



# Technical Analysis Workshop

Reference Guide

charles  
SCHWAB

*Own your tomorrow.*



## How to use this guide

This reference guide is a tool to assist you in your learning during and after the Technical Analysis workshop.

### During the Workshop

- Follow along with the presenter—the slides are in the guide.

### After the Workshop

- Continue using the guide as a reference of all you've learned.



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X @BenWatsonCS

## Ben Watson, Education Coach

- Education Coach since 2005
- Host of *Your First Trade* on the Schwab Network\*
- Specializes in teaching technical analysis and options strategies

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X @ScottDurfeyCS

## Scott Durfey, Education Coach

- Education Coach since 2006
- Regular contributor on the Schwab Network\*
- Specializes in teaching the thinkorswim® platform, technical analysis, stocks, and options strategies

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X @RayKimbrellCS

## Ray Kimbrell, Education Coach

- Education Coach since 2004
- Regular contributor on the Schwab Network\*
- Specializes in teaching the thinkorswim® platform, technical analysis, and options strategies

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# Workshop Agenda

01

Trends  
Support & resistance

02

Candlesticks  
Technical studies

03

Price patterns  
Bounces & breakouts

04

Entries & exits  
Risk management

# Session 1

## Technical Analysis Workshop

**01**

Trend  
Support & resistance

**02**

**03**

**04**

## Goals for this session:

- Learn to read a chart like a technician:
  - Identify up, down, and sideways trends.
  - Identify support and resistance levels.
- Learn the mindset and temperament of a technician.



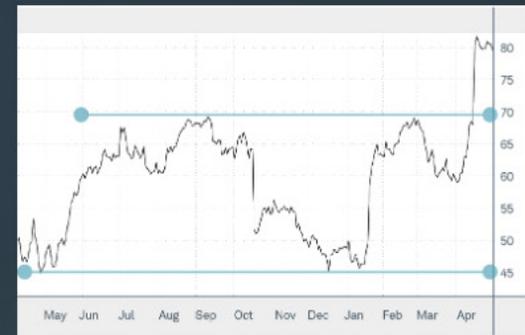
# Trend: The direction of trading



Uptrend



Downtrend



Sideways trend

# Trend and time frame

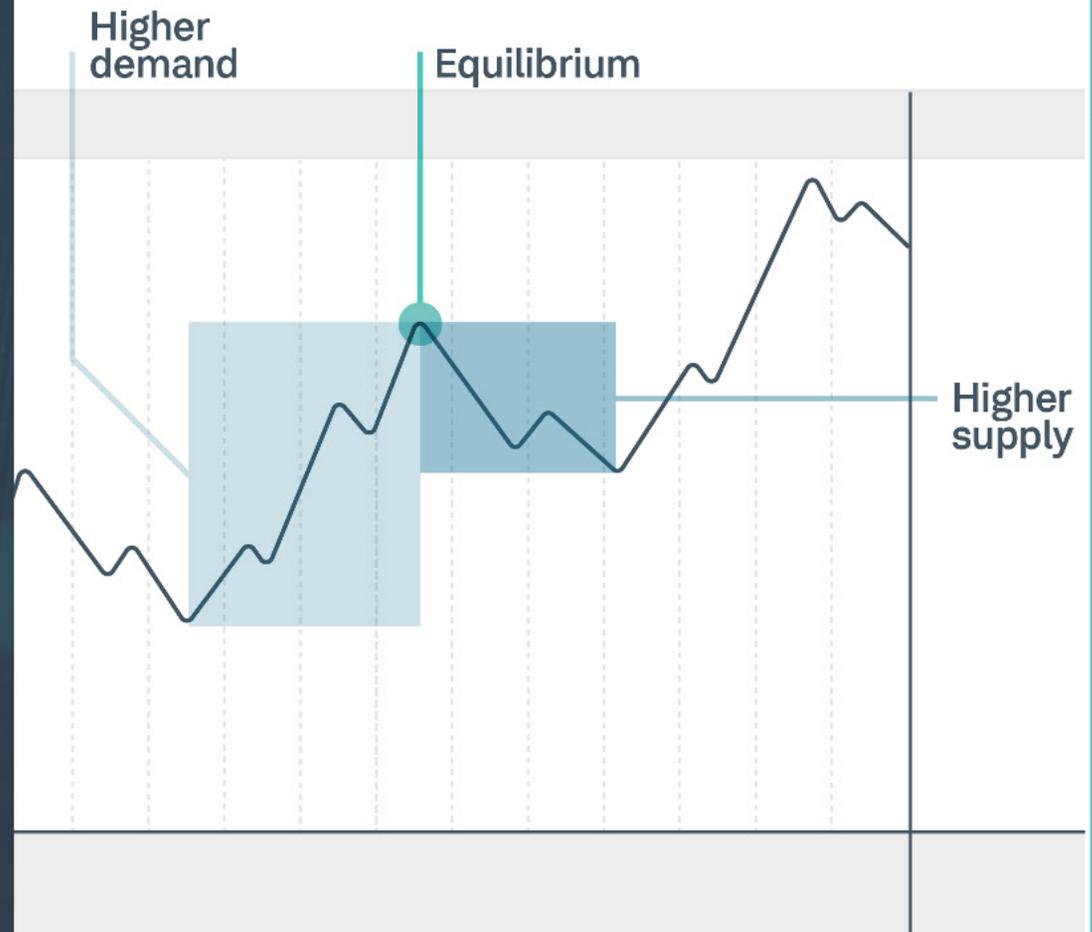
A trend depends on the time frame you're analyzing.



# The anatomy of a trend

Why do highs and lows happen?

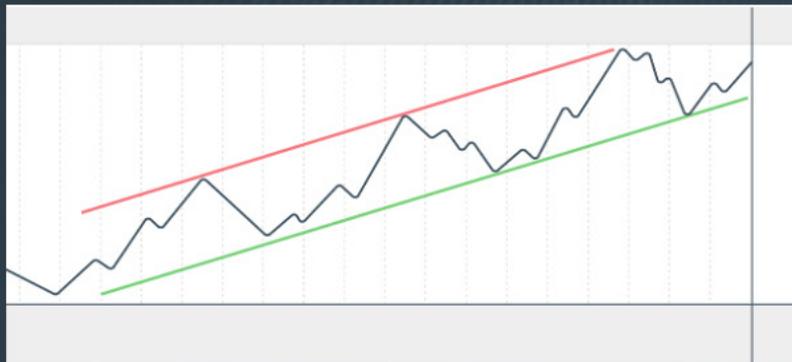
- Supply and demand
- Institutional buyers
- Continuation and reversal



# Support and resistance

These are the highs and lows inside the trend. Support is an area of demand; resistance is an area of supply.

**Diagonal:** Connect at least two highs or lows.



**Horizontal:** Draw a line at just one high or low.



## Goals recap:

- ✓ Learn to read a chart like a technician:
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# Session 2

## Technical Analysis Workshop

01

02

Candlesticks  
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## Goals for this session:

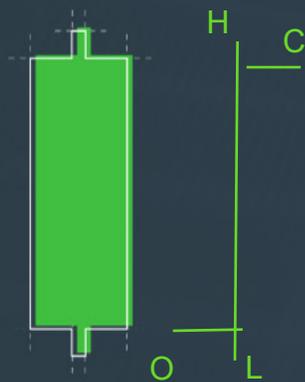
- Learn what candlestick patterns are and how they can be used:
  - Understand the anatomy of the candles.
  - Identify and recognize the different patterns.
- Learn how charting studies can assist in developing a more confident approach to the market:
  - How to apply charting studies on charts using thinkorswim®.



## Common candlestick interpretations



- Candle color indicates who won—buyers or sellers.
- The length of the candle body indicates the strength of the buying or selling.
- A nonexistent body signals equilibrium between buyers and sellers.
- A long wick signals a failed move.
- A small body signals indecision and possibly transition.



# Candlestick reversal patterns

## Bullish

Hammer



Inverted hammer



Piercing line



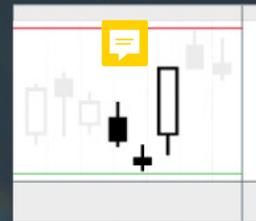
Bullish engulfing



Bullish harami



Morning star



## Bearish

Hanging man



Shooting star



Dark cloud cover



Bearish engulfing



Bearish harami



Evening star



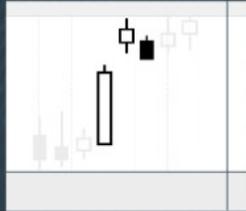
# Candlestick continuation patterns

## Bullish

Rising three methods



Bullish gap



Bullish separating lines

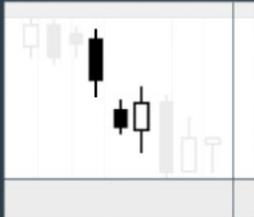


## Bearish

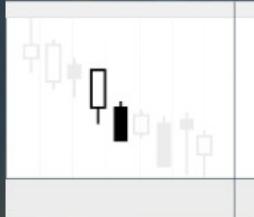
Falling three Methods



Bearish gap



Bearish separating lines



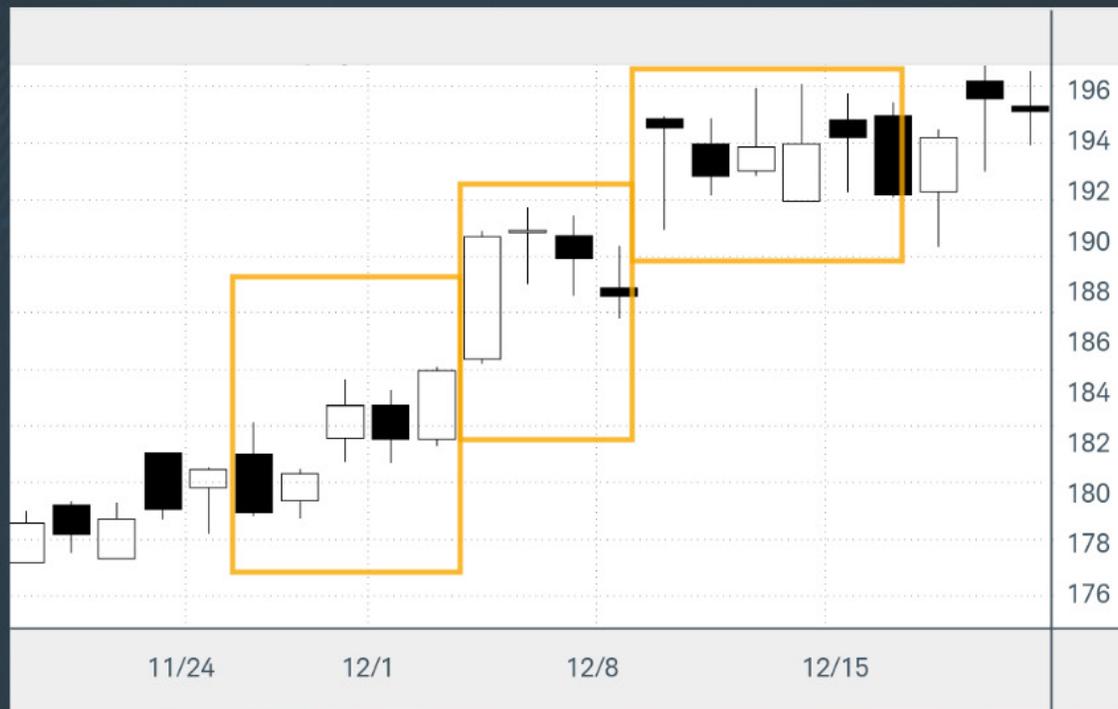


## Momentum



- Traders may look for potential trend changes.
- May help track institutional behavior.
- Pay attention to the candles as price approaches support or resistance.

# What do these candles tell us about momentum?



# Technical indicators



## Goals recap:

- ✓ Learn what candlestick patterns are and how they can be used:
  - ✓ Understand the anatomy of the candles.
  - ✓ Identify and recognize the different patterns.
- ✓ Learn how charting studies can assist in developing a more confident approach to the market:
  - ✓ How to apply charting studies on charts using thinkorswim®.



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# Session 3

## Technical Analysis Workshop

01

02

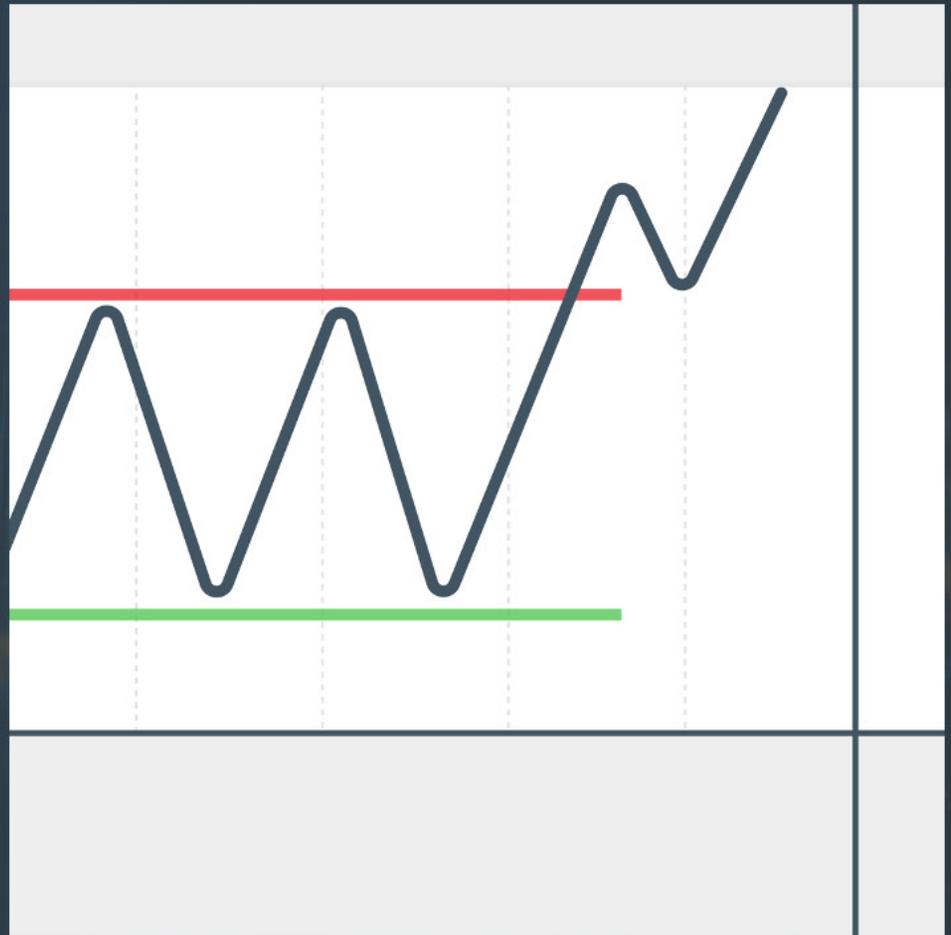
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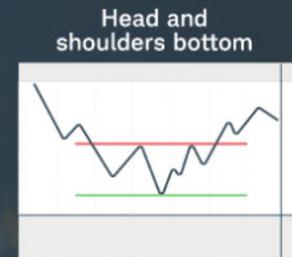
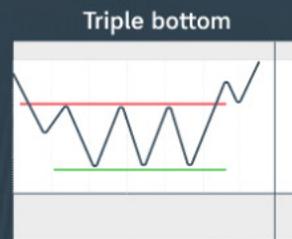
## Goals for this session:

- Learn how to analyze the potential price move of a stock with target forecasting:
  - Identify price patterns and how they are used.
  - Identify bounces and breakouts.
- Learn how to identify potential entry and exit conditions based on bounces and breakouts.



# Bullish price patterns

## Reversal



## Continuation



# Bearish price patterns

## Reversal

Double top



Triple top



Head and shoulders top

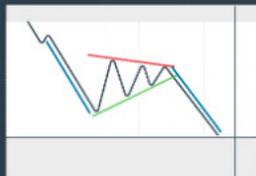


## Continuation

Flag



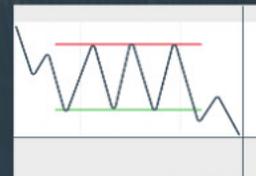
Pennant



Wedge



Rectangle



Descending triangle



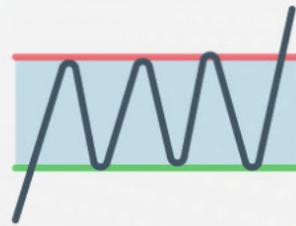


## Reversal – new trend

The trend is your friend...  
...only as long as it keeps going.

## Setting a price target

Enter



Entry point – Height of pattern = Price target

# Price targets

Every trade should have an off-ramp





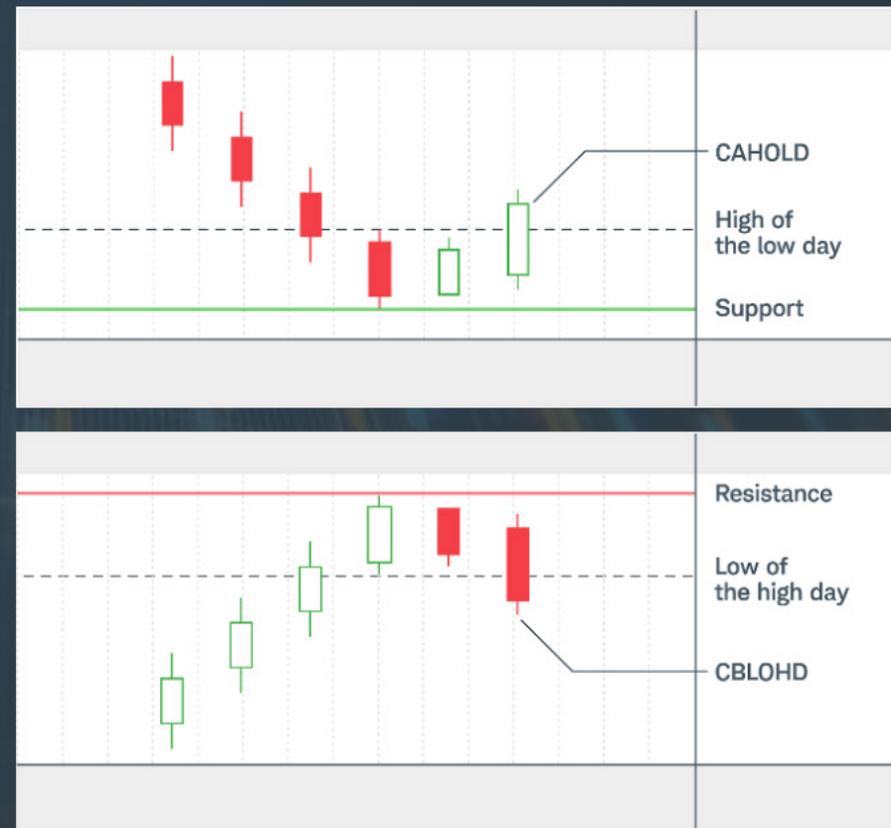
**Some moments  
to enter can be  
better than others.**

**In technical  
analysis, these  
are bounces  
and breakouts.**

# Bounces

A bounce occurs when price meets support or resistance and rebounds in the opposite direction.

- **Support Bounce:**
  - Bullish entry, bearish exit
  - CAHOLD: Close above high of low day
- **Resistance Bounce:**
  - Bearish entry, bullish exit
  - CBLOHD: Close below low of high day



# Breaks



A breakout occurs when price penetrates a level of support or resistance.

- **Support Break:**

- Bullish exit
- Bearish entry

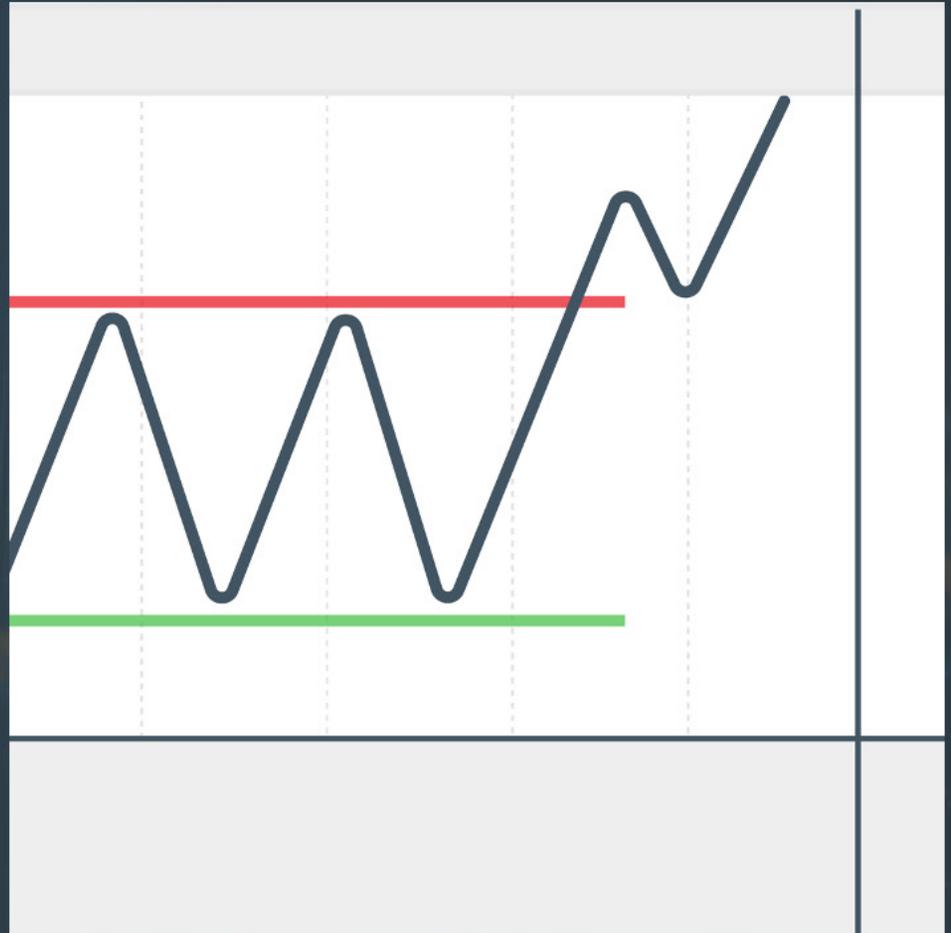
- **Resistance Break:**

- Bearish exit
- Bullish entry



## Goals recap:

- ✓ Learn how to analyze the potential price move of a stock with target forecasting:
  - ✓ Identify price patterns and how they are used.
  - ✓ Identify bounces and breakouts.
- ✓ Learn how to identify potential entry and exit conditions based on bounces and breakouts.



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Risk management

## Session 4

01

02

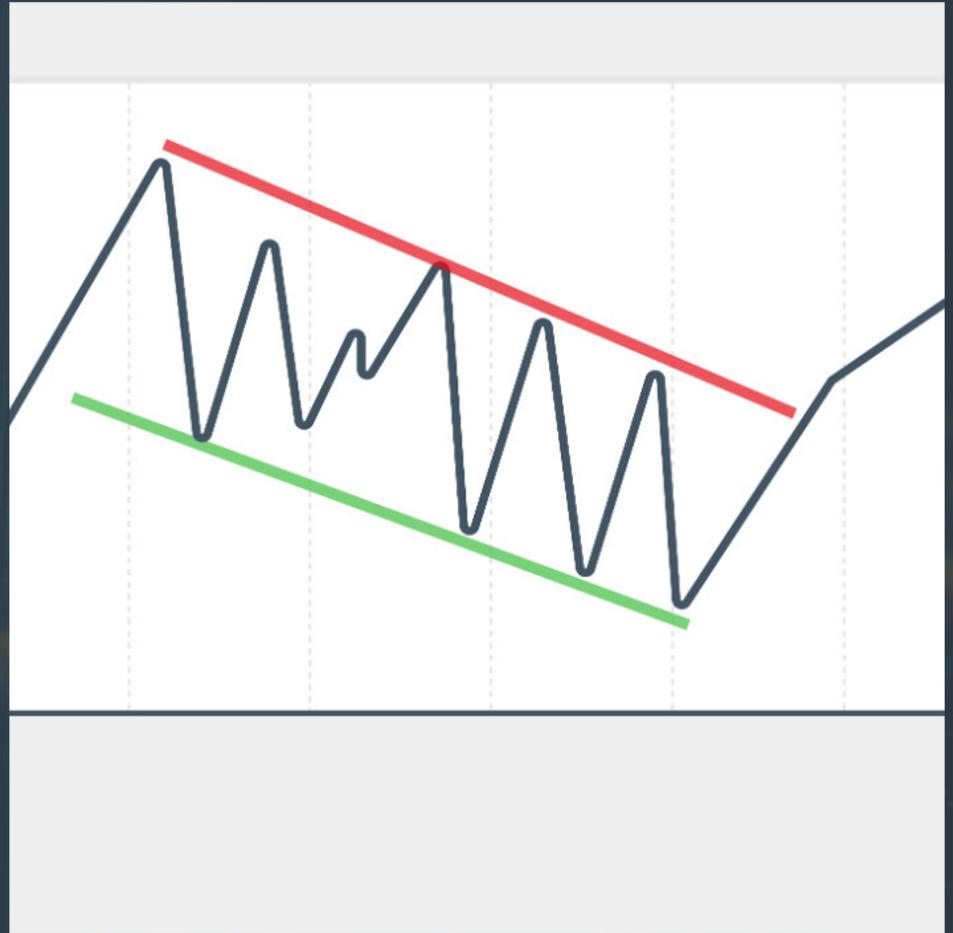
03

04

Entries & exits  
Risk management

## Goals for this session:

- **Entries & exits**
  - Identify setups, triggers, and targets.
  - Understand entry & exit considerations.
- **Risk management**
  - Calculate portfolio and trade risk.
  - Determine position size.
- **Conditional orders**
  - Create entry & exit orders.
  - Use technical analysis to inform trade decisions.



# Breaks

A breakout occurs when price penetrates a level of support or resistance.

- **Support break:**

- Bullish exit
- Bearish entry

- **Resistance break:**

- Bearish exit
- Bullish entry



# Bounces

A bounce occurs when price meets support or resistance and rebounds in the opposite direction.

- **Support bounce:**
  - Bullish entry, bearish exit
  - CAHOLD: Close above high of low day
  
- **Resistance bounce:**
  - Bearish entry, bullish exit
  - CBLOHD: Close below low of high day





## To enter, or not to enter

- How to find the lowest low—CAHOLD
- Entry Considerations

## Conditional order setup

- With a stop limit order, you risk missing the market altogether. In a fast-moving market, it might be impossible to execute an order at the stop limit price or better, so you might not have the protection you sought.
- A stop market order will not guarantee an execution at or near the activation price. Once activated, they compete with other incoming market orders.



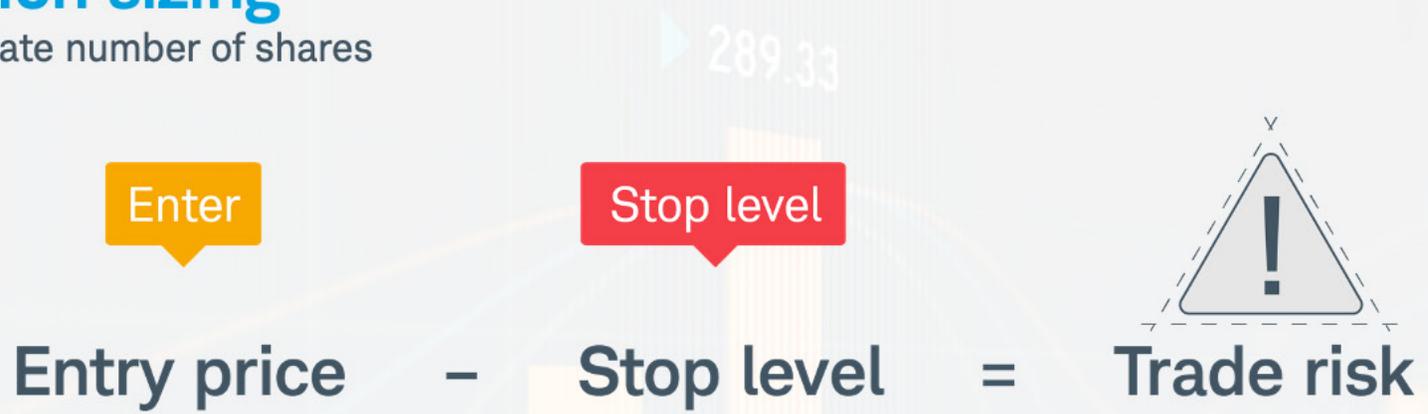
## Position sizing

1. Determine acceptable portfolio risk

$$\begin{array}{ccccc} \text{Total portfolio} & \times & \text{Percent at risk} & = & \text{Portfolio risk} \\ \downarrow & & \downarrow & & \downarrow \\ \$50,000.00 & & 1\% & & \$500.00 \end{array}$$

# Position sizing

2. Calculate number of shares



## Goals recap:

- ✓ **Entries & exits**
  - ✓ Identify setups, triggers, and targets.
  - ✓ Understand entry & exit considerations.
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**Thank you!**