



# Brainy's Articles on Technical Analysis

## How to spot a raging share price

Article No:  
**TA-6520**  
page 1 of 11  
February 2022

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When trying to trade or invest in the markets, many people search around for various clues and ideas that will help them make money. Nobody wants to lose money to the market so any sound ideas that can help us will set us up to be in a better position than just guessing, hoping or wishing.

However, there are thousands of ways to do this, and many different possible ideas and strategies. And many of them are sound, and can work in a variety of circumstances. But none of them are guaranteed to be successful, and none are guaranteed to be reliable.

In this eBook PDF article we look at one case study example and study some of the technical analysis aspects of the price chart. This particular stock rallied more than 3,000% in just 12 months. If only we could easily find more of these.

### Introduction

Unfortunately, there are many, many different ways to go about tackling the stock market, and many of them are correct. And what's confusing is that one strategy that works for one person might not work for another person. Among the many different ways to invest or trade, the strategies generally fall into a few different types. One way that many investors and traders go about this is to use a *Trend Trading* strategy, often also referred so as a *Momentum* strategy. This generally refers to a share price that is rising over time – in an *uptrend*.

The catch is that there are many ways to define an uptrend, depending on a number of different factors, and the investor's own investing/trading goals. For instance, should we peruse price charts and do some analysis on a daily basis on daily price charts, or is a weekly basis sufficient?

Further to this, many investors would love to find an uptrending stock that is going to become a *ten bagger* – referring to a massive return on investment – and for equity traders this refers to a massive share price increase. Now these situations are very difficult, or nigh on impossible, to spot in advance; but there are ways to spot stocks that might become a *ten bagger*.

In this Article in Brainy's series on technical analysis, TA-6520, "*How to spot a raging share price*", we start out by exploring the notion of *trend trading*, and then we explore ways that we can spot a stock in an *uptrend*. But further than that, we want the uptrend to be a strong and continuing uptrend. Too often, many investors find strongly uptrending stocks and jump on board, only to discover that the stock becomes over-bought, and finds a shortage of investors who are prepared to keep paying higher prices, resulting in a share price fall from which it doesn't recover quickly.

In this article we specifically study the share price performance of Vulcan Energy (ASX:VUL) over the period from December 2019, when it began a rise of more than 3,000%. Note the price chart at right which shows that the share price rose more than 3,000% over a 12 month period (a larger version of this chart is included over the page). In fact, from December 2019 to January 2021 – the share price rose 3,925 per cent over 52 weeks! Yes, that's right. It went up nearly four thousand per cent, from around 15 cents to over \$4 and higher in just one year. An investment of \$1,000 would have risen to about \$40,000.



Wouldn't it be nice to be able to "predict" share price rises like this? Well, we are not in the game of predictions, but there ought to be signals in the price charts and the technical analysis indicators that can help us spot these early in the run. So let's explore that in the material below.

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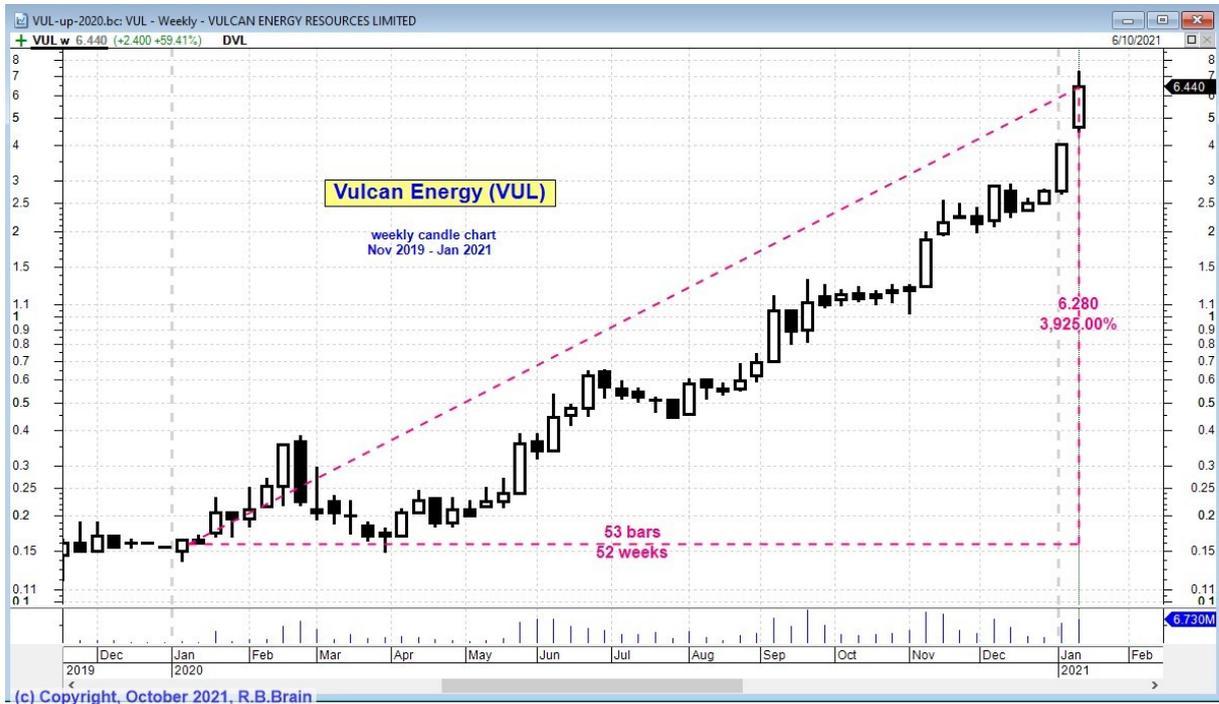


Figure 1: Vulcan Energy (VUL) - Share price increase of 3,925% over 52 weeks.

### Trend Trading

As stated above, among the many different ways to invest or trade, the strategies generally fall into a few different categories. One of these is known as a *trend trading* strategy. This generally refers to a share price that is rising over time – in an *uptrend*. Basically this is where you identify a stock whose share price is in an *uptrend*, and you simply join the trend. Hence it has been said that *the trend is your friend*.

Why is this the case? Well, one of the six tenets of Dow Theory says that [once a share price trend is in place, it is likely to continue](#). Many investors would love to find an uptrending stock that is going to become a *ten bagger* – referring to a massive return on investment and for equity traders this refers to a massive share price increase. Now these situations are very difficult, or nigh on impossible, to spot in advance; but there are ways to spot stocks that might become a *ten bagger*. The catch is that there are many ways to define an *uptrend*, depending on a number of different factors, and the investor's own investing/trading goals.

### Case Study – Vulcan Energy

Briefly, the company now known as Vulcan Energy Resources Limited (ASX:VUL) was previously known as Kopper Resources Limited (KRX). In late 2019 the company completed the acquisition of the Vulcan Lithium Project in the Upper Rhine Valley of Germany. On 8 July 2020 the company announced it had signed an investment agreement with EU-backed EIT InnoEnergy for staged cash investments into Vulcan. There were also many news announcements in early 2020 relating to various changes within the company and their operations. In the case of Vulcan Energy, much of this news impacted the share price at times.

Diligently watching these company announcements might have given some insights into eventual share price increases; but watching the news of many companies in the hope of finding one prospect can be very time consuming.



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