

Investor's Digest

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STOCKS ON RAILS

Profit from shorter-term swings in value

Some stocks are good long-termed holds. Such stocks are in a nice upward trend, and display consistent, solid earnings growth over time. But there is another type of stock pattern that you can profit from



Keith Richards

if you don't mind taking advantage of shorter-termed swings. I quite like stocks stuck within a sideways range because you can define your trading plan – you know up front what your entry and exit points are.

A sideways trading range is one of the better technical patterns we can look to trade. When I look for sideways trading stocks, I try to find stocks (or ETFs) with a very defined top (that is, a point of resistance, past selling pressure) AND a well-defined bottom (or point of support, when buying pressure builds).

I'm also looking for enough profit between the bottom and top of that range to make it worthwhile. This, in my mind, means that I'm looking for swings of more than 10 per cent between the top and bottom of the trading range.

The top of a trading range is called "resistance". The bottom of that range is called "support". If a stock has a nicely defined, relatively flat-looking point of resistance but a choppy support level, it becomes too hard to pick your entry point.

The reverse is true for stocks with flat bottoms but choppy resistance points—it's hard to find the right exit point. For this rea-

son, I am looking for a fairly set pattern where we can easily identify the top and bottom of the trading range.

Please also bear in mind that a breakout from a defined trading range – whether from the top of the range or the bottom—indicates strong potential that the prior range is finished, and a new trend (either up or down) may have begun.

Let's take a look at a few stocks that fit the criteria:

- **SNC-Lavalin Group Inc.** (SNC-TSX, \$52.30)

SNC, the construction and engineering giant, has been stuck in a fairly wide-swinging range since early 2016, as you can see on the chart below.

The stock looks attractive if considered for purchase around the low \$50s and sold around \$58 a share. Perhaps it's worth the wait...

- **BCE Inc.** (BCE-TSX, \$59.08; BCE-NYSE, US\$47.13)

The long-termed chart is in an upward trend (the thick black line), but the old resistance levels of around \$57 per share from 2015 has become the floor since 2016. Resistance lies around \$63. That'd be your trade.

We hold a position in both our ValueTrend Equity and ValueTrend Income Platforms – which I hold personally (yes, I eat my own cooking).

- **Mondelez International Inc.** (MDLZ-NASDAQ, US\$43.10)

We currently own this stock in our ValueTrend Equity Platform. Mondelez's trading range spans

from about \$41 to \$46 a share – currently it sits near the top of that range.

The stock could break out if a buyout or merger within the industry occurs—which has been "the talk" lately.

But if it doesn't, expect more of the same sideways action. Buy the lows and sell the highs in this range. Someday, MDLZ may break out. And someday, your prince (or princess) will come. Meanwhile – trading appears to be the only way to reap any money out of this zombie. This stock has been trading between \$41 and \$46 since early 2015.

- **Stantec Inc.** (STN-TSX,

\$33.35; STN-NYSE, US\$26.55)

This is one of my favourite stocks to trade. I've put it in my BNN Top Picks before. It seems to have a nice range from \$29 a share to \$36 a share.

The strategy is simple. Consider a buy of Stantec after a decline, then bounce from \$30 or thereabouts. It looks like a sell at the top of the range, near \$36.

Keith on BNN

Keith will be on BNN's popular call-in show Market Call Tonight Wednesday, Sept. 6 for the 5:30 p.m. show. Phone in with your questions on techni-



cal analysis for Keith during the show. Call toll-free at 1-855-326-6266. Or email your questions ahead of time (specify they are for Keith) to market-call@bnn.ca.

Keith at the MoneyShow

Keith will also appear at the The MoneyShow Toronto, held at the MetroToronto Convention Centre, on Saturday, Sep 9, 2017 for two presentations:

10:45 a.m. - How to Profit from Fear and Greed

2:45 p.m. - Technically trading ETFs

Keith Richards, Portfolio Manager, can be contacted at krichards@valuetrend.ca. He may hold positions in the securities mentioned. Worldsource Securities Inc., sponsoring investment dealer of Keith Richards and member of the Canadian Investor Protection Fund and of the Investment Industry Regulatory Organization of Canada. The information

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