

# Robert's presentation to U3A Manningham Sharemarket Group

## The Share Market

Special U3A discussion and presentation

June 2011

"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**



### Brainy's Share Market Toolbox

#### Today's Agenda

- (1) Candlesticks
- (2) Volume (is important)
- (3) Stop Loss
- (4) Contrarian Investing Redefined?
- (5) Q & A?






### Brainy's Share Market Toolbox

#### 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.





### Brainy's Share Market Toolbox

#### Important Notice





### Brainy's Share Market Toolbox

#### Iluka Resources?

- Back in April we looked at Iluka Resources:
- and today?



### Brainy's Share Market Toolbox

- Iluka today:

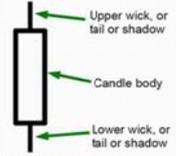


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## Candlesticks

- A candle on a candlestick chart summarises the price action in one "period".
- On a Daily chart — one candle summarises one day's price action to show:
  - Open,
  - Close,
  - High,
  - Low.
- On a Weekly chart — one candle summarises one week's price action.



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## White candle (or green)



White (hollow) candle "up day"

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## Black candle (or red)



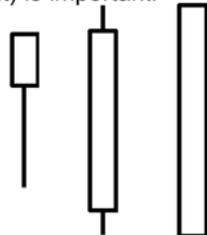
Black (filled) candle "down day"

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## All shapes & sizes

Candle body and tail(s)

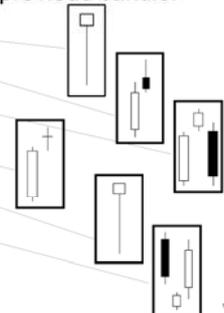
- Their presence or absence is important
- Their length (ie. their height) is important.



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## Candle patterns — small bodies

- With or without a gap from previous candle.
- Hanging Man (at tops)
- Shooting Star (2-candle pattern)
- Evening Star (3-candle pattern)
- Doji Star (2-candle pattern)
- Hammer (1-candle pattern)
- Morning Star (3-candle pattern)
- Inverted Hammer (not shown, 1-candle pattern)

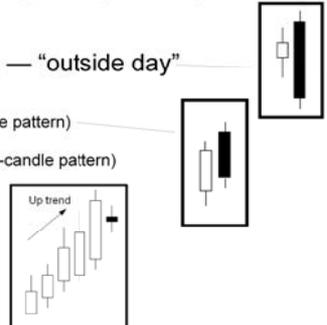


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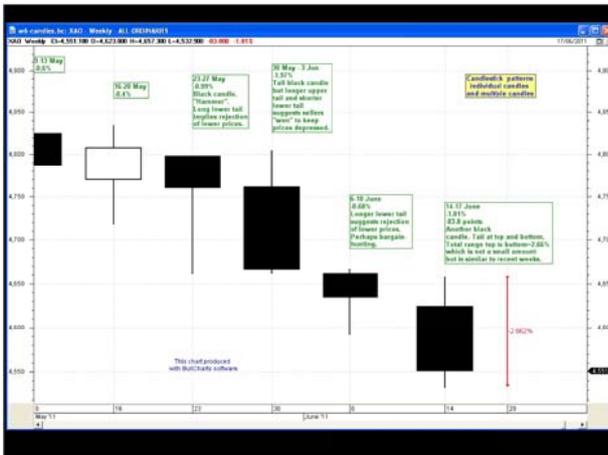
## Patterns — engulfing and piercing

In UP Trends:-

- Engulfing Bearish — "outside day" (2-candle pattern)
- Dark Cloud (2-candle pattern)
- Harami Bearish (2-candle pattern)



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### Candlestick summary

- Individual candlesticks:
  - Long or short bodies
  - Absence or presence of tails
- Multiple-candle patterns:
  - bullish / bearish
  - possible reversal
  - presence or absence of buyers/sellers

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### Volume (is important)

- The amount of volume each day **relative to** the volume in recent days
- Rising volumes each day to support a rising trend
- Falling volumes — warning

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- RISING volume on price breakout!

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- resistance
- 0.334 43.51%
- 23 bars 34 days

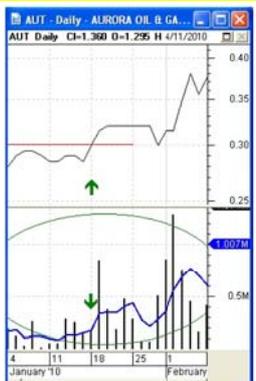
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- Long tailed candle rejection of lower prices

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- The line chart does not show this!!



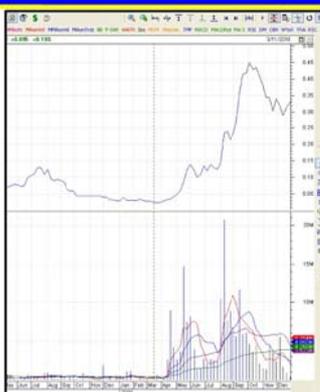
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- Example



**Brainy's Share Market Toolbox**

- Another example



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- WARNING!!  
CNP — Centro



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### Volume

- Can be very useful
- rising => supporting a rising trend
- falling => lack of conviction
- The study of volume is not simple.

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### Stop Loss

- Do we want to “preserve” our capital?
- Are we happy to **give back** our profits?  
or do we want to **preserve** our profits?
- Would we like to “maximise” profits?
- Would we like to “minimise” losses?

This can require a change in approach.

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## Stop Loss — possibilities:

- At a support level, or past resistance
- The 30 Week SMA (Weinstein)
- Use P-SAR (Parabolic Stop-And-Reverse)
- Use Long CBL Stop (Count Back Line)
- Utilise ATR (Average True Range)

There are many ways to set a stop.

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## Stop Loss — Case Study

- Breakout
- Where to put the stop?

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## Stop Loss — Breakout?

Zoom out to see this chart:-

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## Stop Loss — under Support

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## P-SAR !!

P-SAR = Parabolic Stop and Reverse

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## Stop Loss — CBL

CBL = Count Back Line

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## Stop Loss — ATR

Wilson ATR  
Trailing Stop  
indicator  
(in BullCharts)

ATR = Average  
True Range

The stop is set at  
a multiple of ATR

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## Stop Loss — Summary

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## Stop Loss — The returns?

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## How to implement?

- Should we use a conditional sell order?
- Should we monitor and action daily?  
Or weekly?

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## Stop Loss

- Is essential to:
  - Preserve capital
  - Preserve profits
  - Minimise losses
- But there are many ways to determine it
- Several ways to implement

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## Contrarian Investing

- There is a lot of “conventional” wisdom that drives the finance industry today
- There are many cliches and words of wisdom which are actually furrphies, and which we should take only at face value - there are some which we should not take seriously.

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## Contrarian Investing

- In reality, we have been grossly mis-led by people we trust
- Sometimes, our own best interests are not being served when we receive supposedly unbiased and professional financial advice
- It is time to redefine the term:  
***Contrarian Investing***

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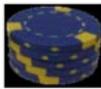
## Conventional definition:

*In finance, a contrarian is one who attempts to profit by investing in a manner that differs from the conventional wisdom, when the consensus opinion appears to be wrong.*

(source: Wikipedia)

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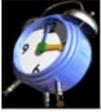
## Contrarian Investing Redefined

1. Don't worry about the economic cycle and occasional bear markets? - (The damage can be horrific!)
2. Only invest in blue chip stocks! They're safe as houses. (Not!) 
3. Diversification is key! (Maybe!)

Please forgive the sarcasm.

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## Contrarian Investing Redefined

4. Buy and hold - invest for the long term. (If you can wait for years.)
5. "Time in the market" is important — because we can't time the market! (Wrong!) 
6. Borrowing money to invest? (A powerful and dangerous leverage)

Please forgive the sarcasm.

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## Contrarian Investing Redefined

7. Your financial planner and your broker - They are on your side!
8. Don't bother with charts and technical analysis - it can't help! (Or can it? You might be very surprised.)
9. Stop Loss? Forget it! (It only limits your losses!)

Please forgive the sarcasm.

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## Contrarian Investing

It's time to redefine this term

- More details here:  
[www.contrarian-investing-redefined.com](http://www.contrarian-investing-redefined.com)

# Robert's presentation to U3A Manningham Sharemarket Group

Summary & Wrap up

## Summary

- Candlesticks
- Volume – is important
- Stop Loss – to preserve profits
- Contrarian Investing – Redefined

Summary & Wrap up

## Don't forget my Toolbox

- Brainy's **Share Market Toolbox**
  - [www.robertbrain.com](http://www.robertbrain.com)
  - Loads of eBook (PDF) Articles
  - Info: share market, charting, BullCharts
  - Weekly Market Updates and Watch List
  - monthly e-Newsletters
- Good software – BullCharts  
[www.robertbrain.com/bulcharts/](http://www.robertbrain.com/bulcharts/)
- My contact details:  
web site above, or phone: 0438 355 910



Summary & Wrap up

## THE END

See free stuff here:  
[www.robertbrain.com/free](http://www.robertbrain.com/free)

Thank you.

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## THE END

## THANK YOU

(backup slides follow)