

CHAPTER 1

Introduction

The *Kase on Technical Analysis* project consists of a 13-part video series, available both online and in DVD format—and this *Kase on Technical Analysis Workbook*.

Regardless of whether you currently interact with the market, are aspiring to do so, or are just curious about the markets, *Kase on Technical Analysis* is for you.

Kase on Technical Analysis Workbook is for any trader wanting better results, analysts seeking better estimates, forecasters looking to hit targets more closely, any institution wanting those involved with markets to do whatever they do better, and, not least, for those aspiring to be market players.

Kase on Technical Analysis Workbook is also for anyone looking for something interesting to learn, which is easier than a new language, and a lot more fun than chess, and also has the potential of big benefits, if you're good at it.

Kase on Technical Analysis Workbook is not an academic-style overview of the field, nor is it presenting a narrow topic or a trading system. *Kase on Technical Analysis Workbook* presents the material that I personally used to launch a boutique technical trading and hedging advisory service and software development firm in 1992—and to run successfully over many years. The project tests the material with *Workbook* exercises. For those who already are familiar with technical analysis, test your knowledge by picking up the *Workbook*.

I have significant experience trading and managing risk in the energy sector, from trading physical oil, over-the-counter energy derivatives, and futures, to advising hundreds of corporate and institutional clients on energy price risk management issues. I've had a parallel practice developing unique algorithmic approaches to the ways in which we humans might more successfully interact with the market. So one side of my experience is practical, and the other is abstract.

You should know that, as a commodity person with a focus on trading one thing at a time, my orientation is for high-precision trading, with no portfolio to diversify risk, and a conservative low-risk approach.

In the 13 sessions, I concisely cover what I think is needed for success. One benefit with a video is that you can watch it repeatedly until you get it. Then you can test your knowledge by answering the exercises in the *Workbook* and checking your answers. So the *Workbook* complements the video as a way to ensure that you understand the

materials, and can apply your new-found knowledge to real-world situations. I liken the experience to learning to dance from a video, and then having to go out on the dance floor and demonstrate the steps.

Here are the topics covered in the videos, upon which the exercises in the *Workbook* are based.

Charts and Prices Viewed Visually: This includes the types of charts used in technical analysis; how they are used; new ways of looking at price charts, gaps, geometric, bar, and candlestick patterns; and some unique ways of using these patterns.

Indicators and Studies: These are mathematical algorithms of varying complexity that are used for entries, exits, and risk management. Moving averages and the directional movement index and average directional index (DMI/ADX) are shown as entries or “stop-and-reverse” systems. Some special rules and patterns relating to DMI/ADX are addressed. Traditional momentum indicators such as Oscillators, MACD, Stochastic, RSI, and Ultimate Oscillator are taught, along with how periodicity impacts indicator performance, momentum divergence, overbought and oversold signals, and how to use momentum to enter trades. The math behind Kase’s proprietary indicators, the Kase PeakOscillator and KaseCD, are discussed, and some performance studies are exhibited.

Stops and Risk Management: Various sorts of stops are discussed, including fixed-value from entry, trailing fixed-value, trailing range-based, and Kase’s DevStops and KaseX two-sided dashes, based on probability theory. Many chart examples show how stops fit into a trading system, leveraging from examples that had their origin earlier in the course. How to estimate the risk associated with a given trade is taught, along with how to set trade size, or how to calculate bar size, working backwards from risk tolerance. Additionally “gaming” math is taught, which gives insight into not only managing risk in a given trade, but also seeing how performance and risk interact.

Trading Techniques: Most trading techniques involve combining indicators, stops, and patterns in sensible ways, so that the indicators confirm, correct, and augment one another. Additionally, the use of multiple time frame indicators simultaneously is discussed. Kase’s Permission Stochastic and Screen, which provide moving window higher time frame filters, are discussed. Scaling up using multiple bar length charts is explained, as is scaling out of trades.

Swings, Waves, and Forecasting: The definitions of a swing, a wave, and a wave cycle and how to draw and label them are discussed. Using waves and wave targets calculated using Fibonacci numbers and retracements, as well as the number Phi, are explained, along with a step-by-step explanation of how to succinctly develop a market view with particular target, expanded with real-life examples.

Lots of Trading Examples: These are shown throughout, with the ending sessions focused on more advanced examples, putting some of the multiple indicator,

multiple bar length techniques into practice. Kase's two study packages, Kase StatWare and KaseX, are also explained, and examples employing Kase studies along with bar length selection and scaling up and down are shown.

The *Workbook* contains questions and answers for Sections 2–13 of the video course (Section 1 is introductory). It also provides information on all the equity, index, futures, and FOREX symbols used in the course material (Appendix C), suggestions for further reading from my publications as well as a range of other writers (Appendix B), and an FAQ section with answers (Appendix A). Kase's contact information is also included (Appendix E).

