2016: ALSO A YEAR OF VOLATILITY

This is the last newsletter for 2015. The next newsletter will be published January 13, 2016. In the past nine month the newsletter case study portfolio has delivered a 80.5% return on capital. Its been a hard slog in a difficult and volatile market so we turned to FX markets for greater certainty and trend stability. We do not expect 2016 to be substantially different. These markets test trading skills and traders discipline and patience. These are markets well suited to gamblers who can pick a lucky rally. These markets are more difficult for traders who apply consistent risk management to trade selection.

A type of order traders use to protect against losses is being phased out, as stock exchanges seek to deal with the ramifications of huge intraday swings.

The New York Stock Exchange, in a statement, said it would no longer accept what are called stop orders, beginning Feb. 26, joining the Nasdaq NDAQ, -1.97% in barring them. Another order type called good-till-cancelled also is being axed.

The NYSE, a unit of the Intercontinental Exchange ICE, -3.37% cited the risks that occur from such orders during volatile trading. A stop order could be triggered after a big downward move, but investors could be unhappy when the stock quickly recovers its value. (Traders are unhappy because stops were not executed, exposing them to far greater risk. Editor) Another risk is the stock falls much further than the level where the stop order was intended to be executed.

The current rally in the STI is limited. The retreat below 3050 has gathered momentum and is now moving towards a retest of the lows at 2740. This is the bear attack . Traders kept some of their powder dry in anticipation of this bear attack which has taken the form of a sudden and rapid drop . Traders must be alert for a rapid rebound as volatility is the order of the day.