HOW TO GET THE BEST PRICE?

By Daryl Guppy

How do we get in at the exact low or exit the trade at the exact high? It's a question from a reader following one of the case study trades that had an entry at the exact low of the day. The answer is that this is mostly luck but the chances of good luck can be improved with correct use of the order lines. We start with a trade where liquidity is not a problem.

BUYING THE OPEN

Prior to the open of trade there may be a mismatch between the bids and asks. In the example below the bid is $0.51 and the ask is $0.465. The weighted volume average of the price is calculated and a Match Price determined. In this example the Match Price for the open is $0.465.

If I place a buy order at $0.465 then I will be order number 8 in the line at that level because there are 7 orders ahead of me. There is a chance my order at $0.465 will not be filled. I can guarantee getting filled at $0.465 by placing a buy order at $0.515. This gets me to the top of the order line and guarantees my order will be executed at the Match Price of $0.465.

If the open happens to be the low of the day and made on very low volume, then it appears we have an awful lot of luck whereas in fact is just skilled use of the order lines to improve trade entry execution.

BUYING AT THE TREND LINE VALUE

We do not always want to chase price on the open. Much of our trading is based on buying very near to the value of the trend line, the support level, the value of the CBL line, or the value of the 1*ATR line. We do this by using Ambush buying. It's not always successful, but when it is then it gives of appearance of "luck" in buying the exact rebound value.

AMBUSH BUYING

DS	No.	Volume	Price		Price	Volume	No.	DS
TM	1	5000	183.5		185	24400	1	TM
TM	1	5500	183		186	16880	2	TM
TM	1	19107	182.5		187	8829	2	TM
TM	3	95322	182		187.5	12080	1	TM
TM	1	800	181		188	8500	1	TM
TM	1	10070	180.5		188.5	1700	1	TM
TM	7	66596	180		189	124000	2	TM
TM	1	10000	179.5		189.5	14000	1	TM
TM	2	18000	179		190	53735	4	TM
TM	2	10000	178.5		191.5	914	1	TM
TM	1	10,000	178		194	20000	1	TM
TM	1	11000	177		200	87400	3	TM
TM	1	11000	176		202	20000	1	TM

Exact value of CBL or trend line →

We know the value of the trend line from the chart. In this example it's $1.78 Rather than chasing price we set up an ambush price order lower in the order line. The order sits below the current traded price ready to ambush price if it retreats during the day. If our order is first in the line at $1.78 then there is a high probability our order will be filled, catching the exact low of the day and the exact rebound point. It looks like luck, but again, it's achieved by making better use of the order lines.

These are orders we can set and forget. There is no need to monitor the market all day. The order simply remains in the line until it's executed. If the order is not filled, and the value of the trend line changes, then a new order at the new price level is placed for the next day of trading.
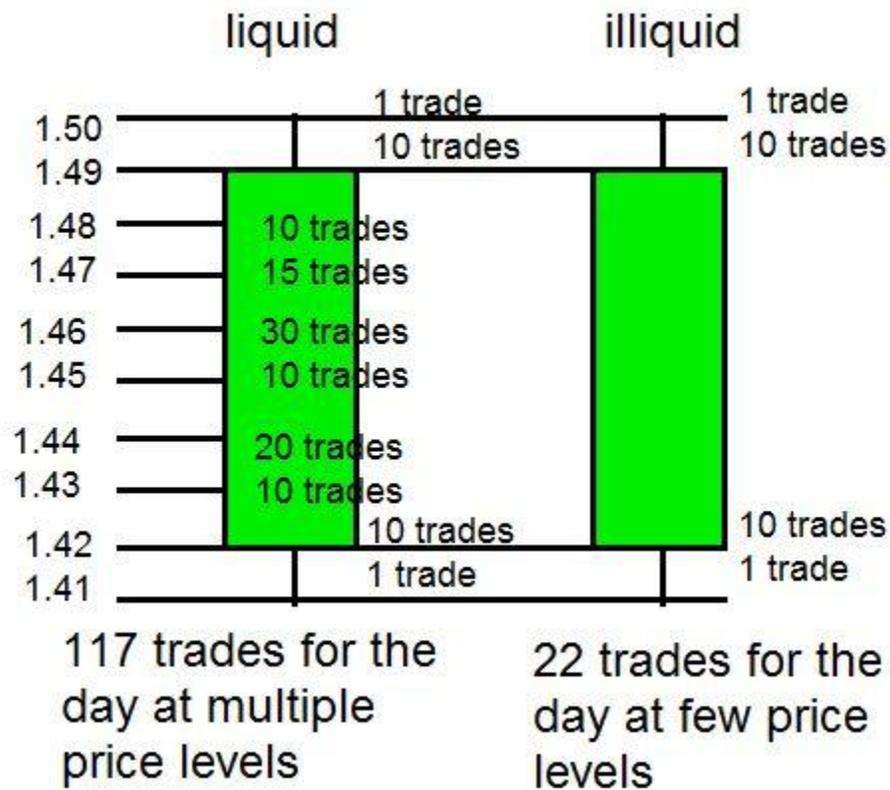
BUYING ILLIQUID STOCKS

Would you kindly explain in one of your newsletters how your entry price is achieved – eg with FSA $1.16 entry was the low of the day in a supposedly illiquid stock.

There are three factors at play here. First FSA* is a personal trade and uses the entry points we took in this trade. We joined the developing up trend after the breakout had developed. The second factor is the deceptive nature of the candle display. On many days there is no trading, or just one or two trades even though the candle looks as if there has been consistent trading between, say, $1.16 and

$1.22. In reality the day is made up of only a few trades at each $1.175, $1.16 and $1.22 levels.

SAME CANDLE BUT DIFFERENT TRADING

liquid   illiquid

	1 trade	1 trade
1.50	10 trades	10 trades
1.49		
1.48	10 trades	
1.47	15 trades	
1.46	30 trades	
1.45	10 trades	
1.44	20 trades	
1.43	10 trades	
1.42	10 trades	10 trades
1.41	1 trade	1 trade

117 trades for the day at multiple price levels

22 trades for the day at few price levels

     If we apply the strategy of buying at the trend line value then we may end up entering at the low of the day. With a low liquidity stock we may have little choice about the trade entry price because so little stock is available for buying.

WIDE SPREAD

Bids				Asks			
DS	No.	Volume	Price	Price	Volume	No.	DS
TM	1	10000	118	123.5	4000	1	TM
TM	1	18688	114.5	124	7725	3	TM
TM	1	4444	113.5	125	5556	2	TM
TM	1	2000	105.5	125.5	2000	1	TM
TM	1	47629	95	126	71800	3	TM
				128	4200	1	TM
				129.5	1800	1	TM
				130	3093	3	TM
				131	3000	1	TM
				132	3746	1	TM
				135	30000	1	TM
				140	375	1	TM
				149.5	10000	1	TM

The third factor is the wide difference between the buy and the sell price. There are no orders that allow you to get between the spread. On the chart the candle may appear to show trading between $1.18 and $1.235 but in reality the only trades available will be executed at $1.18 or $1.235.

Executing the trade with a CFD is different. The CFD order line is based on the bid and offer price. Depending on how your CFD provider operates, you may buy the CFD at $1.235 even though no physical trade takes place in the market at $1.235. You simply may have no choice but to take the offer or the bid and this may show a 'lucky' entry at the exact low or high of the day.

The purpose of the FSA* case study trade is to highlight the growing gap between what looks good on the chart and the ability to execute the trade as you would prefer. We anticipate that the real challenge will come with the exit. For example, if the close for FSA is $1.235 but the bid for FSA is at $1.19. A CFD exit would be at $1.19, not the last traded price of $1.235.

SETTING THE SELL

Getting out at the exact high of the day, and perhaps the final high of a rally, is a mixture of luck and good order line management. The case study VAH* trade is managed in this way. We calculated the upside target based on the resistance level. Other trades might use a chart pattern projection target.

SETTING THE SELL

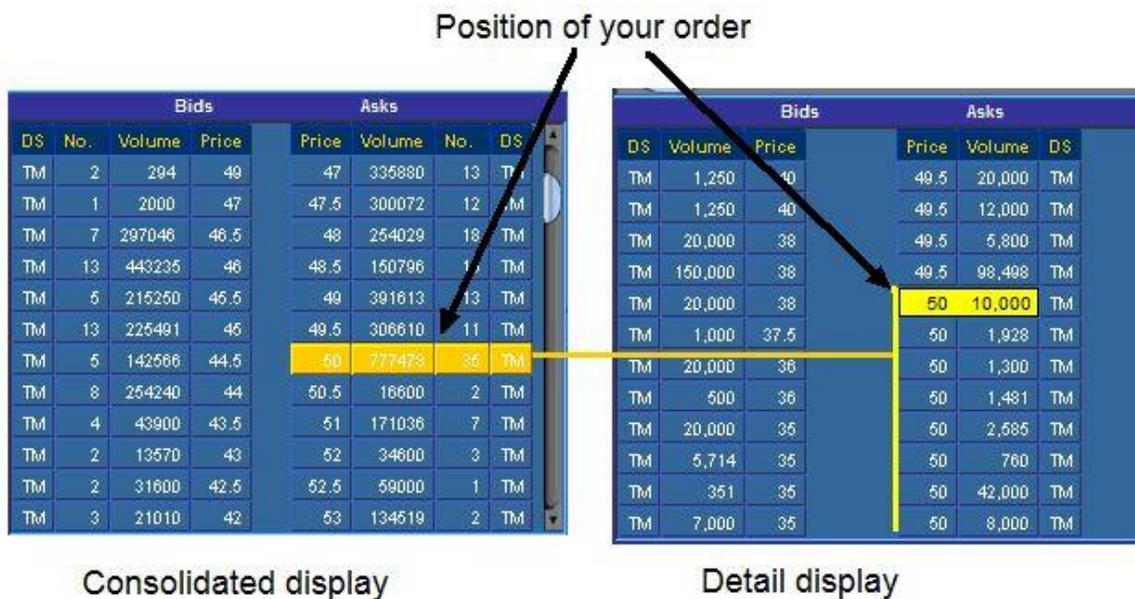## Your advance Good Until Cancelled sell order
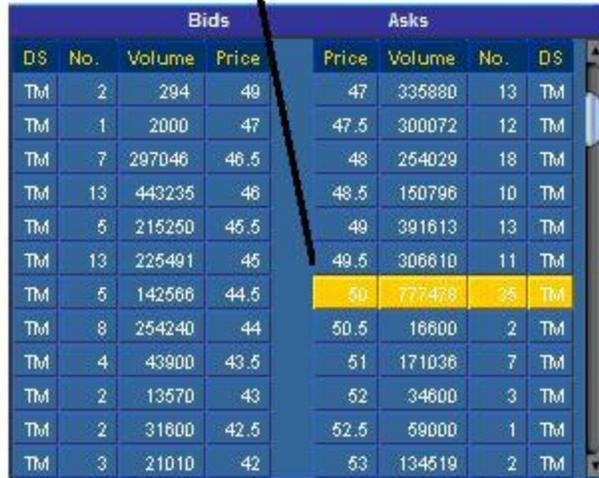
		Bids			Asks		
DS	No.	Volume	Price	Price	Volume	No.	DS
TM	2	294	49	47	335880	13	TM
TM	1	2000	47	47.5	300072	12	TM
TM	7	297046	46.5	48	254029	18	TM
TM	13	443235	46	48.5	150796	10	TM
TM	5	215250	45.5	49	391613	13	TM
TM	13	225491	45	49.5	306610	11	TM
TM	5	142566	44.5	50	777478	35	TM
TM	8	254240	44	50.5	16600	2	TM
TM	4	43900	43.5	51	171036	7	TM
TM	2	13570	43	52	34600	3	TM
TM	2	31600	42.5	52.5	59000	1	TM
TM	3	21010	42	53	134519	2	TM

As soon as the trade is confirmed we place the sell order at the target level. This is a Good Until Cancelled sell order. In this order line extract it shows there are 35 sellers at $0.50. How to we ensure our order is executed at $0.50? There are two methods.

GETTING THE SELL POSITION
The first method is to get at the front of the order line or as close to the front as possible. If price spikes to $0.50 and 10,000 shares are bought, then our order will be filled. If the price hits $0.50 and then quickly retreats leaving $0.50 as the high for the day then we will again appear to have been "lucky" with an exit at the exact high of the day. The exit does contain a bit of luck, but it's mostly related to better use of the order lines.

GETTING THE SELL POSITION

Position of your order

Bids				Asks			
DS	No.	Volume	Price	Price	Volume	No.	DS
TM	2	294	49	47	335880	13	TM
TM	1	2000	47	47.5	300072	12	M
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Consolidated display

Bids			Asks		
DS	Volume	Price	Price	Volume	DS
TM	1,250	40	49.5	20,000	TM
TM	1,250	40	49.5	12,000	TM
TM	20,000	38	49.5	5,800	TM
TM	150,000	38	49.5	98,498	TM
TM	20,000	38	50	10,000	TM
TM	1,000	37.5	50	1,928	TM
TM	20,000	36	50	1,300	TM
TM	500	36	50	1,481	TM
TM	20,000	35	50	2,585	TM
TM	5,714	35	50	760	TM
TM	351	35	50	42,000	TM
TM	7,000	35	50	8,000	TM

Detail display

The second method to get in front of the order line looks at the way resistance develops. The consolidated order line shows there are 35 sellers at $0.50 with 777,478 shares to sell. This is large volume at this level. This is very common at resistance levels because historically this is where many people make their buy and sell decisions. It's this common thinking over time that creates the resistance level.

There is a high probability price will briefly move to $0.50 and then retreat. To get to $0.50 all of the orders at $0.495 must be filled. If, by the time we go to place our sell order at $0.50, there are 35 sell orders in front of us then we use the second method. We place at sell order at $0.495 just below the resistance level. When price moves to $0.50, no matter how briefly, then all the orders at $0.495 will be filled, including ours. It's an effective way of getting out of a trade just below the resistance high of the day.

SETTING THE STOP

Most times we use an end of day stop. That is, we wait until the close of the day and if it's below the stop, then we exit on the next day. Sometimes we use an intraday stop. We use the same order line methods to set the stop loss. If the stop is set at $0.39 – the value of a CBL or ATR line - we do not want to exit exactly at $0.39. We exit only if the price trades at $0.38 because this shows that price has moved below the stop loss. We use contingent orders to set the stop.

SETTING THE STOP

	Security code						Trigger Price

If VAH.ASX   reaches a **Last ▼** price **Less ▼** than or equal to 38

between Start Time 10:10:00 AM ▲▼ and End Time 04:00:00 PM ▲▼

Action

Volume Security code Order Price

Sell ▼ 100000 VAH.ASX at 38

The danger is that we might be last in line to sell at $0.38 and miss out selling if the price continues to fall. Placing the sell order at $0.37 ensures there is a higher probability to stop loss sell order will be executed.

When newsletter shows an exit exactly $0.01 below the stop loss line some readers will wonder how we were so successful in getting this exact exit price. It is achieved by better use of the order lines and order placement mechanism.

These are the order placement and methods we use in our trading. In all our newsletter case studies we use either the actual entry price we paid if it's a personal trade. These trades are marked with an *. If it's not a personal trade, we use an entry price that is reasonable given the trading activity on the day. We make extensive use of pre-set good until cancelled orders in the market to capture price as it hits a particular level.