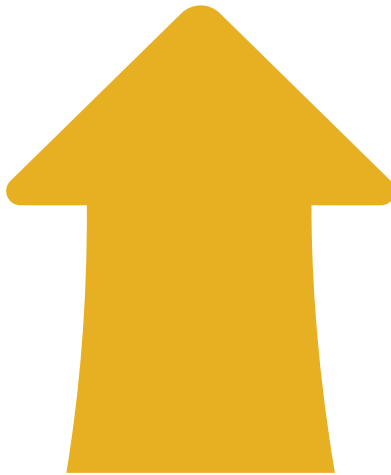




ADVANCED TECHNICAL ANALYSIS EBOOK



Advanced technical analysis is quite useful in many areas of the market. Investors use it to make their trading life easier and more enjoyable. It is based on all the best principles of technical analysis in its core, with the addition of more advanced features.

The Significance of the Advanced Technical Analysis

This strategy allows investors to buy the same dollar amount of investment on regular intervals, regardless of the asset's price. The goal of the strategy is to reduce the impact of volatility on large purchases of financial assets. It is otherwise known as the constant dollar plan in the US, pound-cost-averaging in the UK, or simply unit cost averaging and the cost average effect.



Studying the Patterns

Technical analysis uses patterns to detect the transitions between rising and falling trends. A pattern is a configuration of a price movement and it is identified by using a series of trendlines or curves.

These are the most common advanced patterns in technical analysis:

Bullish Engulfing Pattern

This pattern is formed when a market has been in a downtrend. It usually consists of two complete candlesticks spanning over two different time periods (a day and a week, for example). Furthermore, the first pattern is a “down” or a bearish candlestick, while the other one is the “up” or the bullish candlestick.

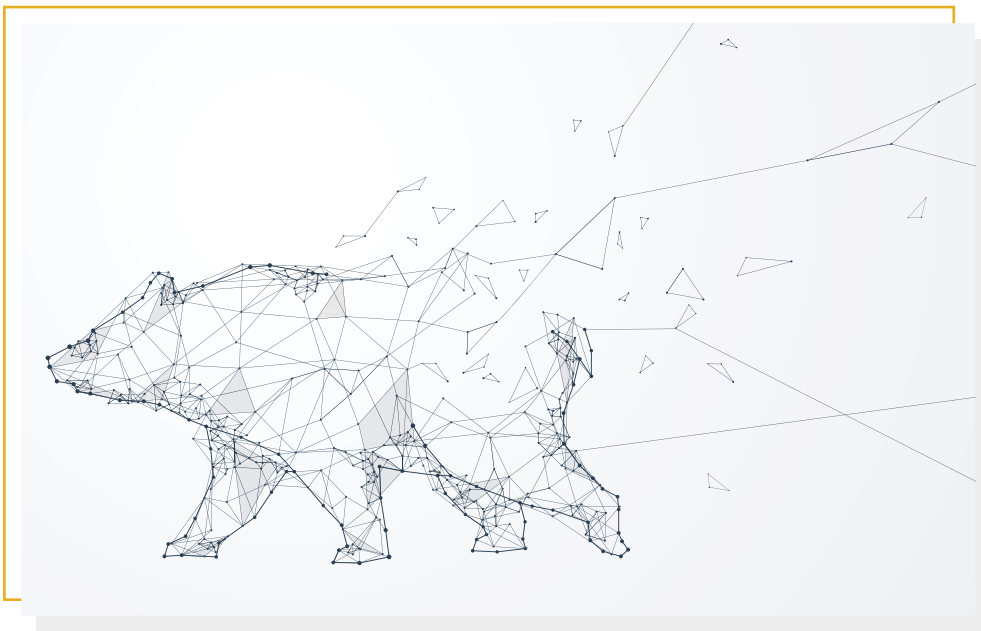
The first candle is signaling the end of declining prices on the market, while the second one should be bigger than the first and cover (or engulf) its body. Also, the bigger the second candle gets, the stronger the signal is.



Bearish Engulfing Pattern

This pattern shows that the market is heading higher. However, pay attention to the candle in the opposite direction that engulfs with the previous one - it indicates a change from buying pressure to selling pressure.

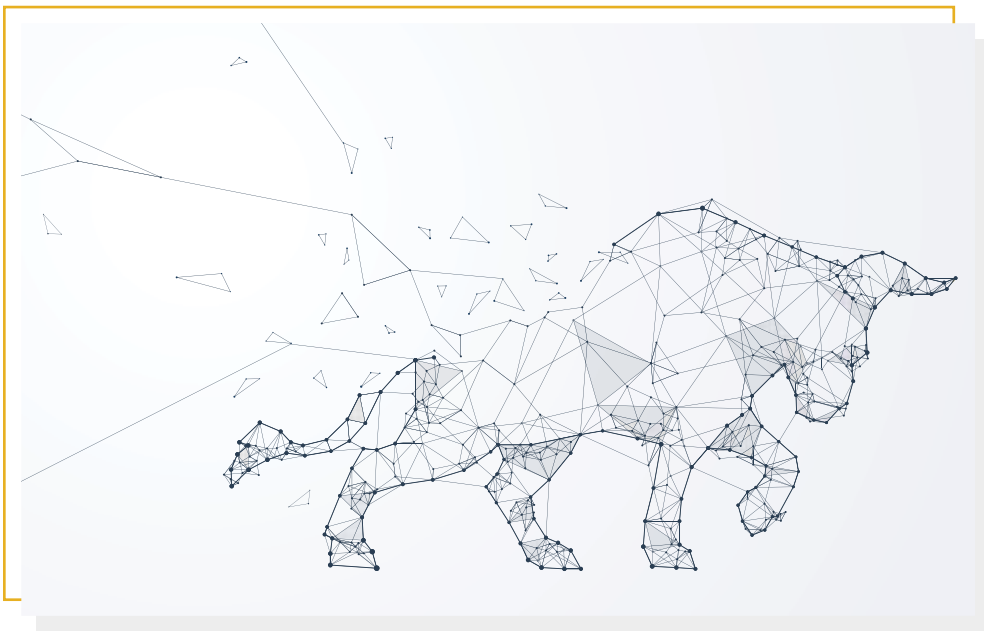
The candles are quite similar as in the previous pattern, with one important difference - the second candle needs to completely engulf the previous one to qualify for a bearish engulfing pattern.



Bullish Divergence Signal

This is a pattern that signals a sudden change in the price on the market. For example, if the price does one thing but the indicator shows something else, it could mean that a trend is coming to an end. This is a clear signal that you should think about moving your profit into a different direction.

So, the bullish divergence occurs when prices fall to a new low while an oscillator fails to reach it. Meaning, the bears are losing power, and the bulls are ready to take back control of the market. Usually, this signal indicates an end of a downtrend.



Bearish Divergence Signal

This signal indicates the potential downtrend when prices rally to a new high while the oscillator doesn't reach the new peak. In this case, the bulls are losing on the market while the bears are ready to take control of it.

Though indicators are not 100% reliable, this one is still quite useful. Namely, it can help take some heat off the market by warning everyone that a good trend might be coming to an end.



The False Breakout

This term refers to a breakout that failed to continue beyond a certain level, creating the “false” breakout. The false breakout is considered as one of the most important price patterns. It is often a strong clue that a price might change direction, or that a trend will resume soon.

Also, some considered it as a “deception” by the market. Since it may look like the price will breakout, but it reverses, deceiving the ones who bought into it and tried to get in on the action. If you put it like that, the false breakout is a good way to eliminate the traders that are driven by emotion rather than logic.

