

Technical Analysis Is for Dummies

[00:00:00] Yeah.

[00:00:00] when you were a kid and you did something pretty damn stupid because your friends were doing it and you got caught and your dad comes over to you and this is what my dad would've done. He would've done something. Hey, what are you stupid? And I said, yeah but Gary was doing it.

[00:00:20] And Jeff was too, you said, would you jump off a cliff if Gary and Jeff were doing it? And of course there is, it's a rhetorical question. There is no answer. Of course, you wouldn't jump off a cliff because Gary or Jeff would doing it. If they would do on that, they'd be dumb ass. Oh man. How could you do something stupid like that?

[00:00:46] Let me ask you if someone showed you a way to trade the market and put your hard-earned money to work in a strategy where there has been proven. Absolute proof with unmitigated results that 98% of the people that do it lose money. Would you do that, because hundreds of thousands, maybe millions of traders are going down that path.

[00:01:19] Would you follow them over the cliff? Just asking. Because that's exactly what technical analysis is. Technical analysis is leading you over a cliff. Let me ask you this. You're probably using, or have learned how to use oscillators, like the RSI and the Mac D in all their overbought, oversold zones. And you know that when something's over bought you sell it.

[00:01:55] When it's over sold, you buy it. It's oh, come on. How stupid can you be? But it never fricking works out. It works out once in a while. Just enough to keep your sucked in, to watch some more gurus, do it over and over again and tell you that. It must be your emotions. You got to get your emotions in check.

[00:02:14] Is that you? Again, a rhetorical question I know it's you, because you're a dumb ass. You're that guy that will follow the millions of people over the cliff and throw your hard-earned money away because you believe what do you believe?

[00:02:34] Let me ask you when you do things like drive a car, why do you drive a car? There's proof that driving a car causes cancer, or driving a car won't get you from point A to point B. That's why you drive a car. No, you drive a car because you know that if you get into a little fender bender, you're going to get decapitated, that's why you drive a car, man. So why do you use these dumb ass technical indicators when they produce losers after losers, after loser?

[00:03:09] And like your car. I'm not saying that you're a mechanical genius or a mechanic, or even mechanically inclined. However, there is scientific reasons why the car works. Why when you press the gas pedal that there's some combustion thingy under the hood.

[00:03:30] I don't know summons, some myths, mythical ponies, right? Giving you horsepower and pushes that car down the road. And you know that there's science behind it.

[00:03:39] Proven theories that engineers work done and came up with reasons why and insurance companies with actuarial tables that have taken millions of results and know what the odds are that you're not going to get decapitated from getting a fender-bender.

[00:03:55] You have an edge of getting from point A to point B by driving that car. You have an edge by getting some job by getting the relevant experience and keeping it because you have an edge because you act like a sane and useful employee that has value that has edge. But let me ask you, do you know what the edge is in trading the RSI? Do you know what the edge is and trading the MACD, do you know what the edge is in trading? When price find support, quote, support, I'm doing air quotes here when it finds support, when it hits that 20 day, moving average as if it knows that the 20-day moving average is there and it bounces off of it.

[00:04:45] Like it's a piece of concrete,

[00:04:48] right? That's why it bounced off it because it knew it was there. It was right there. It bounced off it. Dammit, that price just knew that there was a moving average right there and it bounced off it. Cause that's what was providing you support, that's true. You weren't frigging dumb ass.

[00:05:05] Seriously. Get it in check, man.

[00:05:08] You could have put a 21-day moving average, a 37, a 14 and a half, a 123.7212159. All those prices would have bounced off of it because that's what happens when you draw moving averages. That's what they do.

[00:05:29] The price doesn't know. It has no frigging idea when something's over bought. And then you say, oh, I'm going to sell it because it's overbought, because it hit the 80 number, the market universally went around and said, Hey Bob, the trader, it hit the 80 sell the stock. What's so the RSI and the 15-minute timeframe on Dave's chart?

[00:05:54] Not because it says the company did something stupid or they were less widgets that they had to sell. That's not why the stock went down. It was because it hit the 80 was over.

[00:06:03] Seriously, I, you really that stupid that you're going to follow a bunch of charlatans out there that had come up with these stupid ass ideas and convince you with their stupid ass mealy mouth talk, showing you no evidence, no edge, no statistical advantage, nothing. You're going to believe them. And you're going to take the money that you spent the last two years working tooth and nail getting up in the morning, brushing your teeth, dredging to work, and two hours of fricking traffic.

[00:06:44] So he could bring her home net check and so that you could plop it into an account and listen to some asshole to throw it all away.

[00:06:52] That's okay,

[00:06:53] because I'm telling you, you can't tell me what the edge is on an RSI or a MACD or a golden cross. What the F is a golden cross

[00:07:06] or what's the other one? There's a, there's the antithesis to the golden cross. I forgot what it is. The death cross. Oh, it sounds so determinant. They must be edge to the death cross, right death. Have you ever actually programmed something that took all of these indicators and they're supposedly level. That are supposed to give you signals for when to trade, when to buy into sell.

[00:07:35] Have you ever taken those and run them through the numbers and gotten statistical evidence and shown yourself proven to yourself that if you traded perfectly like the computer that just went through and crunched all those numbers, that it would give you an edge. First of all, but even with the computer doing it perfectly, still can't find an edge.

[00:07:56] But let's say that you could do exactly what the computer did and not find an edge. And somehow you find an edge.

[00:08:01] Would you follow Gary and Diana off that bridge or off that cliff?

[00:08:09] I just, I don't get it. I don't get how people can be this stupid, especially when they see the evidence, their own evidence, but they'll think, oh my situation, it must be anecdotal because Bob, the guru can make it work. And he's making millions of dollars as a day trader, which doesn't exist.

[00:08:31] There's no data trader making millions.

[00:08:32] And Bob is lying to you. Probably doesn't even trade name. Isn't Bob, by the way. It's I don't know, Ned, no offense to Ned's out there. Just the first name that came into my mind. My mind technical analysis is for dummies. It is for those people that believe that there is something out there, something, ethereal, prophetic, something that is beyond your understanding, your comprehension, that if you just knew the secret key and followed that, then you would unlock untold riches.

[00:09:13] You just have to have discipline and the right emotional content.

[00:09:17] And then you'll be able to leave that God awful job. And that got off a boss and that frigging desk that you have to go to every morning. Oh, although that's not so much the case any more with the pandemic, a lot of people are working from home. And so they decide that, Hey, maybe I'll take up trading using technical analysis and I'll become rich too.

[00:09:41] All you gotta do to know whether or not a strategy has edge is examine what the edge is. Have somebody that professes that strategy, tell you what is the edge? Can you show it to me? Can you show it to me so that I can believe you, like it's something actually.

[00:10:02] Now with our strategy, our zero DTE, I can show you exactly where the edge is in several different places. Show you how it works, why it works and show you that there are actually lots of people that employ the principle. That actually make money apart from all

the other people that don't employ, those principles who lose money. What I'm speaking of is those people in options that are buying options, as opposed to selling premium, that's a no brainer.

[00:10:36] Everyone knows it. The problem is that most people they hear people tell them that, oh, you sell options naked, man, and you have unlimited risk. Oh, that'll put you in the poorhouse, man. It come, I got some TA for ya here. Take this

[00:10:56] seriously. Really

[00:11:00] technical analysis is for dummies. Sometimes I think that it's almost like one of what is it, the Helsinki syndrome, where people are predisposed for whatever reason, because of some cultural pressures, peer pressures to self-destruct that they choose the path of self-destruction rather than enlightenment.

[00:11:27] They choose to be a loser rather than to be a winner because winning is so scary. It requires a little bit of work and to go against the grain,

[00:11:42] maybe you don't agree with your friends. Yeah.

[00:11:44] What else does it take to prove to you that technical analysis doesn't work? There was a study done in Brazil and there's other studies too with 300,000. Actually more than that, there was close to 400, I think three, let's just say 300,000 day traders. Study showed that 98% of them do not make money, which is a euphemistic way of saying that they lose money.

[00:12:16] They do not make money. 2% of them do, but of those 2%, the vast majority of those 2% just barely make a little bit above minimum wage.

[00:12:28] And that doesn't mean anything to you this time it's going to be different because I am doing it Ernie because Bob, the guru told me that if I just follow his program, I will make riches. Did he show you an edge? What's an edge? What do I need an edge for? My mom told me not to walk over edges. It was dangerous.

[00:12:53] She told me I was a dumb ass for doing that. Is that the kind of edge you're talking about?

[00:12:58] Technical analysis is for dummies. Oh, I should've said technical analysis is for dumb ass. Because you make an ass out of yourself when you use technical analysis and all these indicators that you use them over and they produce bad results. How many bad results does it take before you get the idea?

[00:13:22] I don't know. I'm just trying to help,

[00:13:26] What about the Jedi momentum versus a Pico price for zone RSI indicator?

[00:13:33] Alan saying, I can't believe they cut you off early for that crap. I, I must be very careful. I really like Dan Passarelli and I like the service that he's put on there. This several

notable speakers that are out. Trying to help people. And I was featured today, and I'm almost got finished with my presentation.

[00:14:01] Fantastic presentation, by the way, where I was just laying it down there, showing you how to actually get an edge. And apparently, I just went off at the mouth a little bit too long, and I was like, just this close to wrapping it up. And then they cut me off and they said, thank you very much Ernie, but we need to get to, these other three speakers.

[00:14:21] I don't know what to say. I really.

[00:14:25] Do I want to be part or associated with all of them at the risk of offending Dan Passarelli that's there's the question, because right after me, you're right. There was someone who was talking about the magic zone or something. What was it? The price for zone. And then right after that, you had. You gotta be careful

[00:14:52] the top dog guy and then another guy, aye. People that all my life I've or not all my life, but a good portion of my professional career. I've been pleading with people to stay away from,

[00:15:07] oh man, am I going to get in my. I am slitting my throat right here. I am falling on the sword right here.

[00:15:15] Oh, what am I supposed to do? This is a dilemma. What I'm talking about is that I just was participant or a featured speaker in a webinar of other people that were talking. I was the first one followed by three others that were talking about trading and they all have their own. Technical analysis guru thing.

[00:15:38] It's, I can't undo it now. I guess I could go back. I could cut this off. I could delete this video as if it never happened. Is that what I should do?

[00:15:47] Yeah. Pierre says, I thought they would throw you out for inadvertently calling them out. And Alan says, sometimes you must dance with the devil

[00:15:56] Lance, the magic eight ball always worked for you. Huh? That's fantastic. Cause it must have a.

[00:16:02] Yeah, I'm going to have to do a lot of explaining after this one.

[00:16:05] Chris says you have your niche. The other part of the trading education guru doesn't matter. And I'm not sure exactly what that means, there's let me put it this way. There's truth on one hand you're over on this hand, you have truth. And then over on this hand, you have not the truth. And the two don't mix very well.

[00:16:32] And when you take no it's worse than that. It's worse than that. Wait. This is what it is. You have a clear crystal glass of water, spring water from the most pristine mountain ranges and Springs you could ever imagine completely. Oh, it's unbelievable. And then over here you have dog shit.

[00:16:55] So when does that crystal water become unpalatable? When you start adding dog shit to it,

[00:17:04] is there any amount of dog shit that you can put into the crystal water? That will be okay by you.

[00:17:12] That's what I need to know.

[00:17:14] so today we had no trade in the zero dash DTE trade room, and that was because price was moving sideways. We had a lot of impactful report. I know big switch here. We had a lot of impactful reports, including housing starts the EIA petroleum status report. You had the 20-year bond auction, and then to top it all off, you had the FOMC, the fed announcing their new monetary policy.

[00:17:46] And I think what they did was they admitted that they were they were wrong. On transitory inflation or at least that's the way the market appears to have interpreted that remark because the market's down hard. How hard could it be? It is down. Oh, it's down almost 50 points, 50 points.

[00:18:05] That's good.

[00:18:05] Yep. That's pretty. So the Fed's wrong too. There's another thing that you shouldn't listen to forget TA forget the Fed well, you need to address the Fed. The Fed is almost always wrong, but it doesn't matter if they're wrong because they hold all the cards, all the rules, they make all the rules.

[00:18:25] They're the ones that are dealing out all the money. So unfortunately, they can be wrong. All they want. You just must know how to interpret it. With technical analysis, there's only one way to interpret it. Stay away, just stay away from technical analysis. Look at the truth.

[00:18:44] What is the truth? The truth is the price, as it is volume profile is definitely the truth. Price and volume is the truth. There are only two ways to make money in this. There's arbitrage, which is a guaranteed moneymaker because you play both sides of the same coin. And if there ever a difference in them, you can play the difference between them, which is a guaranteed arbitrage.

[00:19:11] Those arbitragers exist in the market. The hard to find they also exist in sports betting. I've talked about that. You can do that. You can make money there. You can become a market maker where they give you an arbitrage so that you create liquidity for the market. So a bunch of other dumb asses can practice technical analysis.

[00:19:30] So arbitrage that's one way to make money. The other way to make money is to sell premium, to sell option premium. On the last day of expiration, when it is decaying, it's fastest when the selling is much better than any other time to sell premium. So not only just selling premium but sell it when it's the premium time to sell premium.

[00:19:53] And in both of those cases, do you need technical analysis? The only two ways that there are, that anybody can really identify that have edge real edge. Super identifiable

age. Now this is not to discount those people out there that have superior market knowledge of something within the market that nobody else has.

[00:20:13] And they can find an edge there. I'm not saying that's not something that's publicly available, but these things, these two things arbitrage and, in some cases, statistical arbitrage, which is a little bit more discretionary. And this question of whether that has edge. True arbitrage has edge and selling premium and especially selling premium when premium is at its peak of decay,

[00:20:38] that's like just taking the whole selling premium part and then putting it on steroids, taking the edge that you have and multiplying it. There is one other thing that has edge and, but it's more of a strategy. And then. That is only taking asymmetric risks.

[00:20:57] And in fact, you can combine arbitrage and selling premium with only taking asymmetric risks. You can also take asymmetric risks in things like venture capital, like starting certain types of businesses where you have an edge based on maybe your personal skillset, the demographic that you're serving the need, those are places where people can put in a fair amount of effort but multiply the results because they have an asymmetric edge.

[00:21:34] This is how billionaires have become billionaires because they took and lost a lot of different ways. But each loss was minuscule compared to the wins. They took asymmetric opportunities by the throat, and they won. You are not going to win by finding some tiny little statistical anomaly through using technical analysis and thinking that if you're going to win 55 or 60% of the time and sell on overbought and buy an oversold, you're not going to win that way because.

[00:22:09] There is no edge. There is none. You can't identify it. It doesn't exist. Death crosses and golden crosses. There is no edge. There is no edge in stochastic. There is no edge in moving average, bouncing off moving averages. It's like bouncing off, I don't know, what could you bounce off of that? Doesn't exist.

[00:22:33] Just.

[00:22:34] There you go. There's technical analysis. My review of it in a nutshell, and hopefully you have seen the wisdom in these words, and you have gained some IQ points. That was the whole purpose of this. I was hoping that maybe I could increase your IQ by, I would say at least 10 points at the very least this may get you on the path.

[00:23:05] Towards successful investing and trading because now you'll know what to go after and what not to go after you'll know which glasses have shit in them, no matter how much the shit is and which ones don't.

[00:23:19] All right. I want to thank you very much for showing, oh, we have some more questions or comment.

[00:23:26] If you want to be that agent of change, you're going to have to preach to the sheeple. I do that. That's the whole purpose of this podcast and VIX is around 20. There is

an edge once the VIX is above 17, that's one of our edges, by the way, VIX between 17 and 34, a definitive edge that we have.

[00:23:47] Carl says it's like the movie They Live. I haven't seen that. Oh no. I think I have I haven't been able to watch it all the way through. I'm going to watch that. Richard says, are you saying that macro analysis is the truth? Is macro analysis the same as fundamental analysis? No. See macro analysis. What we do in macro analysis, we're not using that as an edge.

[00:24:11] We're using it to identify catalysts that will set things in motion. That's all we're looking for in of itself. Isn't the edge. It is a piece of the pie, a piece of the story, a piece of the puzzle that we use that puts things into motion.

[00:24:29] And then evokes the edges that we have. It is an edge enabler. That is what macro analysis is. I should call it catalyst analysis. I think I might change that name instead of calling it global macro, because it sounds like something that would attract people. I think catalytic analysis. That's what it should be called.

[00:24:52] Maybe it's something that I'll brand thank you very much for that.

[00:24:56] Pierre says what you were exp explaining was light years away from that worn out, same old garbage. They were talking about magic indicators in the secret chart pack. I know they; they actually use those words magic and secret. I couldn't believe it.

[00:25:14] Jeffrey says you. Galileo showing that you don't need epicycles to explain retrograde motion, just the correct model of reality. Thank you.

[00:25:25] All right. Hi fun here. I hope you enjoyed this and hope you learn something. Why technical analysis is for dummies. There is a better way. All you must do is ask where's the edge.

[00:25:41] It's all I've got to say. I want to thank you very much for joining me. Thank you very much for the comments from the peanut gallery. I appreciate that. It's time to go. Peace. We need lots of peace. Take care. What is that off button? I can never find it. Oh, there it is.

[00:25:59] Bye

[00:25:59] Yeah. Okay.