

MORE PROFIT IN THE RIGHTS ISSUE TRADE WITH NOBLE

By Daryl Guppy

The Noble rights position can be closed when trade opens on July 1. Traders can exit at \$0.20. This delivers a 81.82 % profit on this rights trade. This is \$6,206.94. The new Noble rights issue shares must rise to \$0.15 for us to cover the loss on Noble trade 1. At \$0.20 this makes the combined Noble trades profitable.

However there are two interesting features in this trade.

First is the way the price hugged the fan trend line and then rebounded. Despite the rights issue this suggests the fan pattern remains dominant, along with its message of a longer term trend breakout.

Second, the rally rebound in the past few days has developed a significant trend with the potential to move towards \$0.27.

For case study purposes the trade is kept open but managed with a tight stop loss based on the rally trend line. The target is resistance near \$0.27 so an initial sell is placed at \$0.26.



We use an aggressive rights trading strategy for this portfolio example.

This is how it works:

- Rights entitlement is calculated from shareholdings on Thursday June 2. We are entitled to 68,966 new shares at \$0.11 for a total cost of \$7,586.26.

- **We are committed to buy 68,966 Noble shares at \$0.11 – Trade 2 the rights issue.**

For case study purposes we add 68,966 shares at \$0.11 for a total cost of \$7586.26. The stop loss is at \$0.09 and this puts \$1,379 of capital at risk, or 1.4% of total trading capital.

Stock code	NOBLE RIGHTS
Total investment pool money in account	100,000
Your investment risk for this trade	2,000
Average entry price	0.11
Stop loss	0.09
Cost of trade	7,586.26
Number of shares buy	68,966
Loss if sell at stop loss	1,379.32
Risk % of total investment pool money	1.38%
Planned Profit exit price	0.205
Profit	6,551.77
Trade profit %	86.36%

The commodity complex is developing a significant turnaround as shown by the fan chart pattern. This turnaround benefits established producers and commodity trading houses like Noble.

A fan pattern develops as a trend starts to change direction. It is most commonly seen in a downtrend. The pattern occurs when prices are re-valued upwards, but the direction of the trend does not change. Fan lines are drawn from a single starting point. They reflect a slowing of the trend, but not necessarily a trend reversal. Traders look for other signs of bottom and reversal prior to trading in anticipation of a new trend. Fan lines tell the trader the downtrend is slowing. This is not a Fibonacci fan.