Trading/Investing Strategies & Technical Analysis Searching for a Trading Strategy

Robert Brain

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Version 1

for a Strategy

Introduction

When starting out in the business of share trading or investing, many people are confused by the huge range of possible analysis methods and strategies.



Searching for a Strategy

Introduction

When starting out in the business of share trading or investing, many people are confused by the huge range of possible analysis methods and strategies.

Even with experience, some traders who use *discretionary analysis* methods manage to overlook some **basic principles**.

So, let's go "back-to-basics"...



Searching for a Strategy

How can this help you?

- Are you looking for trading ideas for your trading/investing strategy?
- How to go about it?
- Perhaps you are an advanced trader/investor and overlooking something? So looking for clues to tweak your strategies?





Session purpose

By group discussion (to share):

- 1) To look at some *key considerations* for a trading/investing strategy
- 2) To discuss the **pros and cons** of some of the elements of a strategy.

Your input will be requested!! (of relevance to both novice and advanced)





Strategy elements

Some topics that ought to be covered need a lot of time, so cover briefly, or skip over today

- Trading Plan / Strategy elements
- How much capital?
- Trading objectives
- Position sizing
- Risk management
- Markets to trade
- Results targets (eg. win/loss ratio)
- Trading time frame
- Market cap
- Stock universe
- Sector
- Liquidity

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Market cap — Does it matter? • Large cap (> ~\$1.2b) • Mid cap (> ~\$500m) • Small cap (> ~\$50m) • Micro cap (< ~\$50m) Stock universe? Market cap Strategy • Smaller cap stocks can be illiquid Large cap stocks are well researched with many broker recommendations, and traded by many "investors" · Some traders draw the line at a particular market cap (eg. \$50 million, etc.). © Copyright 2019 Robert B. Brain — Brainy's Share Market Toolibox — www.robertbrain.com Searching for a Strategy Sector focus — Is it useful? • There are 11 sectors to choose from

Sector focus

- · Could choose to ignore specific sector(s)
- Or to focus on specific sector(s)
- Look for "best performing" sectors?
 - But, how to define "best"?
 - Miss out on performing stocks in poor performing sectors.





Liquidity — Does it matter?

- Is liquidity important?
- Define liquidity...





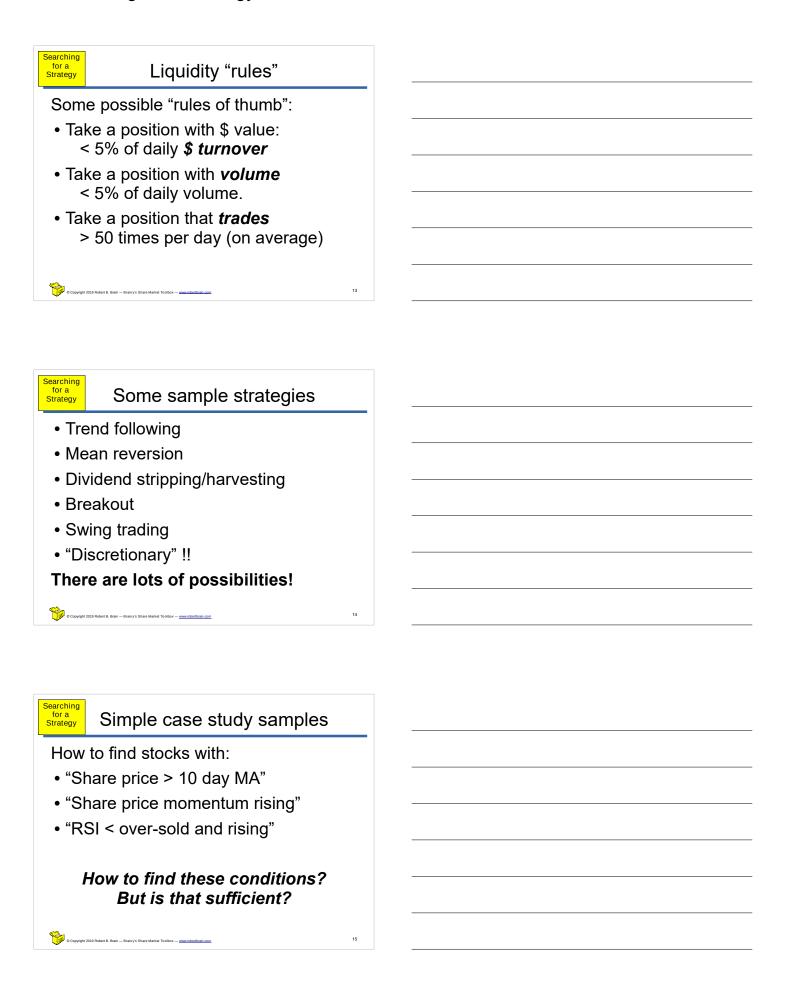
Searching for a Strategy

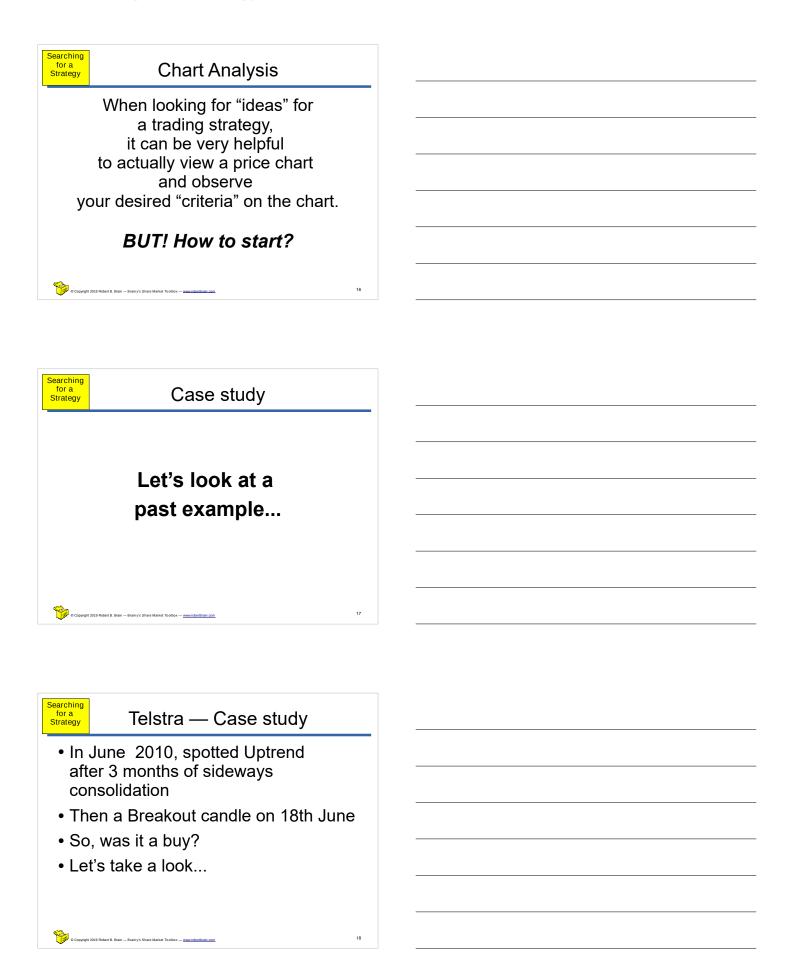
Liquidity

What might happen if you hold a \$20,000 position and want to sell it quickly? If this stock:

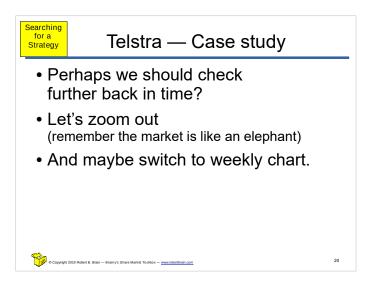
- ...tends to trade only 10 times each day?
- ...turns over \$100,000 each day (ie. your position is 20%)















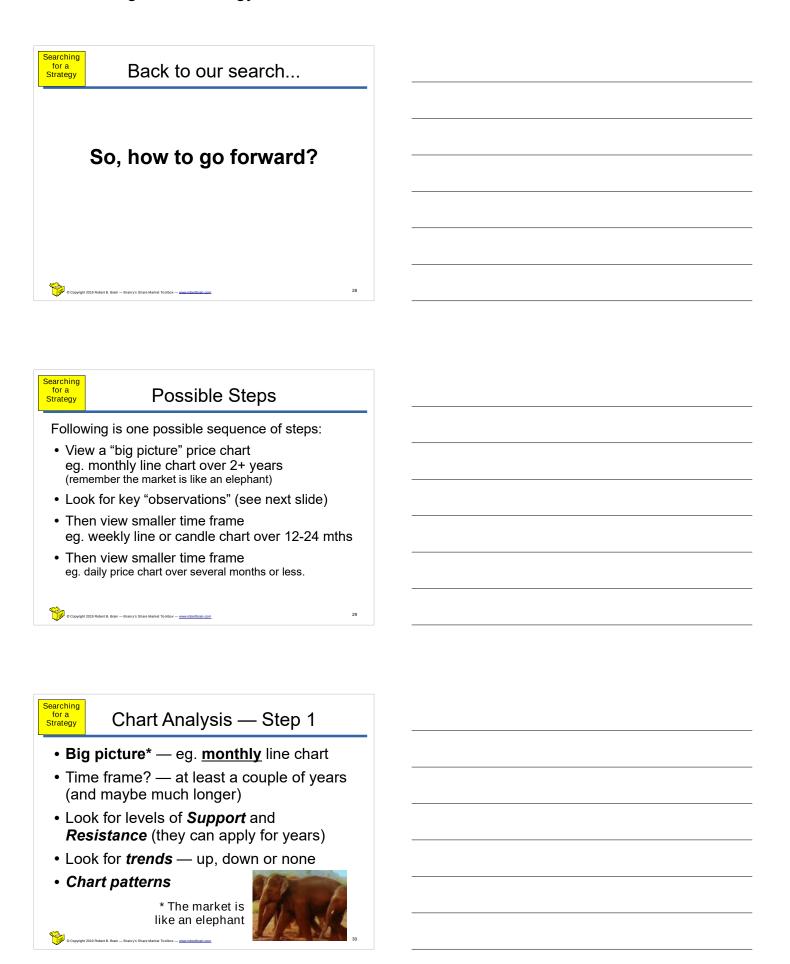








Searching for a Strategy	Telstra — Case study	
Less	ons / conclusions:	
• Big	gger picture charts are useful	
	eful to use different periods daily, weekly, monthly)	
• Tre	ends — can occur within trends	
	pport and resistance n be sustained over time.	
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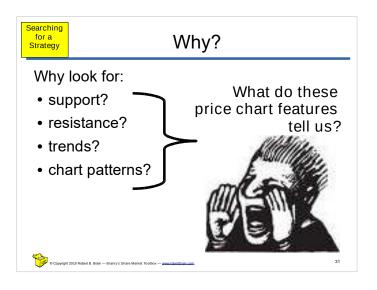






Chart Analysis — Step 2

Repeat step 1, except for **shorter term**:

- Shorter term eg. weekly chart
- Time frame? perhaps 12-24 months
- Candle chart (or bars) can be useful
- Support and Resistance
- Look for *trends* up, down or none
- Chart patterns



Strategy

Chart Analysis — Step 3

Repeat previous, except for **shorter term**:

- Shorter term eg. <u>daily</u> line chart (or even candles / bars)
- Time frame? a few months
- Support and Resistance
- Look for *trends* up, down or none
- · Chart patterns



Searching for a Strategy

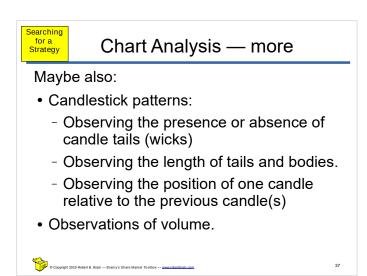
Chart Analysis — Step 4

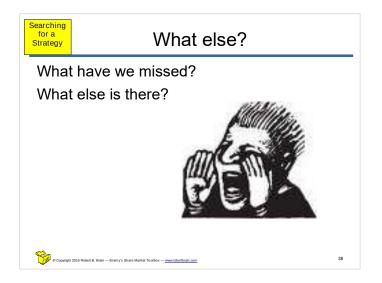
Utilise chart indicators to

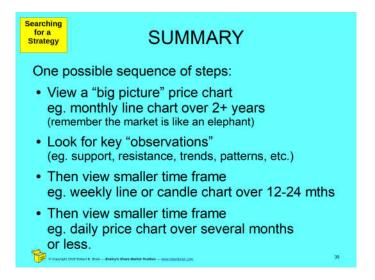
help understand what has been happening:

- Trend, and trend strength (eg. MA, ADX, ROAR, etc.)
- Price momentum (Momentum, etc.)
- Price volatility? (eg. ??)
- Price over-sold / over-bought (eg. RSI, Stochastic, etc.)
- Volume indicators?









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