



Brainy's Articles on Technical Analysis

Daryl Guppy — Count Back Line (CBL)

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Introduction

Daryl Guppy is a well-known technical analyst, share trader and author with business operations in Australia, Singapore, Beijing and Malaysia. The *Guppy Traders* company has been providing independent education, training, analysis and resources for retail and professional financial market traders involved in stocks, CFDs, warrants, derivatives, futures and commodities since 1996.

In this article in Brainy's series on Technical Analysis (number TA-6250) we take a look at the Count Back Line (CBL) chart tool indicator. For more information on some of Daryl's teachings, methods and strategies, see Brainy's Share Trading article number ST-6430, "*Sample trading strategies — Daryl Guppy*", as well as Daryl's own web site, books and newsletters.

For details about how some of Daryl's methods are implemented in the BullCharts charting software, see Brainy's article BC-26-300, "*Author Strategy — Daryl Guppy*".

Note that the screen shots and the Count Back Line samples shown in this article are all using the BullCharts charting software. The appearance of these tools in other charting packages could be different.

Count Back Line

The Count Back Line (CBL) is a volatility based charting tool developed by Daryl Guppy. It can be used on end-of-day data when trading both long and short, and can be used to assist with each of:

- setting a stop loss
- trade entry
- trade exit.

The CBL should not be used in isolation; but with another tool for confirmation (eg. simple trend line, or an MMA like the GMMA).

CBL — How to determine?

To describe how to determine the CBL Stop Loss position, let's look at the situation for a long position as in Figure 1 at right. The same method applies to the other applications described below.

- Firstly, identify the **most recent** Highest High (HH) price candle.
- Now drop to the bottom of that candle, and look back along the chart until you can see a Lower Low (LL).
- Drop to the bottom of this Lower Low (LL) candle, and look further back along the chart until you can see a new Lower Low (LL').
- The bottom of this candle (LL') is the second Lower Low from the original Highest High candle. The bottom of this candle (LL') is used as the Stop Loss level for future price action — until a new Higher High is encountered.

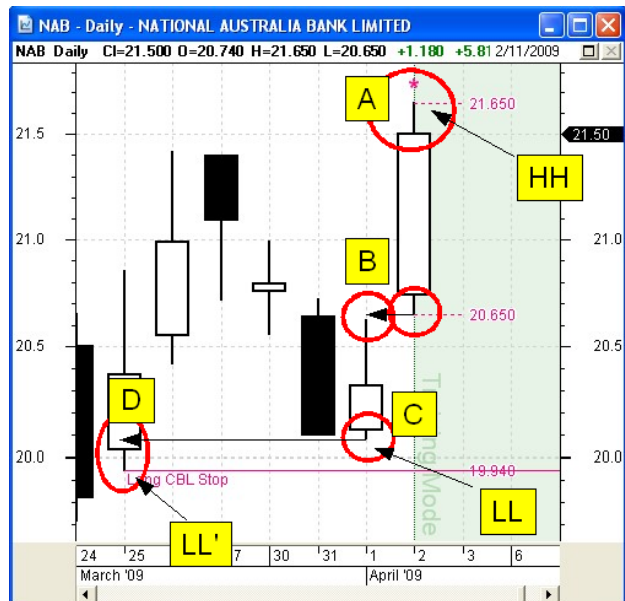


Figure 1: How to determine the CBL position.

In the text and samples below, the CBL position is always determined using this method (or upside down for short positions).