



Brainy's Articles on Share Trading

Sample trading strategies Daryl Guppy

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Introduction

Daryl Guppy is a well-known technical analyst, share trader and author with business operations in Australia, Singapore, Beijing and Malaysia. The *Guppy Traders* company has been providing independent education, training, analysis and resources for retail and professional financial market traders involved in stocks, CFDs, warrants, derivatives, futures and commodities since 1996.

Daryl has authored several books including: "*Trend Trading*", "*Bear Trading*", "*Snapshot Trading*", "*Chart Trading*", "*Share Trading*", "*Better Trading*" and "*Trading Tactics*", published by Wrightbooks (the Australian business and finance publisher, now an imprint of international publishers John Wiley — <http://au.wiley.com>). More information about Daryl's books is available from the company web site.

Daryl's organisation *Guppy Traders* offers a range of products and services and has much information available from the company web site www.guppytraders.com.

Some of Daryl's trading and Technical Analysis concepts and methods are incorporated as scans, indicators or chart tools in the BullCharts charting software.

This article in Brainy's series on Share Trading (number ST-6430) provides a brief overview of some of Daryl's teachings, and should be read in conjunction with the Technical Analysis article number TA-6200, "*Daryl Guppy — the GMMA indicator*", and the BullCharts article number BC-26-300, "*Author Strategy — Daryl Guppy*".

Strategy overview

Daryl Guppy promotes a large number of key trading and Technical Analysis elements. Some of these are included in Brainy's Articles, including the following:

- GMMA — Guppy Multiple Moving Average indicator, including two variations — an oscillator and a chart ribbon.
- Count Back Line — to assist with trade entry and exit on both long positions and short.
- TVL — Trend Volatility Line indicator, to assist with determining stop levels based on trend volatility as opposed to price volatility.

An overview of some of these is provided in the notes below, with more details in the relevant Technical Analysis articles or BullCharts articles.

GMMA — Guppy Multiple Moving Average indicator

The Guppy Multiple Moving Average Indicator (GMMA) is a variation of the more generic Multiple Moving Average (MMA) indicators used and promoted by a number of traders.

The GMMA comprises two groups of Exponential Moving Average (EMA) lines on a price chart, as shown in the sample monthly chart of CBA in Figure 1.

One group of six EMA lines use carefully selected time periods to represent the trading decisions of traders (or shorter term investors). The other group of six EMA lines use a different group of carefully selected time periods to represent the investment decisions of the longer-term investors.

The GMMA indicator can be used to understand trend behaviour, and to indicate possible trading



Figure 1: GMMA - Guppy Multiple Moving Average indicator in BullCharts.



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opportunities. Some traders regard it as an indispensable tool in this regard. In Guppy's book "*Trend Trading*"¹, he says that we can get a significant trading edge by identifying the difference in the nature of the trend (ie. fast, slow or parabolic) and the character of the trend (well supported and dependable, or bedevilled by trading activity, or dominated by a trading bubble).

For more information about the GMMA, refer to Brainy's article on Technical Analysis TA-6200, "*Daryl Guppy — the GMMA indicator*". For information on how this is implemented in the BullCharts charting software, refer to Brainy's article BC-26-300, "*Author Strategy — Daryl Guppy*".

Count Back Line

The Count Back Line (CBL) is a volatility based charting tool developed by Daryl Guppy. A sample use of this CBL tool is shown in Figure 2 at right.

By identifying the most recent highest high price bar, and counting back two lower lows, a price point is determined that can be used as the Stop Loss level for future price action.

The CBL line and technique has additional uses to assist with a number of aspects of both trade entry, and trade exit. Some details are provided in Brainy's article TA-6250, "*Daryl Guppy — Count Back Line (CBL)*".



Figure 2: Count Back Line on BHP for Long position stop.

TVL — Trend Volatility Line indicator

The Trend Volatility Line (TVL) indicator is a relatively recent innovation. It is determined from the GMMA indicator, and plotted on the GMMA. It uses the trending information and the volatility of the trend from the GMMA to determine a stop loss position. It is based on the premise that the volatility of the trend is different to the volatility of the price. The TVL indicator can be seen to be more useful where there is a stock with high price volatility and the likelihood of whipsaws. By using the volatility of the trend, it can be possible to ride through potential whipsaws, and stay in a rising trend.

Refer to Guppy's writings for more details.

Summary

This article in Brainy's series on Share Trading (number ST-6430) is an overview of some of the ideas promoted by Daryl Guppy. 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 TA-6200, "*Daryl Guppy — the GMMA indicator*", and the BullCharts article number BC-26-300, "*Author Strategy — Daryl Guppy*".



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:

1 Guppy, Daryl (2004); "Trend Trading"; p137; Wrightbooks.