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# INTRODUCTION

# Introduction

## Price Action

### Key Takeaways

- Price action generally refers to the up and down movement of a security's price when it is plotted over time.
- Different looks can be applied to a chart to make trends in price action more obvious for traders.
- Technical analysis formations and chart patterns are derived from price action.
- Technical analysis tools like moving averages are calculated from price action and projected into the future to inform trades.

### Sources

Chen, James. "Price Action." Investopedia, 30 Oct. 2020, [www.investopedia.com/terms/p/price-action.asp](https://www.investopedia.com/terms/p/price-action.asp).

## What is Price Action?

Price action is the movement of a security's price plotted over time. Price action forms the basis for all technical analysis of a stock, commodity or other asset chart. Many short-term traders rely exclusively on price action and the formations and trends extrapolated from it to make trading decisions. Technical analysis as a practice is a derivative of price action since it uses past prices in calculations that can then be used to inform trading decisions.

Price action can be seen and interpreted using charts that plot prices over time. Traders use different chart compositions to improve their ability to spot and interpret trends, breakouts and reversals. Many traders use candlestick charts since they help better visualize price movements by displaying the open, high, low and close values in the context of up or down sessions.

Candlestick patterns such as the Harami cross, engulfing pattern and three white soldiers are all examples of visually interpreted price action. There are many more candlestick formations that are generated off price action to set up an expectation of what will come next. These same formations can apply to other types of charts, including point and figure charts, box charts, box plots and so on.

## Limitations of Price Action

Price action is only one of many resources to utilize when trading. Price action can only show you a glimpse of the bigger picture. Many other factors include technical analysis, unusual activity, indicators, etc. The more resources and tools you utilize to confirm your trades the more confidence you'll have to access risk and probability. The interpretation of price action varies between traders and is completely subjective.

#### The Underlying Assumptions of Technical Analysis

- 1: The market discounts everything
- 2: Price moves in trends
- 3: History tends to repeat itself

#### Sources

Hayes, Adam. "Technical Analysis." Investopedia, 9 Oct. 2020, [www.investopedia.com/terms/t/technicalanalysis.asp](https://www.investopedia.com/terms/t/technicalanalysis.asp).

## Introduction

### Technical Analysis

## What is Technical Analysis

Technical analysis is a trading discipline employed to evaluate investments and identify trading opportunities by analyzing statistical trends gathered from trading activity, such as price movement and volume.

Unlike fundamental analysis, which attempts to evaluate a security's value based on business results such as sales and earnings, technical analysis focuses on the study of price and volume. Technical analysis tools are used to scrutinize the ways supply and demand for a security will affect changes in price, volume and implied volatility. Technical analysis is often used to generate short-term trading signals from various charting tools, but can also help improve the evaluation of a security's strength or weakness relative to the broader market or one of its sectors. This information helps analysts improve their overall valuation estimate.

In general, technical analysts look at the following broad types of indicators:

- Price trends
- Chart patterns
- Volume and momentum indicators
- Oscillators
- Moving averages
- Support and resistance levels

## Limitations of Technical Analysis

Much like price action, technical analysis is only one piece of the bigger picture and can only tell you so much. Technical analysis is just another tool to better equip yourself as a trader. History may not repeat itself and that is one of the biggest critiques of technical analysis. The interpretation of technical analysis is subjective and two traders' interpretation may vary and contradict one another.

# CANDLESTICK BASICS

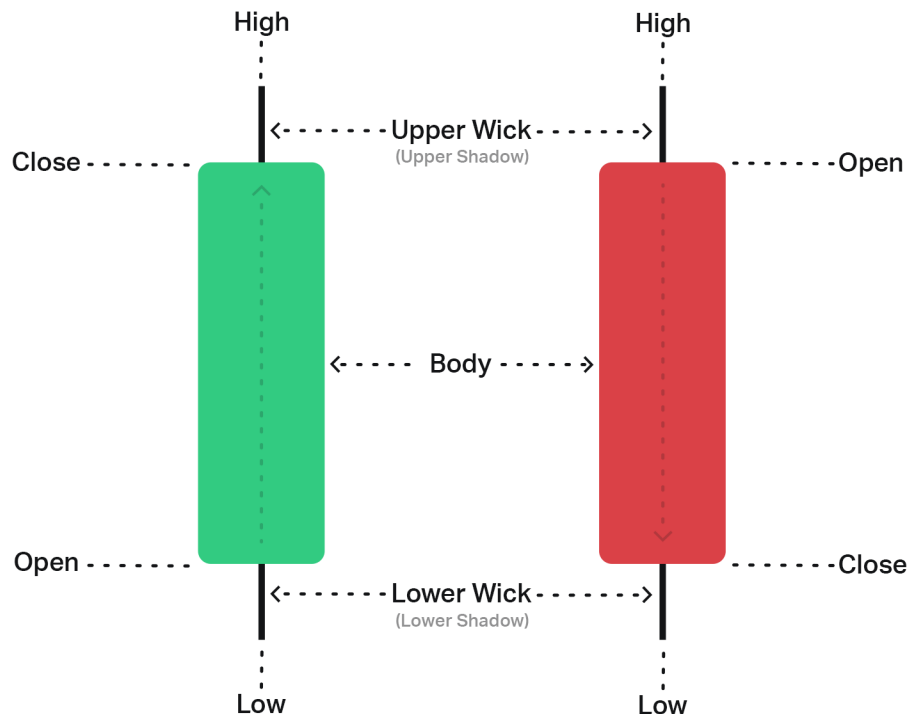
## Candlestick Basics

### How to Read Candlesticks

The candlestick is thought to have been developed by a Japanese rice trader Munehisa Homma dating back to the 18th century.

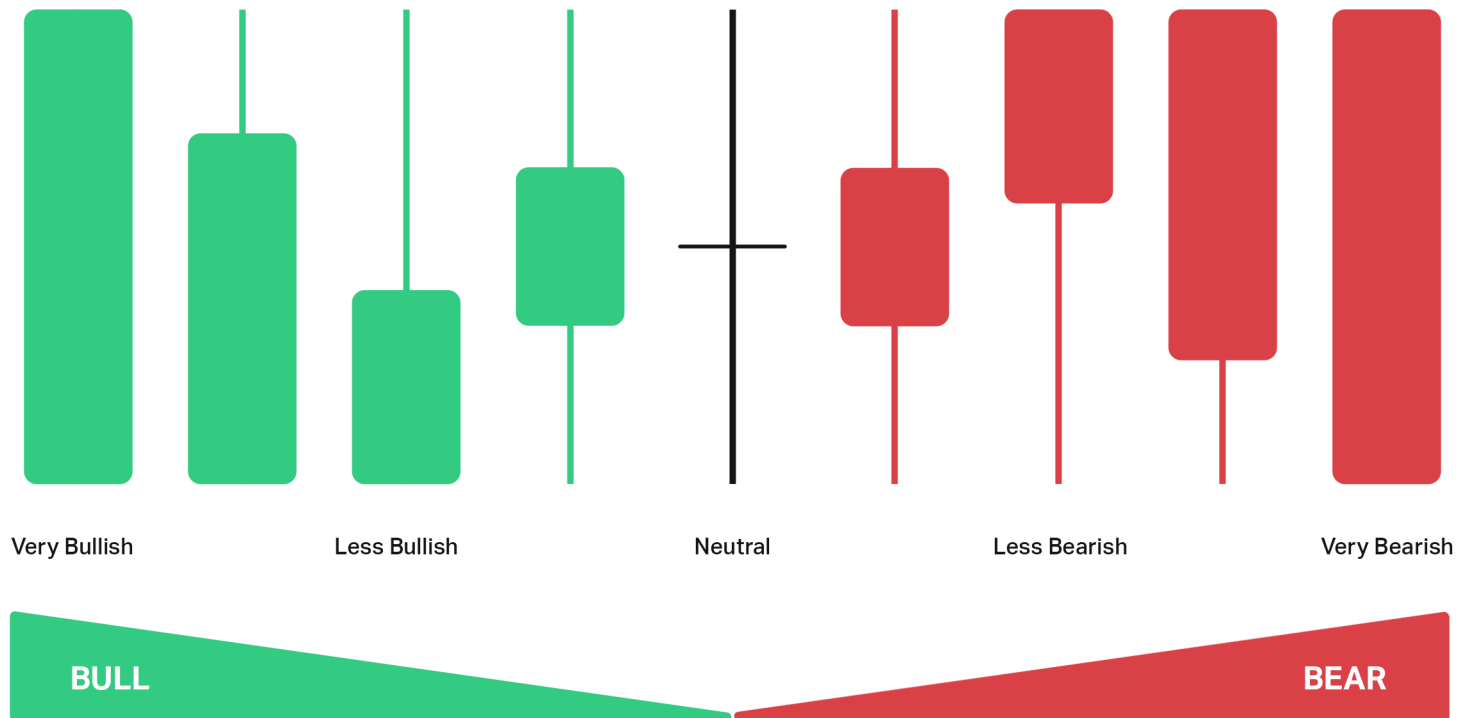
Candlesticks can show the movement in the price of an asset over any given time whether that is 5 minutes, 4 hours, 1 day, etc.

- If the close is above the open the candle will be a bullish candle (highlighted in green).
- If the close is below the open the candle will be a bearish candle (highlighted in red).



## Candlestick Basics

### Bullish-Bearish Spectrum



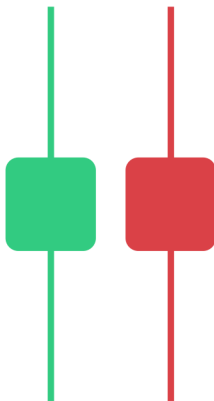


## Candlestick Basics

### Neutral Patterns

- Two Spinning Top candles with symmetrical bodies and equal upper and lower wicks/shadows shows an indecision in direction or a reversal.
- A Doji candle happens when the open and close are the exact same over the time frame in which your candlestick chart is set. This candle creates a thin cross.
- A Marubozu candle has no wicks/shadows and can neither be bullish or bearish alone. When two Marubozu candles are of equal size with one bullish and the other bearish, this shows an indecision in direction or a reversal.

Spinning Top



Doji Candle



Marubozu



## Candlestick Basics

### Single Candle Patterns

BULLISH

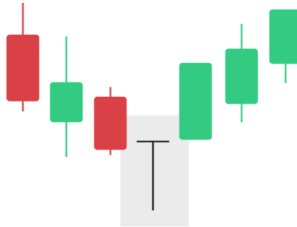
Hammer



Inverted Hammer



Dragonfly Doji



Bullish Spinning Top



BEARISH

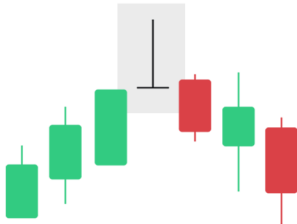
Hanging Man



Shooting Star



Gravestone Doji

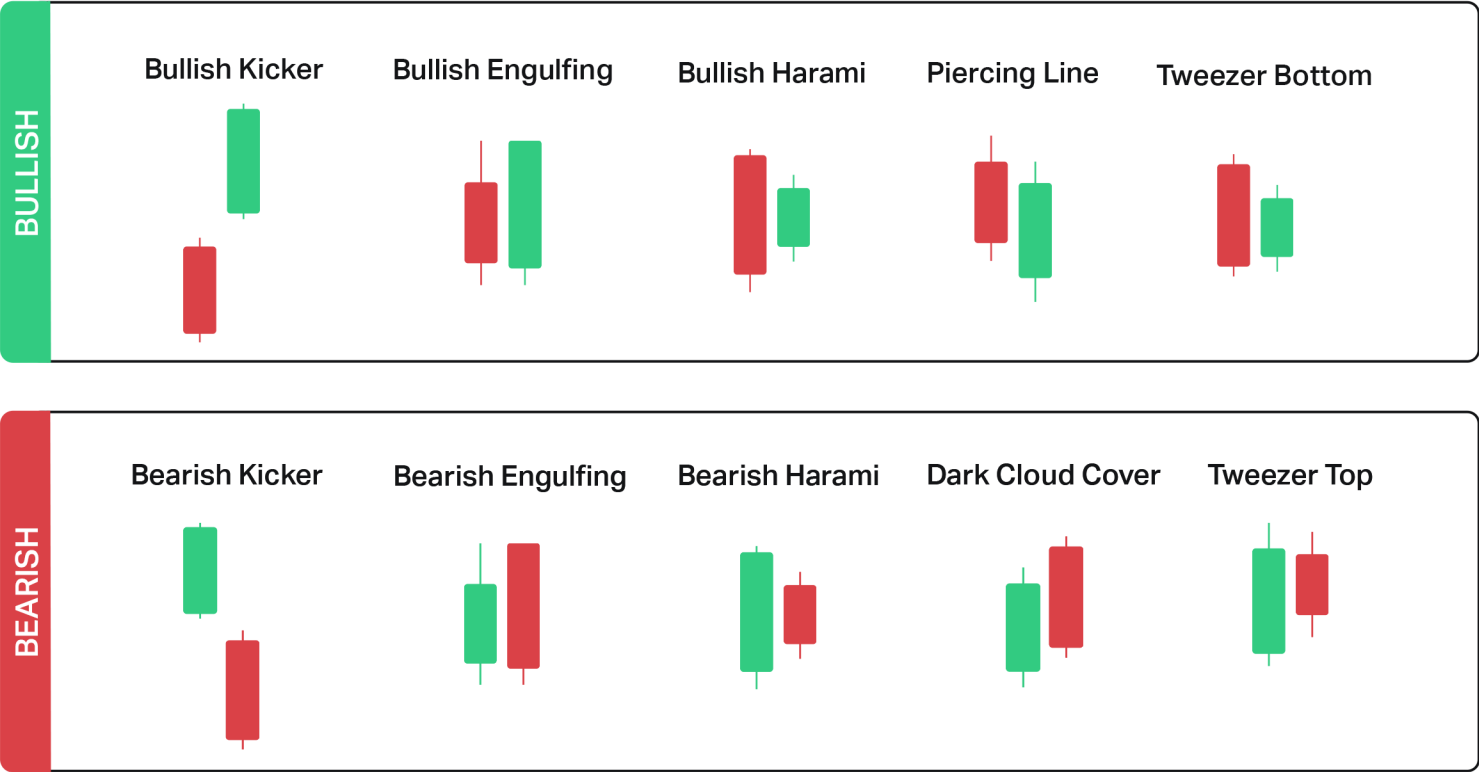


Bearish Spinning Top



# Candlestick Basics

## Two Candle Patterns



## Candlestick Basics

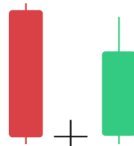
### Three Candle Patterns

BULLISH

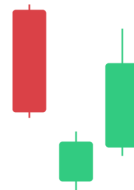
Three White Soldiers



Morning Doji Star



Morning Star

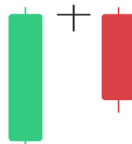


BEARISH

Three Black Crows



Evening Doji Star



Evening Star



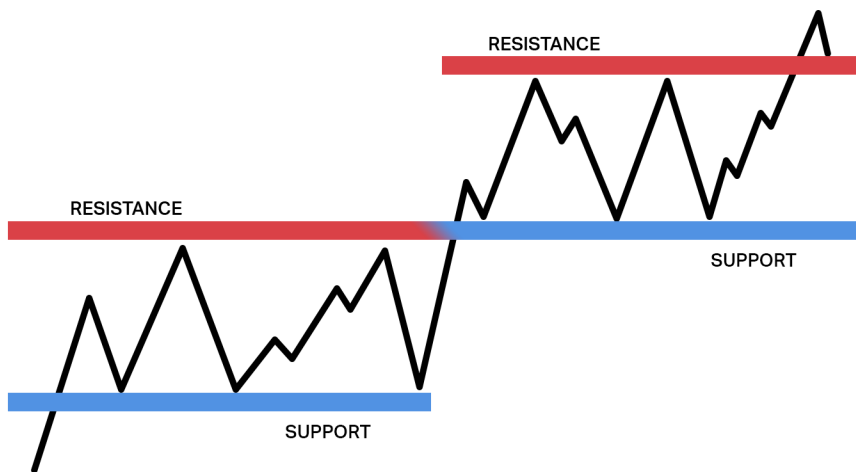
# TECHNICAL ANALYSIS

## Technical Analysis

### Support + Resistance

In technical analysis, one of the most fundamental concepts is support and resistance, these are thought to be levels on the y axis in which the asset will either bounce off of or reject a certain price. These are determined by many things but one of the most common is the historic action on that stock price. For example: if a stock has bounced of the price \$130 multiple times over the course of months or years than it thought to be a support for the stock.

Both supports and resistances can be broken therefore moving to the next support or resistance. If the asset breaks a resistance at an all time high price than this is thought to be "clear skies" meaning that there is not clear definitive resistance level for the asset to most likely have a pull back. More often than not a support resistance level will act as a support level later one once the original resistance level is broken.



# Technical Analysis

## Support + Resistance Breakdown

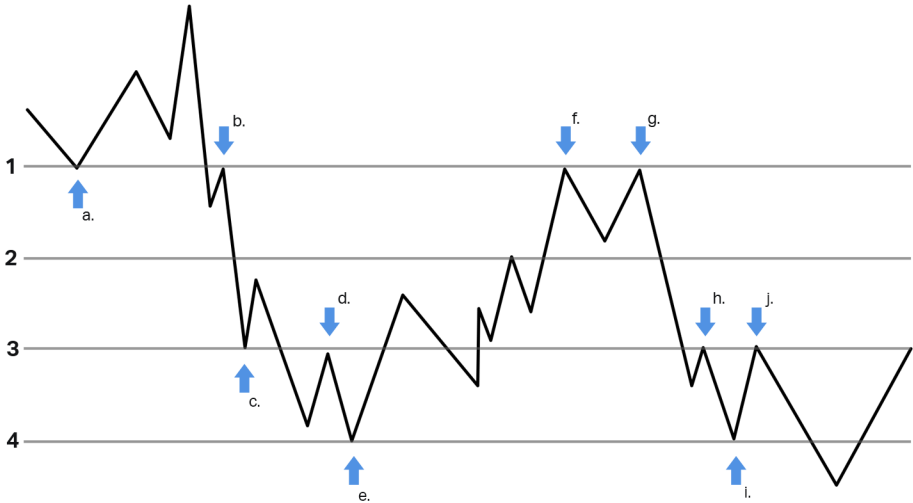
The diagram on this page has four levels drawn numbered 1-4 on the left side.

Level 1 could be thought as a valid support or resistance because it has tested that level four times in this chart.

Level 2 could be thought as an invalid/less valid. support or resistance level because it only tested that level once.

Level 3 could be thought as a valid support or resistance because it has tested that level four times in this chart.

Level 4 could be thought as a valid/more valid support or resistance because it has tested that level two times in this chart.



Successful support points: a, c, e, i  
(Bounced)

Successful resistance points: b, d, f, g, h, j  
(Rejected)

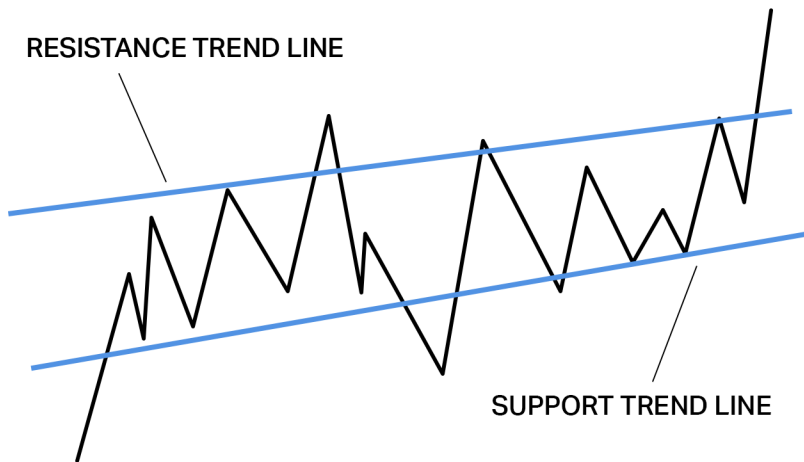
## Technical Analysis

### Trend Lines

Another fundamental concept in technical analysis is the idea of trend lines. This is from the assumption stated in the introduction section that price moves in trends.

Trend lines can act as a support or a resistance level as well. The diagram on this page displays an asset in a slightly upward trend that is bound by both an upper resistance trend line and a lower support trend line.

Although the chart dips below the trend line that doesn't necessarily mean that it broke the trend just quite yet. Neither does the fact that the chart breaks the resistance trend line as well. It still could be considered a valid trend line. This is a perfectly imperfect example of a trend line because finding a perfectly clear pattern in real markets can be rare.

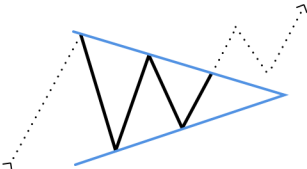


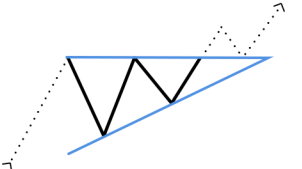


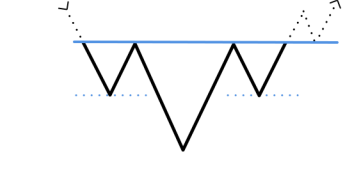
# Technical Analysis

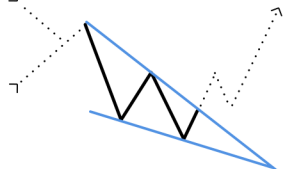
## Chart Patterns Part 1

BULLISH

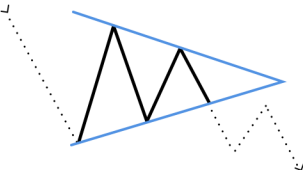
Symmetrical Triangle

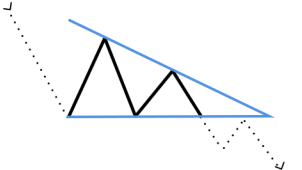
Ascending Triangle

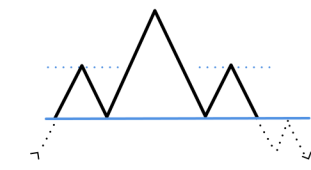
Inverse Head and Shoulders

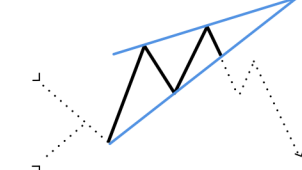
Falling Wedge

BEARISH

Symmetrical Triangle

Ascending Triangle

Head and Shoulders

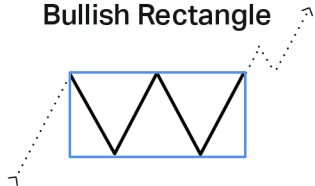
Rising Wedge

## Technical Analysis

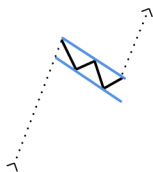
### Chart Patterns Part 2

BULLISH

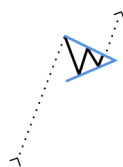
**Bullish Rectangle**



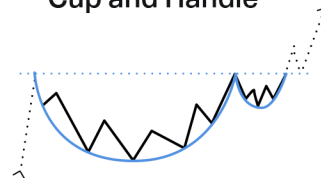
**Bull Flag**



**Bullish Pennant**

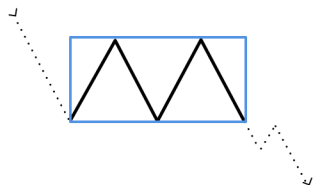


**Cup and Handle**

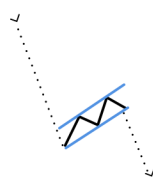


BEARISH

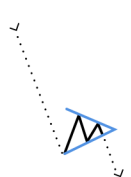
**Bearish Rectangle**



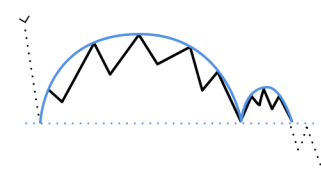
**Bear Flag**



**Bearish Pennant**



**Inverse Cup and Handle**



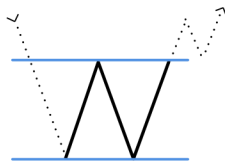
Technical analysis patterns continue to keep the root concept in each and every trade, but each one is unique. Market sentiment, volatility, volume, and other market factors can play a role into success of a technical trend. It doesn't guarantee profits or 100% accuracy, but for those who diligently practice the concepts, it does provide a realistic possibility of trading success.

## Technical Analysis

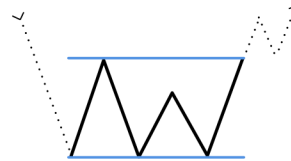
### Chart Patterns Part 3

BULLISH

Double Bottom

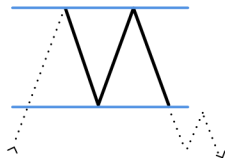


Triple Bottom

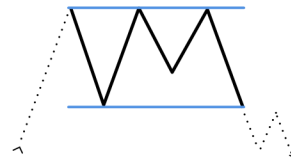


BEARISH

Double Top



Triple Top



# ABOUT EQUITYBLUE

## About Equityblue

### Our Mission

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### What is Equityblue?

Equityblue inc is a software development company focused on education and resources to better equip retail investors turning them into real investors.

### The Community

We currently have an online community on Discord built to teach members skills technical analysis and price action. Equityblue is for educational purposes only and does not propose financial advice.

### Price of Membership

The current monthly subscription to have access to our community is priced at \$75/Month.

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### Features

- Daily technical analysis
- Daily market analysis
- Educational content
- Inclusive partnerships
- Breaking news
- Earning and economic calendars
- One on one lessons
- Giveaways

