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Your Free Wrap today is based on extracts from the latest Edition 572 of Jim Berg's 'Investing & Online Trading' Stock Report



Lifting the Lid on Our Signals Research

By Jim Berg and John Atkinson

1) Introduction

On Wednesday last week, Members of Jim Berg's [Australian Investing and Trading Signals Service](#) were informed that the word 'Research' has been removed from their daily Signal Entry Logs, Exit Logs and Signal Master Logs.

In this free Wrap today we explain the background to that research, our findings and provide our latest updates to some recently closed Trading Signals and currently open Investing Signals.

2) Background

2.1 Trading Signals

In Edition 522 of our weekly '[Investing & Online Trading](#)' Report in July 2015, we published the first of Jim's '**Momentum Picks**' Lists and have provided updates in our Report every month since (see Edition 571 for the latest).

Our progressive analysis in our Report of the potential entries and their corresponding exits for many shares listed on those Momentum Picks showed positive results overall.

This gave us the incentive, starting mid-February 2016, to start including selected Companies from these Momentum lists as an extra set of Signals Logs - - as part of Jim's [Australian Trading Signals Service](#) - which we called our '*Research Trading Signals*'.

Our aim has been to locate and monitor shares which give entry signals in rising trends, while the overall market was in a falling trend, then to test and measure the results.

That extra Signals sheet was entitled 'Research' from February 2016 until last week and was provided for '*Research Purposes Only*', because:

1. Originally, in February 2016, the ASX200 (XJO) was in a falling trend
2. Since 6th May 2016, the XJO has been in a **rising trend**, but Jim Berg has a *Caution in place until further notice* e.g. until the Banking Index becomes a rising trend.

On that extra sheet:

- Closing prices, Stop loss values and Stop Loss types (i.e. *Initial Stop, Adjusted Stop or Trailing Stop*) are updated nightly in the Master Trading Signals Log and
- Trading Signals Members are advised if any Profit Targets are to be reduced (due to a Close above Jim's Profit Taker that day), and/or

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- If there are any new Entry or Exit Signals. For new entries, Members are advised of Jim's suggested:
 - Maximum entry price
 - Initial Stop Loss value
 - Corresponding Initial Trade Risk and Portfolio Risk and
 - Suggested number of shares to buy for a notional \$100k portfolio

From commencement, the shares we entered on that Research Trading Signals sheet were initially selected only from Jim's '*Momentum Picks Lists*', as published monthly in our [weekly Report](#).

In Edition 565 (on 28th May 2016) we announced that from that week we had also expanded our Trading Signals searches to add a selection of hand-picked Australian shares to these Lists which are:

- A) In '*smooth*' rising trends visually i.e. without extensive sideways action or extreme volatility
- B) Have > 350 Million Market Cap and are > \$1 in price
- C) Have given a JB Alert and JB Blue Bar Volatility Entry Signal

2.2 Weekly Investing Signals

In this current market we were initially hesitant to research the same entries using weekly charts.

However, in May 2016 we went back and reviewed the track record of all the '*Research*' Trading Signals selection posted since 15 Feb 2016 and found:

- i) Many of these research positions which were '*closed*' using daily charts would still be '*open*' using weekly charts.
- ii) Several which were '*closed*' at losses using daily charts would now be in open profit using weekly charts
- iii) 1 position (QAN) would have been closed at a **-13.4%** loss using Jim's Emergency Stop on weekly charts, vs **-2.1%** loss on a daily charts trailing stop
- iv) However, most Signals would be in open profit now, with 6 open positions showing over 15% (see examples below) and a maximum of **76.1%**, based on yesterday's Close on Friday 15 July 2016*.

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As a result of our initial analysis, in June 2016 we introduced another new set of '*Research*' Logs - this time for Members of Jim's [Australian Investing Signals Service](#).

In a very similar but slightly different process to the extra Trading Signals sheet mentioned above, for this extra Investing Signals sheet:

- Closing prices are updated daily
- Stop loss values and Stop Loss types (i.e. *Weekly Initial* or *Weekly Trailing*) are updated **weekly**
- Each Investing Signals position is also checked each night to see if any have breached Jim's **Emergency Stop** that day
- Members are advised if there are any new Entry or Exit Signals for the following day.

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- Again, for new entries, Members are advised of Jim's suggested:
- Maximum entry price
 - Initial Stop Loss value
 - Corresponding Initial Trade Risk and Portfolio Risk and
 - Suggested number of shares to buy for a notional \$100k portfolio

3) Sample Trades from Jim Berg's Signals Service

We have progressively covered our ongoing analysis of Jim's 'Momentum Picks' in previous Editions of this our weekly mentoring-style '[Investing & Online Trading](#)' Report since mid-July 2015.

In Edition 566 of 4 June 2016 we provided an update on developments at that time of the performance* of some of these Momentum Picks within Jim's Australian Signals Service, including:

- i) The duration for Jim's 5 closed 'research' Signal trades in May 2016 varied from 2.1 to 4.3 weeks, with an average of 3 weeks
- ii) The average net profit, after losses, for these 5 closed trades (excluding dividends received and transaction costs) was **+4.8%** per trade in those 3 weeks
- iii) The net total profit (after losses) equated to **\$2,976**, or a **3% increase** in a \$100k notional portfolio **in just 3 weeks**.
- iv) Importantly, as there was only a maximum of 4 of these 5 trades open at any one time, this means that at least 4 of the 8 available \$12,500 equivalent positions (i.e. at least \$50k – **or half** – of this \$100k notional portfolio), remained '**in cash**' during that month.

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As a further update, the following charts show some of the currently open and recently closed trades from Jim's Signals Service:

3.1 Selection of Recently Closed Trading Signals

Trading Signal #1 daily chart had a **JB 'Alert'** and **JB Blue Bar Volatility** entry signal in April, 2016**.



Trading Signal #1 Daily Chart

Action: Notional trade exited with Jim's JB Profit Taker with a **13.8 %** profit.

{** **Please Note:** Stock codes and details of Jim Berg's Trading Rules are excluded from Sample Editions of the Report. They are presented in full to subscribing [Report Members](#).}

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Trading Signal #2 daily chart had a **JB 'Alert'** and **JB Blue Bar Volatility** entry signal in May, 2016 **.



Trading Signal #2 Daily Chart

Action: Notional trade exited with Jim's Initial Stop with a **-10.2 %** loss.

Trading Signal #3 daily chart had a **JB 'Alert'** and **JB Blue Bar Volatility** entry signal in May, 2016**.



Trading Signal #3 Daily Chart

Action: Notional trade exited with Jim's JB Profit Taker with a **15.9 %** profit.

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Trading Signal #4 daily chart had a **JB 'Alert'** and **JB Blue Bar Volatility** entry signal in June 2016**.

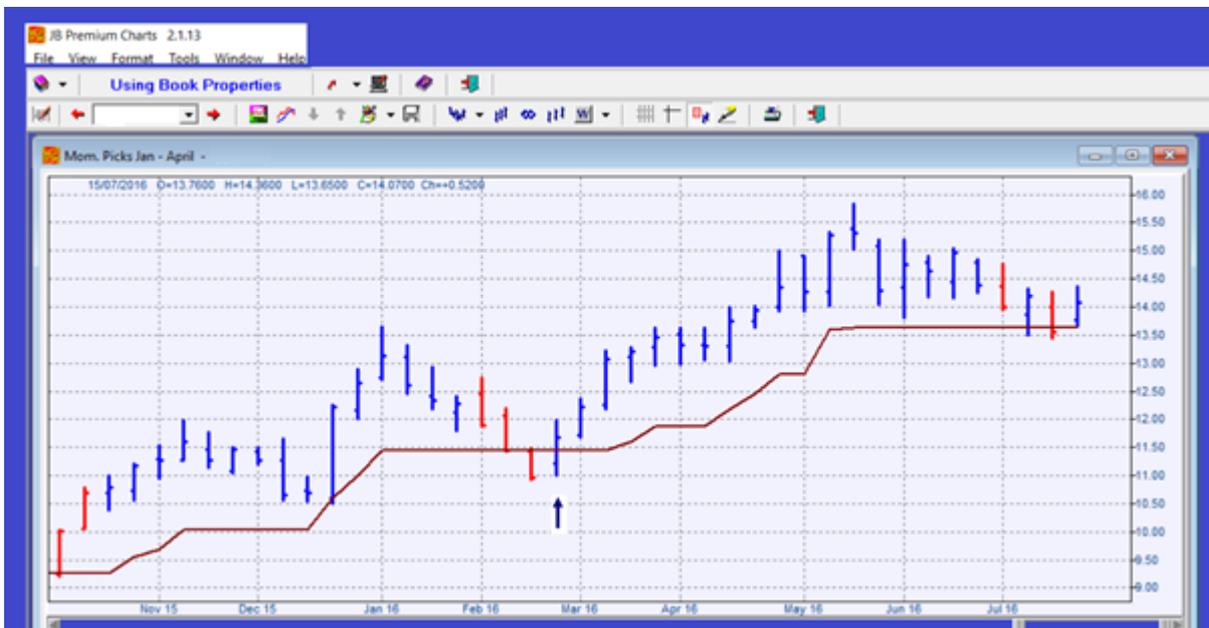


Trading Signal #4 Daily Chart

Action: Notional trade exited with Jim's JB Profit Taker with a **10.0%** profit.

3.2 Selection of Currently Open Weekly Investing Signals

Investing Signal #1 weekly chart had a **JB 'Alert'** and **Blue Bar Volatility** entry signal in February, 2016**.



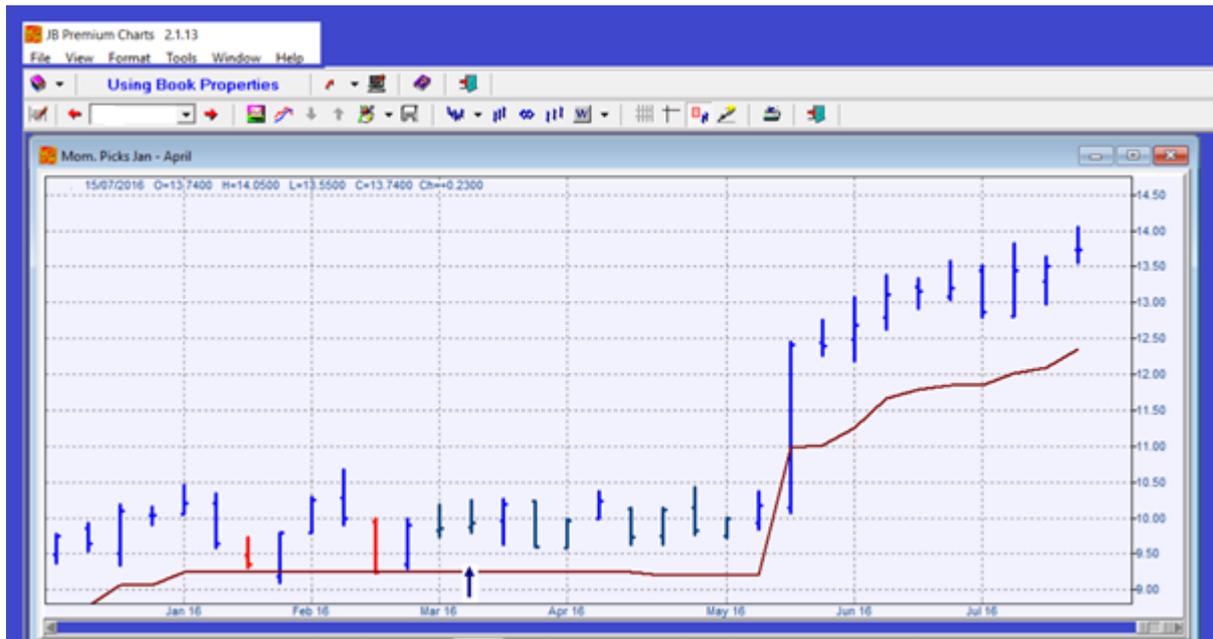
Investing Signal #1 Weekly Chart

Action: Open position with an unrealised **20.9 %** profit.

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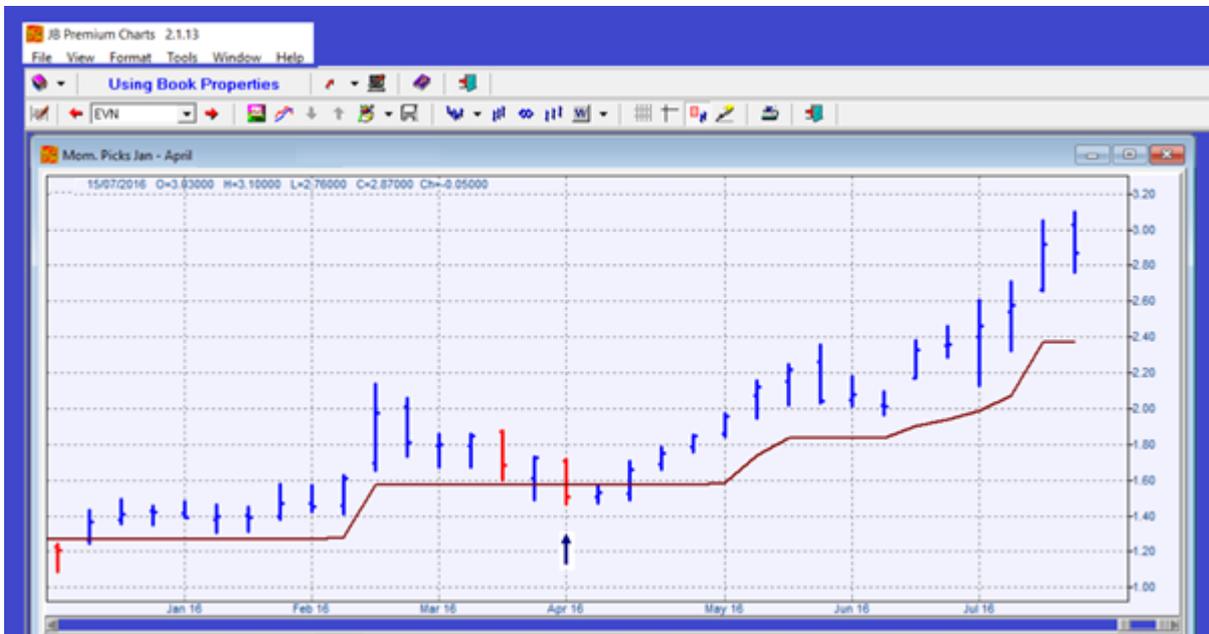
Investing Signal #2 weekly chart had a **JB 'Alert'** and **Blue Bar Volatility** entry signal in March, 2016**.



Investing Signal #2 Weekly Chart

Action: Open position with an unrealised **35.4 %** profit.

Investing Signal #3 weekly chart had a **JB 'Alert'** and **Blue Bar Volatility** entry signal in March, 2016**.



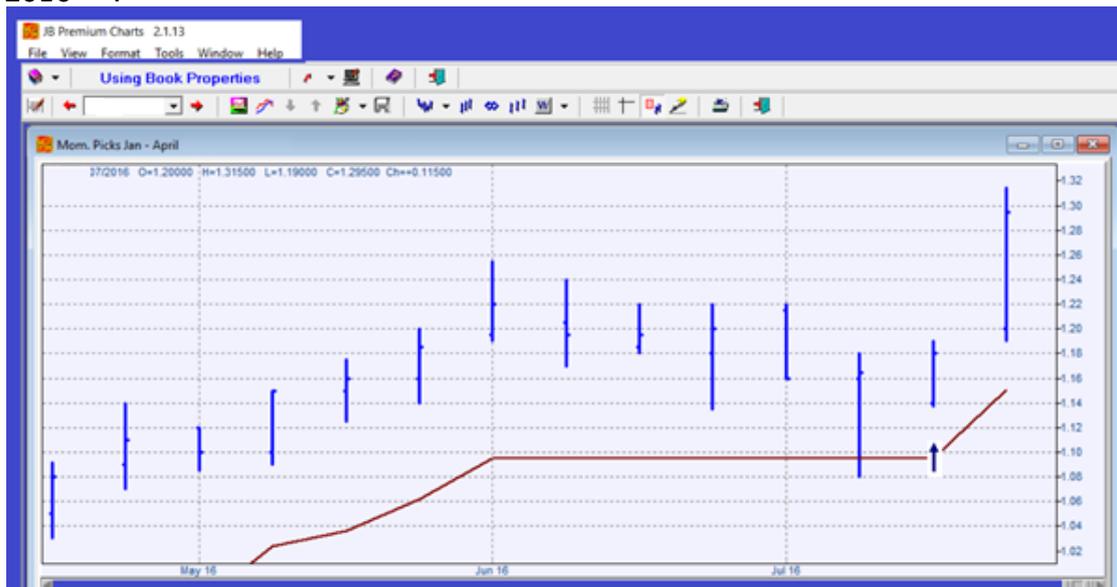
Investing Signal #3 Weekly Chart

Action: Open position with an unrealised **76.1 %** profit.

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Investing Signal #4 weekly chart had a **JB 'Alert'** and **Blue Bar Volatility** entry signal in July, 2016 ******.



Investing Signal #4 Weekly Chart

Action: Open position with an unrealised **13.6 %** profit.

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4) Before and After Brexit

Prior to the Brexit decision we flagged in our [weekly Report](#) the need for caution and possible increased volatility due to Brexit and in his 'Last Word' during June, John also flagged: "Australian Members should also bear in mind that traditionally in June the XJO often has a downward bias due to some traders/ investors carrying out end of financial year portfolio balancing, by selling poor performers to offset realised profits. This is often followed by a July rally."

On 25th June, the day after the Brexit decision, John wrote in his Introduction to Report Edition 569; "I recall after the news hit after the 9/11 attacks, USA markets were closed for a few days, then when they re-opened stock prices fell hard, but rebounded in a V shaped recovery pattern strongly very soon after."

We cannot predict what will happen this time - what we can say is what we will do with the Research Signals which we have currently have open in Jim's Australian Signals Services.

1. *We will not pre-empt or forecast what may or may not happen or exit prematurely. Rather:*
2. *For Research Trading Signals we will notify Trading Signals Members if any trigger their Initial, Adjusted or Trailing Stop after the Close.*
3. *For Research Investing Signals we will notify Investing Signals Members if any trigger their weekly Initial or weekly Trailing Stop at the end of any week, or if an Emergency Stop is triggered on any day meanwhile."*

In that Edition, John also drew attention to; "Right now there are several shares which have been rising steadily for months but which have not corrected/retraced to give an entry."

That's why, in addition to using Jim's 'Momentum Pick's Lists, we will also search the market to look for Companies to add to Jim's Australian Trading & Investing [Signals Service](#) which:

1. *Are in smooth rising trends*
2. *Have corrected due to Brexit and then*
3. *Provide a Re-entry Signal using Jim's entry Rules, as documented in this Report, Jim's 12 new E-Classes and our other resources.*

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Again, extra Caution is needed to swim against the tide and extra discipline is also required to:

- 1) Take action when stops are triggered and
- 2) Stay calm while others are in a 'flap'

Last week, in Edition 571 of our '[Investing & Online Trading Report](#)', we wrote

1. Markets did in fact rebound in a V-shape, similar to the pattern observed after 9/11.
 2. From Monday 27 June to last weekend, we had posted for Signals Members:
 - a) **24** new Entry Signals for our Research *Trading* Signals
 - b) **24** new Entry Signals for our Research *Investing* Signals
- This marks a *record number of new entries over 2 weeks* since we started the Signals Service.

4.1 Latest Update:

Since last weekend, we have posted **8** more *Entry Signals* for both Trading and Investing Signals Members, bringing the total to a record **3** in less than 3 weeks since Monday 27th June*.

4 Signals were subsequently cancelled as they ran too fast and traded above Jim's maximum suggested entry price for 4 days after Jim's Blue Bar Volatility Entry Signal had appeared.

As at yesterday's Close on Friday 15th July, of the remaining 28 Entry Signals posted for both Trading and Investing in the last 3 weeks:

- ✚ **4** are new Entry Signals to be posted this weekend, ready for Monday 18th July.
- ✚ **1** has yet to trade at Jim's maximum suggested entry price, so has also been carried forward to Monday
- ✚ **3** are in open loss of **-0.3%** to **-3.3%**, with an average of **-1.6%**
- ✚ By Friday, **3 Trading Signals** have already rallied strongly and closed above the Jim's Profit Taker, with another sitting on the Profit Taker
- ✚ **2 Trading Signals** have been exited at **10%** and **15.9%** profits in 1.5 weeks (see 3. above)
- ✚ **18 Trading Signals** are in open profit of **+0.1%** to **+13.6%**, with an average of **+3.5%** in mostly 1-2 weeks
- ✚ **20 Investing Signals** are in open profit of **+0.1%** to **+18.8%**, with an average of **+4.4%** in mostly 1-2 weeks

3. Investing Signals Portfolio LATEST UPDATE:

- Immediately after the Brexit decision, Jim's Investing Signals notional Portfolio was in open profit of **+10.7%**
- 3 weeks later, (after only 2 closed losses and 1 closed profit since 16th February 2016), that \$100k Portfolio:
 4. Is now showing an open profit of **\$16,857** or **16.9%** increase *in only 4.9 months*, with

5. 1 of the 8 open positions now showing an open loss of **-4.9%**
6. **4** of the 8 open positions now showing open profits of **over 15%**, with the maximum in open profit of **+76.1%**

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5) 'Research' Title Deleted

We started our 'research' in February 2016, at which time the Australian market was originally in a falling trend, so our new 'Research' Signals Logs were originally intended to look for rising shares while the market was falling.

In May 2016, the XJO switched back to a rising trend, but due to the divergence with the Banking Index, Jim has had a 'Caution' in place, so our 'Research' continued.

Our experience since February 2016 to date has shown that the Signals which we have hand-picked and selected from our Watch Lists for Jim's Signals Service, then managed with rules developed for this current market, have given us sufficient confidence to remove the word 'Research' from their titles.

Therefore, on Wednesday this week, our Trading and Investing Signals Members were informed that the word 'Research' has been removed from their daily Signal Entry Logs, Exit Logs and Signal Master Logs.

The question has been raised; ***"Is it okay to trade or invest in these Signals?"***

Our thoughts are "yes", on the provisos that:

- i) Signals Members understand that there is no perfect trading or investing system, No one can get consistently achieve a 100% success rate in the market, so losses will always occur. Losses are normal. The key is to keep the size and number of losses small compared with profits.
- ii) Entries are taken only when an Entry Signal applies, i.e. *not at any random time later*
- iii) Traders and Investors using these Signals must continue to exercise Caution in this current market and, as always, be prepared to act if stops are triggered, even if this may result in re-entering at a higher price later if a re-entry Signal is given.

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Jim Berg's Australian Investing & Trading Signals are practical, hands-on '*learn by-doing*' Services, designed to help you follow and learn how to invest & trade using Jim's successful approach - which he has developed over more than 30 years

Each day, Jim and his team personally analyse the entire Australian market after it has closed.

As a Signals Member, you will be sent the results of this comprehensive analysis - in the form of any new Entry and/or Exit Signals, where applicable, ready for the following day.

The latest prices and stop loss values are also updated in a Master Log of all '*open positions*', so you can watch the management real time of all '*open*' Signals.

Two very user-friendly Services are available to you.

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1. [**Australian Trading Signals Service**](#) - Managed using *daily charts*. These Signals target profits* of about 10-15% in about a month.
2. [**Australian Investing Signals Service**](#) -Managed using *weekly charts*. These Signals have lower Stops, with the aim of '*letting profits run*'

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