This presentation...

... was originally prepared for presentation to our EMG (private traders group) meeting in 2011, and is now updated for general sharing and the BCUG (BullCharts User Group) in February 2020.

It leads a discussion on the topic of stock liquidity.

That is, shares that are "liquid" versus not liquid. This is because when a trader/investor might want to close a share market position, they need to be able to sell their holding quickly and without moving the share price. Thinly traded stocks are therefore considered here to be "illiquid".

Trading/Investing problems

1) Are we interested in trading/investing in
   ANY / ALL listed stocks?
   (ie. the ASX stocks, ignoring overseas).
   If so, should we focus on just some, or
   all of them possible candidates?
2) Is there a maximum *position/parcel size*
   of which to be mindful?
   Or can we buy as many shares
   as we can afford?

Consider this...

Let's start by considering these questions. Because this will tell us something about what we are thinking, and help to guide our thinking on this topic, and we might even make some progress regarding some key aspects of our trading strategy.

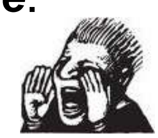
Problems

1) Some stocks are thinly traded (not very "liquid"), and might ***trade**** as little as six times per trading day (ie. once per hour).

2) For some stocks, a large parcel size might be as big as one half of the day's ***trading value***, or one half of the day's ***trading volume***.

Can this be a problem?

(see examples on next slide)



* — One ***trade*** is one buy/sell transaction involving one "parcel" of shares.

Here are some potential problems

Consider the thoughts raised on this slide, and step back and ask ourselves if this might be a problem.