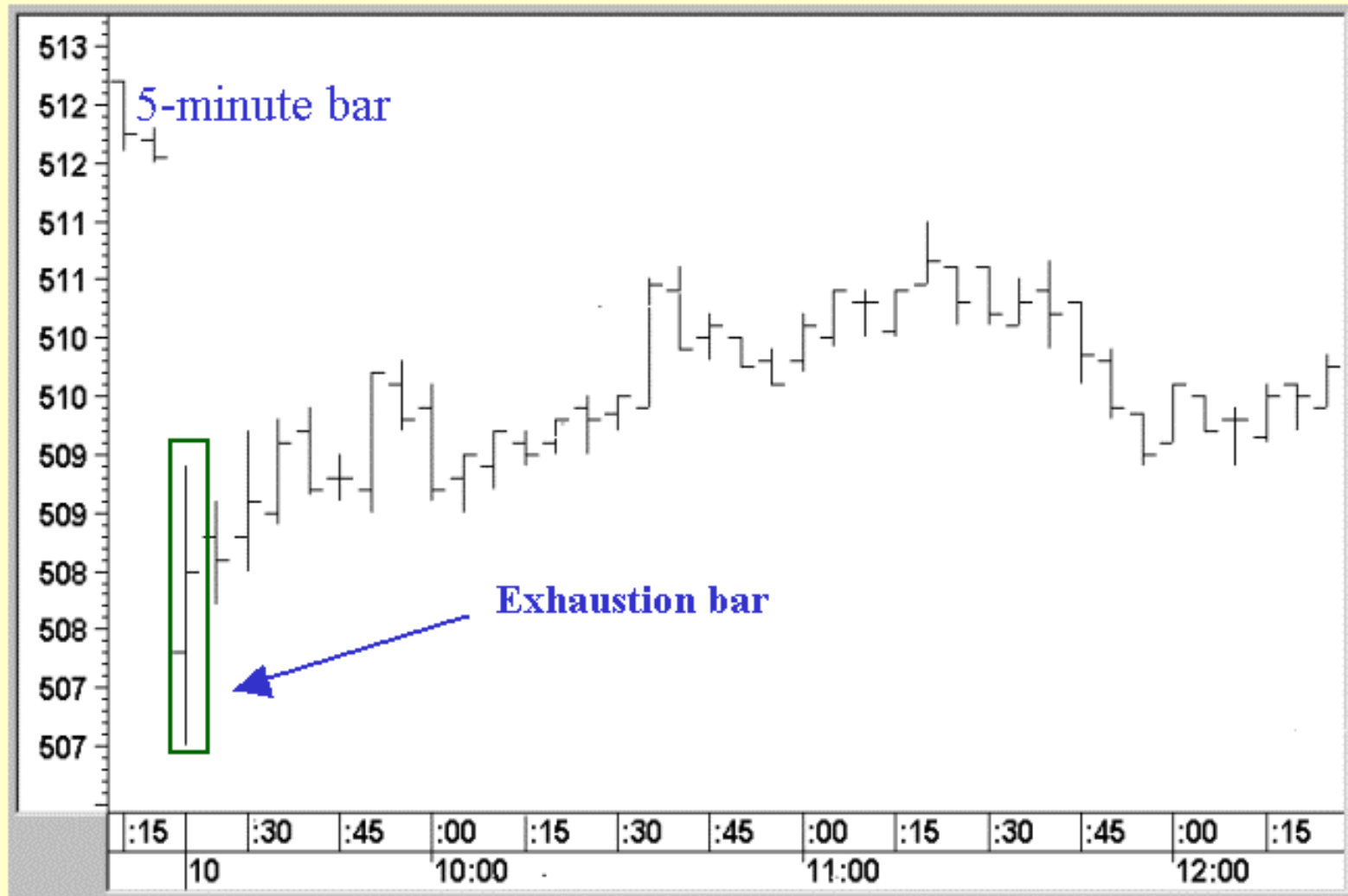
Characteristics of Exhaustion Bars

- 1. A wide trading range following a sharp price move.*
- 2. The close is higher than the opening in a downtrend or the opening is lower than the close in an up trend..*
- 3. The close is more than half way up the bar in a down trend, and more than half way down in an up trend.*

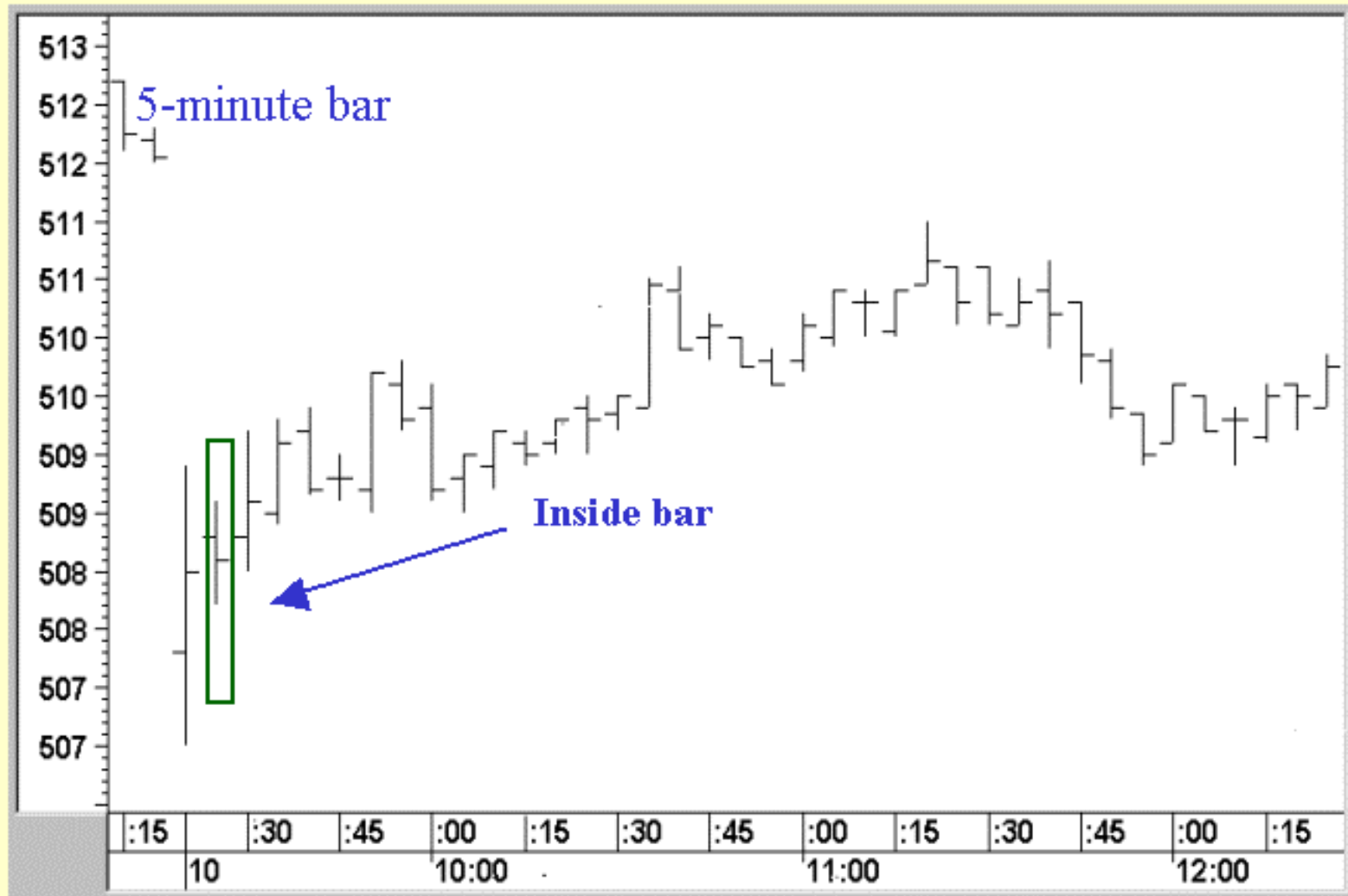
December 1997 NYSE Composite



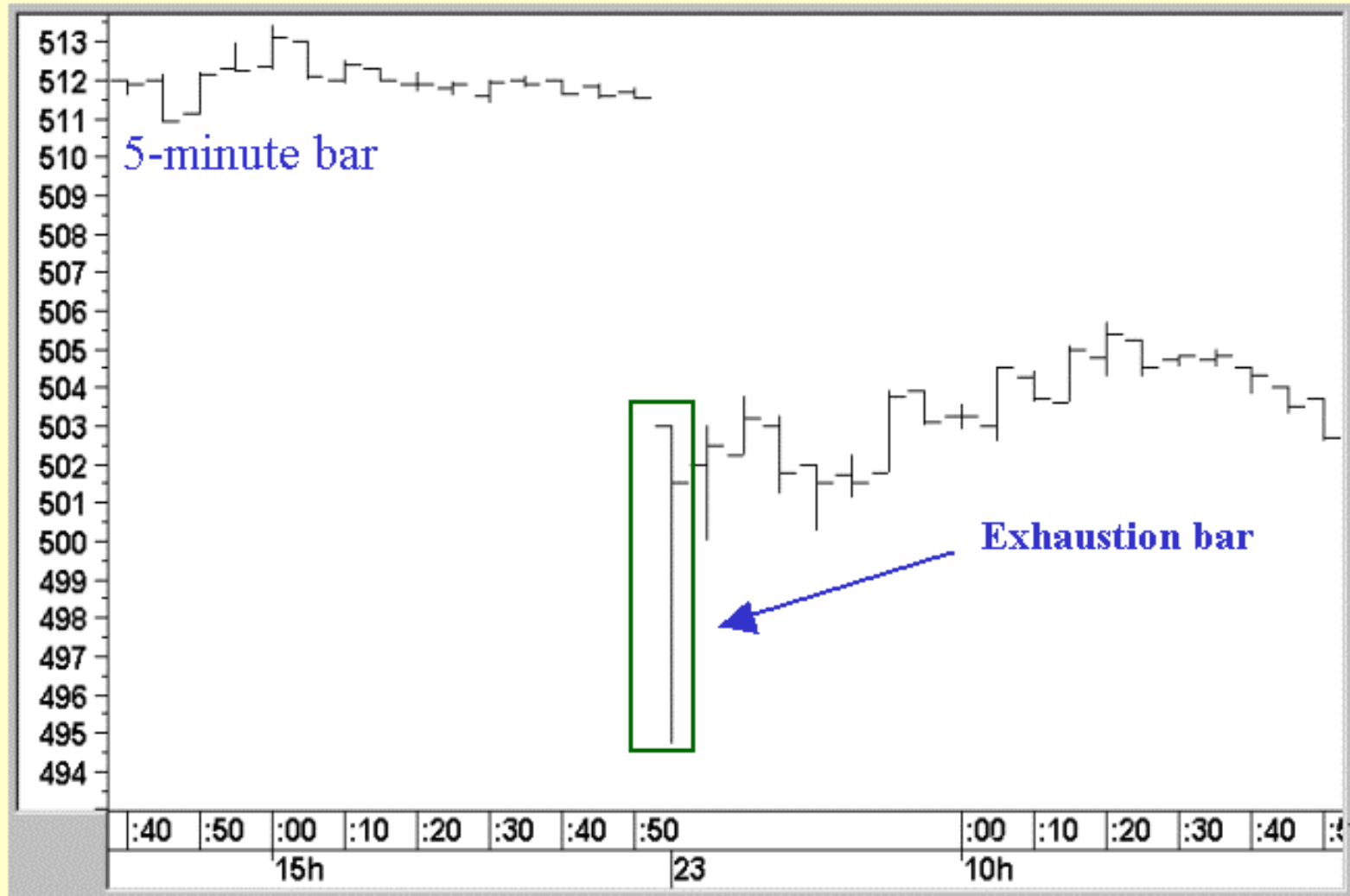
December 1997 NYSE Composite



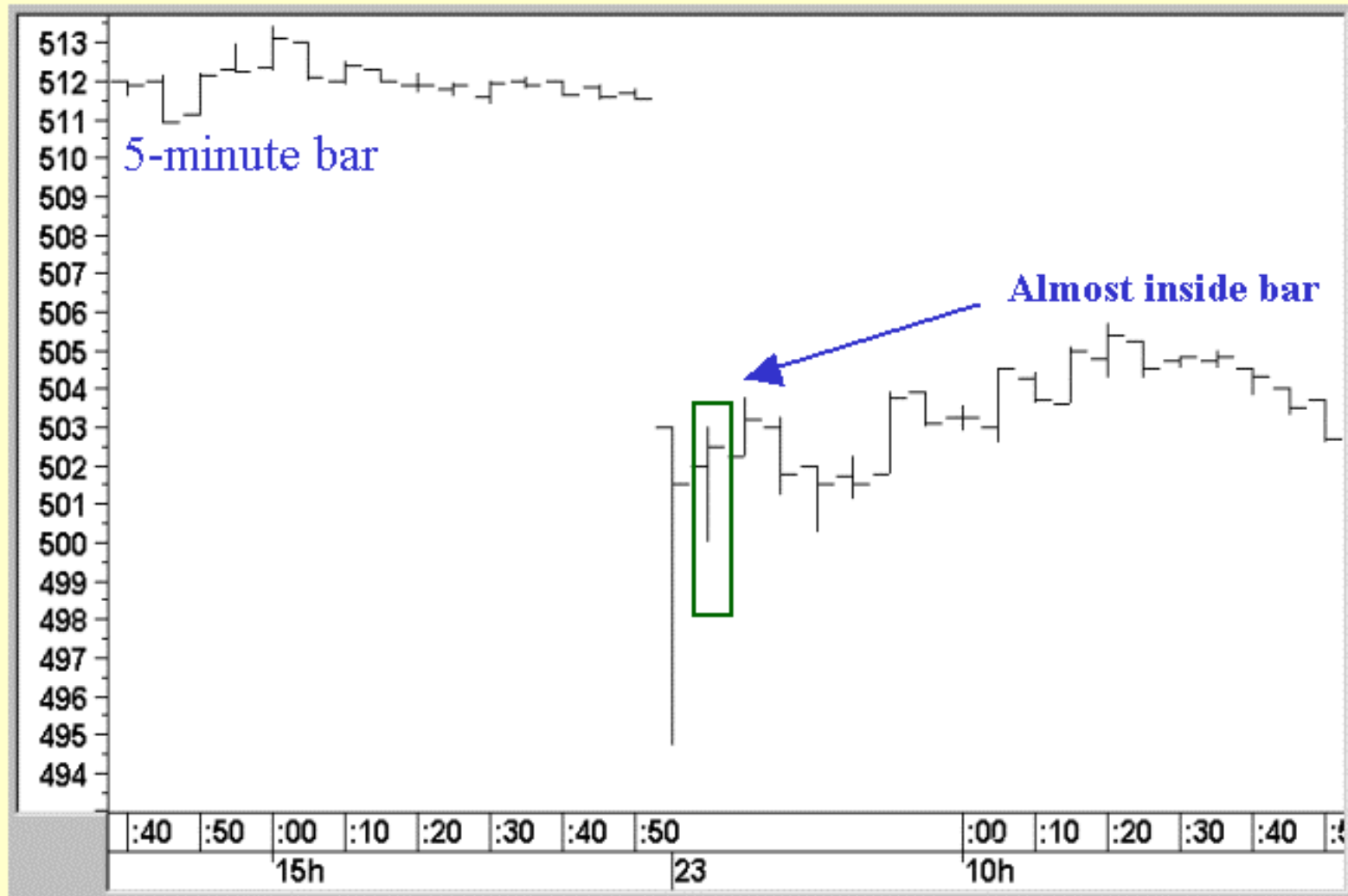
December 1997 NYSE Composite



December 1997 NYSE Composite



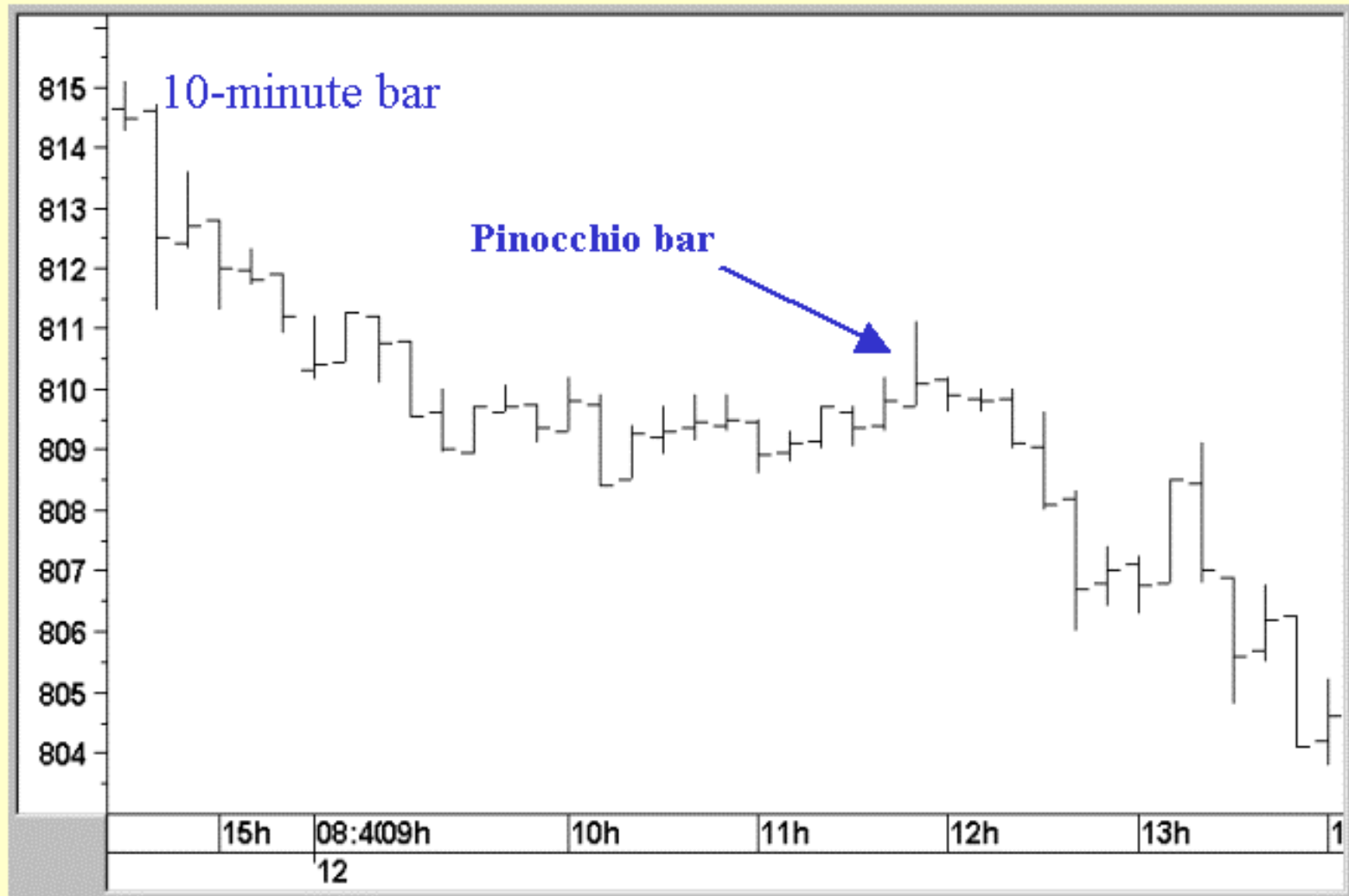
December 1997 NYSE Composite



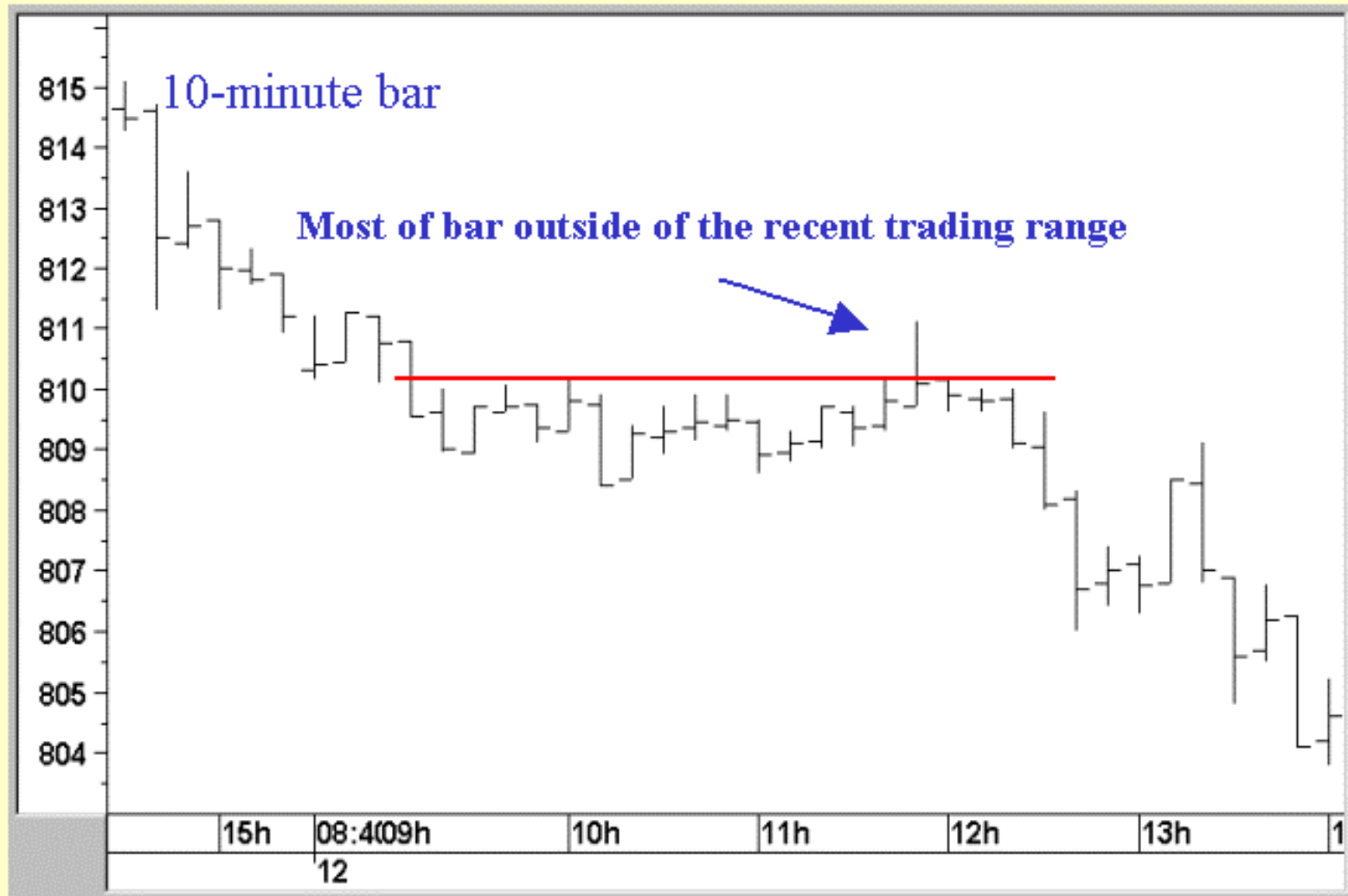
Pinocchio Bars

Pinocchio bars give us a false impression of what is really going on.

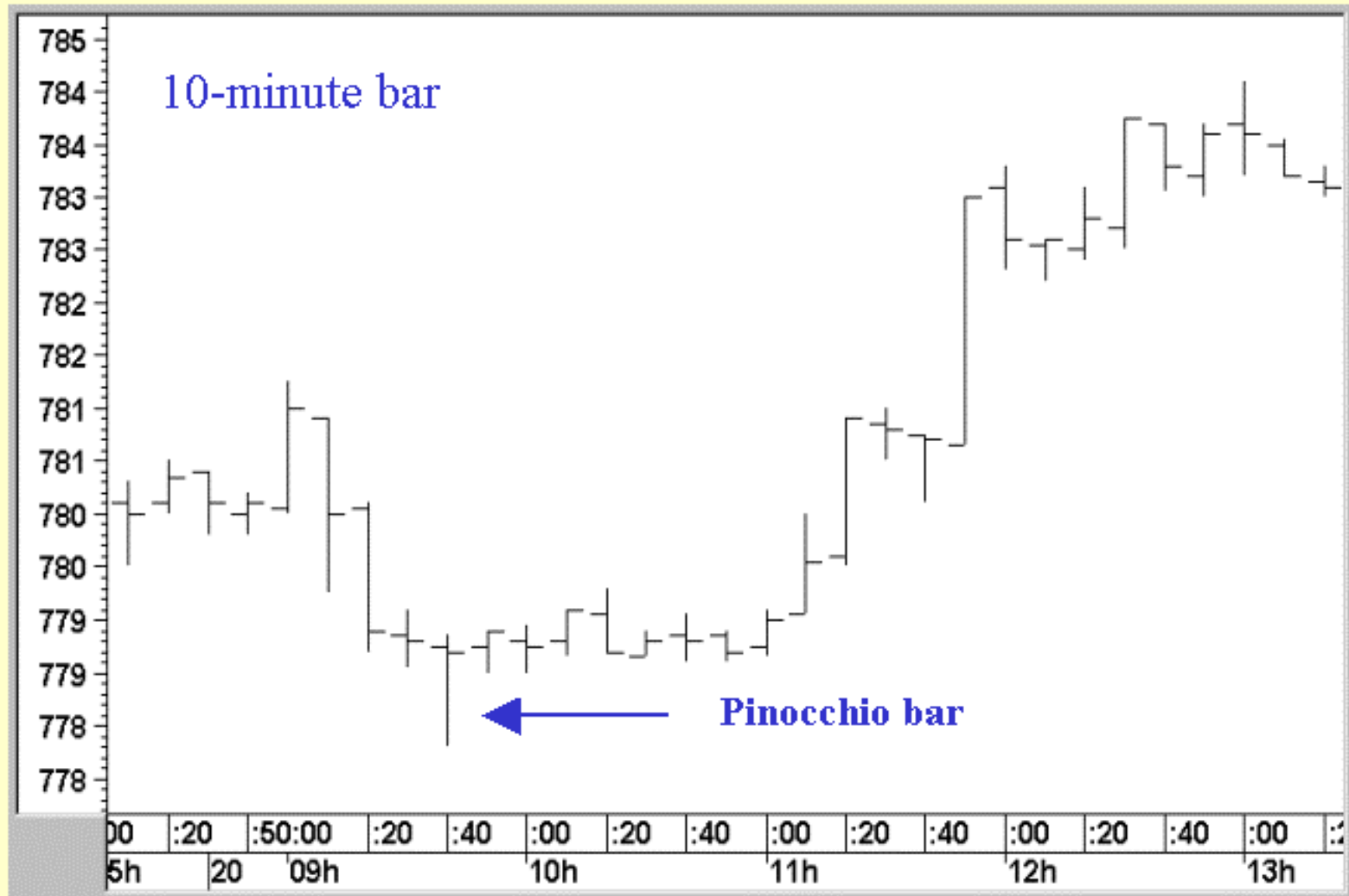
March 1997 S&P Composite



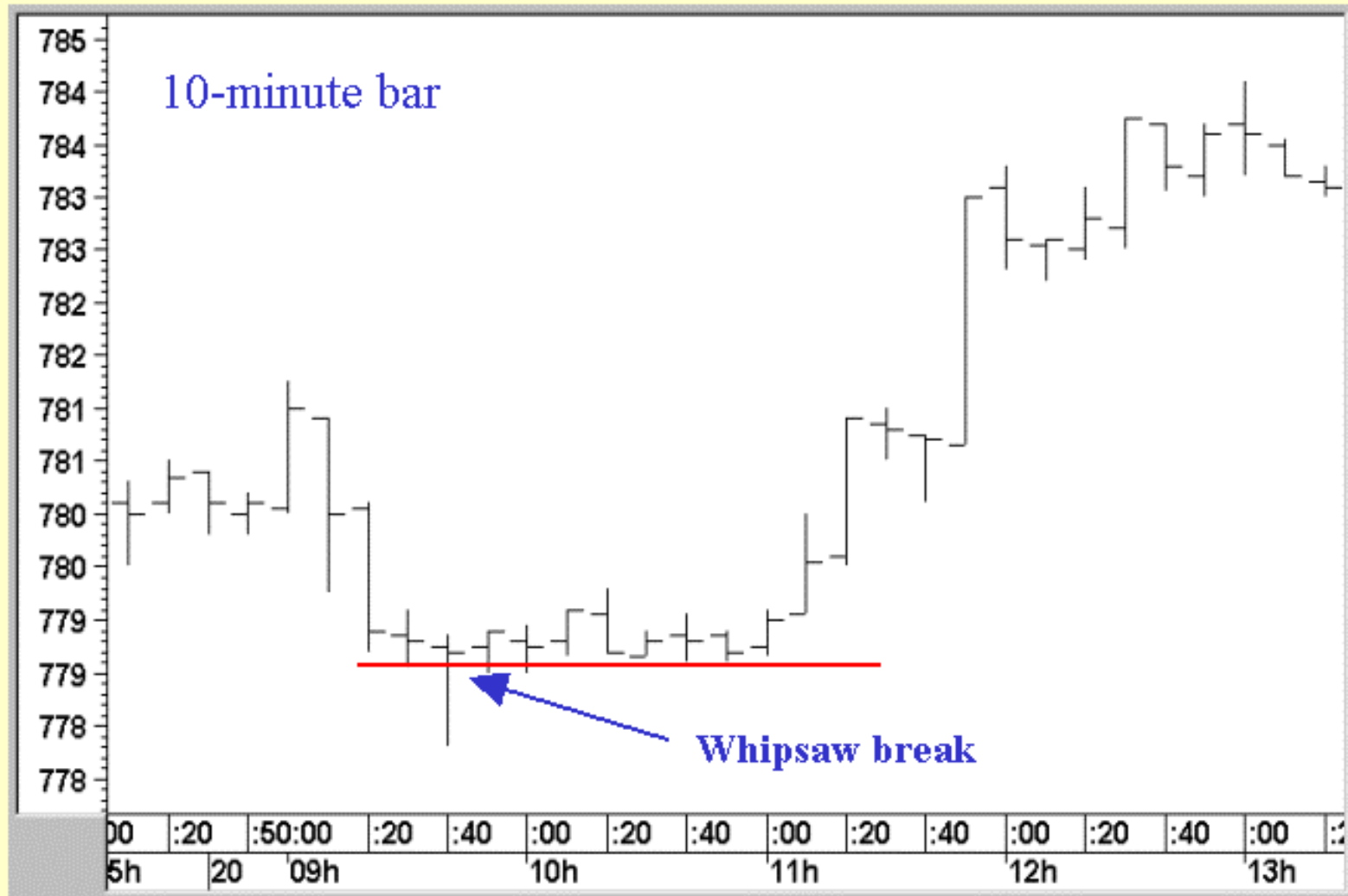
March 1997 S&P Composite



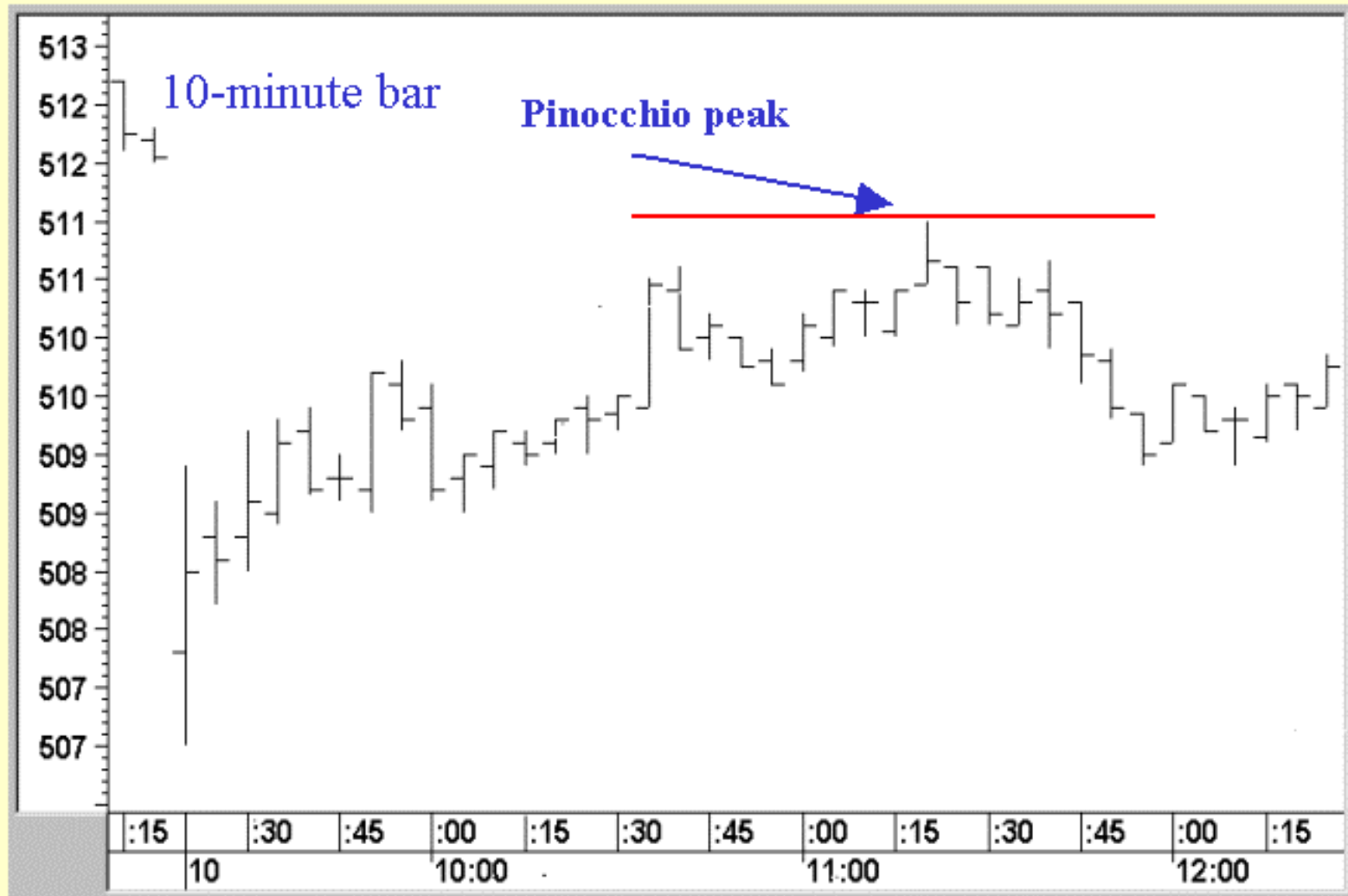
March 1997 S&P Composite



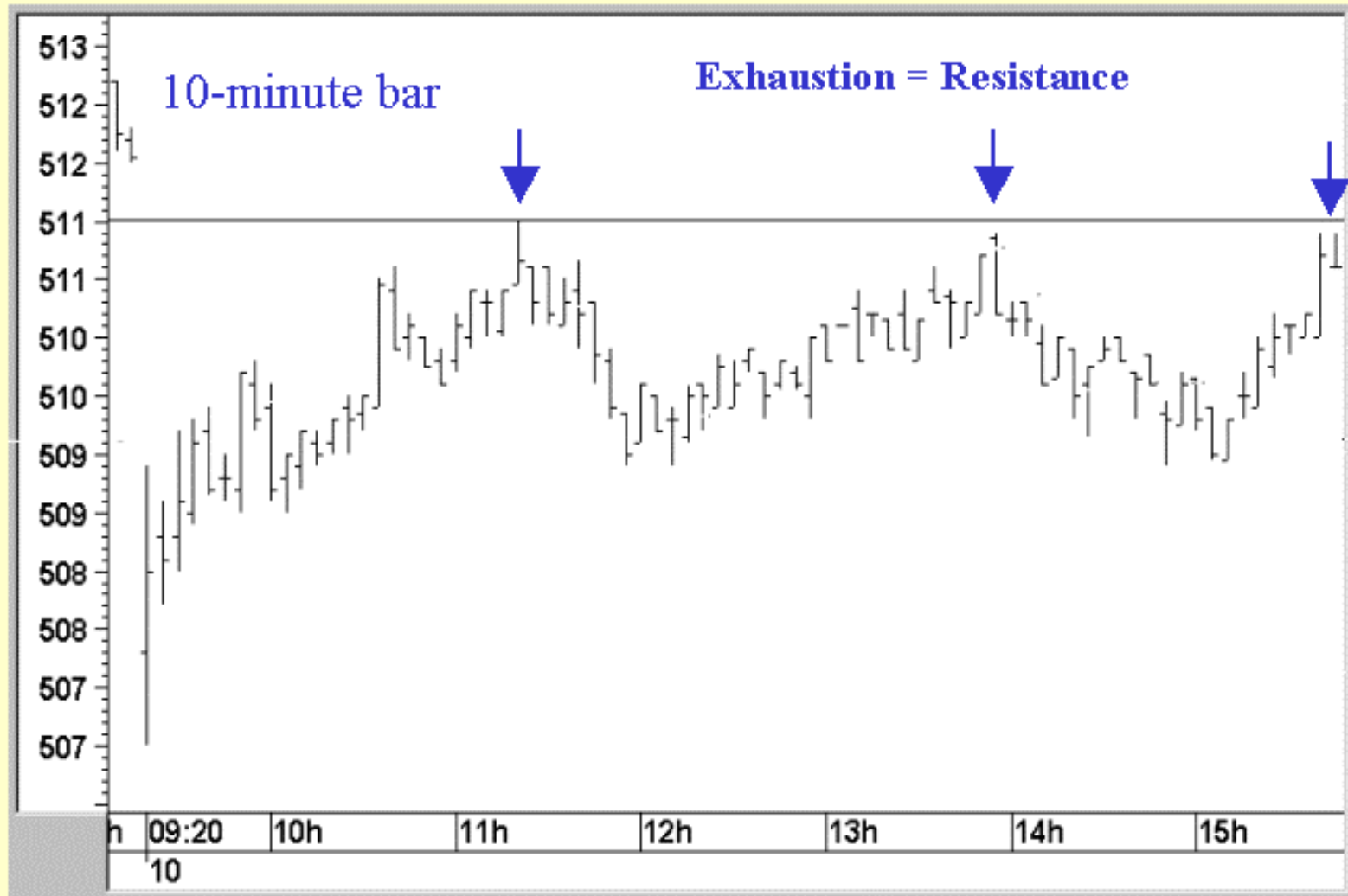
March 1997 S&P Composite



December 1997 NYSE Composite



December 1997 NYSE Composite



Placing Stops

The order is executed immediately the price is touched and there is no opportunity to second guess.

The disadvantage is that locals and market makers can "go" for your stop.

Advantages of Placing Stops

- 1. Mentally preparing for the worst.*
- 2. Decision more likely to be made with a more balanced judgment.*
- 3. A correctly placed stop is usually executed at a better price.*

For liquidation of long positions, the best point to place a sell stop is below support and for covering a short one above resistance.

December 1997 Corn



December 1997 Corn



December 1997 Corn



December 1997 Corn



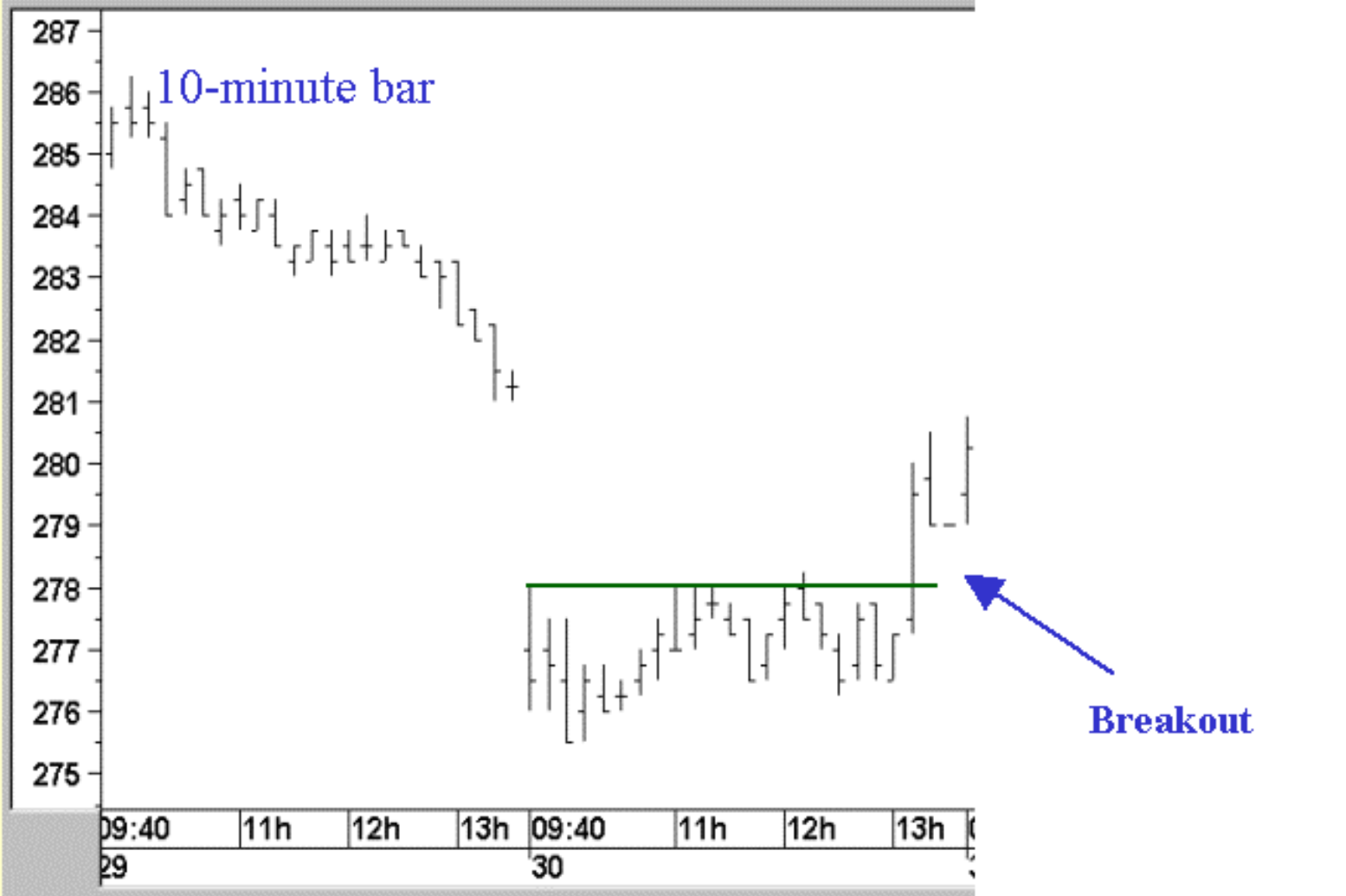
December 1997 Corn



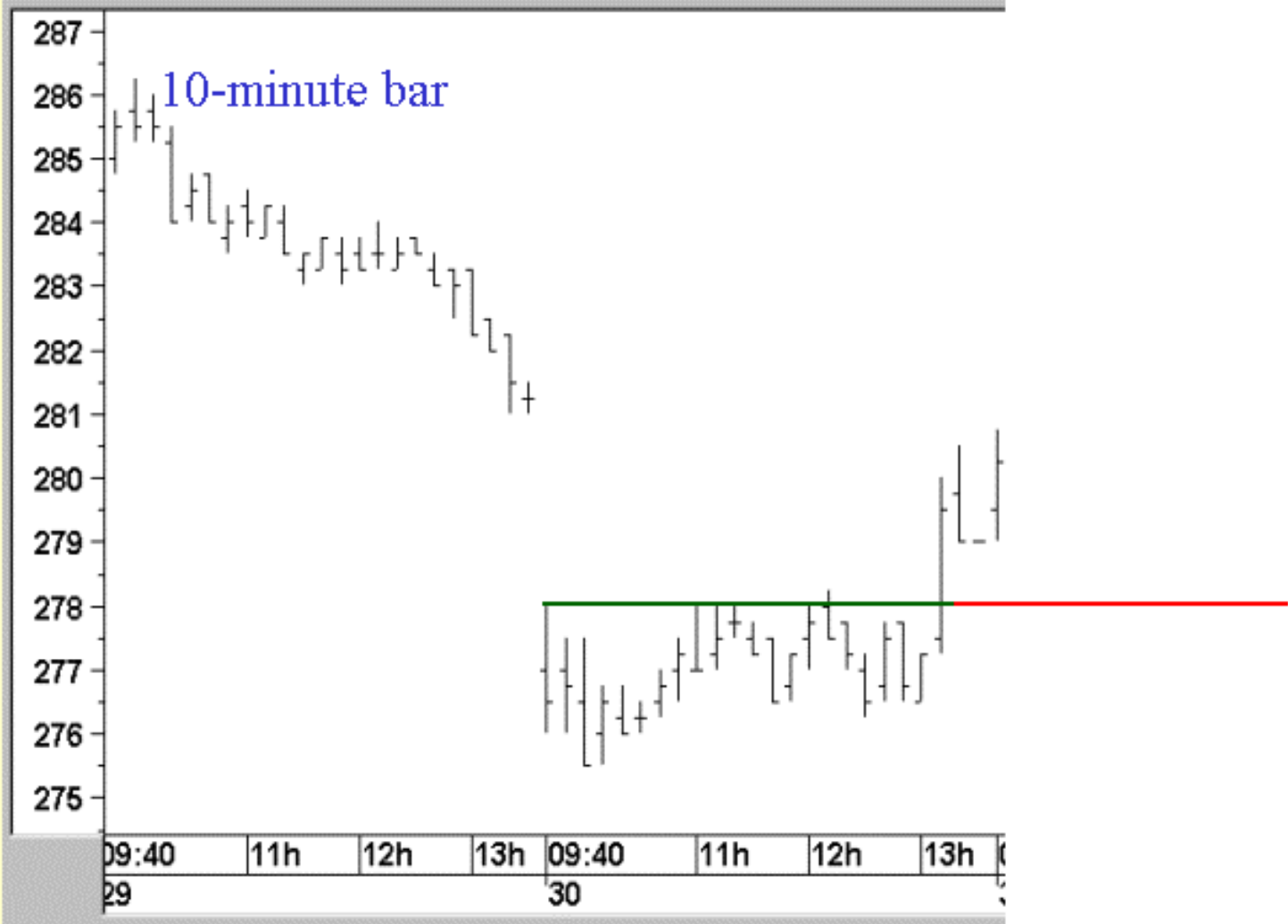
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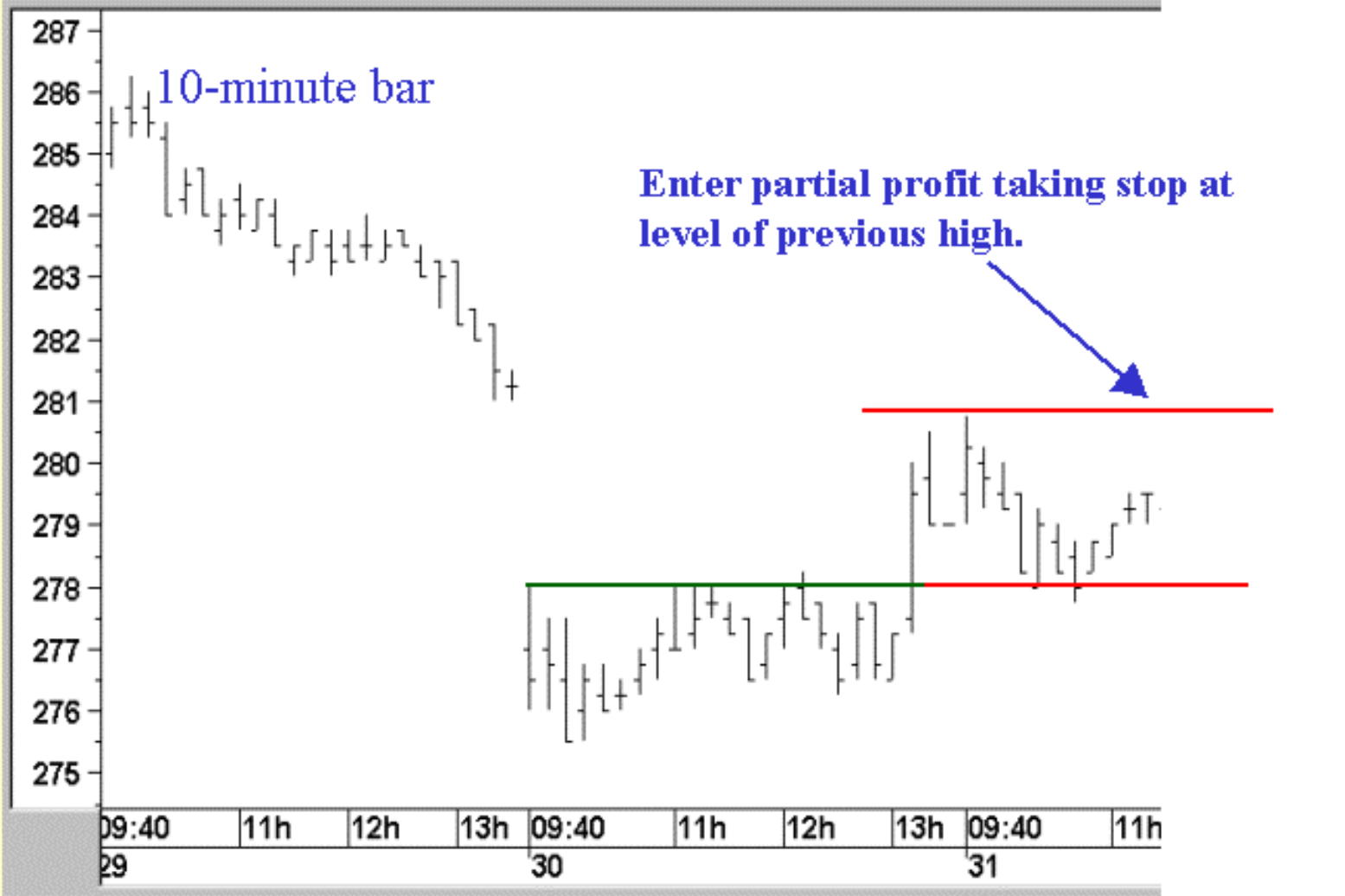
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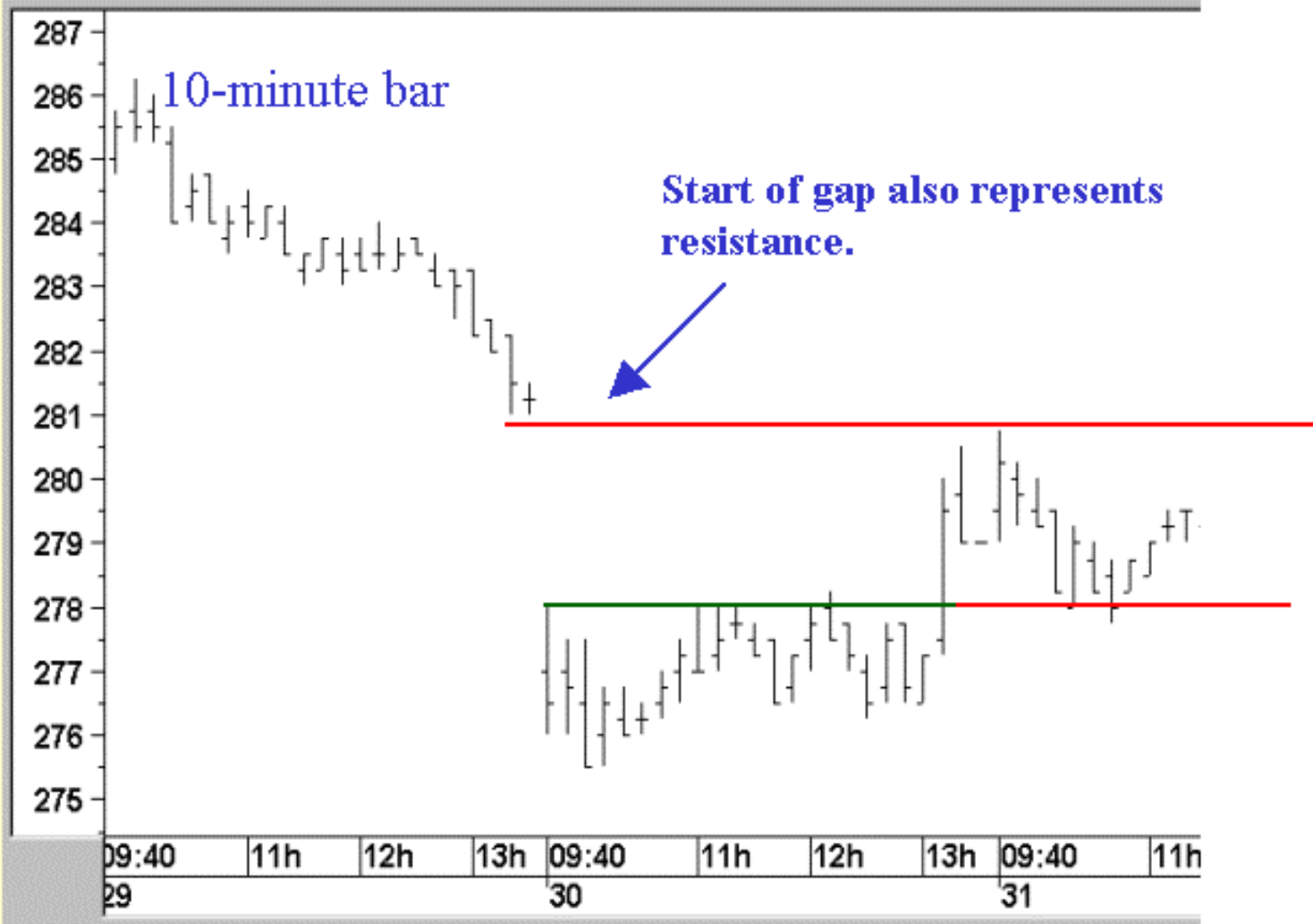
December 1997 Corn



December 1997 Corn



December 1997 Corn



December 1997 Corn



Merrill Lynch Vs S&P Composite

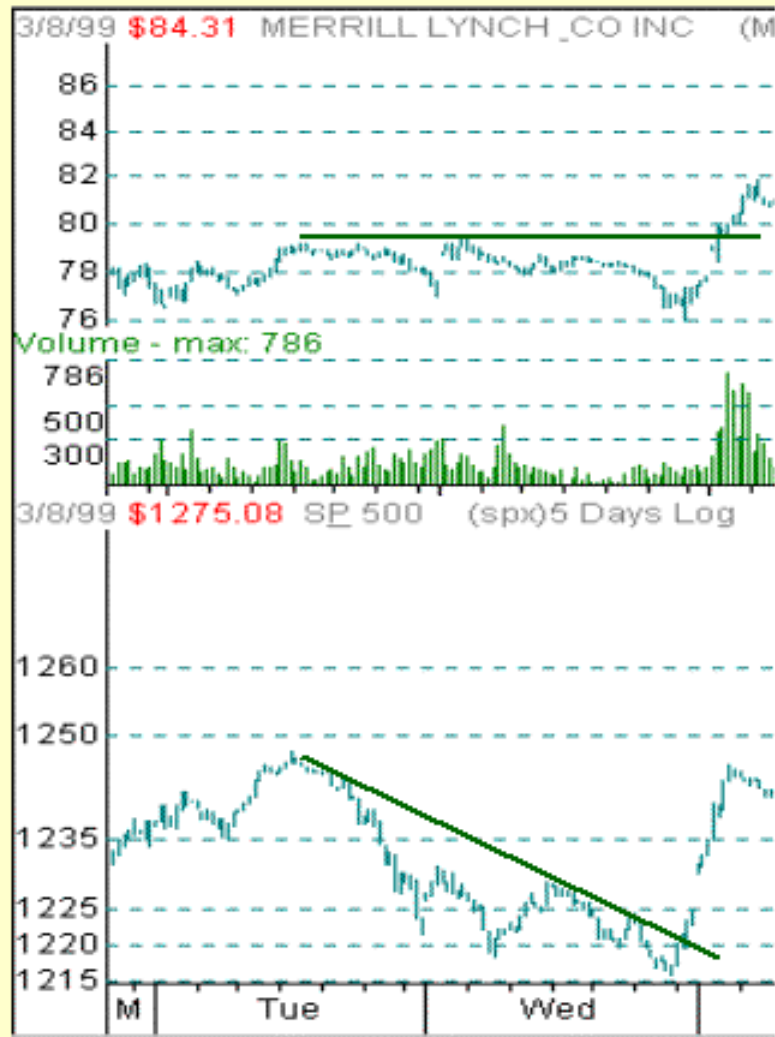


Merrill Lynch Vs S&P Composite

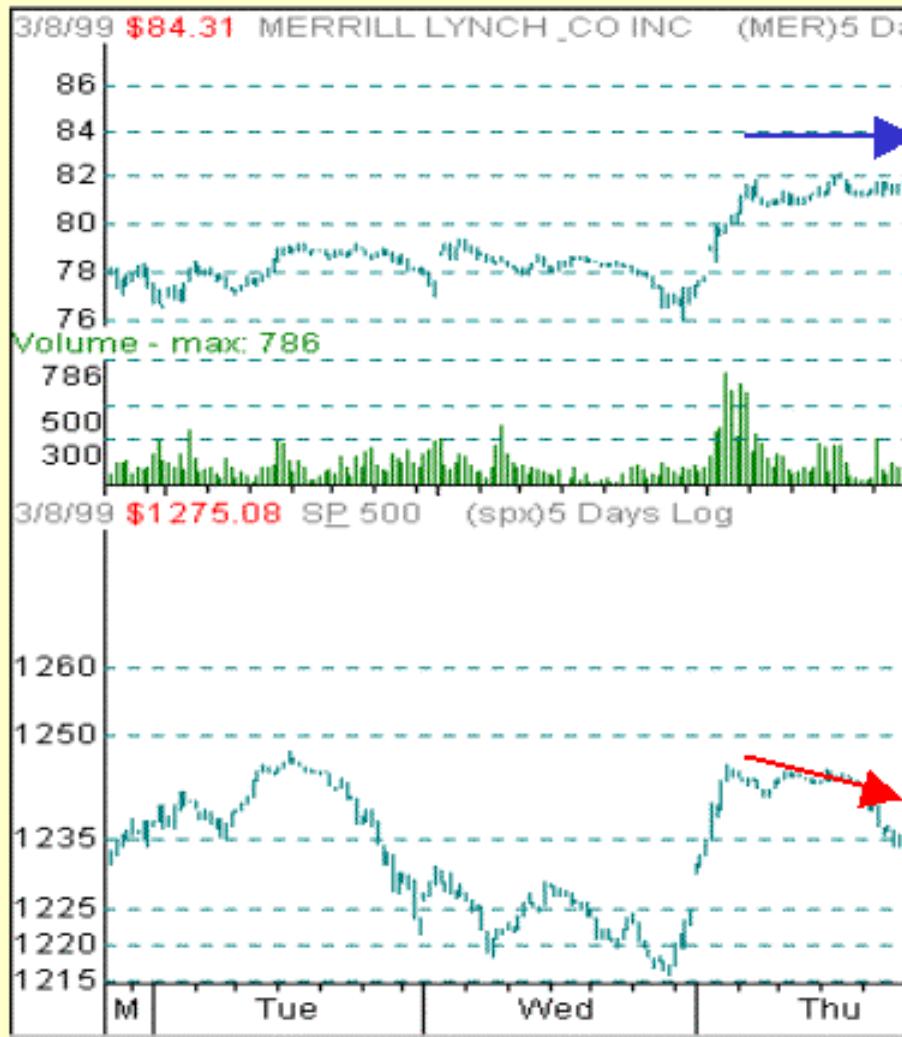


Joint breakout

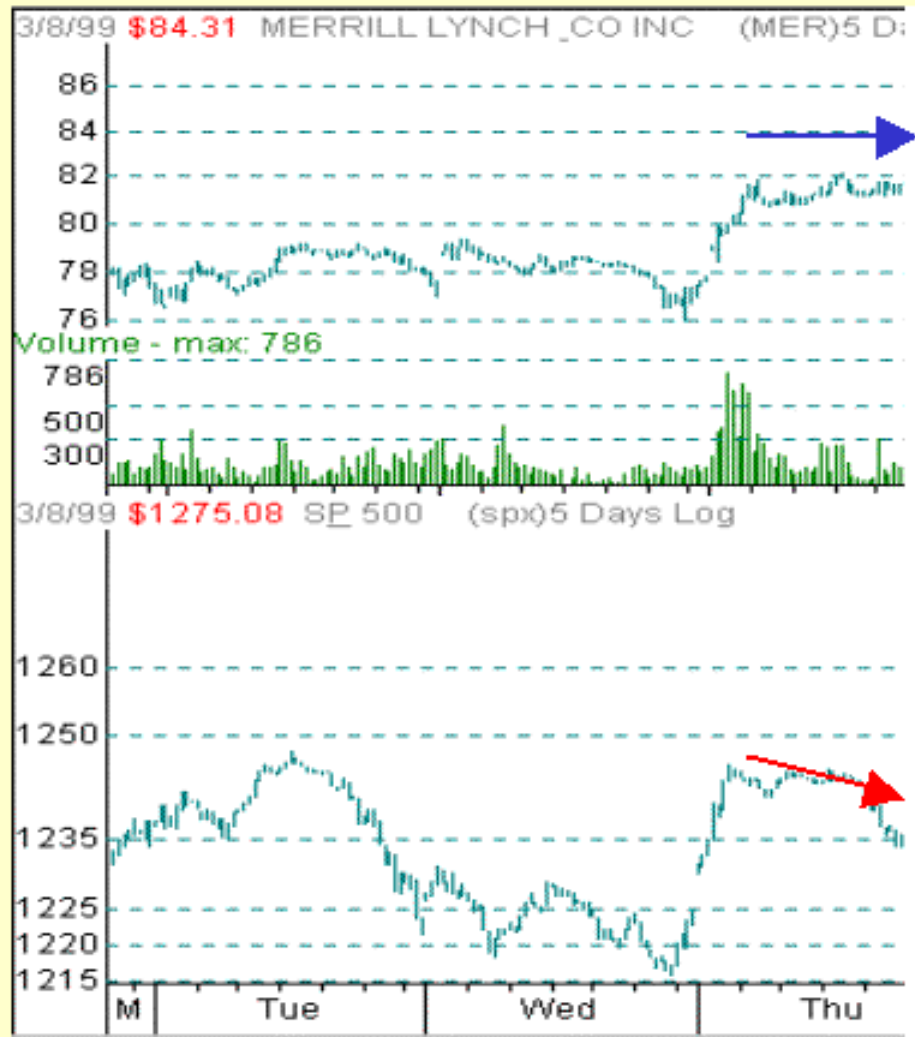
Merrill Lynch Vs S&P Composite



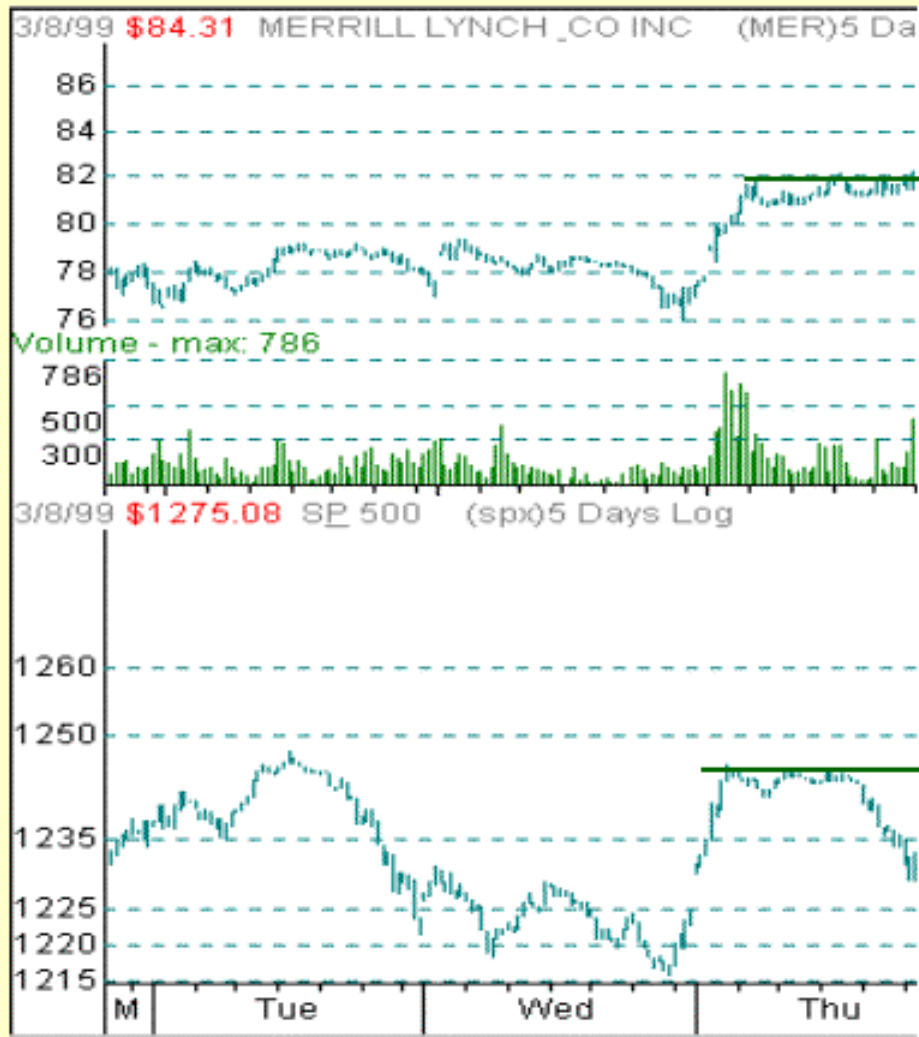
Merrill Lynch Vs S&P Composite



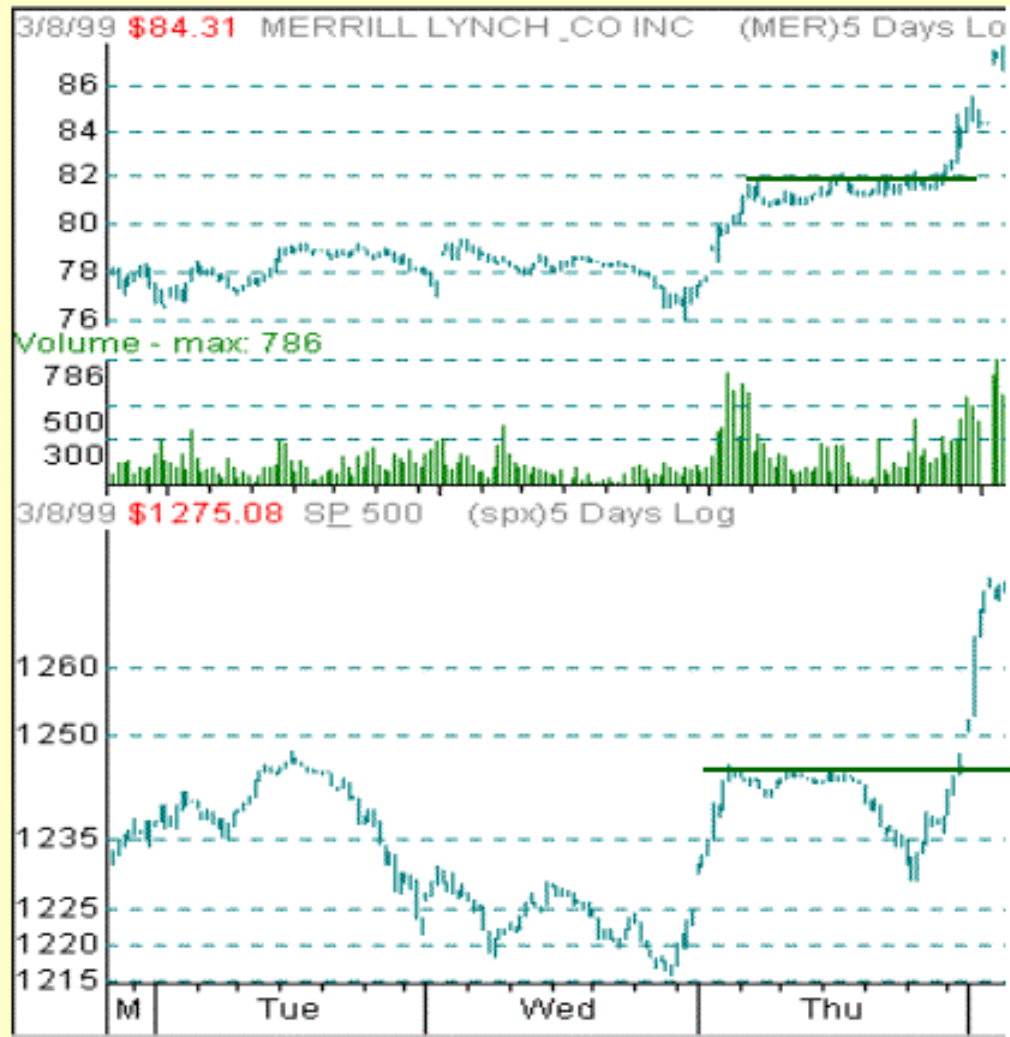
Merrill Lynch Vs S&P Composite



Merrill Lynch Vs S&P Composite



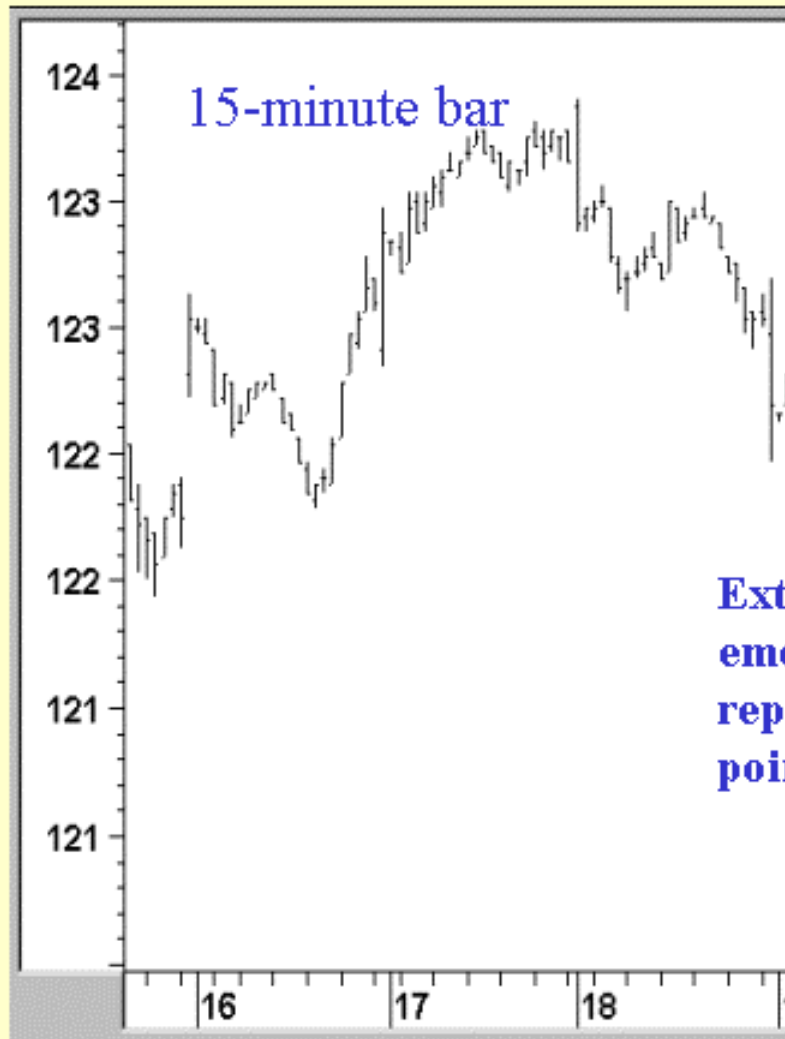
Merrill Lynch Vs S&P Composite



Merrill Lynch



June 1997 Bonds



15-minute bar

**Extreme point of
emotional bars often
represents a key pivotal
point.**

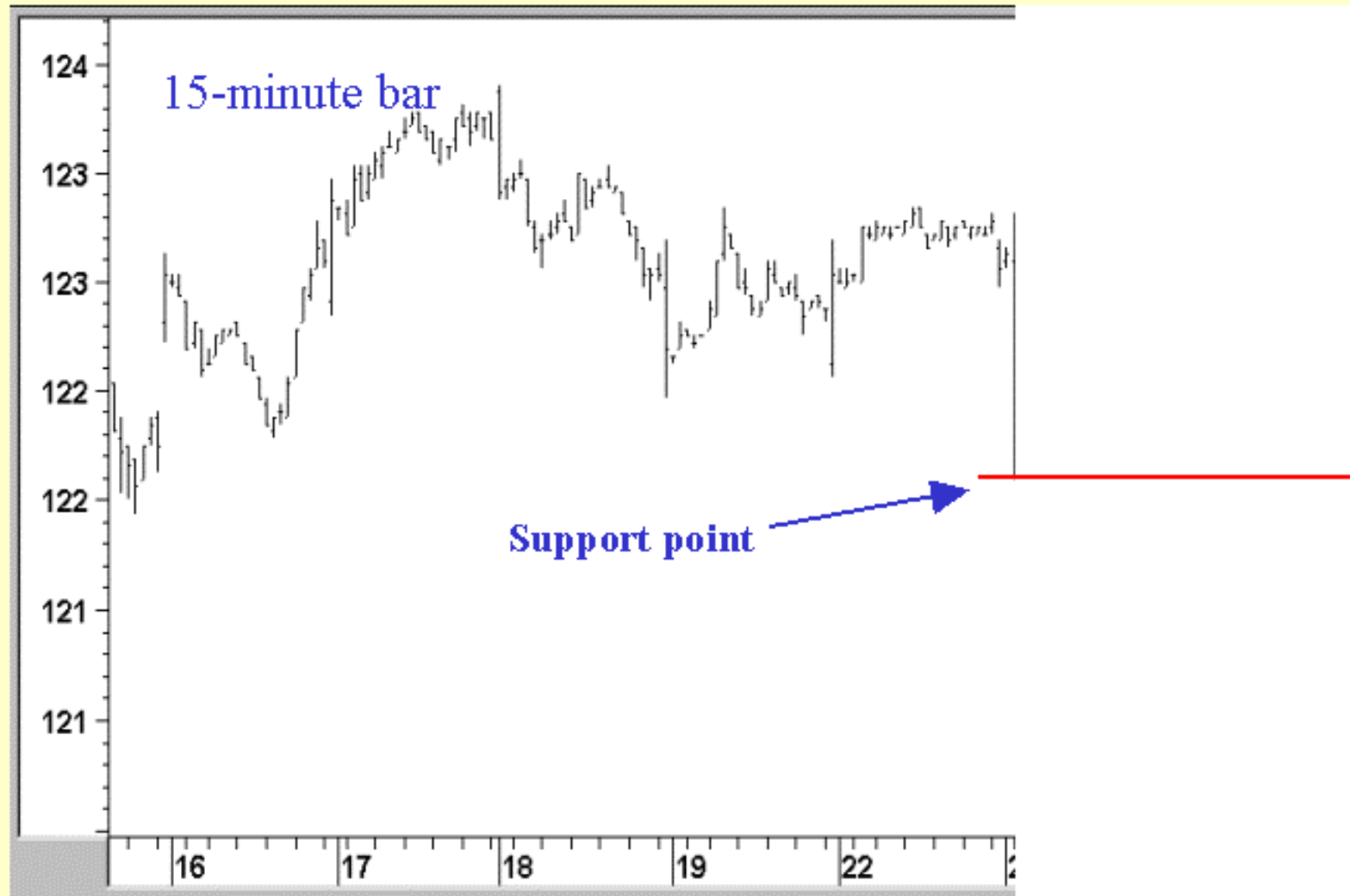
June 1997 Bonds



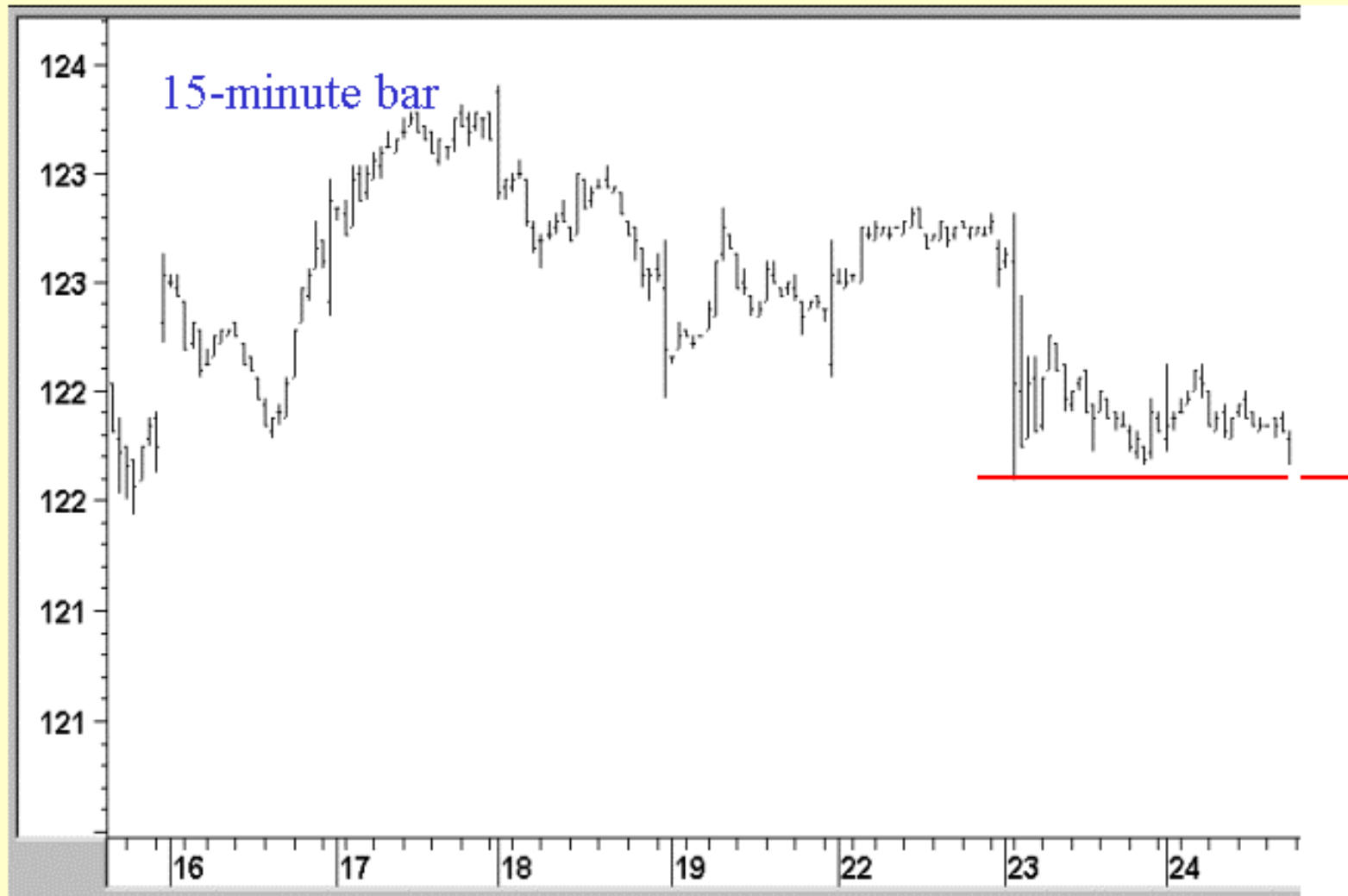
June 1997 Bonds



June 1997 Bonds



June 1997 Bonds



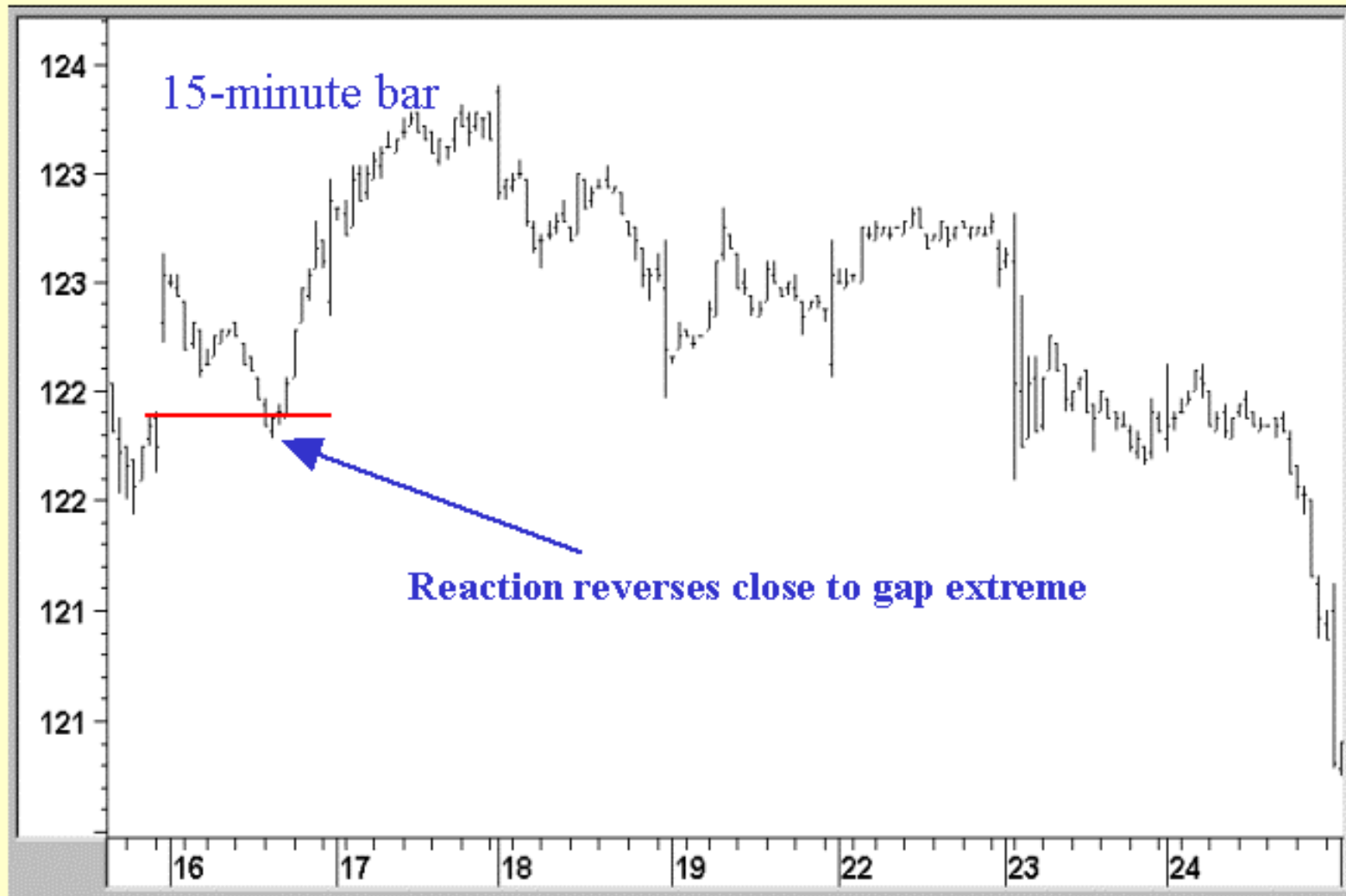
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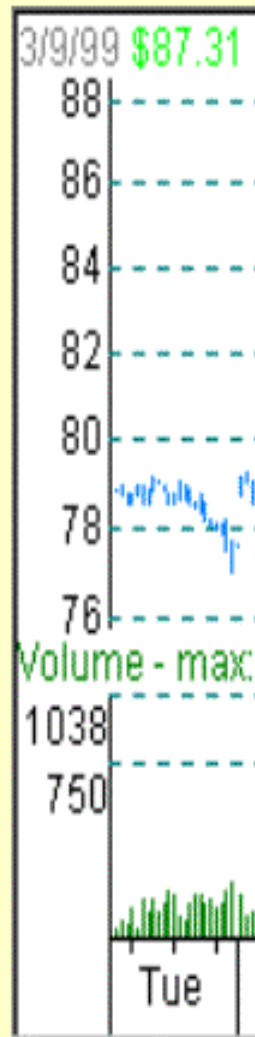
June 1997 Bonds



June 1997 Bonds

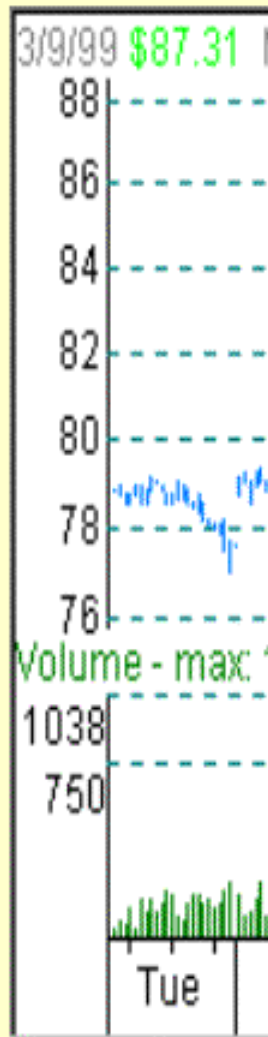


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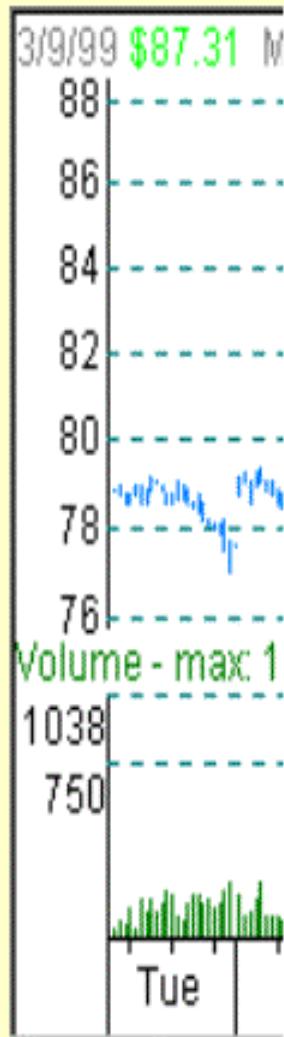
Price gaps up at the opening

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Opening range is a trading range.

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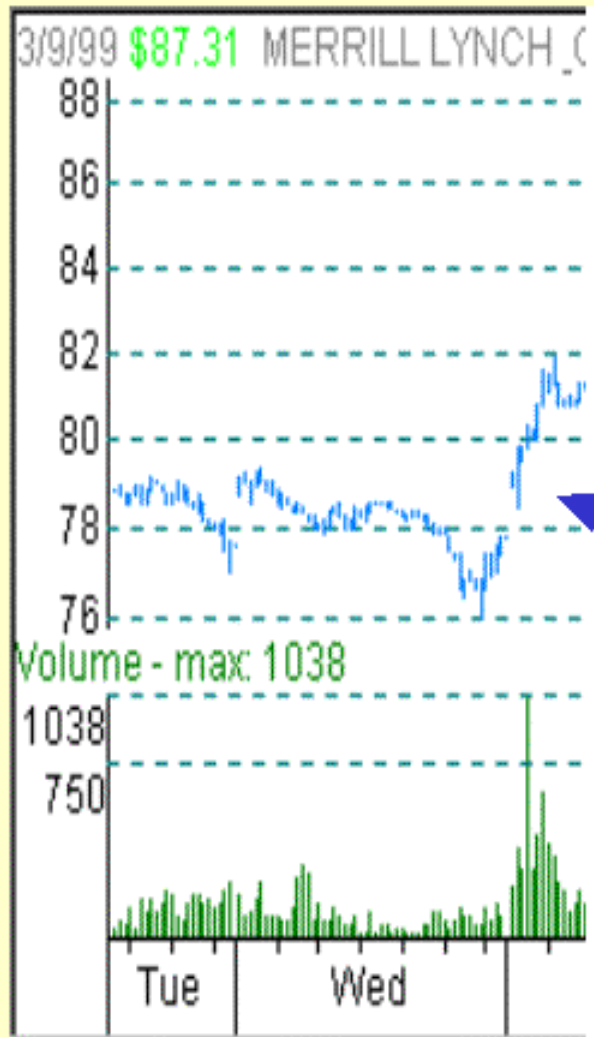


Price breaks to the downside.

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Opening range resolved on the upside.

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Violation sets the scene for the rest of the day.

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