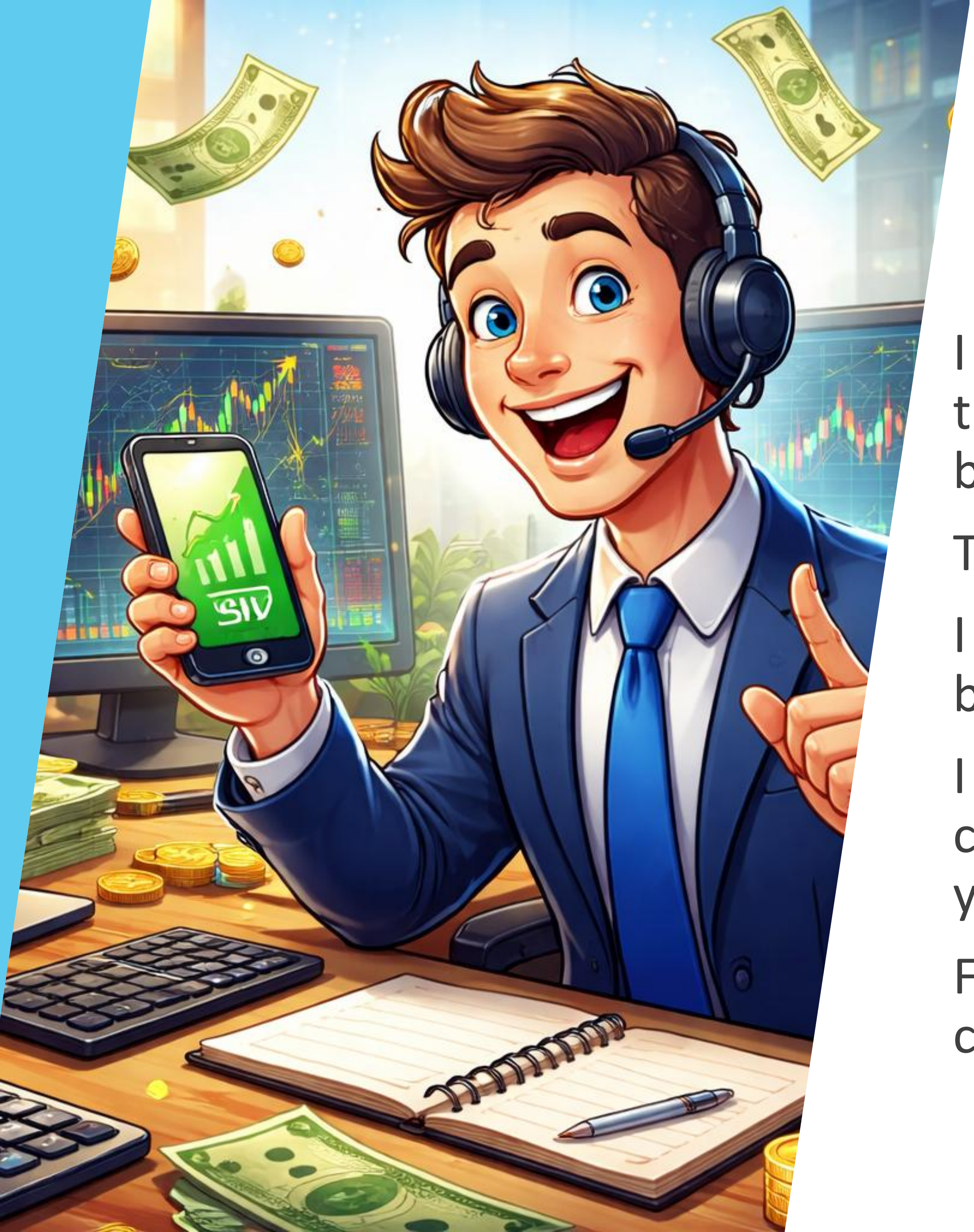
at least 7 reasons

Why I am not a Technical Analyst

– Mark Dixon



Every trade comes with costs:

and these add up if you trade frequently

I am going to talk about 7 costs of trading which have much less impact on buy-hold investing.

These add up to a surprisingly high total.

I will also looks at some other reasons to be cautious about using TA.

I will talk about a couple of ways you can verify for yourself if this is hitting you harder than you think.

Finally, I invite discussion and challenge to my position on this.

Cost 1: Brokerage

Cost1: Brokerage, often a percentage of trade size, e.g. at CommSec: $5 under $1,000 (0.5%+), $10 up to $3,000 (0.34%+), $19.95 up to $10,000 (0.2%+), $29.95 up to $25,000 (0.12%+), then 0.12% of trade value above $25,000; higher if not using CDIA.

- **If you are a trader** consider using a fixed price discount broker or a low-percentage brokerage such as Stake ($3 flat fee for trades up to $30,000) or MooMoo (0.03% of trade). You don’t have to close your Commsec account, and you can usually move your holdings to another broker at no cost.
- Consider using Pearler if you routinely trade amounts over about $75,000.
- Consider SuperHero if you are not concerned about the Custodial model.

Broker/platform	$1,000	$10,000	$100,000	How ASX brokerage is charged	Holding
CommSec	$5.00	$19.95	$120.00	Sliding fee by trade size for online ASX trades when settled to a CommSec CDIA or linked cash account: about $5 under $1,000, $10 up to $3,000, $19.95 up to $10,000, $29.95 up to $25,000, then 0.12% of trade value above $25,000; higher if not using CDIA.	CHESS / HIN
CMC Markets	$11.00	$11.00	$110.00	For standard share-investing account: first ASX buy order per day up to $1,000 per stock is $0 brokerage; subsequent buys or larger trades are the greater of $11 or 0.10–0.11% of trade value (slight variation by account tier); sells charged on same $11/percentage basis.	CHESS / HIN
IG Share Trading	$5.00	$10.00	$100.00	Flat per-trade commission for ASX shares of around $5 or 0.10% of trade value (whichever is higher), with some legacy pricing requiring certain activity levels for the lowest rate.	CHESS / HIN
Interactive Brokers	$6.00	$8.00	$80.00	$6.00 or 0.08% of trade value under the fixed/retail schedule, with optional tiered commissions that step down with higher monthly volumes.	Custodial
SelfWealth	$9.50	$9.50	$9.50	Flat fee of $9.50 brokerage per ASX trade, regardless of order size, with no ongoing account fees.	CHESS / HIN
Stake	$3.00	$3.00	$10.00	$3 brokerage per ASX trade up to $30,000; for trades above $30,000, 0.01% of trade value. NOTE: close to live pricing.	CHESS / HIN
Superhero	$2.00	$2.00	$10.00	$2 brokerage per ASX trade for orders under A$20,000; for trades over A$20,000, brokerage is 0.01% of the trade value.	Custodial
Pearler	$6.50	$6.50	$6.50	Flat ASX brokerage of $6.50 per buy or sell order (can be lowered to about $5.50 with prepay offers), plus occasional fee promotions and some long-hold ETF buys at $0 brokerage.	CHESS / HIN
Moomoo	$3.00	$3.00	$30.00	For ASX shares and ETFs, charges the greater of A$3 per trade or 0.03% of the transaction value (GST inclusive); no explicit minimum account size and no general platform fee.	Default CHESS / HIN (custody optional)
Webull	$4.90	$30.00	$300.00	$4.90 or around 0.3% of trade value, whichever is greater. ETFs = no charge to buy or sell.	CHESS / HIN

Cost 2: Buy-Sell spread.

- If you want to buy after a "buy signal" you have to chase sellers up with the market, and pay the current sell price.
- If you want to sell after a "sell signal" you have to chase buyers as the market goes down, and accept the current buy price.
  - E.g. Superloop (SLC) which is rising: Buy: $3.05, Sell: $3.08 (about 0.98%)
  - E.g. selling Nine Entertainment (NEC) which is falling: Buy: $0.85, Sell: $0.865 (about 1.76%)
- **To trade, you go in and go out, so you pay brokerage and buy-sell spread twice**.
- E.g. to put $12,000 into SLC and get out again when the sell signal comes round: you your profit will be offset by (at CommSec) 0.12% + 0.12% + 1.76% + 1.76% = 3.76%. On $12,000 that eats $451 of your profit!
- It is worse on cheaper shares and on smaller amounts!

Price
1.2877
BUY AT ASK
1.2875
1.2873
1.2871
2 POINTS
PROFIT
SELL AT BID
9:00
9:10
9:20
9:30
Time

Code	Name	$price	Mkt-cap	Spread with Market Open	Spread	%spread	Avg
MQG	Macquarie Group Ltd	$205.590	$77,504,503,808	$223.92 - $223.94	$0.02	0.01%	
CBA	Commonwealth Bank	$172.800	$268,724,600,832	$183.37 - $183.41	$0.04	0.02%	
COH	Cochlear Ltd	$172.360	$17,037,599,744	$171.51 - $171.65	$0.14	0.08%	
RIO	Rio Tinto Ltd	$161.620	$206,480,097,280	$172.30 - $172.34	$0.04	0.02%	
REA	REA Group Ltd	$154.410	$23,457,400,832	$156.94 - $156.98	$0.04	0.03%	0.03%
ALQ	ALS Ltd	$20.950	$11,150,700,544	$22.43 - $22.45	$0.02	0.09%	
AII	Almonty Industries Inc.	$20.910	$3,622,400,000	$24.45 - $24.61	$0.16	0.65%	
ORI	Orica Ltd	$20.310	$11,565,799,424	$21.14 - $21.16	$0.02	0.09%	
FMG	Fortescue Ltd	$20.250	$69,245,894,656	$20.15 - $20.17	$0.02	0.10%	
ARB	ARB Corporation Ltd	$20.080	$2,620,499,968	$20.42 - $20.44	$0.02	0.10%	0.21%
CVC	CVC Ltd	$2.080	$234,400,000	$2.01 - $2.13	$0.120	5.97%	
NGI	Navigator Global Investments	$2.050	$1,389,900,032	$2.08 - $2.09	$0.010	0.48%	
NUF	Nufarm Ltd	$2.030	$890,700,032	$2.32 - $2.33	$0.010	0.43%	
ACL	Australian Clinical Labs Ltd	$2.030	$497,900,000	$2.03 - $2.04	$0.010	0.49%	
ING	Inghams Group Ltd	$2.020	$936,600,000	$2.06 - $2.07	$0.010	0.49%	1.57%
YRL	Yandal Resources Ltd	$0.205	$93,000,000	$0.21 - $0.235	$0.025	11.90%	
EGL	Environmental Group Ltd	$0.205	$89,400,000	$0.205 - $0.21	$0.005	2.44%	
CCR	Credit Clear Ltd	$0.200	$134,000,000	$0.185 - $0.19	$0.005	2.70%	
SBZ	Schoolblazer Ltd	$0.200	$109,500,000	$0.19 - $0.20	$0.010	5.26%	
LEX	Lefroy Exploration Ltd	$0.200	$64,600,000	$0.20 - $0.21	$0.010	5.00%	5.46%
CRI	Critica Ltd	$0.023	$75,700,000	$0.023 - $0.024	$0.001	4.35%	
FGH	Foresta Group Holdings Ltd	$0.022	$111,200,000	$0.022 - $0.023	$0.001	4.55%	
RAD	Radiopharm Theranostics Ltd	$0.021	$88,600,000	$0.021 - $0.022	$0.001	4.76%	
ION	Iondrive Ltd	$0.021	$53,300,000	$0.019 - $0.02	$0.001	5.26%	
LRM	Lion Rock Minerals Ltd	$0.020	$85,800,000	$0.018 - $0.019	$0.001	5.56%	4.89%
ATH	Alterity Therapeutics Ltd	$0.009	$97,900,000	$0.008 - $0.009	$0.001	12.50%	
ADN	Andromeda Metals Ltd	$0.009	$64,699,996	$0.009 - $0.01	$0.001	11.11%	
VRC	Volt Resources Ltd	$0.007	$51,500,000	$0.005 - $0.006	$0.001	20.00%	
LCY	Legacy Iron Ore Ltd	$0.006	$68,300,000	$0.006 - $0.007	$0.001	16.67%	
ERA	Energy Resources of Australia	$0.004	$1,216,199,936	$0.003 - $0.004	$0.001	33.33%	18.72%

Code	Name	$price	Mkt-cap	Spread with Market Open	$pread	%spread	Avg
YRL	Yandal Resources Ltd	$0.205	$93,000,000	$0.21 - $0.235	$0.025	11.90%	
EGL	Environmental Group Ltd	$0.205	$89,400,000	$0.205 - $0.21	$0.005	2.44%	
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Loss from buy-Sell Spread

- Shares costing over $100 (per share) are likely to have a buy-sell spread of 0.03%
- Shares costing around $20 are likely to have a buy-sell spread of 0.23%
- Shares costing around $2 are likely to have a buy-sell spread of about 1.5%
- Shares costing around $0.20 are likely to have a buy-sell spread of about 5.5%
- Fraction of a cent share likely to have a buy-sell spread of about 19% (*quelle horreur!*)

Cost 3: price change waiting for signal.

- When you use Technical Analysis, or momentum trading, your buy signal arises at least 3 days after the price has started swinging up.
- When you sell it again on a sell signal, you are at least 3 days into the falling price.
- Price rises and price falls are usually steeper in the first few days, which is also when buy-sell spread is largest.

... this is a double cost of unpredictable size!

Market has moved by the time you get a signal

Source: Using MACD Cross-over [https://investoracademy.org/top-10-technical-analysis-indicators-for-trading-and-investing/]

… investment costs (4, 5, 6)

Cost 4: Periods of inactive cash producing no growth

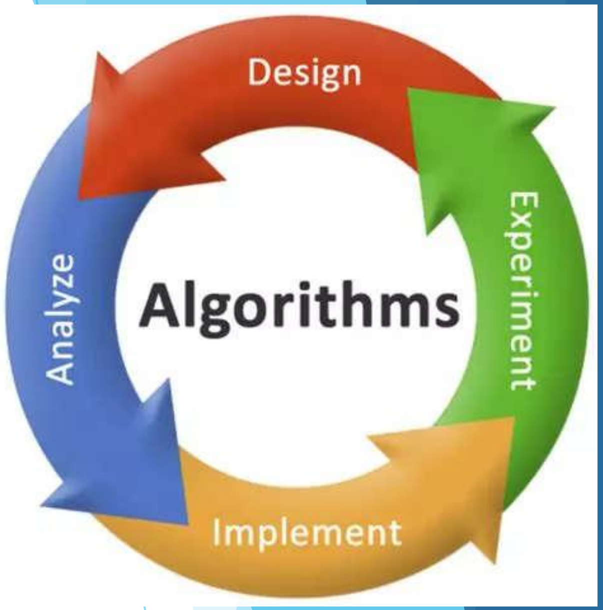
- If you sell and don't immediately re-invest, waiting for the next buy-signal opportunity, your cash will be idle in the interim, meanwhile the market moves (up, on average).

Cost 5: **Missing out on dividends** which are a substantial part of XJOA/XJT.

Cost 6: Loss of Capital Gains Tax discount (large if you are trading outside superannuation pension mode)

- When you you sell within 365 days of buying, you lose the 50% Capital Gains Tax discount – **this is a biggie if you are outside Superannuation pension mode**.

… another big one (cost 7)



Cost 7: Algorithmic systems used by large investment managers take advantage of TA traders by manipulating expected TA entry & exit points.

- There is widely acknowledged practice that sophisticated algorithms monitor typical technical-analysis levels and clustered stop orders, then trade in ways that exploit them. See:
  - https://www.youtube.com/watch?v=pN8s0BIyezU (video from BBC, short)
  - https://www.youtube.com/watch?v=hn_tWnWUYJc (long video, detailed but dry)
  - https://discoveryalert.com.au/automated-trading-dark-side-2025-manipulation/
  - https://medium.com/thecapital/the-role-of-algorithms-in-financial-markets-3e73408386a2
  - https://thetradinganalyst.com/stop-hunting/
  - https://tradeciety.com/the-order-clustering-effect-around-round-numbers
  - https://ideas.repec.org/a/eee/jbrese/v92y2018icp105-117.html

You need extraordinary wins to offset these costs

Your costs from brokerage, buy-sell spread, idle cash, CGT treatment, will eat into any profits you make in frequent trading, there is also some predation of traders using popular TA methods. You are also likely to miss dividends.

- you could easily be losing 5% **or more** in direct and indirect costs on each trade (buy-sell pair).
  [That's 5% or more of your capital invested in the trade, not 5% of your profit on the trade.]

Your profit has to be quite extraordinary to offset all those costs!

My observations and conclusions

FINANCIAL REVIEW | MARKETS | WEDNESDAY, MARCH 18, 2026

Just one in four managers beat the market in 2025

Just one in four Australian active equity fund managers managed to beat the market last year, underscoring the challenge facing an industry that is already competing for inflows from cheaper exchange traded funds.

The S&P Dow Jones Indices Australia scorecard, which rates the performance of active managers, found 74 per cent of Australian equity funds lagged the S&P/ASX 200 Index's total return of 10.3 per cent in 2025.

The average return for active funds, including dividends, was just 7.5 per cent. Over 15 years, 87 per cent of funds had underperformed.

"The financial market has become much more professionalised," said S&P Dow Jones Indices' head of index investment strategy, Sue Lee, who described the active fund performance as "underwhelming".

"There was lots of easy money in the old days because information flow was less efficient, so active managers had an information edge, but that is increasingly scarce now."

Indeed, major funds such as Ten Cap, Airlie and WaveStone lagged the index by 10 per cent or more in the 12 months to the end of February, according to their latest monthly reports.

Hyperion Asset Management's Australian growth companies fund underperformed the S&P/ASX 300 Accumulation Index by 39.5 per cent as investors dumped stocks that were remotely at risk of artificial intelligence disruption, including Xero, WiseTech Global and Life360, and other stocks such as Cochlear and CSL, which have also plunged in the past year.

The Brisbane-based money manager earlier this month reassured clients it would "recover strongly" from this horror run.

ECP's growth companies fund underperformed its benchmark by 36.9 per cent, Bennelong's Australian equity fund lagged by 31.9 per cent, and Platypus' Australian equity fund underperformed by 29.7 per cent.

S&P's SPIVA research unit has tracked the performance of active managers relative to their indices for more than 20 years and found "most active managers underperform most of the time".

The latest study examines the performance of Australian-domiciled funds using data supplied by Morningstar. It also found that 70 per cent of locally managed global equity funds lagged the S&P World Index, returning 9.6 per cent compared to 13.3 per cent.

And almost 65 per cent of Australia equity mid and small-cap funds underperformed the S&P/ASX Mid-Small Index, which tracks the top 300 companies on the bourse, but does not include the top 50. It surged 21.5 per cent in 2025, making the bar for outperformance higher than usual.

One bright spot was real estate investment trust funds - 60 per cent of active A-REIT funds outperformed, marking their best relative results since 2013.

They returned 11.7 per cent on average, compared with 9.2 per cent return for the equivalent benchmark.

Lee said the outperformance was mainly driven by the funds being underweight data centre player Goodman Group, which makes up almost 40 per cent of the index.

Perpetual chief executive Bernard Reilly said that while active managers were losing from a structural shift towards low-cost passive funds, that trend had its limits.

"The market is not going to 100 per cent passive. It can't," he said.

"You need price discovery. Investors are allocating to passive, but it's not at the same rate [as it was], and so it is not likely to have the same penetration."

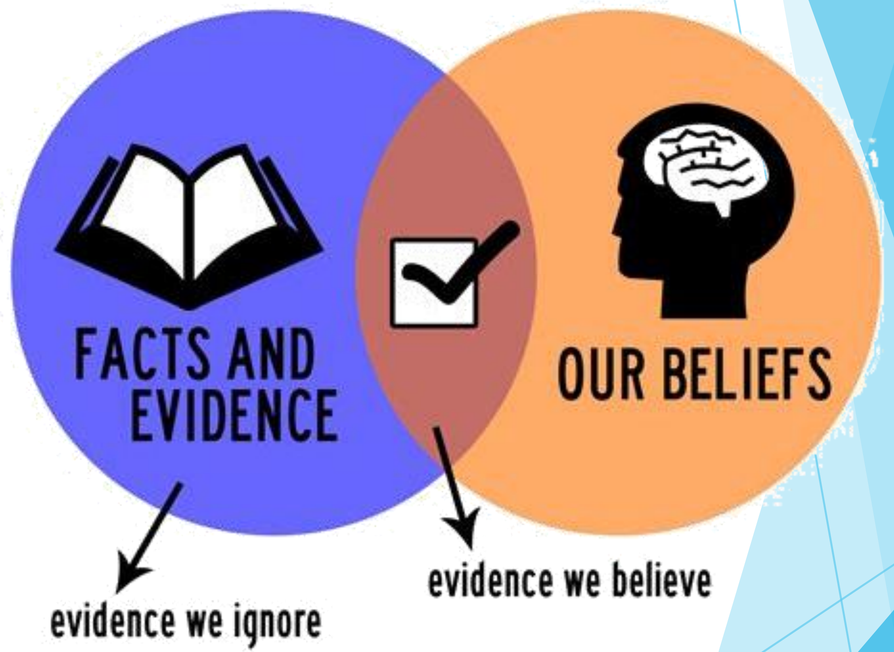
ADDITIONAL REPORTING: JONATHAN SHAPIRO

Even the professionals usually don't outperform their benchmark index (see: SPIVA and Morningstar)

Many retail investors believe they can beat the professionals *and* the index by using Technical Analysis or Momentum trading. Why?

Popular psychological attitudes to trading

- **Self-attribution bias**: some people attribute wins in the market to their own ability and insight and losses to bad luck or external factors; this can lead them to think they are outperforming a benchmark such as the XJT (ASX-200 accumulation index, which includes dividends; or the XMM, XMJ, or XGD if they are primarily trading mining shares).
- **Overconfidence bias**: It is easy to overestimate one's own skill and ability to generate "alpha" by using good recent returns as evidence, and that it is skill that did it, even when it may be *luck*.
- **We often think** that these do not apply to us.
- **You can check for these by benchmarking!**



Benchmarking is essential!

You owe it to yourself to determine your annual return on capital invested, and to compare that to the ASX-200 accumulation index (XJT / XJOA).

1. Take invested capital today ($value of shares plus cash in your investment account).
2. Deduct from that invested capital 365 days ago (shares plus cash in investment account).
3. **Deduct** cash you deposited to your investment account from other sources during that year (*don't deduct dividends* if you got any because they are part of Total Shareholder Return).
4. **Add** cash you withdrew from your investment account during that year.
5. Now divide that result (which is your actual gain/profit) by the invested capital 365 days ago.
6. Convert that to a percentage by dividing by 100.
7. **Is that higher than XJT (over 19.7% p.a. at time of writing this presentation)?**
8. **If yes then great, you had a good year. If no, consider changing your strategy!**

Try this spreadsheet:
https://mark-dixon.com/asa/Benchmark.ods

If you read serious financial analysis

These peer-reviewed articles might interest you:

1) What Do We Know About the Profitability of Technical Analysis? Park, C. H. & Irwin, S. H. (2007) DOI:10.1111/j.1467-6419.2007.00519.x
   - synthesises over 130 studies to determine the validity of technical analysis across various markets.
2) Does Intraday Technical Analysis Work in the Australian Equity Market? Marshall, B. R., et al. (2008) DOI:10.1016/j.jbankfin.2007.12.032
   - specifically targets the Australian market, examining whether technical indicators (such as Moving Average Crossovers and RSI) can capture intraday momentum.
3) Technical Trading Rules and Market Efficiency: Evidence from the ASX Loh, E. (2004) DOI:10.1080/17446540500130635
   - focuses on daily data over a 22-year period (1980–2002) to test the weak-form efficiency of the ASX.

* **Papers 2 and 3 both say <u>TA used to work up till about 1990</u>**, but structural shift and technology, especially by institutional investors negate it since then.

If you prefer AI

Ask your favourite 2 or 3 AIs these questions:

- Can Technical Analysis or momentum trading provide a retail investor with results that beat a broad stock market accumulation index in the medium to long term?
- Why are technical analysis classes so popular when TA can rarely outperform a benchmark index, especially in the medium to long term?

Why I am not a Technical Analyst*

1. Brokerage
2. Buy-Sell spread
3. Market moves before TA signal available
4. Periods of inactive cash
5. Miss out on dividends
6. Cost of CGT
7. Market manipulation
8. Plenty of evidence for TA inadequacy
9. Profit has to be quite extraordinary to offset all those costs!
10. Benchmarking

* with apologies to Bertrand Russell

Slides from this presentation

http://mark-Dixon.com/ASA