



Brainy's Articles on Share Trading**

Sample trading strategies

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Article No:
ST-6410
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Aug 2009
Rev: Aug 2013
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Introduction

Share price charts summarise the underlying opinions and emotions of the market participants. Every price chart has a story to tell, and it can be very useful to understand the stories in the price charts. This is demonstrated with the simple example in Figure 1 below, with key features explained in the following pages.

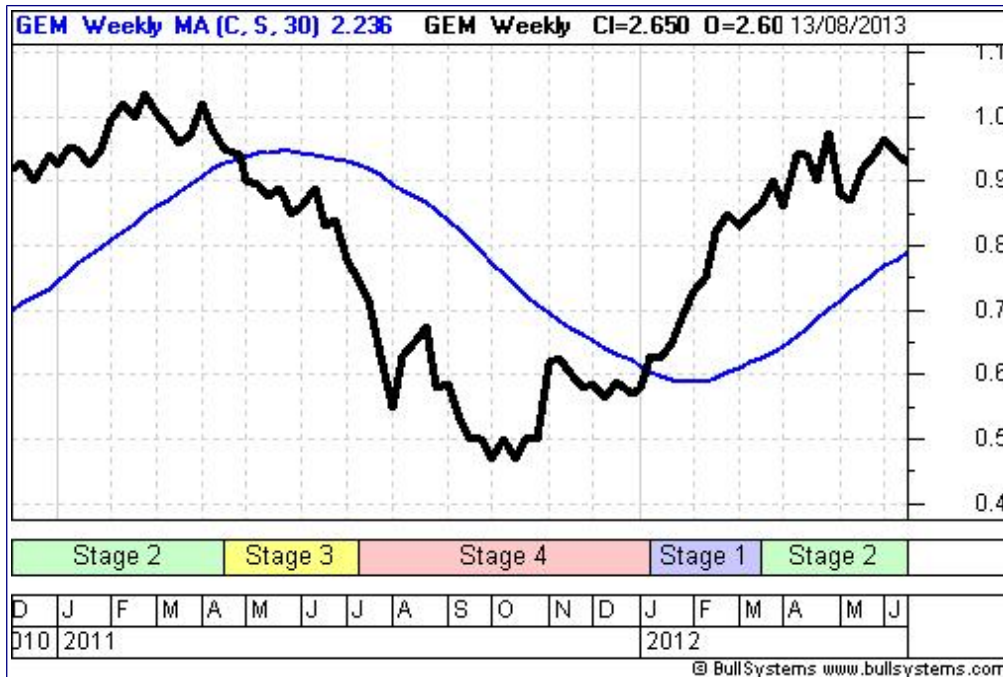


Figure 1: Weekly chart of G8 Education (GEM) with 30 week Moving Average. What happened in the following months? A fall or continued rise? Answer below.

In the price chart in Figure 1, note the following key features which are explained in more detail in the following pages. Firstly, it is a weekly price chart, with the black line showing the share price closing value for G8 Education (GEM) at the end of each week through the period December 2010 to June 2012. The gently curving blue line is the 30 week Simple Moving Average (SMA). We can draw some conclusions about likely short-term performance depending on whether the share price is above or below the MA. Likewise, whether the MA is rising or falling.

Two of the many key tools available to technical analysts (who study and analyse price charts) are the *Moving Average* on the price chart, and Stan Weinstein's *Stage Analysis* (shown as a coloured ribbon across the bottom of the price chart in Figure 1 above). These tools are discussed in his book "Secrets for Profiting in Bull and Bear Markets"¹ which is now a few years old, but which is a well-worn classic, and a must-have for any share market investor or trader. These simple ideas can form the basis of a successful investing or trading strategy. But of course they need to be understood, fine tuned, back tested and paper traded.

This article in Brainy's series on Share Trading (number ST-6410) provides an insight into the concept of *Stage Analysis*, and to Weinstein's ideas about the 30-week Moving Average. Understanding the idea of Stage Analysis is somewhat related to the ideas of *Dow Theory*; but it is fundamental in regard to share trading, and what it can tell us about the underlying opinions of the market participants.

For the practising investor or trader, it is possible to utilise these concepts in good charting software like BullCharts, which includes several related scans and indicators. See Brainy's articles on

1 Weinstein, Stan (1988); "Secrets for Profiting in Bull and Bear Markets". McGraw-Hill.

** - The two words *trading* and *investing* are often used somewhat interchangeably.



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