

# Stock Selection Using Technical Analysis

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# About

- Started as a desk clerk at a physical FX company
- Moves on to selling forwards, spot and options
- Worked for a hedge fund trading index derivatives and FX
- Moved to Analysis - Technical and statistical
- Trading Insights - Producing reports for private investors
- Ransquawk - Audio news service
- Now - FX Daily - Society of Technical Analysis - Tradingview - London South East - Lecture technical analysis at London School of Economics
- Moving on - FCA regulated reports - Stock selection



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# Who is this presentation for

- Traders who trade long term and short term
- Pension fund managers and individual long term investors
- Short term traders in FX and commodities
- Some parts are easy and hard so bare with me
- Sector and asset class rotation are key to my train of thought
- Unfortunately politics and monetary policy are are unavoidable

# How Can Technicals Help

- Order stocks by performance
- Find value
- Help with timing
- Find stocks to avoid
- Systems can help avoid mistakes

# Testing

- Back test strategies
- Some trading platforms come with replay buttons
- Find out what indicators work well in different situations
- Which ones work in best combinations with each other
- Don't use the same type of indicators with each other eg. MA's with MACD
- Chart types - Candles - Profile - Renko - P&F



## Getting Started - Market Breadth

- Relative performance compared to FTSE 100, 250, Aim
- Relative performance compared to sector
- How technicals can help - How many companies are above 50 RSI, MACD and Stochastics (over a market cap of £3bln)
- Stocks over 70 RSI over £2bln as of Thursday

| TICKER   | ATR       | MACD LEVEL                 | MACD SIGNAL | RSI14<br>Above 70      | STOCH FAST              | STOCH SLOW | COUNTRY<br>United Kingdom | MKT CAP<br>2B - >200B |  |
|--|-----------|----------------------------|-------------|------------------------|-------------------------|------------|---------------------------|-----------------------|--|
| 7 matches<br>3 items                           |           |                            |             |                        |                         |            |                           |                       |  |
| SKY SKY PLC ORD 50P                            | 21.229988 | 67.61974 <span>↘ S</span>  | 71.25415    | 76.36 <span>↘ S</span> | 81.48 <span>— N</span>  | 80.28      | United Kingdom            | 22.725B               |  |
| PSON PEARSON PLC ORD 25P                       | 14.760793 | 18.240095 <span>↗ B</span> | 13.9732895  | 70.11 <span>— N</span> | 90.57 <span>— N</span>  | 89.63      | United Kingdom            | 5.98B                 |  |
| SPX SPIRAX-SARCO ENGINEERING PLC ORD 26 12/13P | 127.08601 | 63.09116 <span>↗ B</span>  | 26.891928   | 73.70 <span>↘ S</span> | 96.00 <span>— N</span>  | 66.29      | United Kingdom            | 4.226B                |  |
| UBM UBM PLC ORD 11.25P                         | 13.334272 | 18.42314 <span>↘ S</span>  | 18.721395   | 76.03 <span>↘ S</span> | 95.65 <span>— N</span>  | 92.78      | United Kingdom            | 3.708B                |  |
| MTRO METRO BANK PLC ORD 0.0001P                | 84.151924 | 113.05031 <span>↗ B</span> | 105.89378   | 71.34 <span>↘ S</span> | 99.45 <span>— N</span>  | 94.10      | United Kingdom            | 3.54B                 |  |
| DPH DECHRA PHARMACEUTICALS PLC ORD 1P          | 73.80195  | 105.87793 <span>↗ B</span> | 92.28191    | 81.68 <span>↘ S</span> | 97.70 <span>— N</span>  | 94.52      | United Kingdom            | 2.731B                |  |
| HIK HIKMA PHARMACEUTICALS PLC ORD SHS 10P      | 56.87414  | 5.686215 <span>↗ B</span>  | -16.423037  | 73.79 <span>↘ S</span> | 100.00 <span>— N</span> | 66.86      | United Kingdom            | 2.236B                |  |



# Market Breadth

## Hikma Pharma vs FTSE 100

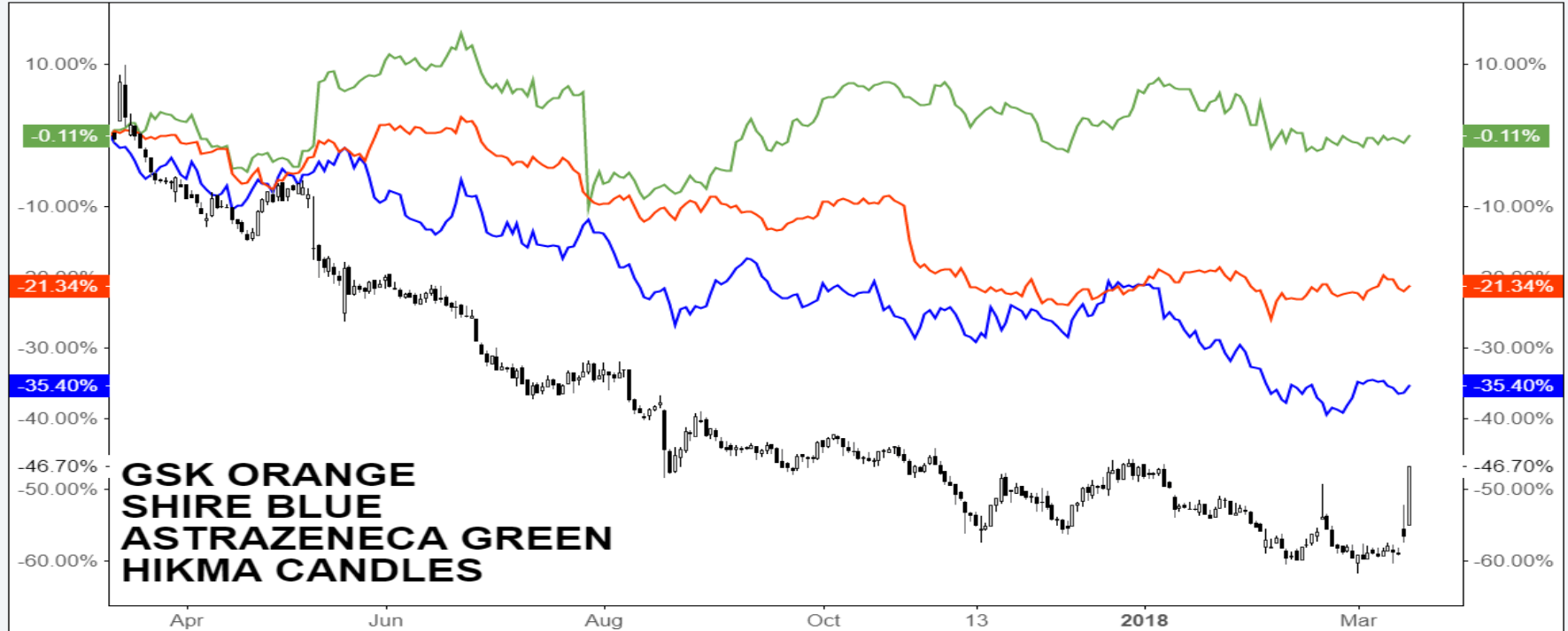
RajDhall published on TradingView.com, March 15, 2018 10:24 EST  
LSE:HIK, D 1129.6 ▲ +200.6 (+21.58%) O:960.8 H:1132.6 L:960.8 C:1129.6



# Pharma Breakdown 1 year performance

RajDhall published on TradingView.com, March 15, 2018 10:28 EST

LSE:HIK, D 1138.0 ▲ +209.0 (+22.5%) O:960.8 H:1139.0 L:960.8 C:1138.0





# Setting up your screener

- Over and undervalued stocks
- What trend they are in
- If they have pulled back from the trend
- What indicators can help with this
- Examples on the next slide



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## Screener example

- UK Stocks - Market Cap £2bln - YTD performance ranked

| TICKER | 168 matches                       | Q | ▼ | CHG %  | PERF WEEK | PERF MONTH | PERF 3 | PERF 6 | PERF YTD ↕ | PERF YEAR | COUNTRY<br>United Kingdom | MKT CAP<br>2B - >200B | ⋮ |
|--------|-----------------------------------|---|---|--------|-----------|------------|--------|--------|------------|-----------|---------------------------|-----------------------|---|
| OCDO   | OCADO GROUP PLC ORD 2P            |   |   | 1.18%  | 1.46%     | 23.60%     | 71.25% | 95.85% | 47.32%     | 126.74%   | United Kingdom            | 3.834B                |   |
| GKN    | GKN PLC ORD 10P                   |   |   | -1.78% | 2.02%     | 4.52%      | 44.07% | 26.89% | 34.60%     | 15.29%    | United Kingdom            | 7.522B                |   |
| SKY    | SKY PLC ORD 50P                   |   |   | 0.26%  | -1.08%    | 22.50%     | 31.37% | 42.14% | 30.98%     | 33.96%    | United Kingdom            | 22.725B               |   |
| EVR    | EVRAZ PLC ORD USD1.00             |   |   | -0.77% | -0.18%    | 16.89%     | 38.87% | 47.51% | 29.03%     | 100.87%   | United Kingdom            | 6.331B                |   |
| DPH    | DECHRA PHARMACEUTICALS PLC ORD 1P |   |   | 0.97%  | 5.73%     | 19.40%     | 33.40% | 31.90% | 28.63%     | 59.62%    | United Kingdom            | 2.731B                |   |
| FEVR   | FEVERTREE DRINKS PLC ORD 0.25P    |   |   | 2.89%  | 7.32%     | 18.90%     | 47.95% | 26.61% | 26.83%     | 90.00%    | United Kingdom            | 3.238B                |   |
| UBM    | UBM PLC ORD 11.25P                |   |   | 0.53%  | 1.72%     | 7.26%      | 26.98% | 43.99% | 26.64%     | 24.72%    | United Kingdom            | 3.708B                |   |
| ABC    | ABCAM PLC ORD 0.2P                |   |   | 0.88%  | 4.29%     | 1.77%      | 25.37% | 22.70% | 19.91%     | 51.32%    | United Kingdom            | 2.57B                 |   |
| NMC    | NMC HEALTH PLC ORD 10P            |   |   | 1.43%  | 1.13%     | 4.42%      | 17.24% | 22.08% | 17.85%     | 86.30%    | United Kingdom            | 6.971B                |   |
| RMG    | ROYAL MAIL PLC ORD 1P             |   |   | -3.58% | -6.44%    | -2.11%     | 18.79% | 40.29% | 16.82%     | 27.71%    | United Kingdom            | 5.482B                |   |
| INVP   | INVESTEC PLC ORD GBP0.0002        |   |   | -1.37% | -4.19%    | 2.39%      | 30.02% | 11.81% | 15.36%     | 3.04%     | United Kingdom            | 6.313B                |   |

# Variables



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## UK Stocks - £2bln Market Cap - 6 Month Performance Ranked - Financials

| TICKER | 49 matches                               | CHG %  | PERF WEEK | PERF MONTH | PERF 3 | PERF 6 | PERF YTD | PERF YEAR | COUNTRY        | MKT CAP    | SECTOR     |
|--------|--|--------|-----------|------------|--------|--------|----------|-----------|----------------|------------|------------|
|        |  |        |           |            |        |        |          |           | United Kingdom | 2B - >200B | Financials |
| IGG    | IG GROUP HOLDINGS PLC ORD 0.005P         | -1.09% | 3.36%     | 2.39%      | 17.51% | 32.17% | 13.66%   | 51.16%    | United Kingdom | 3.033B     | Financials |
| OML    | OLD MUTUAL PLC ORD 11 3/7P               | 0.76%  | -0.47%    | 5.60%      | 25.40% | 30.51% | 9.11%    | 14.23%    | United Kingdom | 12.376B    | Financials |
| HL     | HARGREAVES LANSDOWN PLC ORD 0.4P         | 1.38%  | 0.58%     | 3.73%      | 1.80%  | 23.46% | -4.36%   | 30.77%    | United Kingdom | 8.063B     | Financials |
| ICP    | INTERMEDIATE CAPITAL GROUP PLC ORD 26... | 0.58%  | -1.33%    | 0.00%      | -5.82% | 22.17% | -9.60%   | 43.89%    | United Kingdom | 2.99B      | Financials |
| MTRO   | METRO BANK PLC ORD 0.0001P               | 1.00%  | 0.25%     | 14.90%     | 16.13% | 21.50% | 12.72%   | 22.31%    | United Kingdom | 3.54B      | Financials |
| BEZ    | BEAZLEY PLC ORD 5P                       | -0.36% | -1.60%    | 3.84%      | 15.59% | 20.39% | 3.74%    | 25.37%    | United Kingdom | 2.934B     | Financials |
| UTG    | UNITE GROUP PLC ORD 25P ETF              | 0.13%  | -1.71%    | 0.91%      | 2.91%  | 18.34% | -3.42%   | 23.02%    | United Kingdom | 2.043B     | Financials |
| SGRO   | SEGRO PLC ORD 10P ETF                    | 0.40%  | 0.99%     | 10.15%     | 8.80%  | 14.62% | 3.88%    | 33.58%    | United Kingdom | 6.092B     | Financials |
| ASHM   | ASHMORE GROUP PLC ORD 0.01P              | -0.31% | -3.04%    | -2.36%     | -1.47% | 14.15% | -4.17%   | 9.97%     | United Kingdom | 2.755B     | Financials |
| DLN    | DERWENT LONDON PLC ORD 5P ETF            | 0.92%  | 1.55%     | 7.64%      | 5.35%  | 12.57% | -1.51%   | 13.74%    | United Kingdom | 3.392B     | Financials |
| PRU    | PRUDENTIAL PLC ORD 5P                    | 1.35%  | 6.90%     | 7.61%      | 6.23%  | 12.06% | 2.39%    | 10.82%    | United Kingdom | 49.624B    | Financials |
| INVP   | INVESTEC PLC ORD GBP0.0002               | -1.34% | -4.16%    | 2.42%      | 30.06% | 11.85% | 15.40%   | 3.07%     | United Kingdom | 6.313B     | Financials |
| BARC   | BARCLAYS PLC ORD 25P                     | 0.29%  | -2.06%    | 6.29%      | 2.06%  | 11.44% | 2.41%    | -9.72%    | United Kingdom | 35.396B    | Financials |

# Rules



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- Same table as above but only showing the stocks above 50 RSI
- This can be changed to any indicator at on any time horizon

| TICKER<br>49 matches                              | RSI14     | CHG %  | PER... | PER... | PER... | PER... | PER... | PER... | PER...         | COUNTRY<br>United Kingdom | MKT CAP<br>2B - >200B | SECTOR<br>Financials |
|---|-----------|--------|--------|--------|--------|--------|--------|--------|----------------|---------------------------|-----------------------|----------------------|
| INVR INVESTEK PLC NON-RED, NON-CUM, NON-PART P... | 97.47 — N | 0.00%  | 0.00%  | 1.35%  | 3.67%  | 5.61%  | 1.35%  | 5.61%  | United Kingdom | 6.313B                    | Financials            |                      |
| MTRO METRO BANK PLC ORD 0.0001P                   | 70.19 ↘ S | 0.80%  | 0.05%  | 14.68% | 15.90% | 21.26% | 12.50% | 22.07% | United Kingdom | 3.54B                     | Financials            |                      |
| PRU PRUDENTIAL PLC ORD 5P                         | 68.75 — N | 1.51%  | 7.07%  | 7.78%  | 6.40%  | 12.23% | 2.55%  | 10.99% | United Kingdom | 49.624B                   | Financials            |                      |
| SGRO SEGRO PLC ORD 10P ETF                        | 67.36 — N | 0.59%  | 1.19%  | 10.37% | 9.01%  | 14.85% | 4.09%  | 33.84% | United Kingdom | 6.092B                    | Financials            |                      |
| DLN DERWENT LONDON PLC ORD 5P ETF                 | 65.93 — N | 0.89%  | 1.52%  | 7.61%  | 5.32%  | 12.54% | -1.54% | 13.70% | United Kingdom | 3.392B                    | Financials            |                      |
| AV. AVIVA PLC ORD 25P                             | 61.74 — N | 1.68%  | 3.54%  | 6.23%  | 4.09%  | 3.57%  | 3.06%  | -2.61% | United Kingdom | 20.604B                   | Financials            |                      |
| GPOR GREAT PORTLAND ESTATES PLC ORD 13 3/19P ETF  | 60.65 — N | 1.14%  | 0.15%  | 8.36%  | 3.01%  | 10.97% | -3.05% | 3.89%  | United Kingdom | 2.156B                    | Financials            |                      |
| IGG IG GROUP HOLDINGS PLC ORD 0.005P              | 60.54 — N | -0.89% | 3.57%  | 2.59%  | 17.75% | 32.44% | 13.89% | 51.47% | United Kingdom | 3.033B                    | Financials            |                      |
| RSA RSA INSURANCE GROUP PLC ORD GBP1.00           | 58.62 — N | 0.64%  | 0.08%  | 5.04%  | 5.86%  | 2.11%  | 0.17%  | 7.57%  | United Kingdom | 6.446B                    | Financials            |                      |
| LSE LONDON STOCK EXCHANGE GROUP PLC ORD SH...     | 58.34 — N | 1.87%  | 3.03%  | 1.71%  | 5.46%  | 5.87%  | 6.51%  | 31.60% | United Kingdom | 13.752B                   | Financials            |                      |
| DLG DIRECT LINE INSURANCE GROUP PLC ORD 10 10...  | 58.09 — N | 1.59%  | 1.75%  | 1.22%  | 8.08%  | 5.09%  | 2.28%  | 16.75% | United Kingdom | 5.284B                    | Financials            |                      |
| OML OLD MUTUAL PLC ORD 11 3/7P                    | 56.95 — N | 0.88%  | -0.35% | 5.72%  | 25.55% | 30.67% | 9.24%  | 14.37% | United Kingdom | 12.376B                   | Financials            |                      |
| BEZ BEAZLEY PLC ORD 5P                            | 56.29 — N | -0.36% | -1.60% | 3.84%  | 15.59% | 20.39% | 3.74%  | 25.37% | United Kingdom | 2.934B                    | Financials            |                      |
| NXG NEX GROUP PLC ORD 17.5P                       | 54.73 — N | 1.91%  | -0.96% | 1.06%  | 16.87% | 4.78%  | 10.22% | 14.47% | United Kingdom | 2.491B                    | Financials            |                      |

# What is the point

- Much quicker than scouting all the stocks in the UK
- Momentum index
- Creates a league table
- Filters out bad or good stocks
- Where do we go from here



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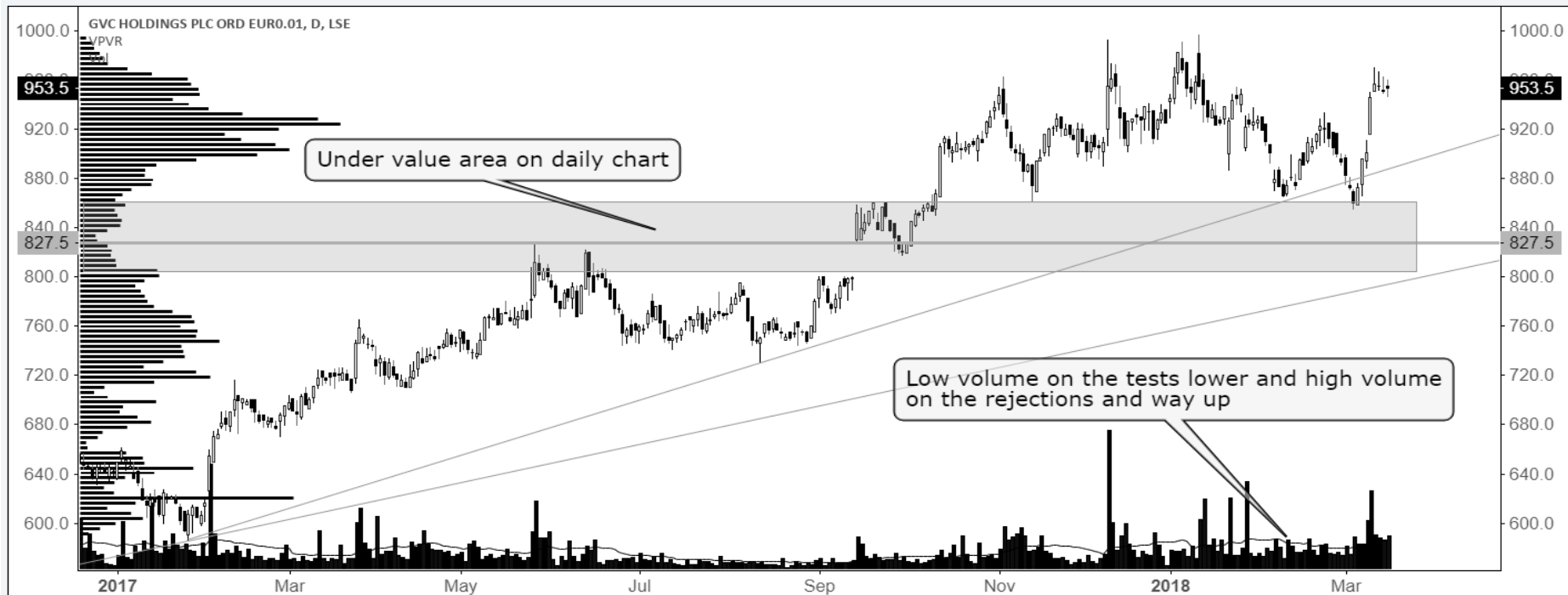
# Volume and levels



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LSE:GVC, D 953.5 ▲ +2.5 (+0.26%) O:955.0 H:960.0 L:945.5 C:953.5



# Trading and building a portfolio

- Relative Rotation - Sectors
- Spread betters in trouble and homebuilders
- Companies too reliant on a strong GBP
- Energy sector after tariffs (UK PM May)
- Mining sector outperforming
- The indicators can really help separate the good and bad stocks from the bunch
- Combinations can be powerful!!
- I.e. long term MACD vs short term RSI etc.
- Moving averages are often used to screen stocks



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# Trends

- How to identify trend
- Look at the overall index first
- Are we in a period of higher highs and higher lows or lower highs and lower lows
- If you cant tell used the MACD on a longer term chart to identify trend
- If in doubt stay out no need to trade for the sake of trading
- Stock market corrections and cycles
- The screener will not work correctly if set up in the wrong direction
- To optimise the screener for a downtrend you can simply reverse the parameters



# Fundamental bias

- I always have a bias
- Regardless of the asset class
- FX, stocks, fixed income, commodities
- Paradigm shifts in macroeconomics
- Trends i.e. Russia, North Korea, Trump, UK retail, etc
- Sentiment
- This system can work in all asset classes

# Thanks for listening

- My blog at London South East
- Level 2 data at London South East - Previous video on youtube
- Market reports and snapshots
- FCA regulated advisory services
- Follow me on twitter @rajfx10 and LinkedIn
- Any Questions



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