



Technical Analysis

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Technical Analysis

Types of Charts

Trends

Support and Resistance

Moving Averages

Options Strategies

Resistance Trade

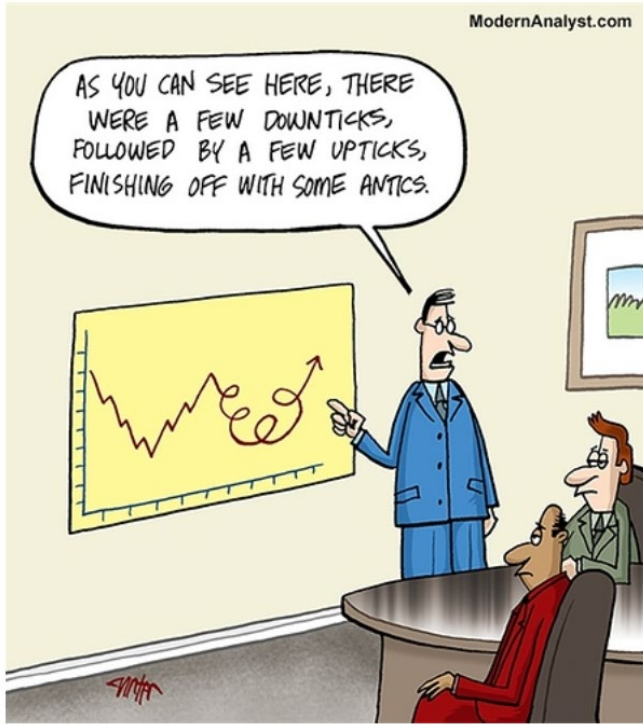
Support Trade

Next Steps

ASX Website

Options Trading Game

Technical Analysis



Study of price and volume changes over time

Can be intimidating think:

- Data
- Charts
- Raw Numbers
- Mathematical Formulas

Ultimately TA is studying human behaviour specifically the behaviour of crowds with respect to fear and greed

Types of Charts

Types of Charts – Line Chart



Line charts are the most common type of chart.

Line charts plot a series of points to graph price movements

Limitations in the amount of information represented. Only represents one point in a time period (most commonly the daily closing price)

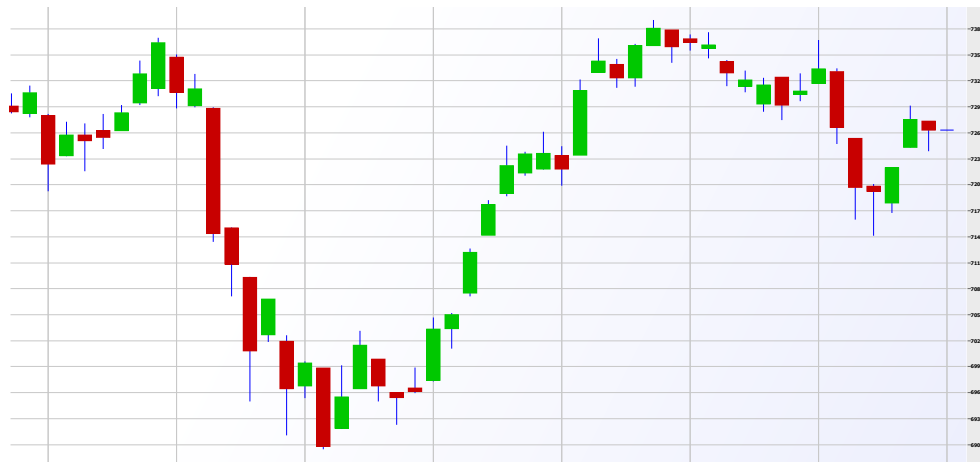
Types of Charts – Bar Chart



A bar chart simply takes the information from the day's trading and plots that information on a single 'bar

A tab on the left side of the bar represents the OPEN price, and a tab on the right of the bar represents the CLOSE price. The top of the bar represents the day's HIGHEST price and the bottom of the bar represents the day's LOWEST price

Types of Charts – Candlestick Chart



Candlestick charts originated in Japan and have been used for centuries. They are constructed using the same information as a bar chart (open, high, low, and close). Instead of using a single line however, a rectangle is used to represent the area between the open and the close.



Trends

Trends – Uptrend



Trends – Downtrend



Support and Resistance

Support and Resistance



Moving Averages

Moving Averages



* 30 day moving average - Red

Are an average of the closing prices for the last 'n' days. 'N' equals the number of periods. So a 30-day moving average will therefore be an average of the closing prices for the last 30 days, rolled forward one day at a time.

The more days, the smoother the moving average will be.

A common way to trade is to buy a stock if its price breaks above its moving average and to sell it when the price falls below the moving average.

Options



Using Options to Implement Technical Views

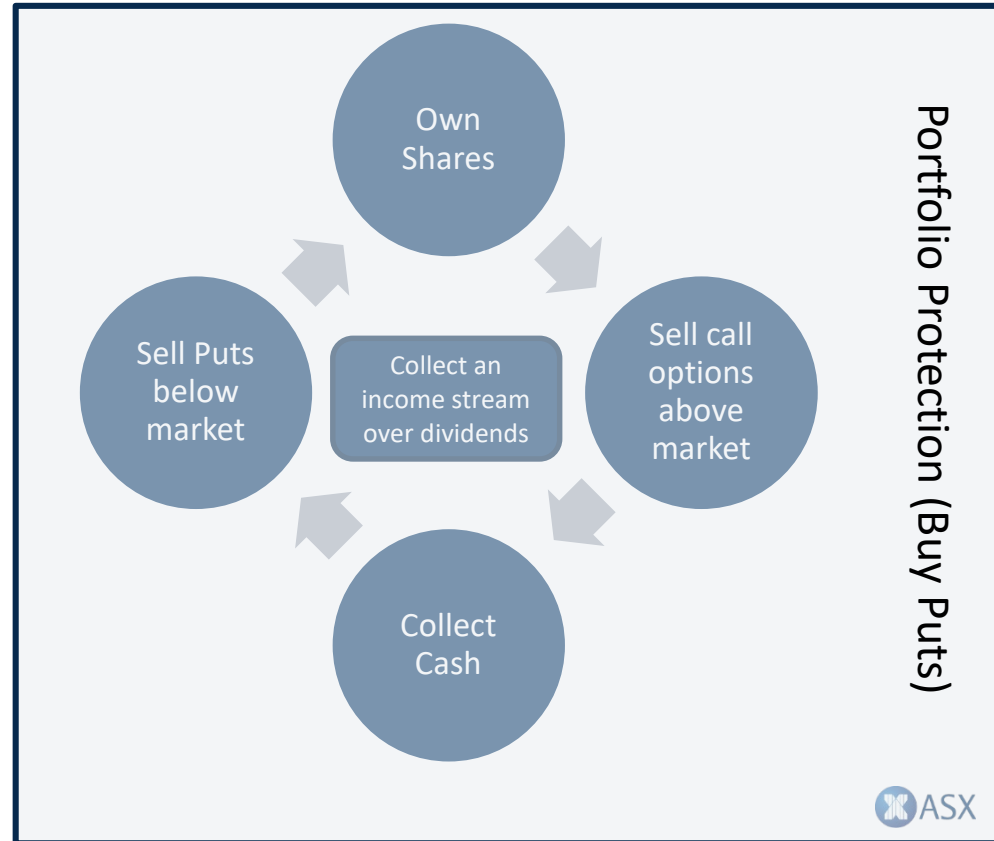
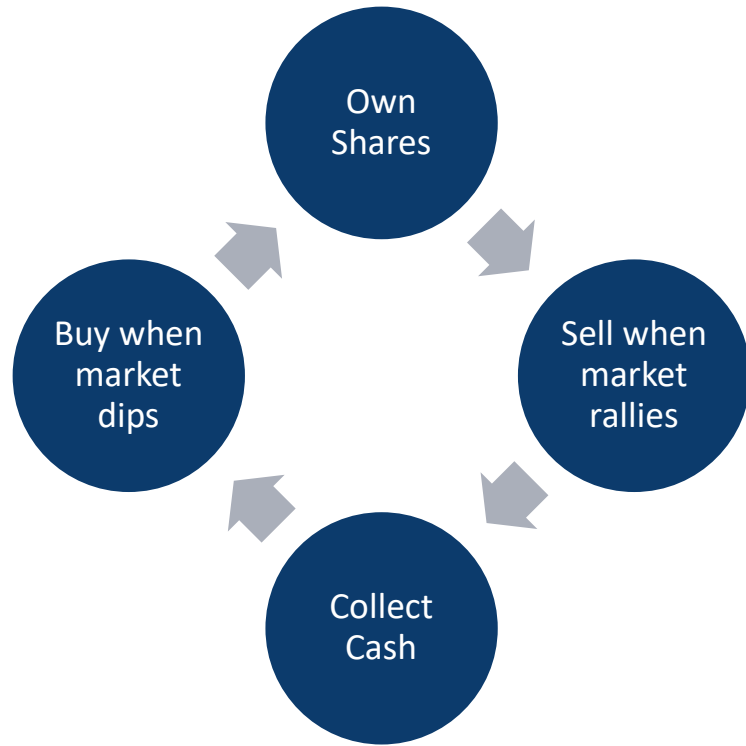
When trading shares we are trying to

1. Buy Low & Sell High
2. Generate Income
3. Minimise the Losers (Reduce Drawdown)

With Options we can

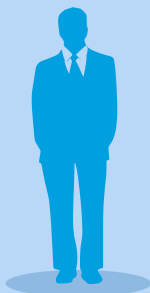
- Systematically turnover our portfolio at levels we are happy (technical indicators tell us) to buy and sell shares
- Generate income by locking in purchase and sale prices
- Use some of the income to protect against another GFC or major drawdown event like COVID that charts may not predict

Systematic portfolio turnover to generate income



Calls & Puts (rights vs obligations) – Summary

Buyer of option



Call

The **right** (but not the obligation) to **buy**



Put

The **right** (but not the obligation) to **sell**



Seller of option



Call

The potential obligation to **sell**



Put

The potential obligation to **buy**



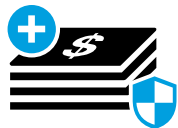
Exchange Traded Options

99 Single Stock Options | 4 ETFs | 1 Index

A2M	BPT	FPH	MPL	S32	VUK
AGL	BSL	GMG	MQG	SCG	WBC
ALD	BXB	GOR	MTS	SDF	WDS
ALL	CAR	GPT	NAB	SEK	WES
ALU	CBA	HVN	NEC	SFR	WHC
AMC	CHN	IAG	NHC	SGM	WOR
AMP	COL	IEL	NST	SGP	WOW
ANN	CPU	IFL	NXT	SGR	WTC
ANZ	CSL	IGO	ORG	SHL	XRO
APA	CSR	ILU	ORI	SOL	
ASX	CTD	IPL	PDN	STO	
AWC	CWY	JBH	PLS	SUN	IVV
AZJ	DMP	JHX	QAN	TAH	NDQ
BEN	DXS	LLC	QBE	TCL	STW
BGL	EDV	LOV	REH	TLC	VGS
BHP	EVN	LYC	RHC	TLS	
BLD	FLT	MGR	RIO	TPG	
BOQ	FMG	MIN	RRL	TWE	XJO

Sell Calls Over Existing Stock

Selling calls over stock you own



Reasons for selling calls against shares currently owned:

- Enhance returns from investment
- Pre-set sale price for shares
- Provide limited downside protection



When to use:

Neutral to moderately bullish on the shares

Ideal for stocks that are range bound
Can be used to enhance dividends on low yielding stocks

Boost income over & above dividends

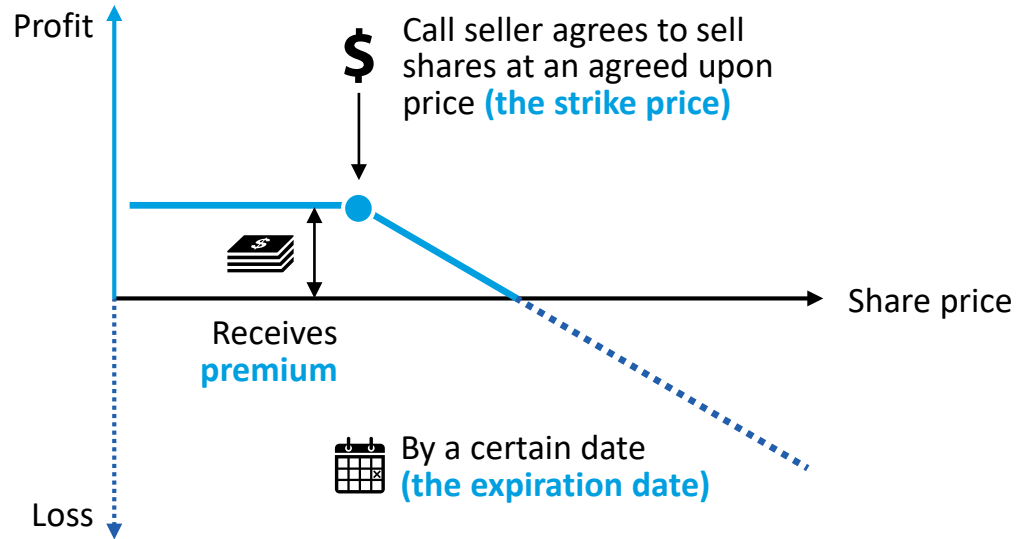
Using Options can help boost income over and above dividends

1. Agree to sell shares (only if market rallies)
2. Market pays you an income stream
3. Income received is yours to keep regardless of market movement

Beware

- Strong bull market will lead to underperformance (have to sell shares)
- Market falls are only offset by income received

Buy-write or Covered calls



A call is **covered** if the investor **owns** the underlying shares

Implementing your view

Key steps

1. Select a share
2. Review technical indicators to determine appropriate sale price
3. Choose obligation timeframe
4. Place order with broker
5. Review position

1. Select a share

Review stock fundamentals – same way you do for any share in your portfolio

Security	Description	DS	R	Last	LastDS	+/-	%	Bid	Ask	Volume	OI	Open	High	Low	Basis	PrevClose	TrendChart	MktVWAP	MktVal	MktVol	Value	BidDS	#Bid	BidVol	AskVol	#Ask	AskDS	Status	MktCap
XJO	S&P/ASX 200	AUX	▼	7638.4	TM	1	0.01	0	0	0	0	7639.5	7645.9	7635.1		7637.4		0	0	0	0	0	0	0	0	0	0	0	2,469B
BHP	BHP Group Li...	AUX	▲	4331	CXA	34	0.79	4330	4332	665T	0	4325	4335	4312		4297		4326.7076	28,771T	665T	28,771T	TM	18	3168	1451	15	CXA	218B	
CBA	Commonwealt...	AUX	▼	11365	TM	-19	-0.17	11365	11368	65,617	0	11365	11379	11342		11384		11363.4583	7,456T	65,617	7,456T	TM	6	623	176	9	TM	191B	
CSL	CSL Limited	AUX	▼	27504	TM	4	0.01	27483	27503	17,812	0	27445	27538	27430		27500		27459.728	4,891T	17,812	4,891T	TM	7	51	21	4	TM	133B	
NAB	National Aust ...	AUX	▼	3354	TM	-8	-0.24	3353	3355	113T	0	3357	3359	3353		3362		3356.6646	3,802T	113T	3,802T	TM	9	4414	2256	12	TM	104B	
WBC	Westpac Banki...	AUX	▲	2568	CXA	-8	-0.31	2566	2568	159T	0	2568	2569	2567		2576		2567.864	4,092T	159T	4,092T	TM	5	2135	9893	11	TM	89,472M	
ANZ	ANZ Group Hol...	AUX	▼	2801	TM	-6	-0.21	2800	2801	181T	0	2797	2805	2797		2807		2798.3	5,072T	181T	5,072T	TM	5	1239	1782	8	TM	84,421M	
FMG	Fortescue Ltd	AUX	▲	2591	TM	24	0.93	2590	2591	323T	0	2580	2597	2578		2567		2584.7629	8,358T	323T	8,358T	TM	3	861	1677	9	TM	79,037M	
WES	Wesfarmers Li...	AUX	▼	6531	TM	-31	-0.47	6527	6531	20,733	0	6542	6543	6527		6562		6541.1005	1,340T	20,487	1,356T	TM	4	54	392	16	TM	74,425M	
MQG	Macquarie Gro...	AUX	▲	18735	TM	-26	-0.14	18727	18735	13,997	0	18781	18810	18730.5		18761		18773.2754	2,628T	13,997	2,628T	TM	7	73	219	18	TM	71,848M	
GMG	Goodman Group	AUX	▼	3117.5	TM	-1.5	-0.05	3117	3118	78,471	0	3114	3123.5	3114		3119		3115.3302	2,445T	78,471	2,445T	TM	3	232	518	11	TM	59,235M	
WDS	Woodside Ener...	AUX	▲	2798	TM	-21	-0.74	2797	2799	583T	0	2800	2800	2796		2819		2799.9202	16,315T	583T	16,315T	TM	6	2588	1	1	TM	53,526M	
RIO	Rio Tinto Limited	AUX	▼	13079	TM	-19	-0.15	13077	13083	117T	0	13000	13097	13000		13098		13007.4911	15,228T	117T	15,228T	TM	3	225	3	1	CXA	48,622M	
TLS	Telstra Group	AUX	▼	365.5	TM	-0.5	-0.14	365	366	733T	0	365	366	365		366		365.1111	2,676T	733T	2,676T	TM	74	339605	211940	42	TM	42,289M	
TCL	Transurban Gr...	AUX	▲	1261	TM	0	0	1259	1261	102T	0	1258	1264	1258		1261		1258.3157	1,282T	102T	1,282T	TM	8	2416	9056	15	TM	38,992M	
WOW	Woolworths Gr...	AUX	▼	3177	TM	-7	-0.22	3177	3180	30,356	0	3182	3183	3177		3184		3181.8862	966T	30,356	966T	TM	7	1271	856	10	TM	38,895M	
WTC	Wiseftech Glob...	AUX	▼	9175	TM	-58	-0.63	9171	9187	4,438	0	9191	9192	9169		9233		9190.8238	408T	4,438	408T	TM	3	52	49	4	TM	30,787M	
QBE	QBE Insurance...	AUX	▼	1762	CXA	-11	-0.62	1761	1762	70,645	0	1768	1771.5	1762		1773		1767.8437	1,249T	70,645	1,249T	TM	6	710	922	15	TM	26,638M	
ALL	Aristocrat Leisu...	AUX	▼	3964.5	TM	-10.5	-0.26	3964	3965	54,657	0	3933	3968	3930		3975		3940.4843	2,154T	54,657	2,154T	TM	3	211	130	10	TM	25,252M	
STO	Santos Ltd	AUX	▼	761	TM	-5	-0.65	761	762	94,571	0	761	762.5	761		766		761.0415	720T	94,571	720T	TM	12	20582	10397	17	TM	24,878M	
REA	REA Group	AUX	▼	17959	CXA	-38	-0.21	17953	18008	3,427	0	18000	18032	17888		17997		17964.5978	616T	3,427	616T	TM	4	22	319	12	TM	23,777M	

Must be a share you are happy to own or already own in your portfolio

2. Review technical indicators - look for flat to moderately bullish expectations

XYZ – Resistance \$29.50



3/4/5 – Price, Timeframe, Order Entry

Shares Trading at \$28.30
Strike Price \$29.50
Timeframe (no longer than 3 months) July

60 0 36.5 48.5 2950

How many XYZ shares do you own?
Options = 100 shares per contract

Place order within bid/offer spread (assume \$0.45)

Type	Last	+/-	Bid	Ask	ExPrct Δ
A	395	0	0	0	2550
A	0	0	230	280	2600
A	0	0	191.5	234	2650
A	198	0	158	191	2700
E	0	0	115	145	2701
A	0	0	125.5	155	2750
E	0	0	85	115	2751
A	0	0	102	116	2800
E	62	0	60	90	2801
A	0	0	75	89	2850
E	68	0	46	66	2851
A	92.5	0	54.5	66.5	2900
E	66.5	0	33	48	2901
A	60	0	36.5	48.5	2950
E	34	0	21	36	2951
A	36	0	26	34	3000
E	50.5	0	14	24	3001
A	35	0	19.5	24	3050
E	0	0	11	20	3051
A	0	0	12	16.5	3100
A	0	0	4	12	3150
A	0	0	0	0	3200
A	0	0	0	0	3250
A	0	0	0	0	3300

Boosting income

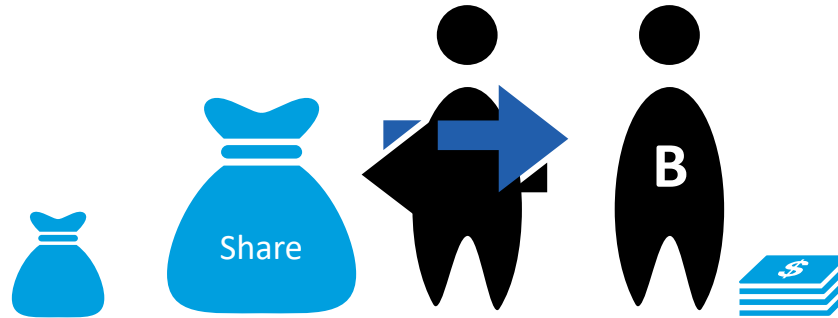
Hold/Buy 1,000 XYZ shares
trading at **\$28.30/share**



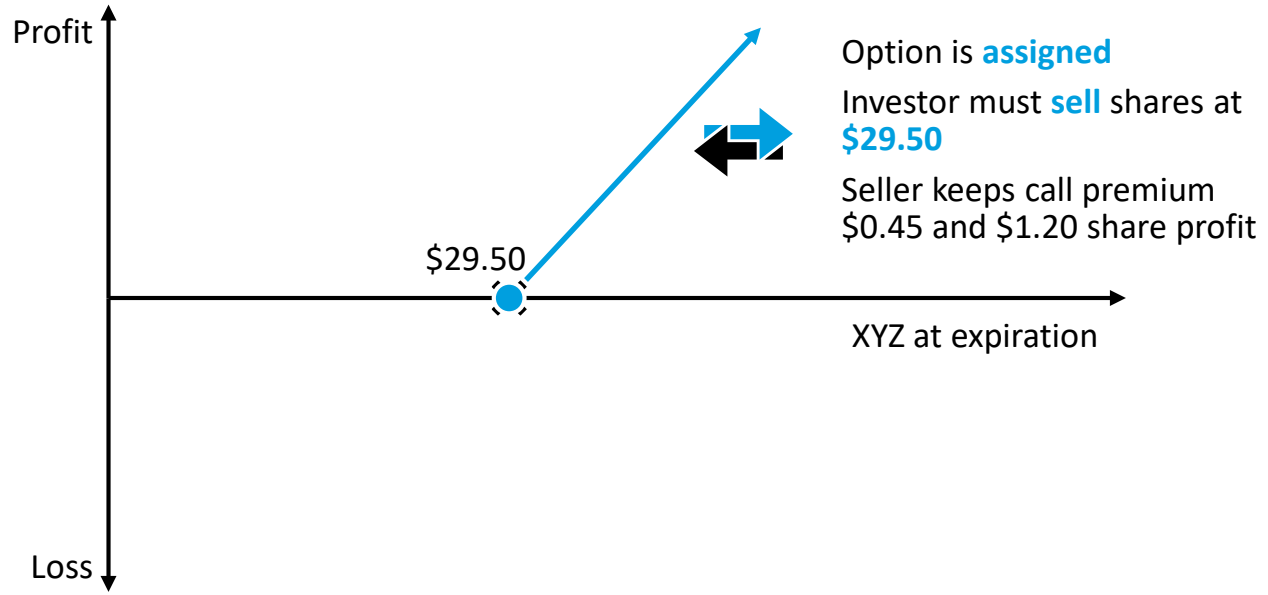
Outlook is **neutral**
to **moderately**
bullish on XYZ

Boosting income

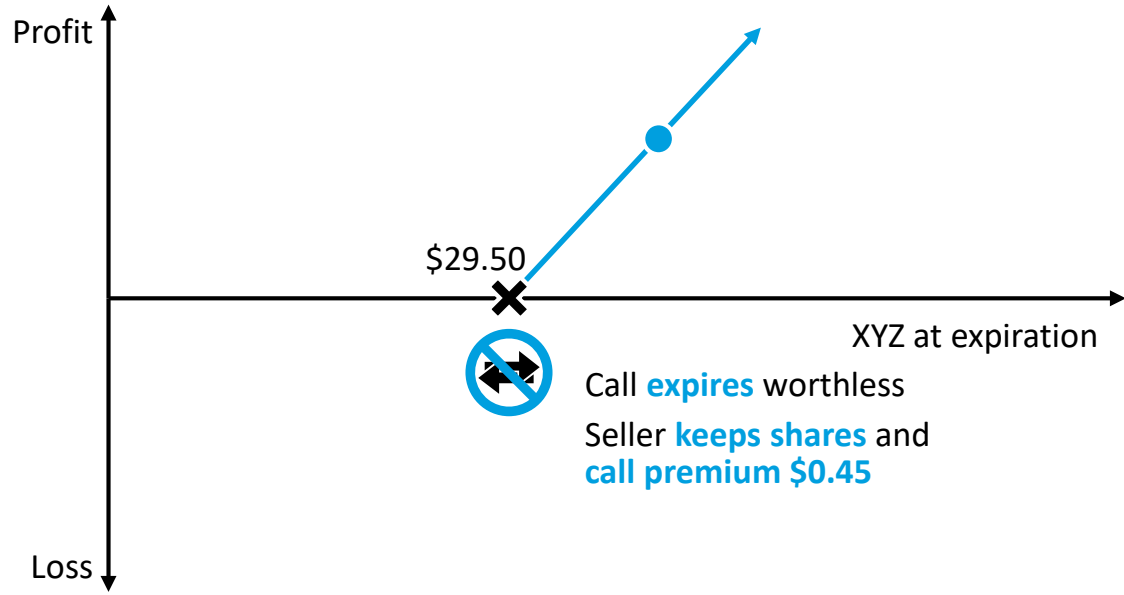
Sell 10 XYZ July \$29.50 Calls at
\$0.45 each



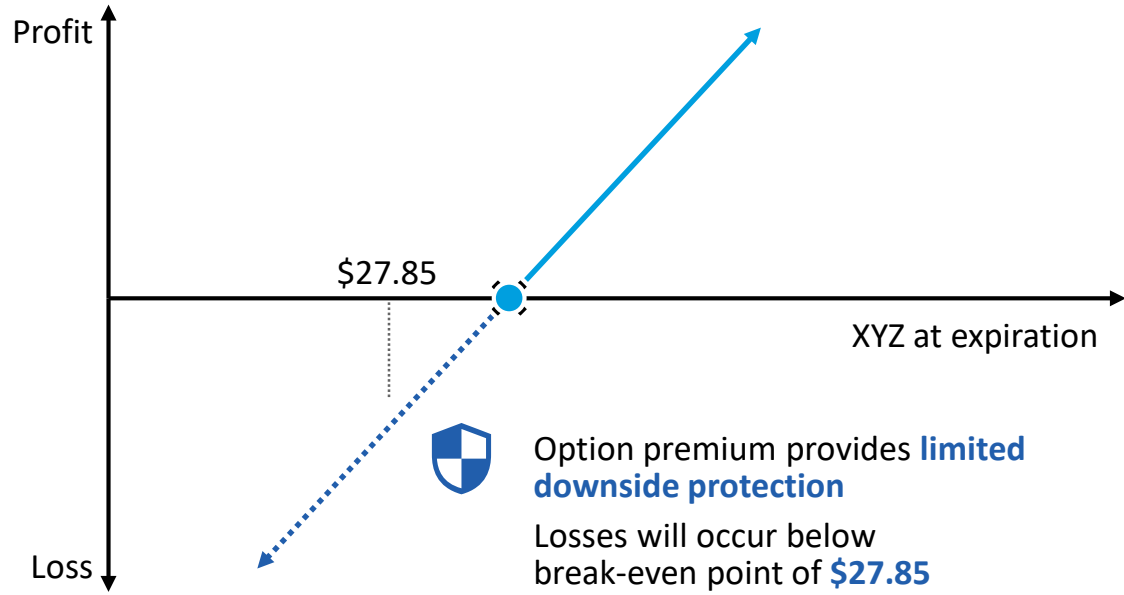
At expiry



At expiry



At expiry



Boosting income

Standstill return
1.6% or 6.4% pa

Called away return
5.8% or 23.3% pa

Benefits



Income from
selling call



Partial hedge

Risks



Caps upside



Downside risk
if stock falls

Sell Puts Covered by Cash

Implementing your view

Key steps

1. Select a share
2. Review technical indicators to determine appropriate purchase price
3. Choose obligation timeframe
4. Place order with broker
5. Review position

2. Review technical indicators - look for flat to moderately bullish expectations

XYZ – Support \$27.50



3/4/5 – Price, Timeframe, Order Entry

Shares Trading at \$28.30
Strike Price \$27.50
Timeframe (no longer than 3 months) July

2750 A 0 0 91 104.5

2650	<input type="checkbox"/>	A	0	0	57	66.5
2651	<input type="checkbox"/>	E	0	0	0	0
2700	<input type="checkbox"/>	A	0	0	73	85
2701	<input type="checkbox"/>	E	0	0	60	90
2750	<input type="checkbox"/>	A	0	0	91	105
2751	<input type="checkbox"/>	E	0	0	82	112
2800	<input type="checkbox"/>	A	0	0	116	129.5
2801	<input type="checkbox"/>	E	0	0	107	137
2850	<input type="checkbox"/>	A	0	0	143.5	161
2851	<input type="checkbox"/>	E	0	0	133	173
2900	<input type="checkbox"/>	A	0	0	178.5	194
2901	<input type="checkbox"/>	E	0	0	167	207
2950	<input type="checkbox"/>	A	0	0	211	260

How much cash do you want to expose to this strategy?

Options = 100 shares per contract x Exercise Price

Place order within bid/offer spread (assume \$0.95)

Selling Puts

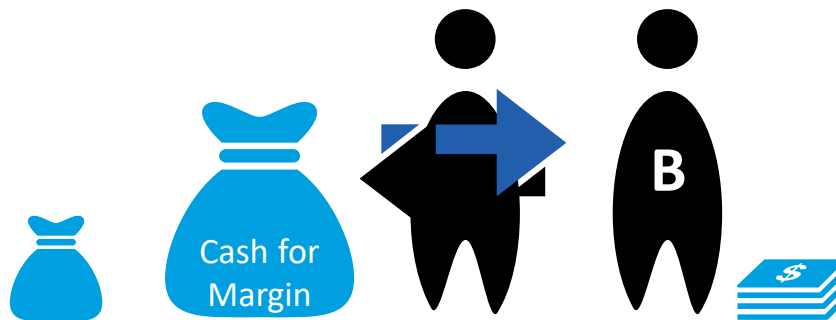
Hold \$27,500 in cash



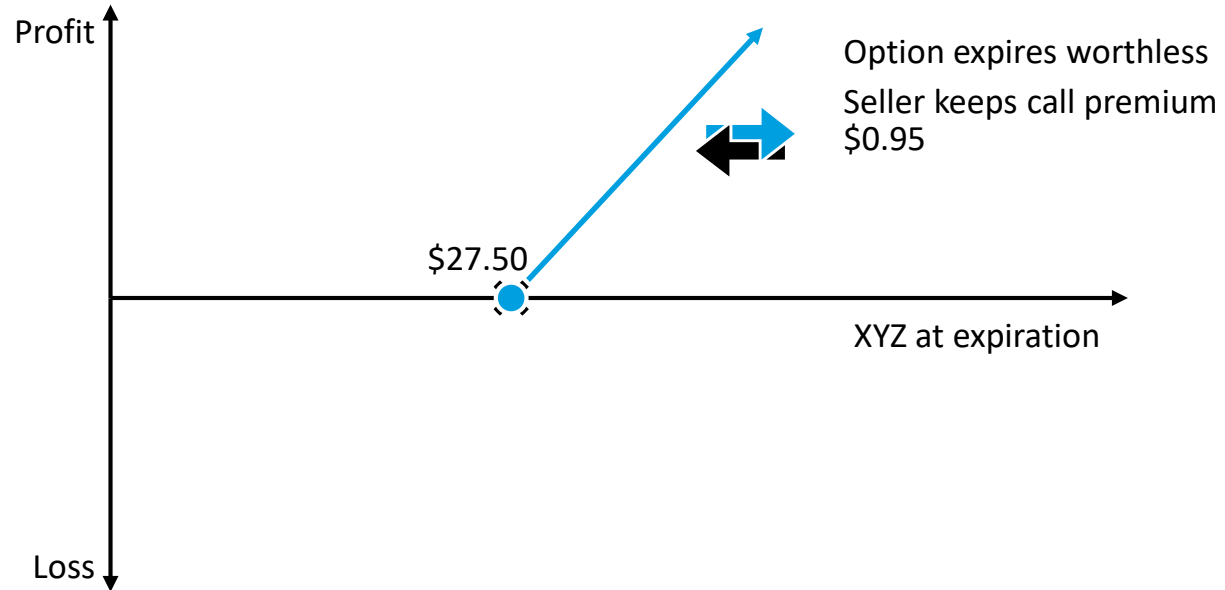
Outlook is **neutral**
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bullish on XYZ

Selling Puts

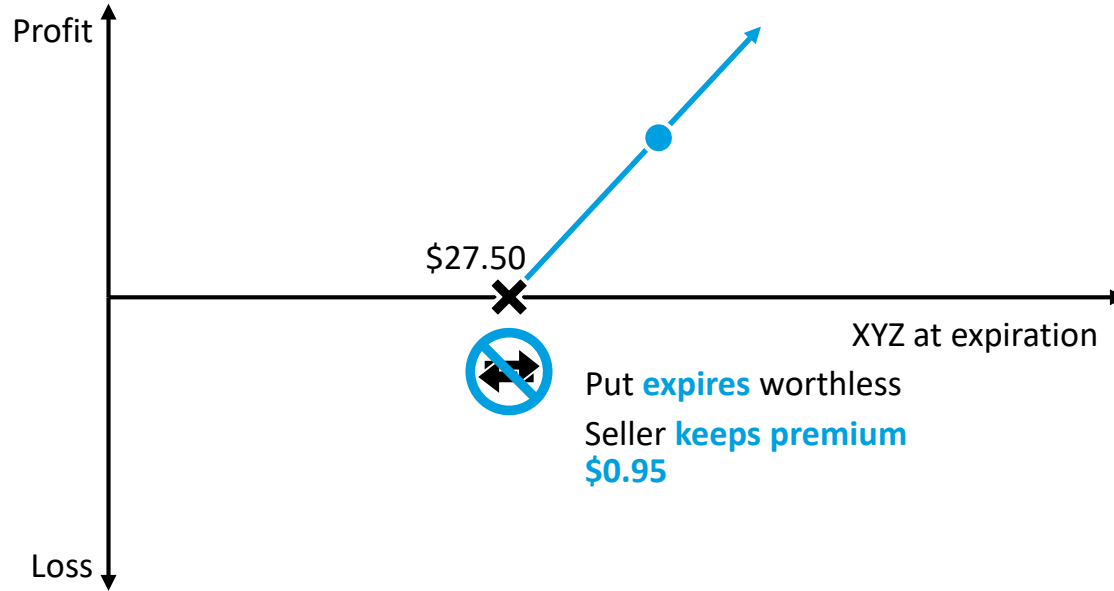
Sell 10 XYZ July \$27.50 Puts at
\$0.95 each



At expiry



At expiry



At expiry



Selling Puts

Return
3.5% or 13.8% pa

Benefits



Income from
selling put



Partial hedge

Risks



Don't participate in stock profit
unless assigned



Downside risk
if stock falls

ASX Website

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PRATICE OPTION TRADING FOR FREE - in a simulated market, with real time prices and market conditions.

TRY OUT NEW STRATEGIES – with tools to help trading (charting, stock screener, options cookbook)

Game is now running until May 31

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Thank you

