

DIFFICULT DECISIONS

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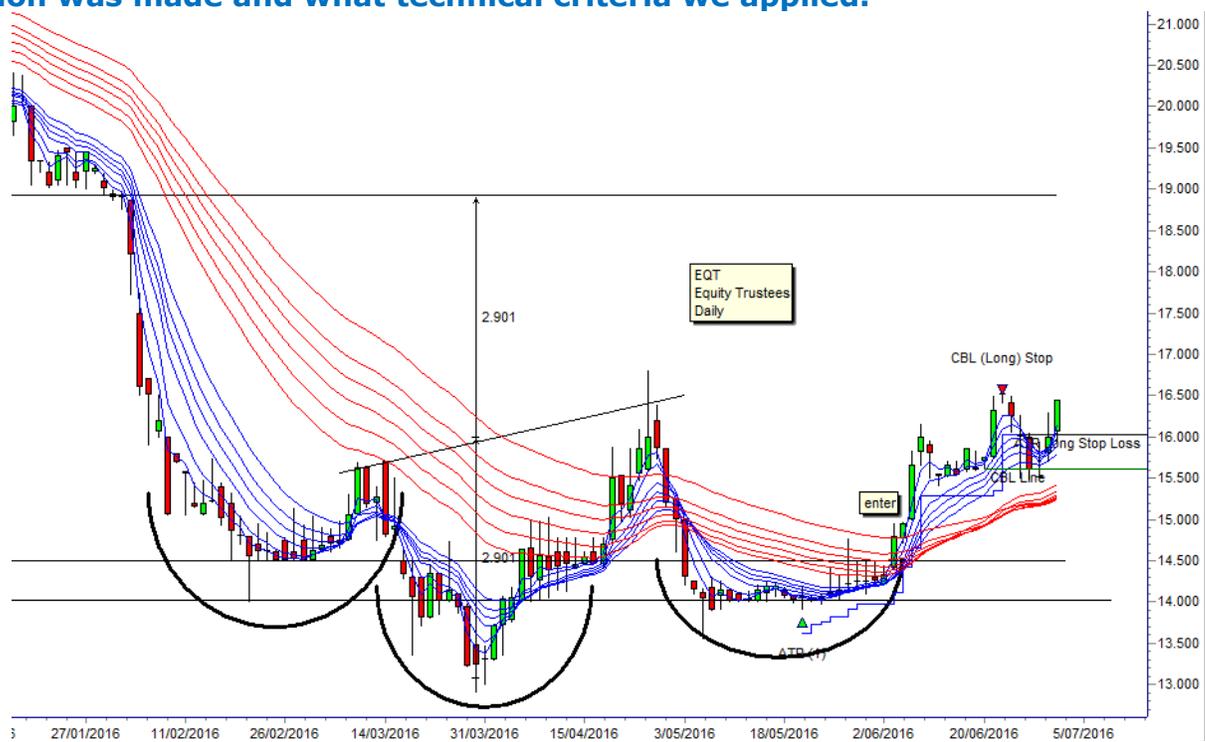
We added at 1*ATR stop loss as an alert trigger to track the rise in EQT. This is an indicative stop. This is not a hard stop. It means that if the price retreats to this level then an exit may be taken to protect profits. This is purely a response to market jitters.

Brexit was an unprecedented situation. Volatility did drive EQT below the ATR line, but then it closed on the value of the ATR. Next day was a close below followed by a high at the ATR and then a close at the ATR.

The EQT lows tested the previous support level near \$15.50 but did not close below this.

The GMMA showed strong support for the trend continuation. On balance, the EQT trade remains open, although the ATR stop loss method is no longer appropriate to use as a stop loss condition. Instead we revert to the count back line stop loss to manage this trade going forward.

This is not a perfect decision. We have attempted to explain how the decision was made and what technical criteria we applied.



This EQT example has two confirming patterns and each pattern can be used to verify the conclusions of the other pattern.

The first pattern is the inverted head and shoulder pattern.

The distance between the head and the neckline is measured and gives an upside target near \$18.90. The second pattern is the pattern of support and resistance. This has a strong consolidation band between \$14.00 and \$14.50. Above this is a resistance level near \$15.70. The next resistance level is near

\$18.90. This is where the gap-down started and this upper level is often a future target for the trend recovery.

In this chart two separate methods verify the \$18.90 target level. The trade method is straightforward and aggressive. For case study purposes we take an entry near \$15.05 as the breakout develops above the consolidation band. The stop loss is a close below \$14.50. This buys 1,329 shares for a cost of \$20,000 and puts 730.90 at risk or 0.73% of total trading capital.

Here's the marked to market update on the case study trade performance.

Stock code	EQT
Total investment pool money in account	100,000
Your investment risk for this trade	2,000
Average entry price	15.05
Stop loss	14.50
Cost of trade	20,000.00
Number of shares buy	1,329
Loss if sell at stop loss	730.90
Risk % of total investment pool money	0.73%
Planned Profit exit price	16.45
Profit	1,860.47
Trade profit %	9.30%

The target is \$18.85, just below the pattern calculation target. This level is used as it increases the probability the trade will be executed at this level. Price will probably reach \$18.90, but the danger is that just few shares might change hands at this level. By setting the advance sell at \$18.85 we are guaranteed the full trade exit will be achieved if the price reaches the \$18.90 pattern target level.