SMACD

Des Bleakley – BullCharts User Group

Wed 18th Feb 2015

AGENDA

- MACD – Short revision
- SMACD
    - WHAT IS IT ?
    - WHY DO I WANT IT ?
    - HOW DOES IT WORK ?
- HOW CAN IT BE USED ?
- IS IT EFFECTIVE ?

MACD - REVISION

- Uses Moving Averages, is simple in concept, widely used and has a good reputation - it is trend following and is a lagging indicator
- The MACD indicator compares two moving averages of prices
- Oscillator (OSC) – difference of 12 EMA minus 26 EMA
- SIGNAL (SIG) line – 9 period EMA of OSC – indicates trending
- Oscillates around zero
  - OSC = 0 - 26 EMA & 12 EMA are equal (crossing)
  - OSC > 0   - Short term above long term
  - OSC < 0 - Short term below long term
- SIG level – short & long term are in step
- SIG rising – short term is moving up & away from long term

MACD - Example
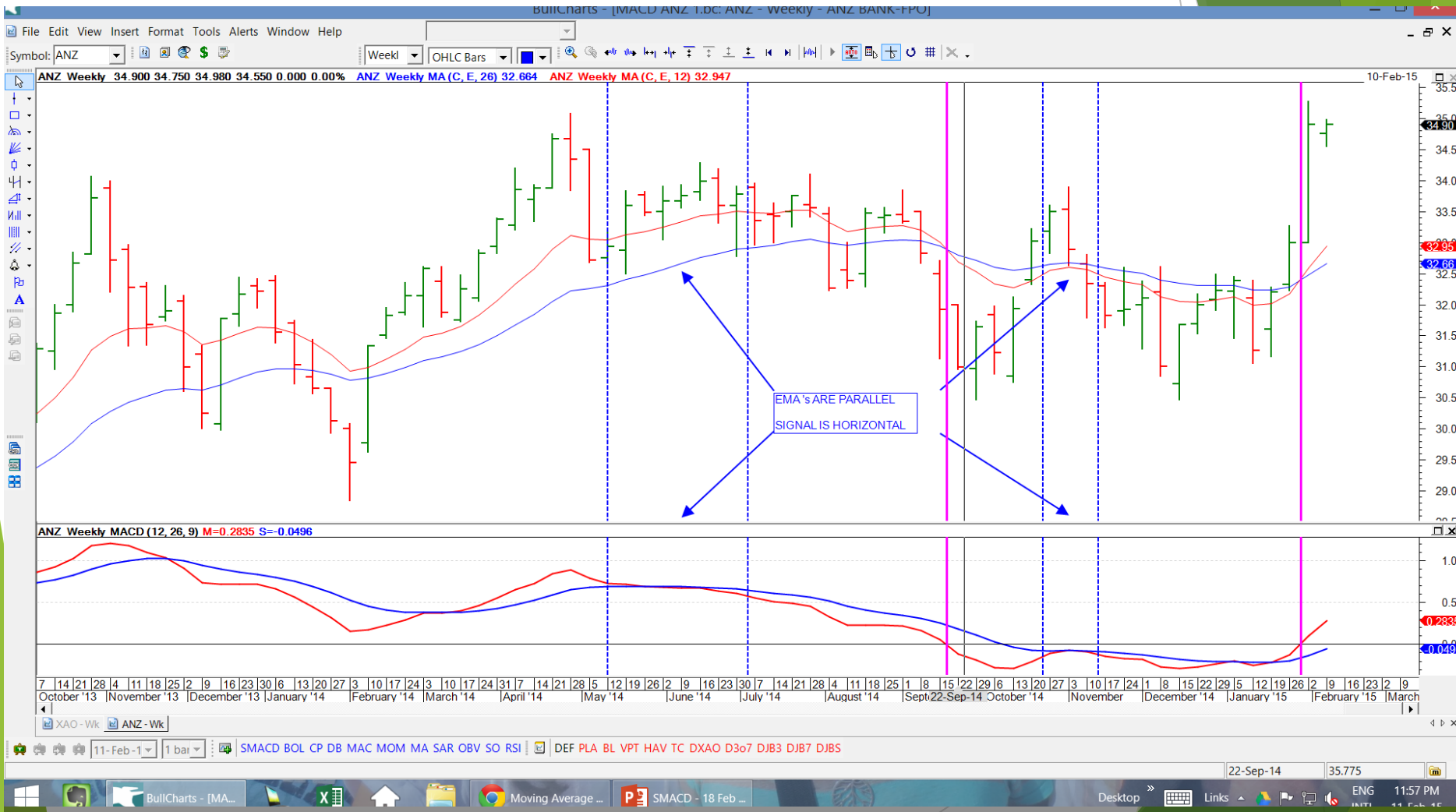
MACD - Observations

- Simple & straightforward indicator
- All values are ABSOLUTE in terms of share price
- OSC value is measured in terms of the actual price of a stock
- Two MACD values would be very different for similar stocks with very different share prices (eg $5 & $50)
- MACD is good to analyse a particular stock in isolation
- MACD not useful to compare stocks to each other
- Actual value can be fractional and non-intuitive

MACD – Compare Charts
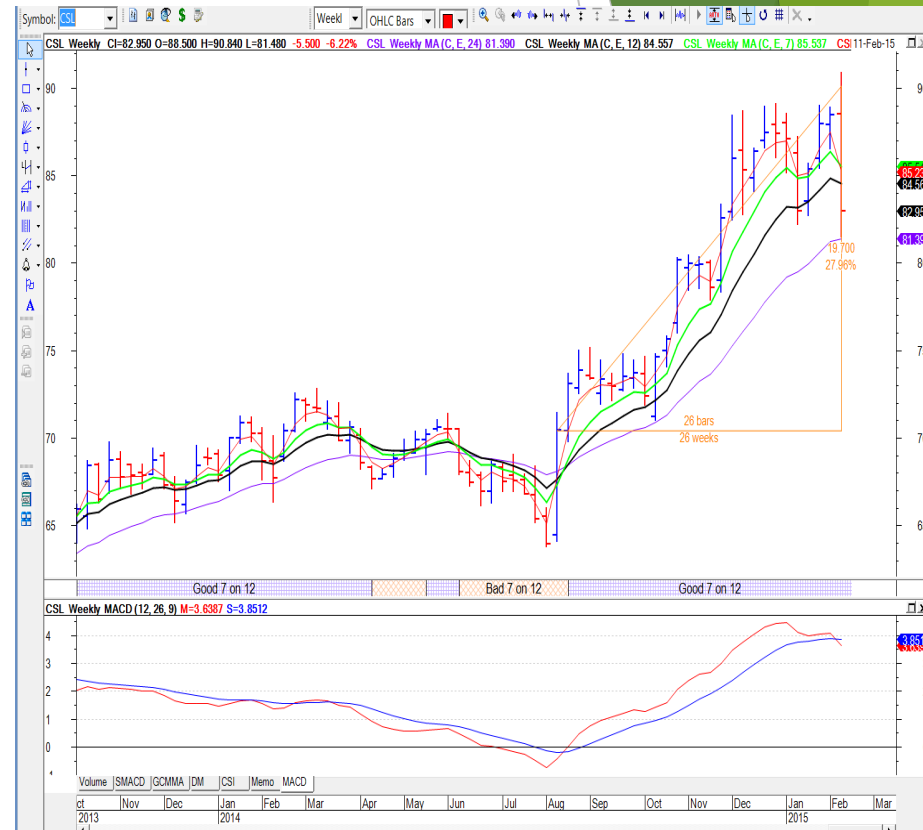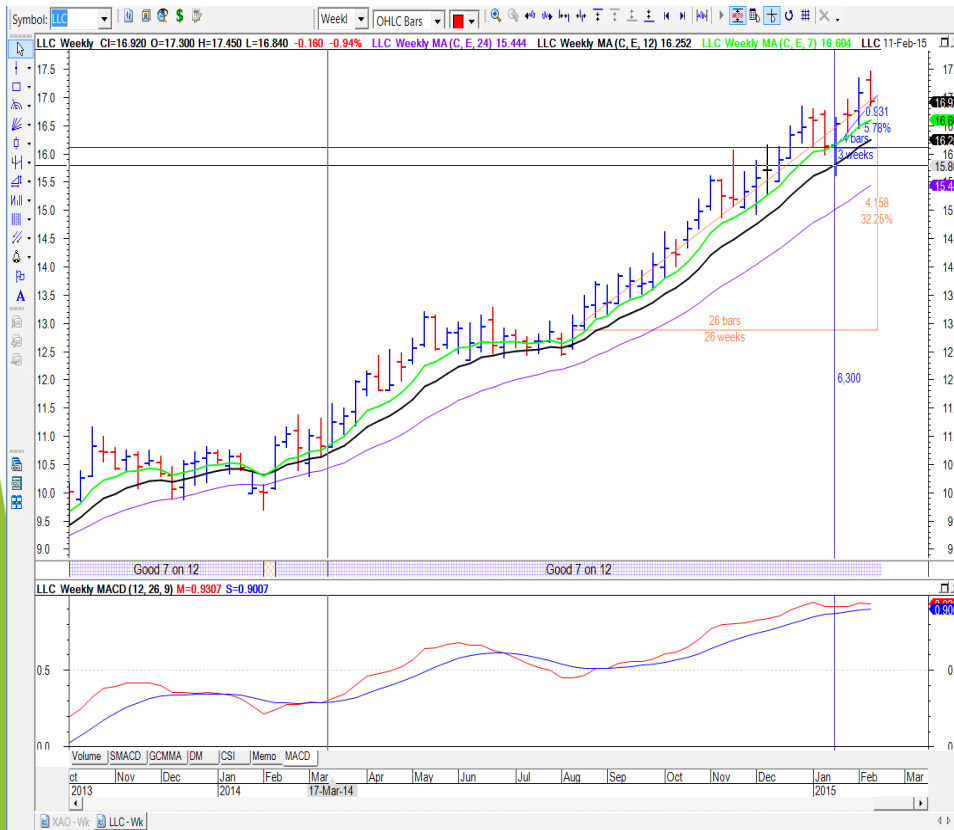
Introducing – SMACD

- STANDARDISED MACD
- Divide OSC value by price to get a % OSC value
- SIGNAL is MA of new OSC
- Visual interpretation remains the same
- Gives "nicer" numbers – more intuitive
- Allows for comparisons
- Easy to implement in BullCharts

NOTE: Figures as at 12 Feb 2015

SMACD vs MACD - AIO

SMACD vs MACD - XAO
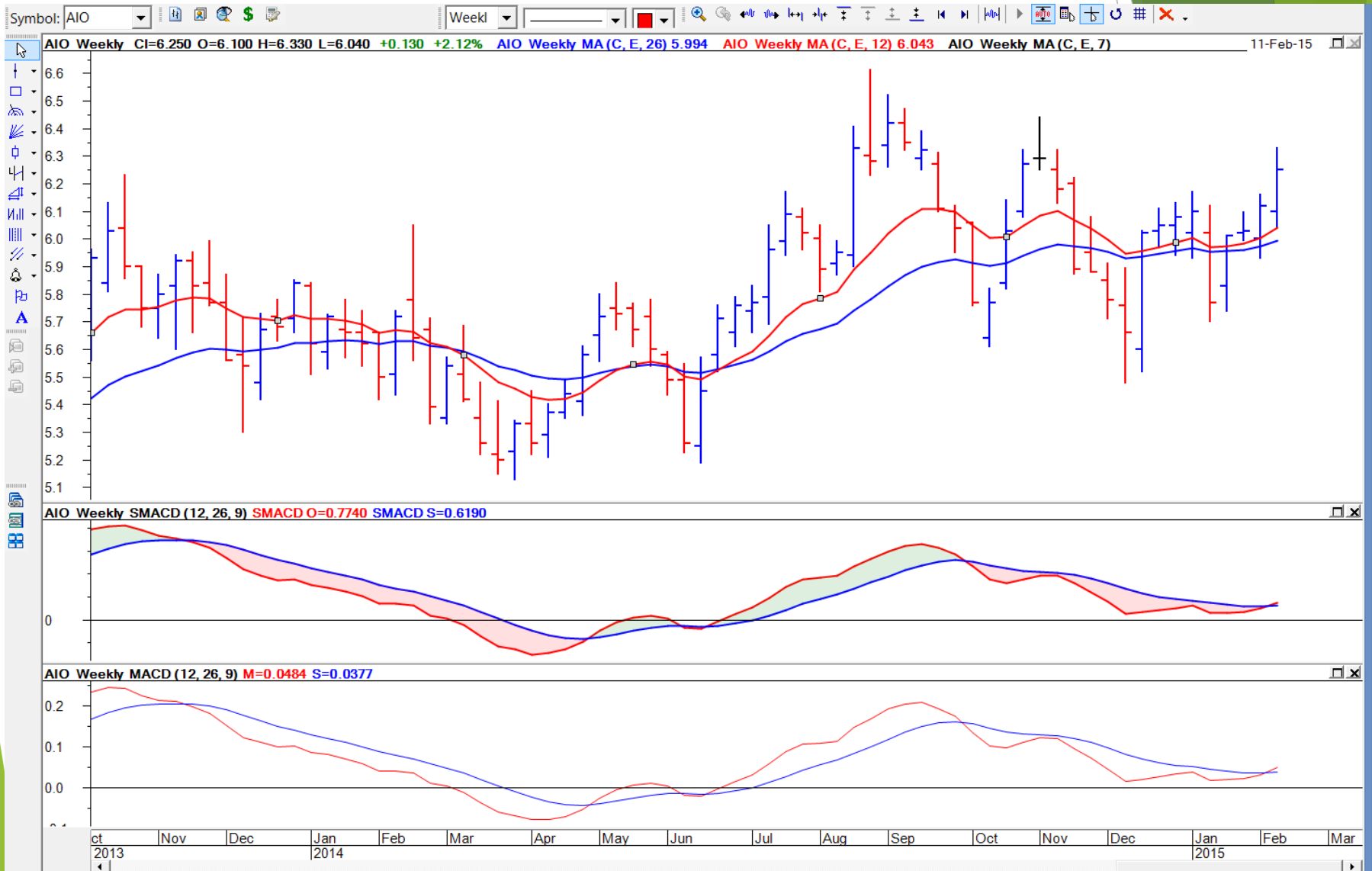
BullCharts SMACD Code

```
n1 := input("Short moving average",12,1);
n2 := input("Long moving average",26,1);
ns := input("Signal periods",9,1);

r1 := 2/(n1+1);
r2 := 2/(n2+1);
ma12 := C*r1 + previous(C)*(1-r1);
ma26 := C*r2 + previous(C)*(1-r2);
res := wait(ma12 - ma26,25);
signal := ma(res,ns,E);

[Name=MACD]
res;

[name=Signal; linestyle=Dash]
signal;

{ Fill }
[visible=false]
[name=Fill; linestyle=fill]
[color=green] res;
[color=red]  signal;
[visible=true]
```

```
n1 := input("Short moving average",12,1);
n2 := input("Long moving average",26,1);
ns := input("Signal periods",9,1);

r1 := 2/(n1+1);
r2 := 2/(n2+1);
ma12 := C*r1 + previous(C)*(1-r1);
ma26 := C*r2 + previous(C)*(1-r2);
osc := (wait(ma12 - ma26,25)/C)*100;  {divide by closing price C to standardise as a percentage }
signal := ma(osc,ns,E);

[Name=SMACD OSC; color = red; width = 2;]
osc;

[Name=SMACD SIG; color = blue;  width = 2;]
signal;

{ Fill }
[name=SMACD SIG; linestyle=fill]
[color=green] osc;
[color=red]  signal;
[visible=true]
```

SMACD – How do I use it ?

- ▶ Just like MACD – look at individual stocks
- ▶ Compare relative strength of stocks
- ▶ SCAN – to narrow down my list of interest
  - ▶ I want 20 to 50 to look at
- ▶ Filter wheat from chaff
    - ▶ SMACD range is up to 10
    - ▶ Good stocks are around 3 – 5

SMACD – My Scan Philosophy

- I seek boring up-trending stocks

- Stay on board whilst music is playing

- Timeframe of 6 months (90 day average trade)

- SMACD OSC > 0 (Short term EMA is greater than long term EMA)

- SMACD SIG > 0 (OSC is in up trend)

- SMACD SIG trending up over last 8 weeks

- SMACD OSC trending up over last 8 weeks

- All time high (rolling or new) – possible breakouts after consolidation

- Search on ASX 50, ASX 200, ASX 500

- Pays dividend – however small

Typical Scan Criteria

Typical Scan Results

Scan Results	Rejects		
Symbol	Name	Close	SMACD ...
TCL	Transurban-Stapled	9.300	3.659
SYD	Sydairport-Forus	5.180	3.090
GPT	GPT-Stapled	4.790	2.960
IPL	Incitec PV-Fpo	3.720	2.863
NCM	Newcrest-Fpo	14.230	2.432
MGR	Mirvac Grp-Stapled	2.080	1.260

Scan Results	Rejects		
Symbol	Name	Close	SMACD ...
MFG	Mag Finc-Fpo	19.960	6.837
ORA	Orora-Fpo	2.140	6.484
RMD	Resmed-Cdi 10:1	8.130	5.753
PTM	Plat MGMT-Fpo	8.640	3.836
TCL	Transurban-Stapled	9.300	3.659
FDC	Federation Cntres S...	2.990	3.203
SKI	Spark Infr-Forus	2.260	3.164
SYD	Sydairport-Forus	5.180	3.090
GPT	GPT-Stapled	4.790	2.960
IPL	Incitec PV-Fpo	3.720	2.863
BWP	BWP Trust-Ord Units	3.000	2.611
TTS	Tatts Grp-Fpo	3.870	2.488
NCM	Newcrest-Fpo	14.230	2.432
CQR	Chretailrt-Unit	4.430	2.330
MGR	Mirvac Grp-Stapled	2.080	1.260
BLD	Boral Ltd-Fpo	5.760	0.351
ABC	Adel BRTN-Fpo	3.870	0.013

Scan Results	Rejects		
Symbol	Name	Close	SMACD ...
QAN	Qantas-Fpo	2.490	10.554
REC	Recall HLD-Fpo	7.200	7.377
MFG	Mag Finc-Fpo	19.960	6.837
ORA	Orora-Fpo	2.140	6.484
RMD	Resmed-Cdi 10:1	8.130	5.753
LLC	Lend Lease-Stapled	17.080	5.450
CSL	CSL-Fpo	88.450	4.519
APA	APA Group-Stapled	8.560	4.366
RHC	Ramsay-Fpo	60.850	4.332
ABP	Abacus-Stapled	3.280	4.234
SPK	Spark New Zealand ...	3.320	4.084
PGH	Pact Group-Fpo	4.770	4.035
PTM	Plat MGMT-Fpo	8.640	3.836
TCL	Transurban-Stapled	9.300	3.659
ANN	Ansell-Fpo	23.060	3.227
FDC	Federation Cntres S...	2.990	3.203
SKI	Spark Infr-Forus	2.260	3.164
GMG	Good Group-Stapled	6.510	3.163
SYD	Sydairport-Forus	5.180	3.090
GPT	GPT-Stapled	4.790	2.960
TLS	Telstra-Fpo	6.590	2.956
IPL	Incitec PV-Fpo	3.720	2.863
CSR	CSR Limited-Fpo	4.180	2.830
CHC	Charter HG-Forus	4.860	2.633
BWP	BWP Trust-Ord Units	3.000	2.611
TTS	Tatts Grp-Fpo	3.870	2.488
BXB	Bramb Ltd-Fpo	10.450	2.475
NCM	Newcrest-Fpo	14.230	2.432
SGT	Singtel-Cdi 1:1	3.920	2.385
CQR	Chretailrt-Unit	4.430	2.330
IOF	Investa-Stapled	4.140	2.286

NOTE: Figures as at 12 Feb 2015

High SMACD Examples - MFG
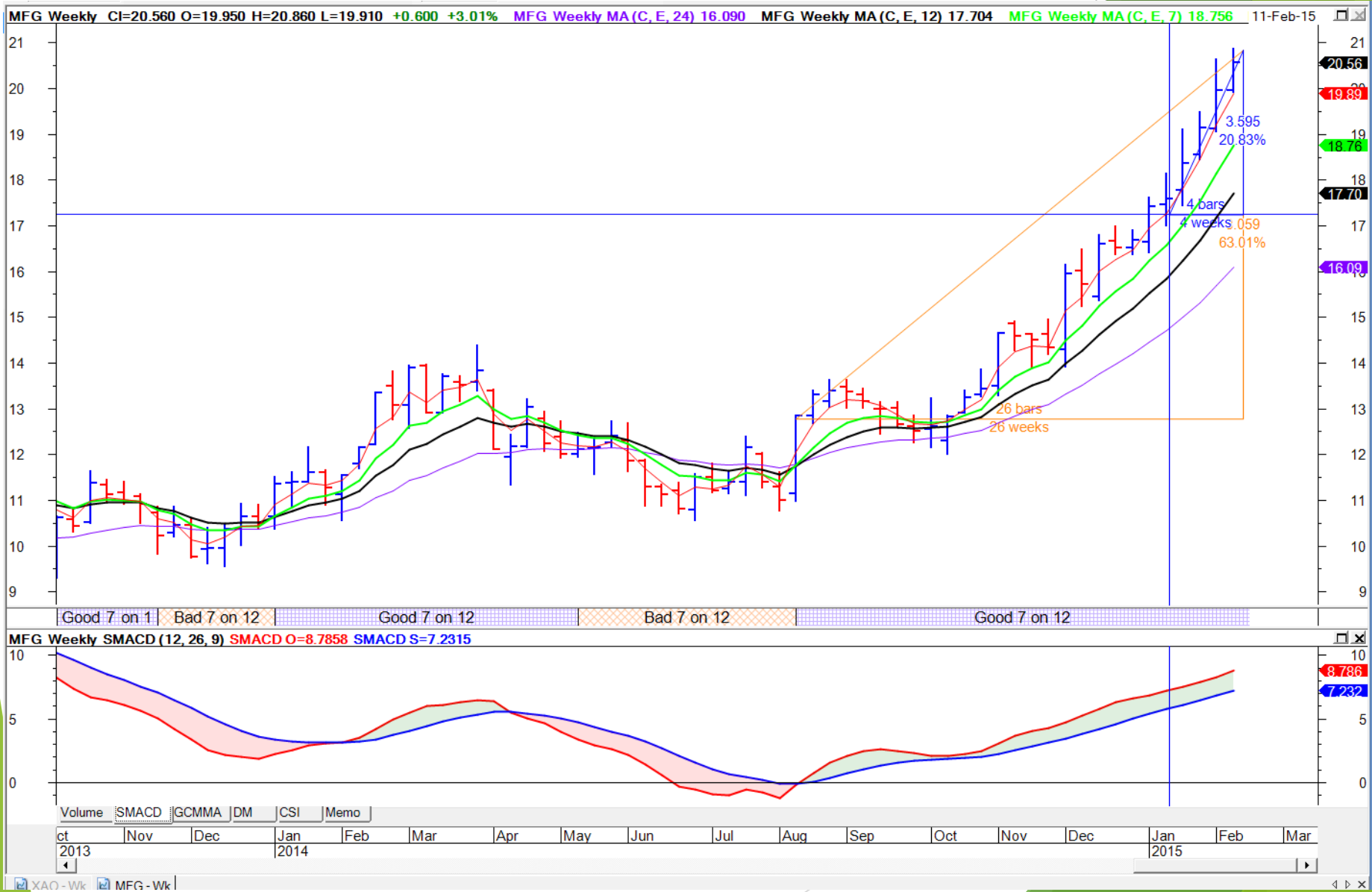
High SMACD Examples - ORA
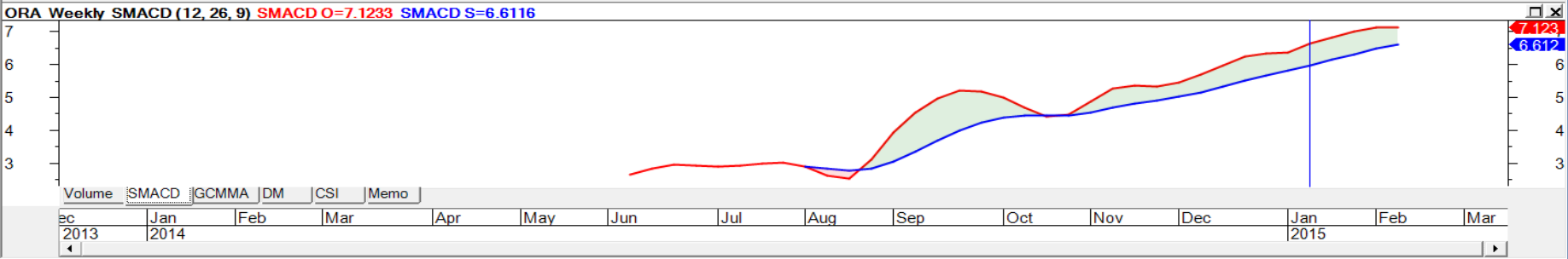
High SMACD Examples - RMD

High SMACD Examples - TCL

High SMACD Examples - APA

High SMACD Examples - QAN

High SMACD Examples - RHC

High SMACD Examples – SPK

High SMACD Examples – LLC

Does my portfolio reflect SMACD?

Scan Results | Rejects

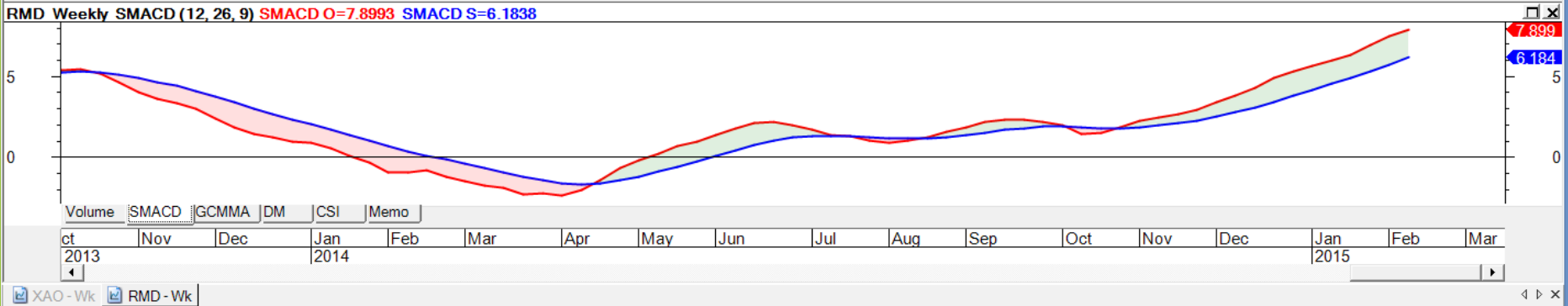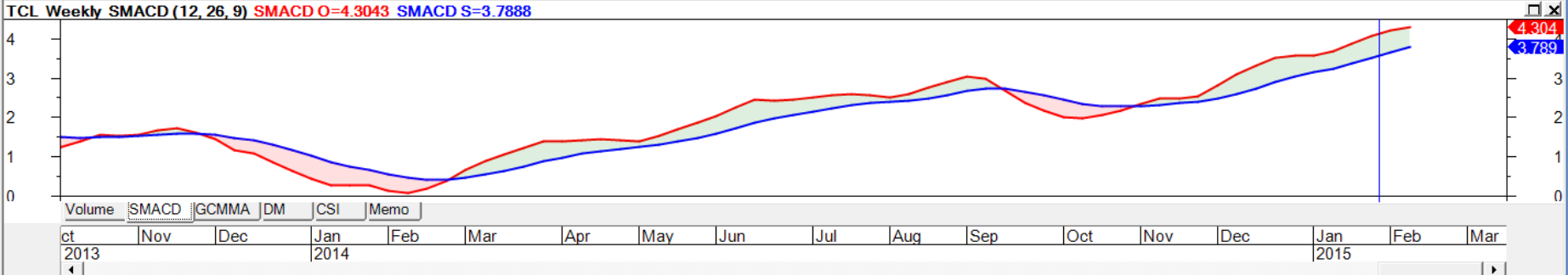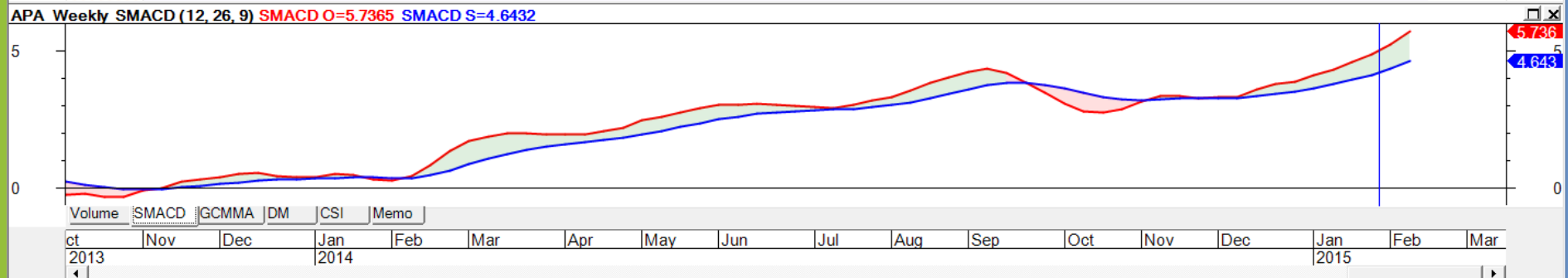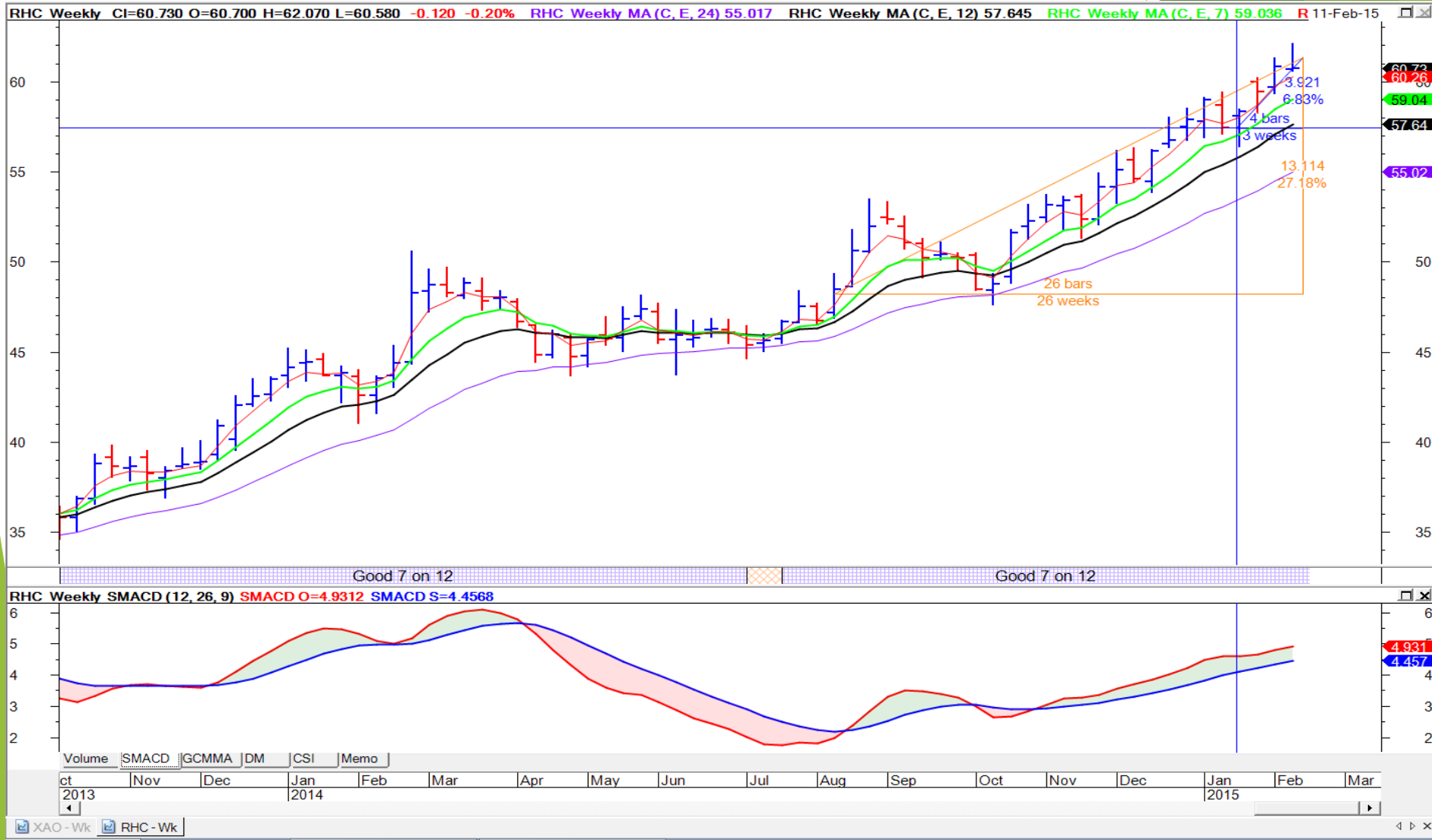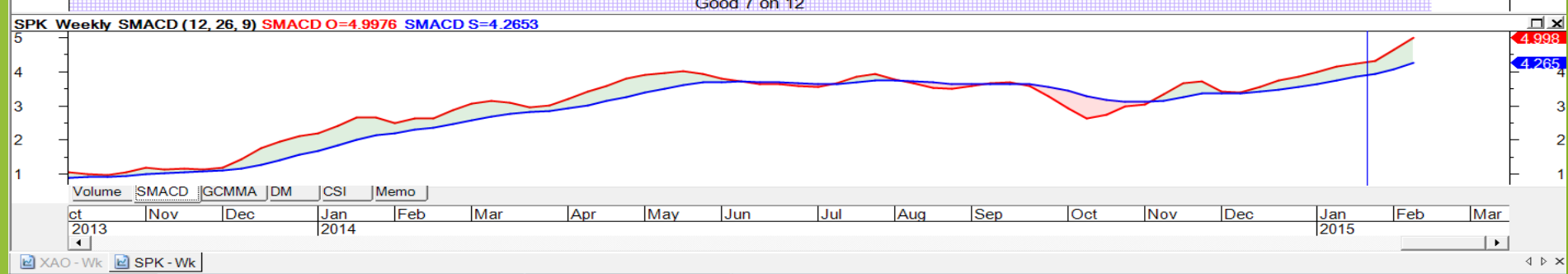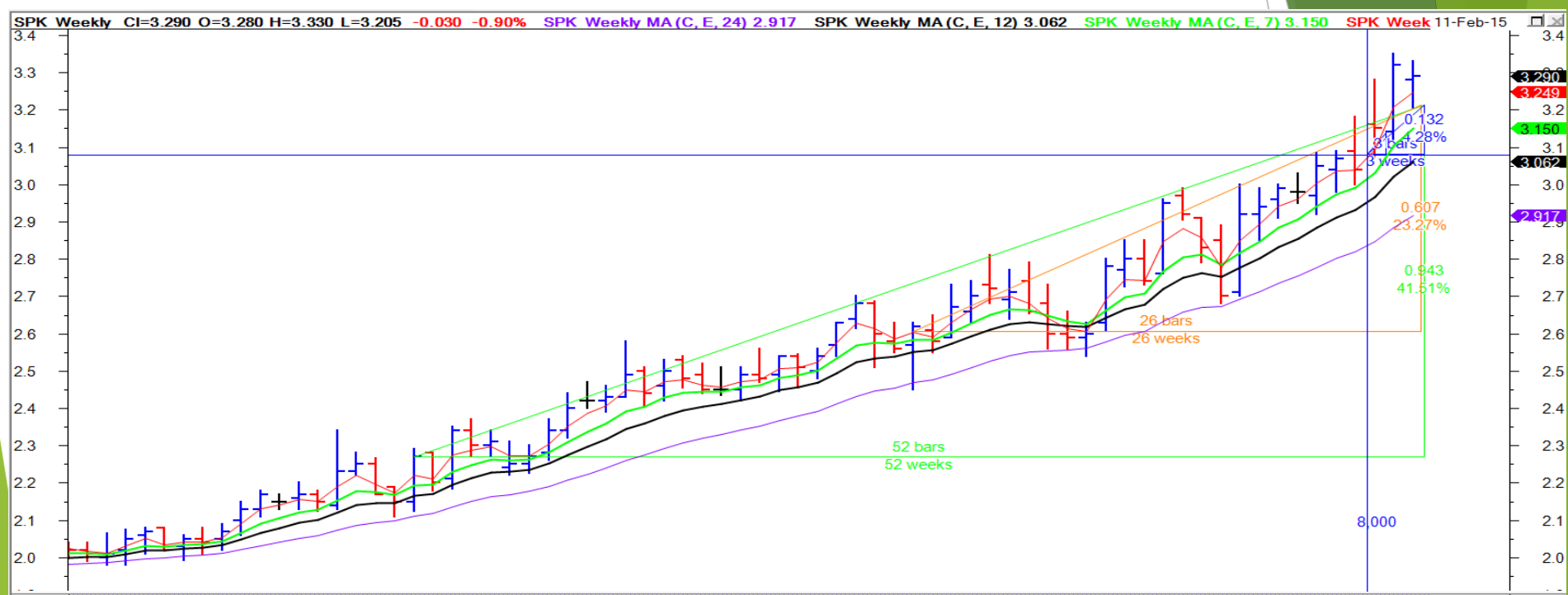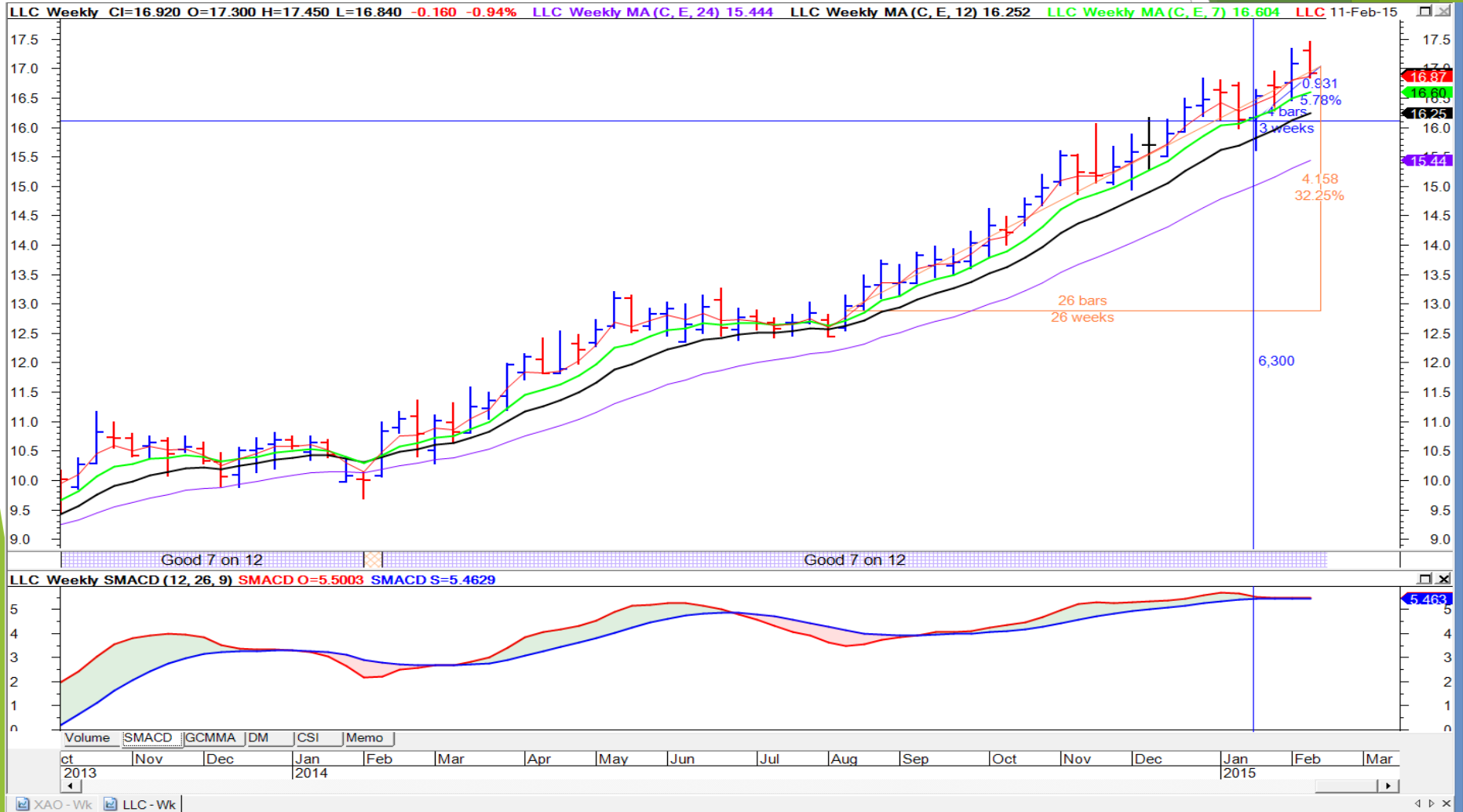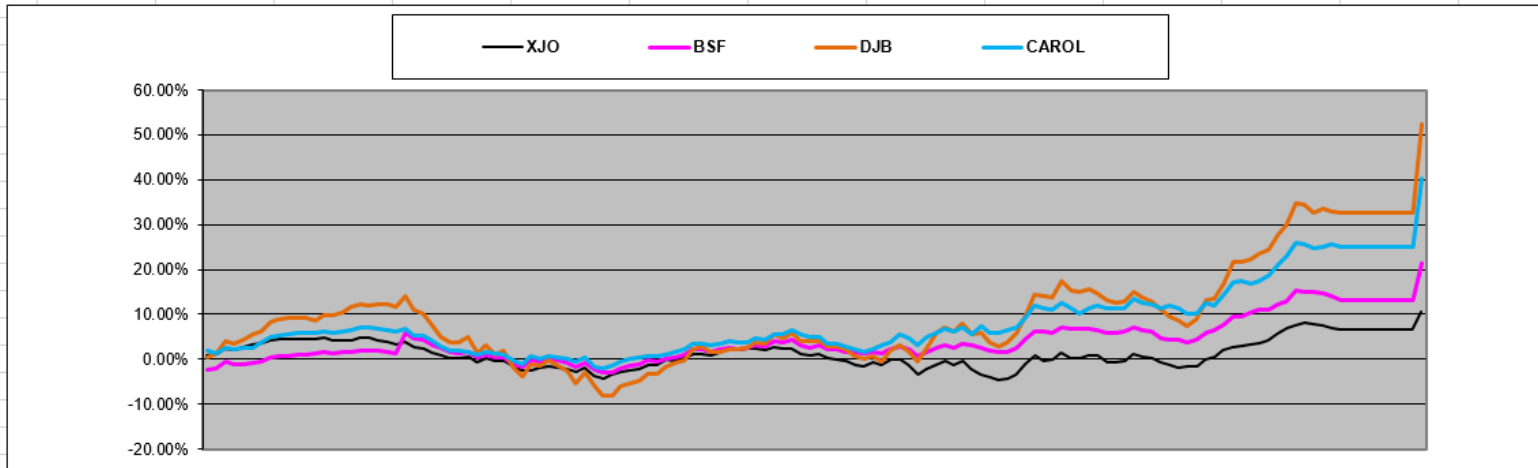| Symbol	Name	Close	SMACD SMACD OSC	SMACD SMACD SIG
MFG	Mag Finc-Fpo	20.560	8.783	7.226
BKL	Blackmore.-Fpo	41.650	7.276	5.585
ORA	Orora-Fpo	2.040	7.123	6.612
APA	APA Group-Stapled	8.700	5.735	4.641
LLC	Lend Lease-Stapled	16.920	5.500	5.462
TAH	Tabcorp-Fpo	4.860	5.303	4.333
SPK	Spark New Zealand ...	3.290	4.999	4.267
ABP	Abacus-Stapled	3.300	4.946	4.377
RHC	Ramsay-Fpo	60.730	4.929	4.453
TCL	Transurban-Stapled	9.300	4.303	3.787
TLS	Telstra-Fpo	6.490	4.254	3.215
GMG	Good Group-Stapled	6.500	4.236	3.379
SYD	Sydairport-Forus	5.160	4.104	3.293
GPT	GPT-Stapled	4.830	4.026	3.173
SGT	Singtel-Cdi 1:1	3.920	3.468	2.602
CBA	CWLTH Bank-Fpo	91.860	3.077	1.992
AOG	Aveo Group-Stapled	2.310	2.411	1.524
NAB	Nat. Bank-Fpo	37.060	1.603	0.220
XAO	ALL ORDINARIES-In...	5,731.700	0.878	0.060
TLG	Talga Res-Fpo	0.405	-0.553	-2.522

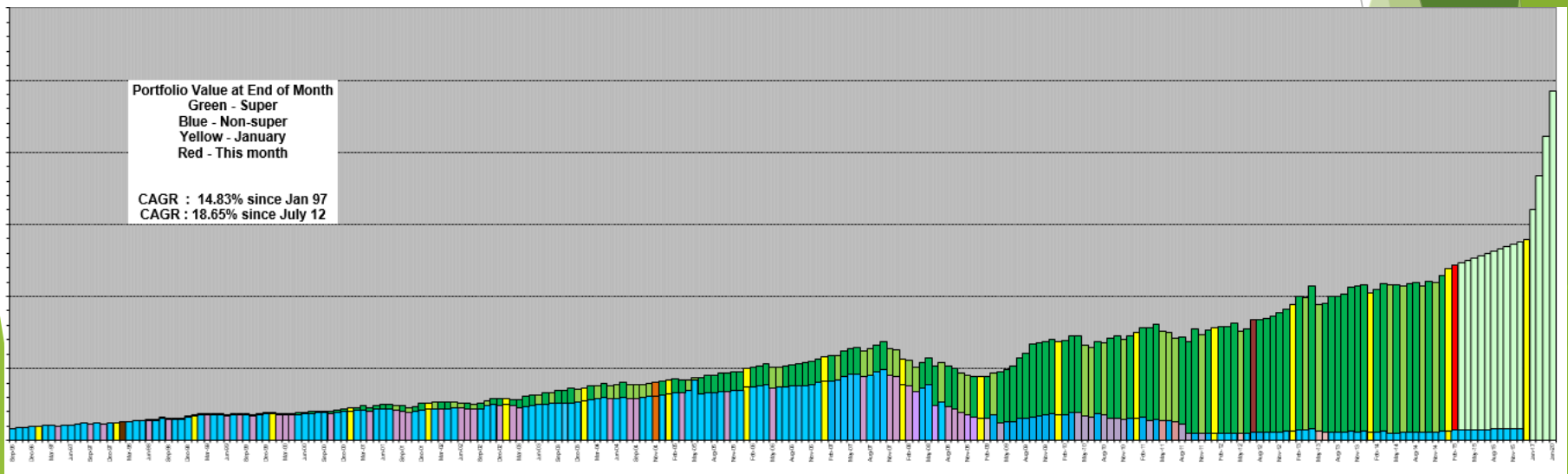|	
Portfolio 1	- 8 Parcels over 6 Stocks
Portfolio 2	- 23 Parcels pver 16 Stocks
Portfolio 3	- 12 Parcels over 9 Stocks
ALL	- 43 Parcels over 19 Stocks

NOTE: Figures as at 12 Feb 2015

	Growth %	Annual %	Days	SMACD	RB Score	Week % over 10 wks
CBA	17.47%	30.96%	206	3.077	60	1.40%
CBA	17.10%	30.59%	204	3.077	60	1.40%
NAB	12.90%	46.61%	101	1.603	80	1.57%
NAB	12.60%	46.00%	100	1.603	80	1.57%
SGT	9.47%	59.61%	58	3.468	60	0.77%
LLC	5.77%	72.67%	29	5.500	70	0.85%
RHC	7.40%	93.14%	29	4.929	70	1.32%
TLS	5.82%	73.27%	29	4.254	80	1.53%
					A of A	1.29%
CBA	n/a	n/a	1140	3.077	60	1.40%
ABP	44.45%	54.44%	298	4.946	70	0.95%
TLG	45.26%	55.62%	297	-0.553		0.00%
CBA	18.25%	32.02%	208	3.077	60	1.40%
ABP	30.80%	54.58%	206	4.946	70	0.95%
TLG	-16.49%	-29.21%	206	-0.553		0.00%
TAH	21.51%	73.37%	107	5.303	80	1.72%
GPT	18.44%	65.35%	103	4.026	80	1.27%
SYD	18.72%	71.16%	96	4.104	60	1.02%
TLS	14.68%	55.82%	96	4.254	80	1.53%
ABP	18.98%	77.84%	89	4.946	70	0.95%
BKL	18.82%	171.78%	40	7.276		2.94%
LLC	3.03%	28.38%	39	5.500	70	0.85%
ORA	-1.60%	-17.70%	33	7.123	70	0.54%
AOG	3.80%	43.30%	32	2.411	60	1.09%
MFG	17.24%	196.66%	32	8.783	80	2.90%
LLC	3.34%	38.13%	32	5.500	70	0.85%
BKL	20.60%	234.94%	32	7.276		2.94%
BKL	21.66%	254.99%	31	7.276		2.94%
SPK	3.46%	54.87%	23	4.999	60	0.92%
TCL	0.86%	18.51%	17	4.303	80	0.75%
GMG	5.60%	120.30%	17	4.236	60	1.02%
APA	4.13%	88.63%	17	5.735	60	2.20%
TLG	-4.18%	-89.66%	17	-0.553		0.00%
					A of A	1.30%
ABP	40.79%	49.96%	298	4.946	70	0.95%
CBA	17.41%	31.61%	201	3.077	60	1.40%
CBA	18.59%	36.68%	185	3.077	60	1.40%
GPT	19.32%	68.48%	103	4.026	80	1.27%
SYD	18.94%	71.99%	96	4.104	60	1.02%
ABP	18.86%	77.36%	89	4.946	70	0.95%
ORA	-1.85%	-20.41%	33	7.123	70	0.54%
MFG	16.96%	193.45%	32	8.783	80	2.90%
SPK	3.35%	53.14%	23	4.999	60	0.92%
TCL	0.76%	16.22%	17	4.303	80	0.75%
APA	3.87%	128.25%	11	5.735	60	2.20%
MFG	2.81%	93.34%	11	8.783	80	2.90%
					A of A	1.43%

Does it work for me?

PA	
226	
10.66%	XJO
19.95%	BSF
21.34%	TOT
52.56%	DJB
40.35%	CAROL

Portfolio Value at End of Month
Green - Super
Blue - Non-super
Yellow - January
Red - This month

CAGR : 14.83% since Jan 97
CAGR : 18.65% since July 12

Summary

- MACD is a tried & tested indicator

- SMACD is a variation on this well respected indicator

- An improvement - it provides clarity and the ability to compare

- Useful in scanning for stock selection

- Exits – I use 7/12 EMA or 3/7 EMA (crossover to protect profit)

- Target growth of 1% pw – Review at 50 days if under 25% PA

- Chart weekly for trends & decisions – daily for entry

- Helps with mechanical view of investing

- My stock mix is not what I anticipated – more property funds