

All About Trends

david@allabouttrends.net <david@allabouttrends.net>
To: Lynn Ostrem <garbagecop@gmail.com>

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ENTRY POINTS ARE THE SAME WHETHER YOU ARE AN INVESTOR OR A TRADER

The markets have been locked in a sideways trading range. Basically we technicians call it a base being built. Look no further than the chart below.



With the market at support and forming a base, what we want to be on the look out for is stocks that have pulled back from their recent highs to support at a trendline or 50-day moving average.

Rather than go straight up, an index or stock will make a move higher, then spend some time consolidating those gains often down to an area of chart support such as its 50-day moving average and/or upward trendline, before making another move into new high ground.

When a stock pulls back to support, it's your opportunity to buy them and take advantage of the next run. You are

buying it at the point where it should find support and ideally start a new move higher. Buying at this point minimizes your risk and increases your chance to enjoy stronger profits.

The chart of BIDU is a good example of what we are looking for:



For those of you who are traders:

This issue came down to the 50 day average at 415 and proceeded to bolt to 426.46. Folk's that is a swing traders and day traders dream -- heck that was 11 points plus in just hours. Those who don't use charts never saw it coming. Classic action.

For those of you who are investors:

As you can see, we have all of the characteristics here for a safe buy point:

1. The stock is in a clearly defined uptrend and above the 50 day average
2. The stock pulled back to support at the 50-day average which also happens to be close to additional support at the green upward trend line.
3. Full stochastics were in oversold position (Green circle)

This is your chance to buy a leading stock at support and be in position to enjoy it's next run higher. As long as the stock remains above the green upward trendline, it's in an uptrend and warrants you holding your position and adding to it upon subsequent pullbacks.

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