CONSTRUCTING THE 2017 STOCK POOL

By Daryl Guppy

2017 promises to offer more good trading opportunities. We have created an initial pool of potential opportunities. Each week we look at this pool and selection trading candidates as capital and opportunity becomes available.

In creating this pool we look for these features:
- No dramatic one day spikes or dips
- No large price gaps
- Steady trend behaviour
- Compatibility with ATR or CBL stop loss methods
- Clear trend breaks when the trend changes
- No false exit signals.
- Consistent volume

These 16 stocks are not the only place we will look for opportunity in 2017, but it's a steady reference point. We will continue to develop and test specific searches and explorations and share these with readers.

SPECULATIVE TRADE SELECTION

Duty Free is added as an example of a countback line CBL breakout trade. This breakout pattern is a common feature in the current market. The trade is managed using the value of the CBL as a stop loss.

Entry is made near $0.39 with a stop loss at $0.38. This adds 51,282 shares and puts $512 at risk or 0.5% of total trading capital.

Stock code	**DUTY FREE INT**
Total investment pool money in account	100,000
Your investment risk for this trade	2,000
Average entry price	**0.39**
Stop loss	**0.38**
Cost of trade	**20,000.00**
Number of shares buy	**51,282**
Loss if sell at stop loss	512.82
Risk % of total investment pool money	0.51%
Planned Profit exit price	**0.440**
Profit	**2,564.10**
Trade profit %	12.82%

CHART PATTERN TRADE SELECTION

Asia Medic is added as an example of a parabolic trend. Note that we use a Metastock chart and this cannot plot a parabolic curve which is a segment of an ellipse Instead we must show the full ellipse. Note also that volumes are thin in this stock so this trade is an example of how this pattern is traded.

This pattern was observed in the market over 50 years ago and was misnamed a parabolic trend. It was comparatively rare. Now it has become a frequent pattern. This is used to define fast moving trend acceleration. These fast moves are unsustainable and prone to rapid collapse. A characteristic of these trends is the rapid collapse when prices move to the right of the trend line. This trend line has a defined end date. These trends occur in all types of stocks. These trends may be an additional development in an existing trend.

Asia Medic
Daily
Singapore

Enter
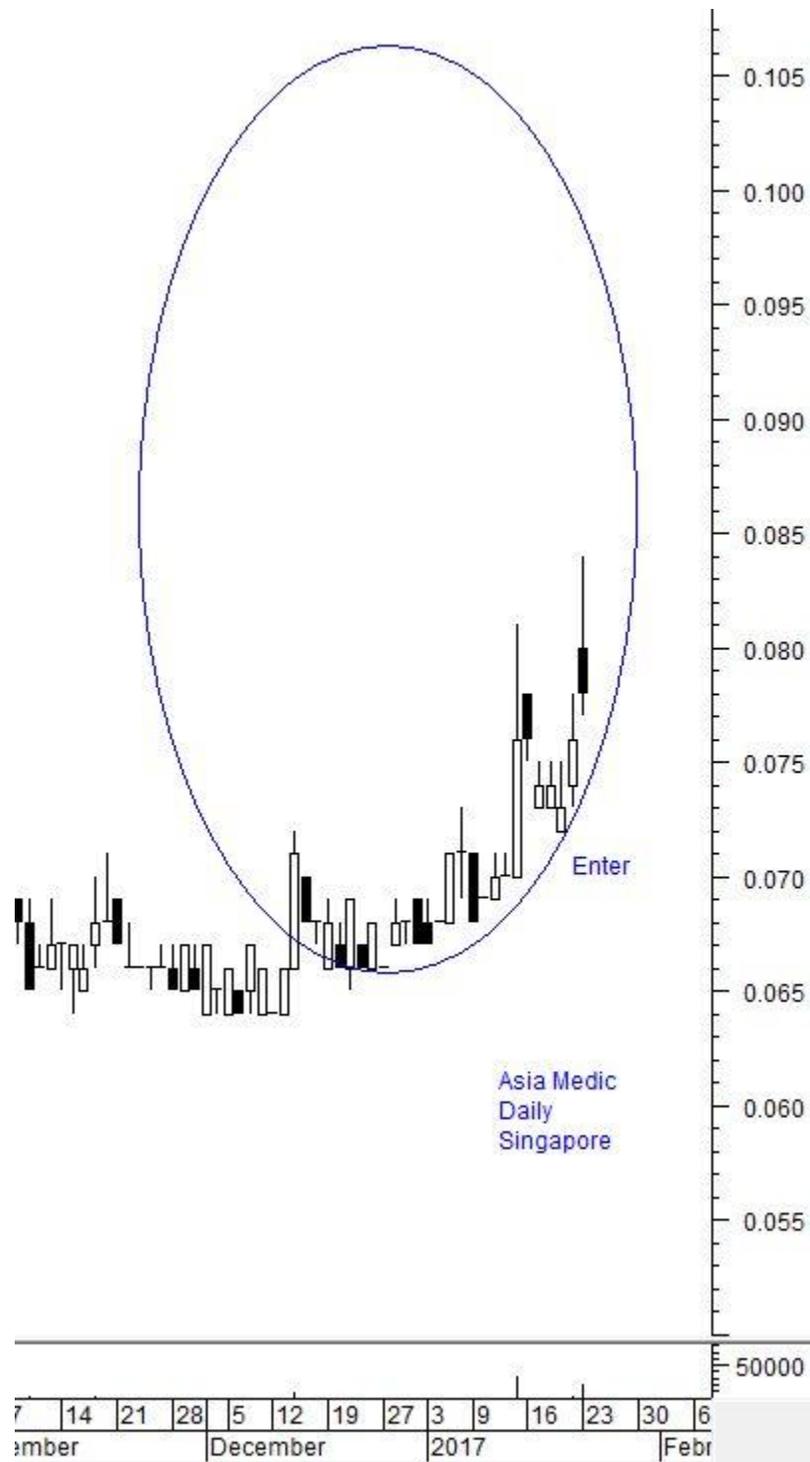
TACTICS
- During the middle of the trend development, exit on a close below the trend line
- As the trend approaches the end date, exit on any intraday move below the trend line
- Exit on the day prior to the inevitable move to the right of the trend line

Use the value of the trend line as a stop loss. This changes every day

RULES

- This pattern is traded without reference to any other indicator. It is a stand alone indicator.
- Moves to the right of the trend line signal an exit
- Curve must hit at least 2, but preferably 3 initial low points to start the trend line plot. Once plotted on these three points, the position of the curve does not change
- The curve starts from a 'best fit' point and not necessarily at the start of trend.
- When the curve moves towards vertical it sets the day on which the next price bar will inevitably move to the right of the trend line.

ADVANTAGES

- Captures fast moves.
- Identifies accelerating trends
- Sets an exact day of exit
- Most effectively used with price or derivative leverage

DISADVANTAGES

- Trends often collapse rapidly
- Difficult to identify this type of trend in the early stages of trend development

Stock code	**ASIA MEDIC**
Total investment pool money in account	100,000
Your investment risk for this trade	2,000
Average entry price	0.72
Stop loss	0.71
Cost of trade	20,000.00
Number of shares buy	27,778
Loss if sell at stop loss	277.78
Risk % of total investment pool money	0.28%
Planned Profit exit price	0.900
Profit	5,000.00
Trade profit %	25.00%

Entry is made near $0.72 with a stop loss at $0.71 This adds 27,778 shares and puts $277 at risk or 0.2% of total trading capital.