

Technical Analysis Explained

An interview with Channel News Asia "Money Mind"
with Chor Khieng Yuit
Editor – Current Affairs (Money Mind)

Wong Kon How
22nd January 2016

What we do:

Our company provides training services in Asia for the securities and derivatives markets. We also provide consultancy services to help companies grow their market share, transaction volume and market liquidity. We conduct workshops for industry practitioners, retail investors and traders. Our clients and participants are securities and derivative exchanges, regulators, investment banks, institutions and brokers. Our services has gained good reviews and testimonies from our partners and their clients.

Our belief:

Knowledge is not power. Applying what you have learned is. We create the bridge!

We believe that every keen investor and trader should have the opportunity to learn about the financial market in a progressive and manageable manner. Regardless of your background and your starting point, if you have the right learning attitude, you too can be a professional in this field!"

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Question 1:

- Explain Technical Analysis?

Answer:

Technical Analysis is an art, it is not a science or math.

In science, $H_2 + O$ is equal to H_2O , 100% chance

In Math, $2 + 2$ is equal to 4, 100% chance

In Technical Analysis for example, when chart pattern A + chart pattern B happened, market is highly likely to be moving up. If chart pattern C + chart pattern D happened, market is highly likely to be down. The probability can range from 55%, 60%, 65% or even 70%.

In art, there are no standard measurements in grading, every outstanding piece has its price bracket and can vary among the different collectors. Similarly, in Technical Analysis, some use purely Technical Analysis and ignore news or Fundamental Analysis completely, some use Technical Analysis and ignore market psychology and the others (like me) use Technical Analysis with a mix of Fundamental Analysis and market psychology because we believe they are all inter-related. There is no right and wrong. All Technical Analyst with a certain level of proficiency after years of practice should be able to quantify the probability, expecting market movement using Technical Analysis at any given point. This probability may range between 55% - 90%.

Question 2:

- How important is Technical Analysis in a trading strategy? Can we gain a trading edge from Technical Analysis?

Answer:

You can use Technical Analysis for both trading and investment.

For trading, we are trading into the market volatility, value is usually not in the consideration. Therefore, I usually use just Technical Analysis if I decide to trade.

For investing, we are looking for value over time. Therefore, I will use both Technical Analysis for timing and Fundamental Analysis to find value.

Question 3:

- Is Technical Analysis still applicable in this volatile environment?

(Doesn't care one bit about the value of a company. Chartists are only interested in the price movements in the market)

Answer:

Definitely, in my classes with the practitioners, I will always try this question on them. I will ask them: "What do you think, which one will come first? 1) Will the prices move first followed by an announcement or 2) the announcement comes first, followed by the price movements? Majority will pick (1). So what does this tell us? Technical Analysis reflects the pulse of the market, it usually gives us an early signal or warnings that something is happening, and it is very useful in a volatile environment.

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Question 4:

- What information can we get just by reading charts? No need to follow news, no need to follow financial reports.

Answer:

Charts plots the history of events, announcements, market reactions to a manmade or natural disaster, greed, fear or even a system technical default, all these are reflected in the price movements.

Technical Analysis cannot predict the future, but from a chart, we can study into the history all the way up to the current prices or at this current point, then we make a judgement. - "What is the likely probability that pricing is going up or coming down from here? Once we can access these information and assess the probability, we can then enter into a position with certain confidence.

How high or low the prices can go? Unless we can control the future, nobody knows. After an entry is made, we can only manage our existing positions and do our very best to manage it well.

Question 5:

- Technical Analysis doesn't take into account emotions and investor psychology. So, how can we use Technical Analysis to understand market behaviour?
(Emotions drive a lot of markets in Asia.)

Answer:

Market behaviour is made up of investor's emotions and psychology. Which one comes first? Fear or greed? When there is a perceived opportunity, it is the greed that will draw many investors to get into a position that is beyond their capacity. Usually these investors do not have a contingent plan, and when market goes in the opposite direction, fear starts to kick in, causing them to behave abnormally. That's where opportunity comes for those who knows how to read into it.

Question 6:

- What are some Technical Analysis techniques/tools that we can adopt?

Answer:

I will recommend to study into the price movements and its volume. These are what I call "first hand" information. Indicators are usually derived from prices and volume, this makes them "lag", slow to react.

Question 7:

- Can you use Technical Analysis techniques to identify the good stocks now (across Asia)?
And the stocks to avoid?

Answer:

Stocks are considered as an asset class instrument. Asset class are for long term investment, for long term investment, as said earlier, you need a combination of macro analysis and Technical Analysis. Now (22nd January 2016) both the macro and Technical Analysis looks bad, if you have not invested in any, stay out of stocks for the time being, unless you want to do short term trading.

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Our trainer:



Mr Wong Kon How has more than 20 years of trading experience in the finance industry. His company, Weipedia Private Limited provides consultancy services in developing the financial market in Asia. He is also a SGX Academy professional trainer with Singapore Exchange.

Apart from managing his own fund, he also conducts training sessions for industry practitioners in Singapore, Malaysia, Thailand, China and Hong Kong. These practitioners include regulators, fund managers, professional traders, brokers and their clients.

Market insight:

Year 2008 was the turning point in the financial market. Kon How had accurately forecasted the downturn of STI and Dow Jones during the early 2008. He also presented the continual uptrend in the Gold market from USD900 level. Interestingly, he also spotted the turning trend of the Singapore COE car market during that period.

Recently, on 2nd June 2015, he had presented a weak market outlook to Cyberquote's participants. Also, on 2nd October 2015, during his training with Lim & Tan's remisiers, they concluded a short term support for both Singapore and Asia market.

Participated with:



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Testimonies:

Attended mainly by securities retail and licence professionals

"This is excellent and thanks for sharing. Education is a core tenet for SGX, I am very happy that we have quality of teachers like yourself helping with our vision to help people achieve financial security and independence long term. We are all living longer and this will make a difference"

**Ms Jenny Chiam,
Head of Securities of Singapore Exchange
(Singapore)-14th October 2015**

Attended mainly by bank traders

"...conducting an outstanding presentation...response to the seminar was overwhelming with 130 participants. The content of the presentation carries high degree of practicality. Feedback from our members throughout the seminar is positive and encouraging"

**Mr Jack Cheung,
CEO of Treasury Market Association
(Hong Kong)-12th January 2015**

Attended mainly by securities and futures licence professionals

"...turnout rate of this training was great – about 30 participants (full house) attended" "The participants rated very high of this course and their satisfaction of the course was 4.71 (where 5=very good... The average rating of instructor was 4.88. Well done and thanks for delivery such a great course for us."

**Ms Ruth Kung,
Executive Director for Education & Development of Hong Kong Securities & Investment Institute
(Hong Kong) - 5th November 2014**

A Business owner and a retail investor

I have enjoyed this course and found it to be most interesting, informative and useful. In the past, I had attended various courses that taught me how to trade, read charts and identify the peaks and troughs and to follow the Trend. However, none of these courses were as detailed and concised as your class. It beats the many hours spent reading up on as many Analysts reports and business news which can be overwhelming and confusing.

Best regards, Sally (Singapore) – 24th Jul 2015

A Remisier from Lim & Tan Securities

我很荣幸能有机会上这四天的 Structured Warrants 课程，让我能学了很多非常务实与实用的方法和观念。这些技术对我们股票经纪人或做为独立投资人都是長久性受益无穷的技能。最让我印象深刻的莫过于您的诚实与诚恳的态度。您说不能担保一定全对，但您收集的数据和方法肯定能增进我们的勝算，買賣时也更有信心，至于其他方面就只能管控市场的风险了。希望在不久的将来还能有机会上您的课，听您的分享。

李小容 (Singapore) – 13th Oct 2015