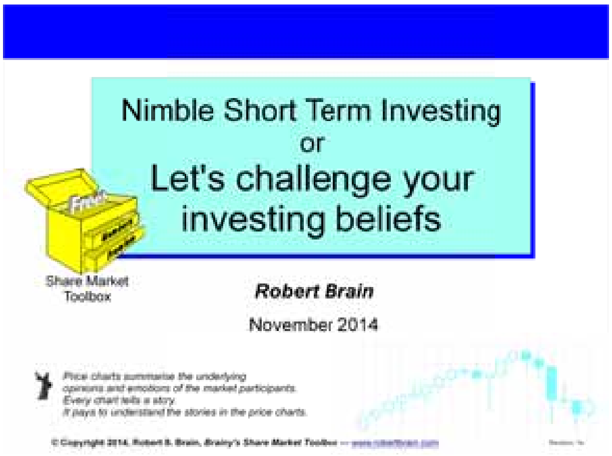
Nimble Short Term Investing
or
Let's challenge your investing beliefs
Share Market Toolbox
Robert Brain
November 2014
Price charts summarise the underlying opinions and emotions of the market participants.
Every chart tells a story.
It pays to understand the stories in the price charts.
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Introduction
Let's challenge your beliefs
There are many possible investing strategies.
And many are "right".
Here is just one approach:
Nimble Short Term Investing
Also in today's live presentation:
Where's the market going?


Introduction
Nimble Short Term Investing
The term "Nimble Short Term Investing" refers to a particular investing style that is applicable to investing in the equity market (the share market).
This investing approach adopts specific views and interpretations.
Some of it's underlying principles challenge conventional wisdom.

Introduction

Interactive...

- Please ask questions.
- Let's discuss details.
- Any price charts prepared with BullCharts software.

BullCharts www.bullcharts.com.au

Every chart tells a story.
It pays to understand the stories in the charts.

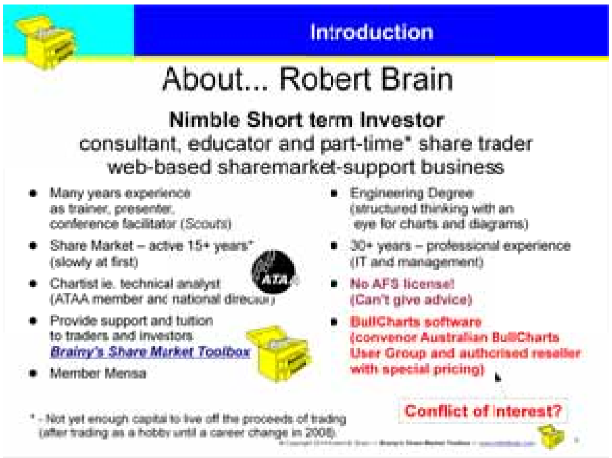
Introduction

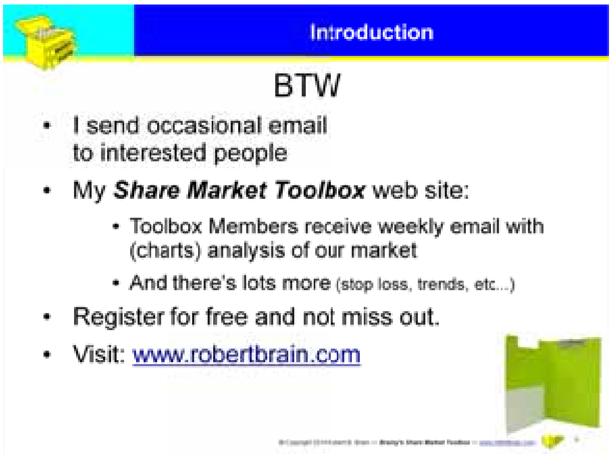
Important Notice — No Advice!

- This presentation does not include any advice.
- For proper advice, your personal financial situation needs to be considered.
- This presentation is pure education, only for your general awareness.
- There are no recommendations to take any action, or to invest any money in any way.
- Always consult a properly licensed advisor before making investment decisions.

Introduction

Important Notice


Introduction
About... Robert Brain
Nimble Short term Investor
consultant, educator and part-time* share trader
web-based sharemarket-support business
Many years experience as trainer, presenter, conference facilitator (Scouts)
Share Market – active 15+ years* (slowly at first)
Chartist ie. technical analyst (ATAA member and national director)
Provide support and tuition to traders and investors
Brainy's Share Market Toolbox
Member Mensa
Engineering Degree (structured thinking with an eye for charts and diagrams)
30+ years – professional experience (IT and management)
No AFS license! (Can't give advice)
BullCharts software (convenor Australian BullCharts User Group and authorised reseller with special pricing)
Conflict of interest?
* - Not yet enough capital to live off the proceeds of trading (after trading as a hobby until a career change in 2008)


Introduction
BTW
I send occasional email to interested people
My Share Market Toolbox web site:
Toolbox Members receive weekly email with (charts) analysis of our market
And there's lots more (stop loss, trends, etc...)
Register for free and not miss out.
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Introduction
Q & A ?
Any questions to start with?

Nimble Short Term Investing

Nimble Short Term Investing

Nimble Short Term Investing

Investing objectives

1. Short to medium term capital improvement (days, weeks, months; and maybe for years but not necessarily).
2. Maximise returns by optimising the entry and exit (ie. *time the market*).
3. Protect capital from downside risk by using an active approach.
4. Investment income (ie. dividends) is not important and will not be a distraction.

Nimble Short Term Investing

Time frame and horizon

- Crystallise profits in short to medium term;
- Ignore the long-term buy-and-hold approach;
- Spend a maximum of about 1 hour per day, or up to 6 hours per week on this and related activities;
- Be sensible with balancing the amount of time against the end results;
- Be wary of over-analysis, and excessively complicated analysis.

Nimble Short Term Investing

Underlying principles (1-3*)

1. ***The opinions and emotions of market participants are summarised in the price charts.***
2. Some finance industry professionals are biased, or have a vested interest, or deliver conflicted advice. So do not automatically believe what we hear.
3. Many industry professionals and commentators provide advice and comment that is irrelevant and misleading — so ignore it! (eg. based on the long term buy-and-hold approach and broad diversification to minimise risk).

* 1 to 3 of 10 underlying principles

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Underlying principles (4-6*)

4. Be cautious about so-called *Wall Street words of wisdom* and such clichés (eg. "*a rising tide lifts all boats*") because some are furphies.

5. *Intrinsic value* and *value investing* — These notions are not helpful and are ignored.
6. *Cyclical investing* — This is not helpful and is ignored.

* 4 to 6 of 10 underlying principles

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Underlying principles (7-10*)

7. Utilise *fundamental analysis* but only to a small degree.
8. Heavily utilise *technical analysis* to more accurately time the entry and exit.
9. The general sentiment of the local market can influence stock prices — use it to fine tune and influence the risk and money management approach.
10. *Inter-market analysis* is useful — use it to fine tune and influence the risk and money management approach.

* 7 to 10 of 10 underlying principles

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Investing psychology

(a) One's own emotional state can strongly influence investment decisions and performance. Understand the forces at play and stay calm.

(b) Cognitive and behavioural biases can sub-consciously sway investment decisions. Be aware of potential biases and actively counter their influence.

(c) We cannot be 100% accurate with investment decisions. There will be losing positions, so accept this, cut losses quickly, and move on.

(d) Some closed positions will turn and in hindsight could have been winners, so accept this and move on.

Behavioural finance

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Stock, sector and market analysis

1. The fundamentals of stocks are somewhat useful, but limited — so don't over-do *fundamental analysis.*
2. Ignore *sector analysis.*
3. *Blue chip* stocks? — This term is not helpful.
4. IPOs — Do not participate in IPOs (after floating, too many of them are under water for too long).
5. Dividends — These are useful, but are not the primary objective, so don't focus or rely on dividends, and be cautious about making stock selection decisions based on dividend returns.

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Stock selection strategies

- There are many ways to select stocks, so decide on one or two strategies and don't be distracted by others.
- The chosen stock selection method for this approach is *trend following* (ie. stocks in a confirmed rising trend).
- Utilise *back testing* and *paper trading* strategies to increase the confidence of the strategy details.

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Strategy details

1. Both 15 and 30 week SMA rising for at least three weeks (on weekly chart)
2. MACD low (prefer below zero)
3. Prefer steadily rising weekly candles
4. Prefer Wilson ATR Trailing Stop (WATRTS) indicator to be rising every few weeks.
5. Exit:- In ranging market daily close below WATRTS, exit on next open.

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Money management (1-4 of 8)

1. Confirm the *exit strategy* details before entering a position.
2. Some investment positions will be losers — that's okay.
3. A *win/loss ratio* of only 40% is fine (provided the losses are kept small and the profits are relatively high).
4. Let profits run. If appropriate, take some money off the table to capture profits.

Nimble Short Term Investing

Money management (5-8 of 8)

5. Don't close a position just because it has met a *price target*, or because it is making huge profits.
6. "Risk" no more than 2% of total capital on any one position (the "2% Rule").
7. "Commit" no more than 20% of total capital to any one position.
8. Optimise the *position size* using a *position sizing tool*.

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Risk management

(a) Consider aspects of *funda-technical analysis* to minimise the risks
ie. look for low debt/equity ratio and consistent returns on equity.

(b) Stock liquidity — Only invest in liquid stocks
ie. daily trades > x, and
daily volume or value > 20 times the position size.

(c) Monitor positions at least weekly, and
if an exit condition (or stop loss) is met,
then action it according to the exit strategy.

Summary & Wrap up

Nimble Short Term Investing

This refers to a particular investing style that's applicable to investing in the equity market.

It adopts specific views and interpretations.

Some of it's underlying principles challenge conventional wisdom.

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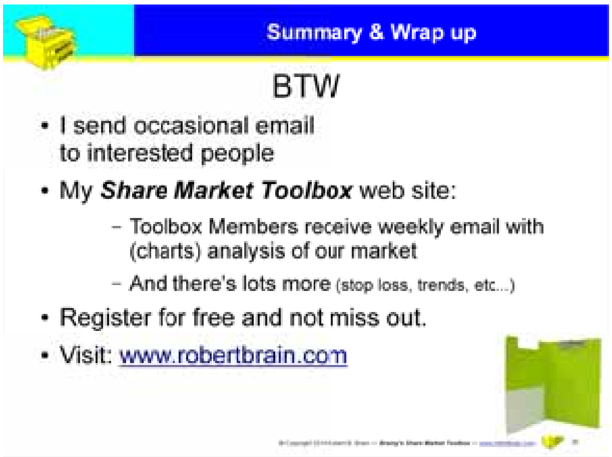
Summary & Wrap up

Q & A ?

Any questions?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