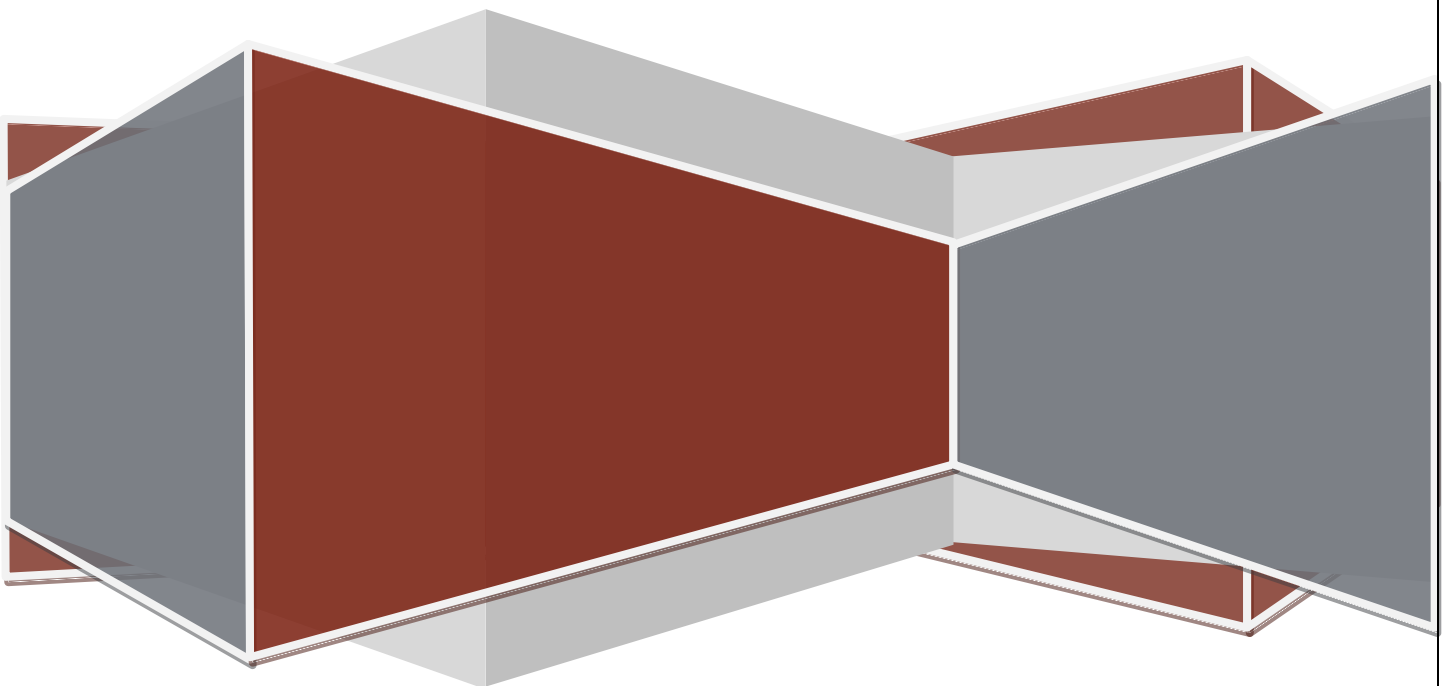


PIVOTPOINT

— T R A D I N G —
Success Through Education

Axioms of Stocks & Options (A1)

Notebook 1: Introduction



Introduction to Stocks & Options

Pivot Points Objectives:

- To help you put money in your bank account with trading



For those who possess the desire to learn, we are prepared to teach!

Pivot Point Trading:

- Not a sales seminar
- Educational workshop
- Your key to success in the stock market is knowledge

Two counterpart perspectives when dealing with the stock market:

- _____ Analysis
- _____ Analysis

Traditional Investor: (Fundamental Analysis)

- Buys on the recommendations of others (Advisor/Stockbroker)
- Trusts others to manage their investment portfolio
- Anticipates the value of a stock to rise
- Wants the market to go up
- Up is good, Down is bad
- Holds a position for longer than 5 years
- Focus' on the Fundamental Value of a stock
- Desires a 5% – 15% return per year

Weaknesses of Fundamental Analysis:

- Fundamental Analysis doesn't factor in investor _____
- Humans have a problem: they are _____ and act on _____

Active Investor: (Trader)

- Buy & Sell based on personal analysis
- Realises consistent capital gains
- Wants the market to move in any direction
- Manages their own capital account
- Focus on making money
- Holds a position based on the price swing of a stock
- Focus' on Technical Analysis to make trading decisions
- Expect to make 20–75% per month (Using Options)

Advantages of Technical Analysis:

- Technical Analysis studies the human _____ surrounding a company's stock
- Operates under the premise that a company's _____ data is already _____ in the current price
- Technical Analysts seek to _____ on price movement, not the actual company _____.

Why don't more people do this?

People have been conditioned to trust “_____” based on the assumption that your inadequate to do so yourself

- Universal _____ that essentially imprisons the uneducated masses
- Lack of self belief
- Self _____ thoughts
- The stock market is beyond your personal realm of _____
- It will take you a _____ to learn

Pivot Point Trading:

- To help you put _____ in your bank account with trading
- We will achieve this by _____ you in the field of Technical Analysis
- If you can _____ a _____ chart, you can _____ anything you want
- This is what our program is designed to achieve
- We are not giving you a box of trading strategies that can only be used in specific market landscapes

Not happy with the return of your current portfolio?

- Your security (stock) selection is not the problem
- How you are _____ them at the current juncture is!
- Trading is great for creating quick cash flow
- One of the best forms of _____ term investing (if not the best)
- Astounding amount of trading opportunities in the marketplace every day

Successful Traders:

- Profit
- Extra Income
- Empowerment
- Autonomy
- Flexibility



Introduction to Charting

What is a Price Chart?

- Graphs the past _____ of a stock
- Highlights locations where _____ and _____ become prevalent
- Reveals how other market participants _____ about a stock

Why do we use the Price Chart?

- Allows us to _____ a securities past behaviour
- Helps us forecast future price movements

- Accurately documents and records trader _____

How to read a Price Chart:

Made up of four price components:

- Open (Opening price of the day)
- High (Highest price of the day)
- Close (Closing Price of the day)
- Low (Low Price of the day)

These components of price data are presented in 3 forms:

- L_____
- B_____
- C_____



Line Graph:

- Graphs the daily _____ price

Strengths:

- Use the line graph for ___ drawing (support & resistance)
- Easy to determine trend direction

Weaknesses:

- Only shows a securities _____ price
- Doesn't provide _____ price information in order to analyse
- Unable to read market _____

Bar Chart:

- Comprises all _____ information (OHLC)
- It is read and interpreted from _____ to _____

Strengths:

- Allows us to gauge market _____

- Improved price information is attained relative to the line chart

Weaknesses:

- Becomes _____ when you want to interpret many

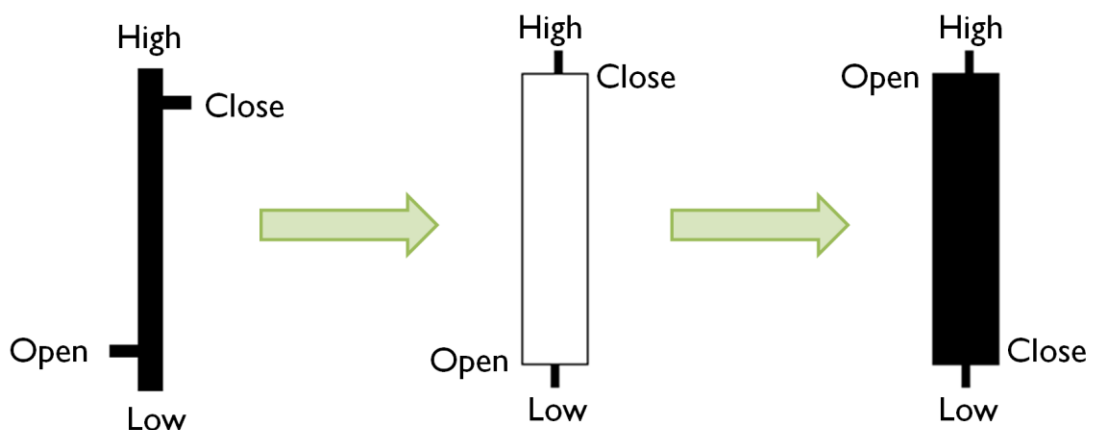
Candlestick Chart:

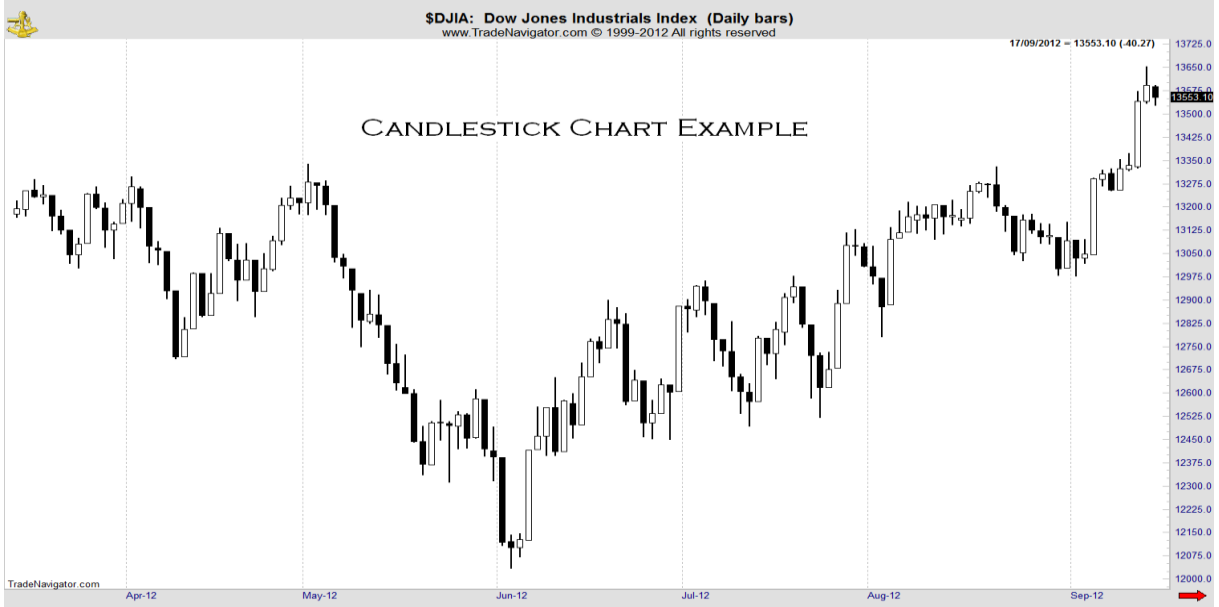
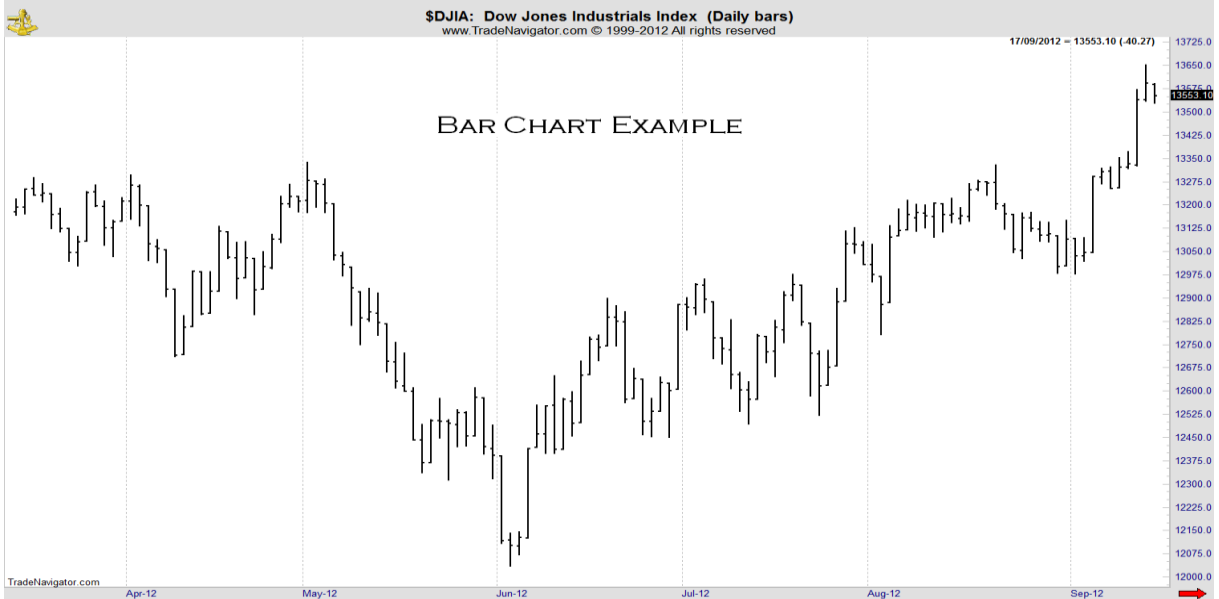
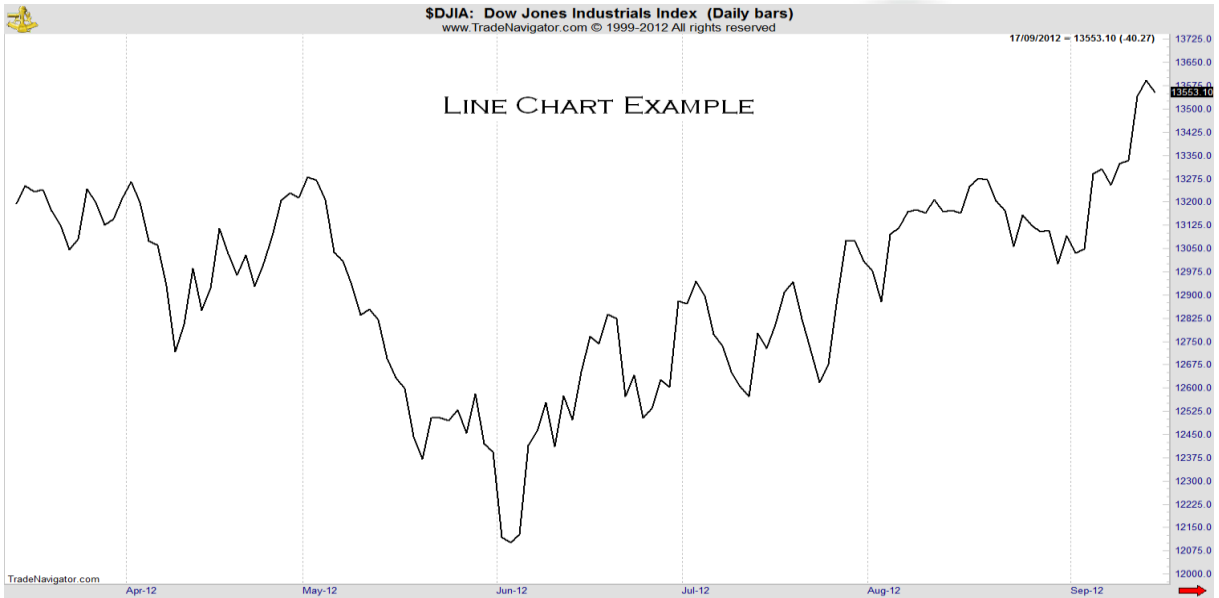
- Comprises _____ price information (OHLC)
- Originated from _____ Rice Traders in the 17th century
- Is read and interpreted _____
- Adds _____ to price information

Strengths:

- Use the same price information (OHLC) as the Bar Chart
- Assimilate the data in a more articulate format
- Candle colours make price interpretation easy
- Illustrates trader sentiment through the formation of candlestick patterns
- Present compelling trading signals
- Our preferred price chart format

Candlestick Chart:





Answer Key:

Two Counterpart perspectives when dealing with the stock market

- Fundamental
- Technical

Weaknesses of Fundamental Analysis

- Behaviour
- Irrational, Emotions

Advantages of Technical Analysis

- Behaviour
- Fundamental, Reflected in the current price
- Profit, Strength.

Why don't more people do this?

- Professionals
- Philosophy
- Lack of self belief
- Sabotaging
- Understanding
- Lifetime

Pivot Point Trading

- Money
- Educating
- Analyse, Price, Trade

Not happy with the return of your current portfolio?

- Security
- Trading
- Cash flow

- Short
- Astounding

What is a Price Chart:

- Performance
- Buyers, Sellers
- Feel

Why do we use the Price Chart?

- Analyse
- Sentiment

These components of price data are presented in 3 forms

- Line Graph
- Bar Graph
- Candlestick Graph

Line Graph

- Closing

Strengths

- Line
- Easy to determine trend direction

Weaknesses

- Closing
- Sufficient
- Sentiment

Bar Chart

- Price
- Left, Right

Strengths

- Sentiment
- Improved price information is attained relative to the line chart

Weaknesses

- Confusing

Candlestick Chart

- All
- Japanese
- Vertically
- Colour