

*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

*Copywrite 2000 Traders' Library*

*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.)*

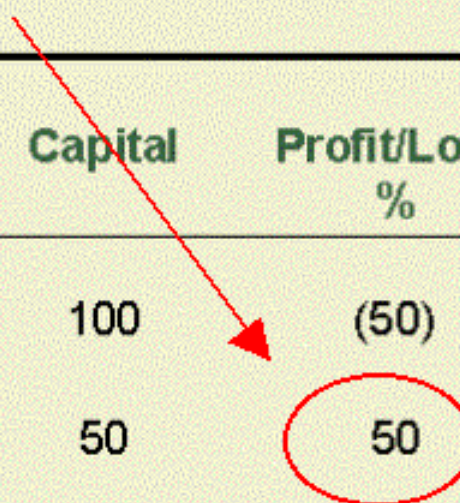
*In technical analysis we are dealing in probabilities, **never** certainties.*

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

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

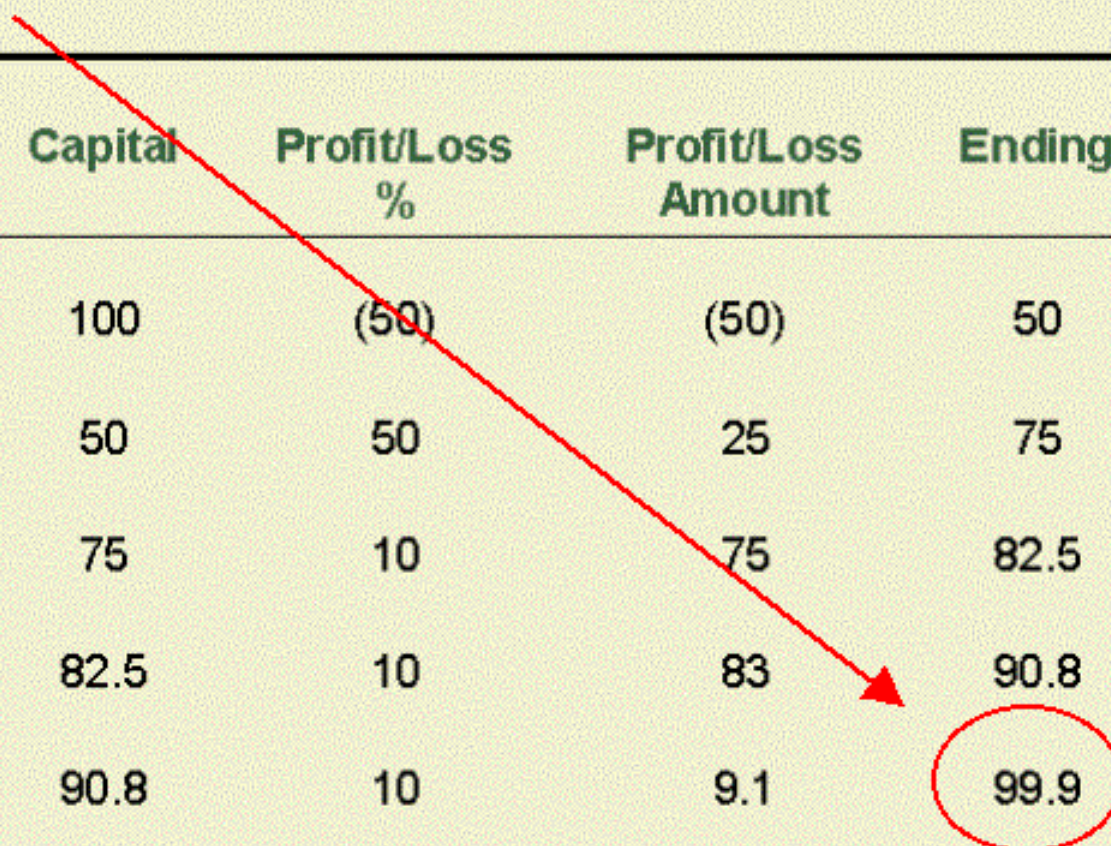
	Capital	Profit/Loss %	Profit/Loss Amount	Ending
Trade 1	100	(50)	(50)	50
Trade 1	50	50	25	75
Trade 1	75	10	7.5	82.5
Trade 1	82.5	10	8.25	90.75
Trade 1	90.75	10	9.075	99.825

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

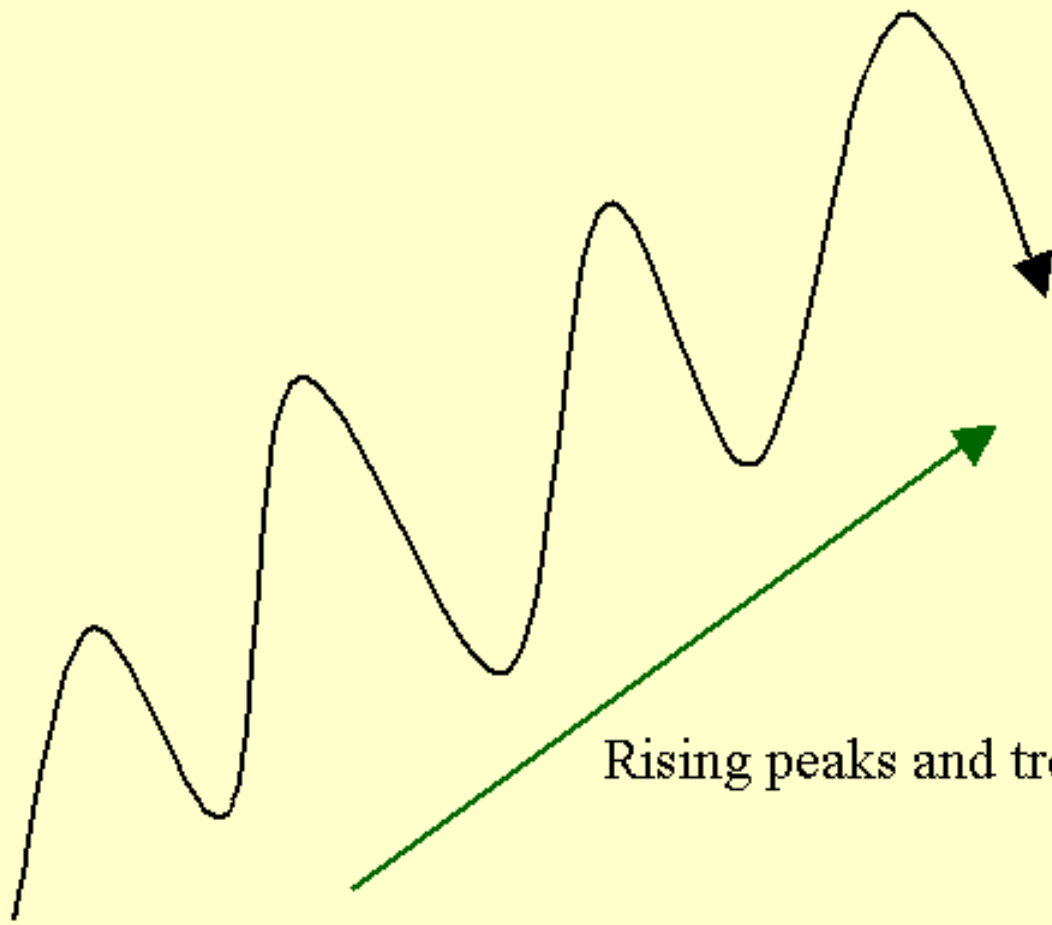
Still not back to break even????????

	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

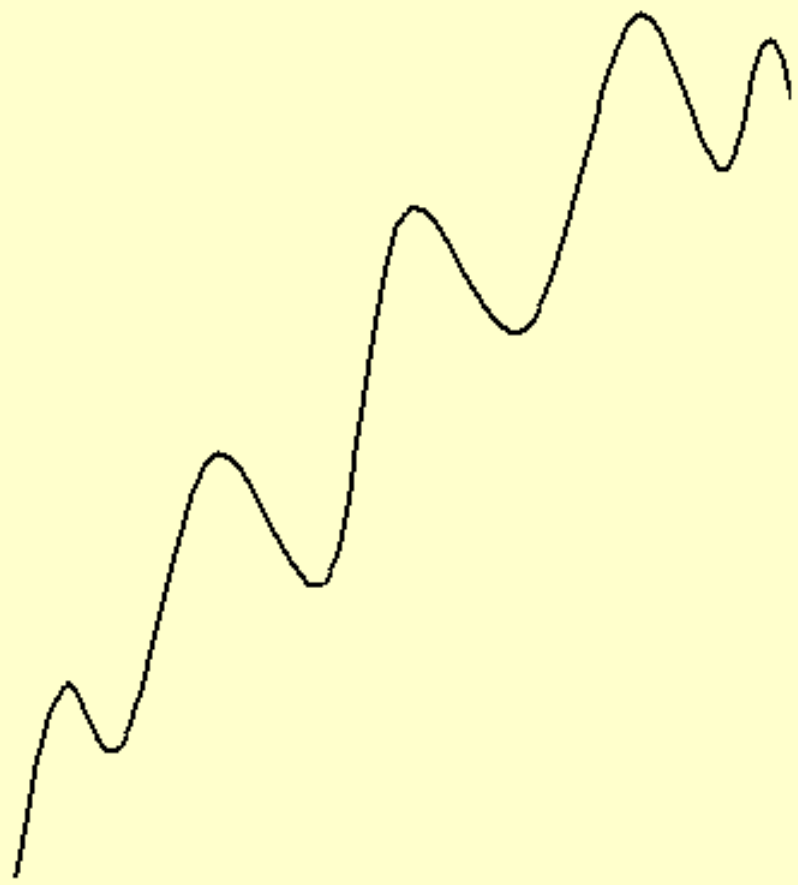


# The Indicators

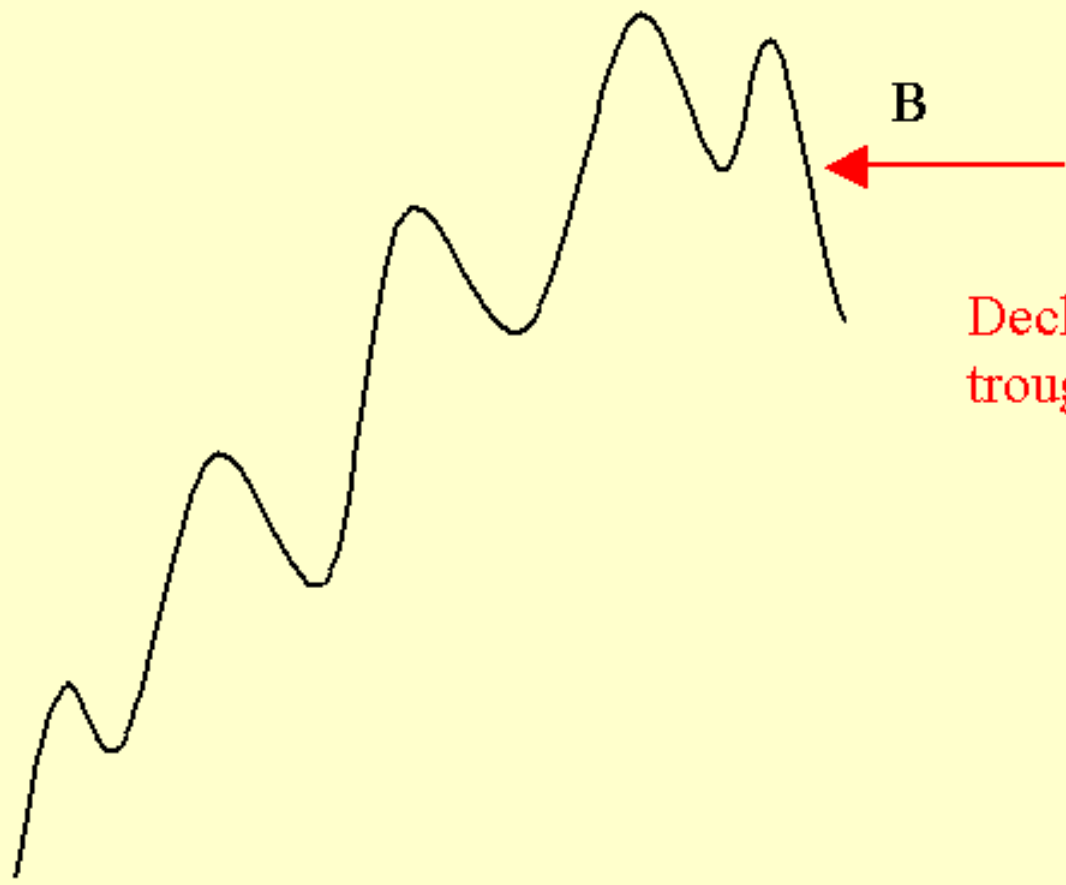
# *1. Peak and trough analysis*



Rising peaks and troughs is bullish

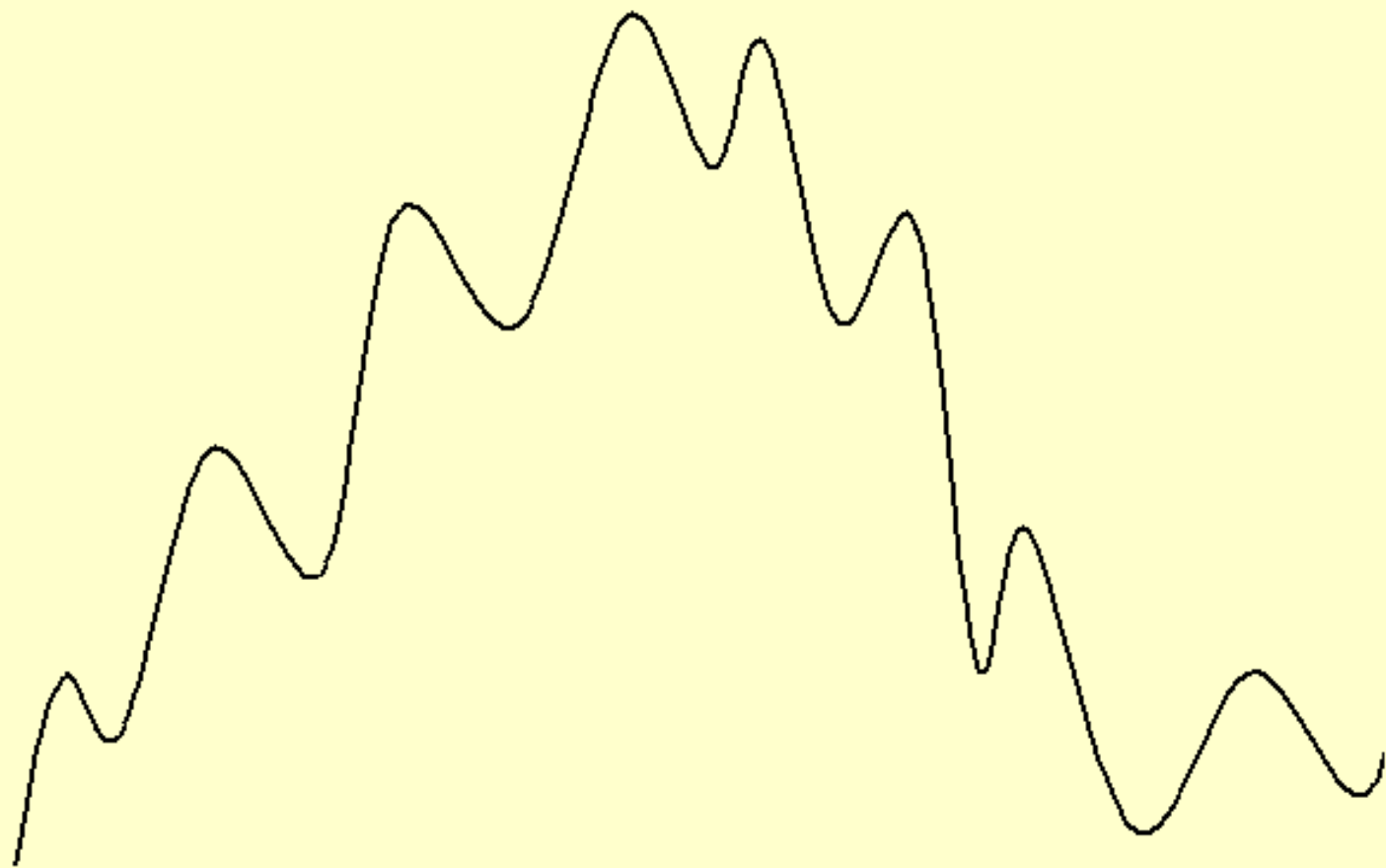


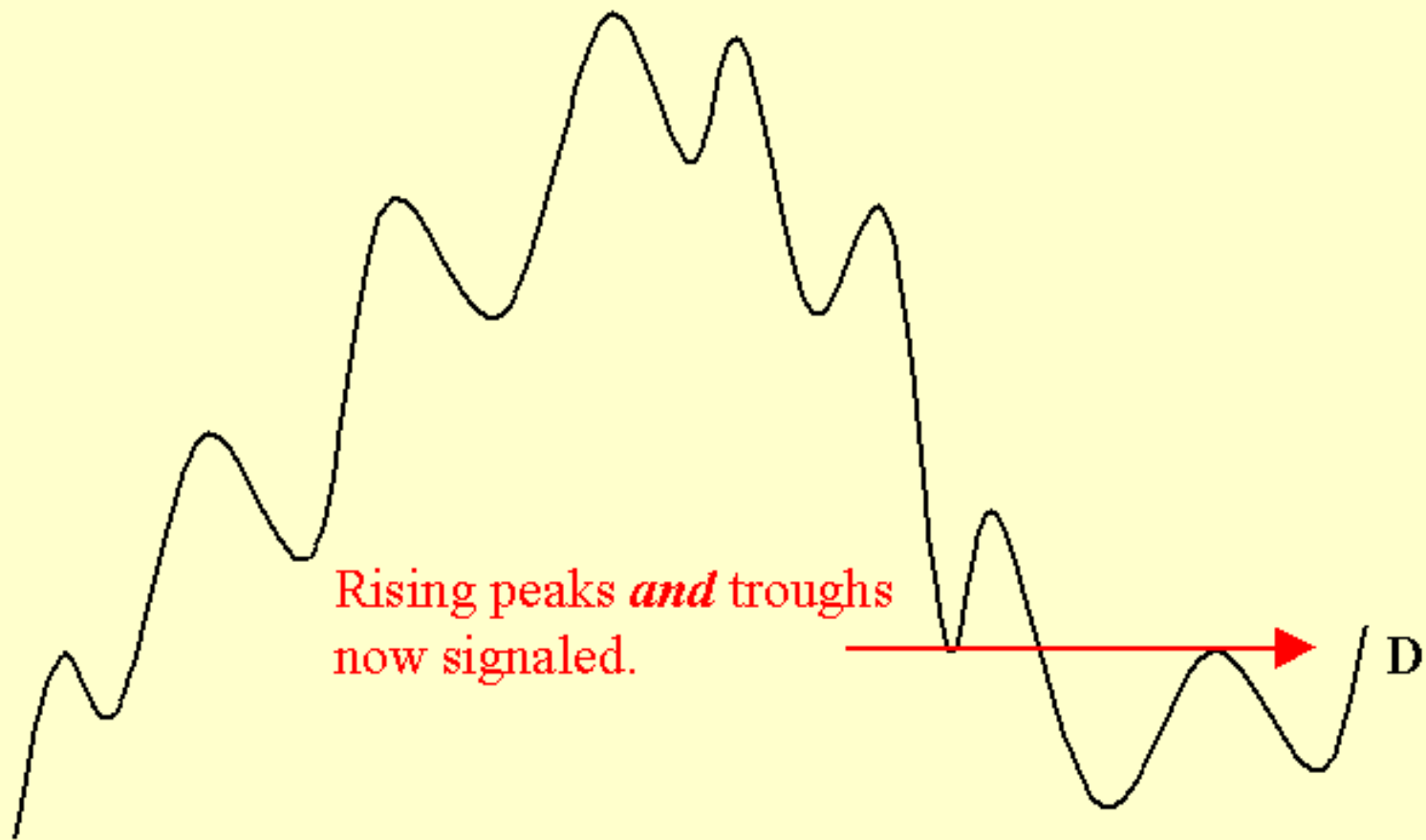
Rally fails to make a new high.

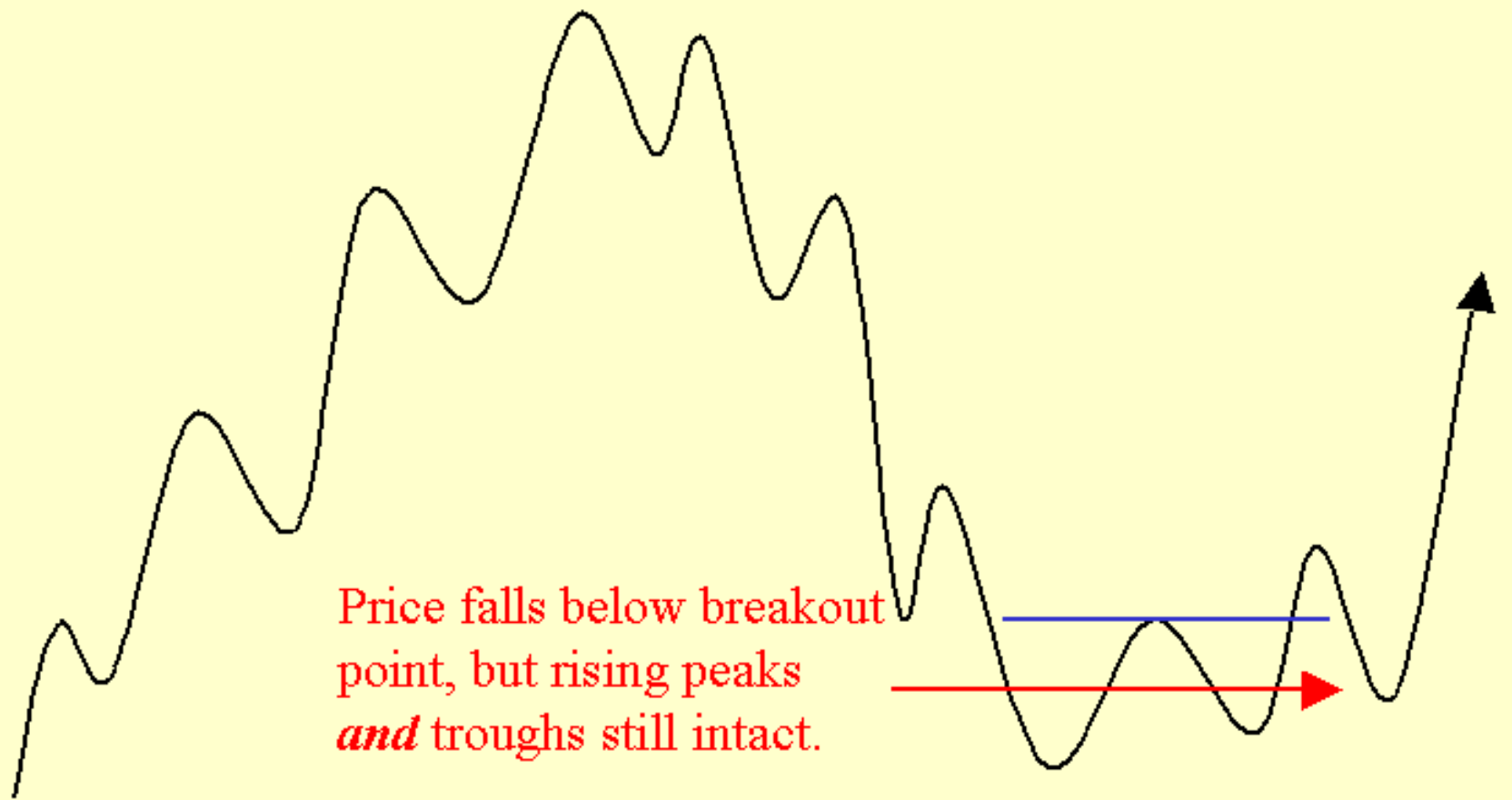


Declining peaks *and* troughs now signaled.

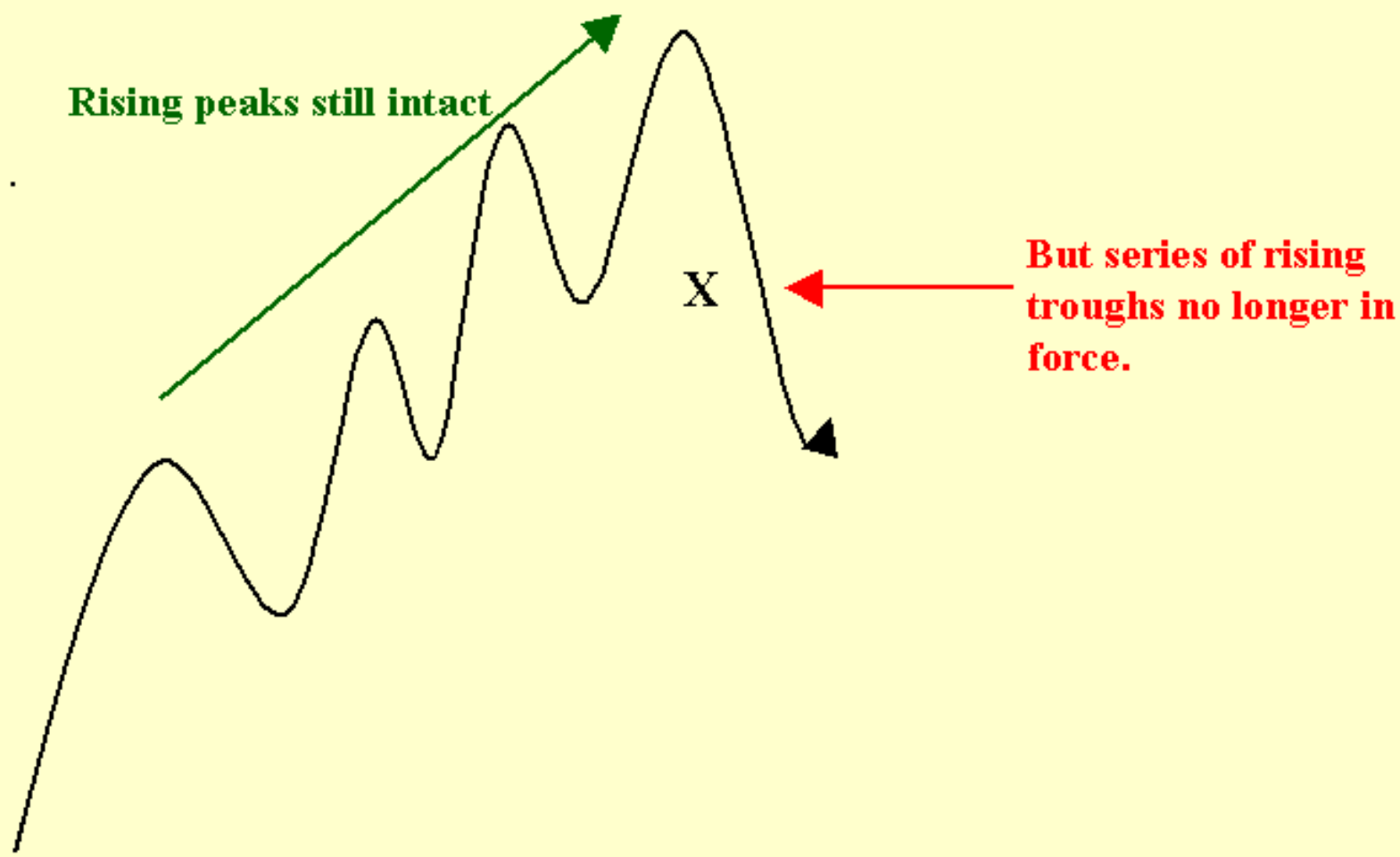








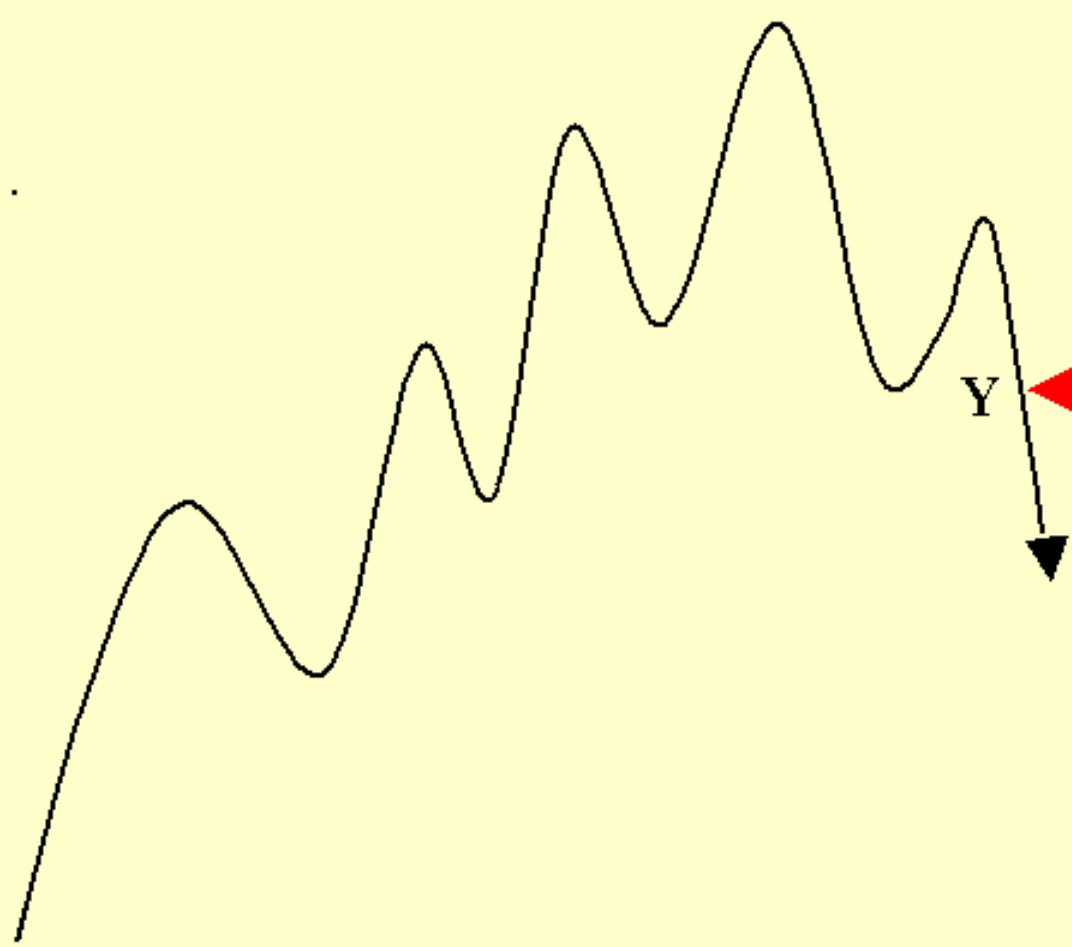
Price falls below breakout  
point, but rising peaks  
*and* troughs still intact.



**Rising peaks still intact**

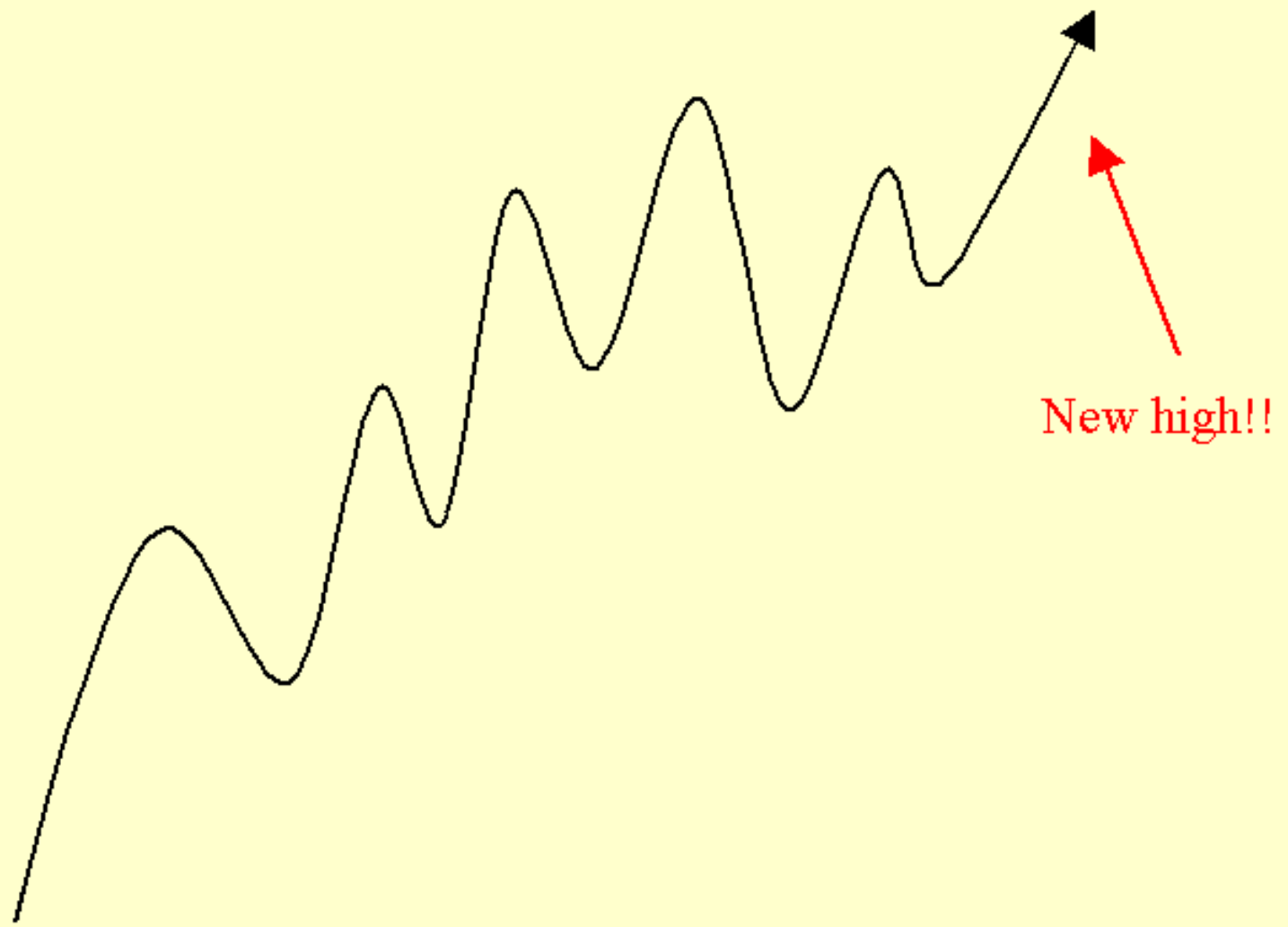
**But series of rising troughs no longer in force.**

X



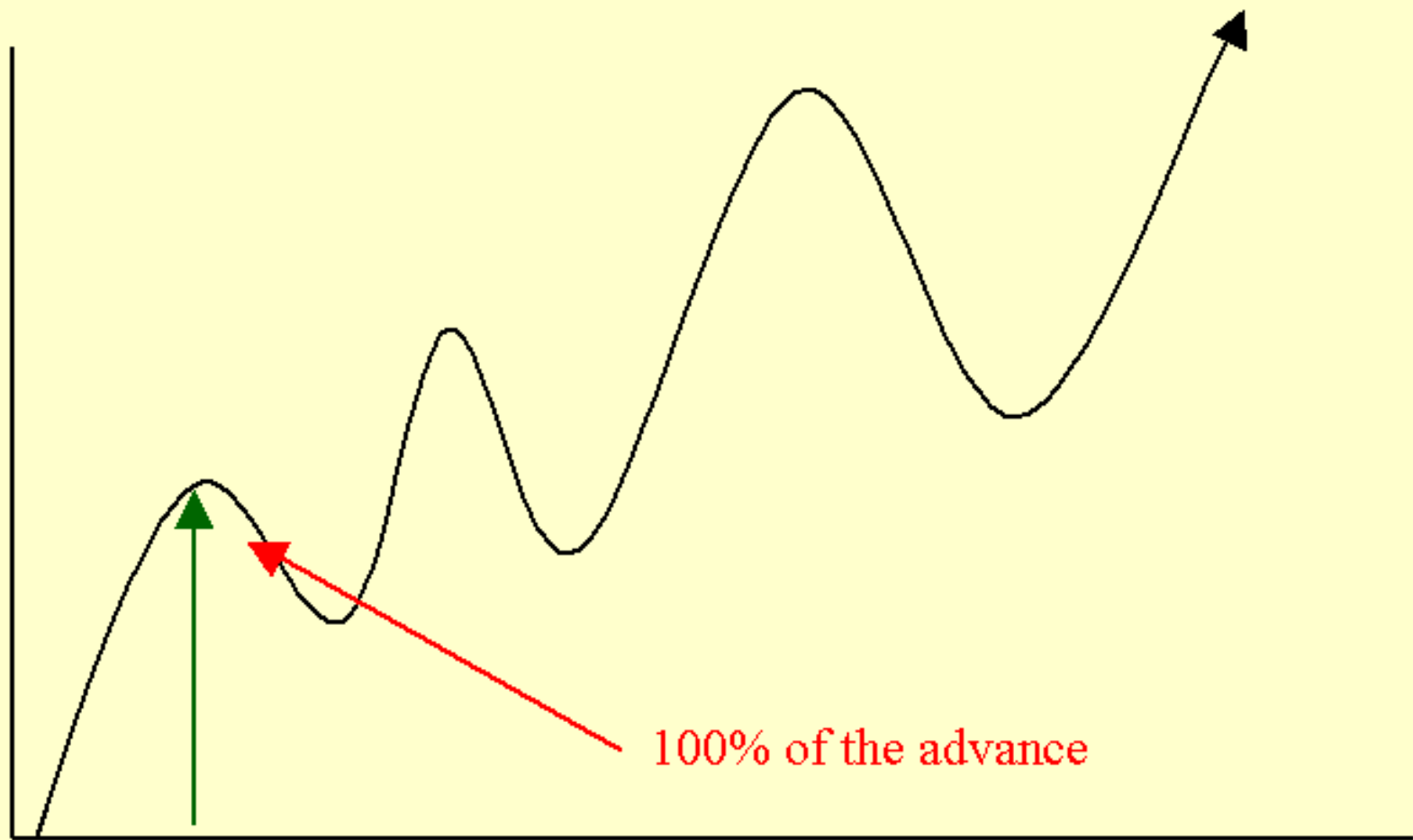
Y

Rising peaks *and*  
troughs now  
broken.

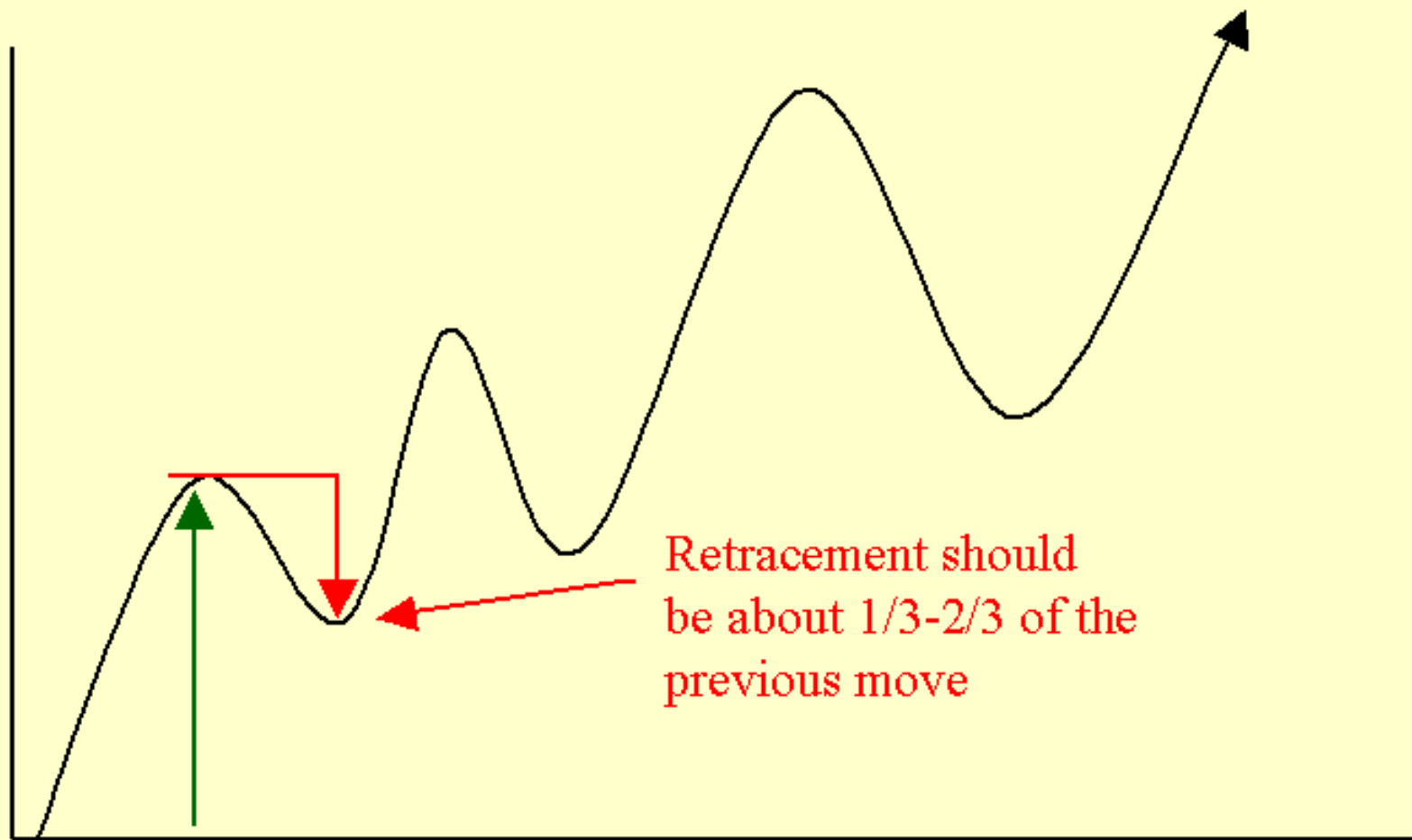


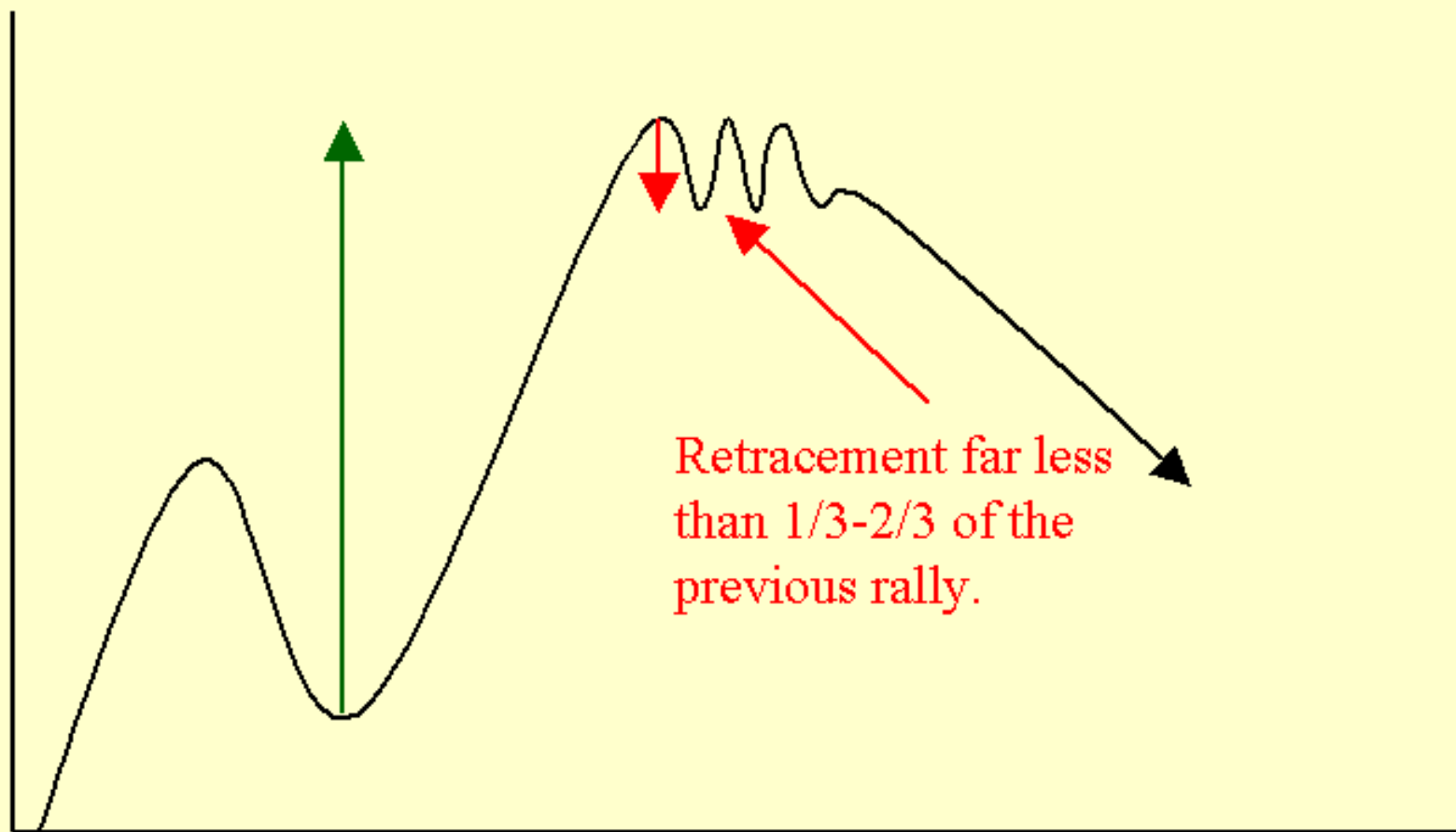
New high!!

*What constitutes a legitimate  
peak or trough?*

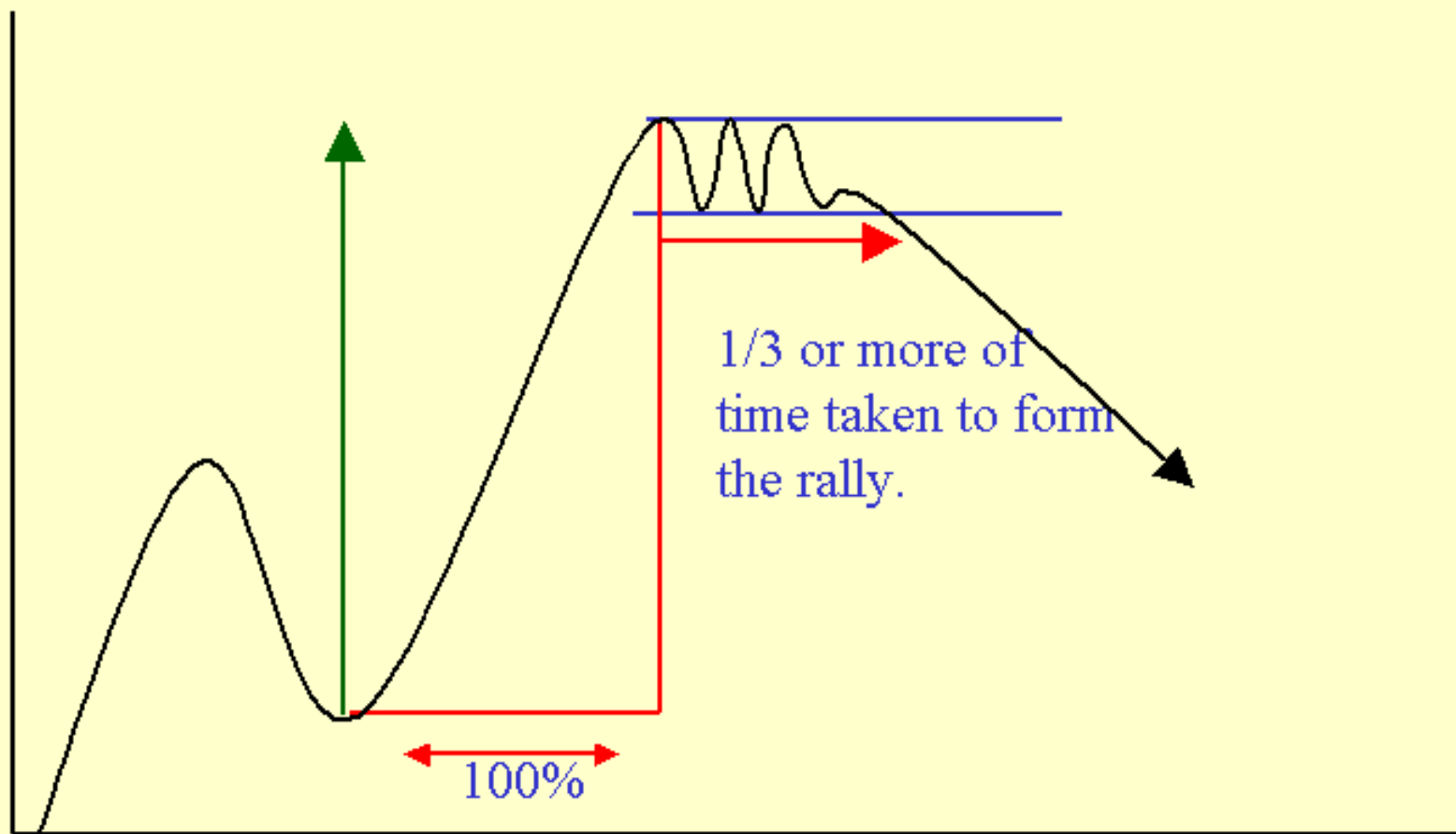




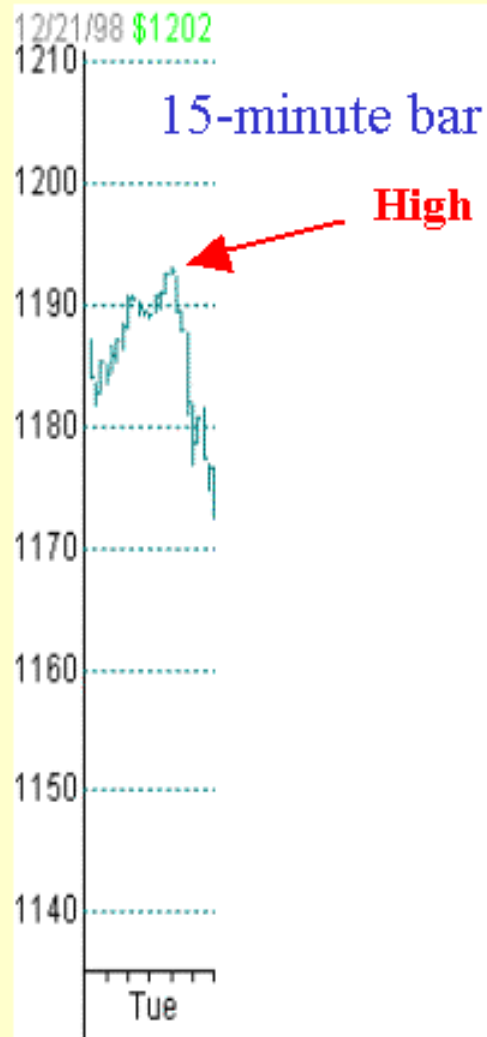




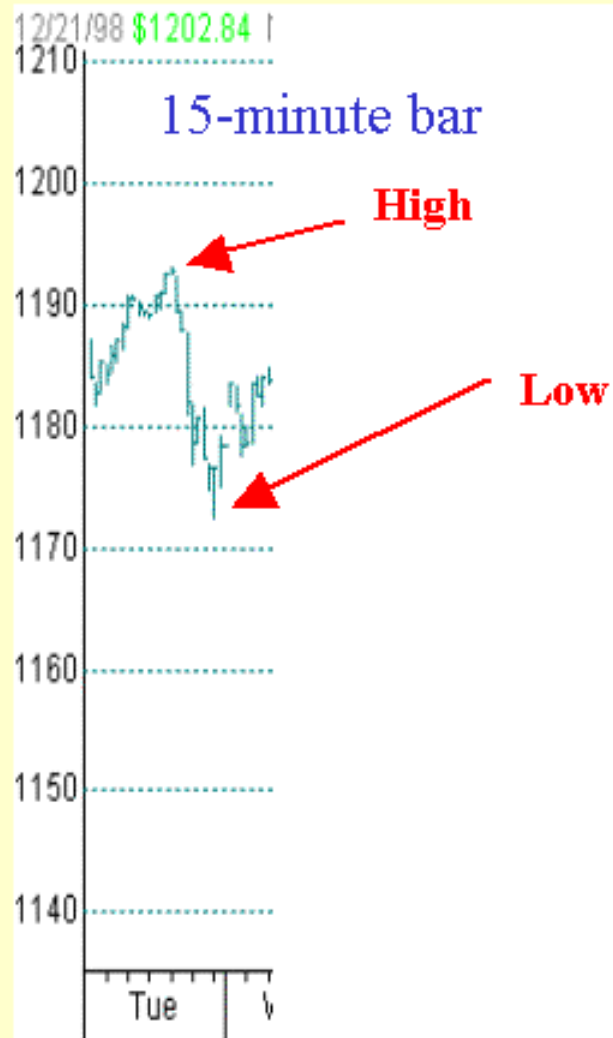
Retracement far less  
than 1/3-2/3 of the  
previous rally.



# 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

Tue

Wed

1140

# S&P Composite

12/21/98 \$1202.84 NEW STA



15-minute bar

**Still intact**

# 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



**Possible reference low**

# 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



... and this one.

# 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



**New downtrend signaled**

# S&P Composite



# S&P Composite

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



# S&P Composite



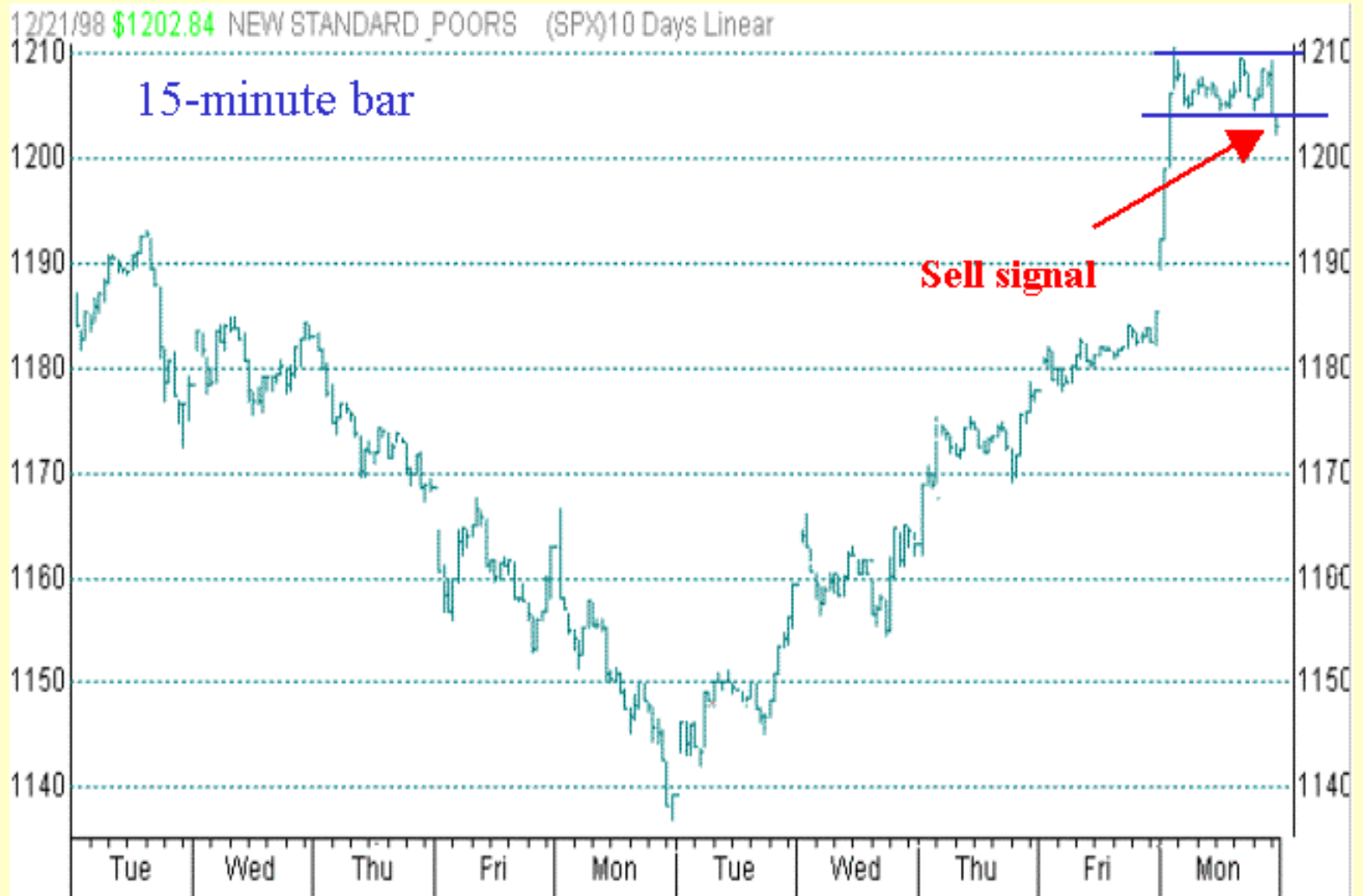
# S&P Composite

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



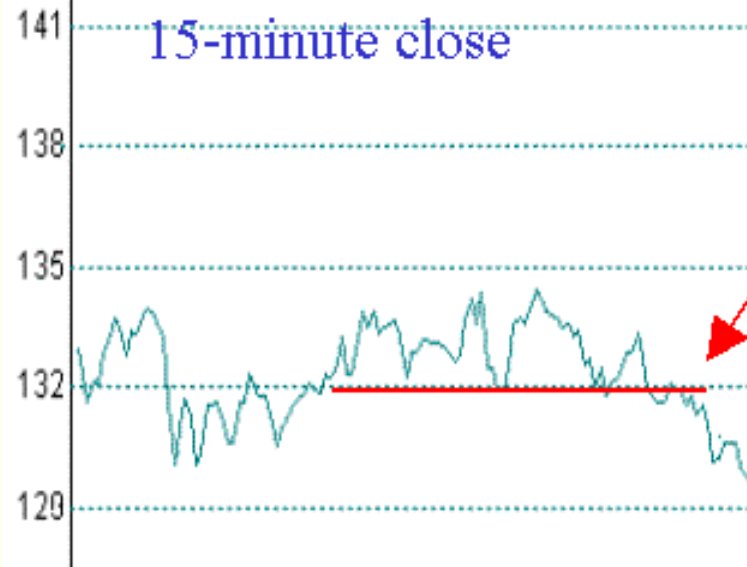
Uptrend  
confirmed

# S&P Composite

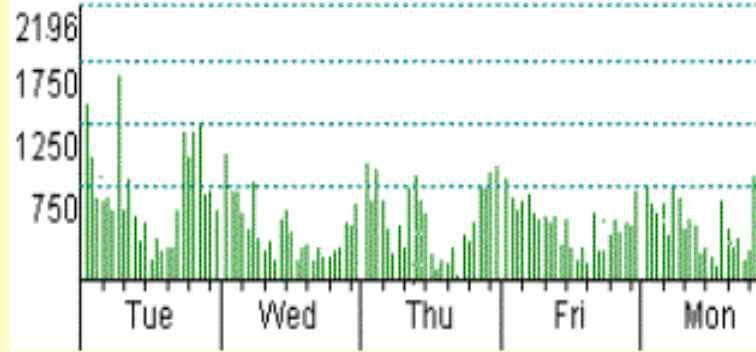


# Microsoft

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

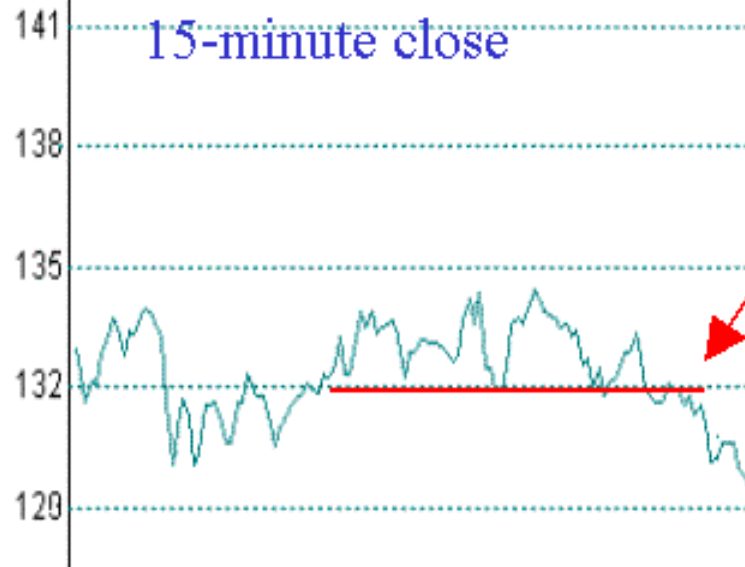


Volume - max: 2196

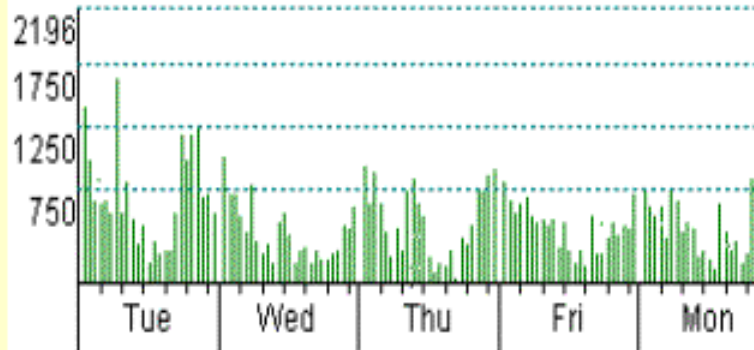


# Microsoft

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



Volume - max: 2196

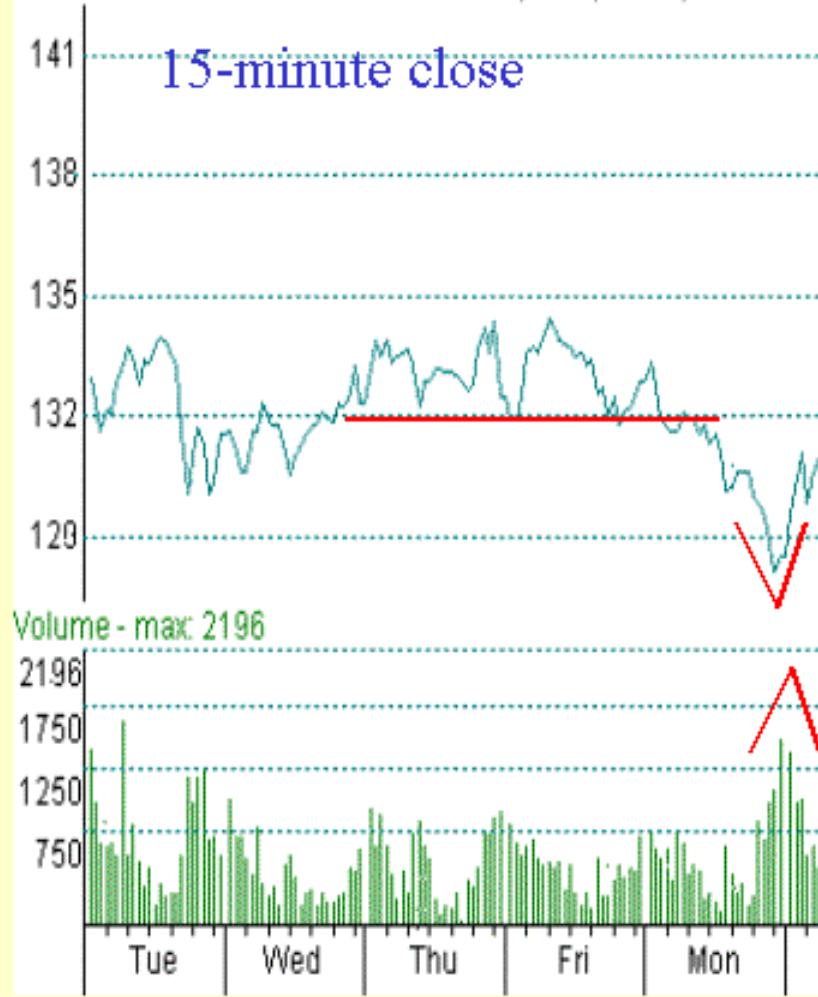




# Microsoft

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

15-minute close

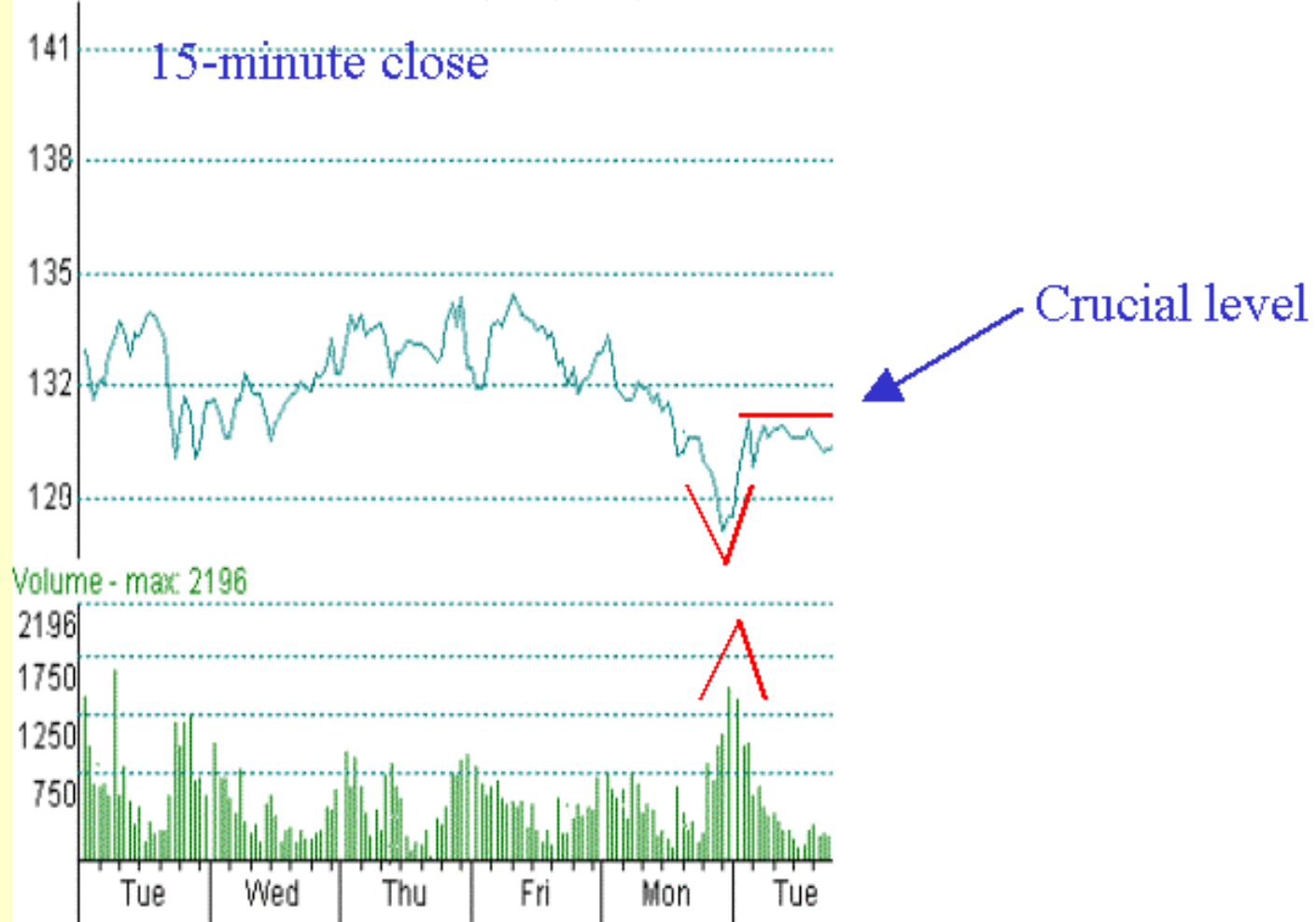


Selling climax



# 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

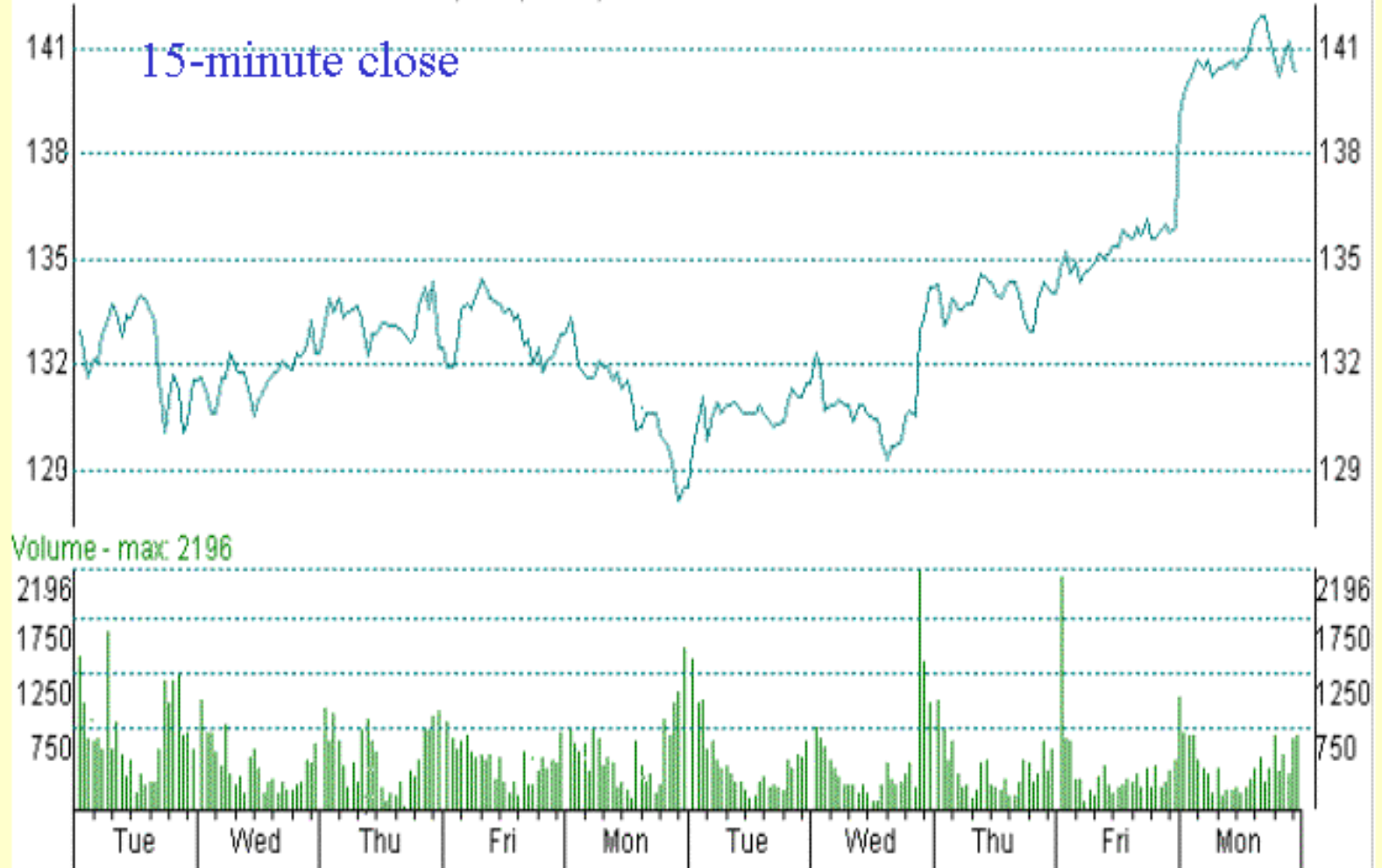
12/21/98 \$140.43 MICROSOFT CORP (MSFT) 10 Days Linear



# 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.*

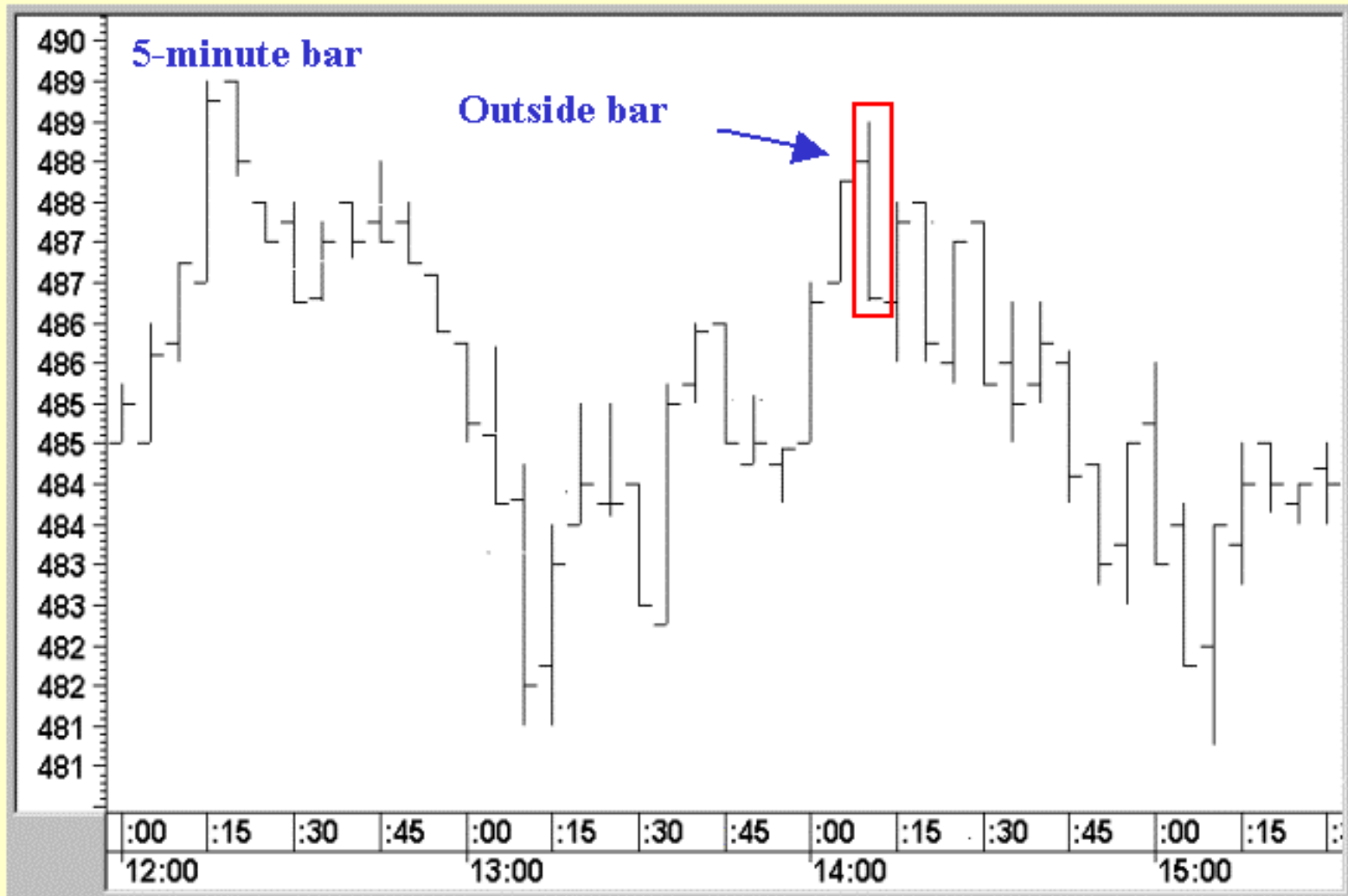
*One and two bar patterns are usually short-term reversal phenomena.*

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

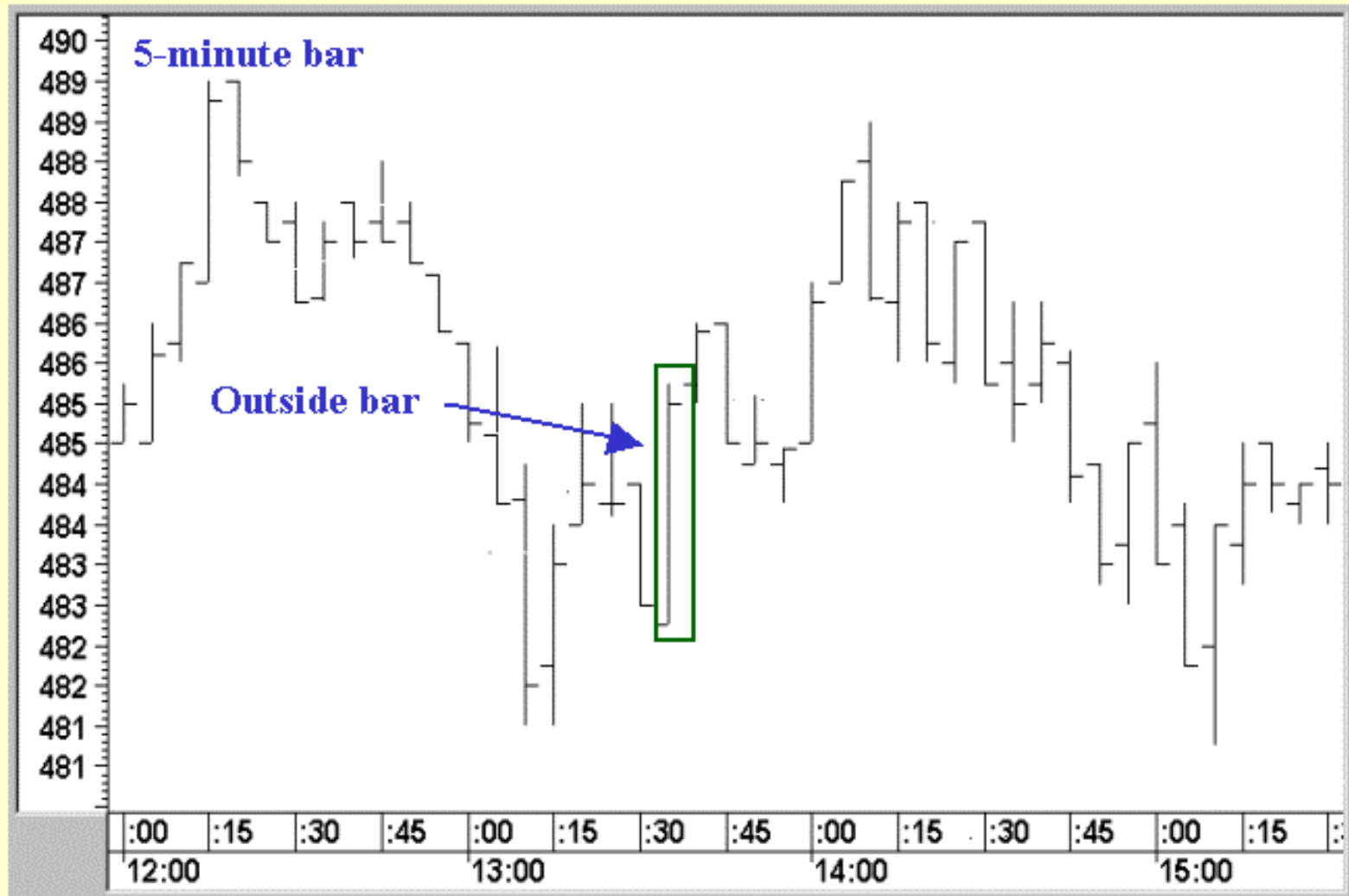
*Outside bars*

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

# S&P Composite

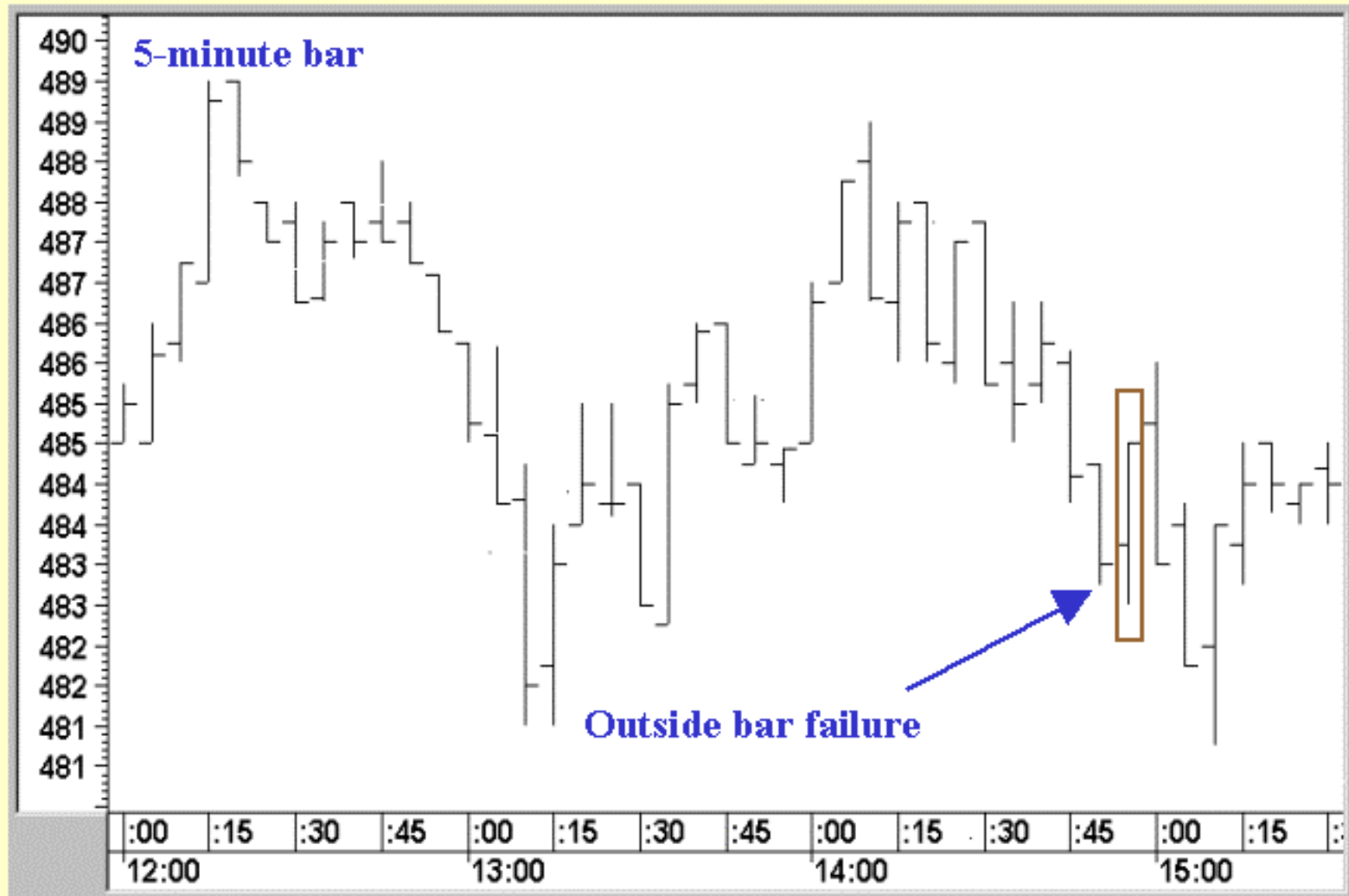


# S&P Composite

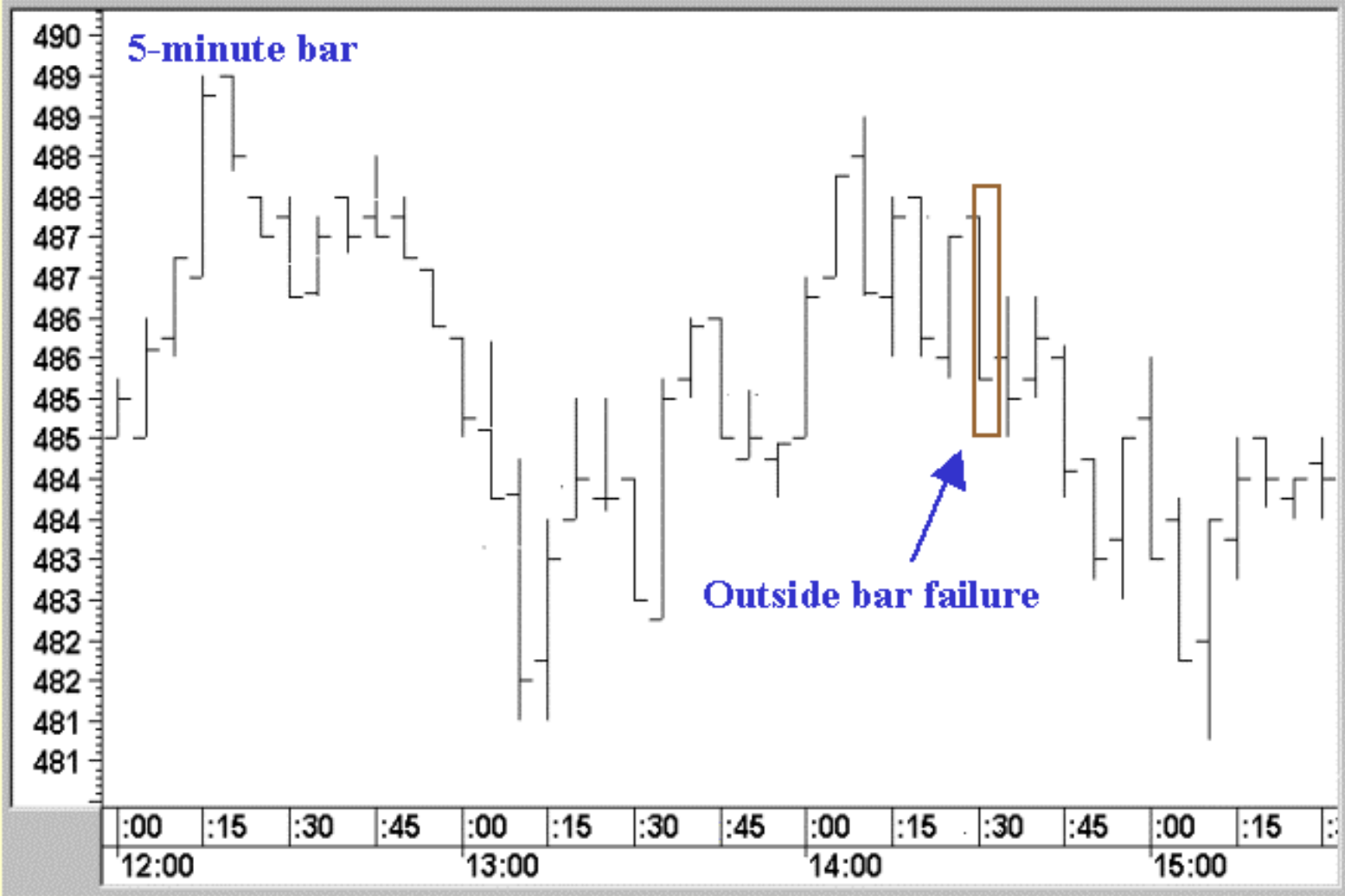




# S&P Composite



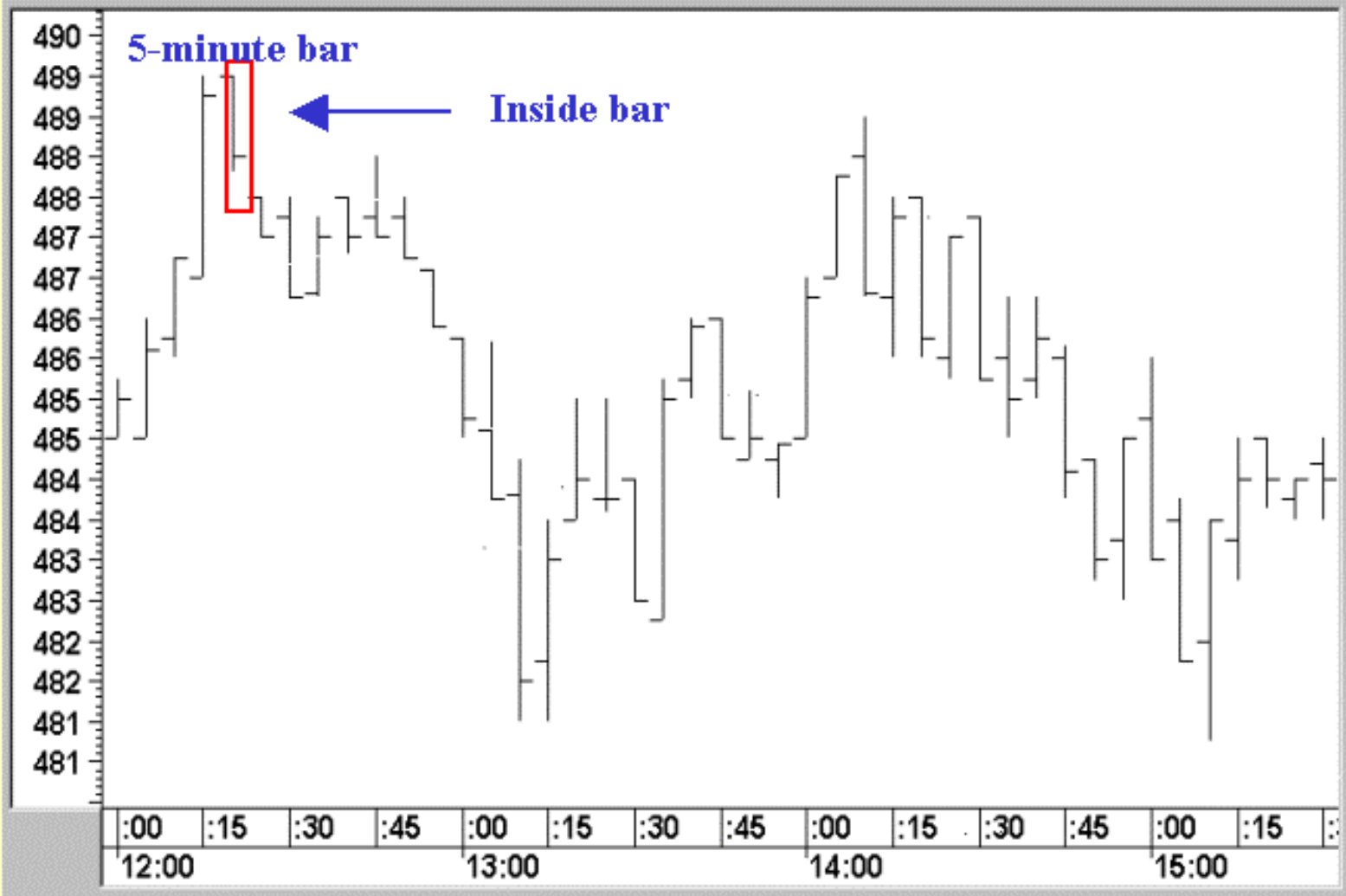
# S&P Composite



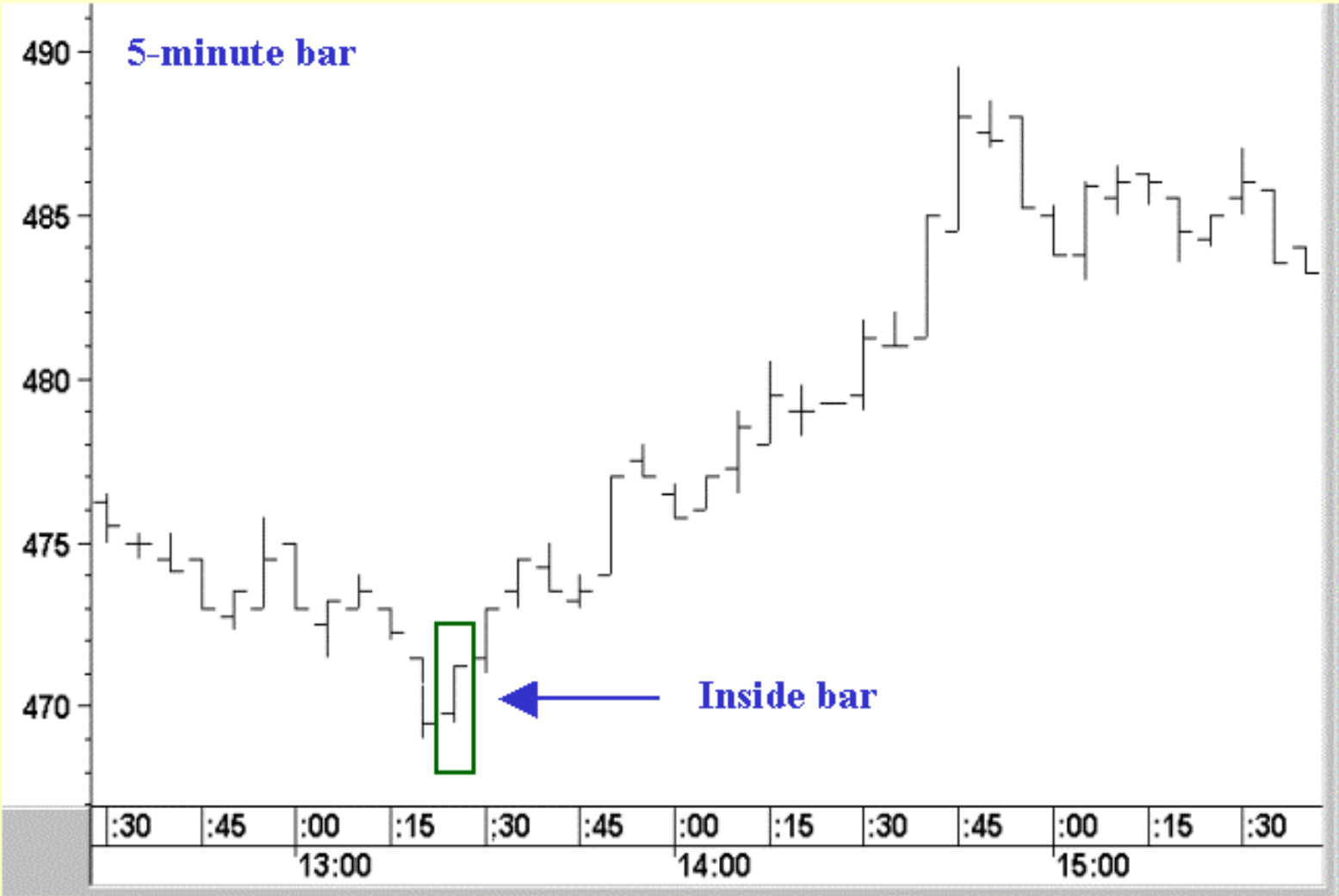
*Inside Bars*

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

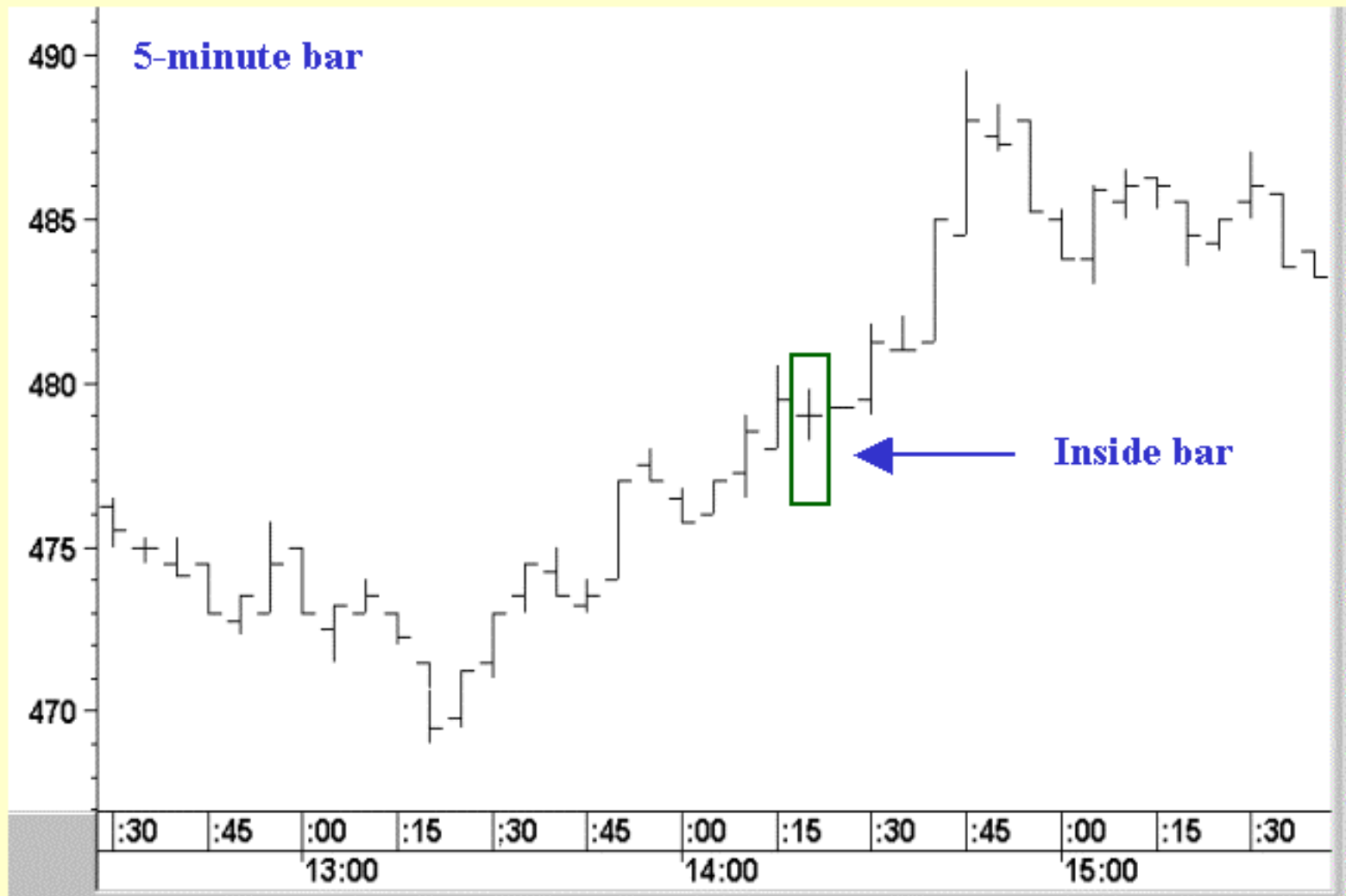
# S&P Composite



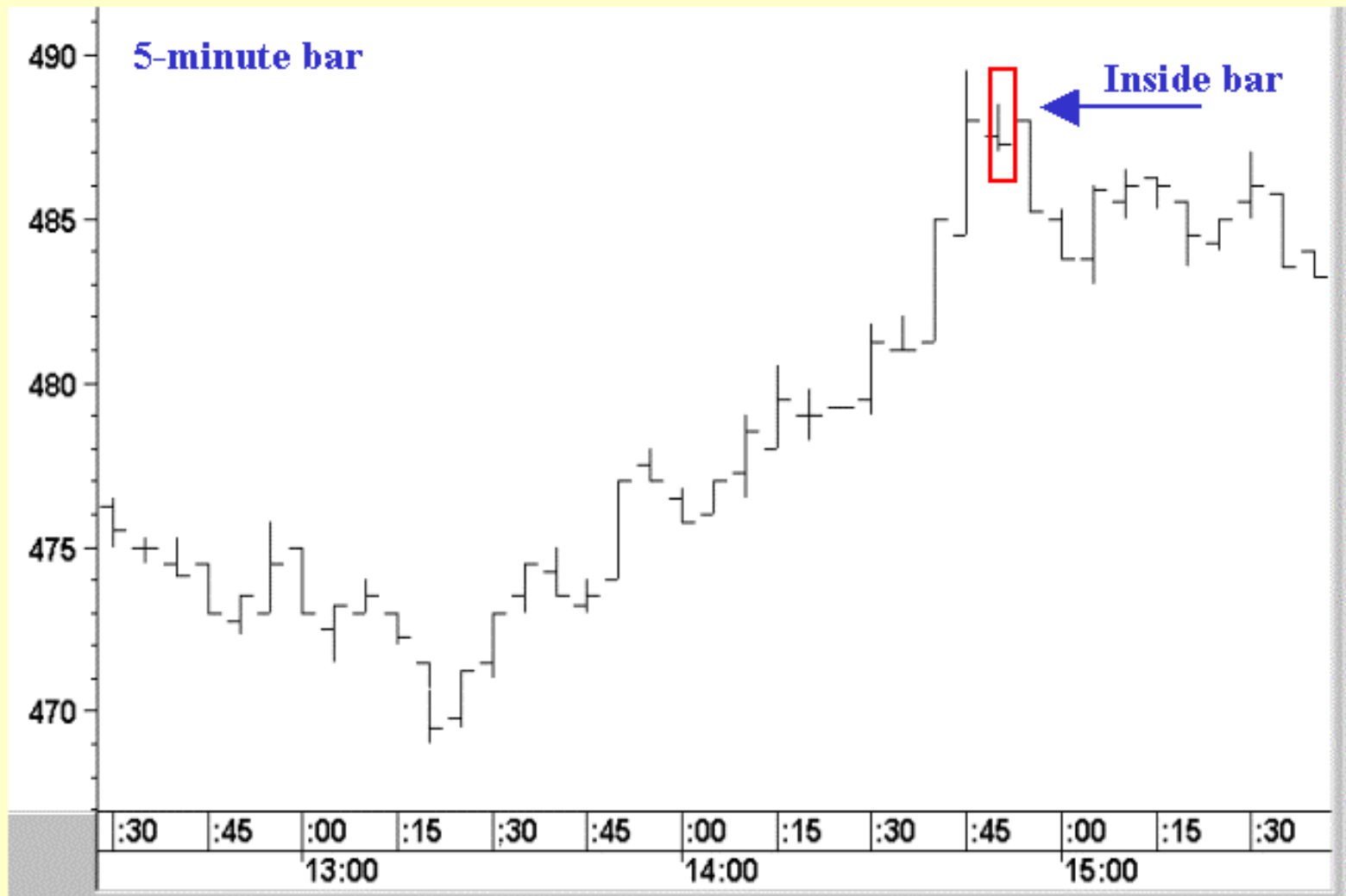
# S&P Composite



# S&P Composite



# S&P Composite

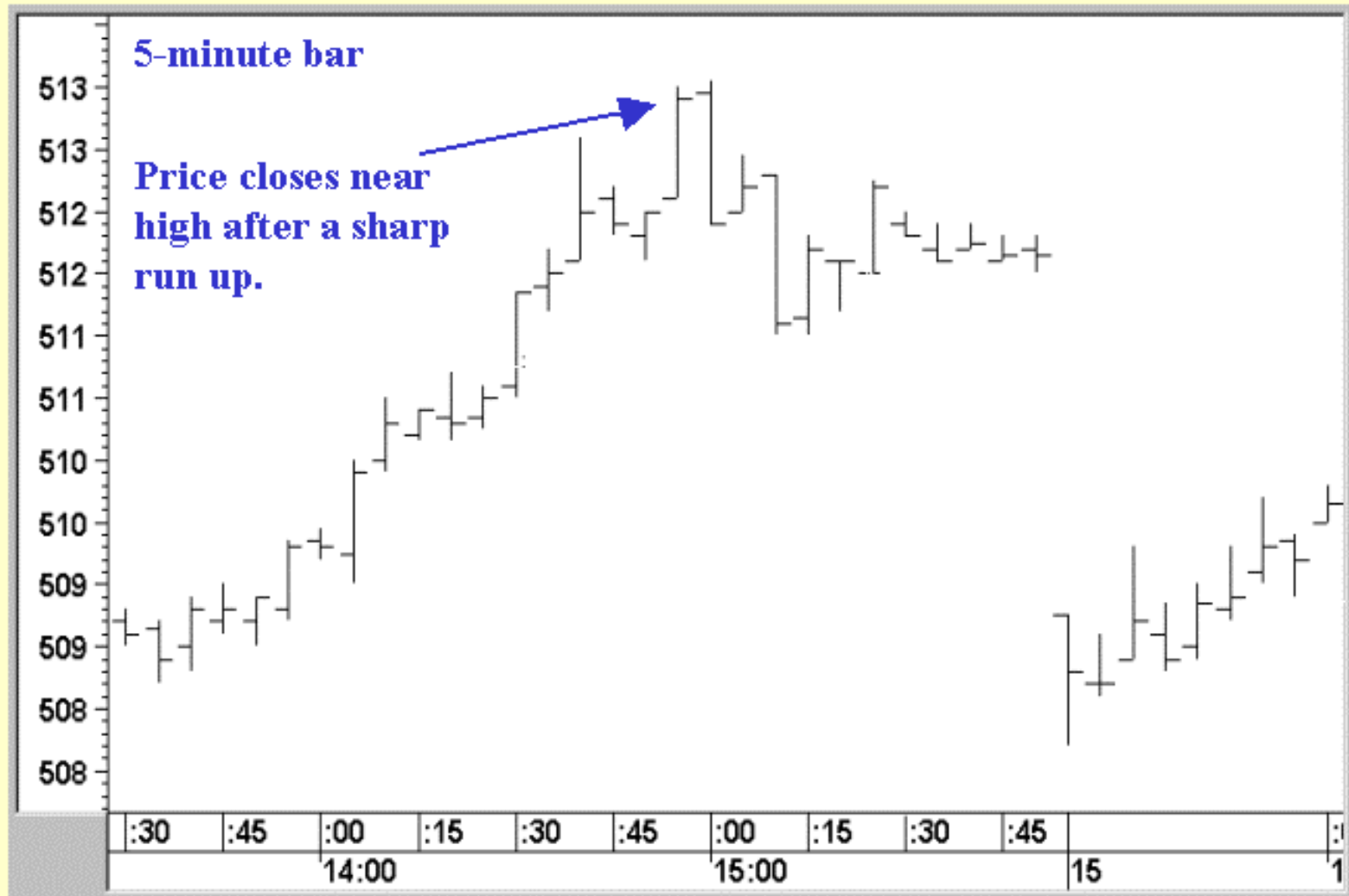




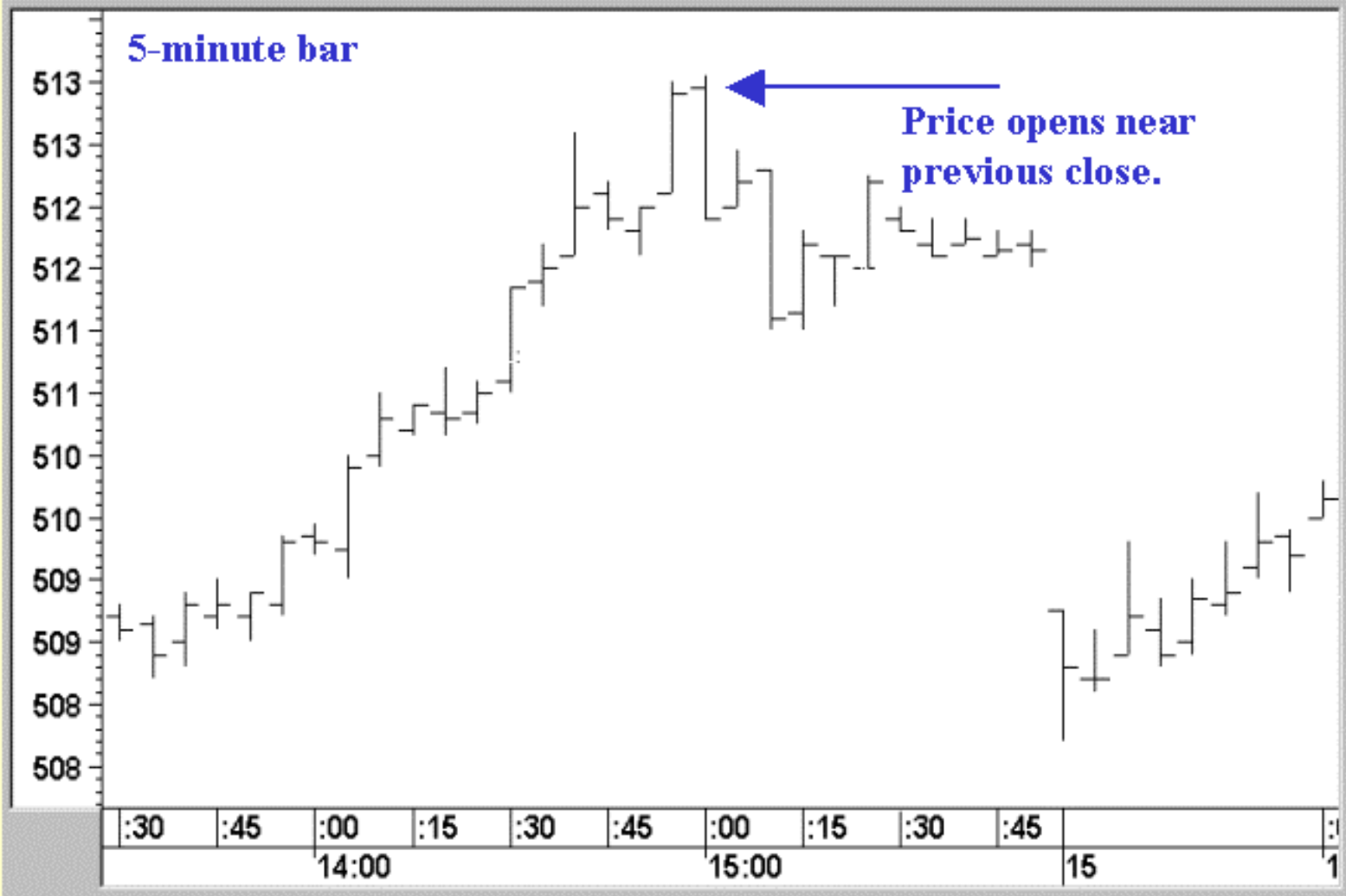
# *Two Bar Reversals*

*Two bar reversals indicate a dramatic change in sentiment..*

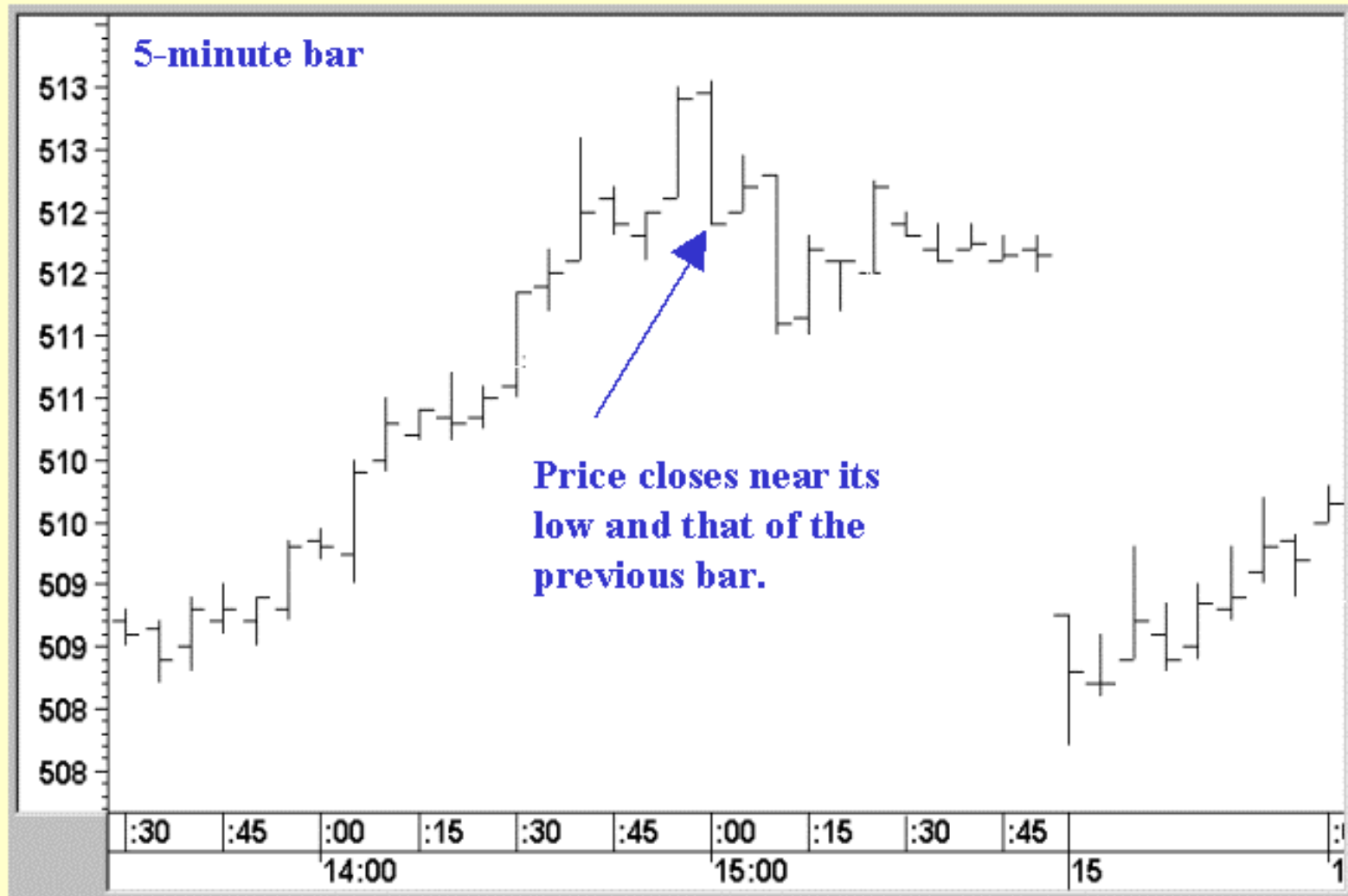
# S&P Composite



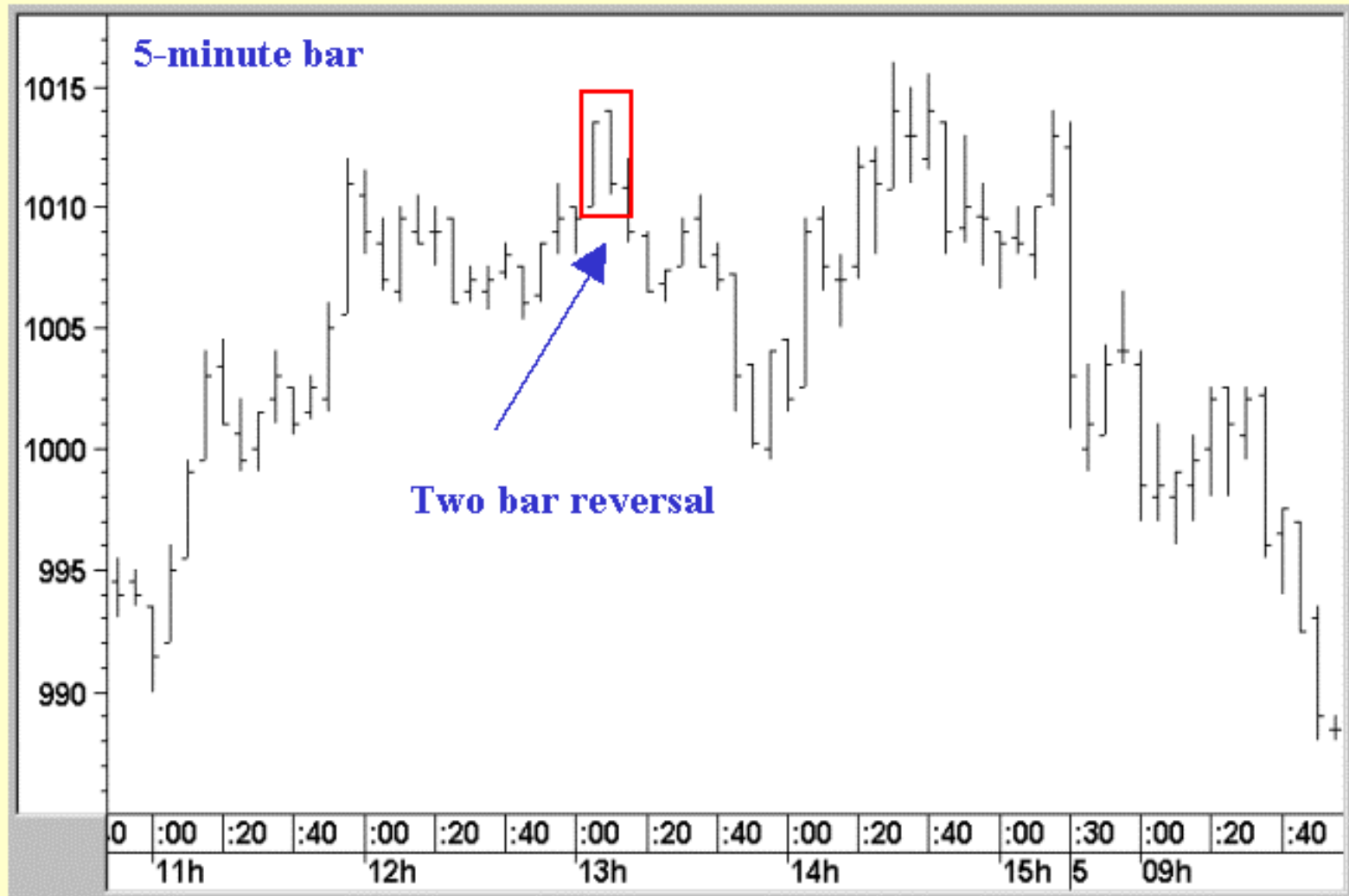
# S&P Composite



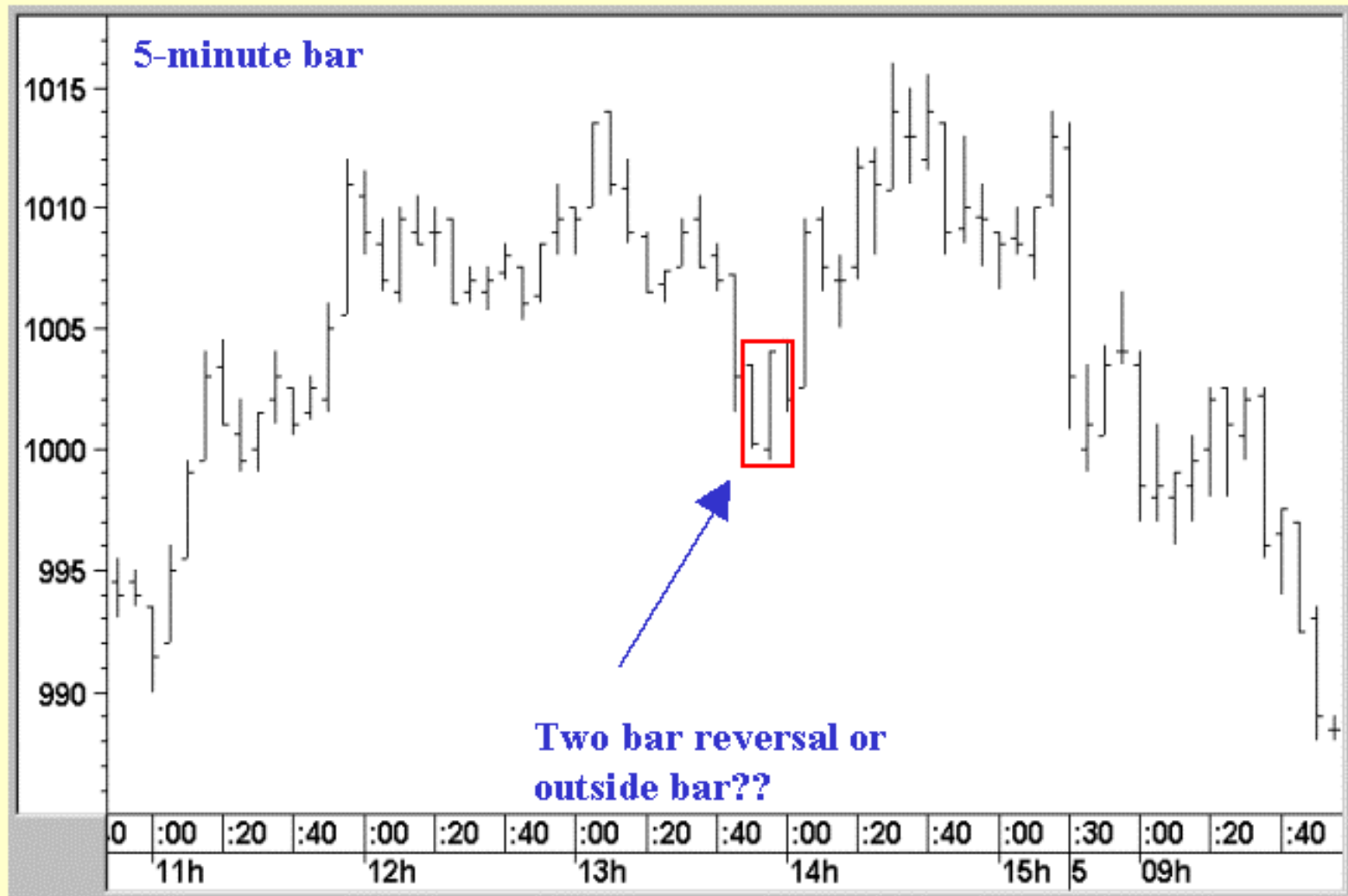
# S&P Composite



# December 1998 S&P



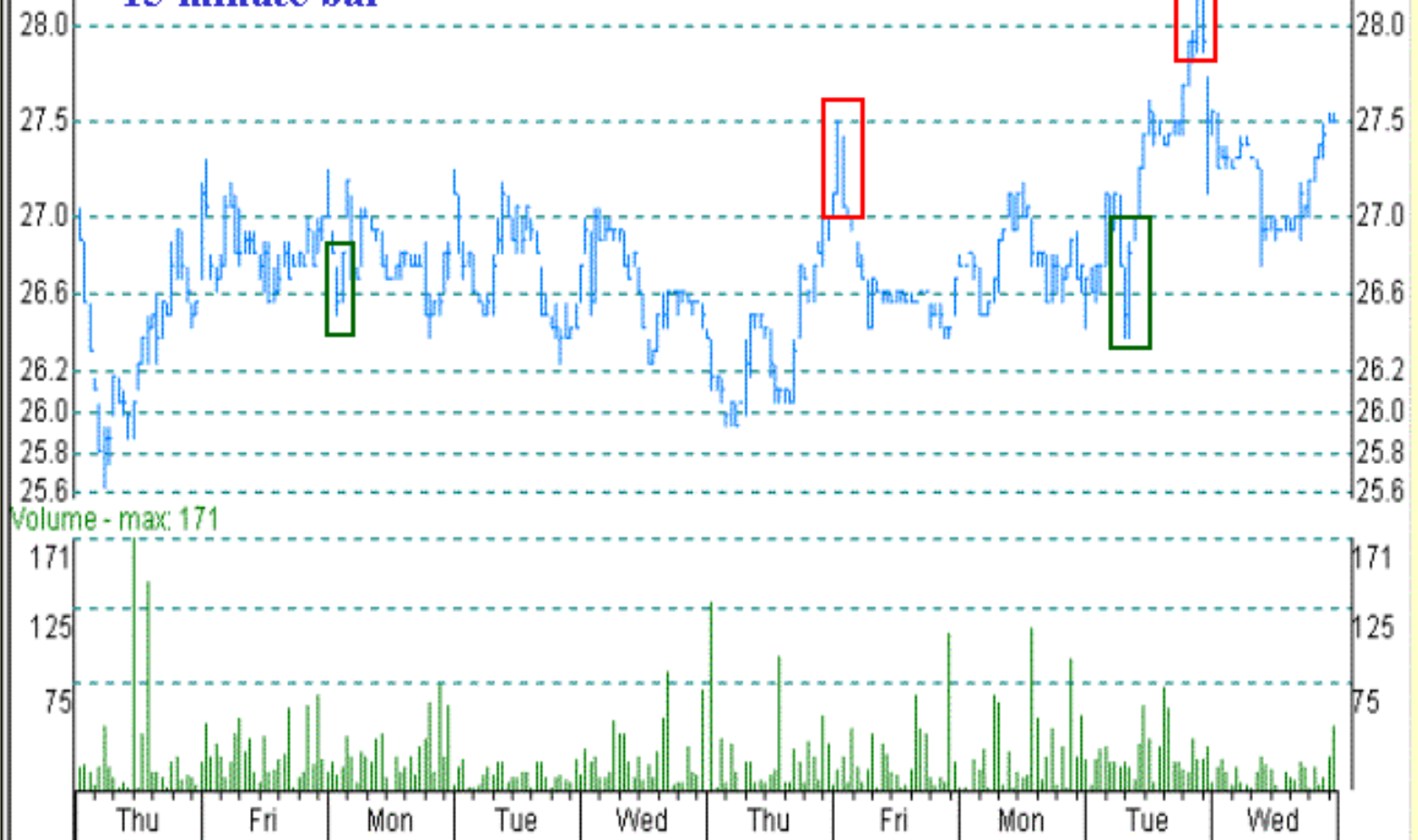
# December 1998 S&P



# 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*

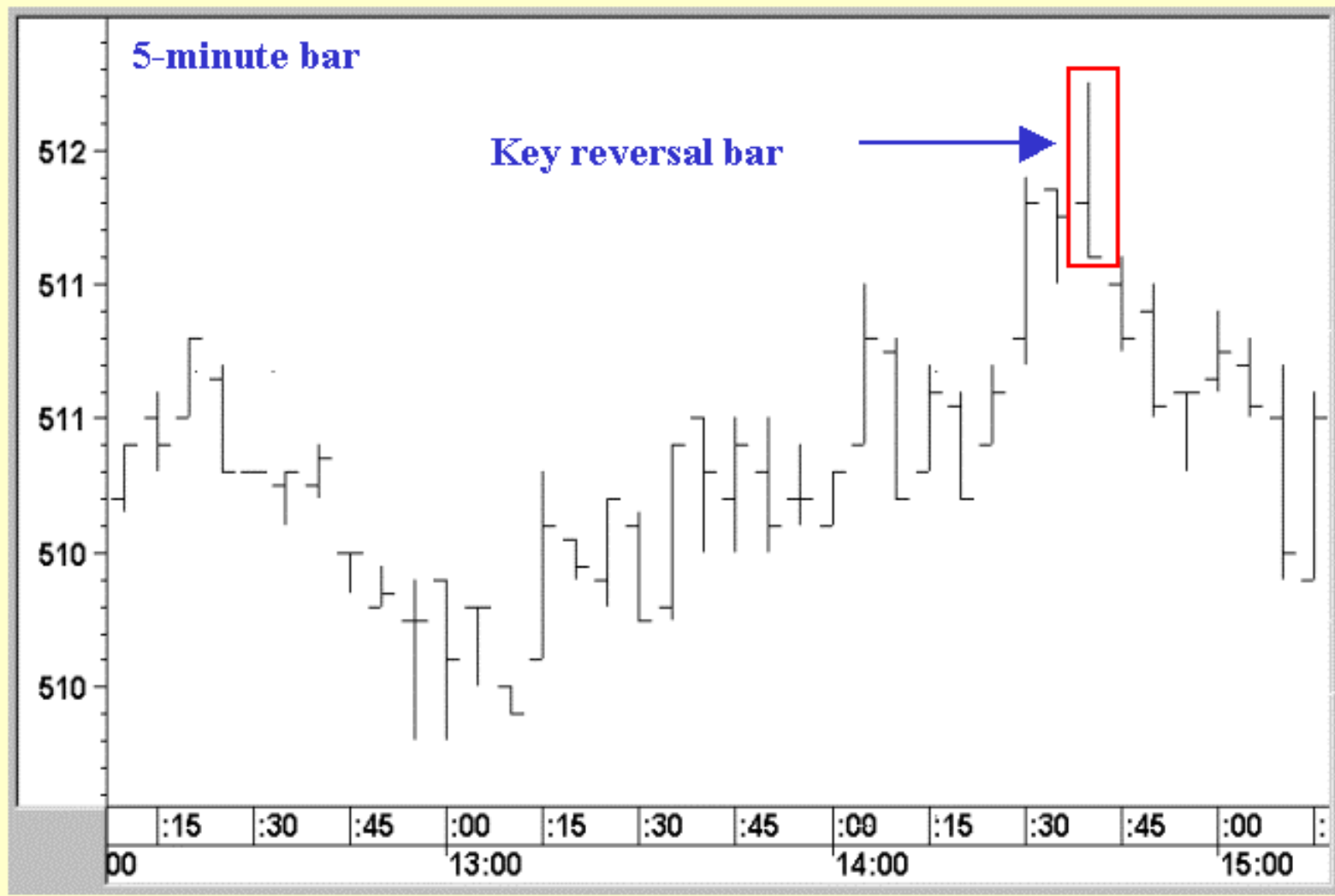
*A very strong signal of a  
reversal in sentiment.*

# Characteristics

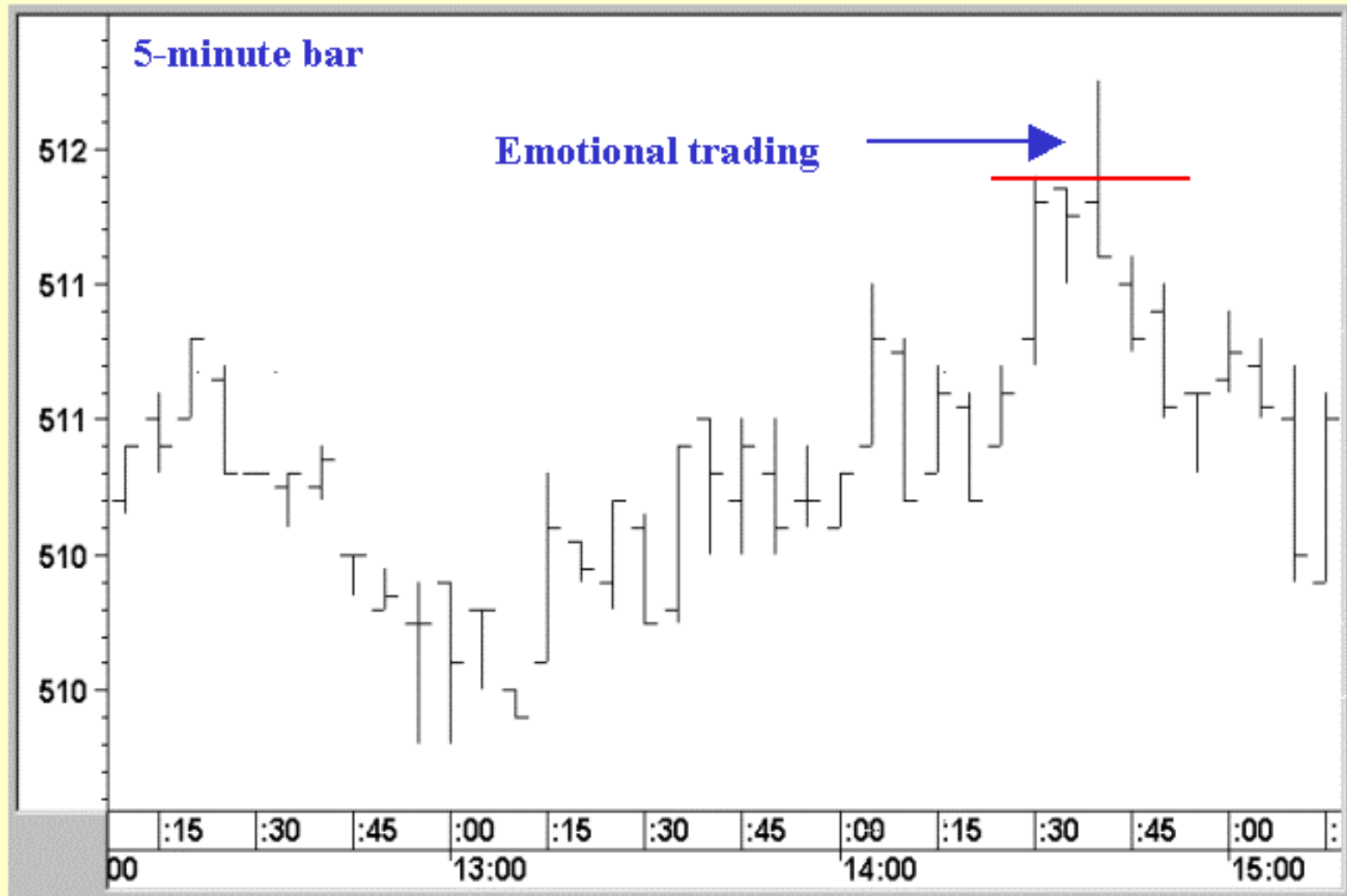
1. Price opens the bar strongly in the direction of the prevailing trend.
2. Trading range of the bar is extremely wide.
3. Price should close at or close to the previous close.

*The key reversal bar should be accompanied by climactic volume.*

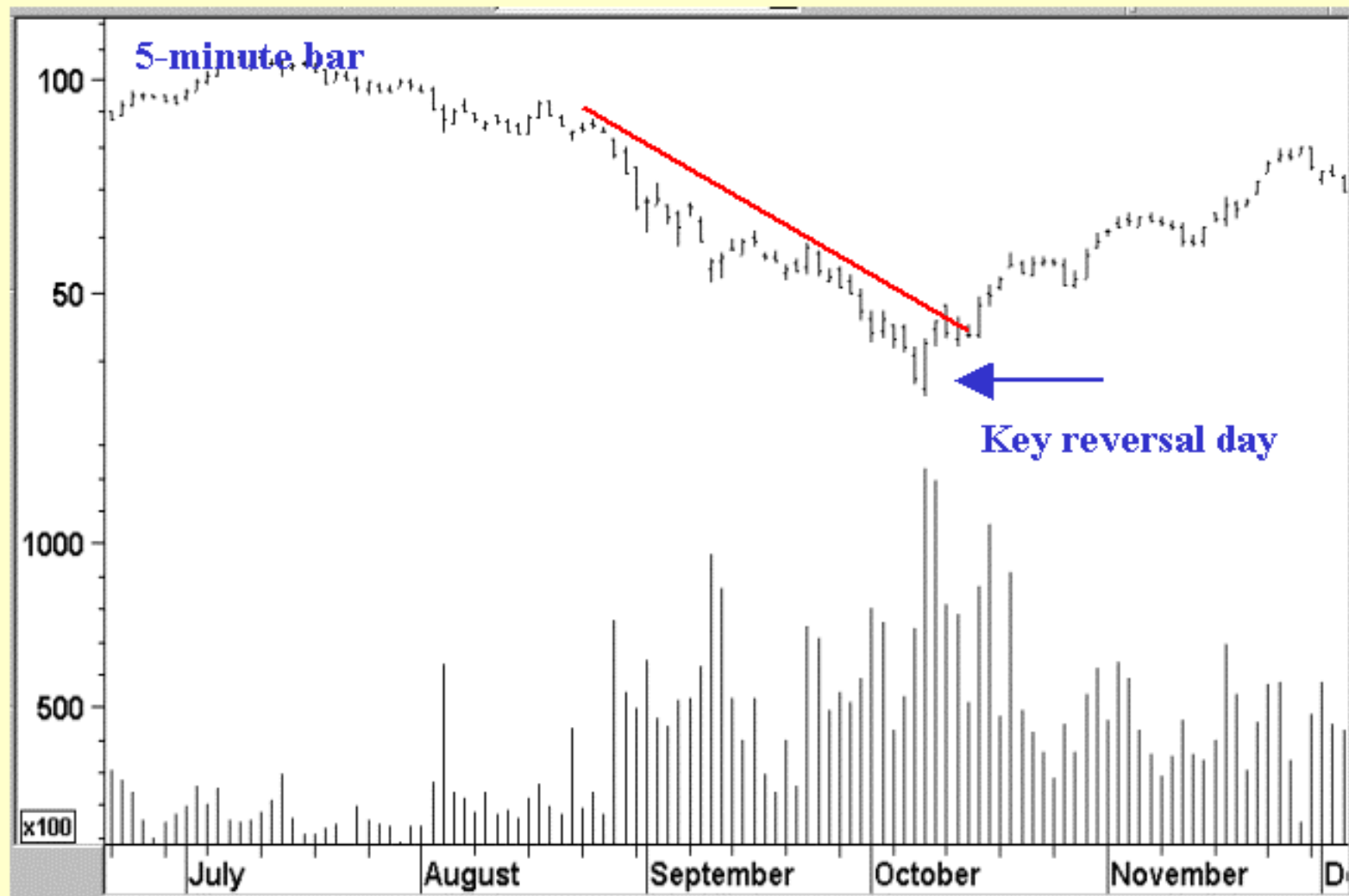
# December 1998 S&P



# December 1998 S&P

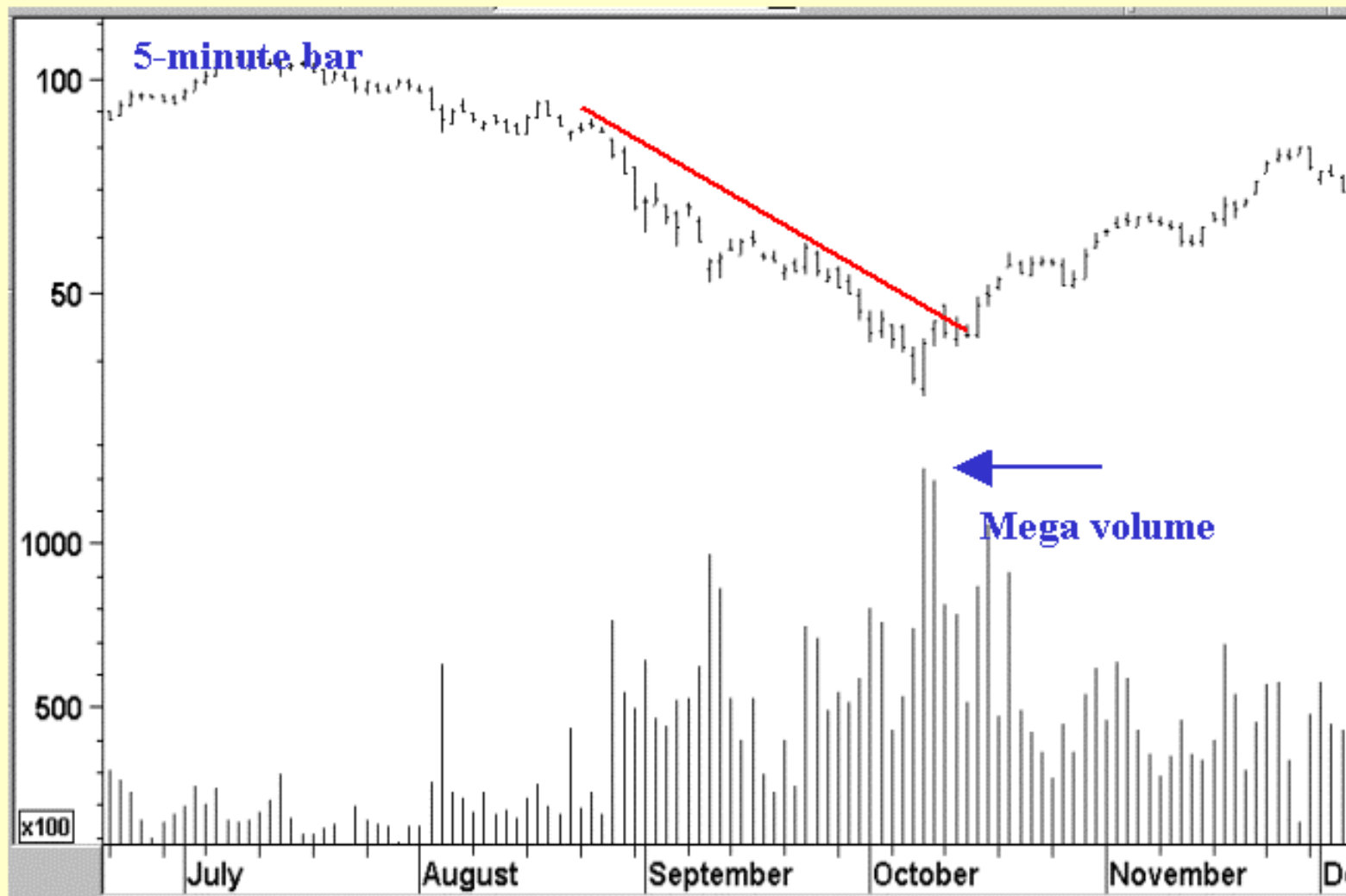


# Merrill Lynch





# Merrill Lynch

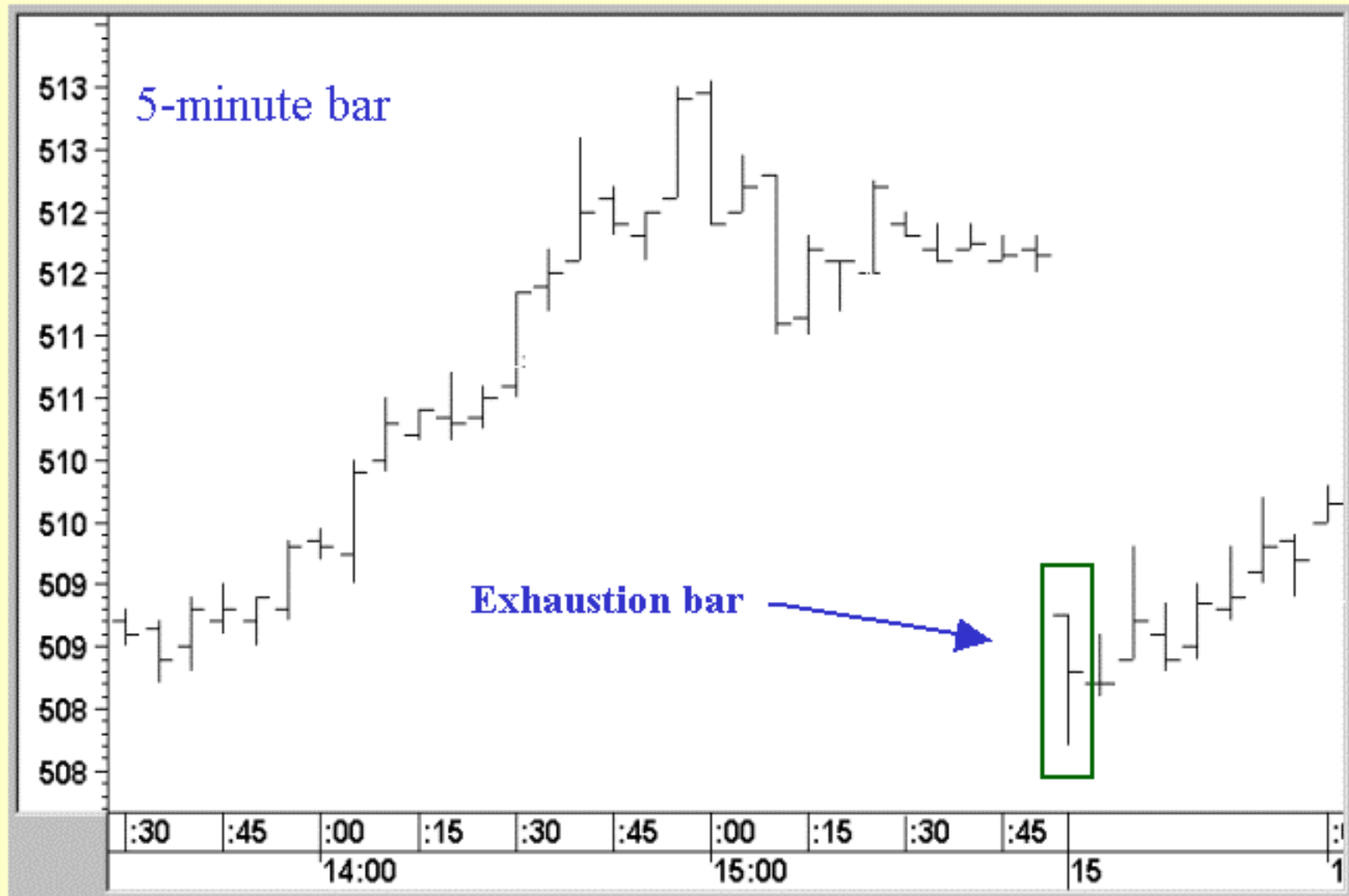


# *Exhaustion Bars*

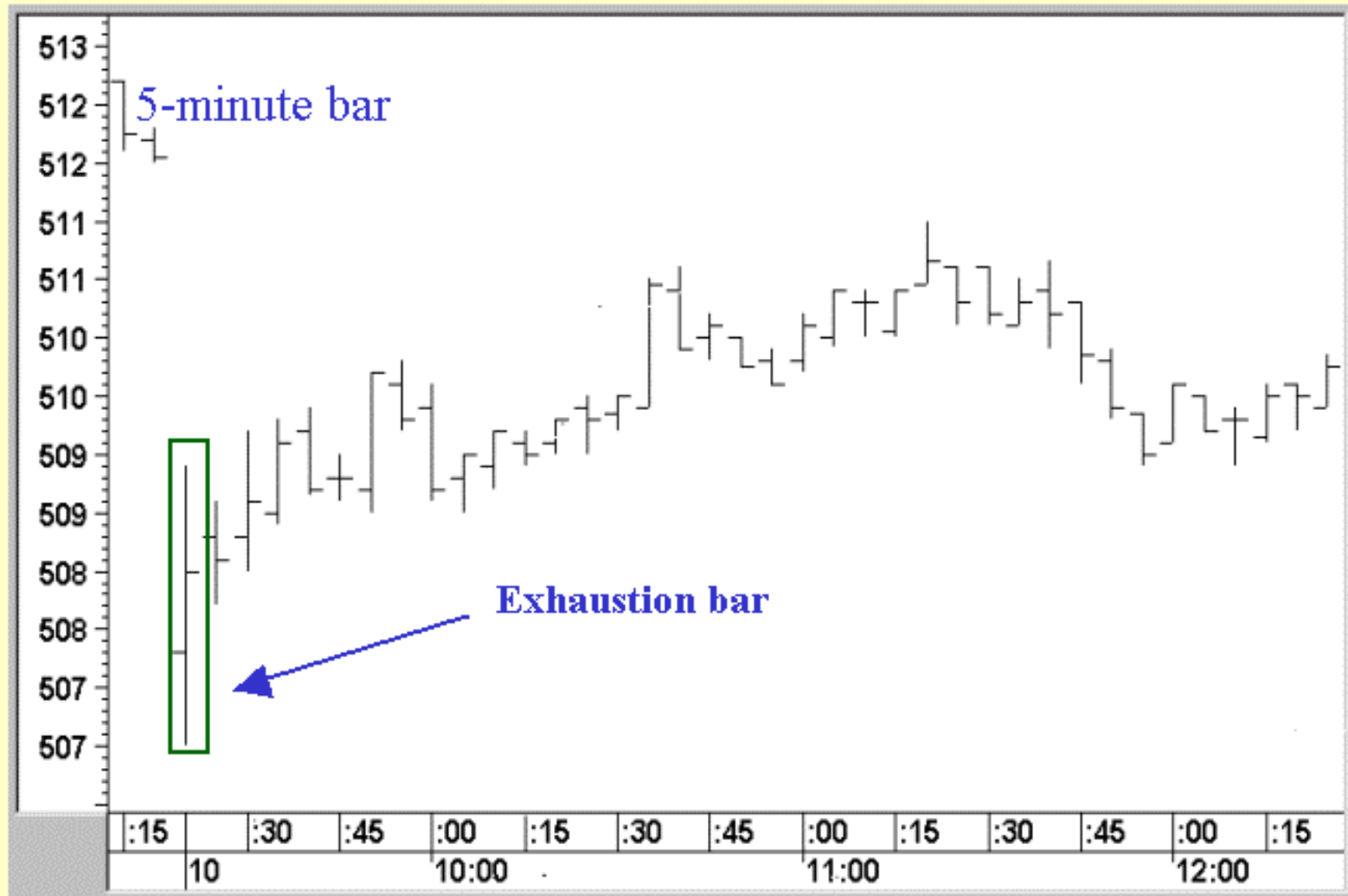
# Characteristics of Exhaustion Bars

- 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.*

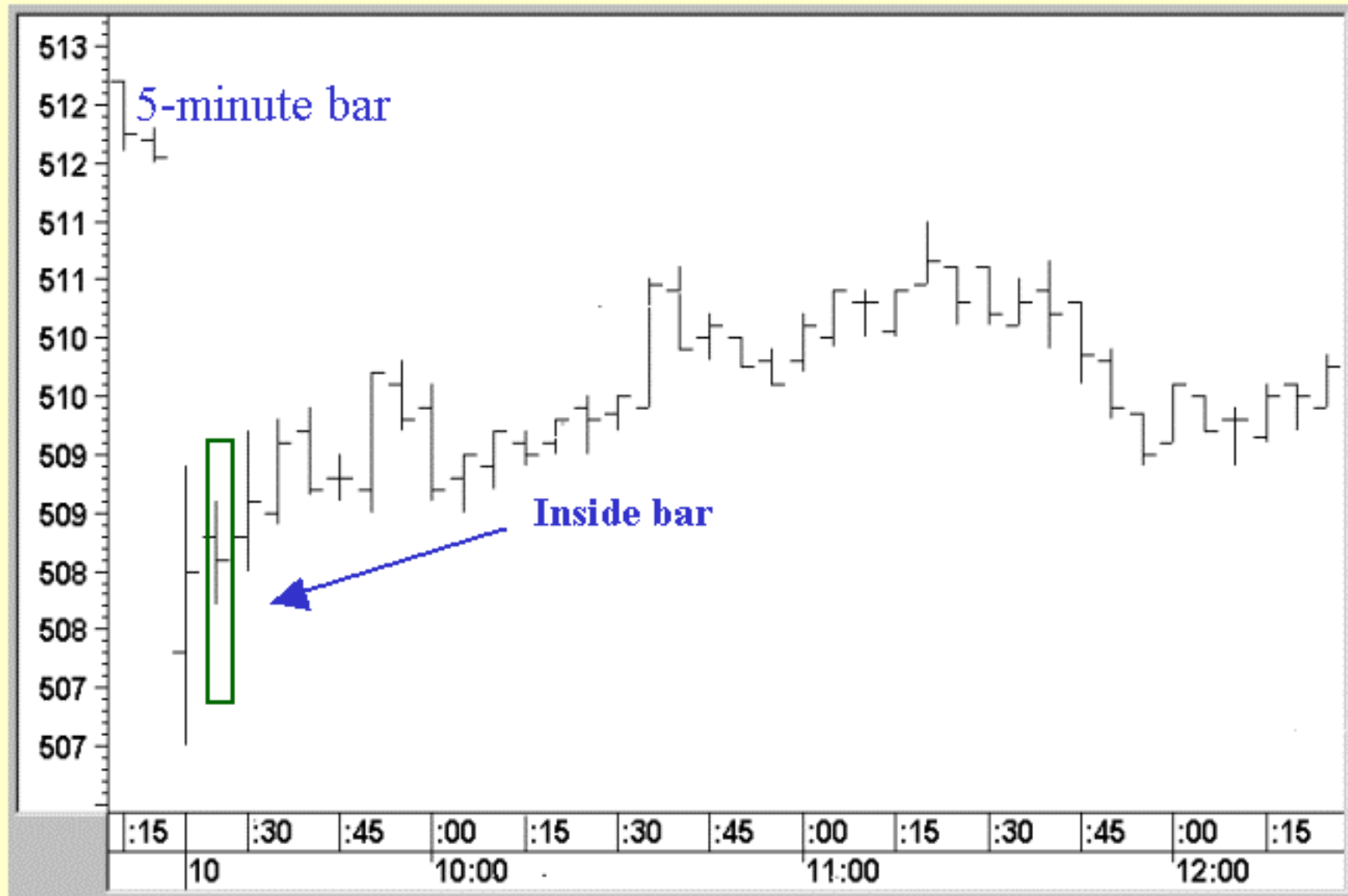
# December 1997 NYSE Composite



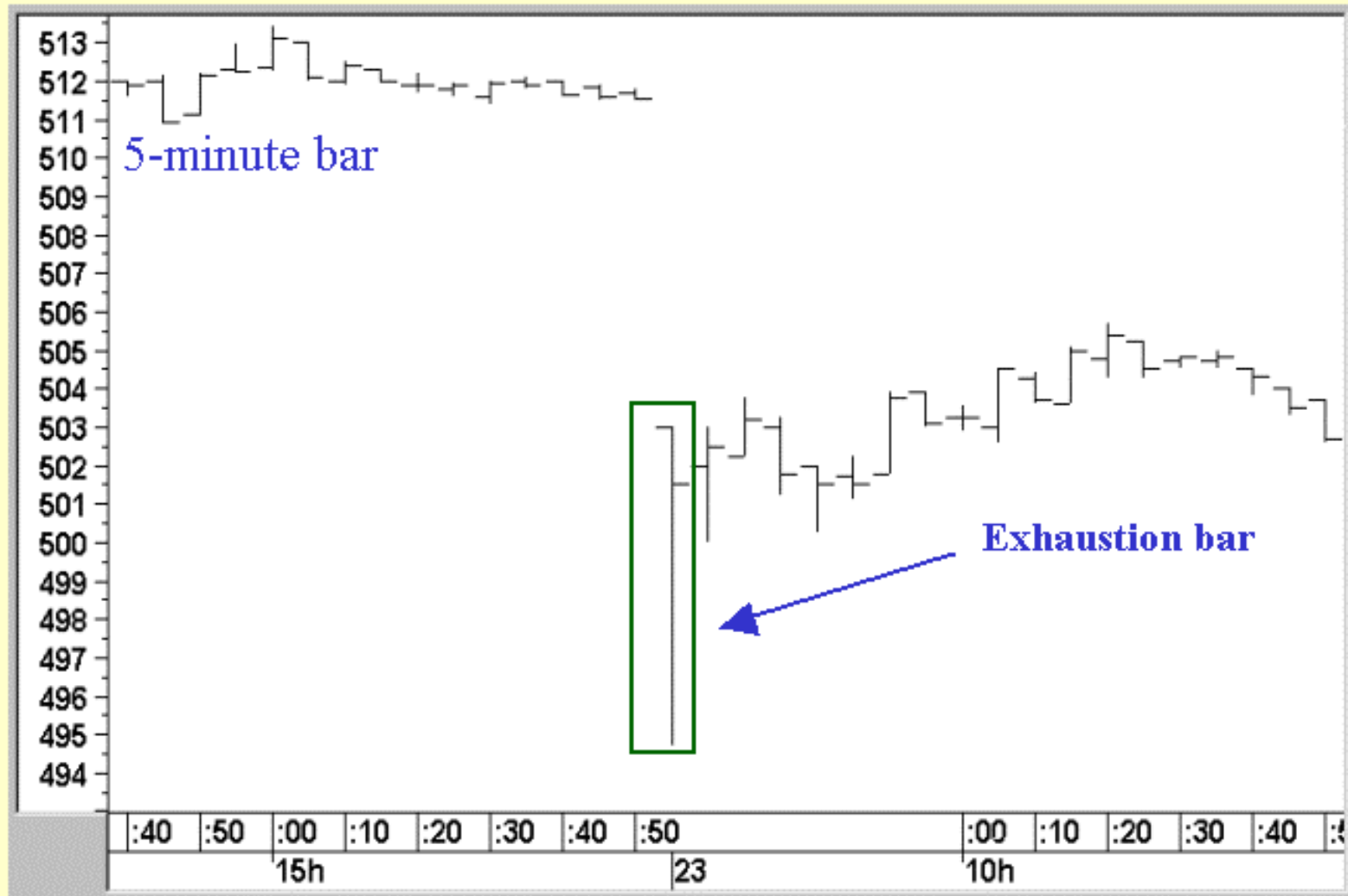
# December 1997 NYSE Composite



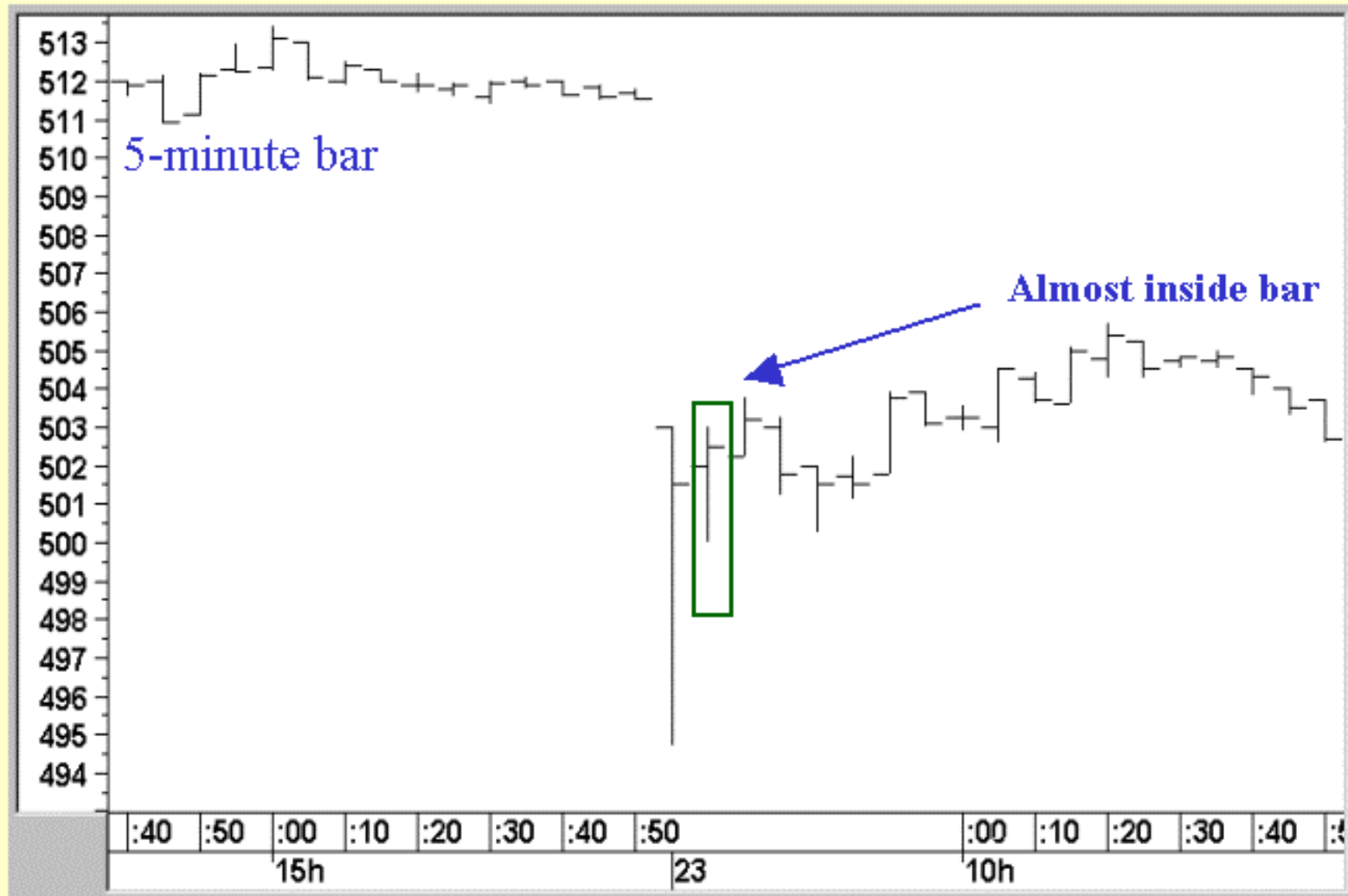
# December 1997 NYSE Composite



# December 1997 NYSE Composite



# December 1997 NYSE Composite

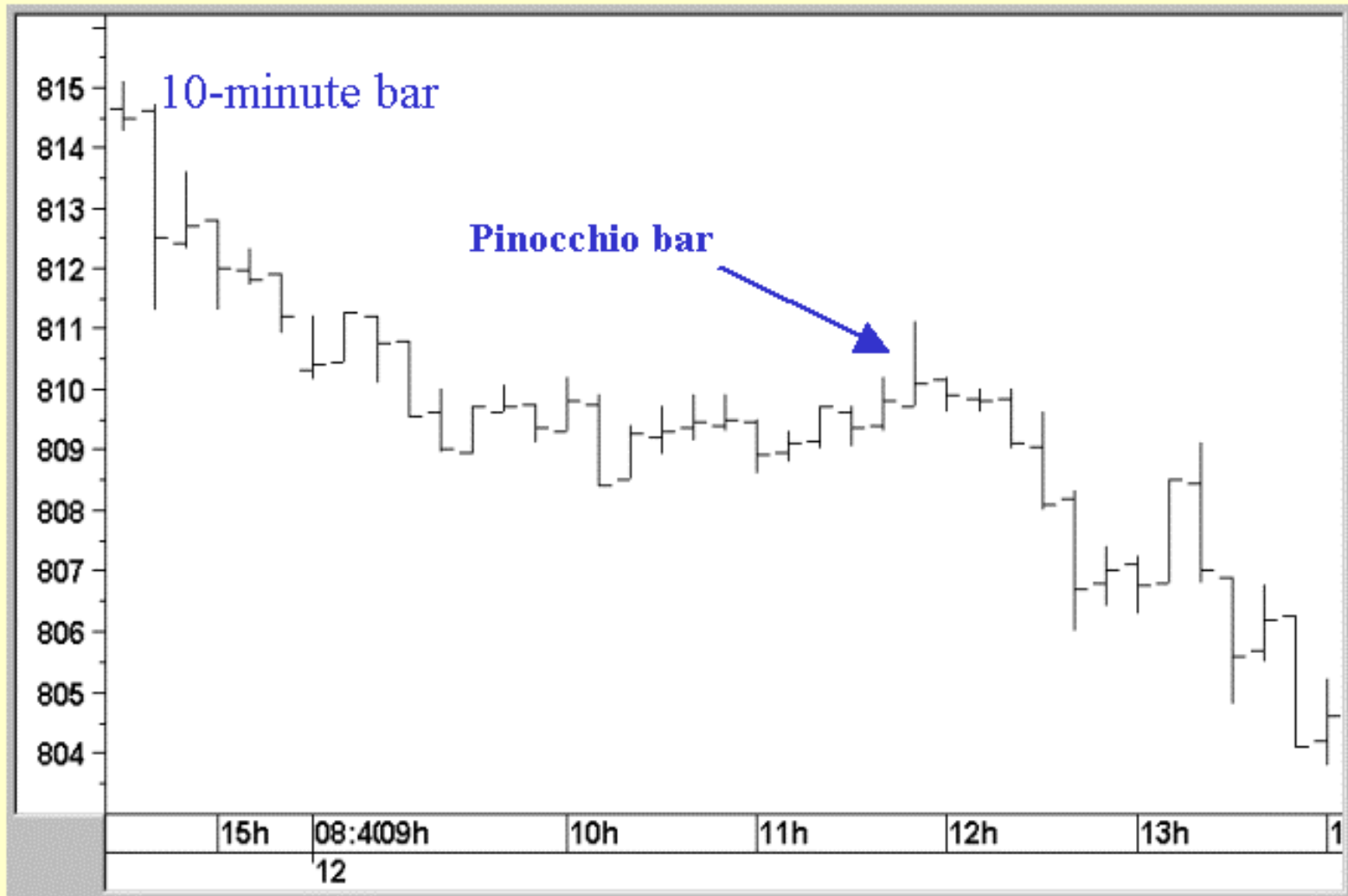




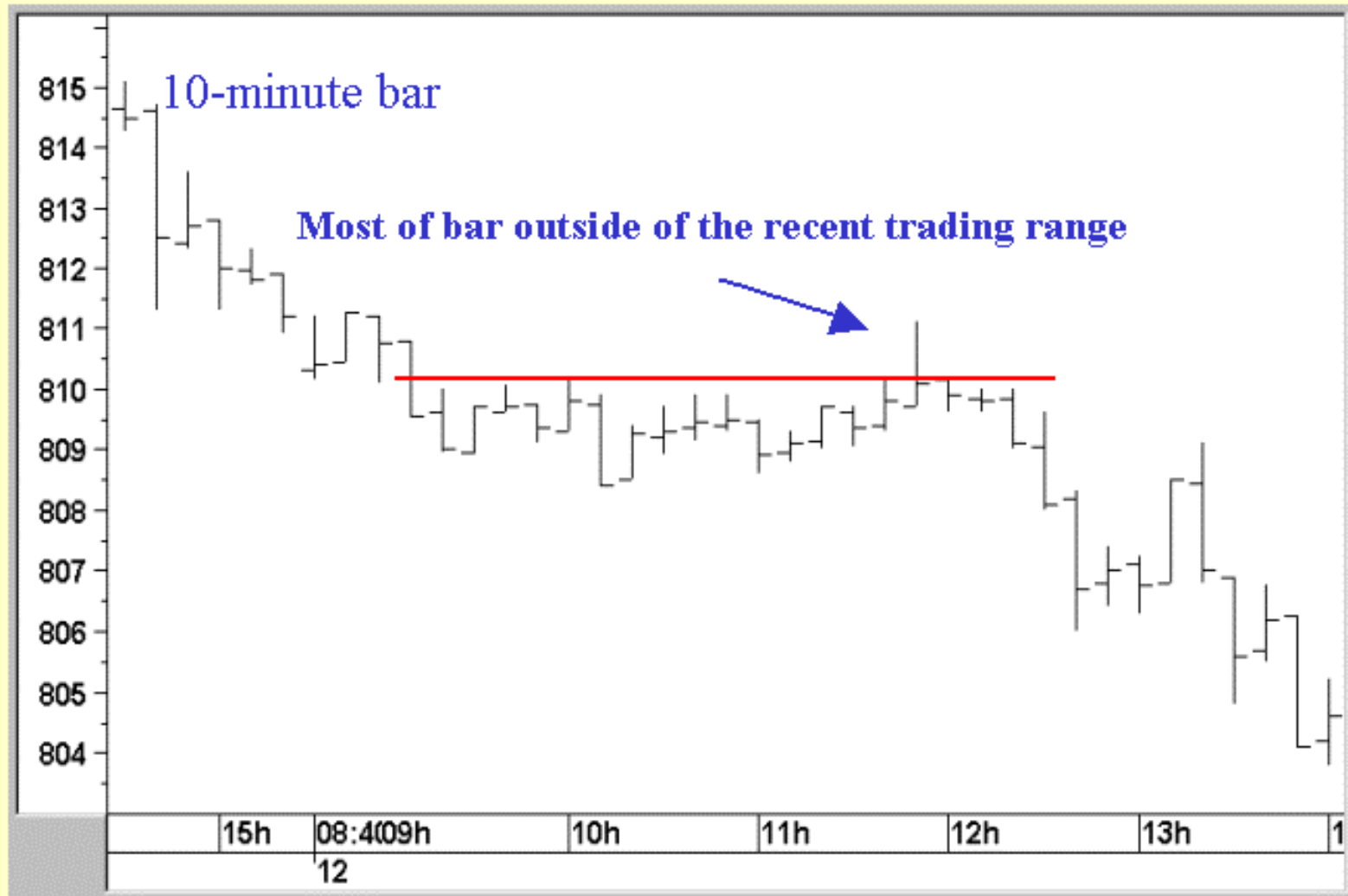
# *Pinocchio Bars*

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

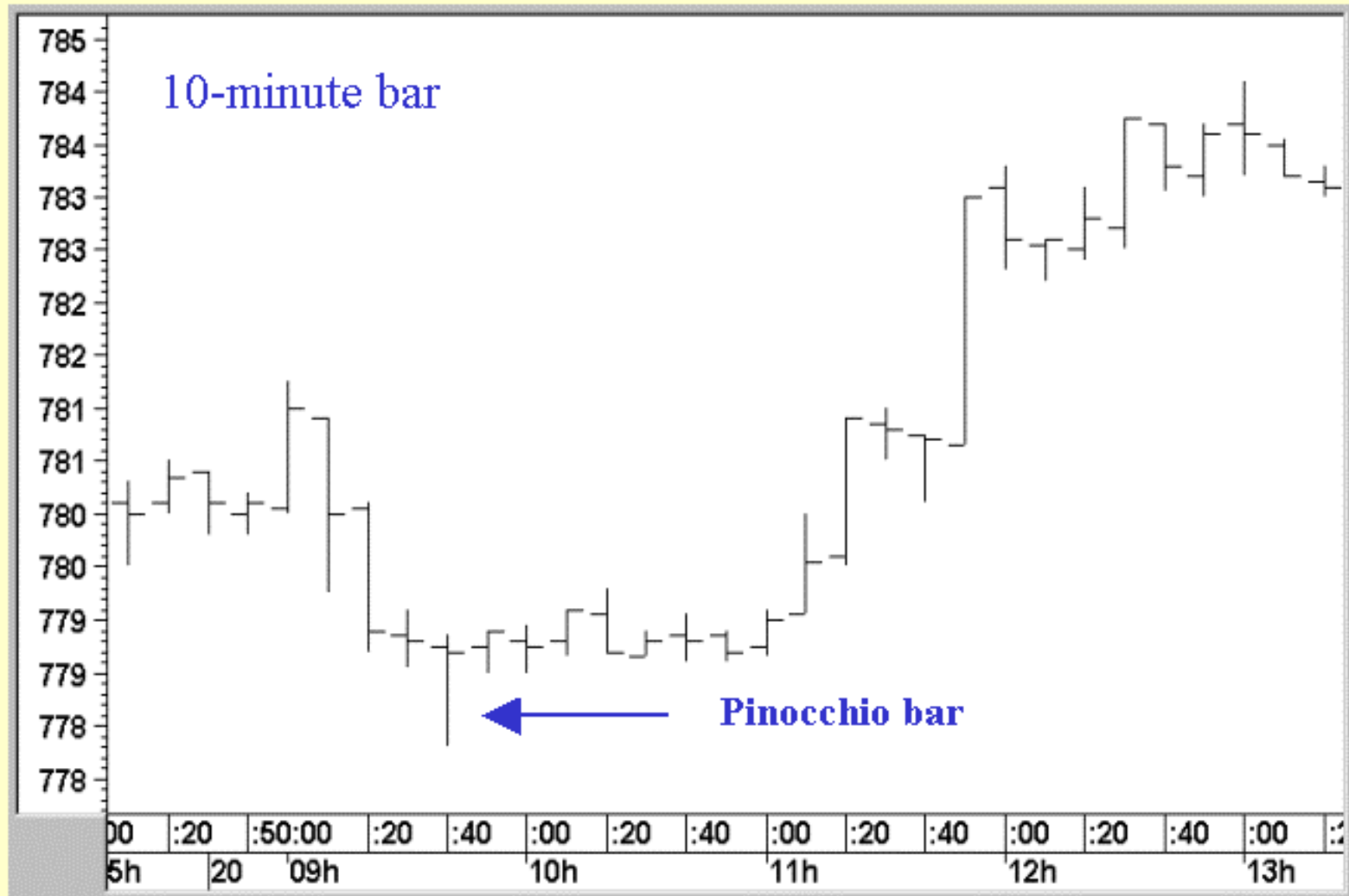
# March 1997 S&P Composite



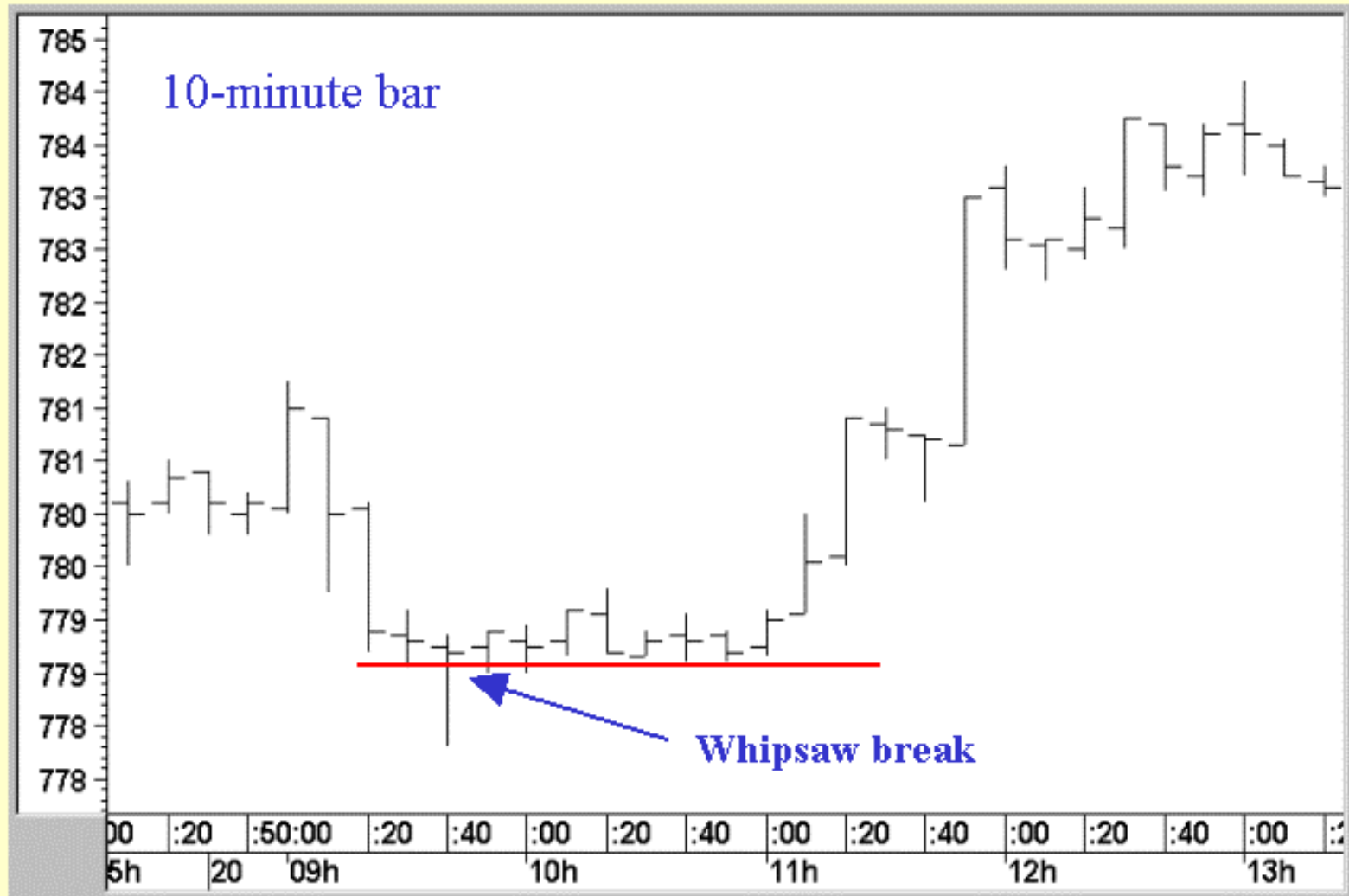
# March 1997 S&P Composite



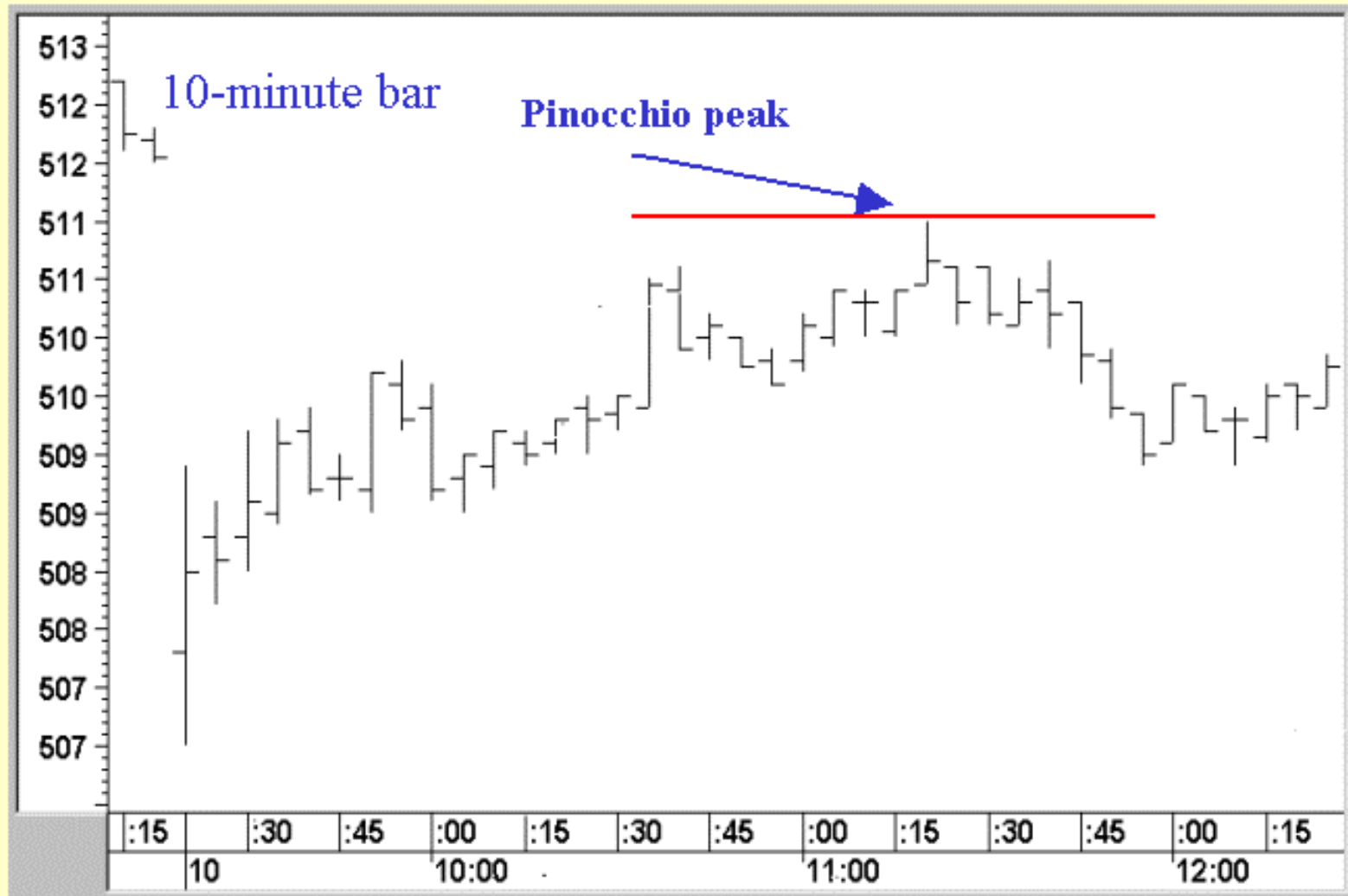
# March 1997 S&P Composite



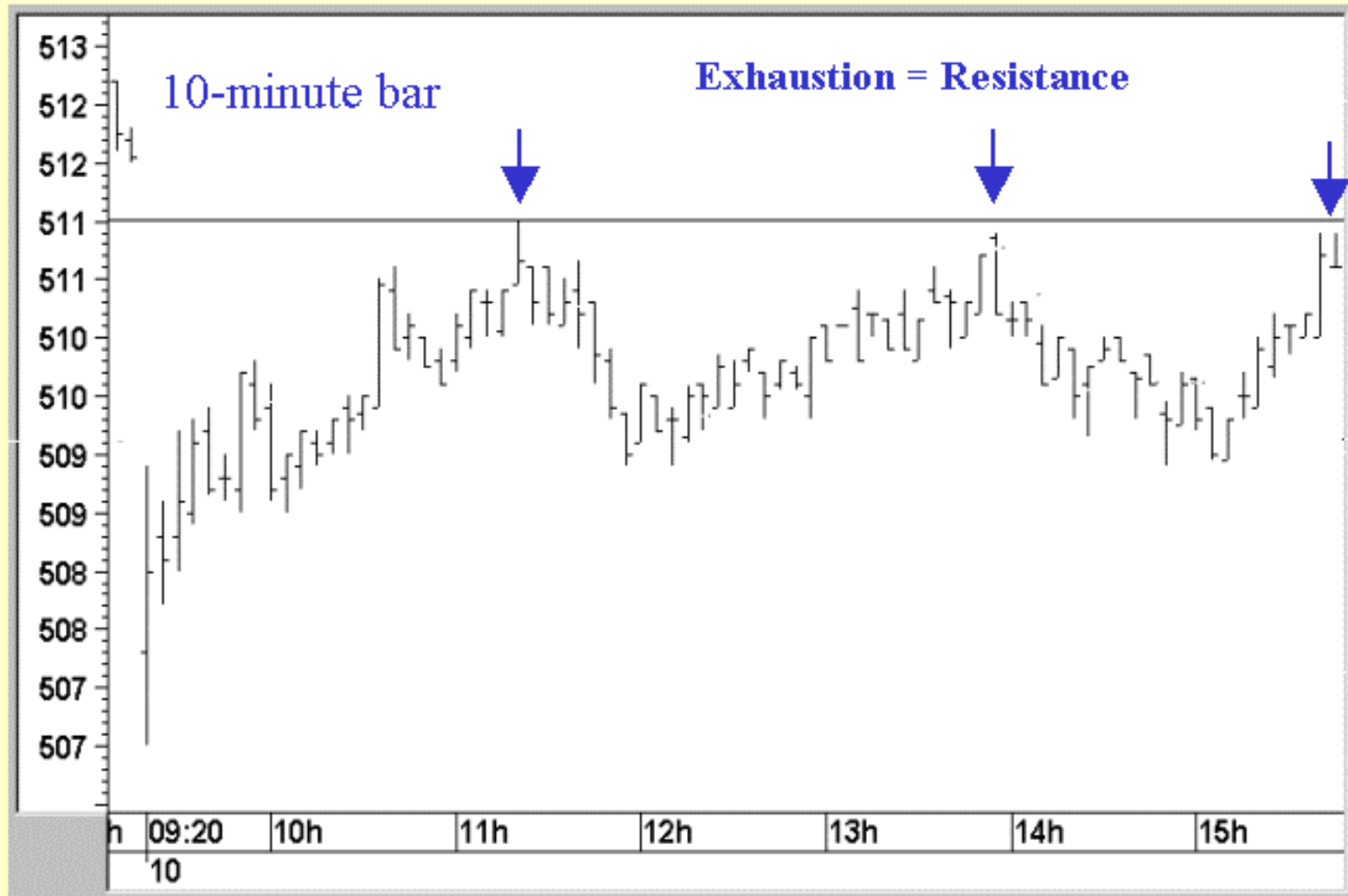
# March 1997 S&P Composite



# 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



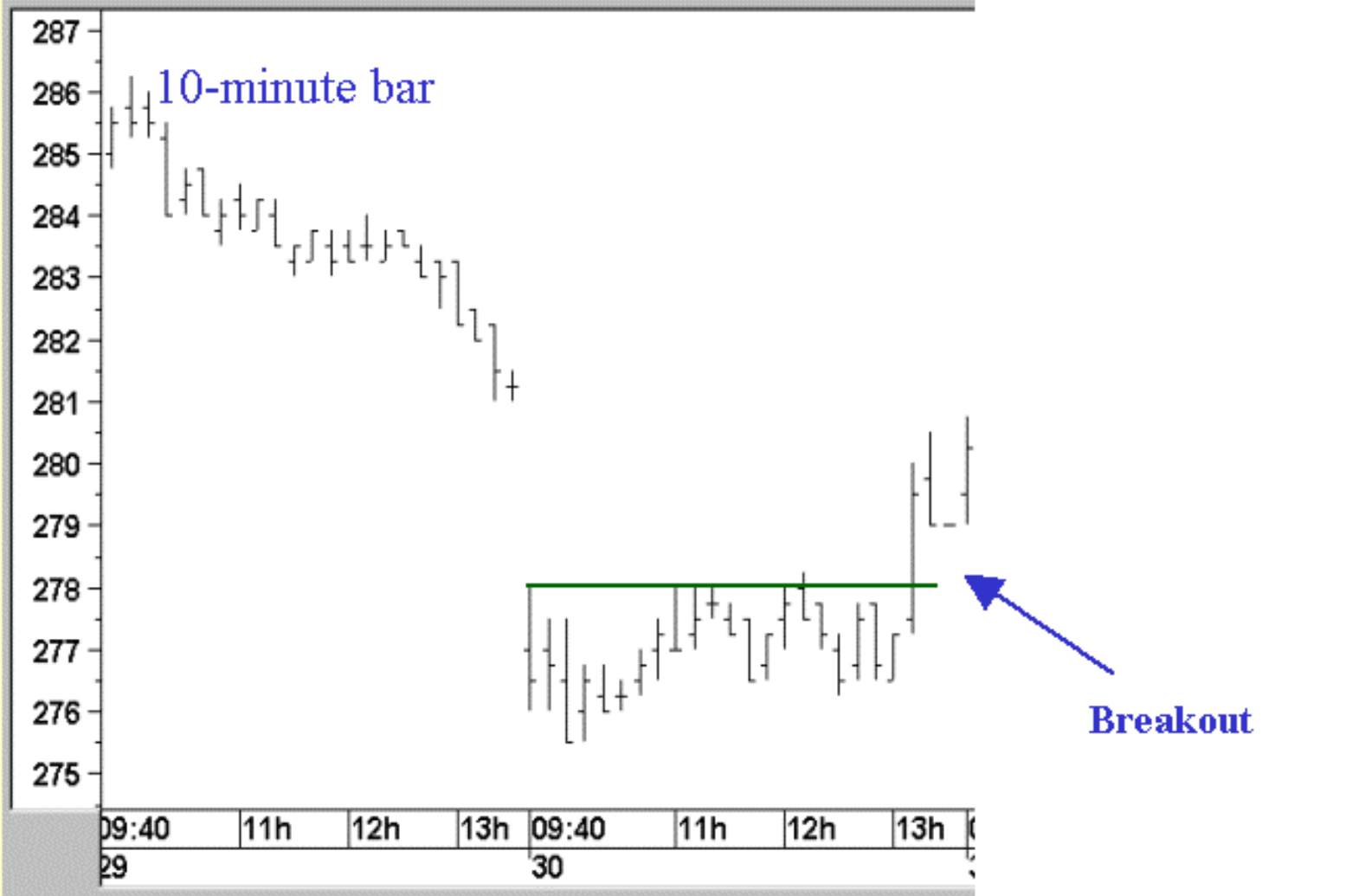
# December 1997 Corn



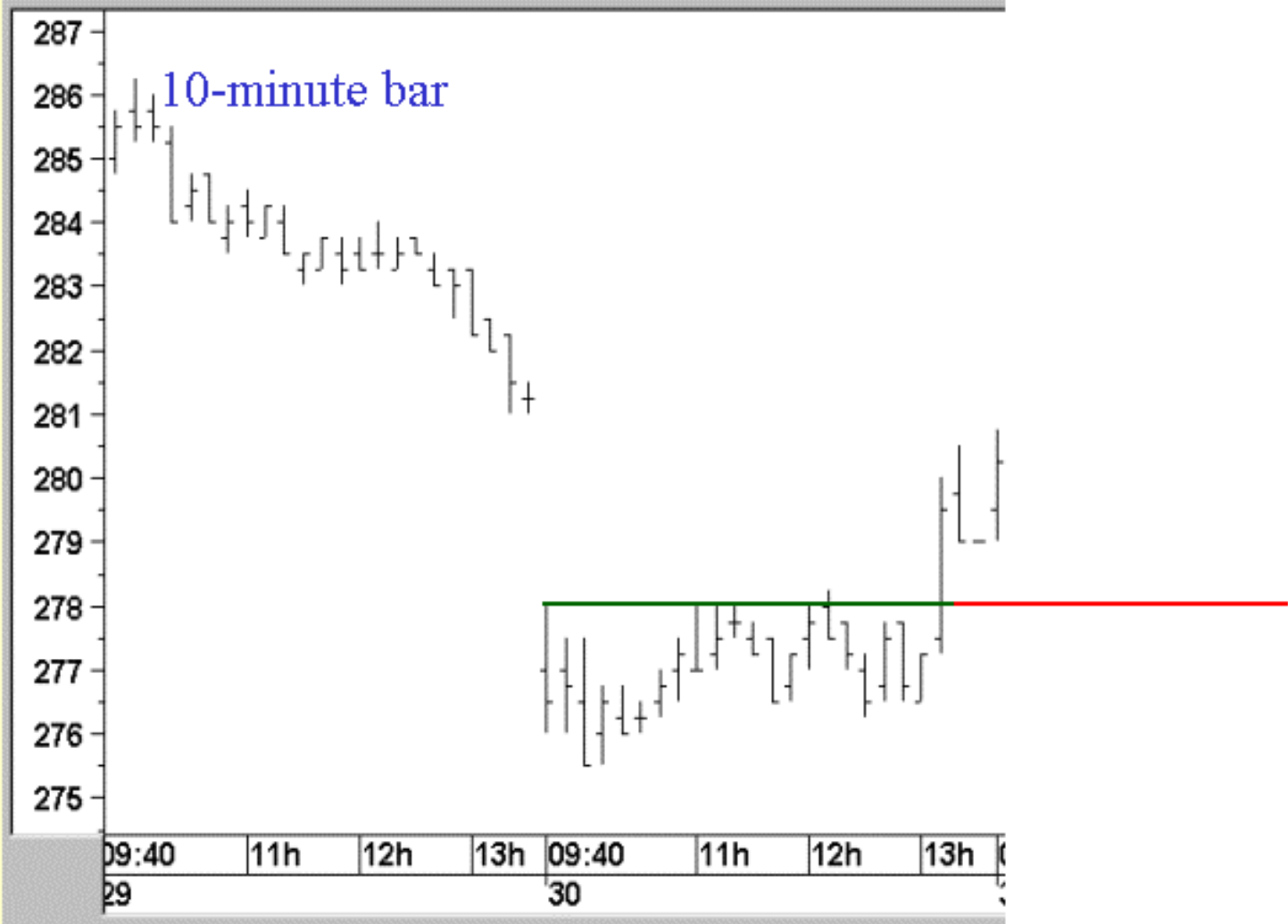
# December 1997 Corn



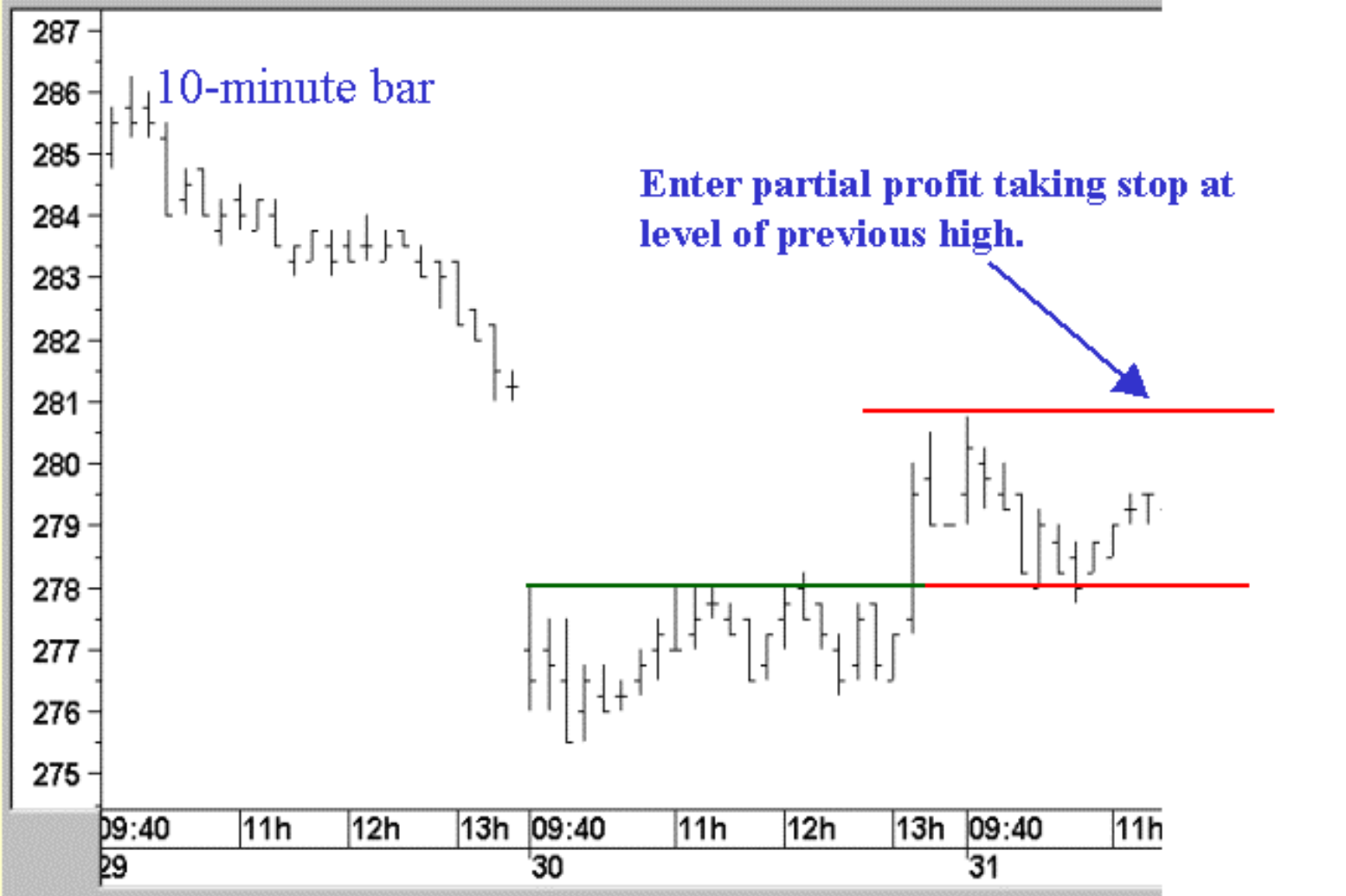
# December 1997 Corn



# December 1997 Corn



# December 1997 Corn



# December 1997 Corn



# December 1997 Corn





# Merrill Lynch Vs S&P Composite

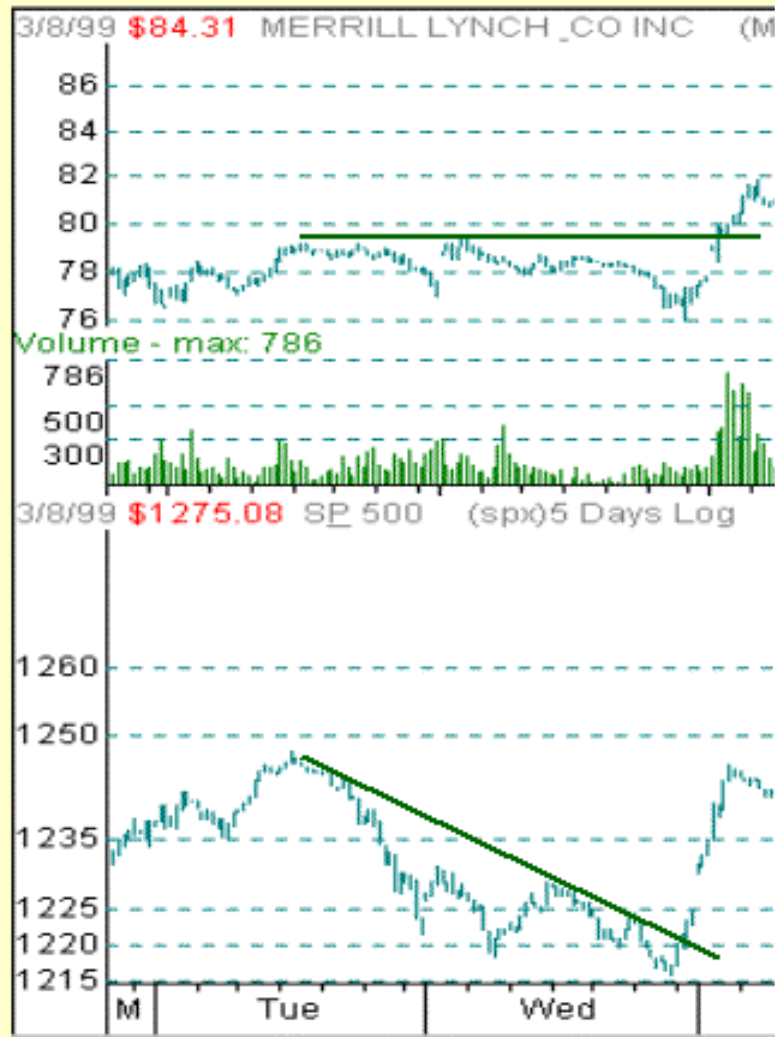


# Merrill Lynch Vs S&P Composite

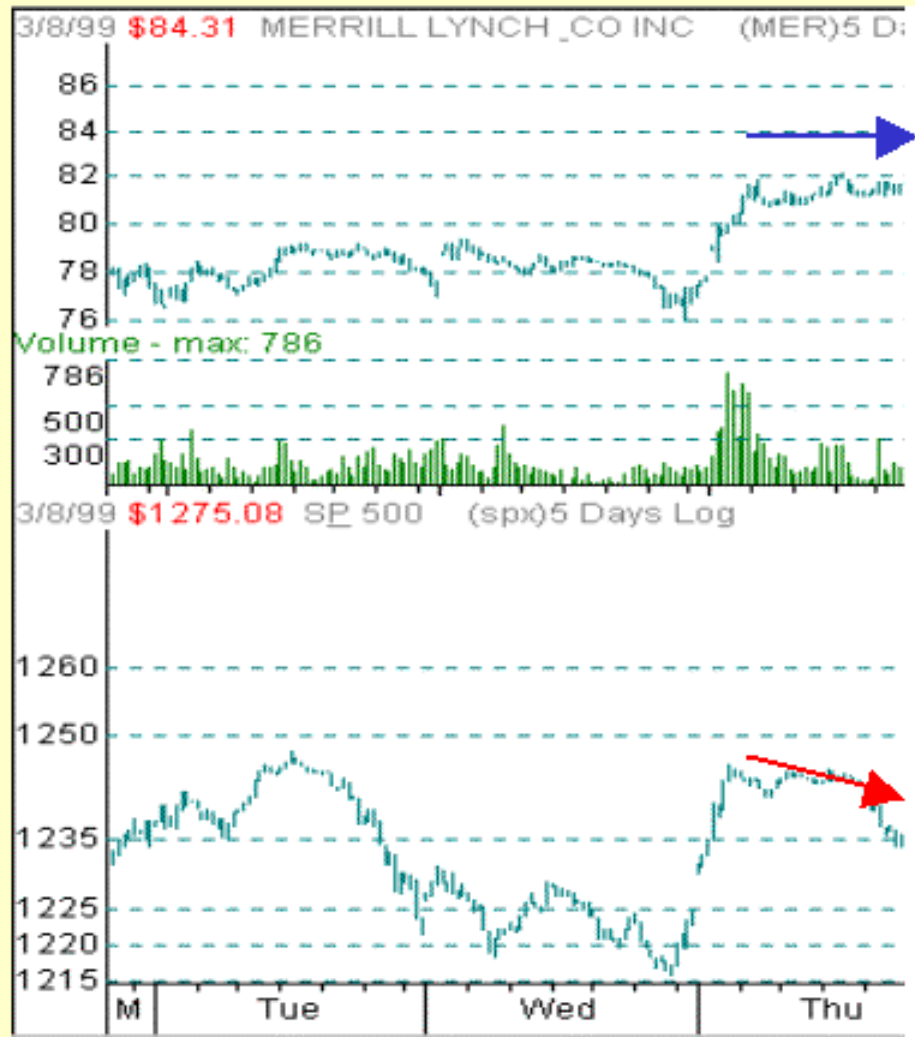


**Joint breakout**

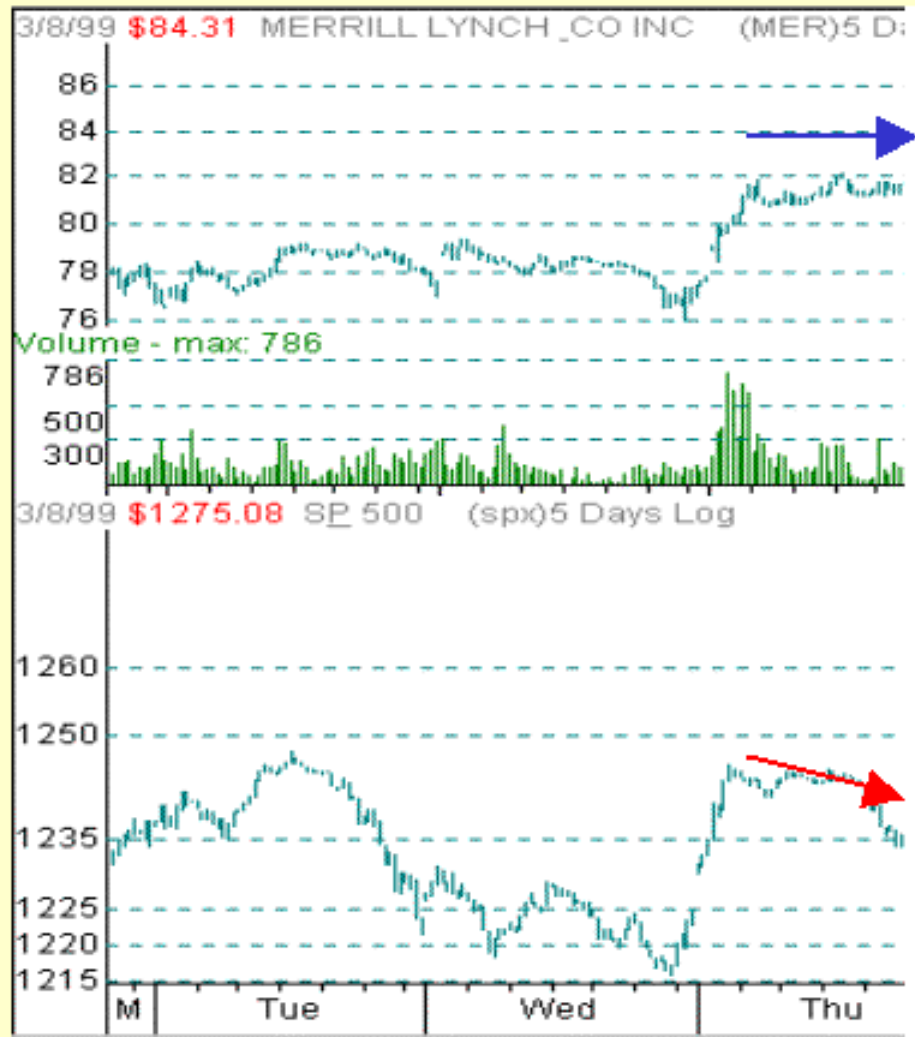
# Merrill Lynch Vs S&P Composite



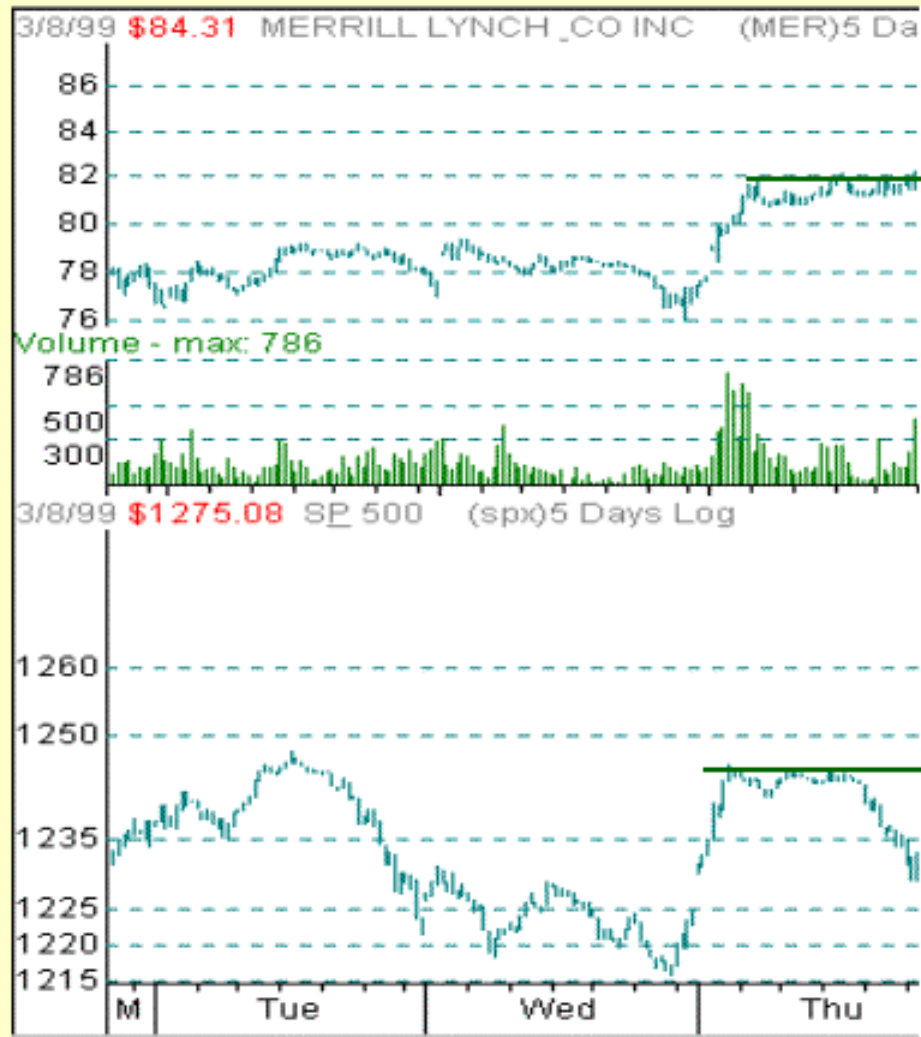
# Merrill Lynch Vs S&P Composite



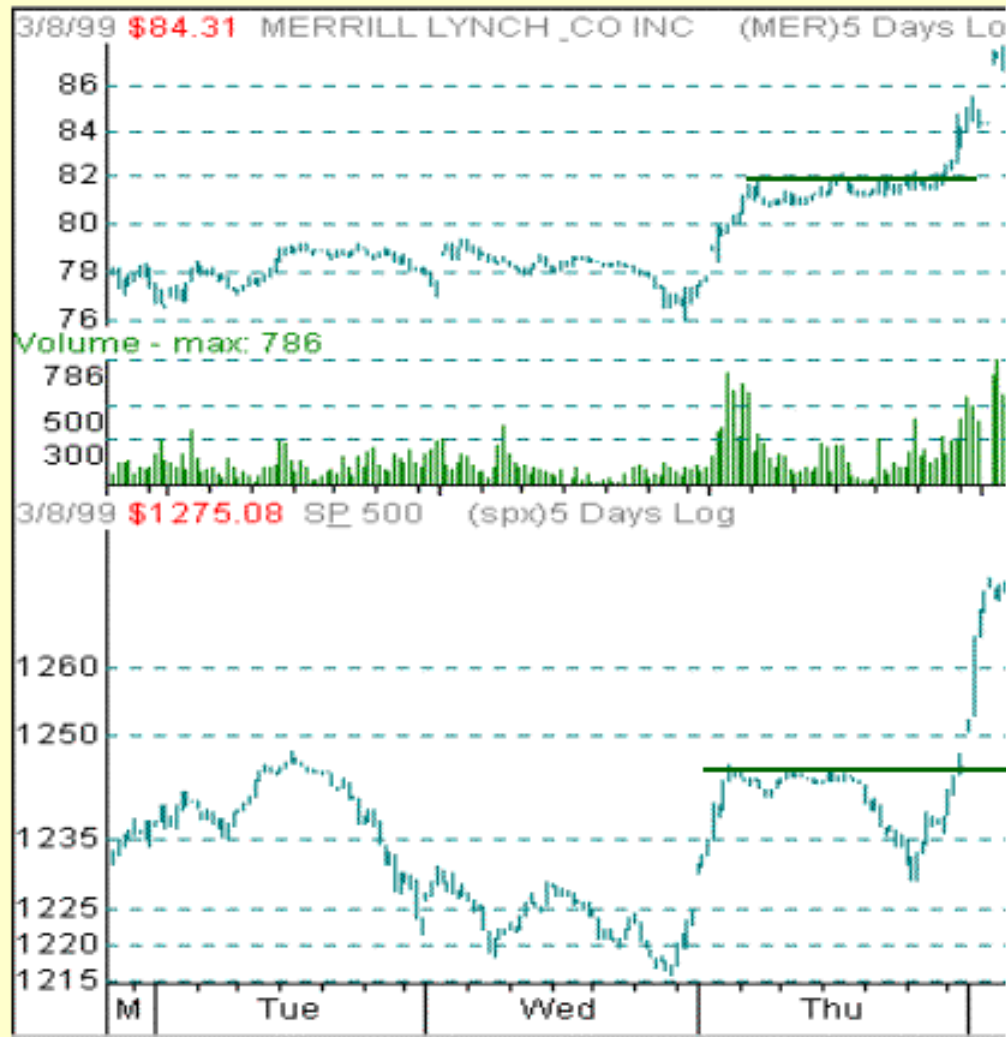
# Merrill Lynch Vs S&P Composite



# Merrill Lynch Vs S&P Composite



# Merrill Lynch Vs S&P Composite

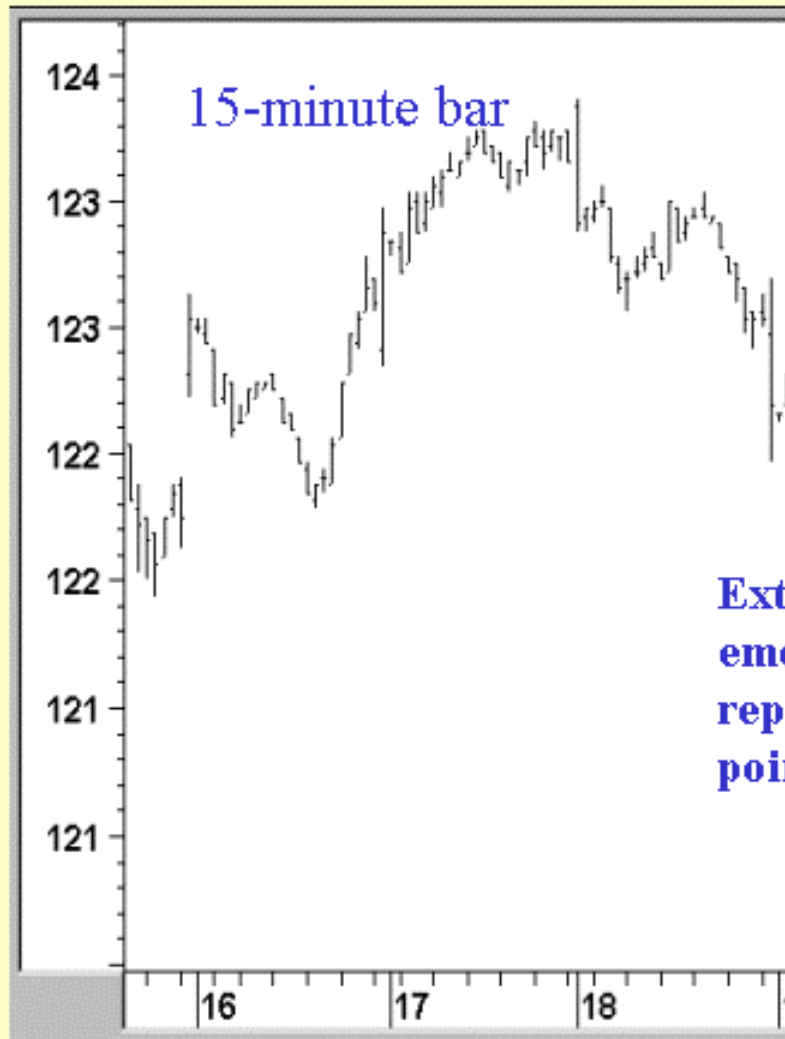


# Merrill Lynch





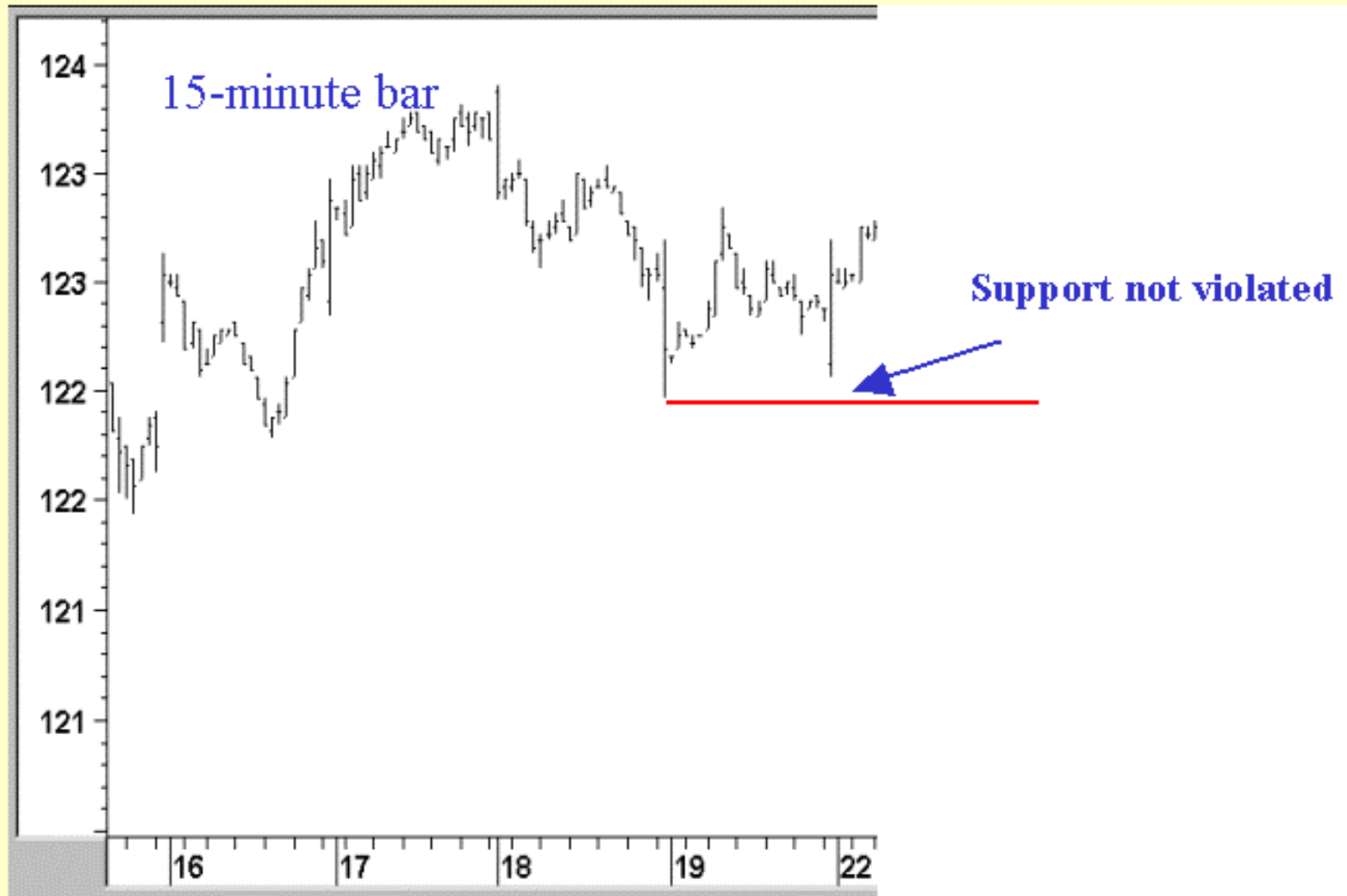
## June 1997 Bonds



15-minute bar

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

# June 1997 Bonds



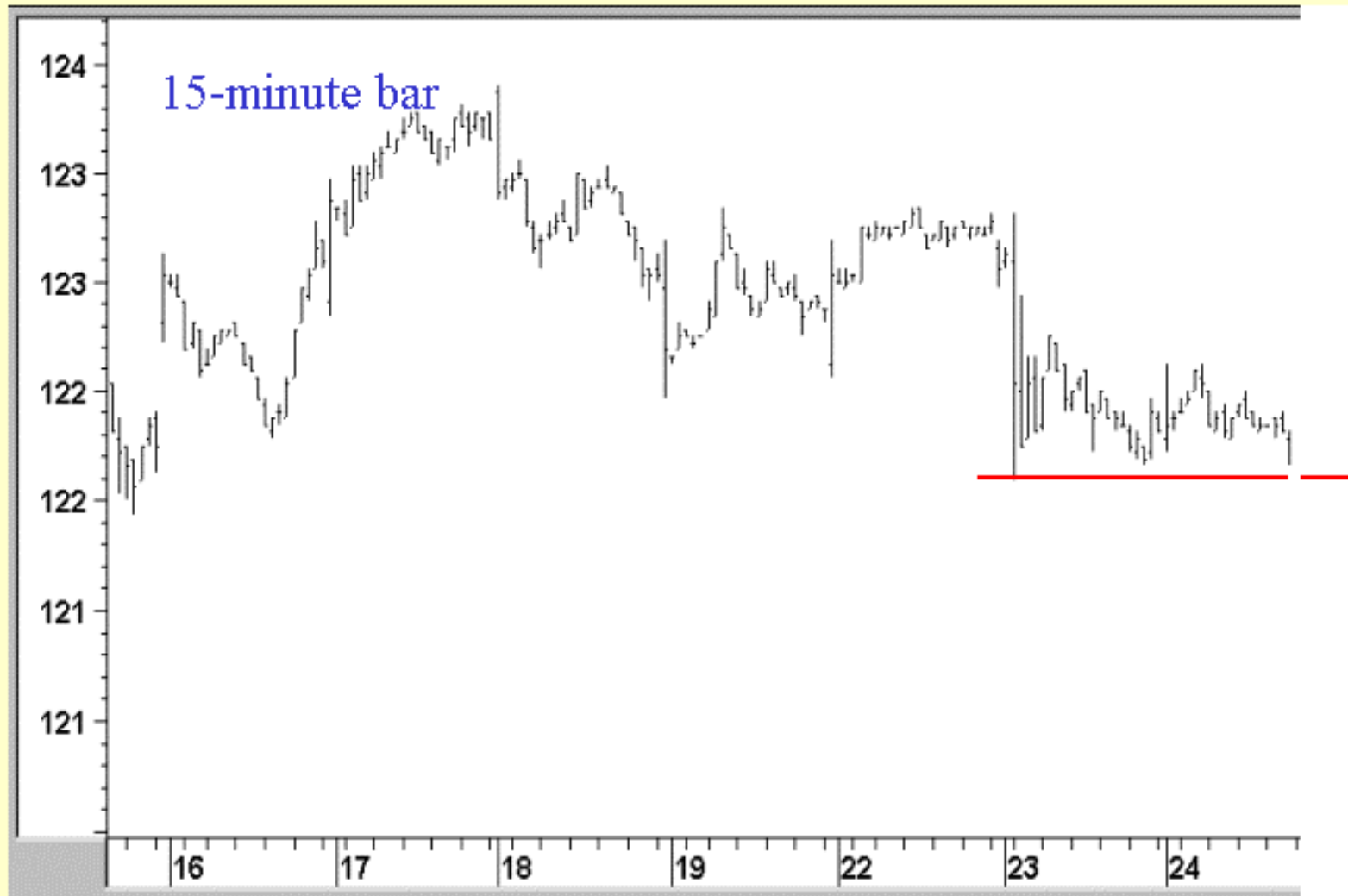
# June 1997 Bonds



# June 1997 Bonds



# June 1997 Bonds



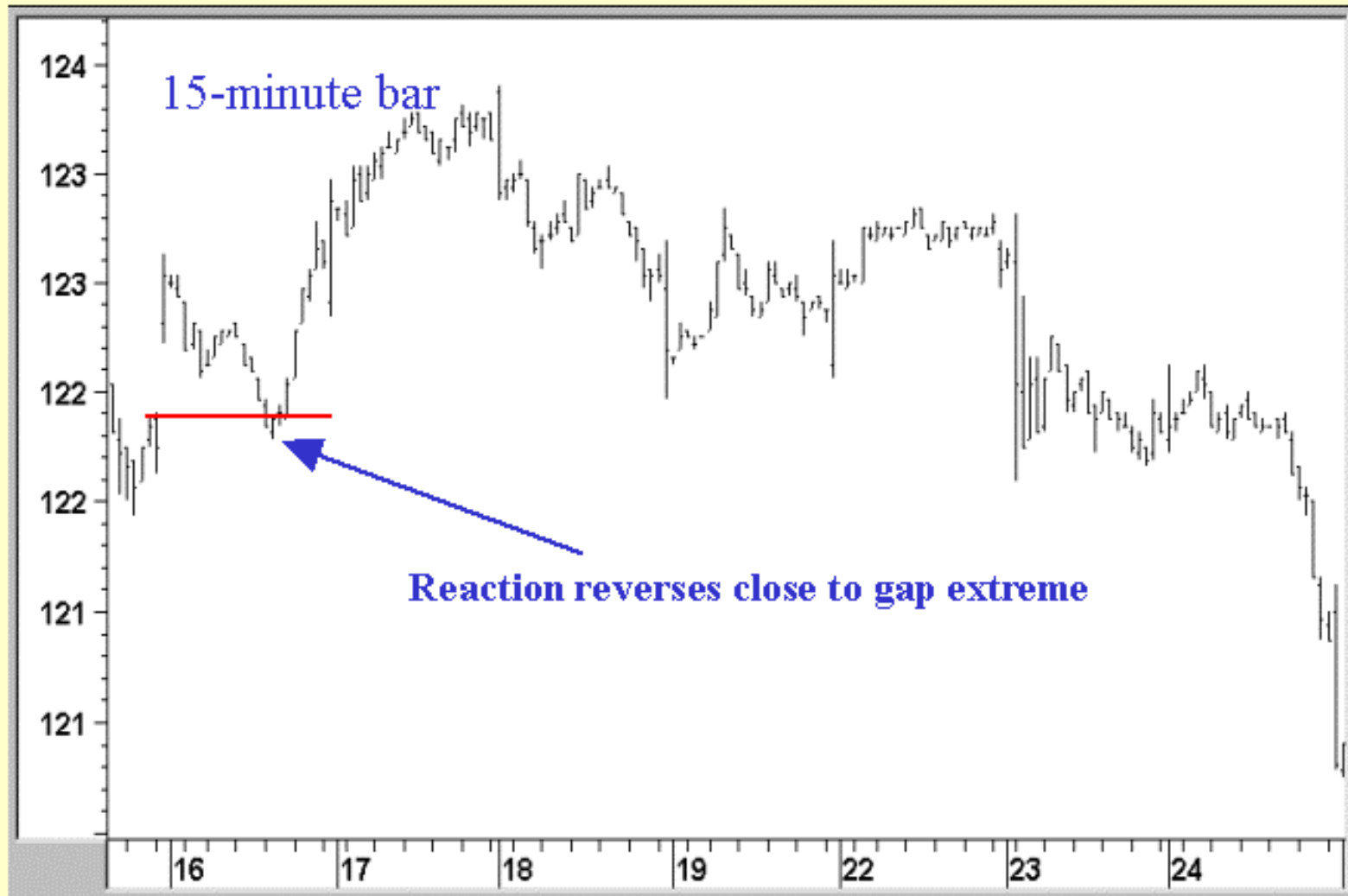
# June 1997 Bonds



# June 1997 Bonds



# June 1997 Bonds



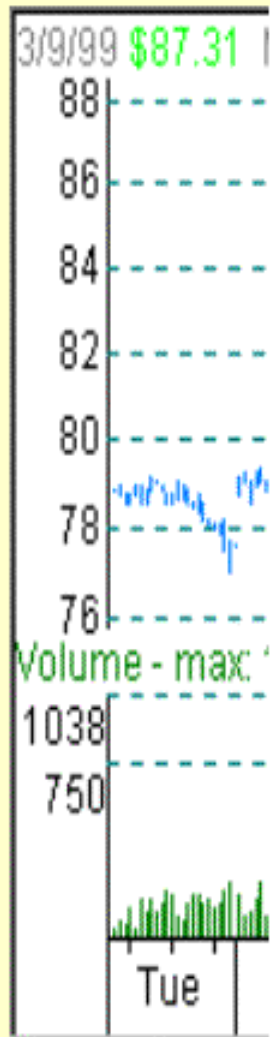


# Merrill Lynch



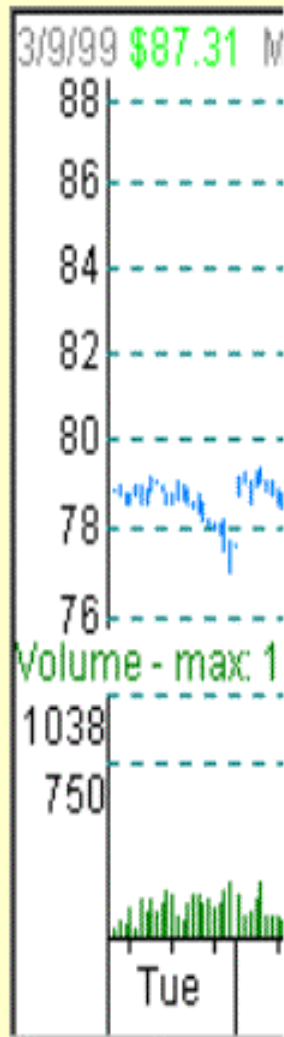
Price gaps up at the opening

# Merrill Lynch



Opening range is a trading range.

# Merrill Lynch

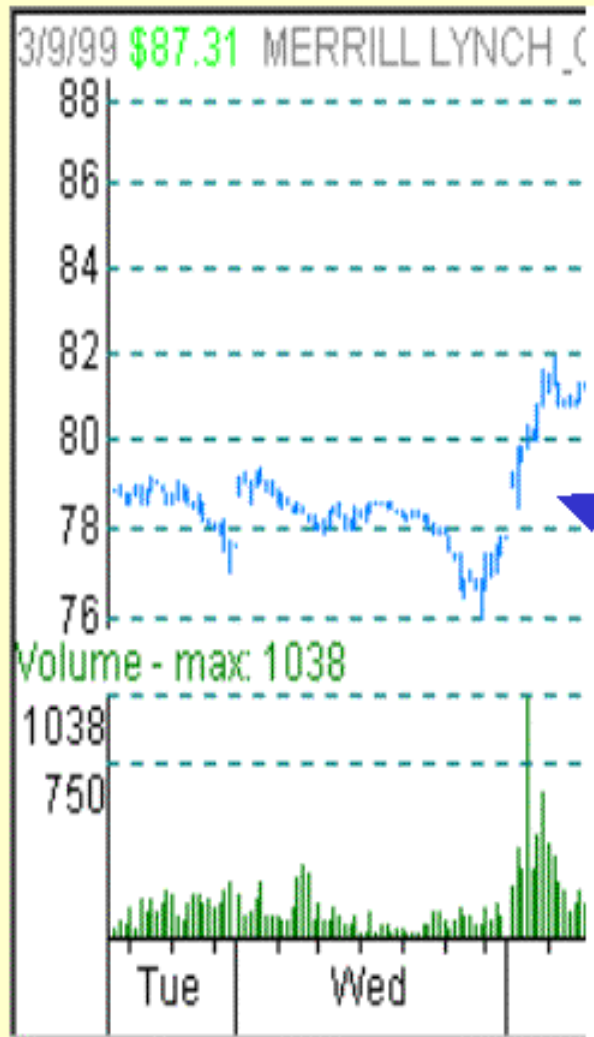


Price breaks to the downside.

# Merrill Lynch



# Merrill Lynch



Opening range resolved on the upside.

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# Merrill Lynch



# Merrill Lynch



**Violation sets the scene for the rest of the day.**



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