ADVANCED TECHNICAL SCREENING WITH THE NEW FIDELITY STOCK AND ETF SCREENERS

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Agenda

• An Event Driven Approach to Technical Analysis

• Major Classes of Technical Events
  • Short-term Patterns
  • Indicators and Oscillators
  • Classic Chart Patterns

• Using the New Fidelity Stock and ETF Screeners
  • Technical Screening for Stocks
  • Technical Screening for ETFs
  • Using Preset Expert Screens

• Q & A
What is Technical Analysis?

- Looking for patterns and relationships in price and volume history that identify attitudes of buyers and sellers
- Shifts in the balance of supply and demand
- To assist in making investment and trading decisions
An Example...

Prices move in trends until ...
Something changes to affect supply and demand
Prices move in trends until ...
Something changes to affect supply and demand
Marked by patterns in price and volume history
Types of Technical Events
Technical Event Classes

- **Short-term Patterns**
  - Based on the shape and relationship of candlesticks or price bars

- Indicators & Oscillators

- Classic Patterns
Hanging Man

A bearish reversal pattern

Small real body and very long lower shadow
Hanging Man

Want a lower shadow at least twice the size of the real body
Hanging Man

Two hanging men; which is the more significant?

A

B
Bearish Engulfing Pattern

Black candle’s real body completely “engulfs” the white one
Bullish Engulfing Pattern

White candle’s real body completely “engulfs” the black one

Bullish Engulfing Pattern
Bullish Engulfing Pattern

Engulfing pattern after a sharp decline is usually more effective
Bearish Engulfing Pattern

Engulfing pattern after a sharp rally is usually more effective
Engulfing Patterns

Stronger because it engulfs the real body and wicks.
Outside Bars

We want the close to be in the lower end of the trading range
Inside Bars

Second bar encompassed by the first
Inside Bars

Second bar encompassed by the first
Inside Bars

Better inside bar
Key Reversal Bar

- Open well up on previous close
- Close is close to or below previous close
- Wide trading range
Technical Event Classes

• **Short-term Patterns**
  • Based on the shape and relationship of candlesticks or price bars

• **Indicators & Oscillators**
  • Based on moving averages and various mathematical functions

• **Classic Patterns**
  • Distinct price swings forming shape on chart
Indicators and Oscillators

• These are numerical calculations that help understand and anticipate price moves
  • Determine if prices are in a trend or whether they are in a trading range
  • Identify extreme points of the price movement
  • Identify points where prices might be expected to reverse
Various Types

- **Trend following**
  - Smooths price so trends can be seen as lines

- **Momentum**
  - Measures the speed or direction of price changes

- **Stochastics**
  - Measures the position of the close price relative to the recent highs and lows
Moving Averages

• Simple Moving Average is defined to be the average price over last $N$ days
  • Also Exponential MA, Weighted MA, Adaptive MA, etc.

• Work best in trending markets

• Time frames are relative
  • 200 day moving average used in silver because Kodak used it to monitor inventory levels
  • 4 month moving average used for soybeans because that is the shelf life of margarine
Momentum Oscillators

- Measures the rate-of-change of a price relative to a price \( N \)-days ago
- Scale is a numeric range rather than price
  - e.g. 0 to 100, or -1 to +1, etc.
- Includes
  - Rate of Change (ROC) indicator
  - Relative Strength Index (RSI)
- Extremes represent overbought and oversold conditions
Momentum crossing below the 0% line is bearish, above the 0% line is bullish.
Technical Event Classes

• Short-term Patterns
  • Based on the shape and relationship of candlesticks or price bars

• Indicators & Oscillators

• Classic Patterns
  • Distinct price swings forming shape on chart
Head and Shoulders Bottom
Head and Shoulders Bottom

Confirmation
Pattern Height = Expected Move
Pattern Duration = Trading Horizon
Triple Bottoms / Tops

- The Triple Bottom starts with prices moving downward followed by three sharp lows.
- Volume decreases with each successive low and finally bursts as the price rises above the highest high confirming a bullish price reversal.
- Bearish counterpart is the Triple Top.
Double Bottoms / Tops

- The Double Bottom pattern marks the reversal of a prior downtrend.
- The price forms two distinct lows that are roughly the same level.
- Price finally breaks upward above the highest high to confirm the bullish signal.
- Bearish counterpart is the Double Top.
Triangles

- The bullish triangle is characterized by two converging trendlines as prices reach lower highs and higher lows.
  - At roughly 2/3 to 3/4 of the distance to the apex, the price breaks upward above the upper trendline with a noticeable increase in volume.
- Types of triangles include: top triangles, bottom triangles and bullish/bearish continuation triangles.
Upside / Downside Breakouts

- The Upside Breakout pattern occurs when the price breaks upward through the top of a trading range marked by horizontal trendlines.
- This bullish pattern indicates a change in sentiment amongst traders.
- Bearish counterpart is the Downside Breakout.
Megaphone Bottom / Top

- The rare Megaphone Bottom (a.k.a. Broadening Pattern) is characterized by its successively higher highs and lower lows which form after a downward move.

- The bullish pattern is confirmed when the price breaks upward above the highest high and fails to fall below this level again.

- The bearish counterpart is the Megaphone Top.
Diamonds

- A bullish Diamond pattern is characterized by prices forming higher high and lower lows in a broadening pattern. The trading range then narrows with lower highs and higher lows forming.
- The price breaks upward above the upper trendline signaling the formation of a new trend.
- Volume may remain high during the formation of a Diamond pattern.
- Types of Diamonds include: Diamond Bottom, Diamond Top, Bullish/Bearish Continuation Diamond.
Rounded Bottoms / Tops

- A Rounded Bottom follows a downtrend forming a gradual bowl-shape reflecting a shift in the balance of supply and demand. Volume tends to mirror the price pattern.
- As sentiment turns, the price starts to move upward and volume begins to increase.
- The bullish pattern is confirmed when the price crosses above its moving average.
- Bearish counterpart is the Rounded Top.
Short-term Patterns

- Gap ups and downs
- Hammers
- Shooting stars
- Bullish engulfing line
- Bearish engulfing lines
- Gravestones
- Hanging man
- Inverted hammers
- Island bottoms
- Island tops
- Shooting stars
- And more…

Classic Chart Patterns

- Head and shoulders tops and bottoms
- Symmetrical continuation triangles
- Double tops and bottoms
- Ascending continuation triangles
- Descending continuation triangles
- Bottom triangles / wedges
- Top triangles / wedges
- Continuation diamonds
- Continuation wedges
- Diamond tops and bottoms
- Megaphone tops and bottoms
- Triple tops and bottoms
- Upside breakouts
- Downside breakouts
- And more…

Indicators and Oscillators

- Price Crosses Moving Average
- Double moving average crossovers
- Triple moving average crossovers
- MACD (Moving average convergence divergence)
- Momentum
- Relative strength indicator (RSI)
- Short-term KST
- Intermediate-term KST
- Long-term KST
- And more…
Using the New Fidelity Screeners

Create your own screens with the fundamentals and trading criteria you find interesting

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Using the New Fidelity Screeners

Add Technical Events and see the number and type of matching events

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Also Screen for ETFs using Technical Events

ETF/ETP* Screener

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The Fidelity ETF Screener is a research tool provided to help self-directed investors evaluate these types of securities. The criteria and inputs entered are at the sole discretion of the user, and all screens or strategies with preselected criteria (including expert ones) are solely for the convenience of the user. Expert Screeners are provided by independent companies not affiliated with Fidelity. Information supplied or obtained from these Screeners is for informational purposes only and should not be considered investment advice or guidance, an offer of or a solicitation of an offer to buy or sell securities, or a recommendation or endorsement by Fidelity of any security or investment strategy. Fidelity does not endorse or adopt any particular investment strategy or approach to screening or evaluating stocks, preferred securities, exchange-traded products, or closed-end funds. Fidelity makes no guarantees that information supplied is accurate, complete, or timely, and does not provide any warranties regarding results obtained from its use. Determine which securities are right for you based on your investment objectives, risk tolerance, financial situation, and other individual factors, and reevaluate them on a periodic basis.
Leverage Preset Expert Screens

Stock Screener

Start your stock screen by applying filters to the left

OR

Start a predefined screen developed by experts

About Technical Screens

Independent expert screens that focus on companies that exhibit trend, support and resistance, as well as momentum through the use of chart patterns and technical indicators. Technical Analysis uses historical data in order to attempt to identify future securities price movements. When used in conjunction with other technical analysis techniques or fundamental analysis, it can help you identify possible entry and exit points for trades and may help you achieve your investing goals. Learn More

Technical

Bears in the Woods
Recogina, Inc.
To identify companies that have extended fundamental price ratios, have experienced a recent bearish short-term technical structure, and have a history of higher than average... Learn More

Bottom Fishing
Recogina, Inc.
Many an investor has contemplated the conundrum of buy low and sell high. In this strategy we focus first on the buy low part of that immortal question and then use some technic... Learn More

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To pinpoint very short term trading plays based on simple intra-day price and volume anomaly identification - strengthened by a potential short-term technical bullish move initiated by a ... Learn More

Bullish Chart Patterns
Zad's Investment Research, Inc.
To find stocks in bullish price patterns, i.e. chart patterns. Since a stock's chart reflects the collective buying and selling of the participants and since the buying and selling is most likely... Learn More

Technical

Diamonds are Forever-Bullish
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Falling Stars
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Good Relative Strength
S&P Capital IQ
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Growing on Trees
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Thank You