

Index

- American Association of Individual Investors (AAII) sentiment survey, 63, 64
- Appel, Gerald, 21, 125
- Arms, Richard, 74
- Arms Index, 74–76 example of, 76 extreme overbought/oversold conditions, values for, 76 important note, 76 interpretation of, 75 refined applications of, 76 sub-components of, 75 uses of, 75–76
- Average Directional Index, 8
- Bar charts, 7
- Bearing engulfing candlesticks pattern, 155
- Benner, Samuel, 87
- Bollinger, John, 19, 145, 148
- Bollinger Bands (BB), 19–21, 141–148 combined with Relative Strength Index, 148 criticism of, 146 main aspects of, 141–144 trading strategies under, 144–174, 148 volatility breakout strategy, 146–147
- Bollinger Bandwidth, 143–144
- Box size in point/figure chart, guidelines for, 53
- Bullish engulfing candlesticks pattern, 155
- Candlesticks, 14–17, 149–163 black, 150 cases of dark cloud cover, 158 engulfing, 155 evening star, 161–162 hammer, 153–154 hanging man, 154 Harami, 156–157 morning star, 160–161 piercing line, 157

- shooting star, 154–155
three black crows, 163
three white soldiers,
 162–163
tweeter bottom, 159–160
tweeter top, 159
main aspects of, 150–159
patterns of, 15–17
types of, 14
white, 150, 151
- Chaikin Money Flow, 10
- Chart(s)
 bar, 7
 line, 5, 7
 patterns, 31–48
- Chicago Board Options Exchange (CBOE) Volatility Index, 65
- Commitment of Traders Report (COT), 73–74
- Commodity Futures Trading Commission, 73, 74
- Consolidation, 10
- Continuation patterns
 flags and pennants, 45–46
 rectangle pattern, 47–48
 triangles, 40–44
- Contrarian indicators, 63, 64,
 65–68, 72–73
- Counter-trend indicators. *See* Contrarian indicators
- Dark cloud cover, 15, 16, 158
- Days-to-cover ratio. *See* Short interest ratio
- de Wolff, Samuel, 124
- Doji, 17, 150, 151
- Double bottoms, 39–40
Double tops, 36–38
Dow Theory, 2
- Elliott, Ralph Nelson, 80, 81
- Elliott wave theory (EWT), 13,
 79–124
 under bearish market, 81
 benefits of, 89–90
 cycles of, 94, 124
 defined, 80–83
 drawbacks of, 91
 Fibonacci sequence, 84–86,
 87, 89
 golden ratio, 83–84
 Kondratieff Waves, 86–89
 mitigated role of
 fundamentals under, 93
 recommendations for,
 91–92
 rules and guidelines under,
 122–123
 steps of, 93–94
 wave analysis, 95–121
 alternation, 101–102
 background assessment,
 97–101
 channelling, 103–104
 combination, 104
 diagonals, 104–105
 8-wave pattern under one
 cycle, 95–96
 extensions, 105–110
 flats, 111–112
 thrust, 113
 triangle, 114–119
 truncation, 119–120

- zigzags, 120–121
- wave pattern under bull market, 81, 96
- Engulfing candlesticks pattern, 155
 - bearing, 155
 - bullish, 155
- Equity indicators, 76–78
- Evening star candlesticks pattern, 161–162
- Exponential Moving Average (EMA), 126, 127
- Fibonacci, Leonardo, 166
- Fibonacci retracements, 166–176
 - main aspects of, 166–168
 - price extensions, 172–174
 - price projections, 174–176
 - rationale for use of, 169–174
- Fibonacci sequence, 84–86, 87, 88
- Figure chart, 49–54
 - benefits of, 53
 - box size, guidelines for, 53
 - example of, 54
 - main aspects of, 50–52
 - trading strategies in, 53–54
- Flags, in charts, 45–46
- Flow of funds indicators, 71–78
 - Arms Index, 74–76
 - Commitment of Traders Report, 73–74
 - equity indicators, 76–78
 - mutual funds flow, 72–73
- Fundamental analysis versus technical analysis, 8–9
- Galileo, 166
- Golden ratio, 83–86, 171
- Hammer candlesticks pattern, 153–154
- Hanging man candlesticks pattern, 154
- Harami candlesticks pattern, 156–157
- Head and shoulders, 32–36
 - ∩-shaped, 34–36
 - trading strategies in, 36
 - V-shaped, 34–36
- Hedgers, 73
- Initial Public Offerings, 76
- Intermarket analysis, 28–29
- Kondratieff, Nikolas, 86, 124
- Kondratieff Wave Economic Cycle, 86–87
- Kondratieff waves, 86–89, 124
- Lane, George C., 55, 56
- Line charts, 5, 7
- Margin debt, 68–69
- Momentum oscillators, 59–60
- Money Flow Index, 10
- Morning star candlesticks pattern, 160–161
- Moving average, 27
- Moving Average Convergence Divergence (MACD), 6, 11, 21–22, 125–131
 - benefits of, 130
 - drawbacks of, 130

- interpretation of, 128–129
main aspects of, 125–127
strategies under, 130–131
- Multicollinearity, 6
- Murphy, John, 28
- Mutual funds flow, 72–73
- NAAIM Exposure Index. *See* National Association of Active Investment Managers (NAAIM)
- National Association of Active Investment Managers (NAAIM)
Survey of Manager Sentiment, 62, 64
- New high/new low ratio, 67–68
- New York Stock Exchange, 69
- Oscillators, 11
caution to use, 11
main aspects of, 55–59
momentum, 59–60
types of, 11
- Pennants, in charts, 45–46
- Piercing line, 15, 157
- Point chart, 49–54
benefits of, 53
box size, guidelines for, 53
example of, 54
main aspects of, 50–52
trading strategies in, 53–54
- Polls indicators, 64–65
- Prechter, Bob, 80
- Put/call options volume ratio, 65–66
- R, modelling technical analysis in, 183–189
- RBC Capital Markets Research, 70
- Rectangle pattern, in charts, 47–48
- Relative Strength Index (RSI), 6, 17–19, 25, 133–139
applications of, 138–139
combined with Bollinger Bands, 148
main aspects of, 134–136
trading strategies under, 136–137
values and interpretation, 18
- Resistance, 10
- S&P500 index, 178, 179, 181
- Scaling, 12
- Security, 4
- Sentiment, defined, 62
- Sentiment indicators, 61–70
classification of, 62
market tops and bottoms, picking, 62–63
polls indicators, 64–65
statistical indicators, 65–69
- Seykota, Ed, 23
- Shooting star candlesticks pattern, 154–155
- Short interest ratio, 66–67
- Statistical indicators, 65–69
- Stochastics, 11
main aspects of, 55–59
momentum oscillators, 59–60
- Support, 10

- Technical analysis
 benefits of, 12
 compared with fundamental analysis, 8–9
 defined, 4
 drawbacks of, 13
 features of, 2–3
 key aspects of, 3–12
 tools of, 14–22
- Three black crows candlesticks
 pattern, 163
- Three white soldiers
 candlesticks pattern, 169–170
- TRadingINdex (TRIN). *See* Arms Index
- Trading strategies
 under Bollinger Bands, 144–146, 148
 general information on, 23–27
 under head and shoulders, 36
 under Moving Average Convergence Divergence, 130–131
 under point and figure chart, 53–54
- under Relative Strength Index, 136–137
- Trend line, 4, 5–6
 breakout/penetration of, 4
- Triangles, in charts, 40–44
- Tweeter bottom candlesticks pattern, 159–160
- Tweeter top candlesticks pattern, 159
- van Gelderen, Jacob, 124
- Volatility
 breakout strategy Bollinger Bands, 146–147
 defined, 65
- Volatility Index (VIX), 65, 177–181
 benefits of, 179–180
 criticism of, 180
 main aspects of, 177–179
 practical considerations under, 180–181
- Volatility Index Japan (VXJ), 180–181
- Volume-price relationships, 7
- Wilder, J. Welles, 134, 135