

Setting up a Swing/Position Trade Using EV Website Tools and Alphascanner Trade Planner

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Position trading or swing trading requires patience more frequently than action. It is important to act at the right time, which is usually not when everyone else is reacting. The best buying opportunities come when everyone has finished selling and the first few funds start investing

- Pascal Willain Working on Sectors Reversals

Summary:

As a method of practice, I will simply write myself small papers or tutorials using the tools provided by this website in order to refine a particular approach. Here, I go through the steps of putting together a swing trading idea using the Effective Volume tools and the free trade planner at alphascanner.com

If one aims to position trade or have a longer duration swing trade (weeks up to months), then there are a few basic elements:

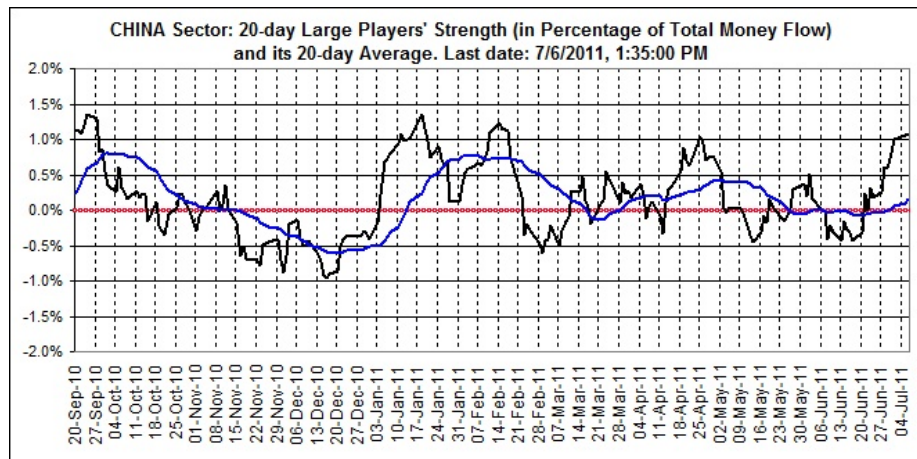
- A correction or range, frequently referred to as a base
 - o If using IBD type of strategies, then there are an assortment of base classifications one might use
- Some type of prior uptrend, or demonstration of relative strength in the midst of a correction or market weakness
- In a bear market when all stocks have gone down, a Stage 1 base where major moving averages have flattened, usually coinciding with narrower price spreads and dampening volatility

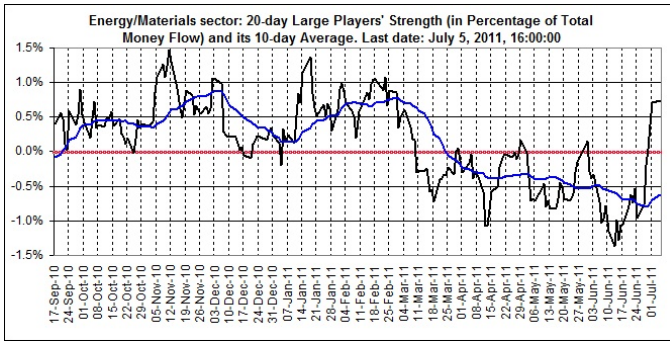
The idea behind a longer-term trade is that a correction occurs through time and/or price. Eventually, buying pressure exceeds selling pressure, which might create an uptrend if the market follows-through. In this example, I go through a process that Pascal has shared in order to uncover “interesting activity” that might lead to a good trading opportunity.

Example: Yanzhou Coal Mining Company (YZC)

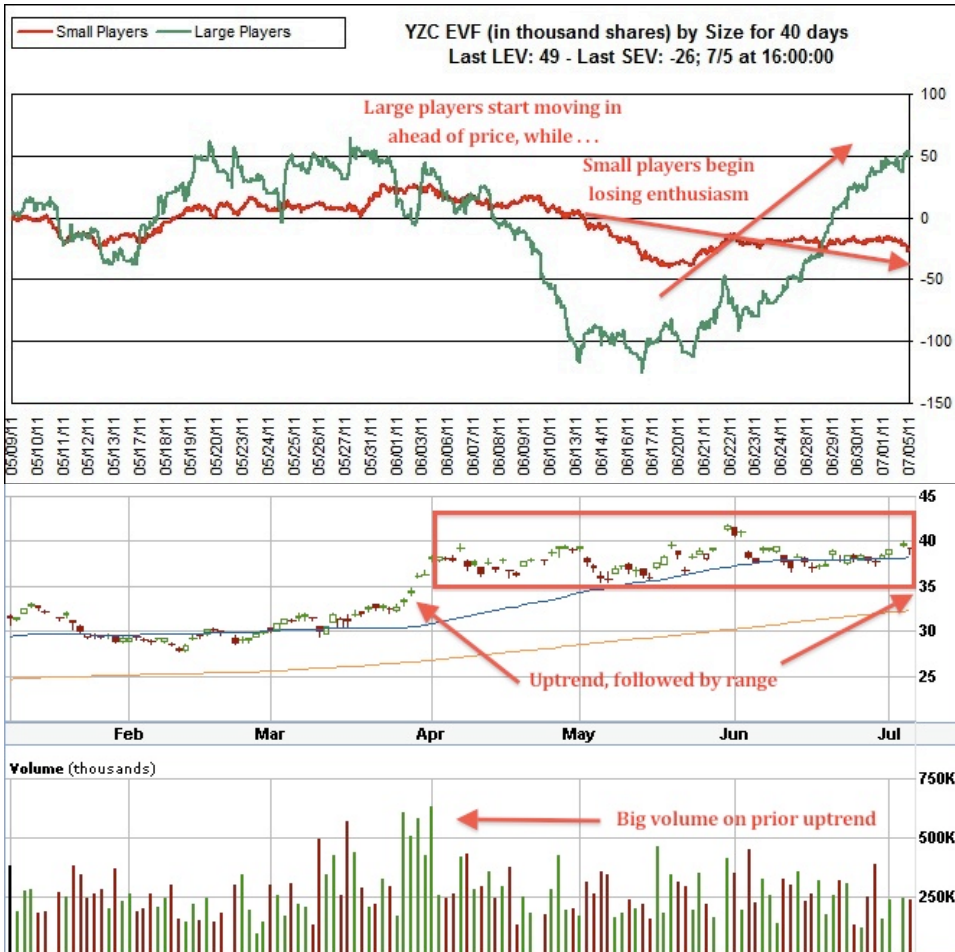
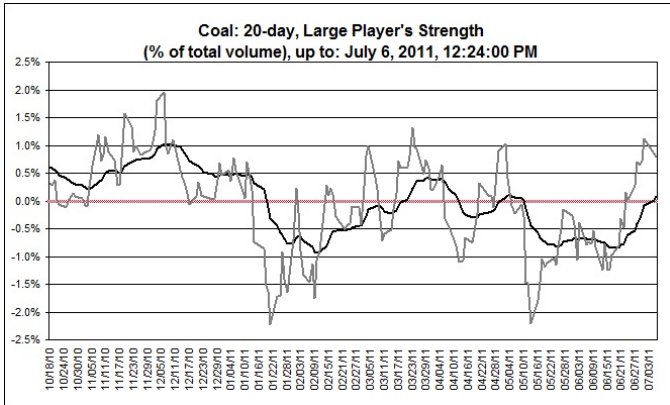
Before anything, we want to analyze the market through the 20-day MF, which is currently on buy; however, given that many stocks broke out in “Round One,” one may find value looking for other stocks setting up in the midst of a pullback.

YZC can be found in both the *China Stocks* and *Energy/Materials Sector – Coal Industry*. So first I want to look at those sectors:





Looking at MF on a sector level helps determine a directional bias. One sees that *China* is on a buy signal, and that the *Energy/Materials* sector reversed hard from the abyss. The *Coal Industry* group belongs to the *Energy/Materials* sector.



Step 2:
 In this step, one is looking for "strange activity," in other words, are there divergences between large player activity and price? Has a particular stock demonstrated relative strength within its own sector, or against the general market? What do standard technical tools reveal?

Regularly looking at sectors (daily/weekly), one can generate a steady stream of ideas. Additionally, one also becomes familiar with many companies. The process generally involves three primary steps:

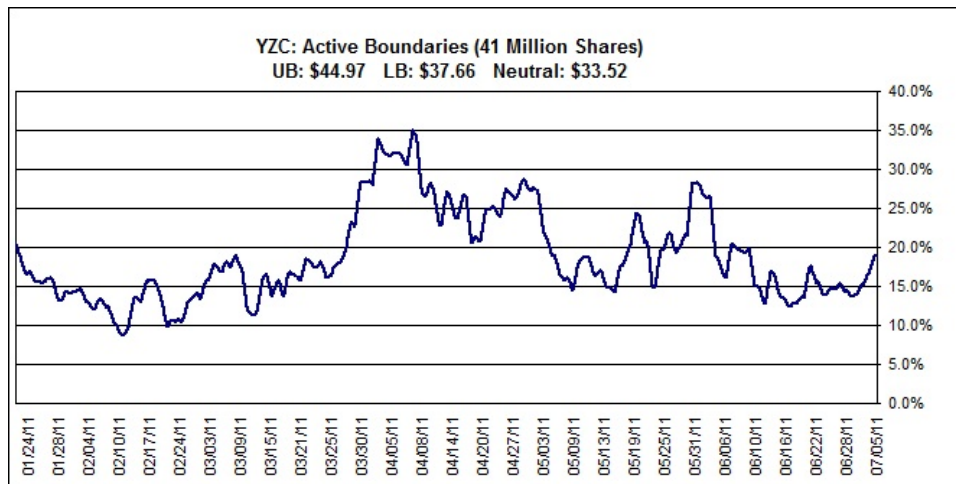
1. 20 day MF
2. Sectors
3. Stocks

Step 3

Recognizing a possible position trading opportunity with YZC, I will next use the trade planner tool for additional insight. This free proprietary tool helps to determine the present stage of a given stock.

Current Stage is 2-1 (Strong Mark-Up)	Has been in current stage for 2 day(s)
Current Weekly Stage is 2-1 (Strong Mark-Up)	Has been in the current weekly stage for 2 week(s)

Revealed here is a stock in both a daily and weekly strong mark-up, yet price has not budged too much. This suggests that some degree of momentum favors a long bias. What might be used to assess whether or not a trade at this price-level is neither extended and might be near a favorable entry-zone?



Pascal recently indicated, “If LB is above NB, it means that buyers come in and push the price higher even before that equilibrium point is reached.” YZC is close to both the current LB and the 50-day moving average at 38.20 – good areas for lower-risk entries and nearby exit points if something doesn’t work.

Finally, I like to think of the “context” and consider my own observations. For example, Gil Morales has often said that you buy gold/commodities on weakness. I’ve never done backtesting to determine the efficacy of such a strategy; however, I often notice that once selling abates in commodities, large players seem to move in creating trading opportunities (with the exception of 2008 plunge). A quick look at the IBD sector table reveals that *energy-coal* has had a mighty fall, all the way down to 185, from 11 just 7 months ago. Might one be fighting to hard against broad sector weakness with YZC? Or does this sector-specific weakness signal an abatement of selling pressure that could eventually give way to some buying pressure?

Conclusion:

EV is a wonderful set of tools for finding possible multi-day to multi-week position trades, especially coming out of a correction. In the example above, one can see a range that was formed after a prior uptrend. In the midst of the current range, large players began stepping in while not moving price too much. Price is close to both LB and a rising 50-day MA with strong daily and weekly stage trends. EV buy signals are present in the China Sector, Energy/Materials Sector, and Coal Sector, although IBD reveals a lowly position for the coal complex. I hope this brief paper helps some newer members with using the tools on the EV website as much as other members have helped me.

