A Fidelity Investments Webinar Series

Getting Started with Technical Analysis
BROKERAGE: TECHNICAL ANALYSIS

Defining Technical Analysis

Charts, Chart Types, and Chart Construction

Best Practices for Trend Traders

Basics of Trend Analysis

Agenda
Defining Technical Analysis
Fundamental Analysis & Technical Analysis

Two Common Types of Analysis
Defining Technical Analysis

Definition

Technical analysis primarily studies historical market data. It also:

- Focuses on the supply-and-demand dynamic expressed via stock prices
- Visualizes shifts in supply-and-demand which can be seen in chart patterns
- Accounts for the emotional aspects of the marketplace
- Quantifies the capital risk of trading and investment decisions
- Does not try to predict the future
Defining Technical Analysis

Assumptions

- Prices in freely traded markets are determined by the economic principles of supply-and-demand
- Price discounts everything
- Prices are nonrandom but not necessarily predictable
- Prices have direction and tend to travel in observable trends
- Behavior and history in the marketplace will repeat itself
- Price patterns summarizing behavior are “fractal”
Charts, Chart Types, and Chart Construction
Charts, Chart Types, & Chart Construction

Overview

Analyze price behavior

Easily visualize the patterns and trends within data
The Value of Reversal Points

The longer the trend, the more important the reversal point

Reversal point importance is determined by the length of the trend before and after the peak or trough.
Basics of Trend Analysis
The Value of Trends

Technical analysis is based on the principles of trends

Trends arise from the interaction of buyers and sellers

Profit is made from a trend in prices

A trend’s direction is described by the relative location of peaks and troughs
An uptrend has successively higher peaks and higher troughs.

Uptrend
Downtrend

A downward trend has successively lower peaks and lower troughs.
Sideways Trend

A sideways trend is a period with no clear direction in prices.
Support and Resistance

Support
Horizontal line drawn through troughs at the same price level

Resistance
Horizontal line drawn through peaks at the same price level
Profiting from a Trading Range

Green points are candles that hit support and resistance levels on close.

Red are intraday and do not close at support and resistance.
When Support Becomes Resistance

Once the price breaks through support, that support becomes future resistance.

When the price eventually rallies back to that level, it hits selling pressure and reverses back down again.
Entry Strategy
Exit Strategy

The trend line crosses previous troughs.

A trigger could be a breakout below the rising trend line.
Important Information

Any screenshots, charts, or company trading symbols mentioned, are provided for illustrative purposes only and should not be considered an offer to sell, a solicitation of an offer to buy, or a recommendation for the security.

Investing involves risk, including risk of loss.

Technical analysis focuses on market action – specifically, volume and price. Technical analysis is only one approach to analyzing stocks. When considering what stocks to buy or sell, you should use the approach that you're most comfortable with. As with all your investments, you must make your own determination whether an investment in any particular security or securities is right for you based on your investment objectives, risk tolerance, and financial situation. Past performance is no guarantee of future results.

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