

END OF DAY DATA CORPORATION

# Scanning the Market

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using Stock Filter

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**2/27/2011**

EOD's Stock Filter tool quickly searches your database, identifying stocks meeting your criteria. The results are easily viewed with Stock Trend Lite or Stock Trend version 5.xx.

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## Overview

How do you find consolidation patterns, stocks making new highs or lows, stocks closing at or near daily highs, or stocks within your price range? Examining thousands of charts to find these characteristics would be time consuming, and become a frustrating experience.

EOD's Stock Filter tool quickly searches your database, identifying stocks meeting your criteria. The results are easily viewed with Stock Trend Lite or Stock Trend version 5.xx.

The concept is simple. You define the parameters and only those stocks meeting all criteria will be compiled in a batch ready to be viewed with Stock Trend's viewer feature. To make it easy, we've included several Pre-Defined Queries.

Stock Filter supports only Stock Trend Lite or Stock Trend versions 5.0 and greater. Stock Filter will create a folder called "QueryResults" in the same directory that your stock data is located. All query results will be found in this folder.

Stock Filter is designed to search your database looking for chart "types" and creates batch files of securities meeting your criteria. It is particularly adept at identifying consolidation patterns, new highs / lows, moving average crosses and many more. In addition, you can easily include price, volume and liquidity constraints.

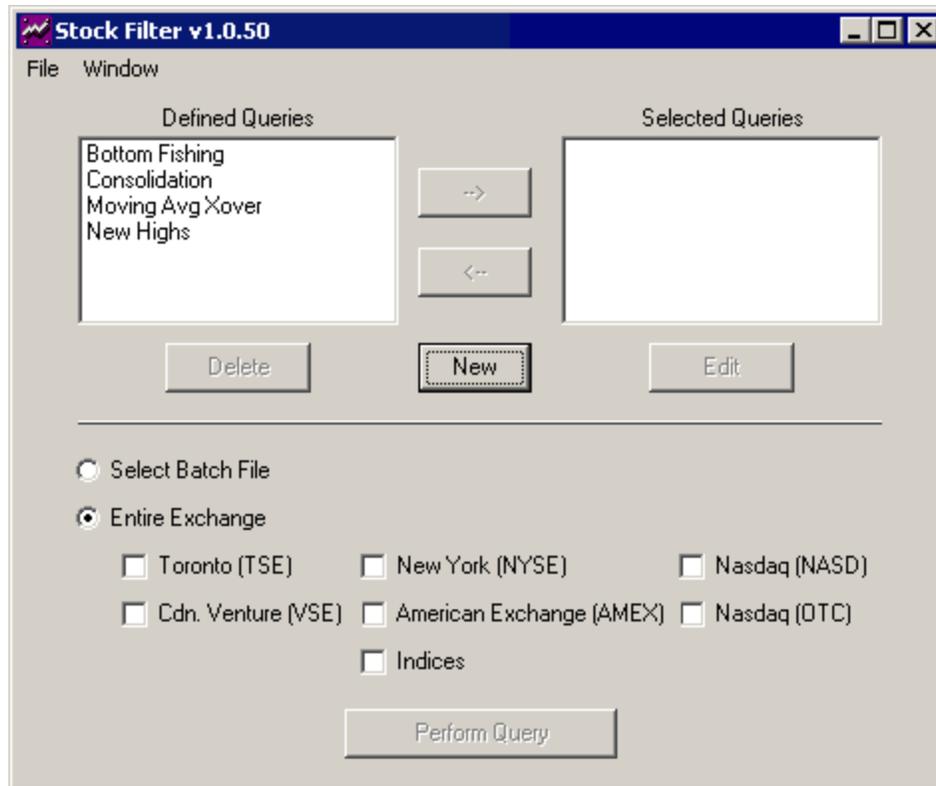
Select from any or all of the following categories:

- Volume
- Liquidity
- Moving Average
- Price
- High/Low
- Candle
- Consolidation

Saving your criteria as a Query makes it easy to perform your searches on a regular basis. Stock Filter has been optimized to process up to nine Queries simultaneously.

To help you get started, we've included some predefined Queries, including New Highs, Consolidations, Bottom Fishing and Moving Average Crossover. See [Pre-Defined Queries](#) for an explanation of these strategies.

When you start the program, you will be presented with the following screen:



Predefined Queries and any queries you create are displayed in the "Defined Queries" window. These are saved so you don't have to create new queries every time you want to search the database. New queries are easily created, and any existing queries can be edited or deleted.

Stock Filter is not date sensitive and performs its operations on the last record in your database. References to days are trading days, rather than calendar days.

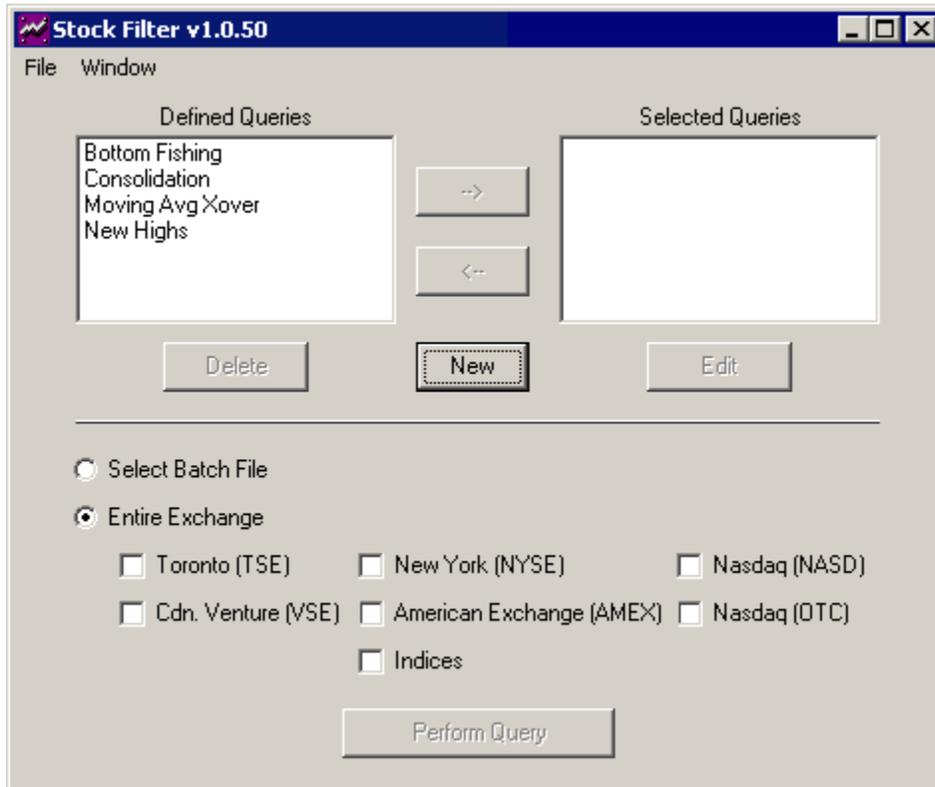
If a security meets **ALL** criteria, it will be included in a batch suitable for viewing with Stock Trend Lite or Stock Trend version 5.xx.

***Note that the security has to meet all the criteria, therefore, try to avoid conflicts such as picking new highs and new lows at the same time as it would be very unusual for a security to make both a new high and new low on the same day.***

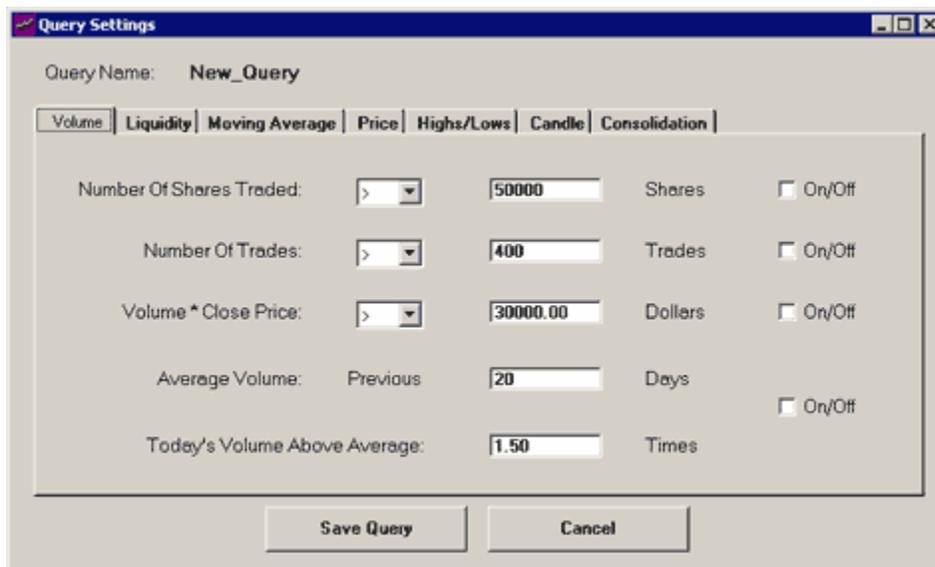
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Queries should be created for a specific search. If you want to search for moving average crosses and consolidations, you should create separate queries.

## Creating a Query



Click the "New" button, and a "Filter Settings" window containing seven tabs will appear. Under each tab, various selections are possible. Clicking in the On/Off box toggles your selection. Only those items turned "On" will be included in your search. Default values shown are suggestions only and we recommend that you experiment with the settings.

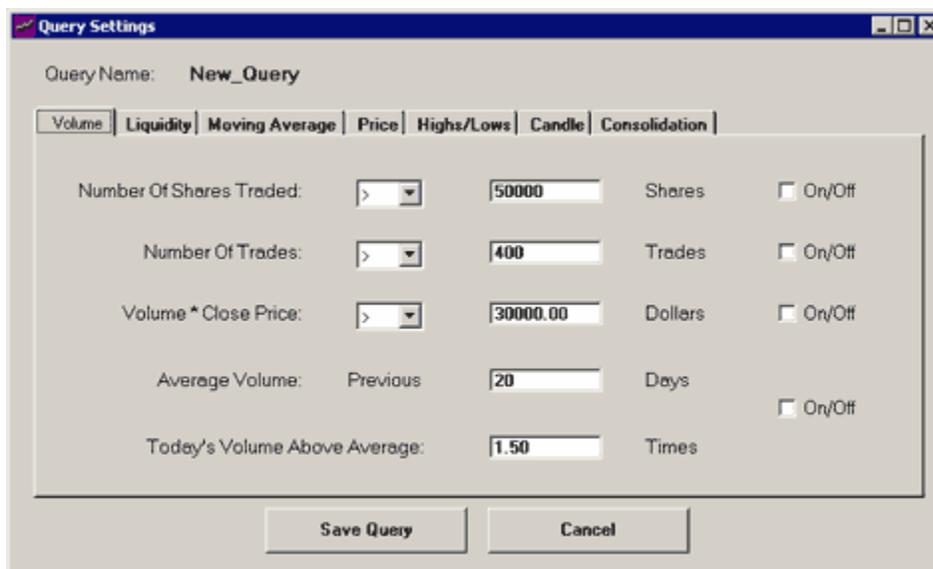


## Volume

Volume settings help identify two main conditions - securities that do not trade (or are thinly traded) and securities that have high or above-average volume.

It is usually more difficult to buy or sell securities that are thinly traded. If you are holding 5,000 shares of a security that normally trades 2,000 shares per day, it may take you a while to sell your position.

Stock Filter can also identify securities that trade in excess of their moving average. Securities breaking out of consolidation patterns or new highs should generally do so with high volume. Above-average volume can sometimes be used as a leading indicator of price movement.



The screenshot shows the 'Query Settings' dialog box with the 'Volume' tab selected. The 'Query Name' is 'New\_Query'. The 'Volume' tab is active, and the following settings are visible:

Setting	Operator	Value	Unit	On/Off
Number Of Shares Traded:	>	50000	Shares	<input type="checkbox"/>
Number Of Trades:	>	400	Trades	<input type="checkbox"/>
Volume * Close Price:	>	30000.00	Dollars	<input type="checkbox"/>
Average Volume:	Previous	20	Days	<input type="checkbox"/>
Today's Volume Above Average:		1.50	Times	

Buttons: Save Query, Cancel

### Number of shares traded

Use this setting to define a minimum number of shares traded.

### Number of Trades

Using number of trades instead of number of shares traded eliminates high volume caused by large block trades, and may be preferable if searching for "Penny" stocks, where thousands of shares can be bought for few dollars.

### Volume times Closing Price

Stock Filter multiplies closing price by volume to generate dollar values. This filter may be preferable to Volume filter (above) as it will identify both low priced stocks trading large volume as well as higher priced stocks trading at lower volume.

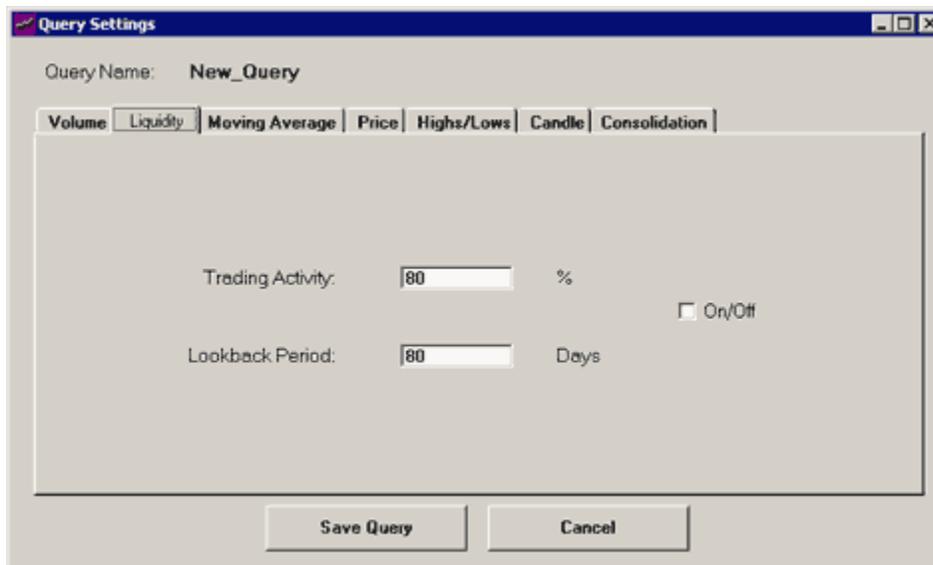
### **Volume Above Average**

This setting is used to identify securities trading above average volume. Using the default settings as an example, only those securities that traded one and one-half times the volume of the average of the last 20 days will pass this test.

## Liquidity

Liquidity refers to how frequently a security trades. Many securities on the CDNX and OTCBB exchanges trade only a few times a month. If you want to include only liquid securities in your search, this feature lets you filter out securities that are infrequently traded.

It is advisable to use a value less than 100%, because even the most liquid security could be halted for a day, therefore causing it to fail the test and be filtered out.



The screenshot shows a window titled "Query Settings" with a "Query Name" of "New\_Query". It features a tabbed interface with tabs for "Volume", "Liquidity", "Moving Average", "Price", "Highs/Lows", "Candle", and "Consolidation". The "Liquidity" tab is selected. Inside the dialog, there are two input fields: "Trading Activity:" with a value of "80" and a percentage sign, and "Lookback Period:" with a value of "80" and the word "Days". There is also an unchecked checkbox labeled "On/Off". At the bottom, there are "Save Query" and "Cancel" buttons.

## Trading Activity

This selection specifies the percentage of time that a security must trade during the look back period. Stock Filter does not apply any volume criteria to this filter, only that it traded at least one share.

## Lookback Period

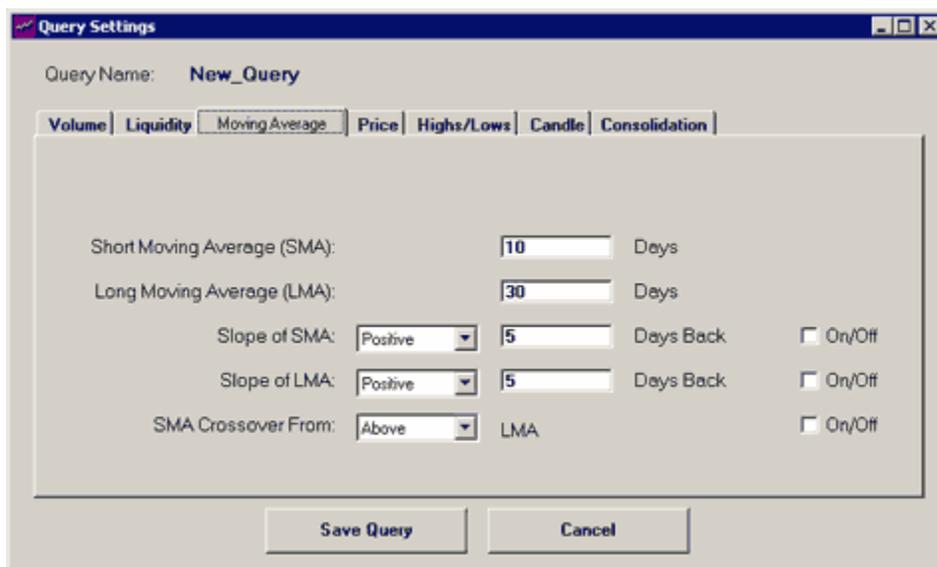
If you want to include securities that have recently started trading, you should shorten the look back period to 15 or 20 days because if a security has not traded the minimum number of days, it will fail the test and be excluded.

## Moving Average

Moving averages identify whether prices are in an uptrend or downtrend. When the short moving average (SMA) line is above the long moving average line (LMA), the stock is in an uptrend. When the LMA line is above the SMA, the stock is in a downtrend. If you are searching for long positions, you may want to limit your search to securities that are in up trends, while short positions may be identified by searching for securities in downtrends.

Stock Filter lets you look at the short-term slope of the moving average to identify securities that may be changing direction.

Moving averages can be combined with other searches. For instance, if you are searching for consolidation patterns near a stock's 80 day high, you could set the Long Moving Average to, say, 100 days and set Price vs. LMA to greater (see [Price Tab](#)). This should eliminate consolidations near the bottom of the chart.



The screenshot shows the 'Query Settings' dialog box with the 'Moving Average' tab selected. The 'Query Name' is 'New\_Query'. The 'Moving Average' tab is active, showing settings for SMA and LMA. The SMA is set to 10 days, and the LMA is set to 30 days. Both have a slope of 'Positive' and a 'Days Back' of 5. There are checkboxes for 'On/Off' for each slope setting and for the 'SMA Crossover From' setting, which is set to 'Above' LMA.

Setting	Value	Unit	Days Back	On/Off
Short Moving Average (SMA)	10	Days		
Long Moving Average (LMA)	30	Days		
Slope of SMA	Positive		5	<input type="checkbox"/>
Slope of LMA	Positive		5	<input type="checkbox"/>
SMA Crossover From	Above	LMA		<input type="checkbox"/>

## Short / Long Moving Average

The number of days selected for short (SMA) or long (LMA) moving average calculations is entered here. Note that Stock Filter uses arithmetic moving average. The number of days selected for SMA and LMA are used for all moving average calculations under this tab and the "Price" tab.

## Slope of SMA / LMA

Slope identifies whether the moving average line is pointing up or down. The number of days (look back period) should be fairly short if this test is to be effective.

The slope of the trend line often precedes price activity. For instance, if the slope of the SMA is negative while the slope of the LMA is positive, it is an indication that prices may weaken. On the other hand, if the slope of the SMA is positive while the slope of the LMA is negative, it may indicate that prices may be heading higher, especially if accompanied by above-average volume.

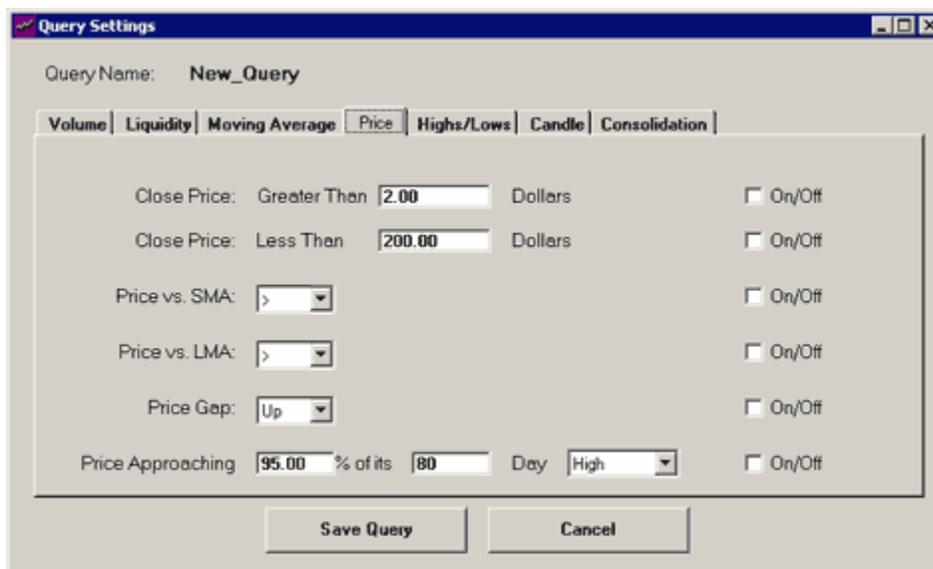
### **SMA Crossovers**

This setting identifies when moving average lines cross. If the SMA crosses the LMA from above, it is generally regarded as a negative sign. When the SMA crosses the LMA from the bottom, it is generally regarded as a positive sign. Crossovers are only identified on the day of the cross over and one day after the crossover, therefore it is suggested that you run this query frequently.

## Price

Stock Filter can perform the following Price tests on the closing prices:

- If prices are above, below or within selected dollar values
- If prices are above or below short or long moving averages
- Whether or not there are any up or down price gaps
- If prices are approaching (but not exceeding) previous highs or lows



The screenshot shows the "Query Settings" dialog box with the "Price" tab selected. The "Query Name" is "New\_Query". The "Price" tab is active, and the following settings are visible:

Setting	Value	Unit	On/Off
Close Price: Greater Than	2.00	Dollars	<input type="checkbox"/>
Close Price: Less Than	200.00	Dollars	<input type="checkbox"/>
Price vs. SMA:	>		<input type="checkbox"/>
Price vs. LMA:	>		<input type="checkbox"/>
Price Gap:	Up		<input type="checkbox"/>
Price Approaching	95.00 % of its	80 Day	<input type="checkbox"/>

Buttons: Save Query, Cancel

### Closing price Greater Than

Use this filter to set a minimum price. This is useful if you want to eliminate "penny" stocks or lower priced stocks.

### Closing price Less Than

Use this filter to set a maximum price. This is useful if you want to eliminate high priced stocks. Turning "ON" both "Greater Than" and "Less Than" settings will only identify stocks between the ranges selected.

If you do not select any price settings, Stock Filter will perform the analysis on all securities.

### Price vs. SMA or LMA

You can select whether prices are above or below the SMA and LMA. The moving average calculation is based on the time selected in the "[Moving Average](#)" tab.

## Price Gaps

This is a powerful feature if you want to identify securities about to break to new highs (or lows). The concept behind this filter is to give advance notice of securities approaching their previous highs (or lows).

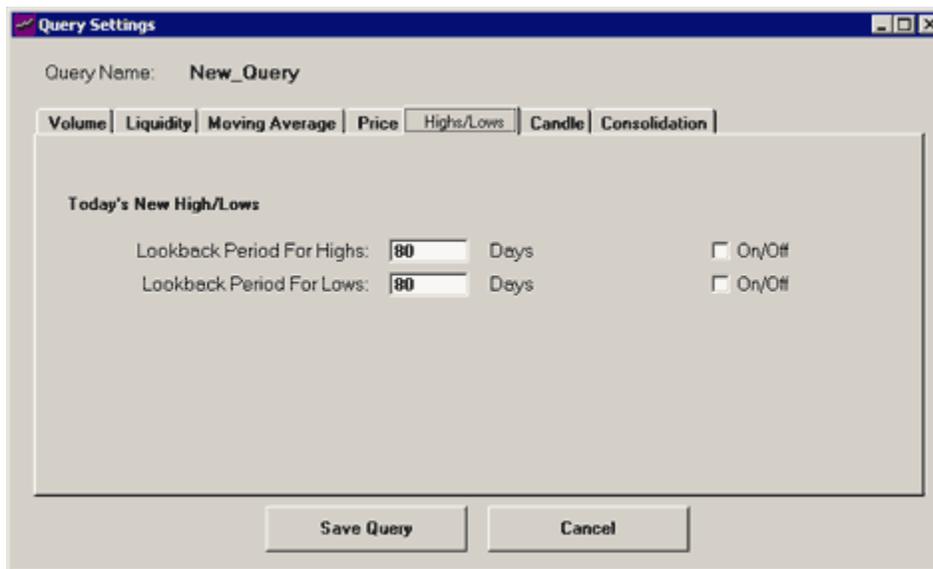
For example, using the default values above, Stock Filter will look back 80 trading days to determine the highest high during that time period. If the closing price of the security is within 95% of that high, it will pass the test. If all other criteria are met, the security will be included in the result. An example of this is shown in the following chart, which was identified using the default values:



## High / Low

Use this filter to locate securities making new highs or lows. Stock Filter compares today's high with the highest high during the look back period. If today's high is HIGHER, it passes the test. The same concept applies to new lows.

The purpose of the look back period is to allow flexibility to identify different kinds of new highs. A new high with a look back period of about 250 days would identify securities breaking 52-week highs. To identify securities breaking a downtrend, you could make the look back period 20 to 30 days.

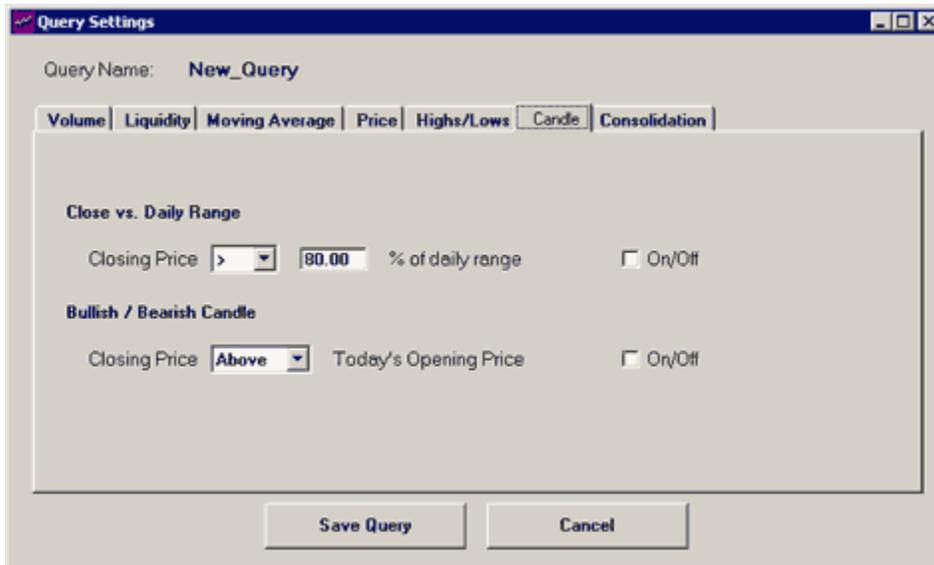


## Today's New High/Low

Set the look back period to the number of days desired. If you are using new highs to identify stocks breaking from a downtrend, consider incorporating price vs. Moving Average filter. See the predefined scan "[Bottom Fishing](#)" for an example.

## Candle

Use this filter to gauge momentum. If the security closes at or near its high, it shows that buyers were more optimistic than the sellers at the close of the day. The opposite is true if the stock closes low in its daily range.



### Close vs. Daily Range

If you are searching for stocks closing near the high of the daily range, select a value greater than 70%. You can also use the filter to identify short candidates, by selecting stocks closing below 30%.

### Bullish / Bearish Candle

Stock Filter identifies a Bullish candle if the closing price is greater than the opening price. If the price closes below its opening price, a candle is Bearish.

There is a subtle difference between Bullish candle and Closing high in its daily range. A stock that opened at its high, but closed below its open is a Bearish Candle, but may still pass the Close vs. Daily Range test.

## Consolidation

Consolidation patterns (ascending triangles, rectangles, and descending triangles) are forms of continuation patterns. These patterns usually indicate that the sideways price action on the chart is nothing more than a pause in the prevailing trend and that the next move will be in the same direction as the trend that preceded the formation.

Consolidation patterns can be identified when high (or low) prices tend to develop a straight line over a period of several days or weeks. Example of consolidation patterns are shown below:



Consolidations can also occur at the end of downtrends as shown in the chart below:



**Query Settings**

Query Name: **New\_Query**

Lookback Period:  Days

Analysis Performed On:  Price  On/Off

Price Tolerance (+/-):  %

Min. # Of Positive Tests Within Price Tolerance:

### Lookback Period

Consolidation patterns can develop over several days or weeks. The default settings will identify short-term consolidations. Longer consolidations require a greater look back period. It is best to experiment with this setting and you will soon find securities that meet your criteria.

### **Analysis Performed On**

You can perform this analysis on High, Low or Closing prices. If you are searching for shorting opportunities, use Low prices, if searching for long positions, use High prices.

Stock Filter provides complete flexibility, allowing you to experiment with various settings.

### **Price Tolerance**

In order to identify consolidation patterns, prices should be fairly consistent over the time period selected. Using the above default values, a price tolerance of 1% (assuming analysis is performed on High prices) means that during the look back period, prices must be within 1% (+/-) of today's high in order to score a positive value.

It is advisable to create separate filters for higher priced and lower priced securities, as a price tolerance of 1% may be fine for a \$10.00 security, but may be too generous for a \$60.00 security. Setting this value too loose will identify securities that are not really in consolidation patterns. For higher priced securities, you may want to set the tolerance level to say .50%. Again, we recommend that you experiment with the settings.

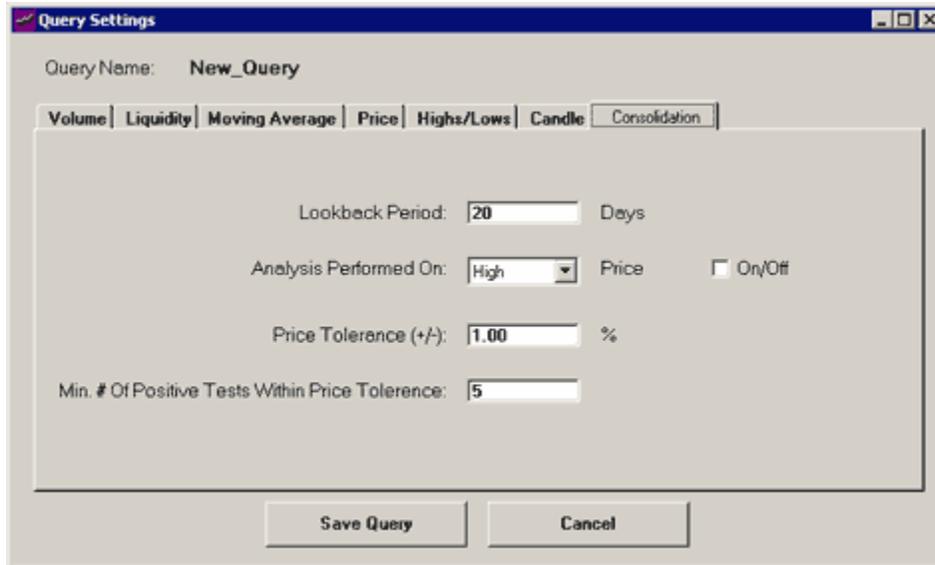
### **Minimum Number of Positive Tests**

This selection determines how many times prices must be within the tolerance level. In the above default setting, a security will pass the consolidation test if High prices are within the tolerance level 5 times during the look back period.

Selecting a larger number here will usually identify "tighter" consolidations. Make sure the number of positive tests does not exceed the look back period or no results will be generated.

## Saving a Query

When you create or edit search criteria, you must save it as a Defined Query in order to process the search.

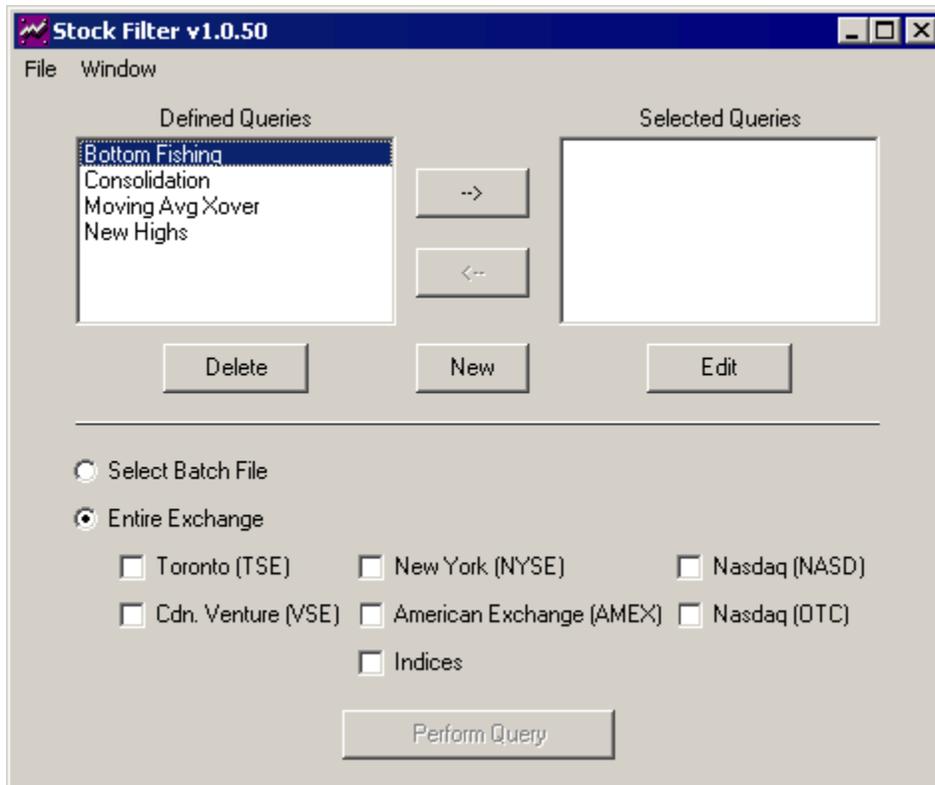


The screenshot shows a Windows-style dialog box titled "Query Settings". At the top, it says "Query Name: New\_Query". Below this is a tabbed interface with tabs for "Volume", "Liquidity", "Moving Average", "Price", "Highs/Lows", "Candle", and "Consolidation". The "Price" tab is currently selected. Inside the main area of the dialog, there are several input fields: "Lookback Period: 20 Days", "Analysis Performed On: High Price" (with a dropdown arrow next to "High" and an unchecked "On/Off" checkbox), "Price Tolerance (+/-): 1.00 %", and "Min. # Of Positive Tests Within Price Tolerance: 5". At the bottom of the dialog are two buttons: "Save Query" and "Cancel".

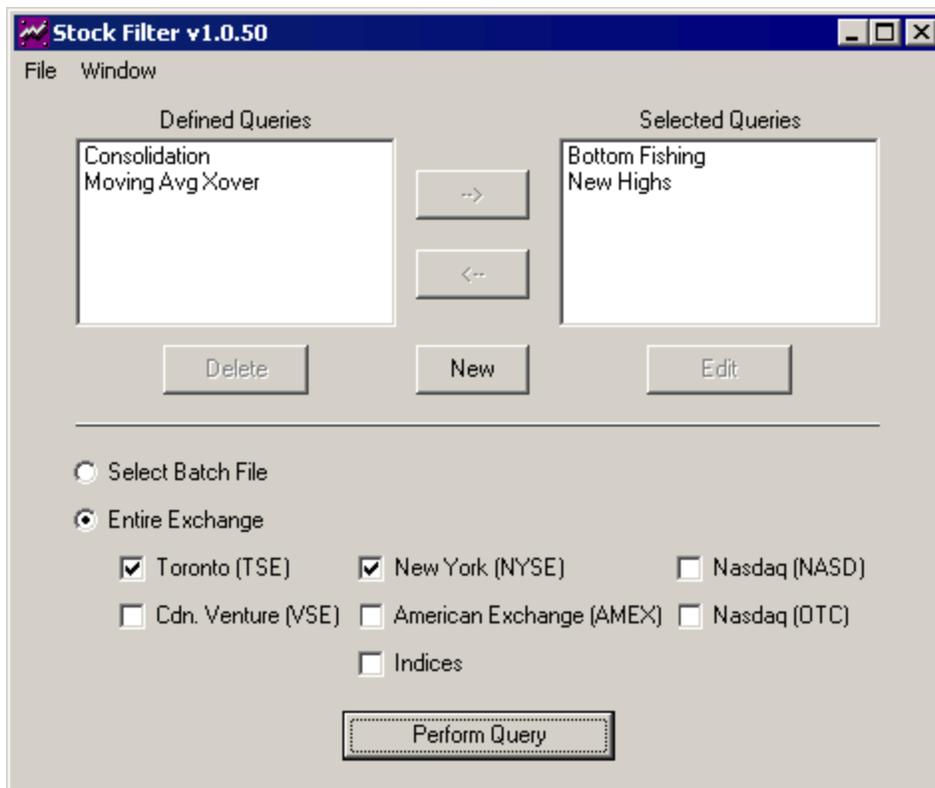
Click on "Save Query" and you will be presented with a standard Windows file requester. Simply enter a Filter name and click on "SAVE". Please do not change directory settings, as Stock Filter will save Defined Query in the same directory as the Stock Filter program.

## Perform a Query

Starting StockFilter will open the main screen. Notice that Defined Queries are located in the left window. Highlighting a Defined Filter will activate the right arrow box. Click on the right arrow to move your selection into the Selected Query window. You can enter multiple Defined Filters and all will be processed at the same time. It only takes a few seconds longer to process multiple Queries, as they're all performed with one pass through the data base.



Stock Filter comes with a few pre-defined queries. Assume we want to search the NYSE and Toronto exchanges for New Highs and Bottom Fish queries. Select these two and move them into the Selected Query window (by clicking on the right arrow box) as shown below.



Click on New York and Toronto exchanges and click on "Perform Query" to start the search.

If you've created your own batches or you wish to use the results from another query, click on "Select Batch File" and a file requester will prompt you for a batch name.

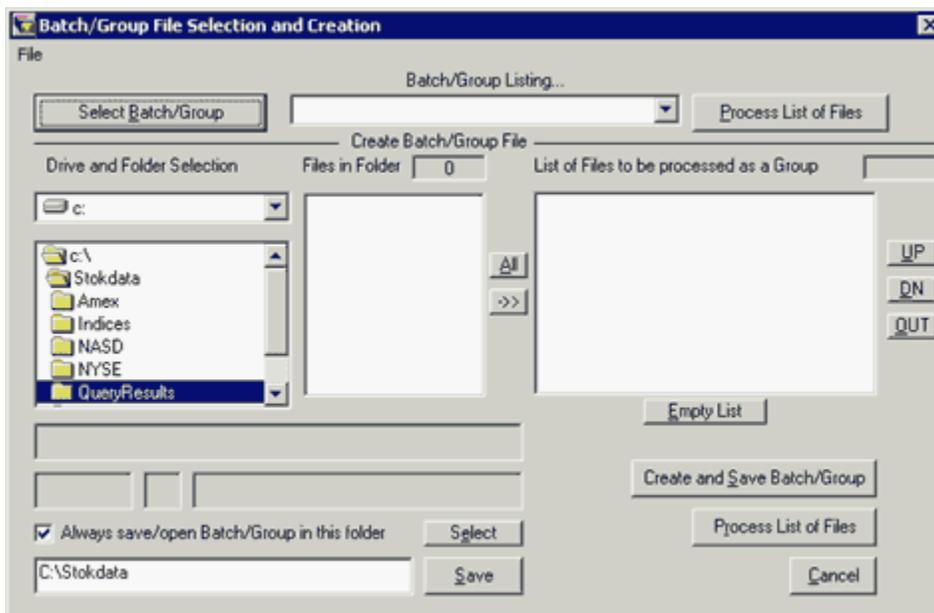
Search results will be found in the "QueryResults" folder in the same directory as your data.

## Viewing the Results in StockTrend

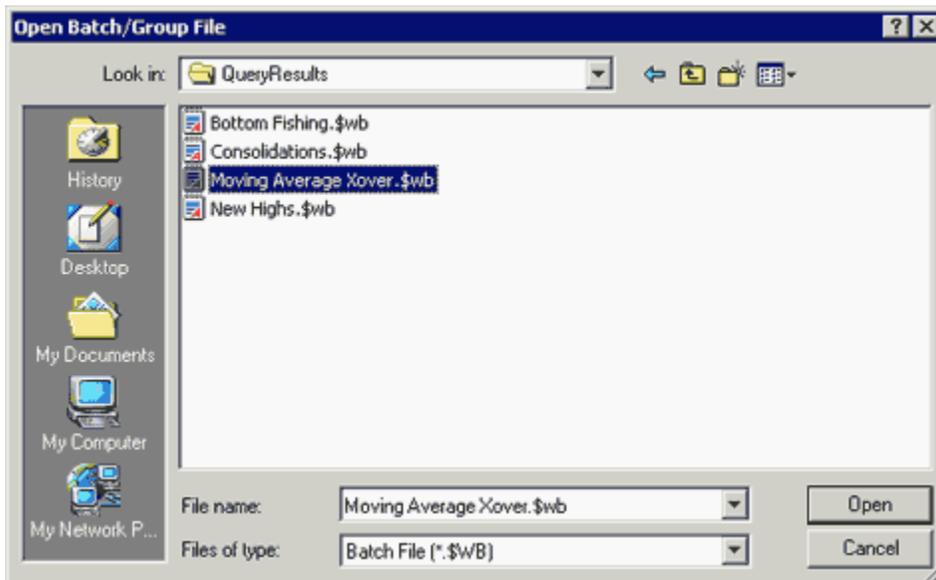
To view the results of the search, start Stock Trend software and you will be presented with the Title Page as shown below:



On the menu bar, find and click the "Open a Batch File" icon (second from the left). This will open the file requestor:

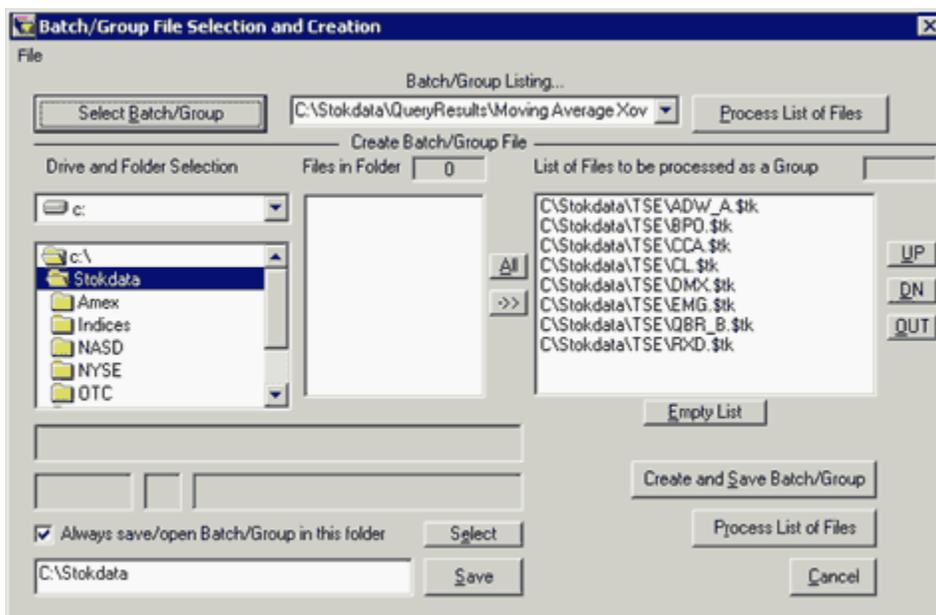


Highlight the "QueryResults" and click on "Select Batch/Group", and the following file requester will appear:



Click in the "Look In:" box and highlight the QueryResults folder. Your queries should appear. All Query results will have a ".\$wb" extension, as Stock Trend uses this extension to identify Batch Files. Highlight the Query you wish to view and click on "Open".

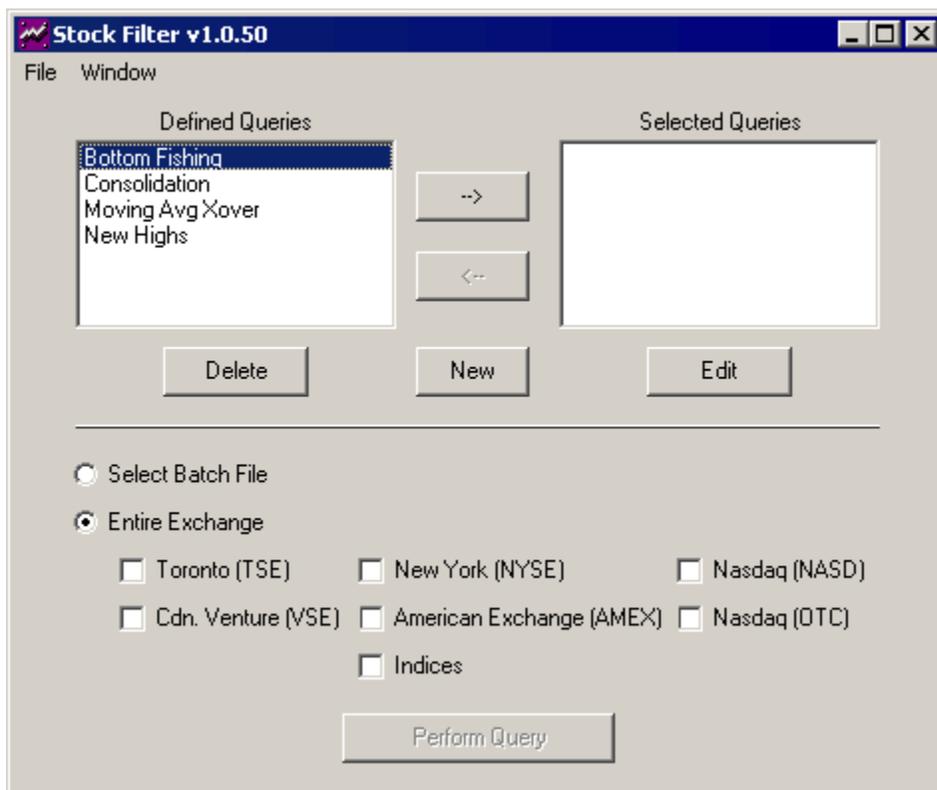
This will return you to the previous screen.



In the upper-right hand corner, click on "Process List of Files" to view the results. A chart window will appear and you can scroll through your selections by pressing the space bar.

## Pre-defined Queries

The strategies provided with the software and described below are designed solely as a training tool for the understanding of technical analysis of financial markets. It is not designed to provide any investment or professional advice. Do not consider buying or selling any securities without conducting your own due diligence.



To change any of the settings, highlight a Pre-Defined Query and click the "Edit" button. Make sure to save your changes.

The Pre-Defined Queries described above are just a sample of what Stock Filter can do. We hope that you find this tool an effective and rewarding enhancement to Stock Trend and Stock Trend Lite.

## Bottom Fishing

Bottom fishing is a term used to find stocks that have been in a relatively long down trend and are showing signs of a change in trend.

This strategy relies on three events to occur:

- Break in the downtrend - Unless the downtrend is broken, the stock price will continue to fall.
- Consolidation - sign that investor confidence is building.
- Upward break from the consolidation pattern - sign of optimism.

## Visual Assessment

Consider the following chart:



Notice the downtrend was broken at point A. Prices consolidated and a breakout was identified by this query. When a stock breaks from a consolidation pattern, it should do so on stronger volume and close above it's open (Bullish Candle).

When looking at the charts of stocks meeting the filter criteria, we want to find stocks that have broken a downtrend, formed a basing pattern, then broken out of the basing pattern with a show of strength. Doing so can yield good results:



## Settings and logic

### Volume Tab

- Number of shares traded > 200000

Used to eliminate thinly traded stocks. You can change this setting to match the exchange. Toronto exchange (TSE) may be lowered to 50000

- Average Volume 20 Days
- Today's Volume Above Average 1.5 Times

This setting will only identify stocks where the volume is greater than 1.5 times their average of the last 20 days. This will confirm that the breakout is accompanied by above average volume. You can increase the value if you are searching for stronger breakouts.

### Liquidity Tab

- Trading Activity 90%
- Lookback Period 40 Days

It's a good idea to use this setting in your queries, as it eliminates stocks that are not frequently traded. Use this setting if searching OTCBB and CDNX exchanges, as many of the stocks do not trade regularly.

## **Moving Average Tab**

- Long Moving Average 120 Days

The moving average is set to 120 days and the query is searching for stocks trading below the 120 day moving average. This will insure that only stocks in a long downtrend are identified.

## **Price Tab**

- Close price Greater 2.00

Can be changed to suit your portfolio level and trading style. During the learning and testing phase, it is a good idea not to be too restrictive so you can determine how the patterns develop.

- Price vs LMA < (less than)

If turned "on", Stock Filter compares the closing price to the Long Term Moving Average and identifies only those stocks trading less than the LMA. This is how long term downtrends can be identified.

## **High / Low Tab**

- Lookback period for Highs 15 Days

By searching for a new high in the past 15 days, we can be assured there is stock has formed some kind of basing pattern. Visual inspection will reveal which stocks have actually formed a good consolidation pattern. A longer look back period will require the stock to form a longer basing period, where a shorter period may not give the stock enough time to consolidate for this strategy to be effective.

## **Candle Tab**

- Bullish / Bearish Candle closing ABOVE Today's Opening

A close above the open suggests the stock is closing with some momentum, which may carry in the next trading session. If the stock closes below its open price, or very low on the day of a breakout from consolidation, the quality of the breakout may be in question and it may be better to wait for confirmation or skip the trade.

## Consolidation

Consolidation patterns (ascending triangles, rectangles, and descending triangles) are forms of continuation patterns. These patterns usually indicate that the sideways price action on the chart is nothing more than a pause in the prevailing trend and that the next move will be in the same direction as the trend that preceded the formation.

## Visual Assessment

Ascending or descending triangles are rather difficult to search for. You will have to do some visual assessment of charts to find stocks that meet this requirement. Expect that a good portion of stocks returned from this query will not meet your requirements. Look for charts that are showing well defined upward consolidating triangles and showing signs of wanting to break through that resistance. Often, there will be increasing volume as we near the breakout point, so watch for that as well.

Rectangle patterns, as shown below are easily identified, and you will find that the majority of the results are rectangles.



It is usually advisable to wait for the break-out, however this strategy will let you identify these patterns before they break out.

## Settings and logic

### Volume Tab

- Number of shares traded > 200000

Used to eliminate thinly traded stocks. You can change this setting to match the exchange. Toronto exchange (TSE) may be lowered to 50000

### **Liquidity Tab**

- Trading Activity 90%
- Lookback Period 40 Days

It's a good idea to use this setting in your queries, as it eliminates stocks that are not frequently traded. Use this setting if searching OTCBB and CDNX exchanges, as many of the stocks do not trade regularly.

### **Price Tab**

- Close Price Greater 2.00

Can be changed to suit your portfolio level and trading style. During the learning and testing phase, it is a good idea not to be too restrictive so you can determine how the patterns develop.

### **Consolidation Tab**

- Lookback period 20 Days
- Analysis Performed on HIGH Price
- Price Tolerance (+/-) 0.75%
- Min # of Positive Tests Withing Price Tolerance 6

Will identify stocks where the high price is trending sideways.

## Moving Average Crossover

Many investors use the Short Moving Average Line (SMA) and Long Moving Average Line (LMA) as trading signals. Buys are indicated when the SMA crosses above the LMA and the position is held until the lines cross. Stock Filter will identify crosses of the SMA and LMA lines.

## Visual Assessment

This strategy is based on the premise that once a trend has been established, it continues until it is broken. In a trending market, this strategy can be very rewarding. Consider the following chart:



A buy signal is triggered at point X and held until the SMA crosses the LMA from above (or a short sell is triggered). The next buy signal is triggered at point Z.

## Settings and logic

### Volume Tab

- Number of shares traded > 200000

Used to eliminate thinly traded stocks. You can change this setting to match the exchange. Toronto exchange (TSE) may be lowered to 50000

### Liquidity Tab

- Trading Activity 90%

- Lookback Period 40 Days

It's a good idea to use this setting in your queries, as it eliminates stocks that are not frequently traded. Use this setting if searching OTCBB and CDNX exchanges, as many of the stocks do not trade regularly.

### **Moving Average Tab**

- Short Moving Average (SMA) 10 Days
- Long Moving Average (LMA) 30 Days
- SMA Crossover from BELOW LMA

Short and Long term averages can be changed to suit your needs. Shorter time periods are more sensitive to price changes, but may lead to more whipsaws. Moving average lines that are too long may cause greater delays and reduce potential profits. Turn "On" SMA crossover from BELOW to search for buying opportunities, select SMA Crossover from ABOVE to search for selling opportunities.

### **Price Tab**

- Close Price Greater 2.00

Can be changed to suit your portfolio level and trading style. During the learning and testing phase, it is a good idea not to be too restrictive so you can determine how the patterns develop.

## New Highs

Stocks breaking to new highs often exhibit continued upward movement. The best candidates for this strategy are stocks breaking out of consolidation patterns and breaking highs that have been established between eighty and one hundred trading days ago.

Prices on the day of the breakout should be accompanied by above average volume, close at or near the high of the day. If the stock closes near its low, it is a good indication of a false breakout.

## Visual Assessment

Consider the following chart:



This stock was in a short consolidation period when identified by Stock Filter. It broke out of the consolidation pattern on strong volume, and closed near its high of the day.

It is necessary to visually inspect query results for a brief consolidation prior to the breakout. Below is the chart showing its activity after the breakout:



## Settings and logic

### Volume Tab

- Number of shares traded > 200000

Used to eliminate thinly traded stocks. You can change this setting to match the exchange. Toronto exchange (TSE) may be lowered to 50000

- Average Volume 20 Days
- Today's Volume Above Average 1.5 Times

This setting will only identify stocks where the volume is greater than 1.5 times their average of the last 20 days. This will confirm that the breakout is accompanied by above average volume. You can increase the value if you are searching for stronger breakouts.

### Liquidity Tab

- Trading Activity 90%
- Lookback Period 40 Days

It's a good idea to use this setting in your queries, as it eliminates stocks that are not frequently traded. Use this setting if searching OTCBB and CDNX exchanges, as many of the stocks do not trade regularly.

## **Price Tab**

- Close Price Greater 2.00

Can be changed to suit your portfolio level and trading style. During the learning and testing phase, it is a good idea not to be too restrictive so you can determine how the patterns develop.

## **High / Low Tab**

- Lookback period for Highs 80 Days

The time frame can be varied to suit the user, however breakouts tend to be more powerful if it is a breakout of a long-established high. By selecting new Lows, instead of highs, you can search for shorting candidates.

## **Candle Tab**

- Closing Price > 75% of Daily Range

Breakouts, in general, should be accompanied by both volume and high closes. A strong closing suggests momentum, which may carry into the next trading sessions, while a weak close may indicate a false breakout.