



Brainy's Articles on Share Trading

Sample trading strategies

Alan Hull

Article No:
ST-6420
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28 Sept 2009

This article
is free*

Introduction

Alan Hull is a well-known Melbourne-based share trader and author. He specialises in helping others to trade and invest in Blue Chip shares.

Alan has authored several books including "*Blue Chip Investing*" and "*Active Investing - a complete answer*", both published by Wrightbooks (the Australian business and finance publisher, now an imprint of international publishers John Wiley — <http://au.wiley.com>). More information about Alan's books is available from www.alanhullbooks.com.au.

Alan also speaks extensively throughout Australia, and publishes newsletters including the ActVest newsletter, and the weekly Blue Chip report. Alan has much information available from his web site www.alanhull.com.

Alan utilises a combination of Fundamental and Technical Analysis, and some of Alan's methods are incorporated as scans or indicators in the BullCharts charting software.

This article in Brainy's series on Share Trading (number ST-6420) provides a brief overview of some of Alan's teachings, and should be read in conjunction with the Technical Analysis article number TA-6150, "*Alan Hull — MMA, Range, ROAR*", and the BullCharts article number BC-26-200, "*Author Strategy — Alan Hull*".

Strategy overview

Alan Hull promotes the following elements:

- Active investing — using a combination of fundamental and technical analysis.
- Focus on the shares of blue chip companies.
- Take note of the Rate of Annual Return (ROAR), and avoid stocks with a low ROAR.
- Study the price chart with Multiple Moving Averages (MMA) to identify acceptable uptrends.
- Note the current price relative to recent price performance using a multiple of the Average True Range (ATR). Alan has devised the *Range Indicator* to assist with this.
- A trading strategy that encompasses the above, and explains more about stock selection, as well as when to take profits and when to sell.
- Risk management — to help make sure that the money that is risked on stock purchases is the right amount, and properly managed to minimise relevant risks (eg. position risk, sector risk, portfolio risk).

Alan's ActVest Newsletter covers these topics and more, and assists with identifying potentially acceptable stocks. See Alan's web site for more details (web address above).

An overview of some of the elements listed above is provided in the notes below. The Technical Analysis items (ie. MMA, ATR) are explained briefly in relevant Technical Analysis articles in Brainy's series (eg. TA-6150). A number of these elements are implemented in the BullCharts charting software as scans, or indicators — see article BC-26-200 for more details.

Blue Chip companies

Okay, consider these questions:

- There are more than 2000 companies listed on the Australian stock market, so which ones should we consider investing in? All of them? Or just a small group?
- Some listed companies are not what we would call quality companies, so how do we find out which ones are "quality" companies?
- It would be good to invest in companies that are more likely to return profits in both good times and bad times, so how do we find these?
- Ideally we will invest in a company that is here for the long term, and not one that might be gone tomorrow, so how do we find these?



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To help narrow down our search for quality companies that are more likely to produce favourable returns over time, we could look at what we call *Blue Chip* companies. Exactly what is a Blue Chip company? Here is one definition:

"Blue Chip — Shares, usually highly valued, in a major company known for its ability to make profits in good times or in bad, and with reduced risk of default."

[source — <http://www.asx.com.au/glossary/>]

Alan helps to identify Blue Chip companies.

ROAR — Rate of Annual Return

Okay, now consider this:

- We could invest in a company whose share price is rising a little over time, or one whose share price is rising a lot over time. If we want to invest in the companies with a quickly rising share price, how do we spot them?

The concept of the *Rate of Annual Return* (ROAR) is a good indication of how much a company's share price is increasing over the longer term. Alan's materials explain this concept, and how to find the stocks with a high ROAR.

MMA and Range indicators

Alan Hull's methodologies include additional elements, including some technical (chart-based) indicators such as a special version of the Multiple Moving Average (MMA), and his Range indicator.

Risk management

To be successful in share market investing it is important to understand the risks, and to manage the risks. By managing the risks effectively, it is possible to make good returns from investing in the market. Alan's materials can assist with both understanding, and managing, these risks.

Summary

This article in Brainy's series on Share Trading (number ST-6420) is an overview of some of the ideas promoted by Alan Hull. These can form the basis of successful trading strategies, and can be bundled with other ideas. It is very important to back-test and paper-trade any trading strategy before implementing it.

More details on these topics are included in other articles which should be read in conjunction with this one — including Brainy's Technical Analysis article number TA-6150, "*Alan Hull — MMA, Range, ROAR*", and the BullCharts article number BC-26-200, "*Author Strategy — Alan Hull*".



For more information on Share Trading, or
Technical Analysis, or BullCharts software,
look for more of Brainy's articles, or the other resources, in
Brainy's Share Market Toolbox: www.robertbrain.com

Your own notes and comments:

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