BY THE NUMBERS

Des Bleakley – BullCharts User Group

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AGENDA

PROFITABLE !

- Find Strategies to Trade Stocks
- Minimise Subjectivity where possible
- Automate – less time / less effort
- Measurable
- In practice?
- Examples & Questions

FINDING STRATEGIES

- Trend Trading is my preference
- NIRVANA - Do not search for optimal strategy for all stocks – "Holy Grail"
- Find OK strategy & select stocks that work within that
- Do not allow the search for perfection to destroy the good
- Build on previous strategies
  - Up trending
  - New High Entry
  - MA crossover (7 / 12)
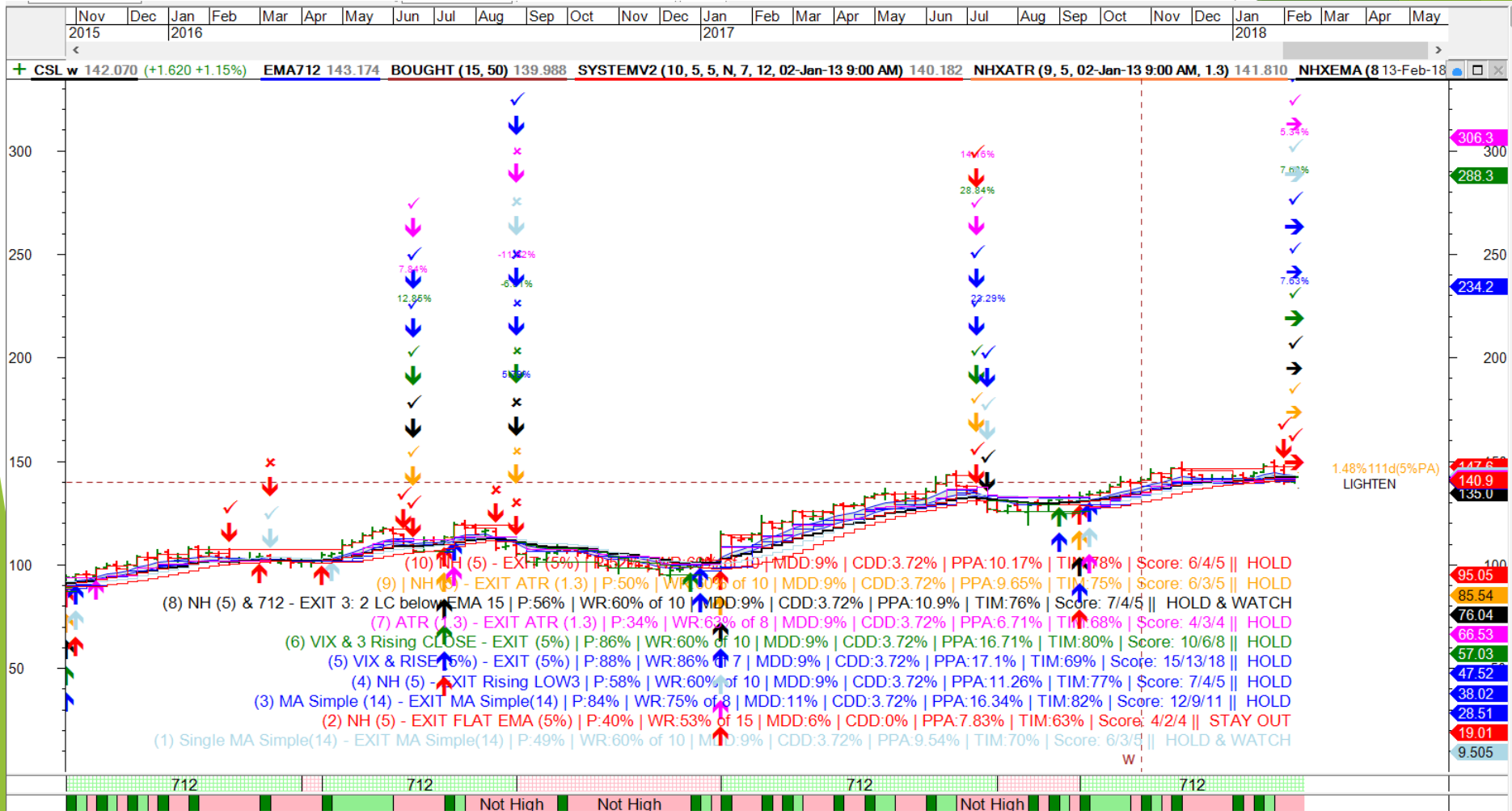 - Mix & Match & Compare
  - Play with parameters

Example - Layout
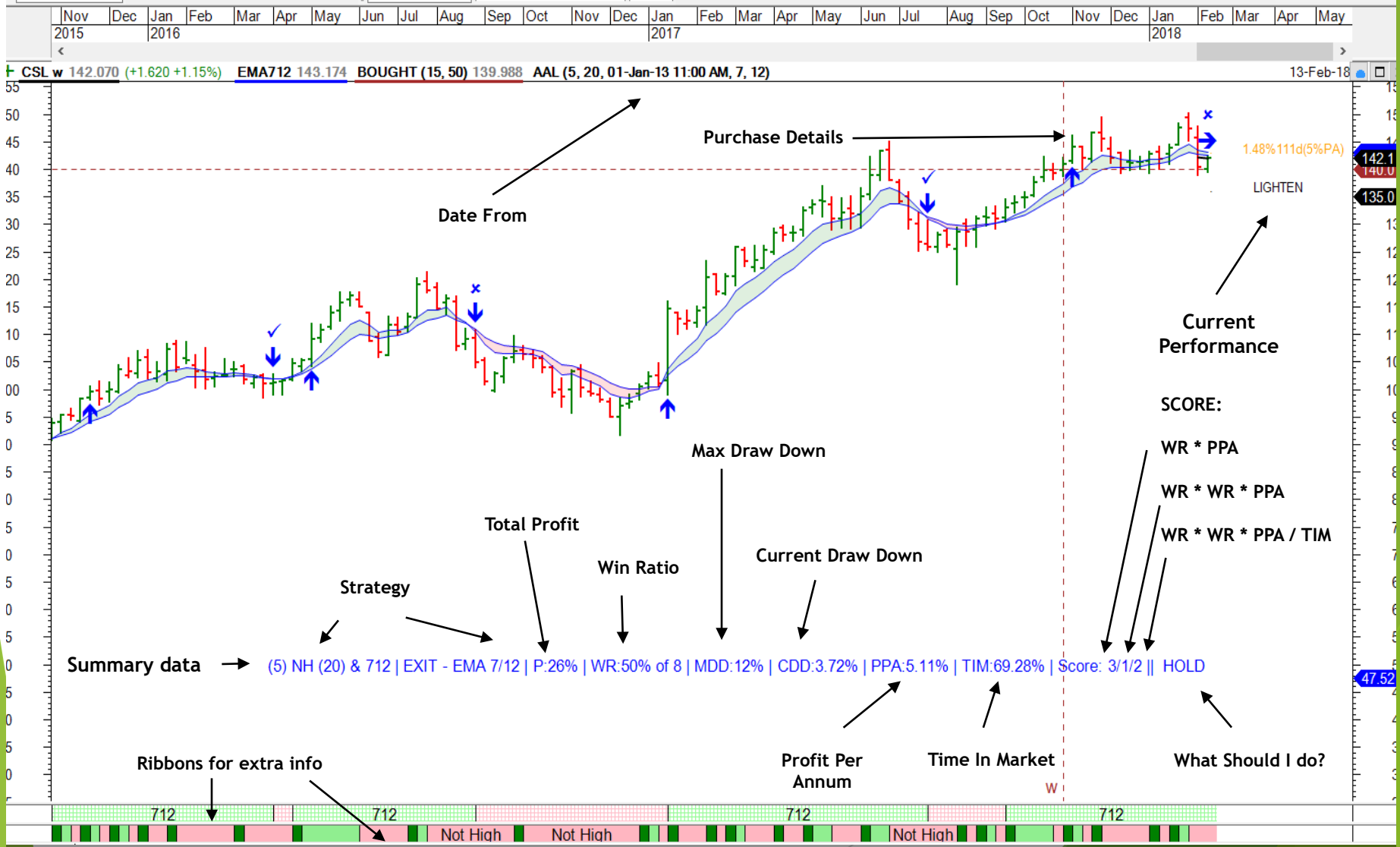
Can Get Very Busy!

Principals

- Find trending Stocks (WMD)
  - Monthly 7 on 12 uptrend
  - Weekly 7 on 12 uptrend
  - Daily 7 on 12 uptrend
- Pick a Strategy
- Plot entry & exit points
- Calculate statistics
  - Win / loss rates
  - Cumulative $ performance
  - Draw Down
  - Time in market
- Look at the numbers

Better Exits

- Moving Average Crossovers
  - Can be later than you like
  - Often give a lot back
  - Slow to react on many occasions
- Limit "give back" pain
- Use a Trailing Stop Loss
  - Relative to highest gain
  - Set stop loss below high point at a percentage you are comfortable with
  - Two lower stops works much better (IMHO)
  - If you choose 5% - it really is more like 10%
  - OR ATR OR Rising Close OR FLAT MA OR . . .

EXITS – MA Crossover is too late

- 5% TS exits before 7/12 MA
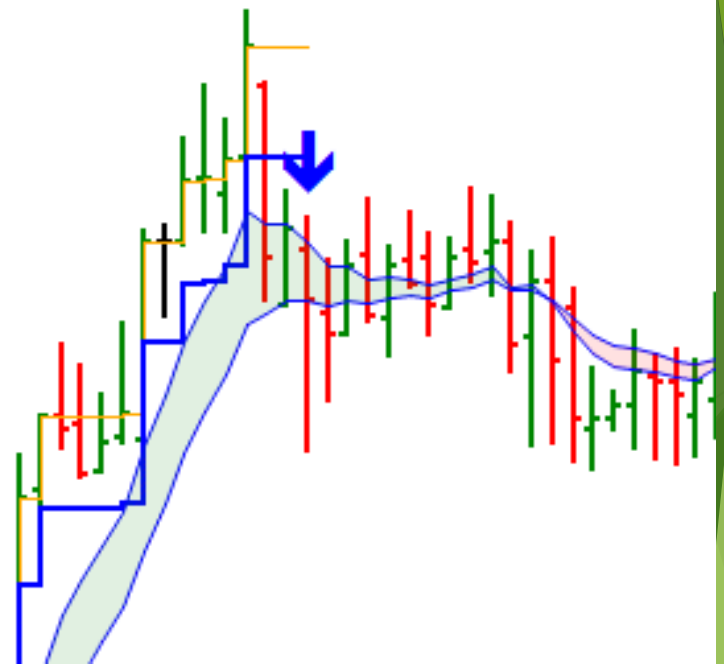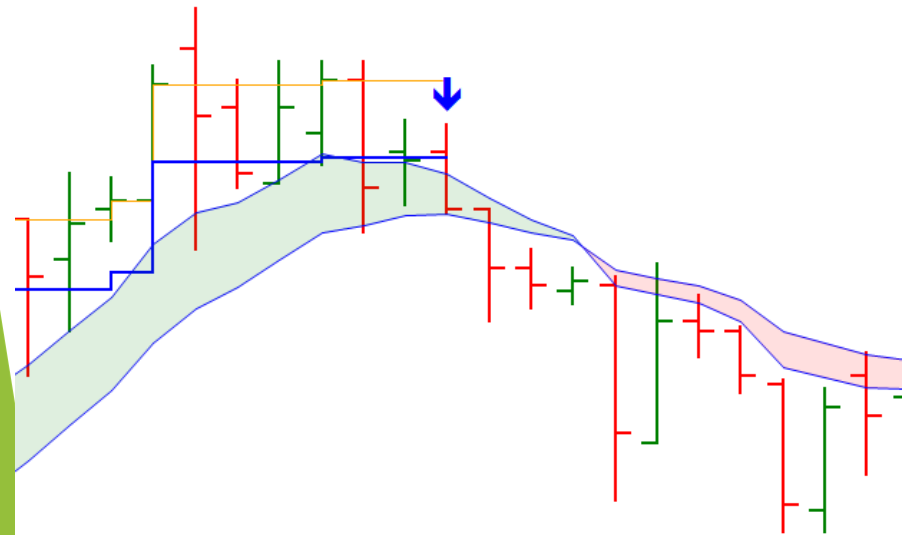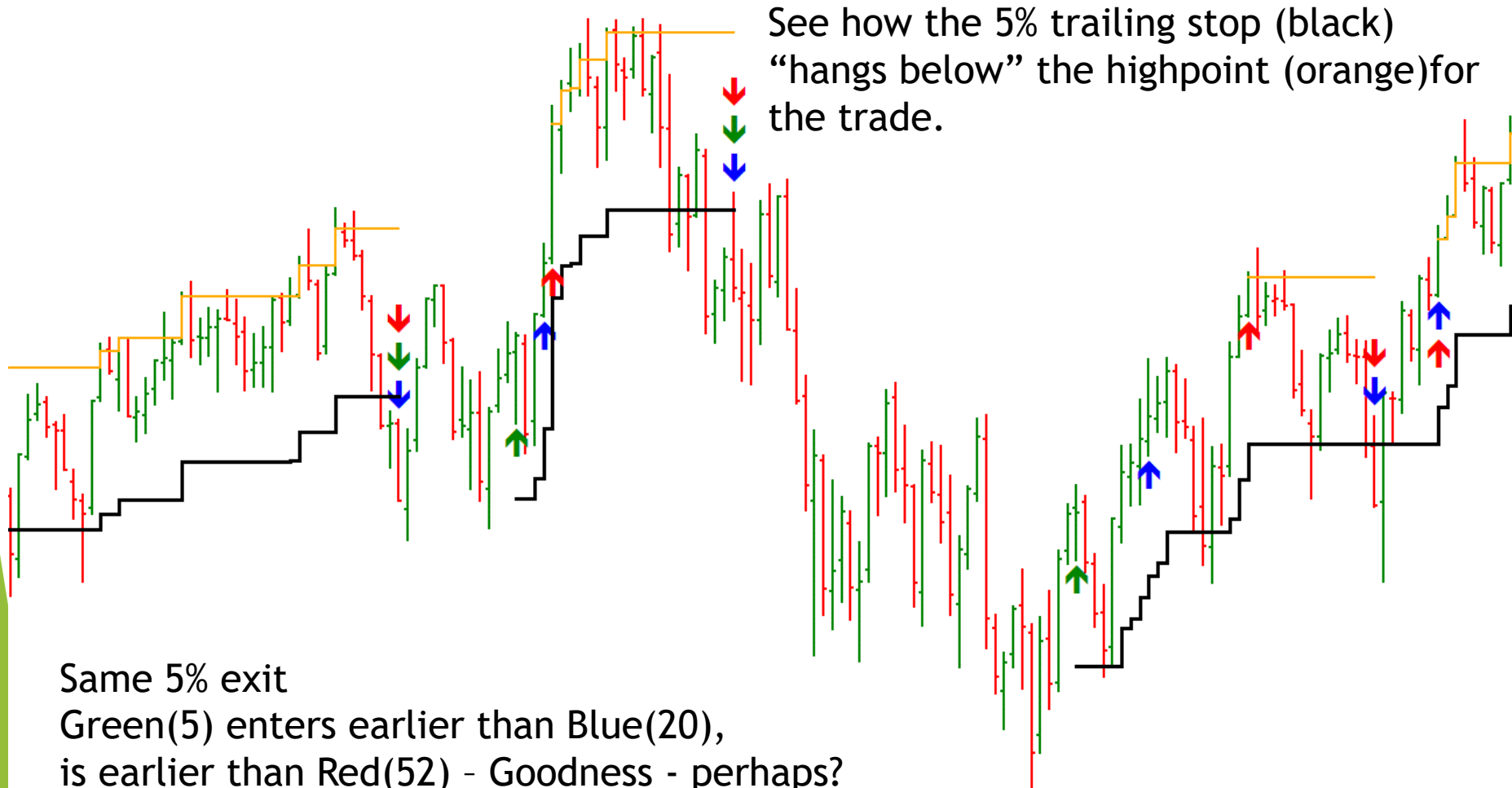
Possible Entry / Exit Methods

- **ENTRY**
  - New High – which period?
  - Close above a MA – which MA – OHLC?
  - Rising Closes
  - Close above ATR – parameters?
  - Entry filter (VIX) OR HULL OR . . . .
- **EXIT**
  - MA Crossover - which ones?
  - Trailing Stop – Lots to choose - % / ATR / PSAR
    - How many closes before exit?
  - MA Flattens – how much & which MA
- AND ALL POSSIBLE COMBINATIONS

New High Entry 52 / 20 / 5 Weeks

(+44.200 +0.74%)   SYSTEM (20, 5, 0, 12, 0, 5) 6,122.3   SYSTEM (5, 5, 0, 12, 0, 5) 6,122.3   SYSTEM (52, 5, 0, 12, 0, 5) 6,122.3

See how the 5% trailing stop (black) "hangs below" the highpoint (orange)for the trade.

Same 5% exit
Green(5) enters earlier than Blue(20),
is earlier than Red(52) – Goodness - perhaps?

Comparing strategies & stocks?

- Decide on strategy / strategies
- How much data to look back upon?
  - 5 years in these examples
- Apply & Calculate Profit across trades
  - Total Profit
  - Profit Per Annum (PPA)
  - Time In Trade – (TIM)
- Win / Loss Ratio
- Maximum Draw Down
- Create a Score - which one(s)?
  - Consider – "sleep factor" x Profit
  - I like Win Ratio x PPA – TIM useful?
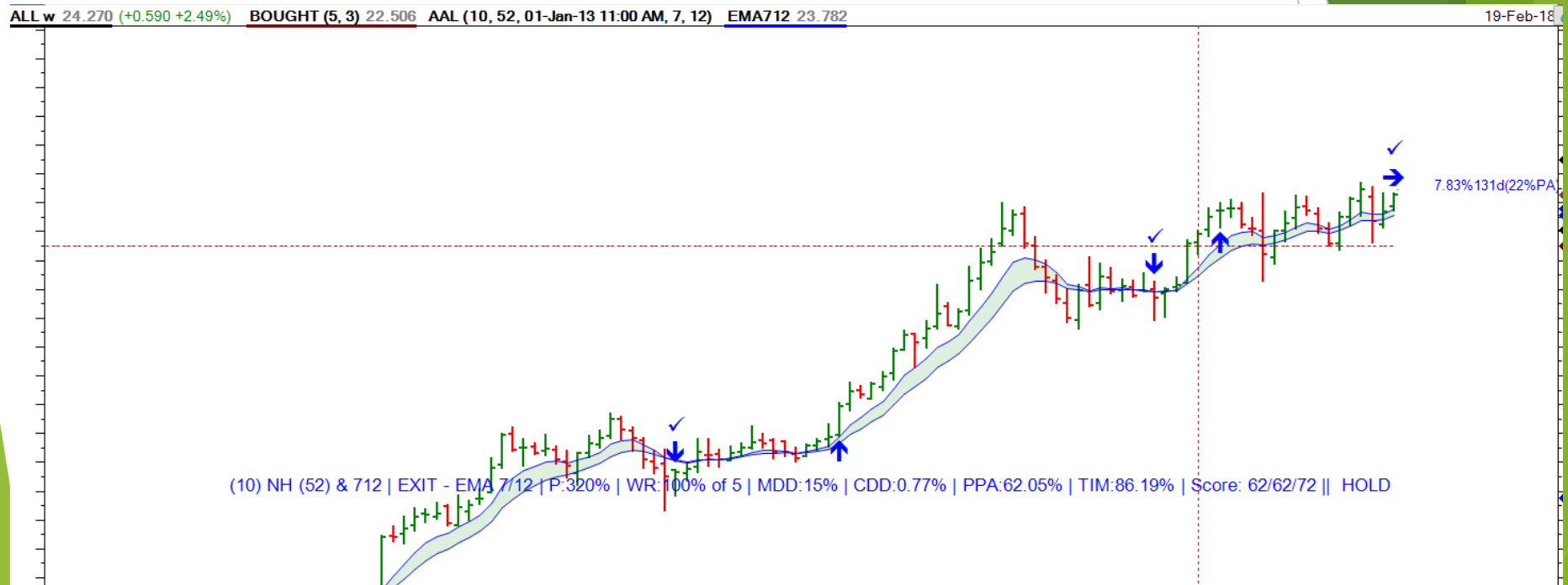- Compare the results but beware of tyranny of small numbers

Possible exits?

- Stop Loss – x%
- ATR n
- MA crossover
- Close below MA
- Flat EMA
- Rising Low stop
- Effect on draw Down

- Let's have a look

Trailing Stops – how different?
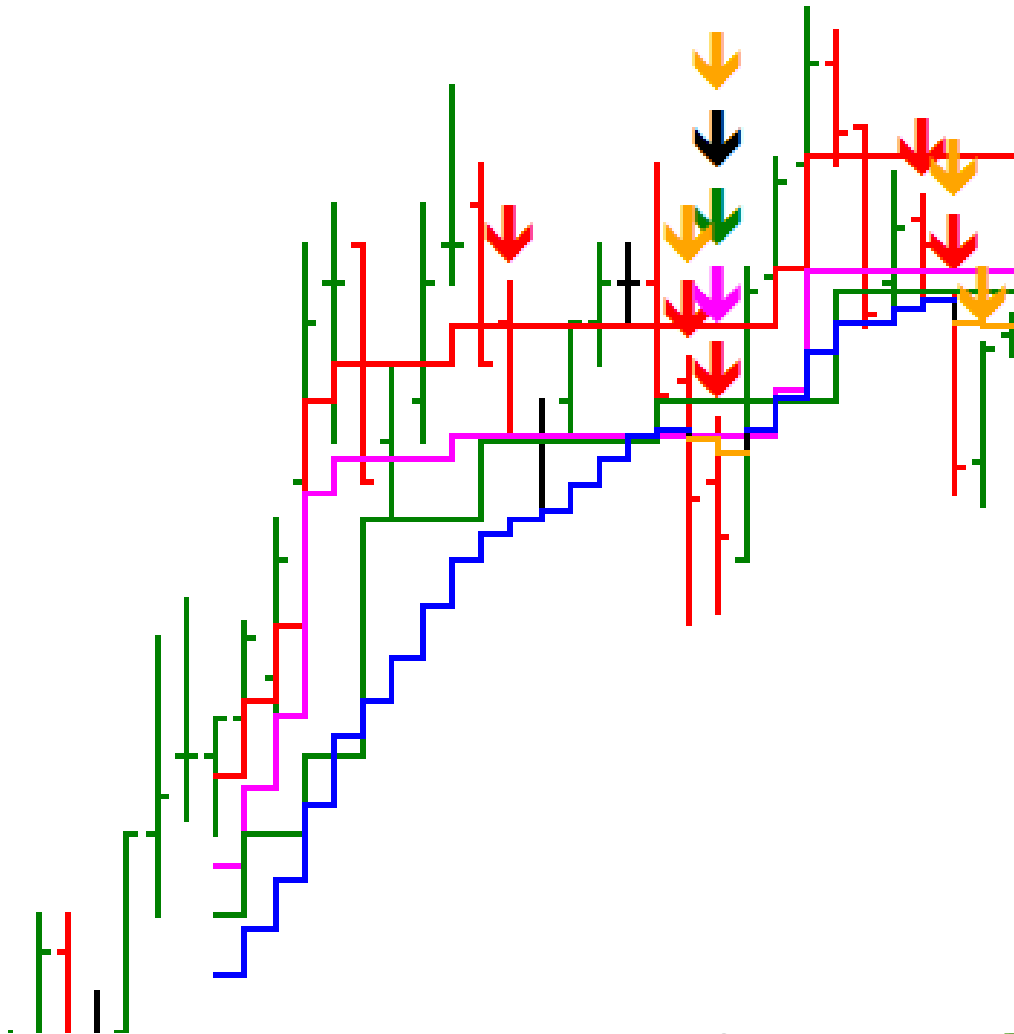
Example 0
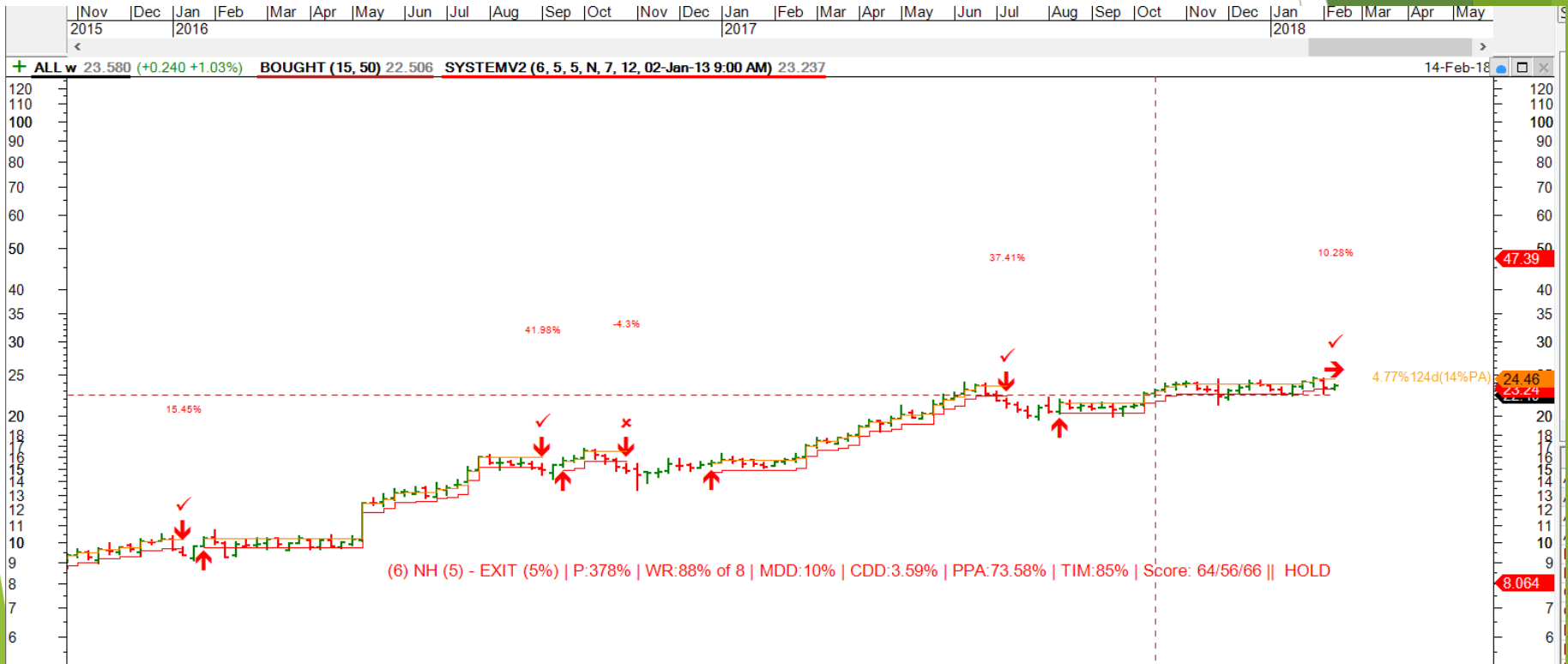## New High Entry 52 – Exit 7/12 Crossover (Peter Castle)

Example 1
New High Entry 5 - S/L 5% from high
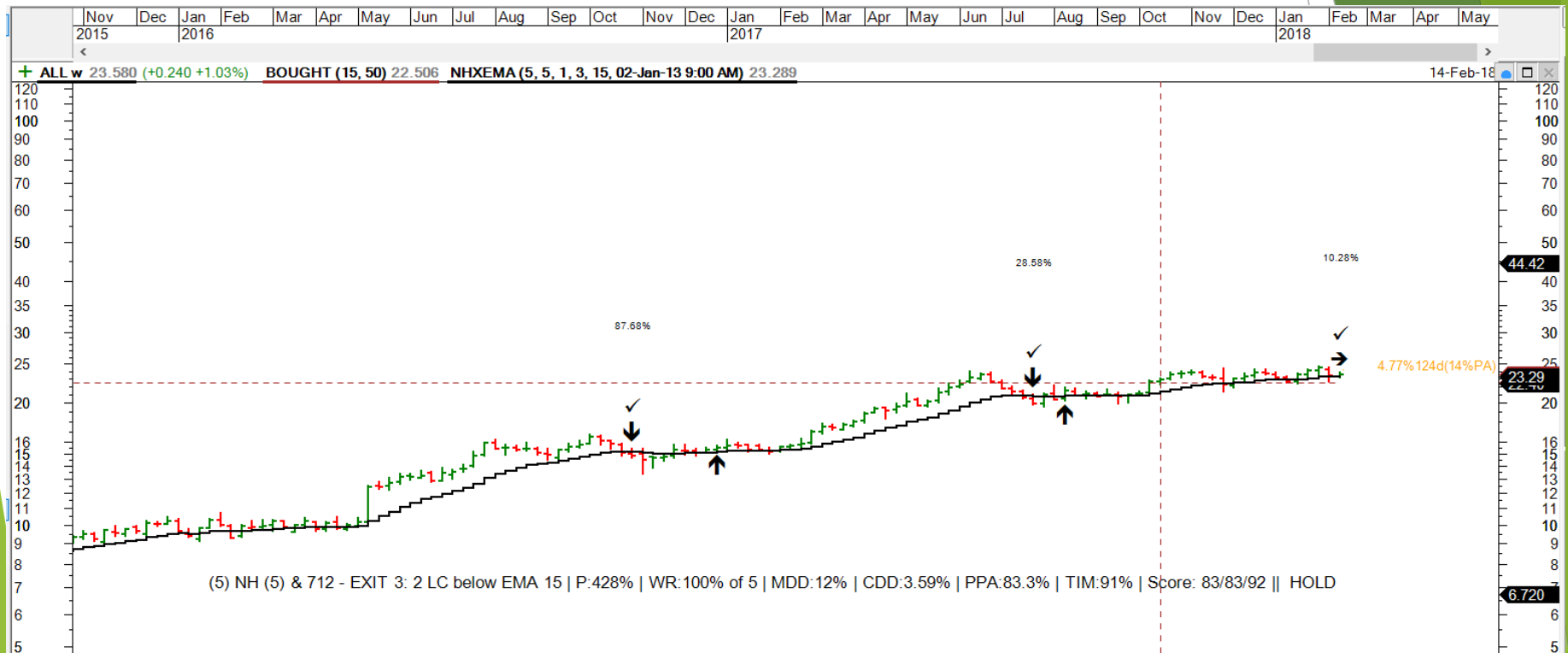
Example 2
New High Entry 5 – S/L 1.3 ATR
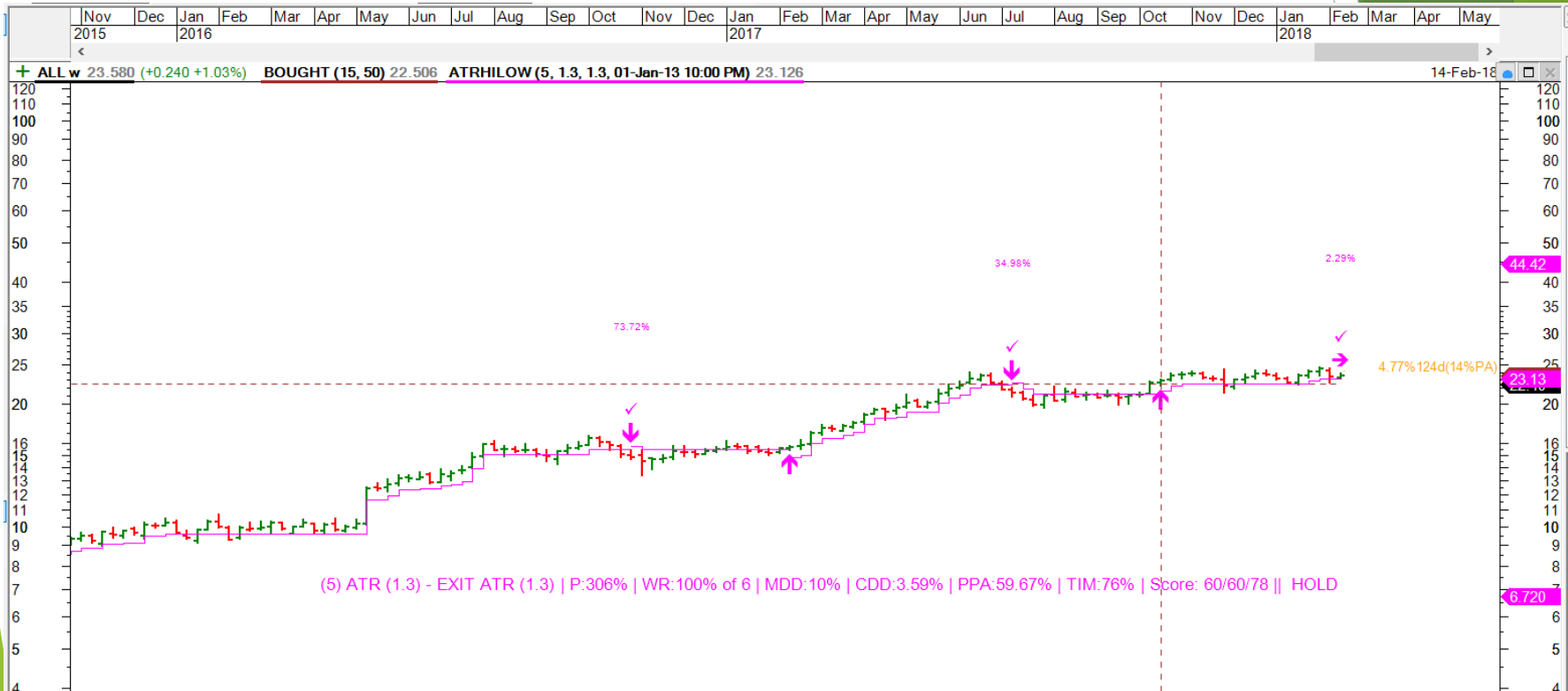
Example 3
New High Entry 5 – S/L EMA 15

Example 4
Entry 1.3 ATR – Exit 1.3 ATR

Example 5
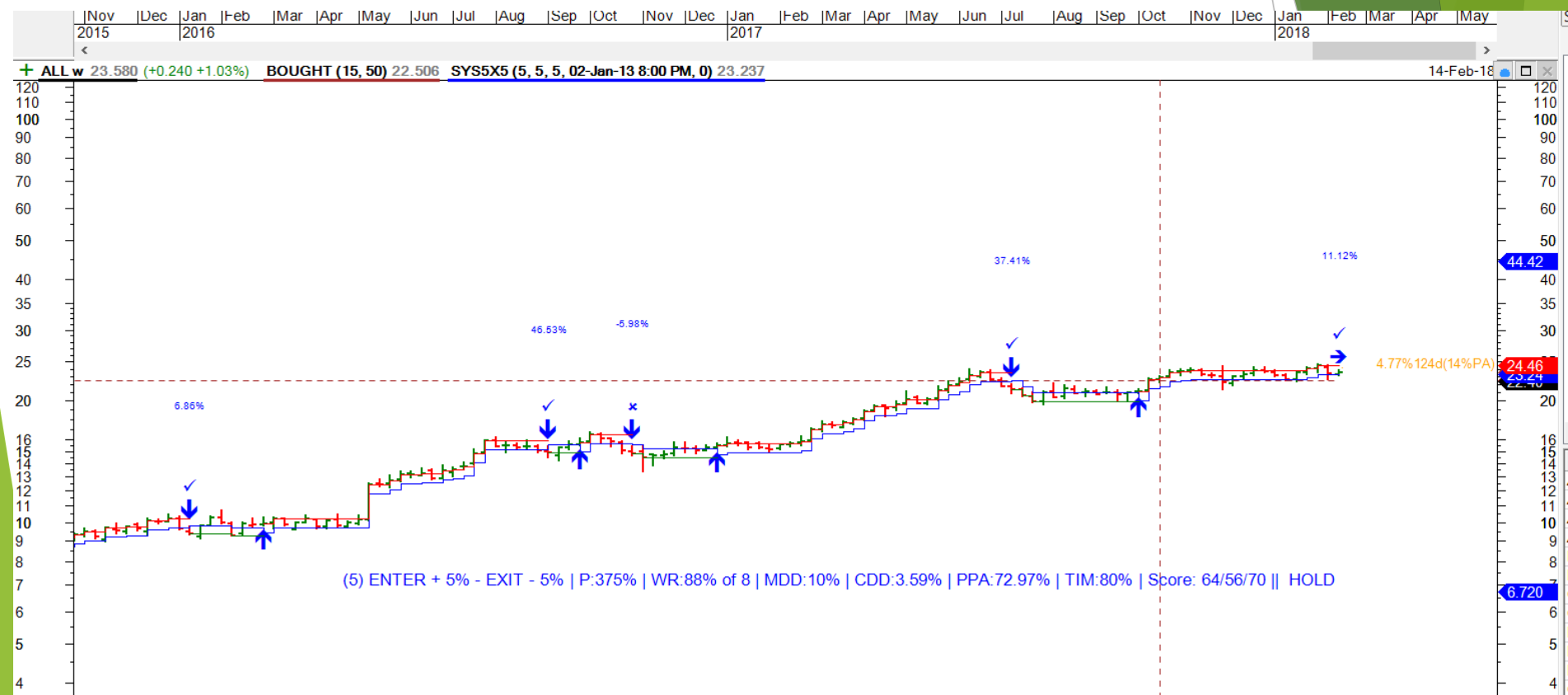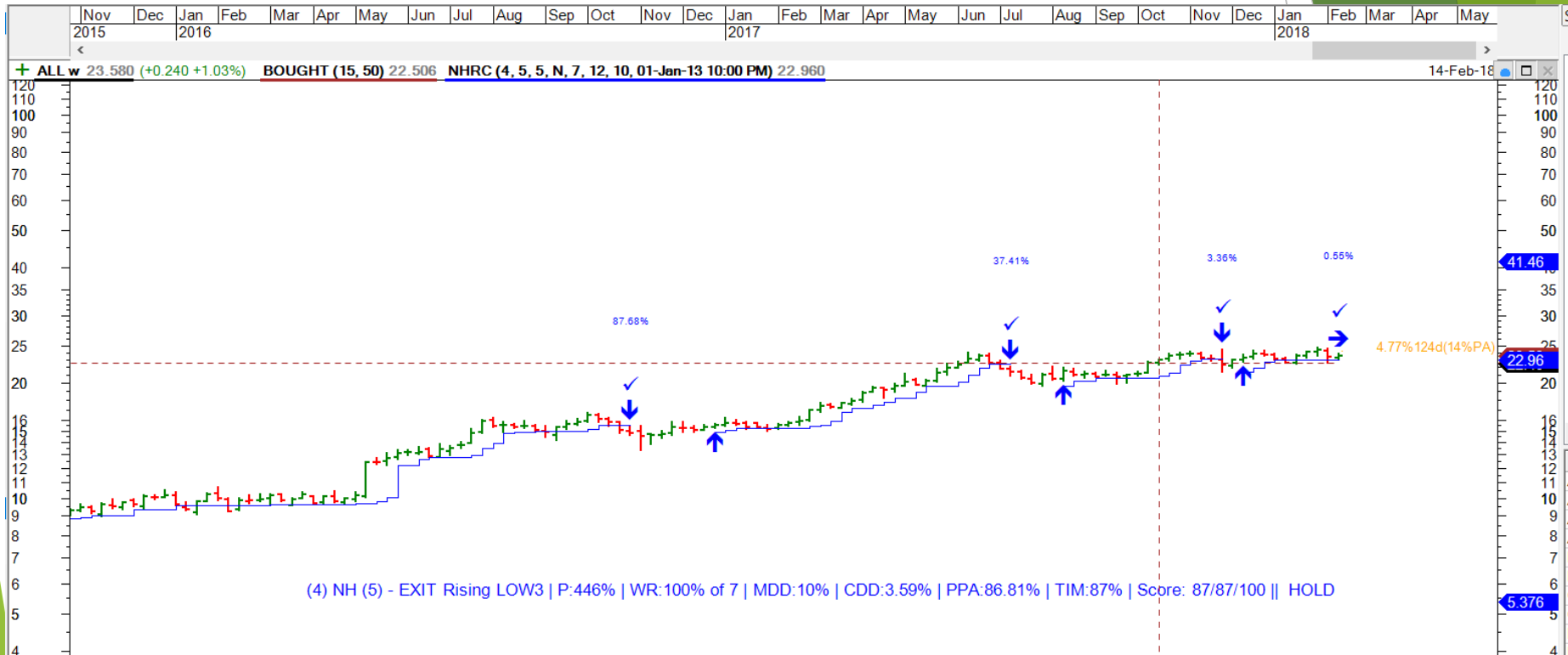## Entry High Close 3 - Exit S/L 5% from High
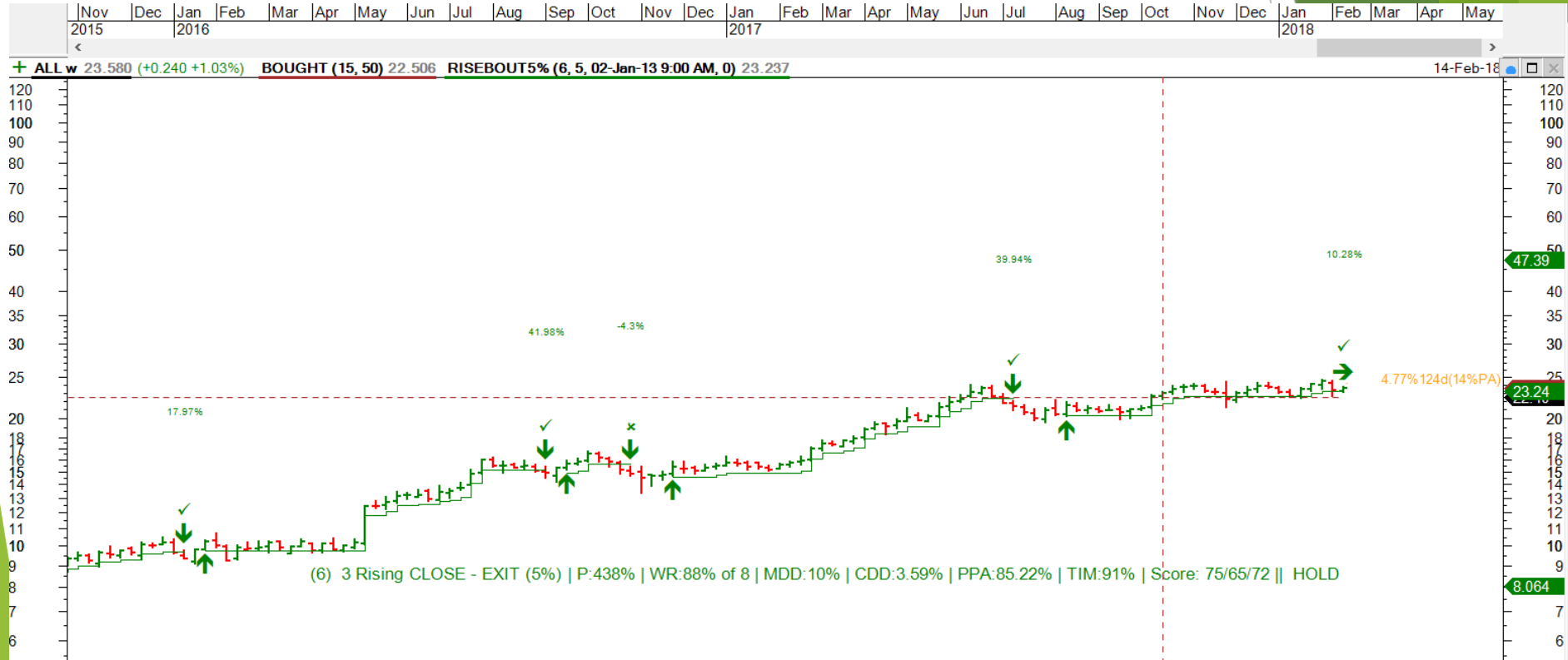
Example 6
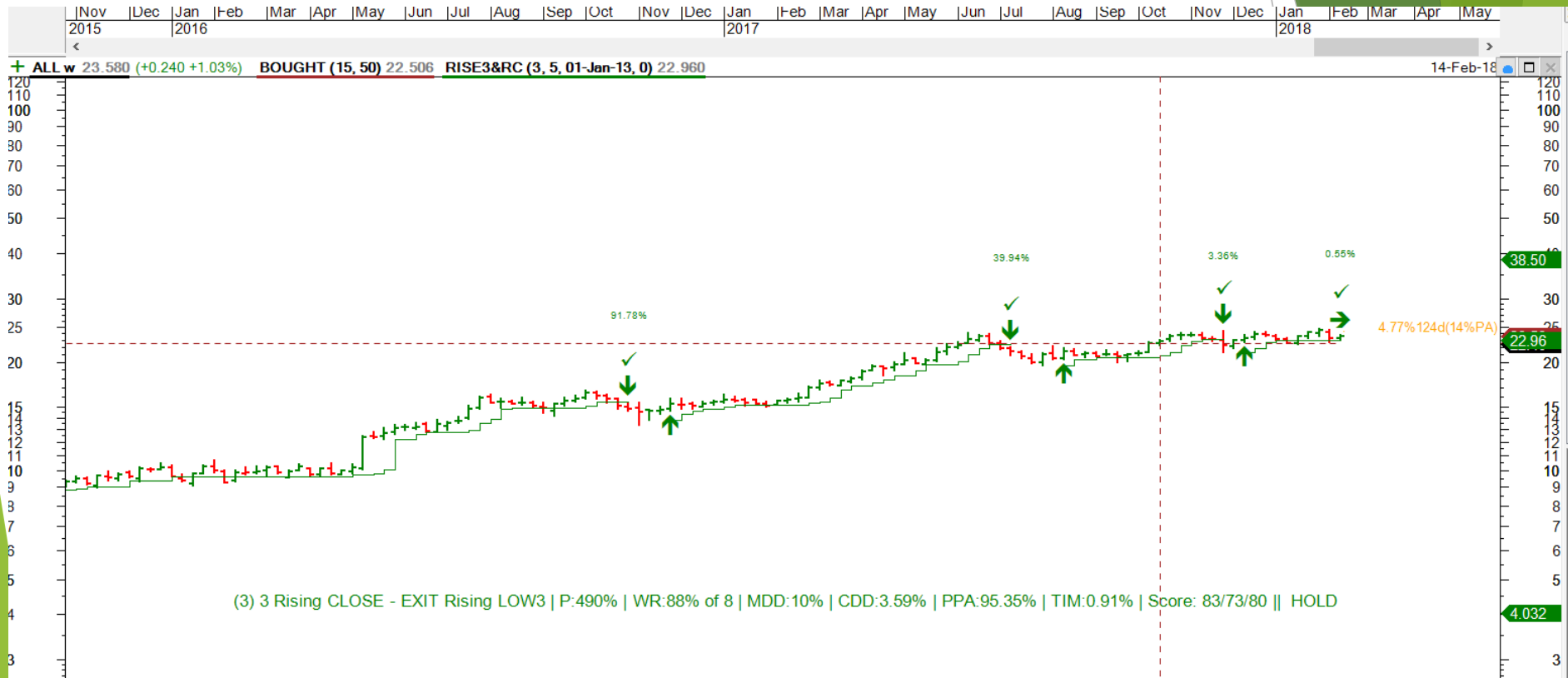## Entry +5% Rising from Low - Exit S/L 5% from High

Example 7
Entry New High 5 - Exit Rising Low 3
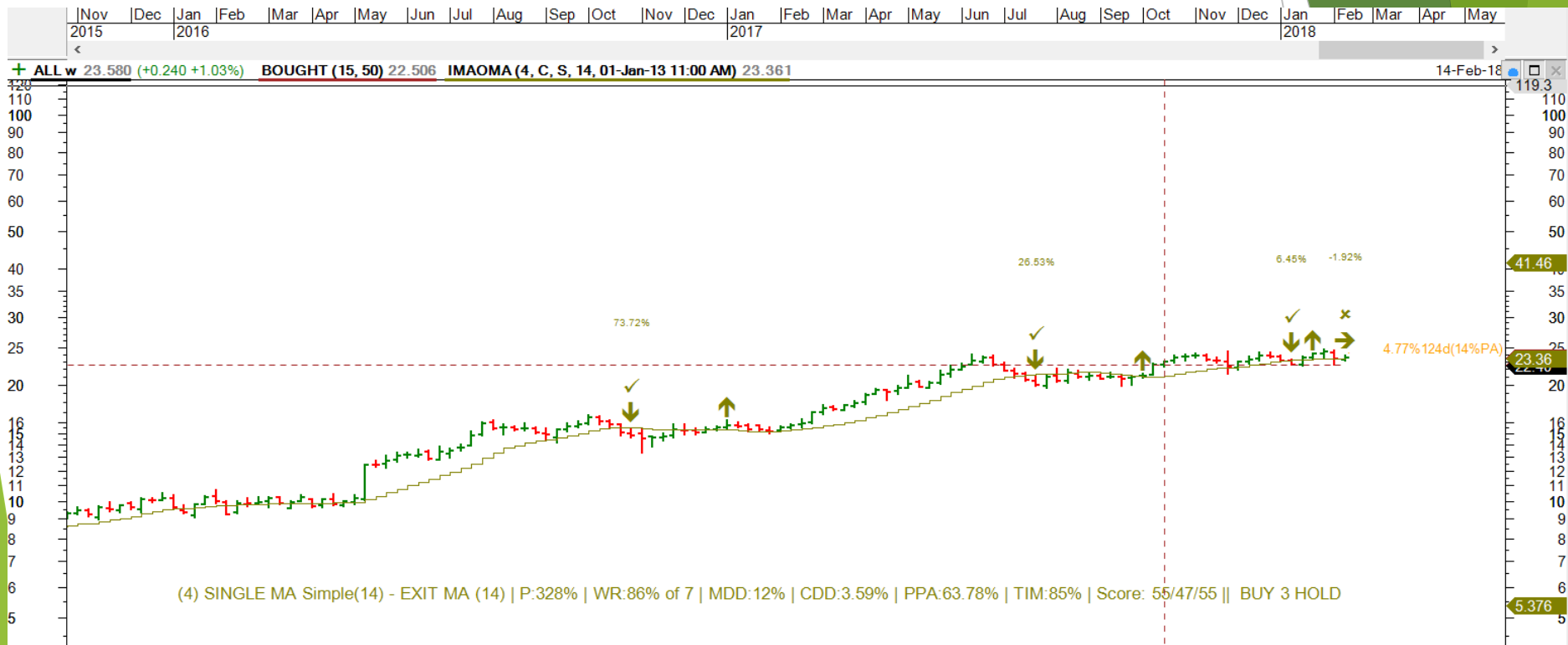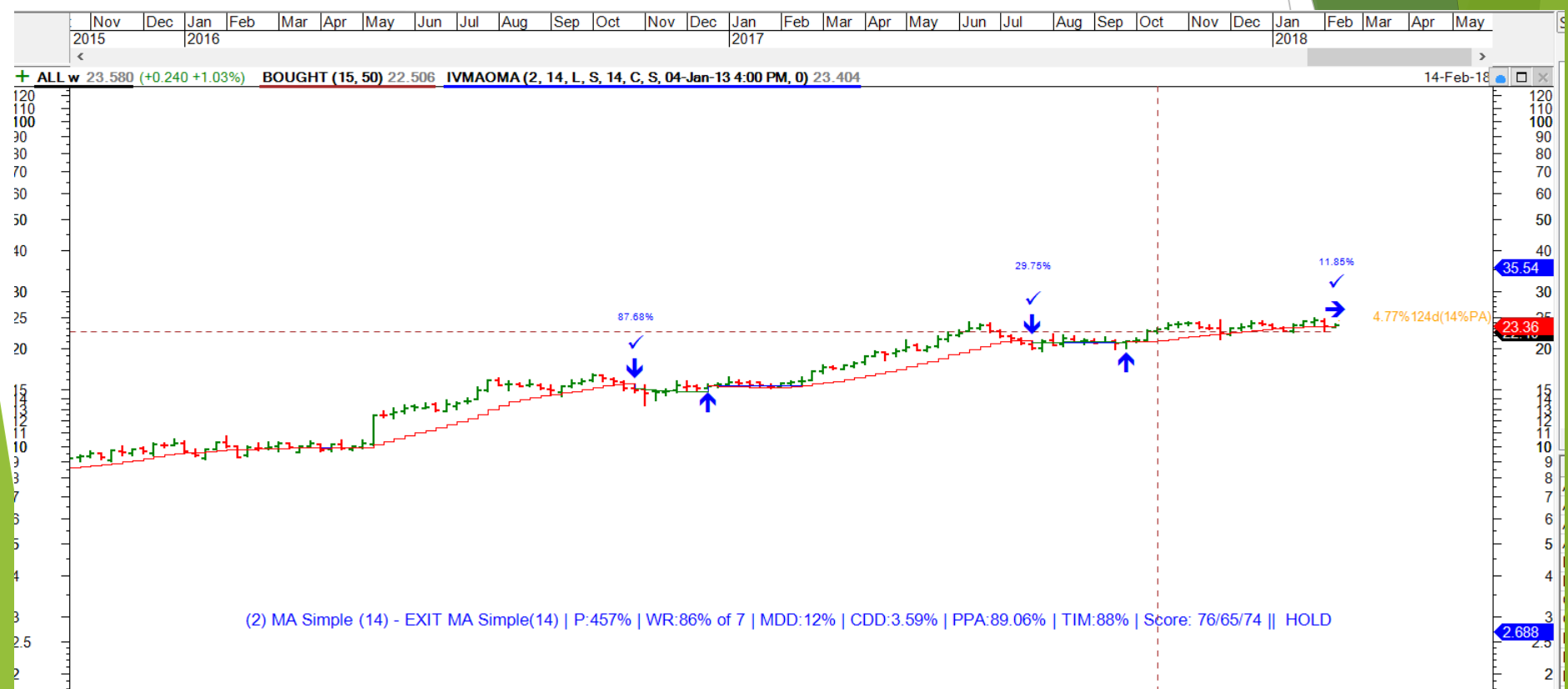
Example 8
Entry High Close 3 - Exit Rising Low 3

Example 9 (very simple)
Entry above SMA(C)14 – Exit Below SMA(C)14
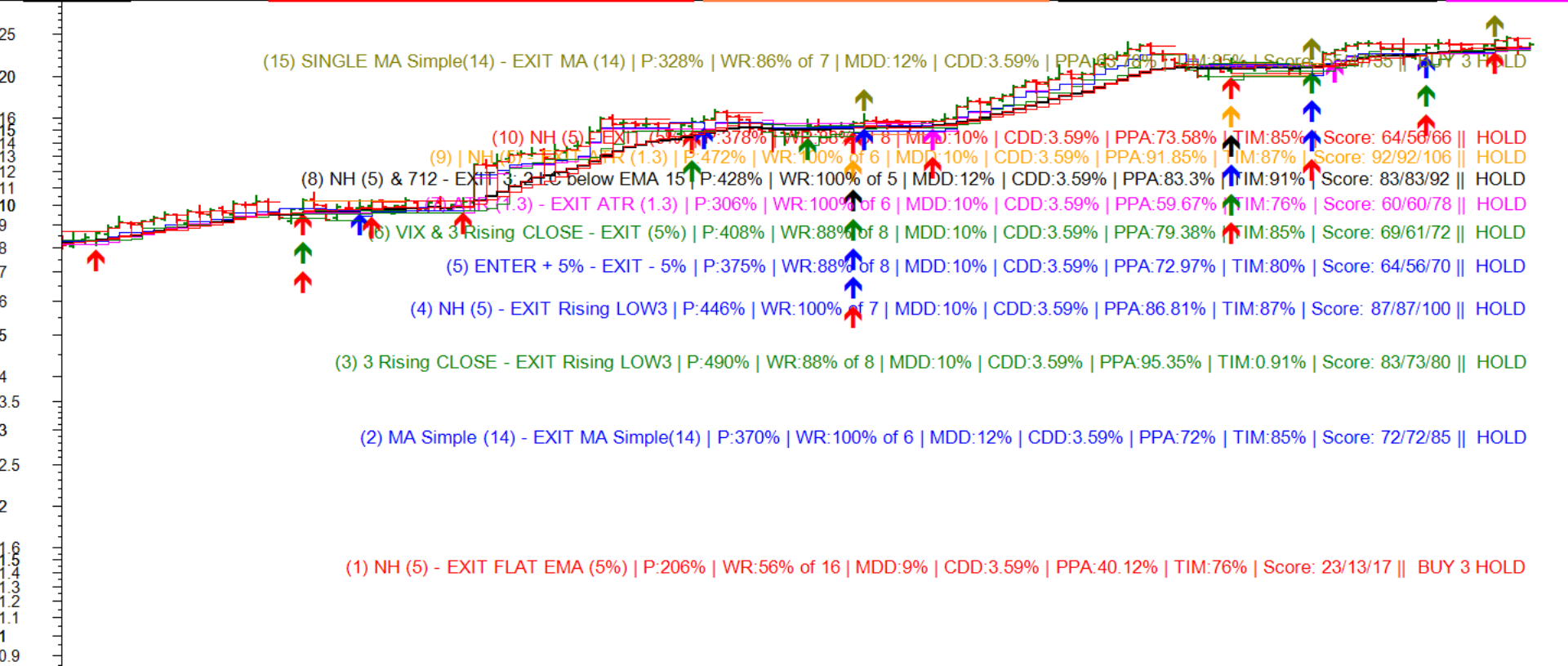
Example 10 (very simple)
Entry above SMA(L)14 – Exit Below SMA(C)14
Small change – big difference – mmmm?

TAKE YOUR PICK

ALL w 23.580 (+0.240 +1.03%)   SYSTEMV2 (10, 5, 5, N, 7, 12, 02-Jan-13 9:00 AM) 23.237   NHXATR (9, 5, 02-Jan-13 9:00 AM, 1.3) 23.126   NHXEMA (8, 5, 1, 3, 15, 02-Jan-13 9:00 AM) 23.289   ATRHILOV 14-F

(15) SINGLE MA Simple(14) - EXIT MA (14) | P:328% | WR:86% of 7 | MDD:12% | CDD:3.59% | PPA:68.78% | TIM:95% | Score: 56/56/35 || BUY 3 HOLD

(10) NH (5) - EXIT | P:378% | WR:88% of 8 | MDD:10% | CDD:3.59% | PPA:73.58% | TIM:85% | Score: 64/56/66 || HOLD

(9) | NH (5) & 15 - ATR (1.3) | P:472% | WR:100% of 6 | MDD:10% | CDD:3.59% | PPA:91.85% | TIM:87% | Score: 92/92/106 || HOLD

(8) NH (5) & 712 - EXIT 3, 2 LC below EMA 15 | P:428% | WR:100% of 5 | MDD:12% | CDD:3.59% | PPA:83.3% | TIM:91% | Score: 83/83/92 || HOLD

(6) ATR (1.3) - EXIT ATR (1.3) | P:306% | WR:100% of 6 | MDD:10% | CDD:3.59% | PPA:59.67% | TIM:76% | Score: 60/60/78 || HOLD

(6) VIX & 3 Rising CLOSE - EXIT (5%) | P:408% | WR:88% of 8 | MDD:10% | CDD:3.59% | PPA:79.38% | TIM:85% | Score: 69/61/72 || HOLD

(5) ENTER + 5% - EXIT - 5% | P:375% | WR:88% of 8 | MDD:10% | CDD:3.59% | PPA:72.97% | TIM:80% | Score: 64/56/70 || HOLD

(4) NH (5) - EXIT Rising LOW3 | P:446% | WR:100% of 7 | MDD:10% | CDD:3.59% | PPA:86.81% | TIM:87% | Score: 87/87/100 || HOLD

(3) 3 Rising CLOSE - EXIT Rising LOW3 | P:490% | WR:88% of 8 | MDD:10% | CDD:3.59% | PPA:95.35% | TIM:0.91% | Score: 83/73/80 || HOLD

(2) MA Simple (14) - EXIT MA Simple(14) | P:370% | WR:100% of 6 | MDD:12% | CDD:3.59% | PPA:72% | TIM:85% | Score: 72/72/85 || HOLD

(1) NH (5) - EXIT FLAT EMA (5%) | P:206% | WR:56% of 16 | MDD:9% | CDD:3.59% | PPA:40.12% | TIM:76% | Score: 23/13/17 || BUY 3 HOLD

Soft Exits

- If you wait for Hard Exit, you often give a lot back

- Look to anticipate when momentum lessens

- Take profit before you are forced to exit

- Watch for Close above 3xATR – topping behaviour?

- AND / OR FLAT EMA

Profit Take Advisory
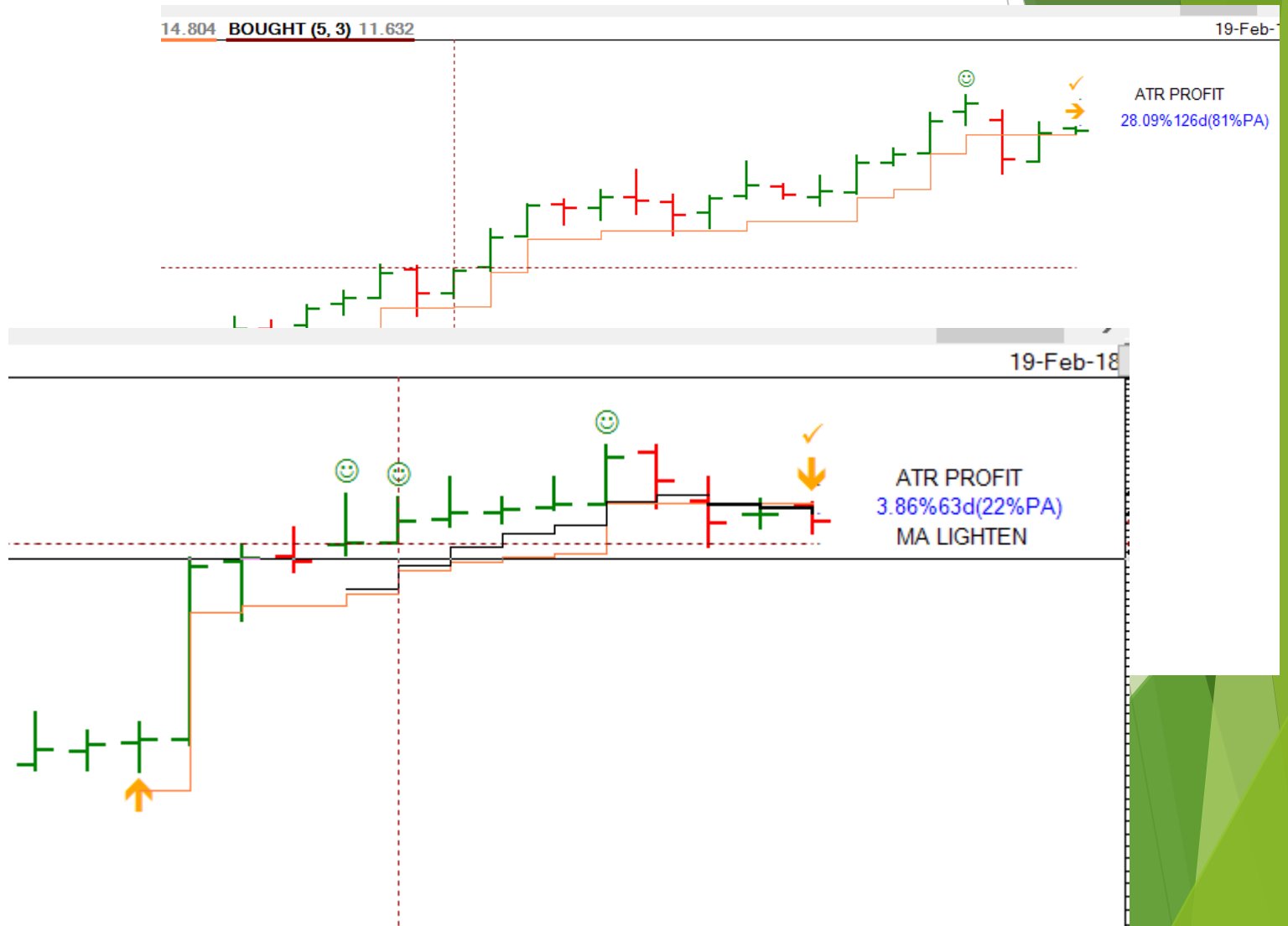
Putting it together – my way

- Select a strategy of your choice
- Scan for up trending stocks on WMD timeframes
- Scan for stocks that fit this chosen strategy
- Do the numbers and compare scores
- Look for stocks which have just generated an entry signal (in past couple of weeks – I use 5 periods)
- Select & Buy – look at Soft Exit Signal
- Monitor for exit (Indicator gives instruction)

SUMMARY

▸ This methodology helps me

▸ More back testing can be done

▸ More strategies to explore – your thoughts

▸ Please tell me parameters that work best for you

▸ All Bull Chart script freely available

▸ Email me – des@bleakley.com.au

LOOK AT STOCKS?

QUESTIONS?