GOING FOR BEST GOLD

By Daryl Guppy

Last week we used the scan for speculative stocks detailed in article in the newsletter to locate two potential trading candidates. The scan highlights were:

- Many many stocks in the 0% to 2% range. This shows a dead market
- Many very high% gains form warrants. These instruments do offer opportunity, but they require a different style of management.
- In the mid ranges of performance most of the stocks were untouchable, or untradeable. The price activity was erratic and the trend behaviour terrible.   Trading these patterns is a high risk proposition.

We found 6 potential candidates in the scan. For portfolio purposes we add two of these as examples of how these are traded. This week we update the trade progress.

TRADING THE GMMA TREND

This is a classic GMMA trend trade. The main concern is the setting of the protect profit stop loss. We use the lower edge of the short term GMMA and the count back line method. A close below either of these is an alert signal. A close below both of these is a confirmed exit signal.

The initial target for the trade at $1.90 has been reached but trend behaviour is strong and stable so the trade remains open.

We add BestWorld as an example of this method. The long term GMMA is well separated showing a steady trend. Price uses the lower edge of the short term GMMA as a rebound support point. We apply the standard GMMA analysis methods discussed in previous newsletters.
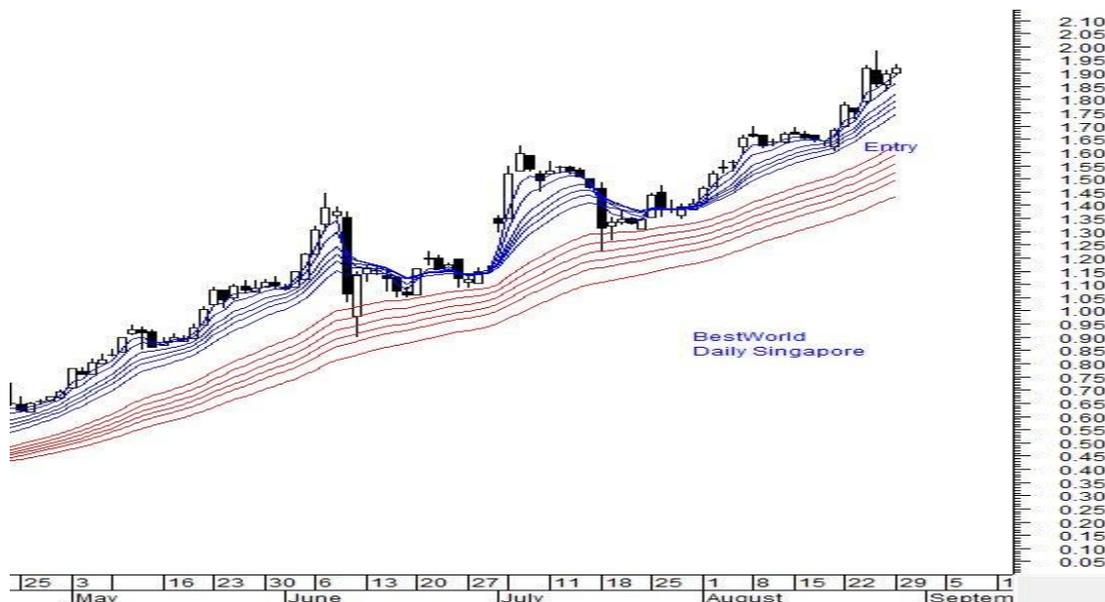
For case study purposes the entry is taken at $1.62 as the rebound rally develops. We add 12,346 shares for a 20,000 position. Stop loss is at $1.59 and puts $370 at risk, or less than 0.44% of total trade portfolio. Initial target is near $1.90.

Stock code	**BESTWORLD**
Total investment pool money in account	100,000
Your investment risk for this trade	2,000
Average entry price	**1.62**
Stop loss	**1.59**
Cost of trade	**20,000.00**
Number of shares buy	**12,346**
Loss if sell at stop loss	370.37
Risk % of total investment pool money	0.37%
Planned Profit exit price	**1.920**
Profit	**3,703.70**
Trade profit %	18.52%

TRADING RALLY REBOUNDS

CNMC This rally rebound developed weakness near the previous resistance peak of $0.61. The inability to break above this level was a warning signal of rally weakness so the stops were tightened. The exit is taken near $0.59 as the price fails to recover. This gives a profit of $2,264.15 or 11.32%.

CNMC Goldmine is an example of trading sharp rebounds following a rally consolidation. This is a rally rebound trade.

Stock code	CNMC Goldmine
Total investment pool money in account	100,000
Your investment risk for this trade	2,000
Average entry price	**0.53**
Stop loss	**0.51**
Cost of trade	**20,000.00**
Number of shares buy	**37,736**
Loss if sell at stop loss	754.72
Risk % of total investment pool money	0.75%
Planned Profit exit price	**0.590**
Profit	**2,264.15**
Trade profit %	11.32%

For case study purposes the entry is taken at $0.53 as the rebound rally develops. We add 37,736   shares for a 20,000 position. Stop loss is at $0.51 and puts $754 at risk, or less than 0.7% of total trade portfolio. Initial target is near $0.62