

Darvas Boxes

with

Techni *Filter* Plus

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- This Demonstration represents, training and information for attendees to use when evaluating and making investment decisions in light of their own individual investment goals and does not constitute specific advice.
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Problems facing the Investor/Trader

- Which stocks to trade?
- When to Buy?
- When to sell?
- How much capital to trade with?
- How much capital to allocate to a trade?
- Confusing information from so called "experts", "insiders", "magazines", "Newspapers", "tips" ...

Obstacles a trader must overcome

- No Plan of Action
- Holding on to losers too long
- Selling the winners too quickly
- Misconceptions about so called "Blue Chips" and long term investments
- Emotional involvement
- Lack of discipline
- Choosing the right tools



Blue Chip Stock? - HIH



A Good Blue Chip long term Investment ?

Holding on for the ride



Overstaying your welcome!

Is there a better way?



Charts & Technical Analysis



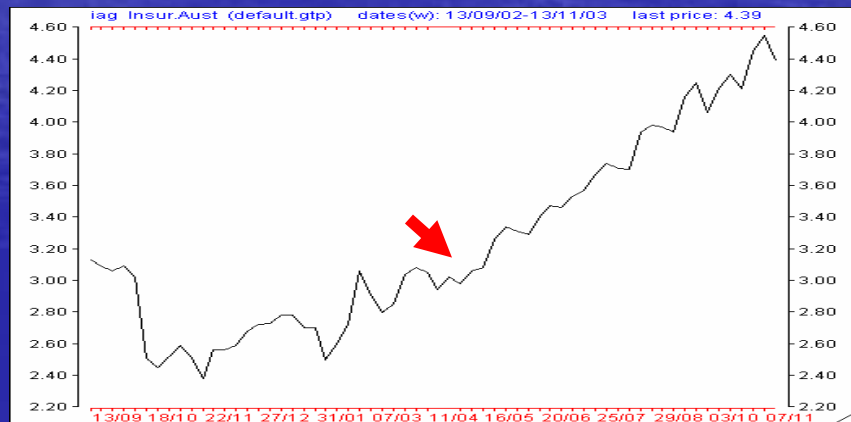
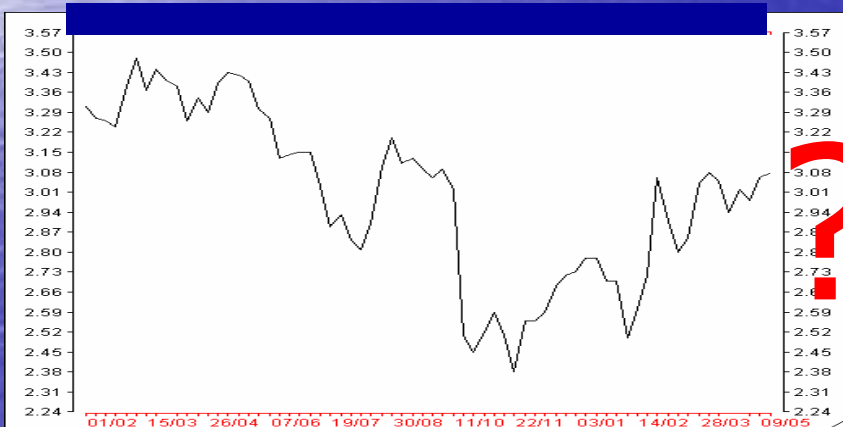
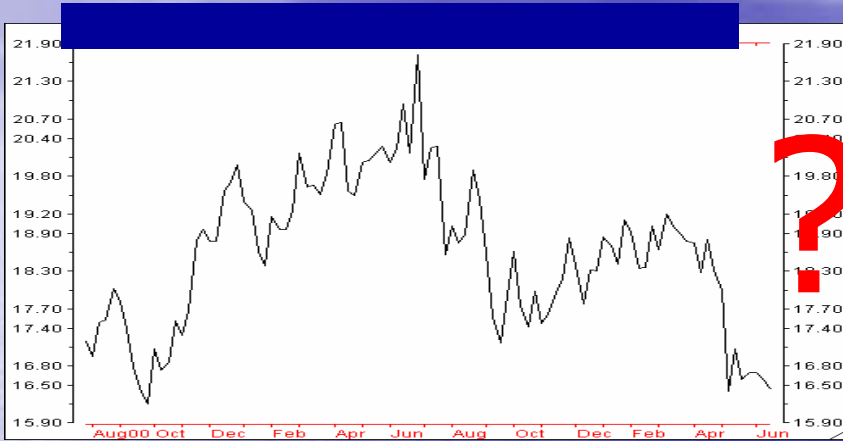
Just as a medical team will study the charts of a patient....

You should monitor the health of your stocks and portfolio

The charts are a historical road map of what has happened to a stock...

But most importantly they also show the trend direction that the stock is moving in!

What's the Trend **UP** or **DOWN**?



Let's look at an easy to follow **trend** trading methodology

The legend of Nicolas Darvas

Nicolas Darvas was a successful dancer who traded Stocks while touring the world in the 1950's

He developed a trading methodology for buying the only strongly performing stocks

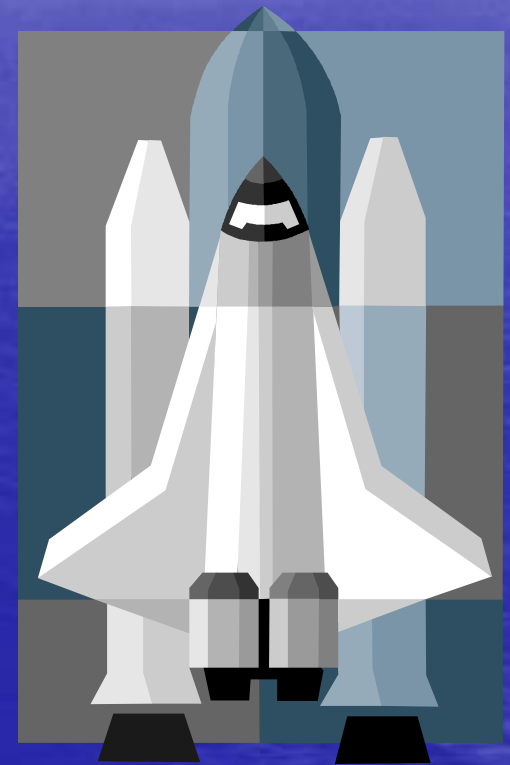
He turned \$36,000 into \$2,000,000 in under 2 years with his methodology



... Darvas Boxes

Buying High priced yet Cheap stocks

- He chose stocks that were performing strongly
- Were in an industry with good growth potential
- He traded in a strong Bull market
- All trades were protected with an initial stop loss
- Thereafter all profits were protected by trailing stops



Darvas Boxes a Simple Methodology with **Techni***Filter***Plus**

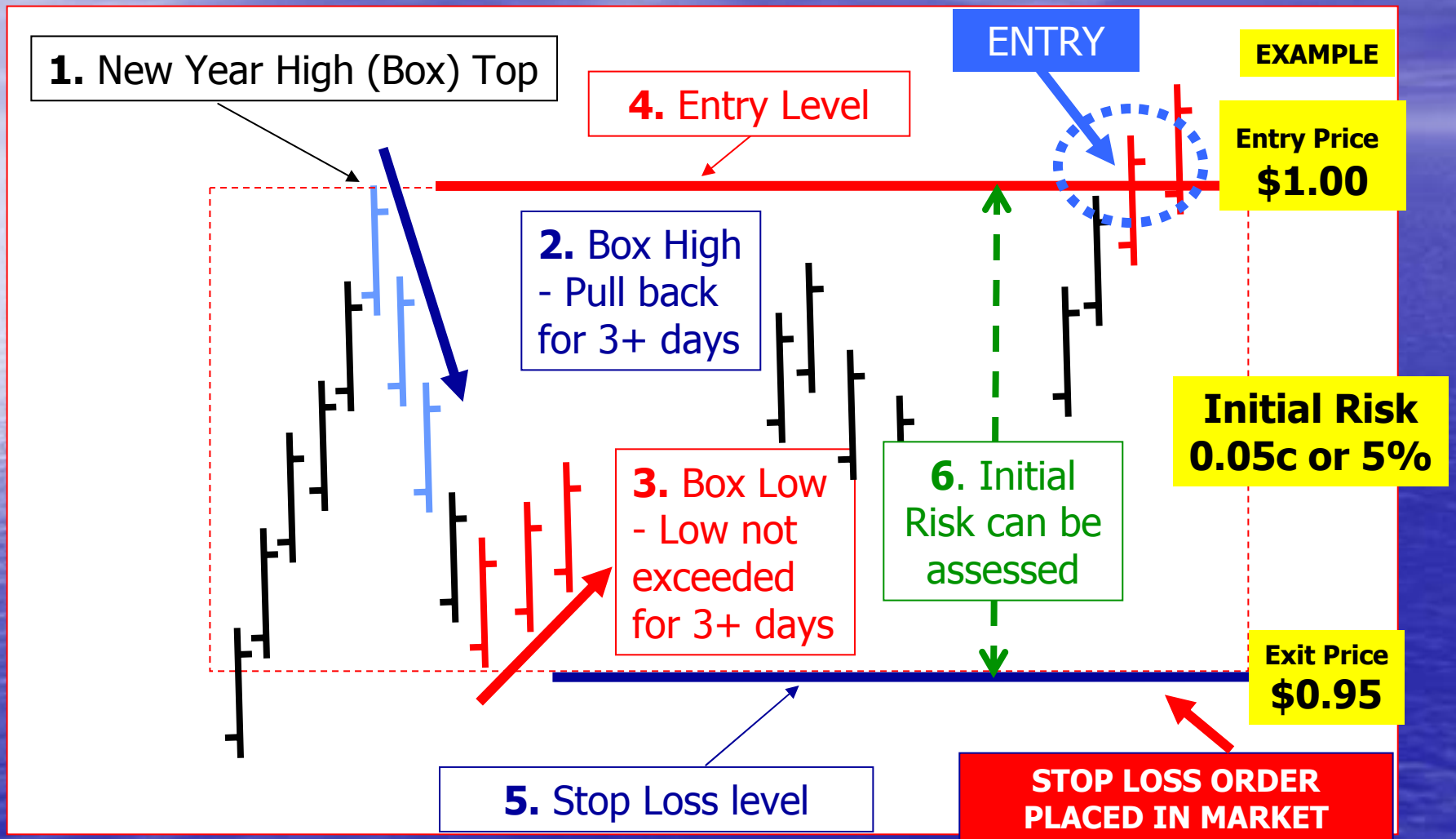
- Takes Less than a Half an hour a day
- Both Buy and Sell Orders can be placed in market while it is closed – after hours
- Takes the emotion out of trading
- Only locates strongly performing stocks
- Filters can be adjusted to locate stocks based on: initial Risk, Value traded, Price range etc.

Simple yet Clever Trading method

- Mechanical Trading System
- Trade Stocks trading at their year high (250 days)
- A large volume spike in the last recent history
- Doubled in price in the last year
- The Entry point is defined in advance
- The Exit point is defined in advance
- Always use a Stop Loss



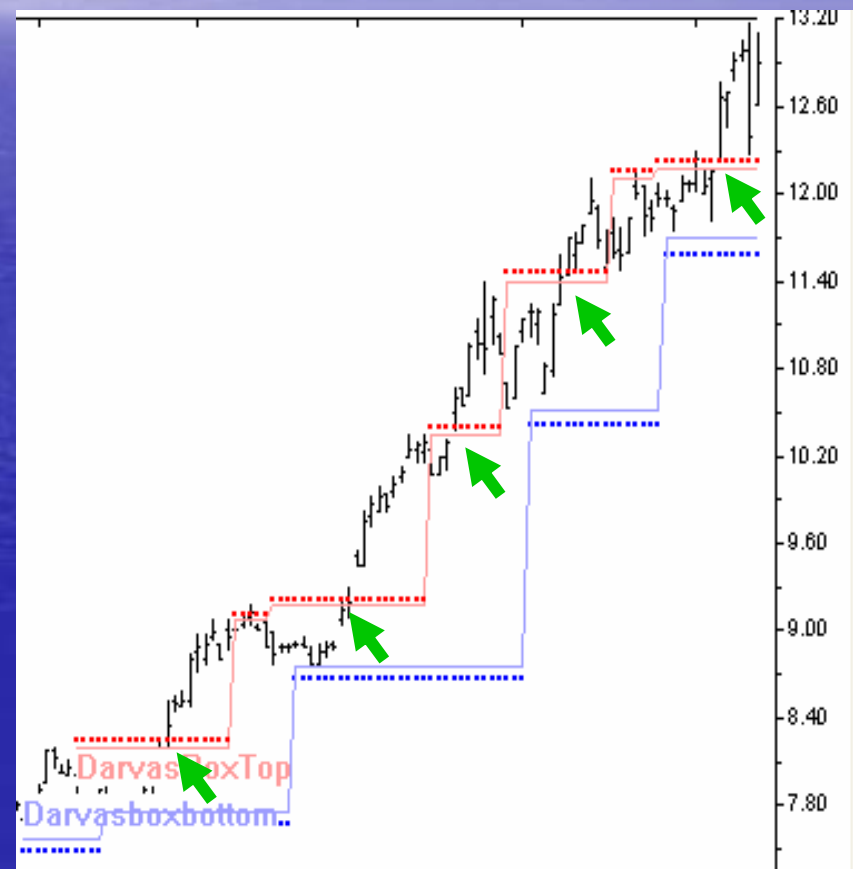
The Darvas Box - Construction



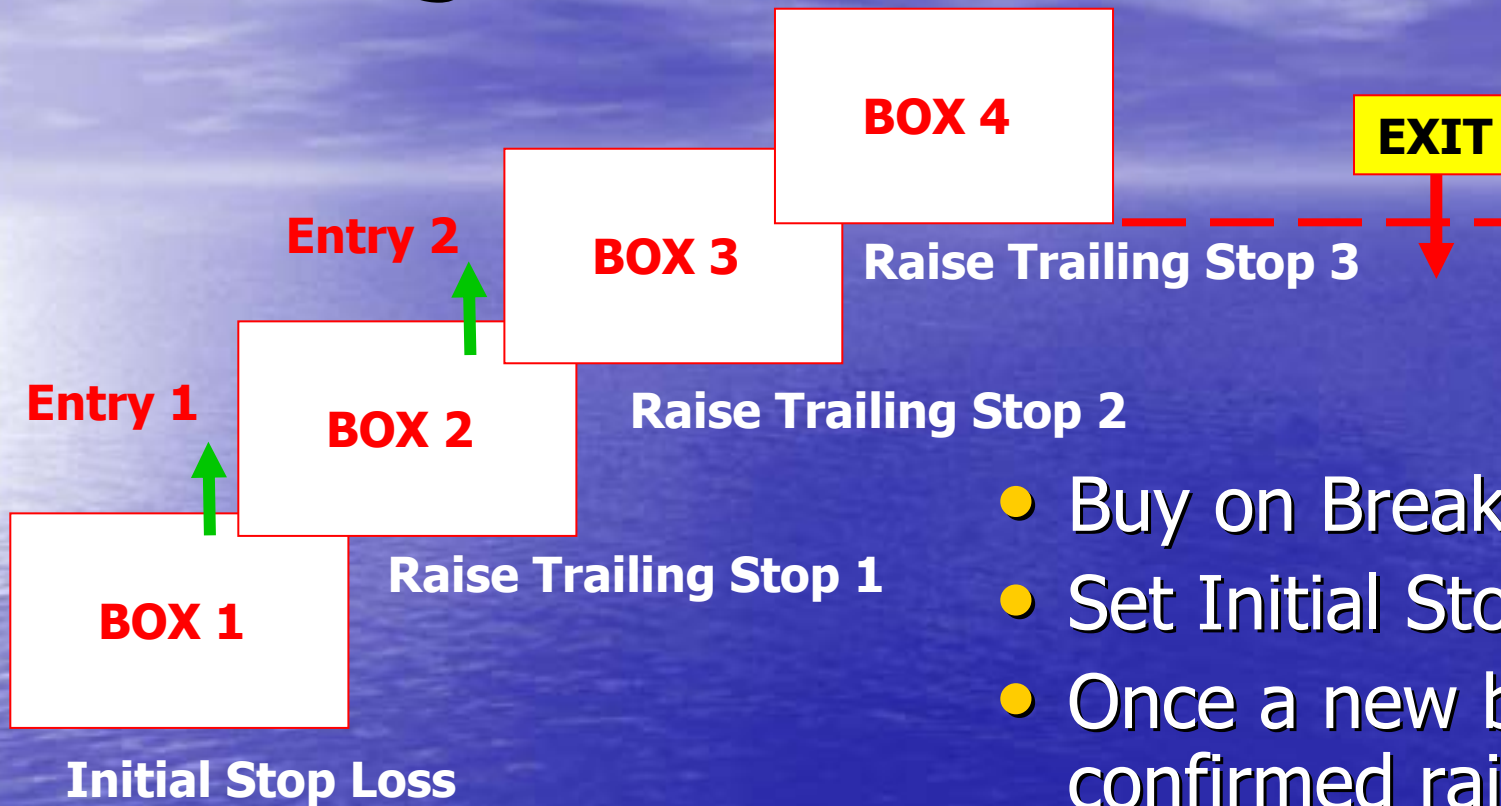
Box top and bottom defined well in advance

The Darvas Box – In Action

- Stock makes a new year high and pulls back for 3 or more days – **Entry point**
- Forms a low which is not exceeded for at least 3 days – **Stop Loss point**



Trading the Boxes



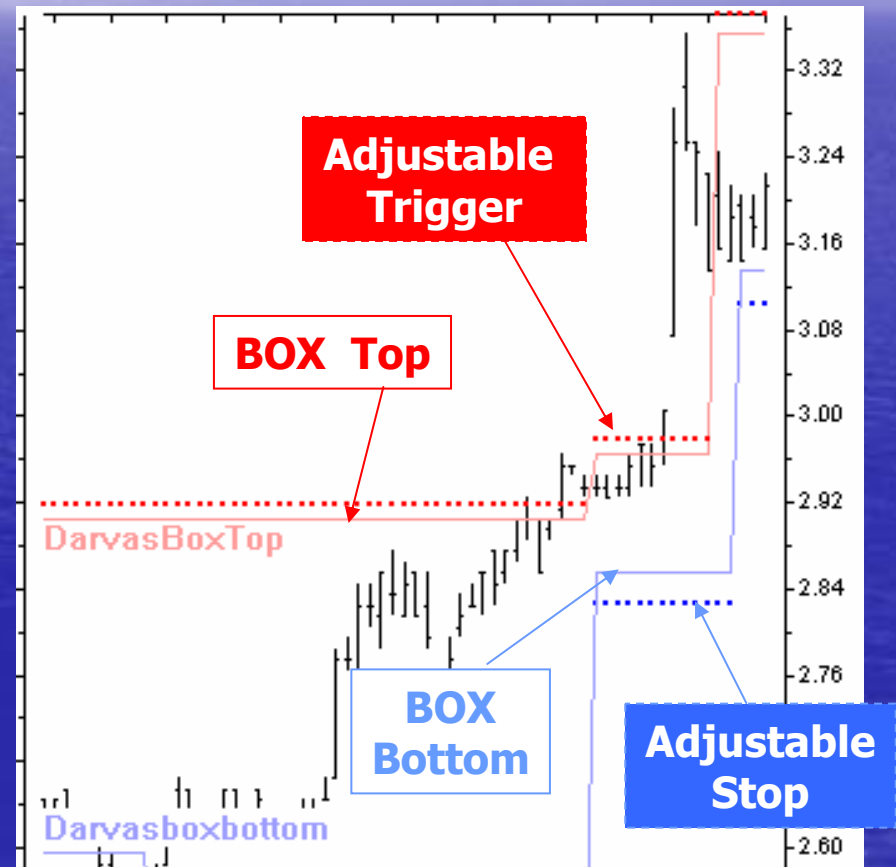
- Buy on Breakouts only
- Set Initial Stop Loss
- Once a new box is confirmed raise the trailing stop.
- Exit the trade when the trailing stop is hit.

Stop Losses & Trailing Stops

- The main idea behind the STOP LOSS is to **limit damage** to trading capital
- The main idea behind a TRAILING STOP is to **lock in profits** as the trade moves in our favour
- In fast moving markets Stop Loss & Trailing stops can be brought up to just **under the Box Top** to reduce loss potential or increase profit potential

The Darvas Box Set Up in **TechniFilter Plus**

- The Solid Red line is the Darvas Box Top
 - The Solid blue Line is The Darvas Box Bottom
- Traders can **fine tune** their Entries and Exits by adjusting the percentage above and below the bottom of the box suits their criteria



The Techni *Filter* Plus Advantage

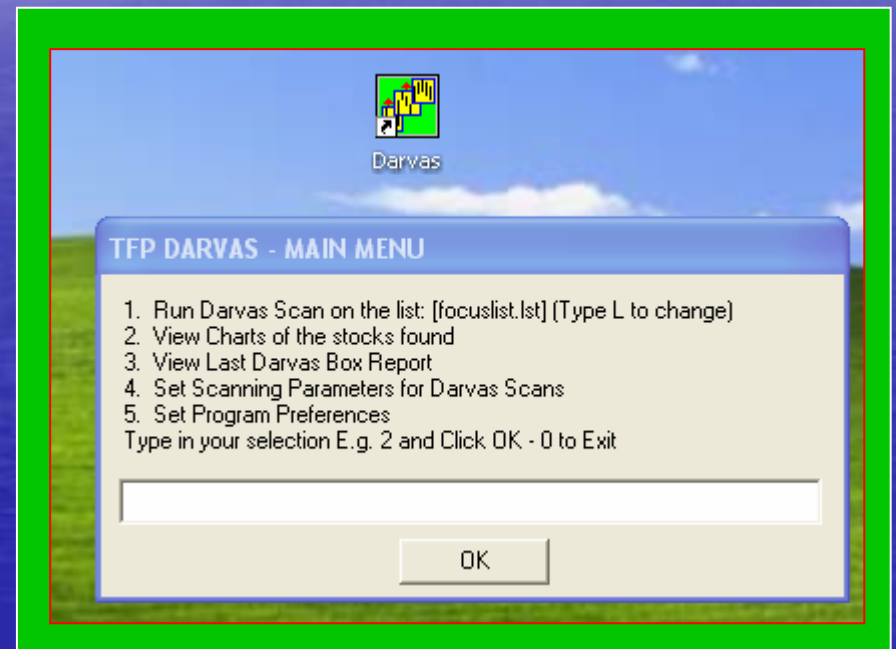
In Minutes....

- Scan the Entire Market (ASX has 1400+ stocks)
- Filter and locate stocks in a Darvas Box
- Filter and find stocks trading above a certain turnover E.g. >\$1,000,000
- Filter for stocks below your maximum initial risk level (Difference between Entry and Stop Loss)
- Filter and find stocks in a particular price range
- View the Charts, Save to a Watch list

New Darvas "Real easy"

Simply type in numbers to:

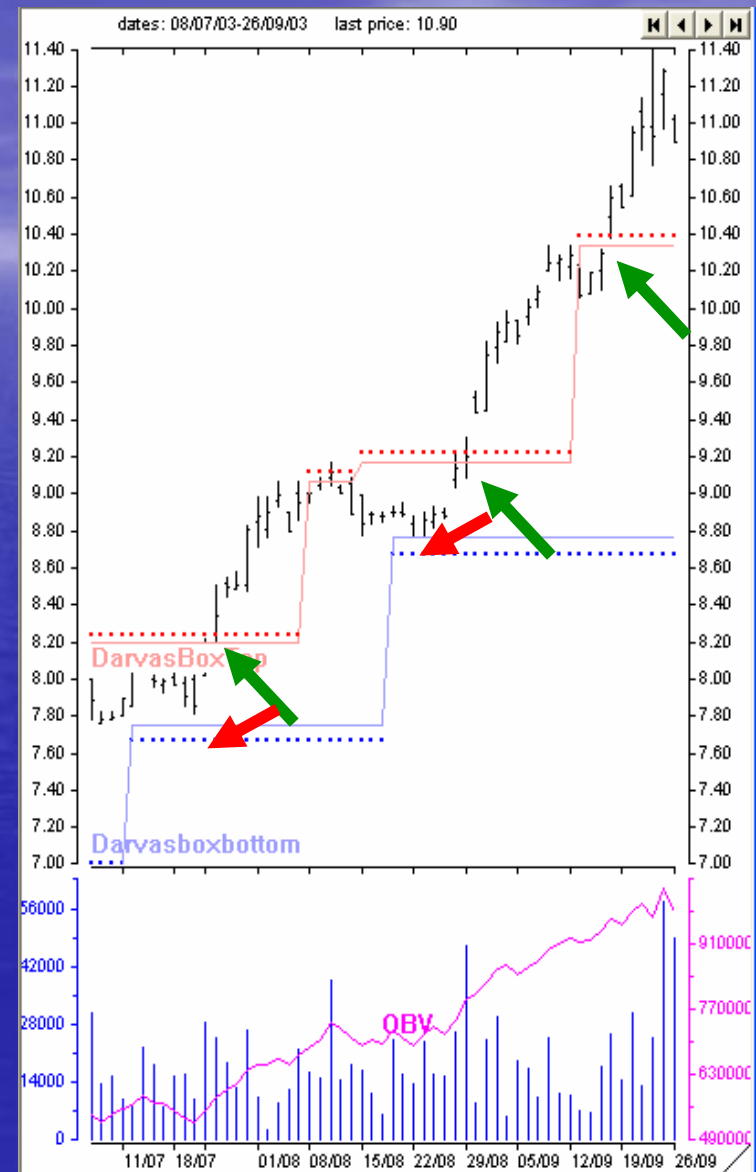
- To run the market scans
- To view the Report
- To view the charts



Its super fast!

The Darvas Setup Summarised

- Once a Box top and bottom are in place
- A Potential trade can be assessed
- Is the risk acceptable? (Difference between the Buy and Stop Loss) **If the answer is YES?**
- Money Management rules should be applied
- A "Contingent" Buy order can be placed well in advance to "catch" the breakout!

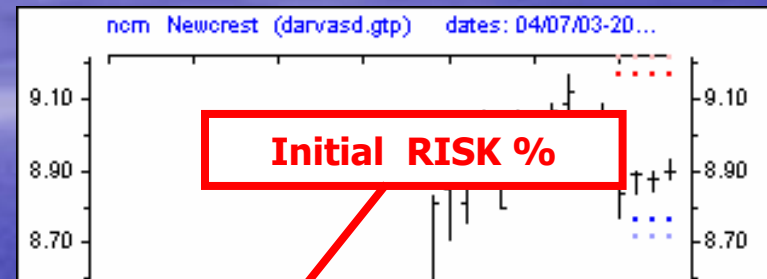


All the details are in the report

Potential
Entry Price

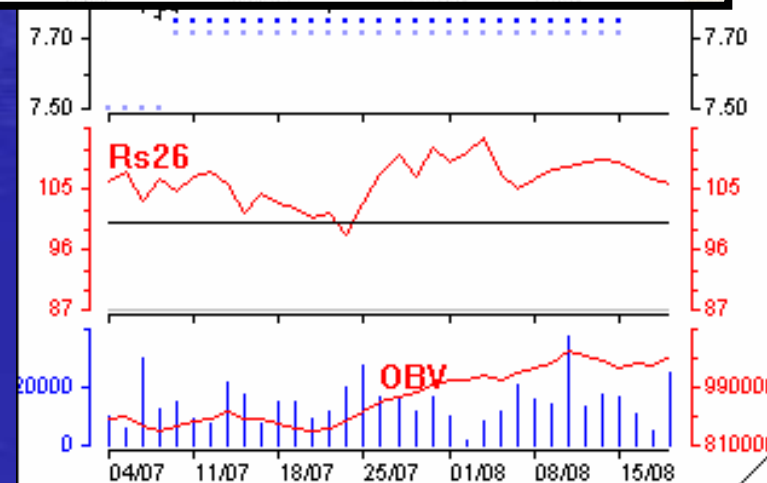
Stop Loss or
Trailing Stop

Initial RISK %



Symbol	Close	DVboxHi	DvBoxLo	Trigger	Stop	Risk%	Risk\$	BreakEven	%Change
abg	3.09	3.43	3.00	3.45	2.98	13.5	0.46	3.49	1.5
ace	0.04	0.13	0.05	0.13	0.05	63.1	0.08	0.13	0.7
acx	0.09	0.18	0.06	0.18	0.06	67.3	0.12	0.18	1.4
adb	8.75	8.90	8.42	8.94	8.38	6.4	0.57	9.06	1.1
ael	0.45	0.48	0.43	0.48	0.43	11.4	0.05	0.49	2.0

The report indicates the following:
 Entry Price
 Exit Price
 Initial Risk % + more



Sample Chart - Techni *Filter* Plus

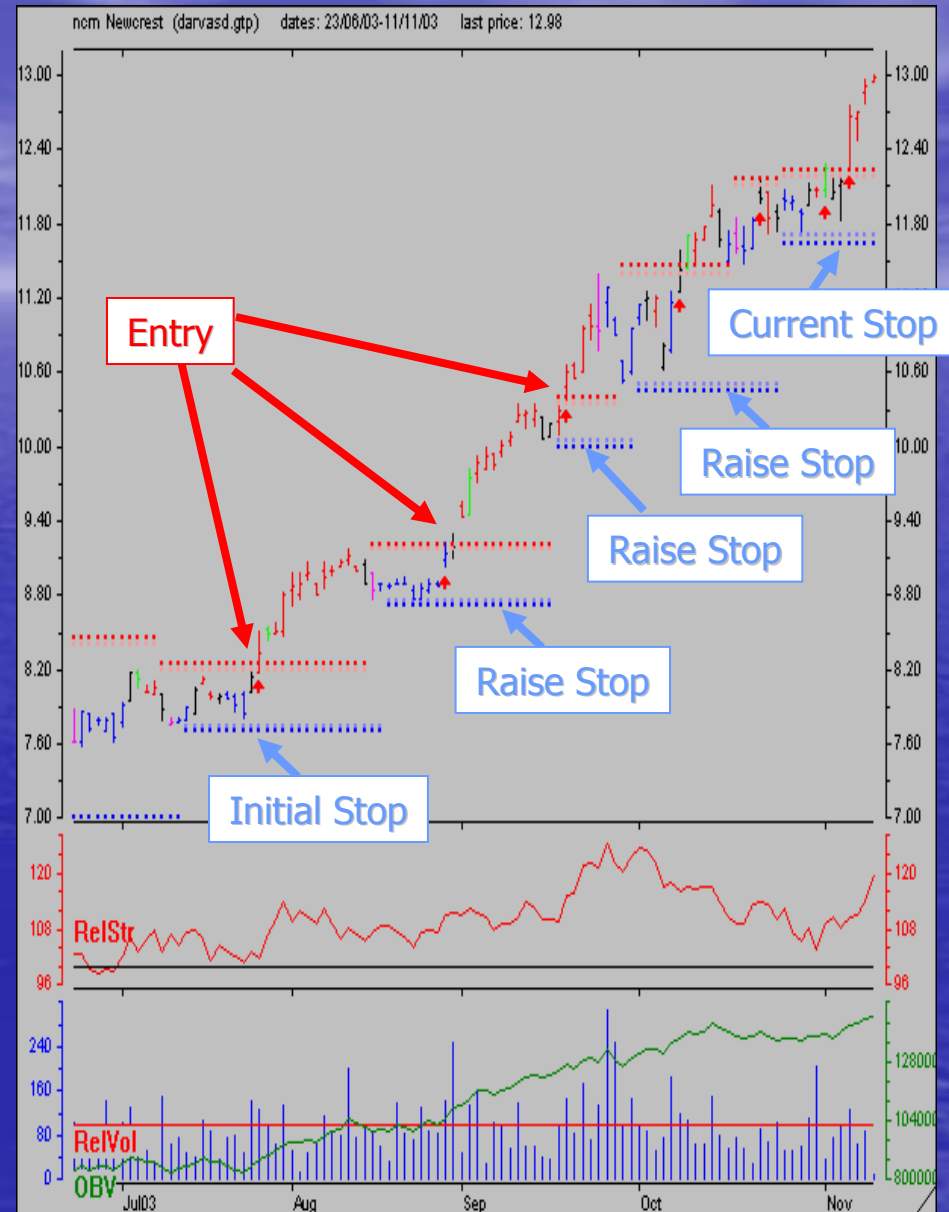
- Trail the stop to lock in profits
- Raise the stop as each next higher box is defined
- Exit the Trade when price falls below box bottom
- Stops can also be raised to just under the breakout to lock in profits on a **strong** move



Sample Chart

- No need to worry about what to do tomorrow...
- The charts give you all the info needed to time your Entries and Exits..
- Orders are placed in the market in advance

8.26 to 12.98 **57%** return
from 28/07/03 –
11/11/03



Sample Chart

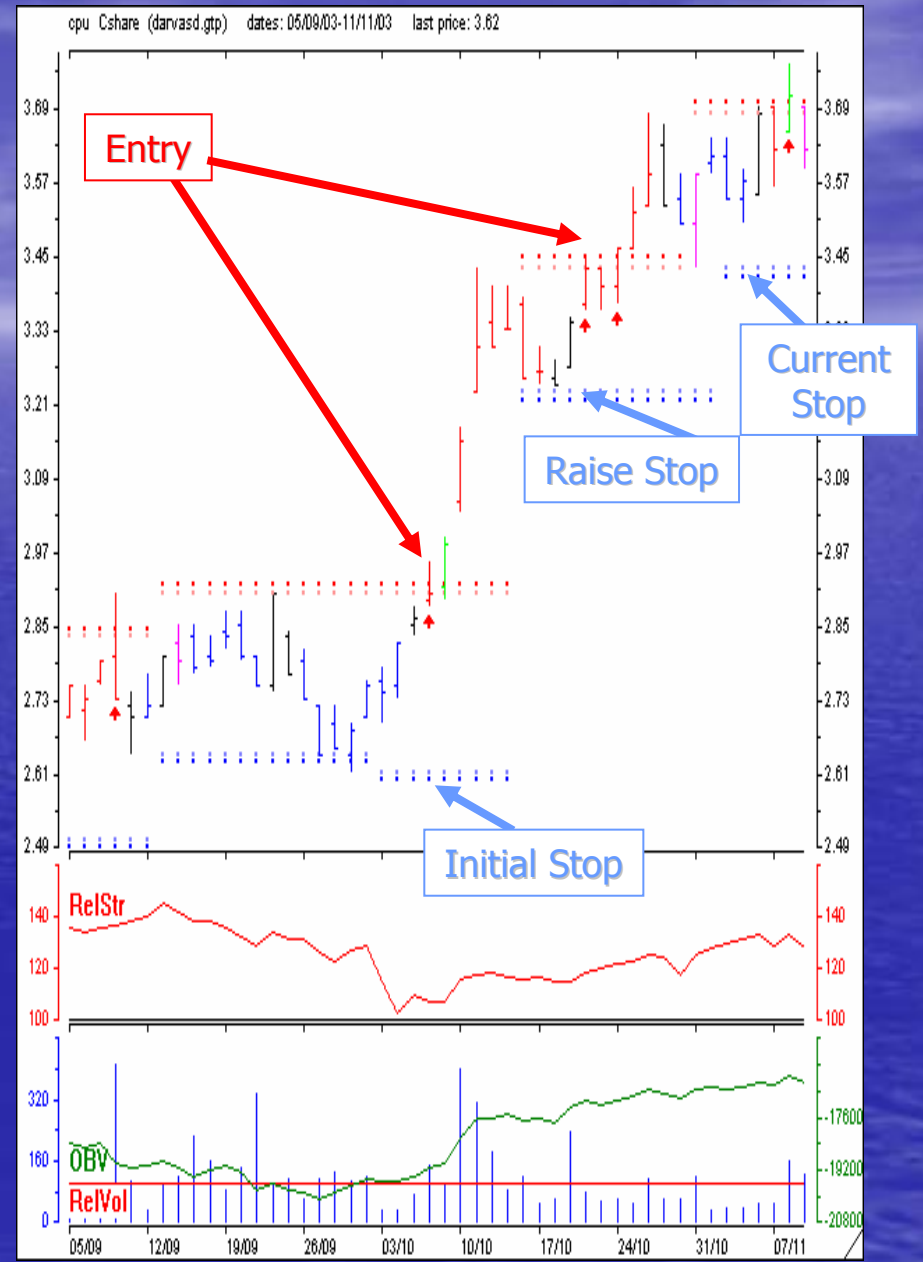
From .56 to 1.10
2/9/03 to 27/10/03
Over 80% Return
(current price \$1.01)



Sample Chart

- 8/10/03 \$2.91
- 11/11/03 \$3.62

- 24% Return



Points to Note

- Not every stock breaks out of the top of the box, and keeps on running..
- Some fall back in and then continue up
- Some fall through the bottom the box - causing an EXIT of the trade (stopped out)
- **There are losses**
- That is why all trades must be protected by predefined Stops to limit losses and protect profits and money management rules must be used to control risk and maximise profits!

Darvas Boxes – Bull Market Strategy Summary

- Most signals will be found in a Bull Market
- Easy used as a Mechanical system
- Positions can be added to
- Logical approach
- Removes emotion from the equation
- Can be used to locate strong performing stocks from small *penny dreadfuls* to the hi-cap stocks
- Easy to follow methodology

TIP: Cut losses short and let Profits Run
Use Strict Money Management Rules

What is Techni *Filter* Plus?

- One of the Easiest to use and most powerful Technical Analysis Tools
- Scan & Filter the Market for trading Opportunities
- Back Test Trading Strategies
- View Charts of Stocks
- Monitor large numbers of stocks

How can Techni *Filter* Plus help you?

- Make informed decisions based on actual facts (Chart Price Action)
- Save you time
- Locate trading Opportunities – chart patterns and signals
- Stop loss Positioning
- Save you money – by cutting losses short



Darvas! CD-Rom

Filter Reports, Strategy Test, Chart Templates
& 80 minute Tutorial for Techni*Filter*Plus

Visit our
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to order

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AVAILABLE**

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The End

visit our home on the web

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Email: sales@technifilter.com

Recommended Reading

How I made \$2,000,000 in the Stock Market by Nicolas Darvas

Technifilter Manuals on Filter Reports and Automations
Technifilter Multimedia Tutorials