



Brainy's Articles on Share Trading

Sample trading strategies

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This article
is free*

Introduction

Alan Hull is a well-known Melbourne-based share trader and author. He specialises in helping others to trade and invest in Blue Chip shares.

Alan has authored several books including "*Blue Chip Investing*" and "*Active Investing - a complete answer*", both published by Wrightbooks (the Australian business and finance publisher, now an imprint of international publishers John Wiley — <http://au.wiley.com>). More information about Alan's books is available from www.alanhullbooks.com.au.

Alan also speaks extensively throughout Australia, and publishes newsletters including the ActVest newsletter, and the weekly Blue Chip report. Alan has much information available from his web site www.alanhull.com.

Alan utilises a combination of Fundamental and Technical Analysis, and some of Alan's methods are incorporated as scans or indicators in the BullCharts charting software.

This article in Brainy's series on Share Trading (number ST-6420) provides a brief overview of some of Alan's teachings, and should be read in conjunction with the Technical Analysis article number TA-6150, "*Alan Hull — MMA, Range, ROAR*", and the BullCharts article number BC-26-200, "*Author Strategy — Alan Hull*".

Strategy overview

Alan Hull promotes the following elements:

- Active investing — using a combination of fundamental and technical analysis.
- Focus on the shares of blue chip companies.
- Take note of the Rate of Annual Return (ROAR), and avoid stocks with a low ROAR.
- Study the price chart with Multiple Moving Averages (MMA) to identify acceptable uptrends.
- Note the current price relative to recent price performance using a multiple of the Average True Range (ATR). Alan has devised the *Range Indicator* to assist with this.
- A trading strategy that encompasses the above, and explains more about stock selection, as well as when to take profits and when to sell.
- Risk management — to help make sure that the money that is risked on stock purchases is the right amount, and properly managed to minimise relevant risks (eg. position risk, sector risk, portfolio risk).

Alan's ActVest Newsletter covers these topics and more, and assists with identifying potentially acceptable stocks. See Alan's web site for more details (web address above).

An overview of some of the elements listed above is provided in the notes below. The Technical Analysis items (ie. MMA, ATR) are explained briefly in relevant Technical Analysis articles in Brainy's series (eg. TA-6150). A number of these elements are implemented in the BullCharts charting software as scans, or indicators — see article BC-26-200 for more details.

Blue Chip companies

Okay, consider these questions:

- There are more than 2000 companies listed on the Australian stock market, so which ones should we consider investing in? All of them? Or just a small group?
- Some listed companies are not what we would call quality companies, so how do we find out which ones are "quality" companies?
- It would be good to invest in companies that are more likely to return profits in both good times and bad times, so how do we find these?
- Ideally we will invest in a company that is here for the long term, and not one that might be gone tomorrow, so how do we find these?