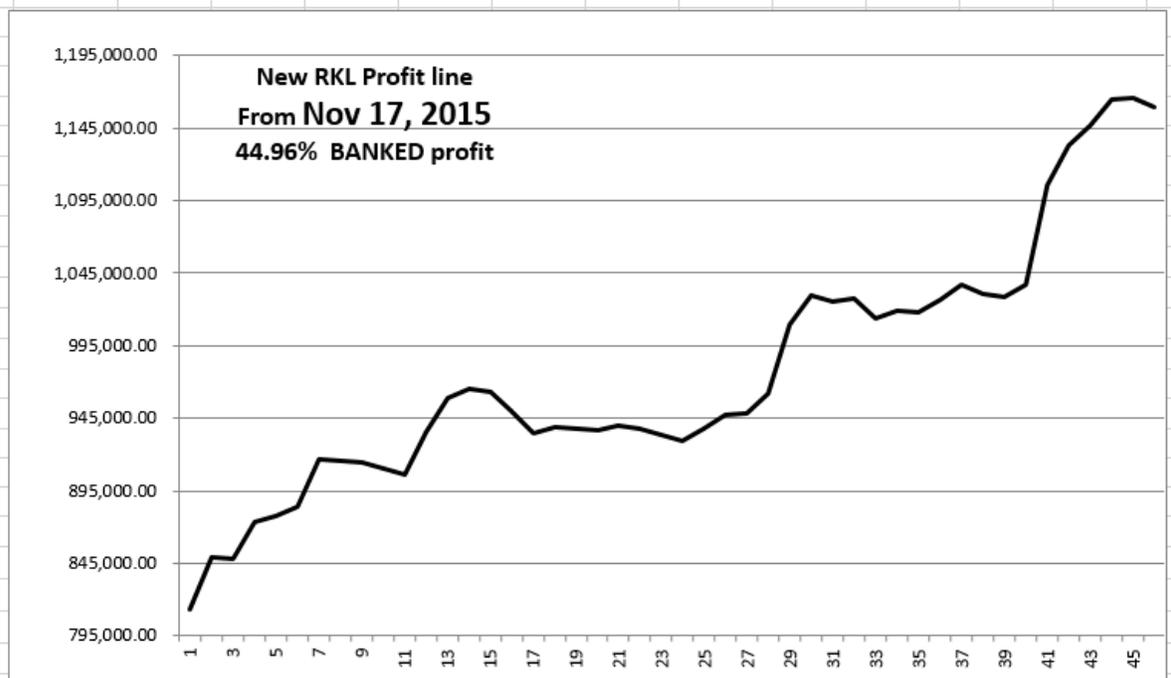


CREATING A STOCK POOL

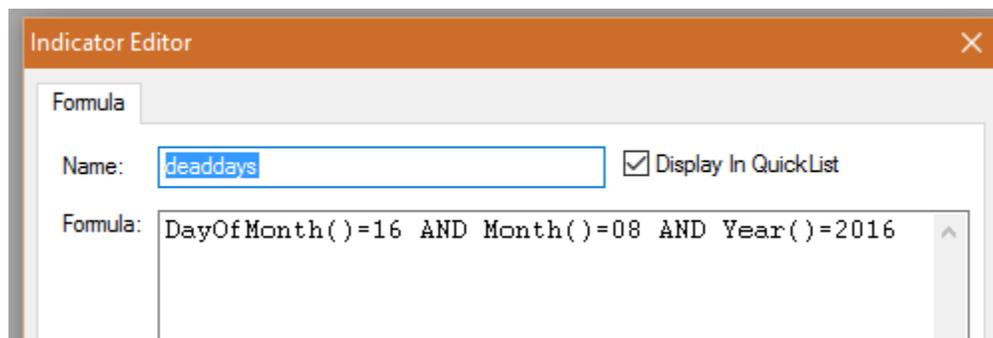
By Daryl Guppy

One of the most significant challenges in trading is quickly creating a pool of stocks that warrant closer inspection. We use a % based method for our thrice weekly China trade opportunity newsletter. The results are consistently good with a high success rate and good returns. This is only trading from the long side in the worst performing major market globally.



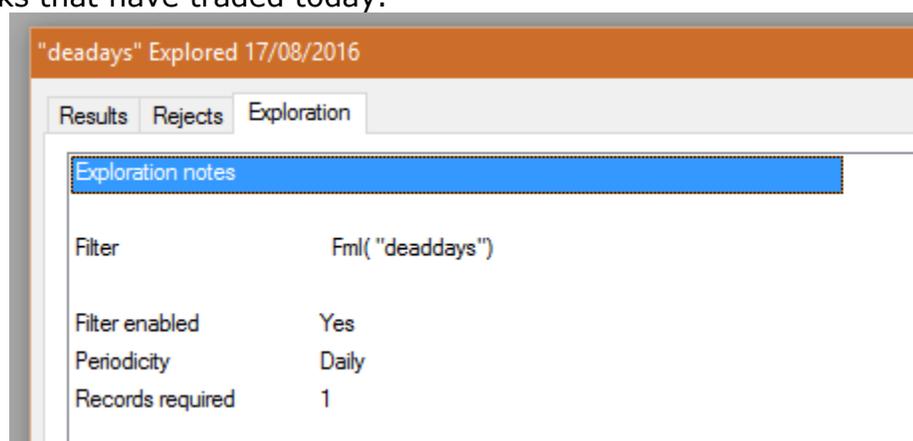
We create this stock pool by focussing on the daily % gain, low to high. In China, stocks are limited to 10% per day, so we look for those stocks that are moving around 5% on the grounds that they have shown momentum and still have room to move.

We apply the same principles to selecting a suitable speculative stock for the 6 to 21 portfolio. We start by doing a Metastock scan to exclude all the stocks that have not traded today. We call this a DEADDAYS indicator.

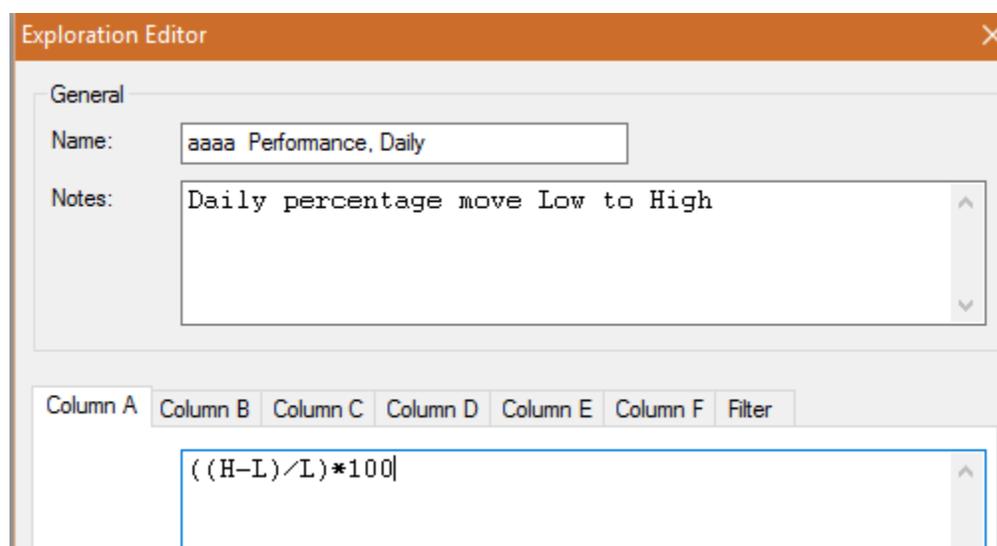


This formula must be updated with the most recent days data before each exploration. We then run a DEADDAYS exploration across all the stocks in the

database. The exploration uses a filter result and produces a list that includes only those stocks that have traded today.



Then we run another exploration using the results of the DEADDAYS exploration. We call this PERFORMANCE DAILY. This calculates the % gain from low to high for the day.



Our interest is in the ranking of this % performance report. Click the %GAIN column to sort the list from high to low. What's a reasonable middle of the pack daily move?

"aaaa Performance, Daily" Explored 23/08/2016

Results Rejects Exploration

Security Name	% gain	Ticker ...	Location
\$ Metech Intl	200.0000	QG1	C:\NextView
Next-Gen Sat^	200.0000	B07	C:\NextView
TigerAir R	135.4839	O6DR	C:\NextView
CompactMetal W161110^	133.3333	T8WW	C:\NextView
China Hongcheng^	125.0000	C0Z	C:\NextView
TigerAir R500	112.1212	O6ER	C:\NextView
\$ Advanced Syste	100.0000	5TY	C:\NextView
\$ Elektromotive	100.0000	5VU	C:\NextView

Inspect
Open Chart
Sort...
Print...
Save List...

The Metastock screen doesn't make this easy to see. If you wish you can save the list as an excel; file and do some more sorting to see where the bulk of the price movers cluster. To do this is complicated. Right click on the report results, then select SAVE TO FILE. This is a TXT file, which can then be imported into an excel spreadsheet. Most times we cannot be bothered to do this so we use a lazy method.

"aaaa Performance, Daily" Explored 23/08/2016

Results Rejects Exploration

Security Name	% gain	Ticker ...	Location
Pteris R	11.1111	JQ3R	C:\NextView
SPH BNP ePW061003	11.1111	Z53W	C:\NextView
\$ Pan Asian	11.1111	5EW	C:\NextView
\$ Hosen	10.8108	5EV	C:\NextView
HSC10000UBeCW160929	10.4167	BSSW	C:\NextView
InnoTek	10.3448	M14	C:\NextView
AP Oil	10.2041	5AU	C:\NextView
\$ Epicentre	10.1695	5MQ	C:\NextView

Inspect
Open Chart
Sort...
Print...
Save List...

We slide the screen to around halfway and look at the result. In this case around 2%. The previous ranking screen sets a top at around 33%. We ignore the handful of 40% or better as these are outliers. This gives a midpoint of around 15%. Readers may wish to improve on this estimation method.

You can also look at each cohort – 5% to 10%, 10.01% to 15%.

We then highlight 20 or 30 stocks and then OPEN CHART. Each of these charts is inspected for trend continuation or breakout conditions. Those that meet these conditions are then assessed again against volume – can we easily buy and sell the quantity we want to trade – and for any price leverage. These analysis methods have been discussed at length in previous newsletters. The final stock is the one we trade.