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**| BOOK REVIEW**

## **The Handbook of Technical Analysis + Test Bank: The Practitioner's Comprehensive Guide to Technical Analysis: Book Review**

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**| ABSTRACT**

Trading in the financial markets requires a well-thought-out strategy that includes proper entry and exit points for trades, risk management, and a signal that may be useful for executing trades more efficiently. Technical analysis is one of the types of analysis that a trader or investor can incorporate into their plan, though technical analysis may involve unfamiliar terminology to the novice. Professionals, amateurs, and novices all attempt to trade in various markets, most notably the stock market, foreign exchange market, and crypto currency market. Their technical analysis knowledge is necessary to execute their trades more effectively. As a trader in a variety of markets, it is necessary to constantly seek out resources that may aid in comprehending the theories underlying a trading application. A component of the objective is to review and examine the information and explanation provided about technical analysis. As such, the reviewer's goal is to increase the book's readership and help readers finally grasp the fundamentals of technical analysis.

**| KEYWORDS**

Financial Technical Analysis, The Dow Theory, Trading System, Divergence Analysis

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*The Handbook of Technical Analysis + Test Bank: The Practitioner's Comprehensive Guide to Technical Analysis*

By Mark Andrew Lim

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Reviewed by Elizabeth B. Alvior and Alan Y. Cabaluna

The title of the book is *The Handbook of Technical Analysis and Test bank* and was written by Mark Andrew Lim. The author focuses on explaining very well each topic concerning the Technical Analysis. As a reviewer of this book, I include my thoughts and observations about this book's contribution to understanding the topic easily. As an educator and practitioner of trading, I emphasize the importance of continuously reading different materials to deepen the understanding of technical analysis.

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The first chapter covers the *Art and Science of Technical Analysis* which includes definitions explained by well-known practitioners and authors. Their definition expounds on the topic and becomes understandable even for a novice reader. The first chapter clearly explains the concepts, the objectives, the style and approaches, the strength and weaknesses and the subjective view in applying technical analysis. Most importantly, the book's first chapter provides an overview of technical analysis which is connected and useful in the field of trading and investing in any form of the financial market.

The second chapter covers the *Introduction of Dow Theory*. It includes the story about the foundation of Dow Theory. In the present 2022, though a lot of practitioners apply different robots or systems in their trading, the concept of Dow Theory continuously explains the basic form of charting specifically about the Phases of Primary Trends which are included in this book.

The third chapter covers *Mechanics and Dynamics of charting*. This chapter will let the professional refresh their understanding of the basic charting concepts. At the same time, the novice will become familiar with the terminologies they can encounter on their trading application.

The fifth chapter covers the *Trend Analysis*, which I think is one of the most important in understanding any market trend. One important part of the chapter is the explanation about assessing the quality of the trend, this part of the book can help the reader to read or assess the price action of the market properly; therefore, when considering to read the price action, it is important to familiar on price characteristics.

The eighth chapter covers the *Window Oscillator and Overlay Indicators*. One of the good things about this chapter is the inclusion of the significance and difference between the two. The author emphasizes the oscillator and indicator available in the charting platform and also explains the application of each or the combination of two in any financial market to help forecast a potential reversal in the price action.

The ninth chapter covers the *Divergence Analysis*. As a practitioner and a reader of Technical Analysis books, this chapter provides a precise explanation of the concepts to understand and interpret Confirmation, Convergence and Divergence. In trading practices, one of the challenges is to locate any divergences and convergence formed in a chart; however, if a reader wants to familiarize themselves with Divergence Analysis, an urgency to read this chapter might help them. Part of the chapter is the explanation of the difference and its application to Reverse Bearish, Standard Bearish, Reverse Bullish and Standard Bullish Divergence and as a reader, this is one of the books that includes everything that a reader wants to learn about Divergence.

The tenth chapter covers the *Moving Averages* that are considered a useful tool in forecasting. In moving average, past data is essential in helping to forecast a reversal of price. As a researcher of moving averages, I observe how this chapter covers the vital part of this tool in a trading plan. The topic focuses on the tool's usage in the chart of different markets, from the stock market to the foreign exchange market. It also covers how moving average can add as a guide in entering and exiting the trades.

The last chapter covers the *Trading System*. In any kind of investment, whether in the long term or short term, the trading system will most likely help the practitioner execute the trades properly. In this book, the author focuses on what to conceptualize in creating a trading system which includes the type of the market, a classification of trend, the setup and filter, the risk management, the needs for backtesting, the level of commitment of the trader, the cost of trading involved, the money management and the rest of the topic which I think as a practitioner is necessary for the trading system.

As a reviewer of this book, we consider all the topics well explained and illustrated with proper examples. The concept of charting application in different markets is illustrated carefully for a better understanding. As a novice, this book will help them easily understand the terminologies involved to grasp the foundation of trading in the financial market. For the professional and practitioner, this book can help them get an additional idea in upgrading their current trading system and their trading plan. The trading which involved the reading of charts with different indicators and oscillators became clearer and easy to adapt by following the authors' guidelines and explanation in this book. This must be one of the reasons why this book should consider to read for a future plan in trading with any level of understanding about the technical analysis.

One of my constructive suggestions for the latest version of this book is that the author can include the example from the new market, such as cryptocurrency. Since everything is continuously upgrading, the example of the charts using tools, indicators, and oscillators, applying to any form of trend, can illustrate the latest market which connects the terminologies and theories.

With its contribution to investment, from concept to theory to application, this book should be read by anyone from novice to professional, but especially by those seeking to broaden their knowledge and understanding of financial market trading.

**Bio-note:**

**Elizabeth B. Alvior** is a faculty member of the Institute of Accounting, Business and Finance of Far Eastern University, where she handles finance and Investment subjects. Her research interest is trading tools for investments.

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**Reference**

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