



The slide features a blue header with the text "Brainy's Share Market Toolbox" and a yellow toolbox icon. The main title "Stock Liquidity" is in a light blue box. Below it, the author's name "Robert Brain" and the date "July 2022" are displayed. A quote by Robert Brain is accompanied by a small image of a wizard and a line graph showing market fluctuations. The footer contains copyright information and a version number.

Brainy's Share Market Toolbox

Stock Liquidity

Robert Brain
July 2022

"The share market can seem mystical and almost like black magic; but with the right support and assistance, it just seems like magic."
Robert Brain

© Copyright 2022, Robert B. Brain, *Brainy's Share Market Toolbox* — www.robertbrain.com Version 2b

This presentation...

This version was presented to the ProTrader International Workshop in Kuala Lumpur in July 2022. Earlier versions were prepared for presentation to our EMG (private traders group) meeting in 2011, and then 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”.



Introduction

Stock liquidity

Let's assume:

- We want to be able to buy, and sell, a parcel of shares, with no fuss, and without influencing the share price; and
- When it comes time to sell our shares, we want to be able to **sell quickly** (ie. there needs to be buyers ready in the market).

© Copyright 2022 Robert B. Brain — *Brainy's Share Market Toolbox* — www.robotbrain.com

2

Stock liquidity

If we are keen about protecting our capital, and if we are prepared to sell a position if the share price is looking weak, or actually falling, then we need to think about this.

We really want to be able to sell the position quickly. If the stock is not normally traded very much during a typical day, then it is unlikely that buyers will be on hand when we want to sell.



Introduction

Here's a thought or two ...

- 1) Are we interested in trading/investing in ANY, or ALL, listed ASX *stocks**?
(ignoring overseas stocks)
If so, should we focus on just some, or all of them as 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?

* – “stocks” here refers loosely to all ASX listed securities, equities, ETFs, etc.

© Copyright 2022 Robert B. Brain — *Brainy's Share Market Toolbox* — www.robotbrain.com

3

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.



Introduction

Session objective

- Consider the issues with *stock liquidity*
- On the ASX, many stocks are NOT “liquid”?!
- How to define *liquidity*?
- Study:
 - The daily turnover – *volume*, and *value*
 - The number of *trades* each day.



© Copyright 2022 Robert B. Brain — *Brainy's Share Market Toolbox* — www.robotbrain.com



4

Stock liquidity

If we are keen about protecting our capital, and if we are prepared to sell a position if the share price is looking weak, or actually falling, then we need to think about this.

We really want to be able to sell the position quickly. If the stock is not normally traded very much during a typical day, then it is unlikely that buyers will be on hand when we want to sell.



Introduction

Session objective

This session may help you with:

- Sound risk management, and
- Help with key criteria for stock selection (a *stock universe*), and
- Might help with parcel/position size.

This will be an interactive session with your frequent input...



© Copyright 2022 Robert B. Brain — *Brainy's Share Market Toolbox* — www.robertbrain.com

5

Stock liquidity

If we are keen about protecting our capital, and if we are prepared to sell a position if the share price is looking weak, or actually falling, then we need to think about this.

We really want to be able to sell the position quickly. If the stock is not normally traded very much during a typical day, then it is unlikely that buyers will be on hand when we want to sell.



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.



© Copyright 2022 Robert B. Brain — *Brainy's Share Market Toolbox* — www.robotbrain.com



6

Please note: No Advice

**This presentation
does not include
any advice!**

**It is for
general education
only.**



Introduction

Important Notice



✔

© Copyright 2022 Robert B. Brain — *Brainy's Share Market Toolbox* — www.robotbrain.com



7

No Advice!!