BullCharts

Trading in practise
a Hands-on Workshop
for BullCharts users
December 2010

© Copyright 2010, Robert Brain

1

Trading in Practise

Session Purpose:

- Briefly recap last month's material — candle patterns.
- To practise a realistic trading example, including position size calculation, and stop loss positioning.

2

Teams

- Form into teams of 3 or 4 people.
- You can form your own teams if you want.
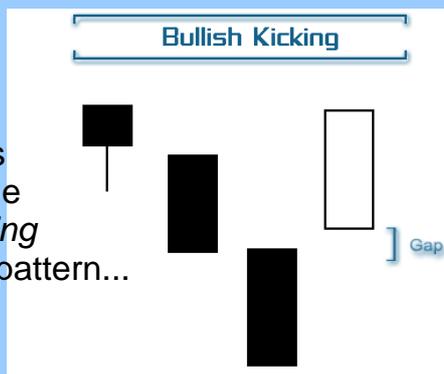- Have your Work Sheet handy.
- Have a calculator handy.

3

Click to add title

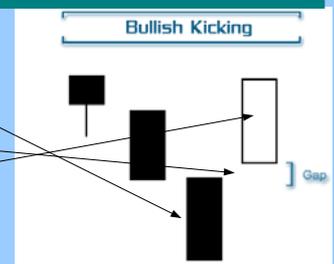## Last month's recap

4

Recap — Candle patterns

Last month, Ilia Bermous described the *Bullish Kicking* candlestick pattern...

Bullish Kicking pattern

- After down trend or consolidation
- A tall black candle
- Price gaps up
- Marabozu
- Both candles have no shadows or only very small shadows
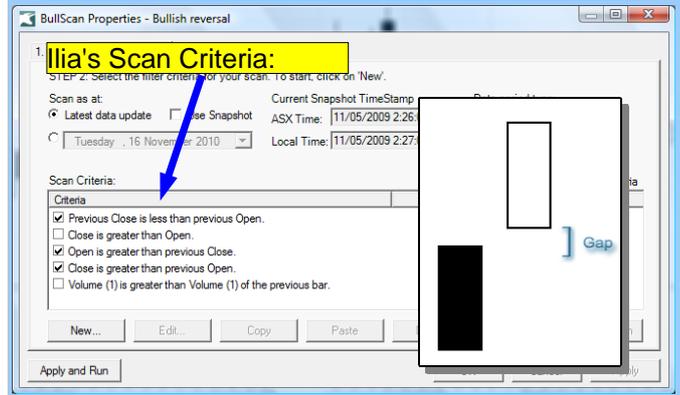- Confirmation of the reversal on the third day should be sought.

6

Time periods?

Bullish Kicking pattern
can be observed on
daily, weekly, monthly charts

BullCharts Scan Criteria
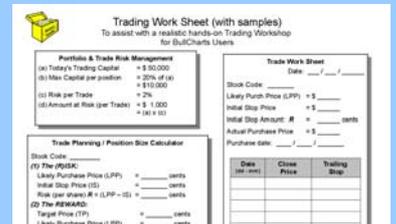

Click to add title

Trading
paper work....

The Trading Worksheet

This one as several elements:

- Portfolio & Trade Risk Management
- Trade Planning / Position Size Calculator
- Pictorial Diagram
- Trade Work Sheet

Portfolio & Trade Risk Mgt

Portfolio & Trade Risk Management	
(a) Today's Trading Capital	= $ 50,000
(b) Max Capital per position	= 20% of (a)
	= $10,000
(c) Risk per Trade	= 2%
(d) Amount at Risk (per Trade)	= $ 1,000
	= (a) x (c)

Position Size Calculator

Trade Planning / Position Size Calculator

Stock Code: _____

(1) The (R)ISK:
Likely Purchase Price (LPP) = _____ cents
Initial Stop Price (IS) = _____ cents
Risk (per share) $R = (LPP - IS)$ = _____ cents

(2) The REWARD:
Target Price (TP) = _____ cents
Likely Purchase Price (LPP) = _____ cents
Reward (per share) = (TP-LPP) = _____ cents

(3) Reward:Risk Ratio
$$\frac{Reward}{(R)isk} = \text{--------------} = \text{--------}$$

(4) Parcel size (number of shares)
$$\frac{Amount\ at\ risk\ (d)}{R(isk)} = \text{--------------} = \text{--------}$$

(5) Value of this parcel
Parcel Size x LPP = $ _____
Q: Is this parcel value less than (b) ?

Pictorial Diagram

sample price

Target Price (TP)

$20

$15 — Likely Purchase Price (LPP)

$13

recent trading range

$10 — R(isk)

$9 — Initial Stop

Reward

13

Trade Work Sheet

Trade Work Sheet

Date: ___ / ___ / _____

Stock Code: _____

Likely Purch Price (LPP) = $ _____

Initial Stop Price = $ _____

Initial Stop Amount: **R** = _____ cents

Actual Purchase Price = $ _____

Purchase date: ___ / ___ / _____
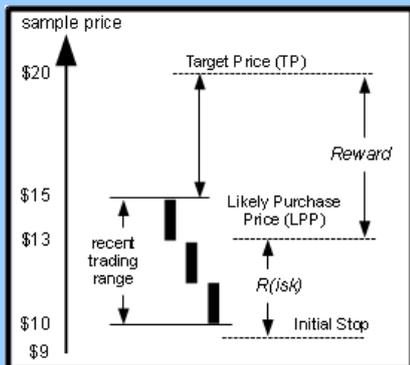
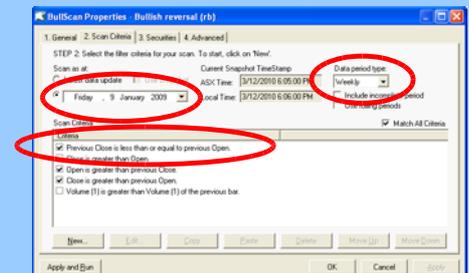| Date (dd - mm)	Close Price	Trailing Stop

14

Click to add title

Case Study
Exercise #1

15

Let's run BullScan

- Run scan as at Friday 9 January 2009
- Weekly (and a minor change to criteria)
- across the Small Ords index

Would you take this trade?

ACR — Acrux Limited

17

Complete the paper work

Determine your RISK:

- Likely Purchase Price (LPP)
- Initial Stop (IS)
- RISK per share

18

More paper work

Determine your REWARD:

- Target Price (TP)
- Likely Purchase Price (LPP)
- REWARD per share

Reward to Risk Ratio

$$\frac{\underline{Reward}}{(R)isk}$$

Position Size

Position size (the number of shares to buy):

$$\frac{\underline{Amount\ at\ risk\ (d)}}{(R)isk}$$

Value of this parcel

The Parcel Size x LPP = $ _____

QUESTION:
Is this parcel value less than item (b)??

Trade Work Sheet

- If we place the trade,
  note the Actual Entry Price.
- Complete the details at the top of the
  Trade Worksheet.

- Now let's go forward a week or two....

Click to add title

(now flip to BullCharts ....)

SUMMARY

- Recap last month's candlestick pattern Bullish Kicking pattern
- Trading example
- With trade management, risk management and paper work.

- HOW DID WE GO?

Click to add title

(the end)