

Resources for technical analysis:

Book: "The Logical Trader" by Mark Fisher.

Available for about \$26 through Traders Library

<http://www.traderslibrary.com>

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Internet encyclopedia of terms:

<http://www.investopedia.com/university/technical/>

Free Charting services:

Daily FX.com

http://www.dailyfx.com/tr_charts.html

FX Trek

<http://quote.fxtrek.com/misc/refco.asp>

Net Dania

<http://www.refcofx.com/FinanceChart.html?symbol=EUR/USD>

Paid services:

TradeStation

www.tradestation.com

Cost is \$200/month without a trading account, or \$100/month with a trading account.

Exchange fees are added as appropriate. There are no exchange fees for the forex live data. Charts below are made on TradeStation

For other services:

Go to a search engine such as Yahoo and search for "trading, charts, forex"

Look at industry magazines, such as Futures, also available at www.futuresmag.com

MOVING AVERAGE TRADING SYSTEM

From "The Logical Trader" by Mark Fisher

Moving averages in most charting programs are based on the close of the price bar. The author prefers to use a moving average based on the "pivot point", which he describes as "the meat of the market."

If you have a charting program which allows changes to the indicators, change the moving average basis from "close" to " $(\text{high} + \text{low} + \text{close}) / 3$ " which is the formula for the pivot point. If you cannot make the change, use the moving average based on the close.

The author uses 14 bar, 30 bar, and 50 bar moving averages.

Rather than focusing on moving averages as a barrier to be crossed (which some trading system do), he focuses on the slope of the line. A change in slope is an important indication of a change in perception of the market

The slope of three averages can be used to indicate a bullish market (all three slope upward), a bearish market (all three slope downward), a neutral market (all three are moving sideways, not crossing), or a confused market (lines moving in different directions).

The beauty of the pivot moving averages concept is that it is visual. You can tell the bias of the market by just looking at the slope of the three averages.

Entry:

When all three averages slope upward, enter long. When all three slope downward, enter short.

If prices trade down through the shortest average but not the middle average, stay in the trade

Exit: Exit if prices trade through the 30 bar (middle) moving average

Exit if the 14 bar (fastest) moving average goes flat

(Examples on following pages)

This is a 3 min chart of the GBP/USD on September 8, 2004. The moving averages are based on the pivot, and are for 14, 30, and 50 bars. Entry would have been at about 1.7810 at 9:51 a.m. Exit would have been at 1.7880 about 11:12 a.m., based on the flat slope of the fastest moving average.



This is a 3 min chart of the GBP/USD on Sept. 1, 2004. The moving averages are based on the pivot, and are for 14, 30, and 50 bars. Note entry at about 1.8020 just after midnight. Also note how the price went through the shortest moving average several times, but did not cross the middle moving average until the move was over. Exit should be about 3:15 at a price of 1.7960 when the price bars went through the middle moving average and the shortest moving average went flat to slightly upward.



This is a 5 min chart of GBP/USD on Sept. 13, 2004. The moving averages are based on the pivot, and are for 14, 30, and 50 bars.

I sold at 1.7965 at 9:16 a.m. I panicked when the prices touched the 30-bar moving average and got out at 9:32 at 1.7989, missing a move all the way down to 1.7954 at 11:15 when the 14 bar moving average went flat.



This is a 3 min chart of EUR/USD on Sept. 14, 2004. The moving averages are based on the pivot, and are for 14, 30, and 50 bars.

At 8:48, I went long on the news at 1.2293, and then got stopped out when market retraced 2/3 of the move. At 10:02, went long again at 1.2277, as the moving averages were all pointing up. Stayed in until 10:23 when I exited at 1.2284 for a small profit, based on the difficulty the market was having getting through resistance, and the shallow angle on the 14 bar moving average.

