

TACTICAL INDICATOR SUMMARIES

By Daryl Guppy

In recent weeks we have seen many new readers come on board and they have generated a demand for background notes on the indicators we mention in the newsletter and the essential tools of technical analysis. These summaries are designed to explain how various indicators are applied to trading opportunities. The notes include tactics and rules for using and applying or constructing each indicator. The notes finish with a summary of the advantages and disadvantages of each indicator. These notes describe the way we use these indicators in our trading and are designed as a short reference guide.

INDICATOR – SAUCER PATTERN

These are a combination of curved lines used to define a rounding bottom. They may be symmetrical or asymmetrical. Symmetrical saucer curves are defined using a single curve tool. Use the GTE saucer tool. Asymmetrical saucers are defined using a combination of parabolic curve segments. Use the GTE parabolic tool.



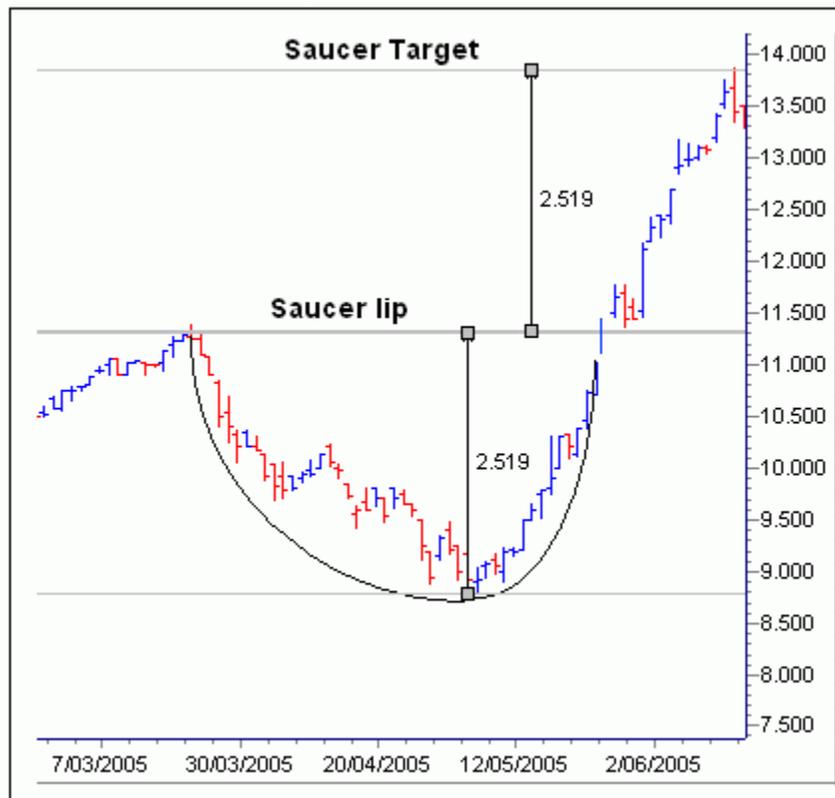
APPLICATION

Usually used to define a rounding bottom. These long term patterns are visually round. They meld naturally into curves. They can also be used to define a rounding top. These are long term patterns lasting months. The achievement of target objectives may also take a similar time period. May also be used in mid trend consolidation periods. This is target trading based on projecting the height of the saucer above the lip of the saucer. Use the GTE price range tool.

TACTICS

- Trade from the bottom of the saucer to the lip of the saucer
- Trade from the lip of the saucer to the projected saucer target
- Stop loss is the value of the saucer line

- Management of the lip breakout trade will depend on the nature of the trend shown in the breakout. They have no common characteristics.



RULES

- The curved lines must define the bulk of the price action. This may be symmetrical or asymmetrical
- The upper edge of the pattern is the 'lip.'
- The height of the saucer from the base to the lip is measured. This height is then projected upwards to set a breakout price target.

ADVANTAGES

- Reliable saucer targets from the base to the lip.
- Upside projection targets are reliable, particularly if they match existing resistance levels.
- Short term patterns tend to hit the projection targets more rapidly.
- Sets the context of trend recovery – useful for confirming investment decisions.
- Gives early warning of up trend collapse

DISADVANTAGES

- A long term pattern, so the achievement of any of the price targets may also take a long time. This may be weeks or months.
- Breakout above the lip of the saucer may turn into a handle pattern and this increases initial trade risk.
- The breakout above the lip does not have a clear trend pattern. Subsequent price activity may be very difficult to manage and trade.