

Investor's Digest

of Canada

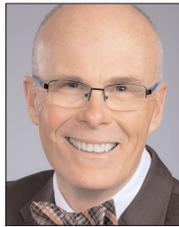
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*Aggressive securities demand you invest
with different trading rules than more stable equities*

Three strategies for high-growth stocks

I've been in the investment industry since 1990. In my early years, I was an investment advisor working with IIROC (Investment Industry Regulatory Organization of Canada) firms like Midland Walwyn, Merrill Lynch and CIBC Wood Gundy.



Keith Richards

fully confident of the strategy – one that would have the potential to provide better returns than a conservative strategy, yet still offered ample liquidity within our now much-larger greater asset base. And now, at long last, we are offering this strategy to the appropriate clients.

Today's article will outline the three strategies we will be utilizing within this platform. Rather than being a "product pitch" – I would expect that you will gain some insight on how you can incorporate some trading rules suited to the more aggressive securities that you might be exploring. Below is a description of our strategies with a few examples of how we might utilize them. I hope you gain insight for your own trading from our strategies.

Swing trades (3 days-4 weeks): Swing trades will typically involve very short holding periods – often only days or weeks.

Buys within the swing trading strategy will be determined by concurrently occurring oversold signals on a daily chart via:

- Lower Bollinger Band touch (2 standard deviations from a 20-day Simple Moving Average)

- Lower Zone RSI (Mid-termed oversold price momentum, lower zone below 30)

- Lower Zone Full Stochastics (Short-termed price momentum, lower zone below 20)

Sells are determined by the

opposite signals from a buy per the above. That is, a touch of the upper Bollinger Band, and movements by RSI above 70, Stochastics above 80. We do not use stop-loss orders, however a stop-loss sell signal will be a move below the last significant support level on the daily chart.

The top chart on the next page illustrates the S&P/TSX composite index from May 7, 2018 to April 1, 2019. On it are marked the buy/sell signals for that index using this system. By legging in and out in two- to three-trade increments (i.e. $\frac{1}{3}$ to $\frac{1}{2}$ of the allotted capital for this trade deployed/signal), it provided good short-termed entry and exit strategies, had one used an ETF that mimicked the index. The manager's discretion will determine if the trade will be done in increments and at what percentage allocation.

Mid-termed trades (4 weeks-6 months): Technical analysis will bias decisions, but fundamentals will be respected as value or growth catalysts. Buys and sells within the mid-termed trading strategy will be determined by chart patterns on a weekly and/or daily chart. These patterns include:

- Traditional breakout patterns from a technical base; or

- A bounce off the lower support zone within a sideways trading pattern.

Equities, ETFs and commodi-

ty ETFs will be reviewed for these trades. A fundamental undervaluation or higher growth potential are criteria in the case of an individual equity (that is, not a commodity or ETF).

If we believe a catalyst is imminent in the next 30 days to six months, we will buy a position in the security so long as the technical profile is bullish. Sell at technical targets. Stop-loss sell signal will be a move below the last significant support level on the chart.

The China Internet fund that KraneShares offers, the **KraneShares CSI China Internet ETF** (KWEB-NYSE/Arca, US\$48.50) looks to be a typical mid-termed trading setup (*see middle chart*). After breaking out of a technical base that followed a downward trend (lower dashed line), the ETF targets the higher dashed line.

The relatively fast movements on this chart indicate that future targets, should they be met, may occur over a few months.

Longer-termed trades (6 months-plus):

Longer termed trades will typically have an equally weighted bias of technical and fundamental analysis for entry or exit timing.

The strategy will examine traditional technical basing patterns, or contained trading patterns. A test of a mid- to long-termed trend line will signal buys. Fundamental analysis will focus on longer-term undervalued stocks or those with mid- to longer-

termed growth potential. A longer-term track record of continuous proven growth and stability is not necessary.

We will be looking for the future growth potential which may be underappreciated in the current environment. Our intention will be to invest in securities that have an intrinsic value much higher than current valuation. As with mid-termed trades: Sell at technical targets which could include technical resistance or upper trend channel lines. A sell will also be triggered by a break in trend.

The stop-loss sell signal will be a move below the last significant support level on the chart. **BlackBerry Ltd.** (BB-TSX, \$12.04; BB-NYSE, US\$8.91) (see bottom chart) is a good example of a stock that traded between 2012-19 within a trend channel. You can see the buy and sell points on its chart below.

The swings typically occur over a one- to two-year time frame.

For those interested

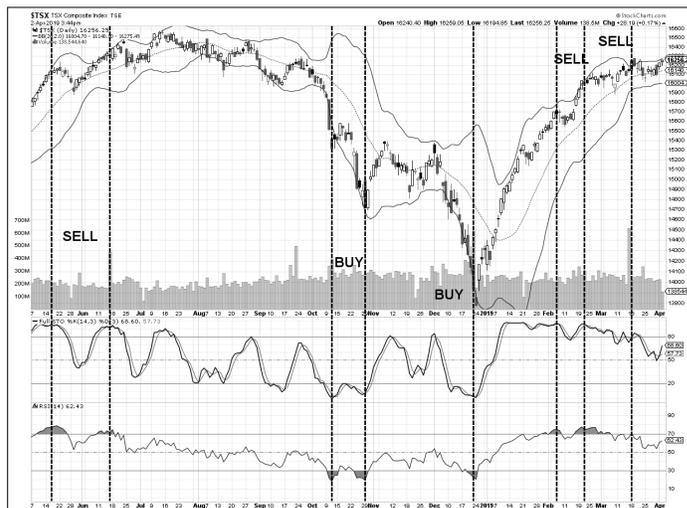
Our ValueTrend Aggressive Growth Strategy (VTAGS) officially goes live on June 1, 2019. The VTAGS strategy will not be offered as a standalone product for new clients; you must hold a minimum of \$500,000 in family assets with us diversified through our other platforms. If you are interested, please contact either Craig Aucoin, our fundamental analyst, or myself at ValueTrend for a full description of the VTAGS and to discuss how we can administer your entire portfolio needs.

Keith on BNN Bloomberg

Keith's next BNN Bloomberg television appearance is on Wednesday, May 1 at 6 p.m. Keith appears regularly on BNN Bloomberg's Market Call to answer viewer questions about the technical analysis of stock trends, and to provide unique insights on the factors of technical analysis used in successful investment management. (Note: Times and dates may be subject to change.)

If you have questions about the technical analysis of stock trends for individual stocks, be sure to phone in with your questions to 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 marketcall@bnnbloomberg.ca.

Keith Richards is Chief Portfolio Manager & President of Value-Trend Wealth Management. He can be contacted at info@valuetrend.ca. He may hold positions in the securities mentioned. The information provided is general in nature and does not represent investment advice. It is subject to change without notice and is based on the perspectives and opinions of the writer only. It may also contain projections or other "forward-looking statements". There is significant risk that forward-looking statements will not prove to be accurate and actual results, performance, or achievements could differ materially from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements and you will not unduly rely on such forward-looking statements. Every



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