

## >: One Easy Way to Amplify Your Investing Returns

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I'm so blown away by the fact that most people don't have a true understanding of the stock market's trend or condition.

What's fascinating to me is that anyone can learn how to clarify the stock market by interpreting technical indicators.

What's *more* fascinating to me is that I know plenty of people who manage hundreds of millions of dollars who actually don't *know* how to do it, yet I know individual investors with less than \$100,000 in the stock market who do!

To a novice, the term "technical analysis" combines two words that can be intimidating. But it really isn't rocket science. At least, it doesn't *have* to be.

### Chart Your Way to a Lifetime of Profits

The funny thing about investing is that sometimes people can get too deep into detail, and what every indicator is telling them, and forget the basics. And what's funnier is that, sometimes, the basics are what makes the most money for people.

So, whether you want to learn more about charting or whether you've been using technical analysis for years, today I want to introduce (or re-introduce) you to the fundamental concepts that have served as the basis of a tremendous amount of profitable trades throughout the history of the stock market.

Before the Internet and books and training courses and other resources that we have readily available today to enhance our trading profits, charting has been used for investing and trading for hundreds of years. Charting market transactions is very similar to charting human emotions such as greed, fear, ignorance and hope. These human emotions have not and will not change, and there are certain patterns that emerge again and again.

Applying this predictability to the stock market, I believe that it makes sense to use charts to time trades in just about any market that involves human emotion ... and today's crazy market can definitely evoke some strong emotion, to say the least!

What most people fail to understand about it is that technical analysis won't predict the future, but it will help you to assess the current market's trend (direction) and condition (risk -- whether it's overbought/oversold).

I can't possibly explain technical analysis to you in one article. But for the sake of clarifying today's stock market, I'll go over the most basic parts of technical analysis: trends and moving averages.

### Profiting From the Trend Starts With Defining it

The stock market's trend is simply the stock market's direction (up, down or sideways/flat). An uptrend is defined by successively higher peaks and troughs. A downtrend is defined by successively lower peaks and troughs.

Different analysts have different ideas of the length of each time frame of the three trends. But basically, trends have three time frames:

- 1) Short-term (days to weeks)
- 2) Intermediate-term (weeks to months)
- 3) Long-term (months to years)

Each one of these trends is a portion of the next bigger trend. For instance, the intermediate-term trend can be a correction in the long-term trend, and a short-term trend can be a correction in the intermediate-term trend.

Here's a two-year chart of the S&P 500:



an uptrend like this -- but it's great for illustration purposes.) And while this is a two-year chart, the long-term trend had been up since 2003.

Highlighted in blue is the intermediate-term trend. Notice how it sort of zig-zags toward the top and bottom of the long-term trend's "channel."

Then, within the blue highlighted intermediate-term trend is the short-term trend. I used the green and red vertical lines to highlight some of the short-term up- and downtrends within the intermediate-term trend.

The "dominant trend" is the long-term trend, but no matter what your time horizon is, you should be aware of the next larger trend and the next shorter trend, because the next shorter trend will help you time your trades, and the next larger trend will dictate your stance on the market.

For average investors, it's best to buy and sell bullish positions only during long-term **uptrends**

. In other words, the average individual investor shouldn't short stock at the top of the uptrending long-term channel. Instead, long-term channel tops should only be used to sell or hedge long positions.

Once you've decided what type of investor or trader you want to be, you should focus on making purchases near the bottom of the next larger trend's channel.

For example: If you are an intermediate-term trader, you would want to be a buyer of the S&P 500 (or any security with a similar chart) when the blue highlighted intermediate-term trend is near the lower red line (the bottom of the long-term channel).

### **Moving on to Moving Averages**

As a matter of fact, I will go over the use of moving averages ... tune in next week for that!

In this article, I may be stating what's obvious to you. But the fact is that in times like these (i.e., high volatility), people forget the simple parts of investing.

And when they look back, they kick themselves for making it more complicated than necessary. Just follow the trend ... and the profits should follow.

?Profit from the Trend?



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