



Brainy's Articles on Share Trading

Robert's JB+AH strategy

Article No:
ST-6407
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Jan 2012

This article
is NOT free*

Introduction

To be successful at investing in the share market, it can be said that an investor or trader needs to utilise a sound strategy. The overall strategy ought to comprise a clear understanding of the underlying objectives, and constraints, as well as a clear description of which financial instrument(s) will be invested, and how the selection process will work. A good introduction to this topic is included in some of Brainy's other eBook Articles.

This Article in Brainy's series on Share Trading (number ST-6407) describes one possible investing strategy **which is not guaranteed to be successful**; but which does explain the concept of strategies and the steps in the preparation process. **Hence this Article is for education only!!** Readers should also refer to other Articles on risk and money management in Brainy's series of Articles on Share Trading. A suggested list is included on the last page of this Article.

Robert's JB+AH Strategy — overview

The sample (and not guaranteed) strategy that is described herein is named **Robert's JB+AH Strategy** because it is a combination of key elements of the thinking of both Jim Berg (JB) and Alan Hull (AH). This strategy is basically looking for an over-sold situation with the stock now rising (without being over-bought) and is based on using End-of-Day data, and could be implemented by devoting only a couple of hours each week; but for better returns should utilise an hour or so each trading day.

This sample strategy has not been thoroughly back-tested, so will be susceptible to refinement over time. And, in fact, it might eventually be labelled a total failure. This sample strategy is explained here in this eBook Article only as an example to demonstrate the concepts and ideas.

This strategy is described here in the context of selecting Australian stocks for investment (or short- to medium-term share trading), and investment could take place by share purchase, or CFD share contracts (even though we do NOT recommend trading in CFDs). The strategy need not apply only to the Australian market, nor to these financial instruments.

This strategy uses cherry-picked elements of two publicly available and existing strategies and indicators that have been developed by two of Australia's leading traders and book authors:

- Jim Berg's **JB Volatility Profit Taker** indicator, and
- Alan Hull's **ActTrade Range+** indicator.

The crux of this strategy is a two-step process:

1. Use the **JB Volatility Profit Taker** approach on a daily chart to identify the stocks that have recently been flagged as "Start" (ie. volatile and over-sold). This could be achieved using appropriate charting software with the relevant scanning or filter tool (Robert uses the Australian *BullCharts* software).

2. Then scan through the stocks flagged in step 1, using the **ActTrade Range+** indicator on a weekly chart to confirm a rising trend, without an over-bought share price.

This is essentially utilising the trading notion of a "trade set-up" situation in step 1, with the result of step 2 being a clearly defined "entry trigger". The exact criteria that defines the entry trigger are explained in the following pages of this eBook Article.

A price chart showing both the trade set-up and entry trigger is shown in Figure 1, with more details and explanation included in the following pages.



Figure 1: The price chart for
Robert's JB+AH Strategy.