

FINDING OPPORTUNITY

By Daryl Guppy

This week we apply a modification of the stock pool search exploration as discussed in an accompanying article. The objective is to locate stocks with good trend momentum.

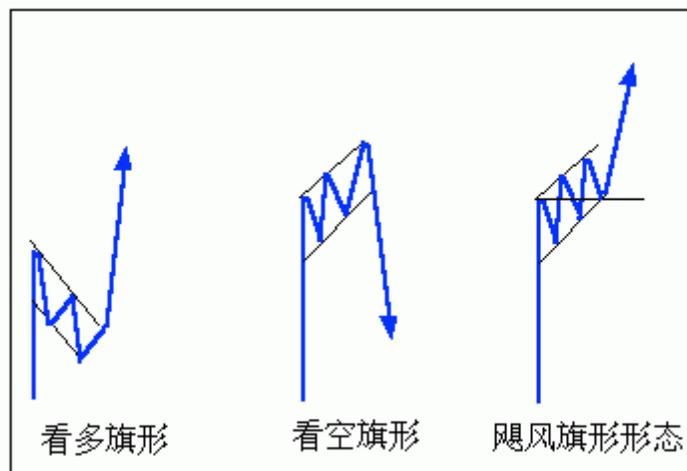
Once the stock pool is created then each of the candidates is visually inspected. We started with 6 candidates and narrowed this down to one potential opportunity.

Stocks are rejected because their price activity is erratic, or too fast, or have insufficient volume. These stocks meet the exploration criteria but the charts suggest they carry higher trade risk so they are avoided.

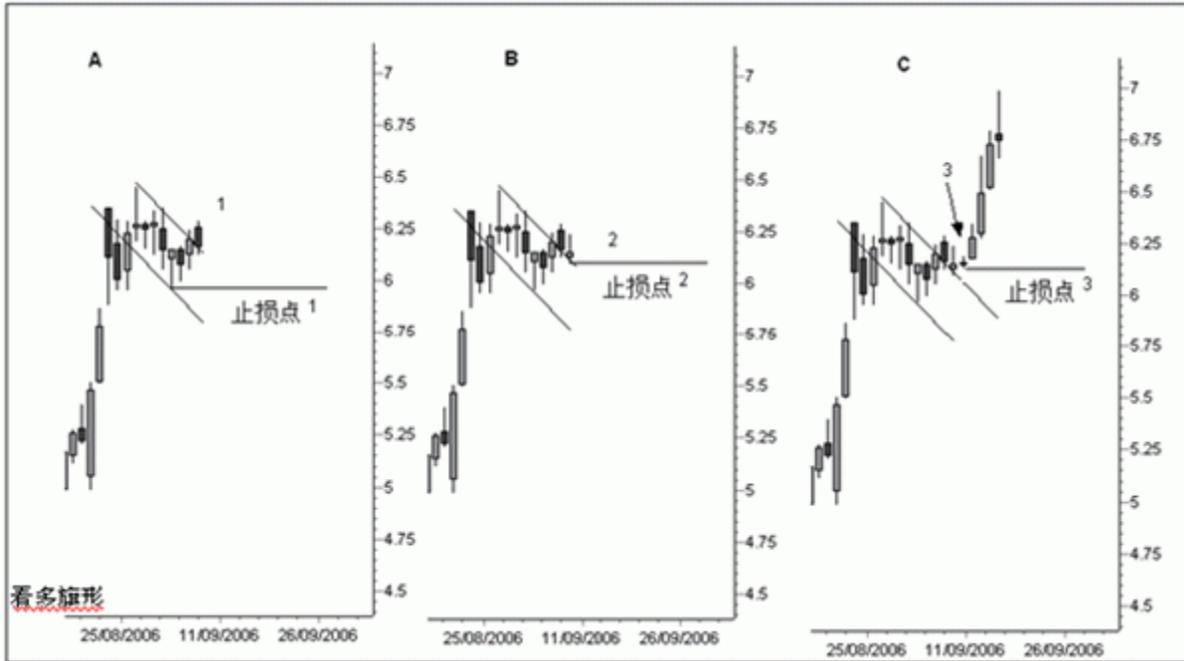
For case study purposes we add one new sample trade to demonstrate two different approaches.

FLAG TRADING

The HMI chart shows a good example of a flag trade. This was found using the new search detailed in the article in this newsletter. Here's the trade plan



Analysis notes – This chart pattern is a bullish flag which slopes downwards. The bullish flag follows a very fast rise in prices. This creates the flagpole. The retreat from the high price creates the flag. The pattern has parallel sides defined by two trend lines. The height of the flagpole is used to calculate the upside target. When the profit in the trade is near to the trade plan profit then cautious traders will exit the trade. .



This is a trend continuation pattern. In current market conditions traders use more caution, and closely watch the stop loss conditions. The trade is managed with living charts. The stop loss development is shown in the diagram.



Trade entry

Entry signal 1 – a rebound from the stop loss line

Trade assessment

Preferred entry price – Entry at \$0.48 which is 0.01 above the value of the stop loss line. The current stop loss line value is \$0.47

Cut loss – 0.01 below the value of the stop loss line, currently near \$0.48 so the stop loss is at \$0.47. As the trade develops choose an 1*ATR, trend line or CBL stop loss method. When trade has 10% profit from entry price then tighten stop loss to protect profit. Keep trade open if price move is strong and use stop loss to protect profit. .

Stock code	HMI
Total investment pool money in account	100,000
Your investment risk for this trade	2,000
Average entry price	0.48
Stop loss	0.47
Cost of trade	20,000.00
Number of shares buy	41,667
Loss if sell at stop loss	416.67
Risk % of total investment pool money	0.42%
Planned Profit exit price	0.590
Profit	4,583.33
Trade profit %	22.92%

Estimated target – \$0.59

Return target – 22.9%

Trade exit

Exit signal 1 – A move below the stop loss line as the trade develops. Current loss on stop is \$416 or 0.04% of total trading capital.