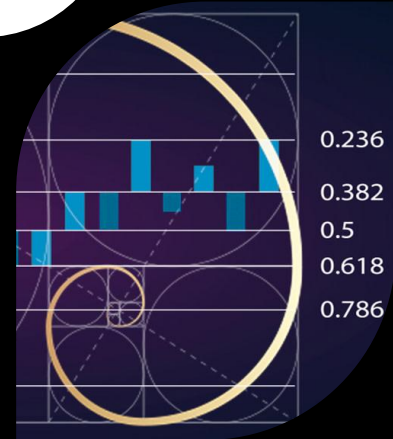


**Trading Tools
Demystified
with **PU Prime****



Highlights

- 01 What is On-Balance Volume
- 02 What is Heikin-Ashi Charting
- 03 What is Fibonacci Retracement



What is On-Balance Volume (OBV)

- The OBV is a leading indicator that utilise the positive or negative flow of the trading volume to reflect the buying and selling pressure.
- Uses increasing or decreasing volume to predict the direction of near-term price changes



The formula of how **OBV** is calculated

Previous OBV + Current Volume (if current close price is higher than the previous close price)

Previous OBV - Current Volume (if current close price is lower than the previous close price)

Previous OBV = Current Volume (if current close price is equal to the previous close price)



1. Day one: closing price equals \$10, volume equals 25,200 shares
2. Day two: closing price equals \$10.15, volume equals 30,000 shares
3. Day three: closing price equals \$10.17, volume equals 25,600 shares
4. Day four: closing price equals \$10.13, volume equals 32,000 shares
5. Day five: closing price equals \$10.11, volume equals 23,000 shares
6. Day six: closing price equals \$10.15, volume equals 40,000 shares
7. Day seven: closing price equals \$10.20, volume equals 36,000 shares
8. Day eight: closing price equals \$10.20, volume equals 20,500 shares
9. Day nine: closing price equals \$10.22, volume equals 23,000 shares
10. Day 10: closing price equals \$10.21, volume equals 27,500 shares

1. Day one $OBV = 0$
2. Day two $OBV = 0 + 30,000 = 30,000$
3. Day three $OBV = 30,000 + 25,600 = 55,600$
4. Day four $OBV = 55,600 - 32,000 = 23,600$
5. Day five $OBV = 23,600 - 23,000 = 600$
6. Day six $OBV = 600 + 40,000 = 40,600$
7. Day seven $OBV = 40,600 + 36,000 = 76,600$
8. Day eight $OBV = 76,600$
9. Day nine $OBV = 76,600 + 23,000 = 99,600$
10. Day 10 $OBV = 99,600 - 27,500 = 72,100$

Limitations of the OBV

- It is not suitable for scalping trading strategy.
- It is not 100% reflecting the true story in the market which may produce a false signal.
- Because it is purely depend on trading volume, ignore market sentiment and macroeconomic factors may cause misleading signal as well.



What is Heikin-Ashi charting

- It is a price chart for an assets' price movement that allow traders to see the overall trend more clearly by filtering out the "noise"
- Look very similar to the common candlestick.
- Able to visualize the trend better and to forecast price movement.



How is the Heikin-Ashi chart formulated?

Unlike the regular candlestick chart that use the open, high, low, and close prices of that specific period of time. The Heikin-Ashi average the prices and get a smoother representation.

Open: $[\text{Open}(\text{current}) + \text{close}(\text{previous})] / 2$

Close: $[\text{Open}(\text{current}) + \text{high}(\text{current}) + \text{Low}(\text{current}) + \text{close}(\text{current})] / 4$

High: Highest level of $[\text{open}(\text{current}), \text{high}(\text{current}), \text{close}(\text{current})]$

Low: Lowest level of $[\text{open}(\text{current}), \text{high}(\text{current}), \text{close}(\text{current})]$



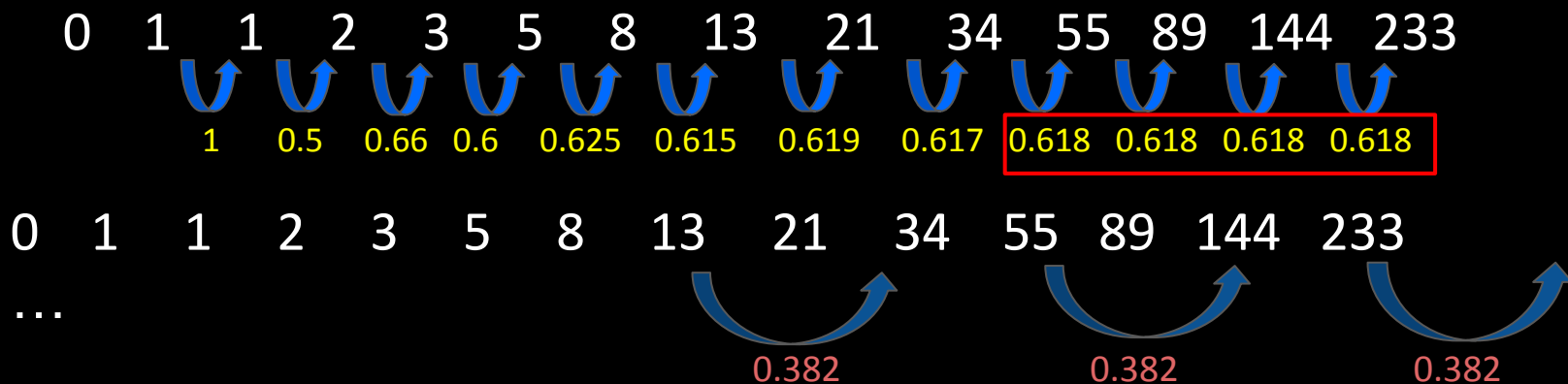
Limitation of Heikin-Ashi

- As the Heikin-Ashi is calculated using average values which may result in a lagging result and not suitable when setting S/L and T/P point.
- May not be suitable for some strategy and not effective when the market is sideways or choppy.
- Maybe sometimes create a false sense of security or trend strength.



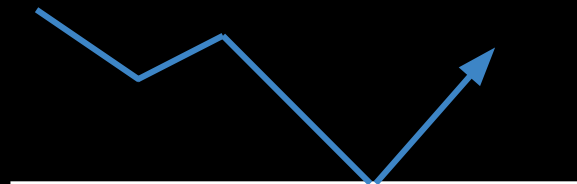
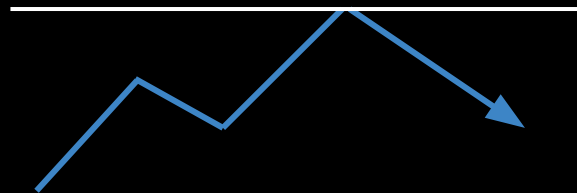
What is Fibonacci Retracement

- Fibonacci retracement method is derived from the Number sequence that formulated by an Italian mathematician.
- It is to help identify potential pausing points based on historical patterns and the Fibonacci sequence.



How to use Fibonacci Retracement

- Fibonacci retracement is only used when there is a potential trend reversal.
- Trend reversal:
 - Rebound
 - Retrace
- Fibonacci is then pulled from the starting point to the ending point of the previous trend before reversal happens.



Don'ts **when** using Fibonacci Retracement

- Do not use it as a sole reliance and over rely on the specific levels like 0.618, 0.382...
- Do not force fit the Fibonacci level, do not manipulate the swing high or low points to match the Fibonacci retracement lines.
- Do not ignore the market condition, sentiment, news, economic data which that can hugely influence the price movement.



Thank You

