Free business plan on job: geologist

Business, Marketing

Reason for Investing: Wants to start investing to be able to pay tuition and fees for his two children who want to attend 4-year universities.

Purpose: Wants us to increase his savings by 25% this year

Bollinger Bands

Bollinger Bands is the most widely used among traders. Now we have the following variables:

- Moving Average (MA) and the N-Period

- There is a lower band at K times the N-period standard deviation below the moving average (MA)

Typically, we have values for K and N as 2 and 20 respectively. A default value for the average is a simple moving average,

Simple moving average is the one which is the default value for it. However, one may also make use of other averages as appropriate. We could have Exponential Moving Average as a second choice. The same period can also be used for the computation of the standard deviation and for the both the middle band. Bollinger Bands can be chosen if there is need to be relatively lower or higher by definition. By definition using the Bollinger Bands, higher bands have higher prices whereas lower bands can be got at much lower prices. The definition used for the low and high prices can be instrumental in recognizing and identifying rigorous patterns. At the same time, it can be used for comparing action indicators to the prevailing price action before reaching a conclusive trading decision which is systematic and appropriate in the market.

Some of the indicators introduced by Bollinger include BB Impulse that measures price changes as a function of the bands, percent bandwidth % b which serves to normalize bandwidths over time and then we have band delta which is used to quantify the changing bandwidths. %b shows where the price is in relation to the bands. Normally, %b equals 0 at the lower band and 1 at the upper band.

It is obtained from the formula, %b= (last-lower BB)/ (upper BB-lower BB)

The bandwidths indicate how wide the bands are on the normalized basis.

Using Bollinger Bands varies from one trader to another, with some traders buying when the prices are on the lower BB, and stop buying when the price touches the MA in the center of the bands. Others buy when prices go above the upper BB or sell when the prices go below the lower BB.

Advice: I would advise Randy Marsh to buy stocks when the prices are on the lower BB and stop buying when the prices as and when the prices approach the upper BB and sell them instead when the prices are at the upper BB. This would reward him more due to maximized returns on securities. Profit margins in this case would be wide than in the case where one buys stocks when the prices are on the upper BB and sell them when the prices are low/at the lower BB. In any investment, one buys when the prices are lowest and sell when the prices rise.

Resistance lines

It is always very important to be able to spot resistance zones in the stock market. Resistance lines are areas where there is selling pressure in the stock market. We look for at least two areas where the price touches the existing trend. We normally have three trend directions that are the horizontal trend, ascending trend and descending trend. The question arises as to how we spot the resistance lines. Technical analysis is used to project future stock. A line is drawn along those points and is extended forward to project a price targeted for the future for those particular shares or stocks. When the price breaks through the resistance line, the old resistance becomes the new support. This admittedly is hard for many traders to understand. It is sometimes very confusing

Resistance

Resistance Support

Support

A support line shows the level where stock's price generally will not go below. It's a mark of where there's adequate demand to stop. Resistance lines on the other hand indicate a price level where adequate supply of stock stops for a time and fends off an uptrend in prices.

Advice: I would advise Randy Marsh to purchase stock when the prices are at the support level and sell them as and when they approach the resistance. This would ensure a good profit margin, because the prices are lowest at the support and highest at the resistance.

Moving Average Convergence Divergence (MACD)

The analysis is made up of slow and fast lines. In this situation, the first line refers to the 26-day moving average and that of the 12 day exponential. The slow line is otherwise known as the signal line and is the 9 day moving average. The movement of the first and slow lines is useful in determining the selling or buying signal.

Advice to Randy Marsh: he should maximize his buying when the fast lines the MACD cross the slow lines on the MACD. He should then maximize his selling when the slow lines on the MACD cross the fast line on the MACD. This would ensure maximum or near maximum profit.

Fibonacci retracement

This analysis is based on an assumption that markets can retrace by a few predictable percentages. The most excellent percentages produced are 38. 2%, 61. 8% and 50%. When the market retraces 38%, either buy or sell can be generated depending on the trend. If it hits the 38. 2% mark and bounces, it implies that the stock prices are at the support level and therefore one can buy. However, if it goes below the 38. 2% mark, one may look at the 50% retracement level price as the next support.

Advice to Randy Marsh: He ought to buy more when the price reaches the 38. 2% retracement level. This is when the stock prices are lowest.

Relative Strength Index (RSI)

This analysis compares the magnitude of the most recent gains to the most recent losses to locate if an asset has been overbought or oversold. It is plotted on a scale of 0-100. If it goes above 70, the stock is said to be overbought and therefore one looks to sell it. If it is less than 30, it means the stock has been inadequate and therefore can be bought.

Advice to Randy Marsh: He needs to buy more when RSI goes below 30, because the stock prices are most likely lowest at this index and sell when RSI hits 70 and over, when the stock prices are most likely the highest. This would mean good profit margins.

Moving averages

The 200 day moving average is the one of the most widely used technical analysis tool. When the price of stock goes above the moving average line, it’s an indication of a buy signal. When the price of stock falls below the moving average line, it’s a sell signal.

Advice to Randy Marsh: He needs to buy more when the stock prices move above the average line and then sell when it goes below the moving average line for maximum profits.