TRANSCRIPT

Exploring technical analysis in Active Trader Pro®

Presenters: James Savage & Chase Cotnoir

James Savage: Good morning, good afternoon everyone depending on where you're located. Of course, my name is James Savage accompanied today by my friend and colleague, Chase Cotnoir. Chase, good to see you, as always. And just a quick intro on us, in case you're not already aware, we are part of the Trading Strategy Desk here at Fidelity. We're ten traded who assist clients with their trading strategies. We host a number of sessions each day covering topics related to options, technical analysis, Active Trader Pro, Fidelity.com tool demos, and both morning and after-market briefings. We're live, just like we are now. Turn our cameras on so you can see us, and we will stop and answer questions in real-time. So if any of those topics sound interesting to you, definitely want to encourage and invite you to attend any of our sessions.

Now of course, the matter at hand today, we are going to be talking about utilizing technical analysis to help you make better decisions in your overall trading plan. Now this webinar is not going to make you a pro in an hour; that's not the intention. But we want to both highlight some of the capabilities of Active Trader Pro, and focus on incorporating some technical analysis into some actionable steps that can help benefit you in your trading plan. Now

ATP, Active Trader Pro, in other words, is going to be the tool that we're going to be focusing on today. Now you don't need to already have it downloaded, but if you haven't already done so, after the session, I would encourage you to stop into Fidelity.com/ATP, that's Alpha-Tango-Papa, or clicking on "Accounts and Trade" and finding Active Trader Pro in that dropdown. From there, you're going to be able to download it on either a PC or a Mac operating system. Now it does require the full version of that. It's not available on a mobile device.

Now with that being said, I think it's about time to kind of kick it off and jump into Active Trader Pro. Of course we have slides, you can download them from this page. But today, it's going to be more of a hands-on approach, and we're going to be focusing all of our time going forward within Active Trader Pro.

So we have our screen share up at the moment, and first thing we'll want to do is focus on charting. Right, when you think of technical analysis, you're probably thinking of charting. I imagine that's the first thing that comes to your mind. So you can find our charts by clicking on the "Charts" button up at the top, and this is a test account that we all share on the desk. So we've got already quite a few various saved charts with our own indicators and layouts

and our own drawing. But if you're just getting started, you're probably only going to see the new chart down at the bottom. So you'd click on new chart, and voila, just like that, you're going to get a chart in front of you. And today, we're going to look at an index that I'm sure everyone is aware of. This is going to be the S&P. We'll keep the underlying simple so we can really focus on some of those new aspects that we'll bring in. So, and I really want to just make sure we can cover some of the navigational points of this first for anyone who's possible just looking at this the first time.

So of course, we've got price front-and-center which is oftentimes going to be one of the most important things for your trade, because, what's determining whether you're making or losing money? It's going to be your price, right? Now over on the Y-axis to the right, that is our list of prices, or in this case, index value since we're looking at an indice. Down at the x-axis at the bottom, this is time. This is our axis for time as we go from left to right, we go to a more present point in time. And a little trick with Active Trader Pro, if you want to see a little bit into the future to plan, well you can click and drag some of these edges to even go further into time.

Now up at the top-right corner, kind of above where our index values were, we have some little magnifying classes there, with the plus and the minus. So

maybe you want to focus on a specific period of time. Well, by clicking, dragging, and highlighting it, you can focus in on a particular event, a timeframe that you really want to focus on. Now at the bottom, kind of the bottom-left corner, you might have caught some of the, uh, figures down there. We can, of course, change the time frame in our chart. If you're possibly a day trader, maybe you want to see what's happening only that day and you're not focused on other time frames, go ahead and click on today, and you're going to see that today's price action, you can expand it to two days, five days, ten days, years, what have you. And you might have noticed that frequency that we highlighted here. That was starting to change. So when we're looking at a chart, we see these various, in this case, candlesticks. Now each candlestick corresponds to what we have at the frequency. Now this is going to be important for when we start looking at our indicators shortly. So when we're on a 60-minute frequency, as we are at this present moment, each of those candles, which is those bars that you're seeing in some sense, if you want to call them that, that is corresponding to 60 minutes of time. If it's at two, 30 minutes, well, hey, it's going to 30 minutes of time, so keep that in mind. We're actually going to be focusing on quite often that frequency component.

Now, a few quick things before we jump in to starting to draw on these is the settings. So maybe your chart doesn't look exactly like this. We've already added a few custom points, so if we go ahead and click on settings, it's going to give us a window where we can not only change the type. Right now we've got candlestick, but you might have heard of a few other styles such as lines, mountain, OHLC which is also known as a bar chart. There's not really one better or worse, keep in mind, it's just different styles that should be really chosen based on what looks good, what looks pleasing to the eye, and what can pane the information that could be relevant for what you're looking to do. We can change our pricing axis from a linear to a logarithmic, whether we want to see those -- that axis based on price, or possibly put percentages into play. We can either show or hide certain aspects of our chart, such as the previous close, show volume. There's an extended hours capability for any of you, again, focusing on what's happening after the bell, right, between the bell, both after the market and before. We can add extended hours and again, kind of keeping with the theme of what looks good to you, we can change colors. We've got green up, red for down, pretty self-explanatory, but we do have a little palate you can choose from. And if you like gridlines or don't like gridlines, you can choose to either remove them, include them or have some degree of opacity and as well with the watermark. So I would always encourage you when you're first getting started with technical analysis,

possibly make sure your chart looks right for you. Make sure it's styled the way that you want, is including the information you need, is packed enough to give you information, but not too cluttered where you're going to be kind of subject to that analysis paralysis of just too much going on and you can't focus.

But Chase, you know, now that we've kind of at least set our framework, so hopefully everyone kind of followed along here as we built out our chart, let's start really getting into technical analysis and how we can incorporate technical analysis in Active Trader Pro.

Chase Cotnoir: Yeah, thanks James, I appreciate that. Definitely good to have a solid foundation of how to use the chart, and kind of where to go to put the data you need so it makes sense. If you don't have a strong foundation, then everything else we talk about today is going to be a little bit of hit-or-miss. So now that we know how to use the chart, I do want to focus on some of the, I'd say, key assumptions with technical analysis that we're going to use in these charts here today. Now keep in mind that these are more, we'll say, academic. This is kind of the approaches that a true, we'll say technical (inaudible) would sort of subscribe to. You don't have to believe in these a hundred percent. You might say hey, this key assumption I don't agree with, or maybe I'm more of a fundamentalist versus technical. But for today's purposes, we're going to

use these assumptions throughout the types of tools, technical indicators and methodologies we're demonstrating here today. And we're going to do our best to keep everything actionable as well. If you're ever wondering as we're going through something, you know, how does this help me, we're going to focus in on that as well, because that's really the point of technical analysis, is really to help you make an action or not at some point in the future, not to protect price.

Now, I know you're all asking, what are some of those assumptions? Well the first thing is that prices trade in a freely-traded market, right, that these aren't kind of constricted in any way to any outside interventions that maybe shouldn't be. People are welcome to trade as they see fit, generally speaking.

Now another thing to keep in mind with that type of free trading is, well there's free supply and demand, right? If I want to buy some shares of company X, Y, and Z, I should have the right to do so with my money. Someone who wants to sell them to me, they're able to do that as buyers and sellers come together. That's a supply-and-demand, and when we see greater amount of demand, that's when stocks or ETFs or indices go up, and if there's greater supply or lower demand, that's when we see them go down, and that's kind of fluctuation that we're seeing on the charts. Another assumption here is that

price includes really all known information. So if a company's going to have earnings, if there's some news on the company or sort of macroeconomic events, we're seeing some news today, of course we're looking at the markets fluctuate, everything's happening all at once. The assumption here is that the price we're seeing in the charts, that supply-and-demand is kind of incorporating all of that, it's going to, what we call discount, or include all known information.

Additionally, we're assuming here with technical analysis that prices are non-random. In other words, they can trend over periods of time. And this is something we'll talk about, really to start with a lot of these types of tools and indicators is trend, there can be many different types of trend. There can be a short-term trend, a long-term trend, somewhere in between, and there's different ways to define that. But the assumption here with technical analysis and technical analysis is that, well markets do trend, and that they are non-random.

And coming to that, we might ask, well on what timeframe are they trending? And there's a concept we call fractal, or in other words, technical analysis can be applied on all different types of timeframes. So whether we're looking at a six-month daily chart, or a one-minute intraday chart, the concepts we talk

about today, the implementation, the characteristics, they're going to apply regardless of that timeframe. So I'm definitely excited here kind of keeping some of those assumptions in mind, to actually going into what we can do here at Fidelity in Active Trader Pro.

So the first thing I want to direct our attention to is up here in the top at this "Draw Menu." So with this here, we're going to have a number of tools. Most of them we're not going to cover today, but just know it's quite expansive. What we're going to focus on here to start is the trendline. Now, it's going to look like a barbell, that's what I typically refer to it as, it kind of looks like one to me. We'll go ahead and click on that, and notice that our mouse changes shape a little bit. Still has that arrow, but now there's that barbell icon underneath it. Whereas if you have just a regular arrow, looks like this, right? So if you're ever unsure kind of what tool you're on, look at that mouse.

So what we can do with trendlines is connect two points in time to get some type of insight, understand what the market is maybe showing us, or doing during any period of time. So, for example, let me go ahead and switch over to our trendline, and let's connect this period of time right here. Let's just choose these two bottom points. I'm going to left-click, hold-and-drag, and just extend this up a little bit here. Now, the reason we're doing this, as James

mentioned, let's just zoom in a little bit here, make that easier for everybody to see, is I'm connecting these bottom points, sometimes referred to as pivot points, where the security price, in this case the S&P 500, went lower, but then reversed higher. It went lower, reversed higher. A few more times it got lower, but seemingly bounced off of this trendline and went further higher from there.

Now, as we draw this trendline, there are a few things to keep in mind. One, they're obviously subjective. James and I might look at the same chart, the same security, but draw two different lines, so we do want to understand that from the onset. But once you've drawn a line, you can click on it. We've got some features like you can change the color here. Your thickness, your style, maybe you want to be a little bit more apparent if you've got multiple lines on your chart. And then what most clients that we speak to use, is this extend to the right. If you choose this, it's going to extend that line out into the future, so that you can maybe look later down the road and see how that line is interacting with price action.

Now, as long as you had two connected points, you can look at this line and use it to help you define what the trend might be. So James, we're looking here at this chart. We've got this line pointing from the bottom-left up to the

top-right. We're going to call that an uptrend. The stock price or the ETF, in this case, the indice, is trending higher and higher. Now if the indice, in this case the S&P 500, breaks below this trendline, we would then say that trend has been broken, or invalidated; it has ceased at that moment in time.

Another thing to keep in mind with trendlines and how they're applicable or helpful, is people often think about them as diagonal support or resistance. In other words, if you're someone who wants to maybe buy the dip, for example, we've heard that out in the marketplace before, well when do you choose when to buy? Is it at any random point, or maybe, are you looking at a type of trendline and saying hey, once the security gets towards this price, that actually might be what I want to buy or sell, in this case, let's say buy, because I'm anticipating a secondary bounce off of this trendline.

Now there's no guarantee it will bounce, right, there's no way to know that for sure. Technical analysis is not going to predict the future, but you can see, using a trendline, we're actually starting to form a thesis, a trading plan to say, if X, Y, or Z criteria is met, if this happens, that's going to give you the impetus to actually go ahead and place that trade.

Now what's important as well is the risk management portion of it. Let's say that you were long or invested in the S&P 500 maybe using some type of specific trade, and then we see price action break down and beneath this bullish uptrend. Well, that could signal to you to close your position. Why'd you get into the position? Well, because it was above the trendline. Well then if it goes beneath it, that invalidates the thesis. That might indicate to you the opportune moment to close. And course, we'll never know in the real moment if that's the perfect time to close, but it's giving you a specific methodology as to when to close, and maybe even why. You can articulate to your friends and family, other traders to say, why you place that trade? Well, because across this certain line. Other things to note, of course, is you can have multiple lines on here if you want to create some type of channel, maybe connect two other points, you're welcome to do as many lines really as you see fit on the chart.

Now, I talked about they can be diagonal support or resistance. Well there's obviously horizontal support and resistance that many traders look at as well. The way that we can draw this on our chart is back up here on the draw menu, and we've got really lines that you could use any three of these. One does say resistance, one says support, and then the other one's just a horizontal line. They're really all going to plot the same type of line, just different color codings. But notice when we click on this of course, the mouse does change a

little bit here. And what we can do is just left-click once, and it plots a line for us. And so what someone might look for when it comes to support or resistance is a key reversal point. Now again, this is subjective, what's key to you versus what I think is key might be very different. This is a daily chart, but you might not even be someone looking at a daily chart. You could be a day trader, or a very short-term swing trader who's never looking at a daily, and so you might identify a different support, or resistance.

But let's say that you've identified this level. We can see there's a gap that came into this level, a key reversal, some consolidation, and two more reversals later on. Just as I mentioned with the trendline where this was acting as support, it then broke beneath it, and then acted almost as resistance, former support becoming resistance. That type of concept applies to horizontal resistance as well. So, if the security is stuck beneath this line, that's resistance. It's now broken above it, traders might look for that to become support. And so, how is this actionable? Well if you see the security come down to whatever that price target or that line that you have, well that might be where you want to buy. Or if it breaks beneath it, that might be where you close, and so it's giving you a way to articular your entry or exit. Of course, you've got all the same functionality, you can change the color of the line, click-and-drag, change some of the thickness, the style really just to customize

it to however you see fit. So really the way that these are actionable: you create some type of articulation of trend with the trendline, some type of articulation of support and resistance with the horizontal line. And then based on what the price is doing relative to those lines, you're either maybe buying, closing a position, maybe you need more confirmation, and that in itself is giving you a reason to stay out of a trade. But using these lines are going to help you justify why you're in a trade, closing a trade, or waiting for more information.

But James, I know for a lot of traders too, they're not looking just as price, they're not looking, we'll say, just at support, or a trendline. They want to add some indicators to try to create a visualization of what else price is doing, so maybe you can talk to us about that.

James Savage: Indicators, and I think one of my former colleagues said it best, indicators are the shiny object in the room. It's usually what everyone likes to draw their attention to whenever they're getting started with technical analysis. Although Chase, as you know, I'm not quite a fan of drawing, because that focuses on price. And that's what a lot of beginner traders try to sometimes ignore. They're too busy focusing on the perfect indicator. Now indicators can have some great utility, and I definitely want to make sure that

we talk about them. Now, indicators, now I want everyone to kind of think of, are just in some sense, if I were to say it almost as simply as I can, just derivatives of price and volume. They're just taking what we see on the chart, such as price action or what we're seeing with volume, putting it through a calculation, and then spitting out some type of graphically represented index, or maybe an overlay onto our chart.

Now another thing to keep in mind, just so we can cover some of these again, these kind of ground rules with indicators is that there's really no singular best indicator out there for all purposes and all scenarios. We like to group indicators into four different categories here. You'll see them broken down on our technical indicator guide on our website. But we define indicators as types of trend indicators, momentum indicators, volume indicators, and volatility indicators. And a trader may generally use one or two indicators or each type, not multiples of the same. Would it make sense to really have a half-dozen trend indicators? Well, not necessarily, because they're all supposed to be helping us with trend. But possibly, having indicators that can assist with identifying trend momentum, volume, and volatility, in conjunction with each other, can then help you formulate a trading plan.

So the first thing we talked about when it came to drawing was drawing trend lines. Well, if that seems maybe a little intimidating at first, we have indicators for trend, and I would say one of the most commonly used one, because it's well, simple, it's even in the name, and that is the simple moving average. So we'll go ahead and add the simple moving average to our chart here, and what are we now presented with? Just a line. And what do you notice on even that same space that we were actually looking at? Well it's kind of focusing in that similar direction from that previous trend line that we draw. Moving averages can be used for a few multiple ways, and one of the first ways that we can use it is by noticing the direction of that trend line. So in the center of our S&P chart, what do we notice from that bottom in March to, well, the, we'll say end of November here, end of September? It's sloping upward. It is said to be in an uptrend, which is a bullish trend. So if you are thinking about purchasing a security, well, would you want to purchase a security that's going up or going down? One of the whole premises of trading is to either buy low, sell high, or buy high, sell higher. So long traders, traders who want to buy shares, might want to look for stocks that have been identified as in a bullish trend, or an uptrend, by other words. Maybe if you are in a trade, so again, working with our example on the S&P, maybe you've purchased, once that trendline starts sloping up maybe back in April there, and you were possibly going to stay in this trade until that trendline started to slope downward, either flattened out,

or maybe reversed and started pointing downward. It's not necessarily going to predict what will happen, because indicators are not predicting what will happen, but they are helping us react to what price is doing by giving us actionable steps. If we are getting in a trade because it's trending upward, well we might then exit that trade if it's trending downward, right? Makes sense, we don't need to sometimes try to overcomplicate things, especially when we're using something that's designed to be simple like our simple moving average.

Now another way that folks will use moving averages is a combination of multiple moving averages. Instead of judging it just from the singular slope of the line, we could add, say, another moving average, and look at the relationship between the two. Now by default, what we're going to be doing is giving you two moving averages at the same time, so they're just overlaid on each other. But let's start actually focusing on the way that we can modify this.

So by clicking on that simple moving average box that was added to our chart, we can change the color, and let's change the color to separate it. We can change the thickness and style very similar to our drawing, and what's a key point is that period that we're going to talk about now. So by default, we went to 20 periods. Now what does 20 periods mean? We're going to talk about

that shortly. But just to show those two lines, let's make this 50, probably see this, maybe some of the network news stations that cover finance sometimes talk about topics such as the 20-day moving average, or the 50-day moving average. Well, how do you create it? First it does by adding moving averages, switching the timeframe, in this case 20 and 50 periods, and then ensuring that the frequency aligns with the intended frequency you choose. So when we talked about this in the beginning, how you can change the frequency of what those in this case candlesticks will correspond to, well by clicking daily, by daily candlesticks which is what we're looking at now, those 20 periods are now 20 days. If we were on an intraday chart, maybe looking at one day's period of time, and our frequency was set to one minute, well how many minutes now is 20 periods? 20 periods now will correspond to the 21 minutes. If we set it to, we'll say 10-minutes frequency, now those 20 periods will correspond to 20 10-minute periods.

Now, for the purposes of today, I'm going to keep it more simple for everyone here, because I want really everyone to really grasp the concept, so we'll keep it at a daily chart. So our 20 periods will be synonymous with 20 days. So let's talk about ways that we can use these, now two moving averages. So instead of just noticing how one is sloped and directed, we can notice how these two moving averages interact with each other. For example, let's take a look at a

period of time when our shorter-term, our slowing moving average of the 20, process from above through, and below our faster moving average right here. So we've got more recent price action is dragging this down at a faster pace, because each day is 1/20th of the data, as opposed to each day being 1/50th of the data in our 50-day moving average. So what traders will see, and we've actually changed the color on this to red to really illustrate that this could be viewed as a bearish signal. When a faster moving average, today's the 20, crosses from above through and below a slowing moving average, well in this case the 50, that is a bearish signal. Not necessarily a sell signal, we don't always want to make our decisions based on one indicator alone. Again another saying is, one indicator, a decision does not make. But if you got out of this trade when you got this signal, well when might you get back into it? Well, when it's the inverse, when we see that faster moving average, in this case our 20, cross from below, through and above, our slower moving average. So traders will use these as bullish and bearish signals that could help give them additional information on timing of when they could enter and exit a trade. The reason that they'll get in is oftentimes the reason that they'll get out, if their, I'll say idea gene is come from a signal that's created on their chart, if that signal is invalidated, then it can be time to exit that trade.

So this was kind of a quick crash course on trend indicators with these simple moving averages, and how we could use them throughout Active Trader Pro. But I mentioned four different categories, so let's at least talk about all those four.

So after trend, another one that we could cover today is momentum. Now, there is a commonly-used momentum indicator that we can illustrate, and that is going to be referred to as the relative strains index, otherwise known as RSI for short. Now this indicator is added slightly differently to our chart. Instead of being overlaid on price, it's created as its own separate index. And just like indicator that we use previously, it's based on a mathematical calculation of price. We don't have to get into the full details, but just understand that what this indicator is doing is measuring the speed and rate of change of price over a specified period of time. Now we can see that little 14 in parentheses next to our RSI. That means we're responding to 14 periods, which because we're on a daily chart, means we're on 14 days. And yes, we can modify it with color, thickness, style. We can change these levels of what's considered overbought and oversold, yet we won't get into why someone would change. I'd say for beginners that are interested in using indices, start with just using them at the default parameters.

So what this is telling us is, again, that speed and size of changes in price. And it's telling us when those conditions can be what's considered overbought and oversold, overbought being above the predefined 70 level, oversold being below the predefined 70 level. Now there are a few ways that we can use this for our bullish and bearish signals. One of them is the exiting of either of those levels, the overbought or the oversold. So let's focus in on where that red shows up. Well back last March, we saw price, and in this case, sell off, and our momentum indicator confirmed by showing us that we were in an oversold region, again as defined by the index. So some traders will get a bullish signal when it exits this oversold range. So when it crosses from, below, through and above the 30.

Now we could use that same logic to getting a bearish signal, and that is when it exits an overbought region. Well we can see that in around June, there was a timeframe when it was above 70, and crossed from above, through and below that overbought range. So this is viewed as a bearish signal, when we are leaving our overbought range.

And then there's one more way that folks will use this, and that is to look for divergences in both price and the direction of the index. So if we were to see price doing one thing, such as moving up, try to identify a place where price

was moving up, so price is bullish, however our index on our RSI is actually making lower highs. So even though we're getting higher highs on price, we're getting lower highs on the index. So price is going in a different direction than momentum. So if momentum is waning as price is increasing, we may say that that could be a bearish signal, not necessarily predicting that price will sell off, or in this example, turn negative, but it's just giving us a warning sign. It's giving us this bearish signal, almost like a caution light that could help us with our possible risk management, or possibly starting to make adjustments to our sizing.

So, let's cover those final two indicators that I talked about real quick, and that is going to be both volume and volatility. Many of you are probably used to seeing volume, because by default, when you add a new chart, you're going to get volume on that chart. But let's add a little bit of an extra, kind of spice to it here, and we can go over to indicators and add something that's referred to as "average volume." So this takes our volume bars, but also averages them out. Now by default, it's putting us to 15 periods, which because we're on a daily will mean 15 days, and each of these bars tallies up the total amount of volume in that day. Because we have an average, we can now see when volume has been greater than the average if the bars are above, or lower than the average if the bars are beneath that line. So we can be looking for signals

such as, well, if volume is possibly confirming what we're seeing on the chart, by are we seeing an increase of volume after action takes place, or are we seeing a decrease from the average after an action takes place?

And then that final, we'll say style of indicator, the volatility, let's focus on one. I don't think it's mentioned too often, but I'll try to again put it into some actionable steps of how it can help you. And this is one that's referred to as the average true range percentage, or ATRP for short. And what this is doing is it's actually calculating the extreme in ranges, either on an intraday basis from high-to-low, or based on an overnight close in the next day's high or low. So it's accounting for just wide swings in price intraday, as well as a wide swing in price due to a gap overnight. And this can tell us what an average price for that period of time is. So by default, it's at 14, so keep in mind we're talking about this average price over the past 14 trading days, so about three weeks. And what do we notice kind of with our ATRP values? Well, back last March, for example, we saw a significant increase. And if we hover over our mouse, we'll actually get a value, and we can see it was over 6. This means the average extreme price range was over 6% during this period of time. And we can say, well relative to how it's been in the prior year or two years where we've seen it has sometimes been as low as even under 1%, well, we could say

that that is a higher period of time last March than what it has typically been over the past two years.

So how traders can use this? Well if you're in a security and you're noticing that the average price is maybe 3, 4, 5%, you can think to yourself, is that too volatile for you, or is that not volatile enough? Because volatility could be something that some traders flock to when they see an increase in volatility and they want to possibly get involved with that, possibly on a further increase or decrease in volatility, or other traders might shy away from a highly-volatile security. Maybe volatility starts spiking up, even if you have bullish signals about, you might say, well volatility is also high for me, I'm going to sit out. Again, just showing you how folks can be using an indicator, getting an idea of volatility as it how it is relatively to how it has been, and see if that's something that you're interested in either trading, or not.

So again, this was meant to be a very quick highlight of at least how we can add some indicators, and thinking about kind of how we can possibly get some bullish or bearish signals with said indicators. But, especially when it comes to volatility, well there are other things that could cause spikes in volatility that a chart could help us kind of be on the form for. But we've got a

few other ones such as events. Chase, I'll kind of give you the floor to tell us a little bit more about what we can also add to our chart.

Chase Cotnoir: Thanks James, absolutely. So we're looking at price, we're looking at some of those technical indicators, but we have to understand there are outside factors that may affect price as well, such as earnings, and that's certainly one of the more common events, I think that we hear in news commentaries. So, if you ever wanted to pinpoint a historical event on a chart, maybe that's going to give you some of insight as to how that security reacts given the fact that earnings or something else may have come out, go ahead over to this events tab, and if you click on this here, we'll notice we can plot earnings.

Now I've used Apple just as an illustrative example here. It's one of the Nasdaq 100 holdings, I'm sure all of us have heard of them before. And we can see here on the chart what happens is we plot these little triangles indicating earnings. What was the report, what was the earnings per share, and really more importantly from a technical analysis perspective is, what did price do after, or even before? Was there a runup in price, that demand for that security, and then really what happened after the fact. You can go back historically, take a look at the track record, and use that to potentially build

some insights on what you want to do with your plan. Again, this is not going to predict the future, but if you can take a look and say hey, reasonably speaking, most of the time company X Y and Z happens to run up before earnings, and then after it trickles down, well you've got some type of use case, or some type of historical case to plan your future trade. Now will it end up working out as it had in the past? Well certainly no guarantee, but at least you're more informed than you were before.

Of course if you don't want to look at earnings, you can also look at dividends, for example. So if you're someone who's an income-focused type trader or investor, and you just want to see what happens to the stock price, maybe before or after a dividend if that's important to you, you can go ahead and take a look at that.

The other two choices we have are tax lots, kind of a hidden gem, most traders don't know about this. If you do want to see on the chart the price-per-share or price for the ETF or stock, where you bought it, you can actually put this on there. It's going to show what your cost basis was with that purchase. So if you're trying to get some type of visualization as to how far above or below you are from that purchase price, you can add the tax lots there as well.

And lastly, if you do have any type of security that goes through splits maybe commonly, some certain ETMs do that fairly frequently as well. But companies do that from time-to-time as well. You can add that to the chart, just to get a better sense of what has happened historically.

But of course, that's on one specific security, right? We're looking at the earnings for one security, one dividend. What if you want to compare multiple securities? Right, we hear a lot in the news now about sector rotation and looking at some different sectors and how we can use technical analysis for that is maybe comparing two of them together.

James Savage: Chase, let me talk a little bit about comparing, because you know, I kind of preface that I was only going to introduce four indicators. I've got one more indicator for you, especially if you're comparing, you'll appreciate this. So, right, we're looking at the security now, and I was just talking about the S&P. So let's go ahead and compare our Apple for the example today and the S&P 500, kind of what happens to our chart.

So once we kind of go ahead and click on the S&P 500, and that is a good thing to point out, is that you could add quite a few various symbols here. You can include up to 25 symbols, although I'll give you a little secret, you add 25,

it's going to be tough to see. I usually try to keep it at around a few. But once we've gone ahead and added any security, in this case, we're working with the S&P 500s, we're adding an index, what have you noticed that has taken place on your chart? Well that Y-axis is no longer just giving us price. It is now giving us a percentage. So what this has gone ahead and done is actually aligned our starting prices in this period of time, which is one year's worth of time, at a zero point. And now it's showing us the price return on a chart. Not total return, it's not assuming dividend reinvestments or anything, it's just showing us the share price and how it has moved. And we can see this and use this to find out possibly securities that are either outperforming or underperforming, and we can compare this against the broader market, maybe a sector, maybe against a competitor as an example. And when I talked about adding another indicator, well especially looking at this, can you generally say that one security did better or worse than the other throughout the entire time? Well we do have an indicator that's referred to as the relative strength comparison, RSC for short. It is the momentum indicator that can actually help us by using its mathematical calculation, which in this case it's very easy, securities price divided by the other, it's at a ratio. And with this, we can see just when truly one is either outperforming or underperforming the other.

And now we got a little different story here. In our Apple S&P 500 comparison, what do you notice in the first half of this RSC chart? Well, it's increasing, so the Apple value is increasing at a faster rate than the S&P 500. So at that point, it was outperforming, but what do you notice in the second half of our RSC chart? It's kind of flatlined, right? Yes it's oscillating up and down, there are some highs and lows, but in that middle point, well, it's flatlined, so we're not seeing either one outperform or underperform the other. And then of course towards that second, that final, we'll say, kind of piece of this RSC chart, it declines downward. So we're now seeing that in this case the S&P is outperforming over the, in this case, the Apple stock, just from this RSC tool. So it helps us, especially if you're comparing two securities, that one had to move at one point in the chart, and you really want to see well how have they been responding after it, this RSC tool can give you a better visual of this underperformance and outperformance of two different securities. So as I mentioned, had to slip in one more indicator here just for comparison's sake.

But, you know, Chase, I think a lot of kind of what we've been talking about, whether it's drawing, or whether it's adding your own indicators, it does require some knowledge, right? You have to practice, you have to get familiar with, you have to know what these indicators do. Fortunately though, we do have a way that you can add some third-party technical analysis onto the chart

from some of the experts that Fidelity makes available to you, and I think this can be a good time to at least talk about these additions that we can add.

Chase Cotnoir: And this is so important James, right? Because if you're a newer trader, you might not have the confidence to draw your own trendline or take a look at your own support or resistance, how do you know if it's right, or you're wrong, what are other people taking a look at, what technical indicators that, which should I be using? And of course as we know, there really is no best; each indicator is just a tool. Certain tools are more appropriate for other jobs, certainly if you're a short-term trader, you might be looking at one indicator versus another, but if you didn't have the confidence or the knowhow, you just need a little bit of assistance with it.

That's why we have this tool under the technical analysis tab. We've partnered with a third-party firm, Recognia. They've got their own proprietary methodology to take a look at patterns and events, support and resistance, and even provide you some suggested levels for stop-loss orders for that risk management component.

So how does this work? We click on "Technical Analysis," and we'll choose "Pattern and Events." Now you're going to be given many different choices

here. It's going to feel overwhelming at first. But we can take a look at patterns and events for different trading time horizons. What if you're a short-term trader? You might not really care about these long-term movements that really take nine months or more to come to fruition, so you're focusing on short-term. Or you could be a long-term trader, and you don't want to get caught up in the noise. Maybe you're somewhere in the middle. In any case, you've got plenty of choices here.

Now just for demonstration, I'm going to click on all of these so that we can get some type of example to show. Now within the trading time horizons, for active events, so those are events that we're seeing happening right now, or at least in the recent history, we can take a look and see, well, what's going on? These are patterns in terms of the candlesticks. We're taking a look at the actual bar construction or candlestick construction, reviewing the oscillators or some of those technical indicators that James mentioned. There's so much here to look at, so if you're not sure where to start, although it might seem overwhelming, I'd actually encourage traders to look at everything to start, and here's why. I'm going to Select All, I'm going to go ahead and hit "Apply."

Now when we do this, we're going to get a nice little neat understudy with all these different icons. Now the green is going to indicate something that's

bullish. White, or kind of an unfilled color is going to be rather neutral or other. And then we've got the green which is going to be bullish, according to Recognia's understanding and the way that they're applying some of these indicators and patterns.

Now what you can simply do is hover your mouse over any of these squares, and it's going to tell you what exactly they're seeing out in the marketplace. And the reason I think this is so empowering and incredible for traders is that if you don't know most of these patterns indicators, this will sort of teach you, right? It'll give you exposure to real life securities moving every single day, and what kind of patterns they're going through, what are the different signals being generated by technical indicators.

So for an example, if we go back here in the past, we can see there's a price crossing moving average. Gives us some details, and of course if we want more, we can click "View Details." If we fast-forward here to today, there's something for the slow stochastics, and looking at that slow stochastics indicator, we hover over it. It gives us the event date, the opportunity type, so is it bullish; is it bearish? According to Recognia, it's short-term bullish. They give us the price of the event and the period, which James mentioned, is this weekly? Is this intraday? In this case it's going to be daily.

So yes you can view more details, but I would argue if you're someone who's focusing on that chart to begin with, you can actually add to chart. Now in this case, the slow stochastic oscillator is going to be an understudy down below, right? And then before we saw RSI how it was down below, this is going to be a similar type of setup visually speaking. And what we can see here is they're actually pointing out with this little square what kind of signal they're looking at. So they're saying in this case, hey, the slow stochastic indicator is actually trying to cross up and above, that might hint to some short-term bullish activity. Now again, these aren't perfect predictions of the future, this is still reacting to past price activity, but it's hoping to give the trader an insight to plan moving forward.

So if you're someone who doesn't know where to start, I don't want you to feel overwhelmed, but I would encourage you to add these, because you can go to whatever your favorite stock or ETF or indice is, add this to the chart, and then just kind of hover over each of these different signals, and kind of see what happened, how did it resolve after the fact, right? Was it a reliable signal? Maybe it was; maybe it wasn't. What can you learn from that, and incorporate to your trading in the future.

But of course, it doesn't stop there; there's going to be more. Under that technical analysis, there also is support and resistance. Now we talked about this earlier. Of course you can draw your own manual support and resistance, but Recognia is going to have their own method to calculate that for you. Now in this case the blue line underneath, that's going to be our support. Green line up above, that's going to be our resistance.

A few things to note about this: you can change the parameters. And what I mean by that is if you click on these lines, they're going to highlight here for us and we can click "Modify." And if we do, in this dialogue box, it gives us the current support/resistance, based upon an intermediate term. Now what does "intermediate-term" mean? They define it, it's the same timeframes for those patterns and events. But if you want to look at short-term or long-term, depending on your timeframe, you can actually see changes in these lines. Now it just so happens with Apple, according to their proprietary methodology, nothing changes depending on the timeframe. But most of the time with the securities that you'll likely be looking at, as you change those, the parameters that you're going to get and see on that chart will likely change as well.

So, how is this actionable? If you're not confident with determining your own support and resistance, but you believe in the concept that, hey, if this price comes down to this price point, I've seen reversals in the past, and I believe it would reverse again; I just don't know exactly where that might be. Well this tool will provide that to you in some form or shape for you to take action on.

And lastly, if you're not really focused on, let's say entering a trade, but maybe closing a trade, right, that risk management portion which we know for traders is so crucial because we don't control the market but we control our actions in the market. That's going to be using some type of stop-loss. Now Recognia's got their own proprietary model where they're looking at the volatility of the stock, and from there, encouraging a certain value that you might want to consider.

Now again, this is going to have some functionality where we can modify this, and we can change it depending on our risk tolerance. So if we want it more tighter or looser in terms of how close we wanted to price, we have the price to the current price of the security, we can change that. So if we want tighter risk management, maybe we're not comfortable with letting the security drop, let's say just 10%, 20%, you'll probably choose a tighter stop loss suggested value. If you're okay with a lot of risk, you might choose the loose choice, and

that's going to give you a little bit more wiggle room for that trade to play out. But of course, there's always that tradeoff, right? The more room you give it, well the more risk that you might be taking on.

So, what's beautiful about these tools? They're free, you can apply them on the chart. You pick and choose the timeframe that works best with your trading personality and characteristics and what you believe to be the right way to go about trading.

The one thing about all these tools is you have to actively engage them, right, hence the name Active Trader Pro. You've got to be on the chart, on the screen looking at them, so you need to invest in time.

But we do have another tool here which James is going to cover for us that's going to do most of the work for you, and then send you almost a push notification of sorts to get that information to you, and you can decide if you want to take action with that.

James Savage: Yeah, it keeps the same theme of, well letting some of the system do the work for you. So either you're letting Recognia do some of the technical analysis for you, or you can let Fidelity through our Real-Time Analytics tool.

And that's the final quick, we'll say technical analysis tool that we want to show today. So real-time analytics, you can find this in two places. You can go up to Alerts up at the very top of Active Trader Pro. Click on Real Time Analytics, or you can go down to the very bottom. We have a bit of a, I like to call a bullseye, that will active this tool. For it to be working, it does need to be open. So whether it's on your screen real estate or hidden in your, minimized, I should say, in the tools and use. Now this uses historical trends to help you spot what could be potential opportunities to help make your buy and sell decisions. It's looking for bullish or bearish signals.

Now we've got a few choices listed here. We're going to focus on really the technical signals, since this is the technical focused type of webinar, and if you have any questions on the ones that we have, there is that little question mark. If you can click on that, and we'll give a brief description of what that indicator is doing, and if you do need more assistance with indicators, we also have our technical indicator guide.

But let's go ahead and apply these indicators here and see really what it's showing us. So it's giving us a list of these various stocks within, in this case, the Nasdaq 100. And we can, of course, change it for our own positions, we

can change it for watchlists. And as these indicators come in, it will give us this real-time alert, hence the name.

Now, you know, we talked about RSI today, so let's find an alert for RSI. And if we just want to look at RSI alerts, we could uncheck these other choices. So by clicking on "Apply," it's going to give us a quick scan, although I do think I see one kind of midway through. It looks like this security here, there we go, did break its 14-day RSI.

Now if we were to click on this, it does give us a quick little dropdown of what this indicator is, just as a bit of a reminder, for anyone who needs it. But in addition, we could go ahead and click on "Chart." Now this opens up a brand-new chart, so it might look a little different from what you're used to, but it's already going to have the indicator pre-filled down below. So, right, we talked about the RSI today, and this is giving us this signal when it crosses, again from below through and above that RSI over-sold value. So it listed this as a bullish signal, and well, we're getting here a bullish signal because of that cross.

Now what you might notice, you might sometimes see a little bit of a difference here, and this tool is actually taken straight from our institutional side, and this scans on an intraday basis. So even though our RSI on our

indicators is just looking at closes, so you might not actually see the closing value for today finished above, this tool is so sophisticated that it can actually scan throughout intraday. So this is absolutely a powerful tool, and if you're interested in the indicators that it highlights, I would absolutely recommend that new traders and experienced traders use this to at least watch, possibly position their following, or that they own and help this with your overall trading plan. Let the computer do some of the work for you now.

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