G’ day investors!
Welcome to Wilma Wealth Management , I am White Green, your most trusted investment companion!

During tonight's session, the following is an overview of the session content:

1. Intraday adjustments of the three major ASX indices: With the XJO index losing its MA5 moving average, how should we evaluate the market's future?

2. How to better understand moving averages: How should the periods of moving averages be set more reasonably?

3. Key stocks in an investment portfolio: How to assess their current position and future potential?

In tonight's session, I will explain in detail how to effectively use moving averages in different market environments. We will start with the basics and progressively delve deeper through examples, ensuring that every investor not only understands the function of moving averages but also becomes proficient in applying them in actual trading. This will significantly enhance trading efficiency and success rates.

Let’s look forward to today’s session. I believe that through systematic learning and practice, every investor will be able to significantly improve their trading skills.

Are you ready, investors?

Today, Australia's three major stock indices faced significant market pressure, primarily due to the hawkish the Fed policy minutes and the poor preliminary data for Australia's May SPGI

Composite PMI and Services PMI. The latest the Fed policy meeting minutes revealed market concerns about the progress in reducing inflation. Several the Fed officials expressed willingness to further tighten monetary policy if necessary, leading to a decrease in investor expectations for a short-term rate cut by the the Fed. Although policy officials acknowledged that the current monetary policy is already somewhat restrictive, they warned that it might take longer for inflation to return to the target level.

In the early trading session, the Australian index experienced an accelerated decline due to the drop in heavyweight materials, financial, and real estate stocks, including BHP. However, the sustained rise in the information technology and healthcare sectors provided some support to the market, leading to a slowdown in the decline of the financial and real estate sectors. Ultimately, these positive dynamics prompted a "V" shaped recovery in the index, demonstrating the market's resilience. On the trading floor, the information technology, healthcare, and consumer staples sectors performed outstandingly, leading the gains; while the materials, consumer discretionary, and financial sectors suffered significant losses.

In today's trading, the XJO index exhibited some volatility, ultimately closing with a candlestick showing a long lower shadow. The market was under pressure in the early session, causing the MA13 moving average to be temporarily breached. However, a strong rebound led by the healthcare and other heavyweight sectors helped the index to recover and close back above the MA13 moving average.

From a technical analysis perspective, despite today's breach of the MA5 moving average, the more critical MA13 moving average remains supported by the market.

The auxiliary indicator KDJ has shown a death cross in the overbought zone, which is typically considered a bearish signal. Considering these technical signals, the XJO index may continue to test the support strength of the MA13 moving average tomorrow.

Therefore, close attention needs to be paid to the performance of the MA13 moving average tomorrow. If the index can sustain above this level, it may continue the current rebound trend; conversely, if the index falls below the MA13 moving average, it may be necessary to reassess market sentiment and the short-term direction of the index.

Achieving steady progress in the financial markets requires a broad perspective and a global strategic vision. As global economic integration deepens, the ability to deeply understand the global macroeconomy becomes particularly important. This understanding enables us to more accurately identify the risks of various financial products and capture investment opportunities. Therefore, continuous learning and expanding our knowledge of global financial markets are essential.

However, when it comes to analysing specific financial products, such as individual stocks, forex, or cryptocurrencies, using concise and effective analytical tools is often more efficient. Mastering one or two core technical analysis methods and developing a trading system that aligns with your style is key to outperforming most market investors. Many investors have a superficial understanding of various technical analysis tools, but struggle to apply them effectively in market analysis, sometimes getting caught in conflicts between different methods.

This situation indicates that merely increasing the number of technical analysis tools does not directly lead to investment success. The real challenge lies in transforming the acquired knowledge into a trading system that can withstand market scrutiny and reflect one's personal investment style. Knowledge only becomes truly valuable when it is effectively converted into practical trading strategies. Therefore, building and continually refining one's trading system is the cornerstone of long-term success in the financial markets. Every investor should strive to shape and refine their trading framework, as this is the foundation for ensuring stable profits in turbulent financial markets.

Yesterday, we discussed the importance of technical analysis in swing trading. In the upcoming sessions, I will delve into the application of moving averages in different market environments. We will start with the basic concepts and gradually move into the analysis of specific cases. This approach aims to ensure that every investor not only fully understands the fundamental functions and importance of moving averages but also becomes proficient in applying this essential tool in actual trading.

Through these sessions, I hope to help each investor build and refine their own trading system, mastering a stable and efficient trading strategy to enhance trading efficiency and success rates.

Overview of Moving Averages:

The moving average (MA) is developed through statistical analysis methods and is based on the Dow Jones "average cost" concept. It averages stock prices over a specific period and connects these averages to form a line, allowing the observation of price trends. The purpose of this analytical tool is to analyse the balance of power between the bulls and bears over a period of time by comparing the daily closing prices with the moving average cost, thus predicting future stock price movements.

Typically, if the current price is above the moving average, it indicates strong buying power in the market and suggests an upward trend. Conversely, if the price is below the moving average, it may indicate excess supply and significant selling pressure, suggesting a downward trend in the market.

Using the 5-day moving average as an example:

The moving average is a fundamental tool in technical analysis, used to smooth price data and create an indicator that tracks price trends. Its calculation is relatively simple: for instance, to calculate a 5-day moving average, we add the closing prices of five consecutive days and then divide by 5. The resulting average is the first 5-day moving average value. Then, we move forward by one day, taking the closing prices from day 2 to day 6, and repeat this calculation process, and so on. This method helps us draw a smooth line that reflects short-term price changes.

The length of the moving average determines its responsiveness to price changes, i.e., its sensitivity. Short-period moving averages (such as 5-day or 13-day) respond more quickly to price changes and are suitable for capturing short-term price movements, thus exhibiting greater volatility and being closer to the current price. In contrast, medium-term (such as 34-day or 55-day) and long-term (such as 89-day, 144-day, or 250-day) moving averages are smoother and better at showing long-term price trends, but they also have a stronger lag effect.

Different moving averages can be applied to different time frame charts, including minute charts, hourly charts, daily charts, or weekly charts, making them ideal tools for analysing various market conditions. For example, short-term moving averages are very suitable for active traders who need to respond quickly to market changes, while long-term moving averages are more suitable for investors seeking stable trends and making long-term investment decisions.

How to Choose Moving Average Combination Periods:

In practice, how do you select moving average periods and determine moving average combinations? This is a question that troubles many traders. Many traders use the default moving averages provided by market software as a guide, which is understandable. However, without a correct understanding of the nature and function of moving averages, it is difficult to profit from using them in trading.

The moving average, as a digital, graphical, and visual representation of Dow Theory in modern trading systems, plays a crucial role. To fully utilise the moving average in trading decisions, traders should select appropriate moving average periods based on their trading style and market behaviour. An ideal moving average combination should cover short-term, medium-term, and long-term trends to provide a comprehensive market perspective.

1: Short-Term Trend:

According to Dow Theory, a short-term trend refers to very brief price fluctuations, typically lasting from one to several days, usually less than 6 days, and rarely exceeding 3 weeks. Therefore, traders can choose a combination of 5-day and 13-day moving averages. Since the 5-day moving average represents the weekly trend, its direction indicates the market's weekly trend. The

13-day moving average represents the half-month trend, indicating the market's direction over half a month.

The 5-day and 13-day moving averages are primarily used to observe short-term trends and determine the timing of entry and exit points.

The sensitivity of short-term moving average combinations is very high, but the downside is their lack of stability. When used alone, it is not easy to discern the direction of medium to long-term trends. However, short-term moving average combinations can provide entry and exit signals earlier than medium-term and long-term moving averages, allowing traders to enter and exit positions in a timely manner. This enables traders to promptly enter and exit positions, as well as increase or reduce holdings. For traders who favour swing trading, this is a very convenient tool.

The above chart is the daily chart of BHP. The circles indicate the buy and sell points suggested by the short-term moving average combinations for swing trading.

As shown in the chart, the stock price experienced a significant rebound around AUD 43.7, and we observed the MA5 (5-day moving average) crossing above the MA13 (13-day moving average) forming a golden cross, which is typically a strong signal of a bullish market shift. In this case, the bullish alignment of the short-term moving averages indicates a bullish period. Traders who already hold the stock should continue to hold it to take advantage of the potential upcoming increase. For those who have not yet entered the market, this is an ideal buying opportunity, as the bullish alignment suggests that the price may continue to rise in the short term.

As market dynamics evolved, we noticed that the MA5 later crossed below the MA13, forming a death cross, which is a signal of a short-term trend reversal, indicating that the stock price may start to decline. When the death cross forms, traders should consider selling their shares to lock in profits.

Medium-Term Trend

According to the definition by Dow Theory, a medium-term trend is a large-scale rebound or correction that typically lasts from several weeks to several months. Therefore, traders can choose a combination of the 34-day and 55-day moving averages. The numbers 34 and 55 are part of the Fibonacci sequence, also known as the golden ratio numbers. The 34-day moving average represents the stock or index trend over more than a month, while the 55-day moving average represents the trend over two to nearly three months, hence it is referred to as the quarterly average. The MA55 quarterly average is a very important moving average, indicating the medium-term trend of stock prices and indices, and it often signals changes and directions in the long-term trend.

The combination of monthly and quarterly moving averages offers both sensitivity and stability, making it an excellent medium to long-term moving average combination.

The above chart is the daily chart of BHP.

As shown, in October last year, the MA34 moving average crossed above the MA55 moving average, forming a golden cross. This marked a medium-term buy signal, after which the stock price continued to rise along the MA34 moving average. After four months of high-level operation, the MA34 moving average eventually crossed below the MA55 moving average, forming a death cross, indicating the start of a medium-term correction period.

Through chart analysis, we can clearly see the importance of medium-term moving average combinations in determining the overall trend direction. They provide us with crucial market entry and exit signals. However, these indicators have a certain lag in predicting short-term price fluctuations. Therefore, in actual trading, traders should combine short-term and medium to long-term moving average combinations to operate more effectively, grasp market dynamics, and optimise trading decisions.

Long-Term Trend:

Long-term trends, known as bull and bear markets, are the main focus of Dow Theory discussions. Long-term trends typically last from several months to several years. Traders can choose a combination of the 89-day and 144-day moving averages to observe and assess long-term trends. Many market investors also choose the 120-day and 250-day moving average combinations.

Although bull or bear markets, as defined by Dow Theory, can last for several years, I do not recommend moving averages and combinations that exceed an annual cycle.

There are two reasons for this: firstly, because moving averages inherently have a lagging nature, combining averages over excessively long time spans amplifies this characteristic, resulting in even more delayed market buy and sell signals. This reduces buying opportunities and can even lead to situations where the buy point is higher than the sell point. Secondly, moving averages represent average cost lines; typically, the longer the time period, the closer the average value is to the true average cost. However, the average cost represented by excessively long time period averages gradually loses its accuracy over time.

The advantage of long-term moving averages is their stability, but the drawback is their significant lag. Therefore, traders mostly use them to determine the long-term trend of the market.

In today's session, we explored the historical background of moving averages and their importance in technical analysis. I introduced the investors to how to correctly set moving averages and provided specific parameter setting guidance. This enables the investors to adjust the moving average parameters for different periods based on their trading style and market conditions.

In future sessions, we will continue to deepen this topic and discuss the practical application techniques of moving averages in detail. We will learn how to use the 5-day moving average to capture short-term market movements, explore the role of the 34-day moving average in identifying medium-term trends, and understand how to recognise key signals in moving average combinations, including the application of golden crosses and death crosses. These are all important technical tools for identifying market turning points.

Through these practical techniques and strategies, investors will be able to apply moving averages more effectively and enhance their trading decision-making abilities. I hope everyone values each of the upcoming sessions.

In our investment portfolio, the performance of individual stocks varied today:

COL: The stock found support and rebounded at the daily MA89 moving average, indicating a good buying point. Since the 89-day moving average represents the average cost of the long-term trend, the stock price has strong support at this level.

LS: In the medium-term trend, the MA34 moving average has crossed above the MA55 moving average, indicating that most buy orders are concentrated around this level, with fewer sell orders contributing to further price increases. The current stock price is supported near the MA34 moving average and is also close to the MA55 moving average. The moving averages suggest that the stock price is likely to rebound and rise.

IEL: In the short-term trend, the MA5 moving average has crossed above the MA13 moving average, forming a bullish pattern, while the medium-term MA34 moving average has started to level off, indicating a positive shift in the short to medium-term trend. This suggests that the market trend for IEL is developing favourably.

Overall, these three stocks continue to perform in line with our investment expectations. In operation, it is recommended to continue to follow the trend and hold the stock patiently.

Due to time constraints, today's session will conclude here. Sincere thanks to every investor for your enthusiastic involvement!

Tomorrow is Friday, marking the end of this trading week. In tomorrow's session, we will review this week's market performance and conduct an in-depth analysis of the individual stocks in our investment portfolio. By summarising this week's trading experiences, we can identify and address issues to continuously optimise our investment strategies.

Good night, dear investors!