

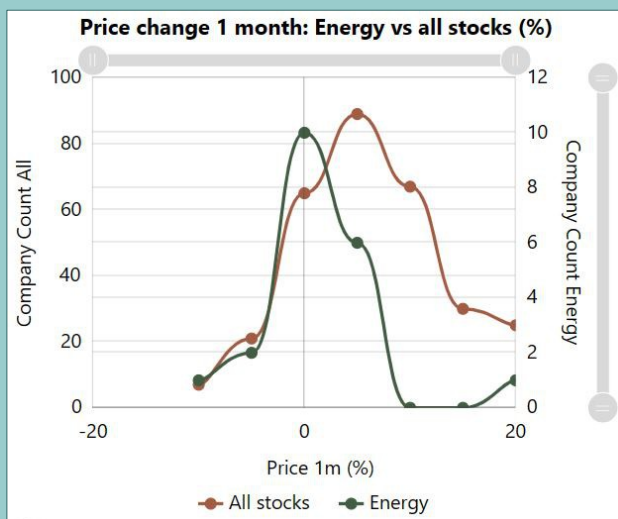
StoCoTo.com – Peer Comparison

Three Graphs that Compare an Index or Sector to All Stocks

The STOck COmparison TOol has several graphs in which the performance of an index or sector is compared to all available stocks. This is referred to as peer comparison and shows how well a selection of stocks are performing. There are three ways to perform peer comparison using the well-known features price change, trade volume and volatility.

The peer comparison section allows the trader to quickly establish if an index or sector is of interest due to its behavior in price change, trading activity or volatility. These can be matched to the desired risk and opportunity profile. In general, it is expected that for the sectors this provides more guidance as they focus on a part of the economy. Stock market indexes are naturally more diversified reducing the chance of them performing different.

Price Change



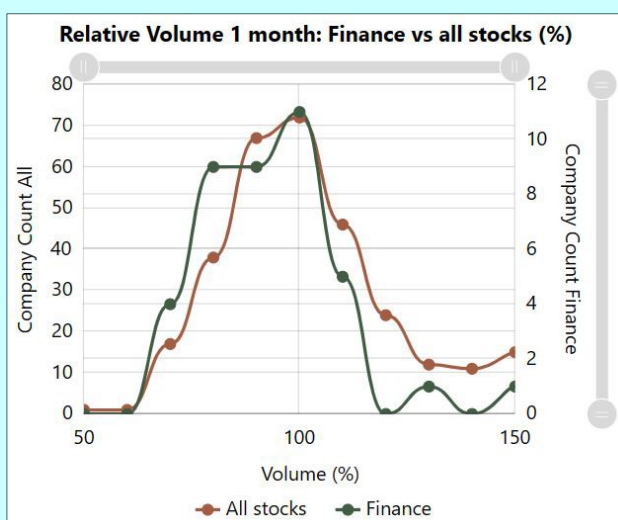
X-axis: Price change (%) in the last 30 days
Y-axis: Count of companies in price group

The price change is the relative price increase or decrease (%) compared to 30 days ago. The index or sector of interest shows the performance, while all the stocks included in StoCoTo are used as a reference.

Because a percentage change is used, the currency of the stock does not matter. Furthermore, the use of company count provides an indication of 'strength' of the distribution.

The alignment between index/sector and reference is not perfect because the company count is used and both Y-axis do not align perfectly. This means that the shape should be compared. The benefit is that for small sectors it can be seen if a different shaped-graph is due to a few companies. If a percentage was used, this is not visible.

Trade Volume



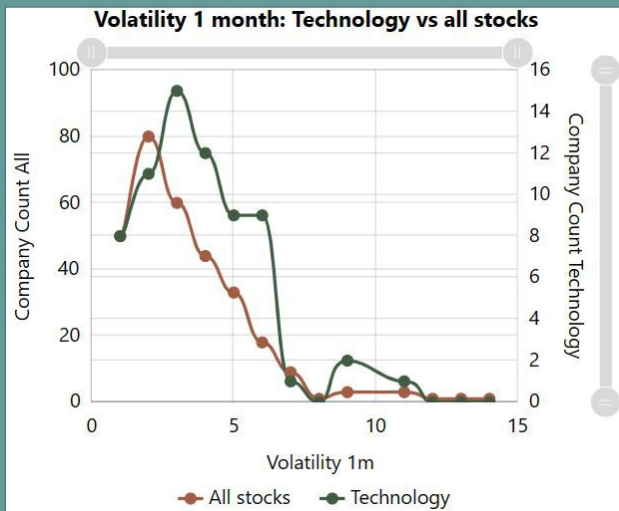
X-axis: Volatility in the last 30 days
Y-axis: Count of companies in volatility group

The volume of trading within a stock market or sector provides an indication of its activity. An often made assumption is that high or low activity is a signal for a price change to happen.

When activity is higher than average, this could mean that investors expect the market to make a change. This can be both positive (active buying) or negative (desire to sell).

A stock market index is in general more diversified, making this analysis difficult to apply. However, for a sector this is different. If a particular sector shows increased trade volume this is often an indication that a sector-wide price change (or volatility) could happen.

Volatility



X-axis: relative trade volume (%) in the last 30 days
Y-axis: Count of companies in volume group

Volatility represents the level of price changes in the last thirty days. In general, a higher volatility is associated with higher risk. This is not necessarily the case, as prices can move up/down or fluctuate around a point.

Markets that are more volatile offer more opportunities. This can be stocks that are growing, stocks that are recovering or shares that are fluctuating.

In contrast, a stock market or sector that is more fluctuating could be a signal for a trader to avoid it for a moment because the risk could be perceived as too high.

Developing a Trading Strategy

To be successful in trading, a strategy needs to be developed. This involves more steps than directly applying the insights from the three different graphs in peer comparison. A first step is to understand the theory behind these graphs and how they are intended to be applied. Helpful is 'The Big Manual' and the articles on the technical indicator section of StoCoTo.com.

The three graphs indicate opportunities and risk for an index or sector, but do not provide a prediction of the future. A trading strategy works best when the trader is able to select the best ones from the identified opportunities. The skills and experience of the trader play an important role here. Furthermore, this needs to be followed up with an honest evaluation of which buying or selling opportunities are expected to result in profitable trades.

The stock market is unpredictable and all indicators shown in the webtool Stocoto.com are based on past behavior in price and volume.