

StoCoTo.com – Performance Insights

Three XY Graphs that Provide Direct Insights into a Collection of Stocks

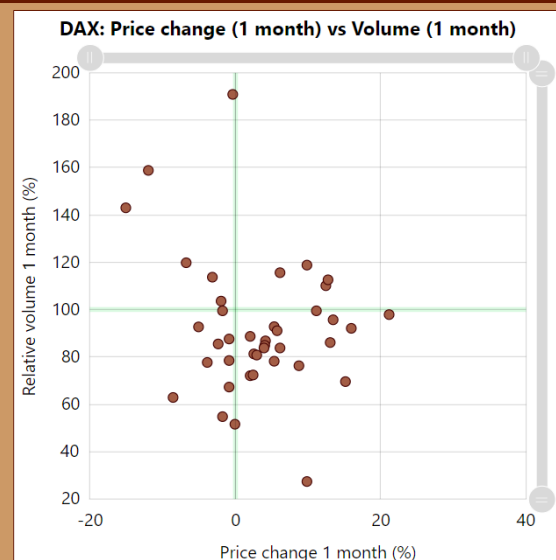
The STOck COmparison TOol has a set of graphs that shows the current performance of an index or sector. These are based on price change, trade volume and volatility. They are widely used parameters that represent most recent performance and trade activity.

The performance insights section allows the trader to compare the different stocks in an index or sector. Based on their own interests, a pre-selection of stocks can be made. Shares of interest can be analyzed further using the graphs in the different sections. The chosen parameters price, relative volume and volatility are widely used, making them easy to understand and interpret. The selected timelength is 1 or 3 months reflecting short- and medium-term.

Price vs Volume

The price change in the last 30 days compared to the relative volume indicates if there is a connection between a change in trade activity and the resulting price. One expects that higher volume leads to a price change (up or down), but this is not necessarily the case. For example, all traders could keep their shares because the price is on a rising path. Alternatively, if relative volume is high, but the price has not changed, this could be indicative of an upcoming price change.

The price change in the last 30 days (1 month) is the result. The relative volume is the amount of volume that is traded compared to the average volume in the previous 12 months. A value of 120% means that it is traded 20% higher in the last 30 days compared to the previous year.



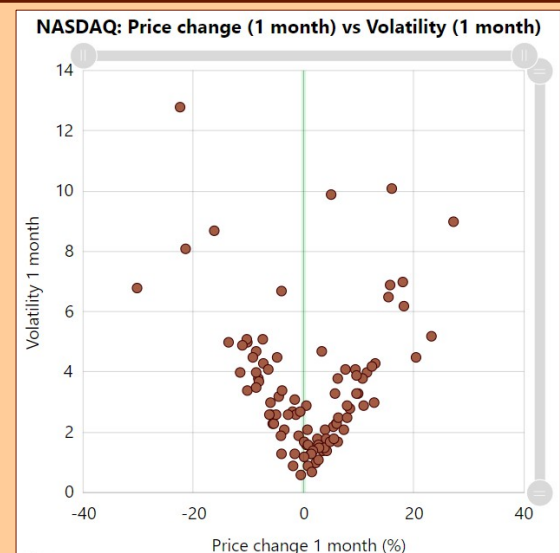
X-axis: Price change last 30 days
Y-axis: Relative trade volume last 30 days (%)
Green reference line represent no price change and average yearly relative volume

Price vs Volatility

Most often there is a link between price change and volatility. The underlying reason is that volatility is caused by price change. The result is a V-shaped plot in which volatility increases when the share price is increased or decreased.

As with most numbers, interpretation is not always straightforward. Within a certain price change there is a level of volatility. It makes a difference if there is a sudden jump in price, a gradual change or volatile behavior. In reality, volatility will be the result of a range of price changes in the previous 30 days.

The result is that within a narrow range of price changes the smallest or highest volatile stocks could be of interest and further investigation is recommended to explain this behavior.



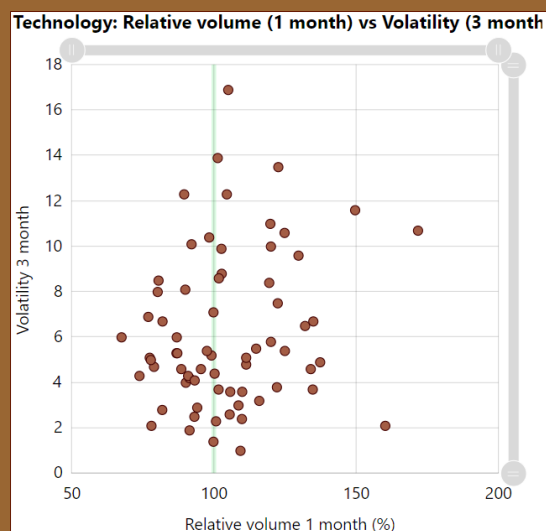
X-axis: Price change last 30 days (%)
Y-axis: Volatility last 30 days
Green reference line represent no price change

Relative Volume vs Volatility

Combining volume with volatility links trade activity and price stability together. The comparison is tweaked by using different time lengths for the two parameters.

The short-term (1 month) relative volume indicates if recent trade activity is above or below average. The medium-term (3 months) volatility indicates price stability over a longer period. Combining the short-term trading activity with medium-term price volatility can indicate if the share price has changed due to volatility.

If price has not changed much, but relative volume is high, a price change could be in the making. In contrast, if volatility is high, but relative volume is low than it is possible that the price could have reached a new stable level.



Developing a Trading Strategy

To be successful in trading, a strategy is a useful guide. This involves more steps than directly applying the insights from the three presented XY-graphs which are intended to provide insights into current performance. A first step is to understand the theory behind these graphs and how they are intended to be applied. Helpful are 'The Big Manual' and the articles on the technical indicators.

The three plots indicate the current performance and trading activity for the stock in an index or sector, but do not provide a prediction of the future. A trading strategy works better when the trader is able to select the best ones from the identified opportunities. Extending this 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.