

Aussie Market Update using the "4 Windows" approach



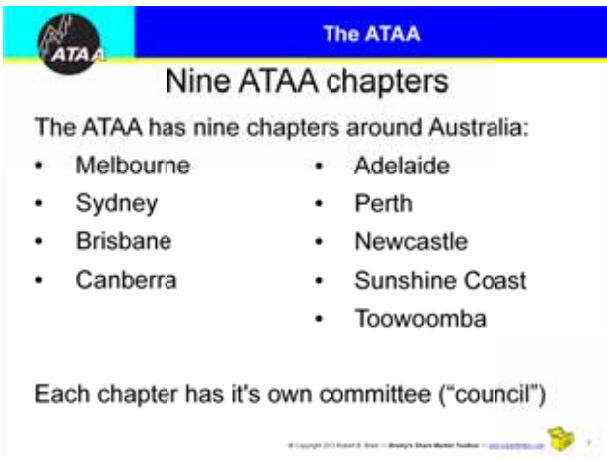
Aussie Markets Update
utilising the
"4 Windows" approach

January 2013
Robert Brain

1. Price action
2. Big picture & specific indicators
3. Indicators
4. Volume

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The ATAA

Nine ATAA chapters

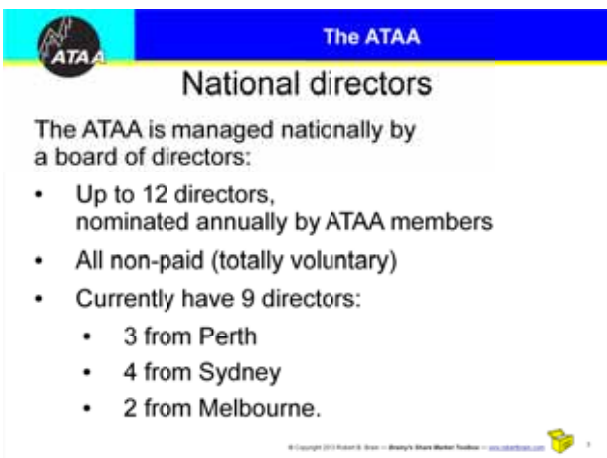
The ATAA has nine chapters around Australia:

- Melbourne
- Sydney
- Brisbane
- Canberra
- Adelaide
- Perth
- Newcastle
- Sunshine Coast
- Toowoomba

Each chapter has it's own committee ("council")

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The ATAA

National directors

The ATAA is managed natically by a board of directors:

- Up to 12 directors, nominated annually by ATAA members
- All non-paid (totally voluntary)
- Currently have 9 directors:
 - 3 from Perth
 - 4 from Sydney
 - 2 from Melbourne.

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 **The ATAA**

Directors' challenges

- Need to increase member retention
- Need to improve member recruitment
- Need to apply focus to member services, facilities and benefits.

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 **The ATAA**

Directors' challenges

- Need to increase member retention
- Need to improve member recruitment
- Need to apply focus to member services, facilities and benefits


- A lot of work to do in **portfolio areas**: education, marketing, member services, web site, conference & expos, publishing & newsletter, accounting/audit/governance
- Each director takes on one or more portfolios.

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 **The ATAA**


Common feedback

- **Members** want to see real-life applications of technical analysis in current markets
- Want more access to useful information about technical analysis
- Want to hear about the experiences and strategies of other members
- Beginners ask for help with:
 - understanding and learning T/A
 - books, DVDs, courses
 - charting software and data providers.



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 **The ATAA**

Today's session:

- Analysis of Australian market using key technical analysis tools
- Some tips to assist with learning and using technical analysis

Time limit applies

This is a trial session, to gauge usefulness and if we should do more of the same.

Is this what members want?

Feedback very welcome... after the session.



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 **The ATAA**

This session:

Understand the underlying market sentiment by interpreting the price charts

Showing "current" charts can be risky.


- (1) There is no prediction
- (2) There are no forecasts.

(technical analysis considers the balance of probabilities)




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 **The ATAA**

Important Notice

 **advice**

No predictions **No forecasts**

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My weekly routine

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 **My routine**

Australian Equities

- What is the Australian market doing? (use the All Ordinaries index — XAO)
- If bearish, then invest with caution:
 - Don't open multiple positions at same time
 - Wait until in profit before opening more
 - Monitor positions more frequently and cautiously
 - Be able to close positions quickly if need be
 - If really bearish, then be prepared to go to all cash.

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My routine

Weekly routine

1. Check "big" picture
2. Utilise popular "studies" (eg. Weinstein)
3. Use some technical analysis indicators
4. Consider relative volume

(based on the "4 Windows" approach)

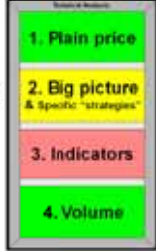
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My routine

Weekly routine

The "4 Windows" analysis approach is a good check list, offering four different "views":

1. Plain price chart — trends, support, resistance, chart patterns
2. Coppock, Weinstein, candle patterns
3. Indicators
4. Volume



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My analysis

(my interpretation)

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Window 1 — Plain price

Window 1 — Plain price

Plain price chart (line and/or candles).

Looking for:

1. Trend lines
2. Support
3. Resistance
4. Chart patterns

Both big picture (long term) and short term.

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Window 1 — Plain price

XAO - All Ordinaries Index

Rising trend

Santa Rally, with retracement

Looks great?

8 months

June 2012 Jan 2013

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Window 1 — Plain price

Remember:

- The XAO index is an aggregation of 500 stocks
- And is heavily weighted to the large-caps.

Also:

- Need to "zoom out" and check the bigger picture because the market is like an elephant...

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Window 1 — Plain price

Support levels, trends...

These chart features are caused by:

- the market participants,
- who have different opinions about what a share is actually worth, and
- their opinions can converge towards agreement, or diverge in disagreement, and
- news (announcements) can easily move price.

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Window 2 — Big picture+

Window 2...

Big picture + own preferred "strategies"

- Coppock indicator
- Weinstein view
- Candlestick patterns (including composite candles)

Coppock	Weinstein
Candles	your favourite

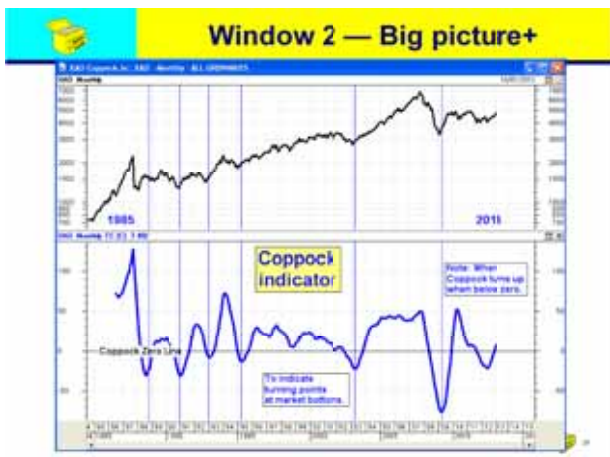
1. Plain price

2. Big picture & Specific "strategies"

3. Indicators

4. Volume

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Window 3 — Indicators

Window 3 — indicators

Some people don't use indicators at all
My preferred indicators:

- GMMA — trend "health"
- Momentum
- Twigg's Money Flow

Trend indicator	Momentum indicator
Volatility indicator	Volume indicator

1. Plain price
2. Big picture & Specific "strategies"
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Window 3 — Indicators

GMMA — key characteristics

For a healthy uptrend:

- Red group of averages — rising nicely and all roughly parallel
- Blue group of averages — gently compressing and expanding
- Gap between the red group and blue group

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Window 3 — Indicators

Momentum indicator

- The Momentum indicator measures the amount of change in price over a specified time period.
- Look for divergence (also relevant on other indicators).

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Window 4 — Volume

Volume is important

- Consider the volume, relative to previous periods
- Look at:
 - Weekly chart over long term
 - Daily chart over recent weeks
- Use Moving Average of volume
- When trading, also consider: Trades and Value.

Volume	
Trades	Value

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Summary & Wrap up

Overall conclusions?

- Have seen a good rally since early June
- Santa Rally is confirmed
- 5% retracement in October-November

Where is the market going now?...

- Can't provide prediction or forecast!
- You can consider each aspect and decide.

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The "4 Windows" approach

Technical Analysis

- 1. Plain price
- 2. Big picture & Specific "strategies"
- 3. Indicators
- 4. Volume

- A good "framework" and checklist
- Also apply to individual stocks, as well as a market index.

Summary & Wrap up

Key points

- Always consider **big picture** because the market is like an elephant...
- **Daily close** price is very important
- Technical analysis **indicators** can be useful
- Look for **divergence** on indicators
- **Volume** is important

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Summary & Wrap up

THE END

These slides will be on the ATAA web site soon.

And in my Share Market Toolbox:
www.robertbrain.com/presentations/

The "4 Windows" approach:
www.robertbrain.com/4-windows/

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