

Newsletter 04 - June 2nd 2002

Well, I thought I'd scan the UK and US markets... which for me means the FT250 and the S&P500, as I think the tiddlers are dodgy ground for TA (relatively small moves, and rumour, can shift prices markedly - and I consider it silly to trade a share when its normal market size means a £500 buy sends a ripple through the market).

What a depressing sight! I sure picked a lousy time to launch pfscan didn't I? Two years earlier and I'd probably be in mid-Atlantic now, returning from a lecture tour with Queen providing the backing music....

Okat, here's my take - feel free to comment....

S&P500: The BP chart (charted 'properly' using 2% log charts) is showing as a 'bear correction' at 51.94% - roughly translated, it's lousy. Having looked at the individual shares via my usual filter : PF all Buys, RS bull, they still look awful.

So, I have BXS and HON still in the USA, both are having a bit of a breather after decent runs upwards, the rest of my pot is staying as cash.

What do I expect here? I think the market could be (nicely) described as directionless for most of the last 2 years, there's some prospect of a bit of a short rally in July or so, any significant rally is probably not going to kick in over summer - the absence of major moves June - August is well established, so well in fact that I see no reason to suspect this year will be any different. I have a suspicion that the next direction will be 'up' - but I'm usually wrong. It's interesting that a lot of commentary suggests getting into the far east, even Japan - as far as I am aware the average Japanese bank is one confidence call away from ruin still, and they're all still propping each other up too much for my taste. As a rule of thumb, if you can't pick a winner in the top 20% of your home market, what makes you think you'll be god's gift to investing in Paraguay?

LSE - A Bull Correction (BP, 2% log chart) at 61.63%... this is a bit high, and the signal translates as 'hmm, maybe a short up move for a few stocks but don't bet on it'. Oddly enough there's a share here I like the look of, Rank... RNK. The only major count against it is that I lost £36 on it this time last year! I bought at 219.75 and sold at 219.5... about £2k of shares. Peaking at over £3 some time back the sell was obviously a lousy decision - this is from my early 'overtrading' period <g> Looking back, the chart has hardly been under the buy price, I could have sold almost anytime for a nice profit. Lessons to be learned then! P&F takes a while to pan out, at least the bog standard version that pfscan throws up on a 2% range based chart. You HAVE to protect capital with a stop loss, but if a chart doesn't pan out straight off give it a set period before you decide it was rubbish.... The 2% range charts seem to take anything up to 6 months or more to work out. One fine day we'll maybe be able to decide a set of trading rules...

So, RNK - the 4th successive top finally broke through, that's a lot of banging on the roof before the breakout. The close was at the top of the column, it's through resistance (next expected problem area is at 297) whilst there's good support around 270 from rising bottoms and the 200MA - so there's maybe a 5% or so area either side

of the last close to bounce around and decide which way to go. Not overbought on the indicators, I'm not sure 351 is a realistic target in the near term, but this does look a fairly solid possibility.... Anyone else like to check it? (I am far from infallible!)

Apart from RNK both markets look fairly lacklustre, I would avoid increasing my investments too much - I will have a think about RNK and maybe buy last year's £2k back at a much higher price! I still have ICI and PILK - ICI goes up 9p one day, down 9p the next, it happens so regularly I'm beginning to think it's some sort of market makers' insiders joke or something. PILK lost its figurehead and dropped about 10p - all the bullish stuff about their having a world exclusive glass that we're all going to be forced to use for everything except sandwiches has had precisely zero effect over the year. I'm beginning to wonder if anything short of my selling it will see the price climb as repeatedly expected..... (If I sell it'll be £1.40 by midsummer).

Pfscan

Well, I used it today - I spend so much time programming it, and trying to synchronise the website, program and doc files (I can't believe how out of date the manual is, I only updated it a month or so back!) I get little time to use it - and boy, even I like it now! It's also independent of Sharescope now, as the yahoo loader can collect OHLCV for the LSE - to be truthful, I suspect that the least hassle now would be to decide which indices to follow, use the yahoo loader to collect the data, and 'the downloader' from equis (www.equis.com) to store the lot in individual folders as Metastock DAT files. There have been annoying bugs - the plan is to just fix them as they appear whilst not altering the program if possible, ie try to get a bit of stability where updates aren't out every 2 days (or less!) As bugs arise I will, generally, post a fix as quickly as I can - sometimes this causes further problems, share data varies so much that it's impossible to test all possibilities to destruction - the program is trying to chart a \$120 share in the USA and a Singapore share at 0.001 \$HK, after all, and I haven't got infinite resources to test it.. that isn't meant as an excuse really, okay, it is then!

The **yahoo downloader** (or yahoo loader, depending on what I feel like calling it at the time) is quite neat, if still what you might call 'functional'. I can, and probably will, in time add 'write to Metastock' - the more I play around the more I figure reading/writing metastock format is the way the world is going. What is the yahoo loader? Well, it's an additional program that registered users can now collect from the secure folder on the website - go to the 'registered uses' page and click on the link that's there in the yellow box (about halfway down the page). The username/password used to collect it is the username and password you used to collect program upgrades with - **not** the username and code that you 'unlock' the registered version with. It's about 5Mb in size, and it's free to registered users only... it can be used to collect OHLCV data for a number of markets, by feeding it with a list of stock tickers/epics and clicking a calendar to set the dates you want to collect for.

I've so far used it just fine with the LSE and US markets, so today I fed a mix of French, German and Australian shares in for a test. The French data started in April this year, not Jan as requested, whilst I got 1 Jan onwards for the other two - this suggests the French data is perhaps limited, maybe it is only recently available or something. Anyway, you'll have to experiment with it a bit but it's a source of free

OHLCV information for every market I can think of, just be aware that I don't control yahoo so can't guarantee your desire to chart the Mexcian market will be fulfilled!

The next area for development will be to look at collecting some fundamental info on demand - I'm looking at the rather nice pages available from places like the Wright Investor profiles, so you can call up a nice health check for a company you like the look of.... Personally the main use I'd make of this is just to check for debt, as I think it's one of the few areas that can chop a share off at the knees almost in an eyeblink.

(Ask Marconi).

The new support/resistance level popup seems okay, the aim here is not to teach you to suck eggs but to help people who can't spot a level for love nor money, and to help ensure that nothing is overlooked when deciding on a share. Seeing a particular level repeat several times across the chart, easily seen by the series of columns alongside that level, also helps you spot price points that are perhaps more frequently in play than others.

The Metastock stuff is now, I hope, in place and debugged - I am still hoping for a quiet spell and reduced updates..... let's see how it goes. Don't forget, if you use the yahoo loader to collect a particular index, then please email me a copy of your epic/ticker file so I can post it on the site for others to use - there's little point us all typing the FT350 in individually, is there?