

ShareScope

Alpesh's guide to using the Alpesh Patel Special Edition



Section 7

My Bullish Momentum filter

Bullish Short-term Momentum Filter

Medium-high risk – 1-3 month typical holding period – target 20% return

This filter finds short-term bullish trading opportunities – ideal for spread-betting. It picks out instruments which have positive short-term price momentum. We are hoping to catch the wave and ride it for a short time – anywhere from a week to 3 months. As this filter ignores fundamentals, it is higher risk than my Momentum/Value filter.

I look at the Bullish Momentum filter when I am bullish on the broader market and want to take a quick advantage. This filter serves another clever purpose: if there are no stocks in it, I turn a little bearish about the market (and turn to the Bearish Momentum filter).

By default, my filter searches the entire database of LSE shares but because there are no fundamental measures involved you can use this filter with any instruments – stocks, indices, commodities or foreign exchange. You can choose the list of instruments (the “source list”) searched by the filter in the Data Mining view.

It is important to look at the price chart of each instrument. Some of the instruments in this filter may have already made their move.

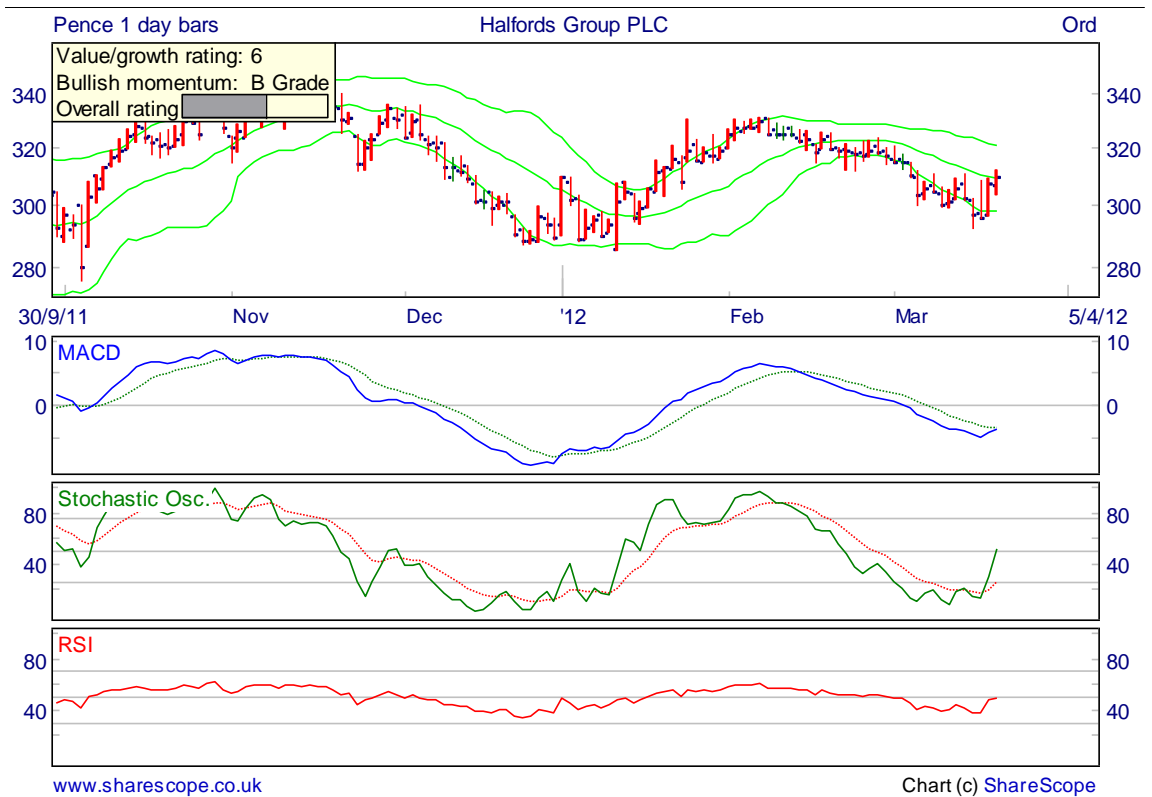
See [Trade Management](#) for how I determine my entry point, stop loss, profit target and exit strategy.

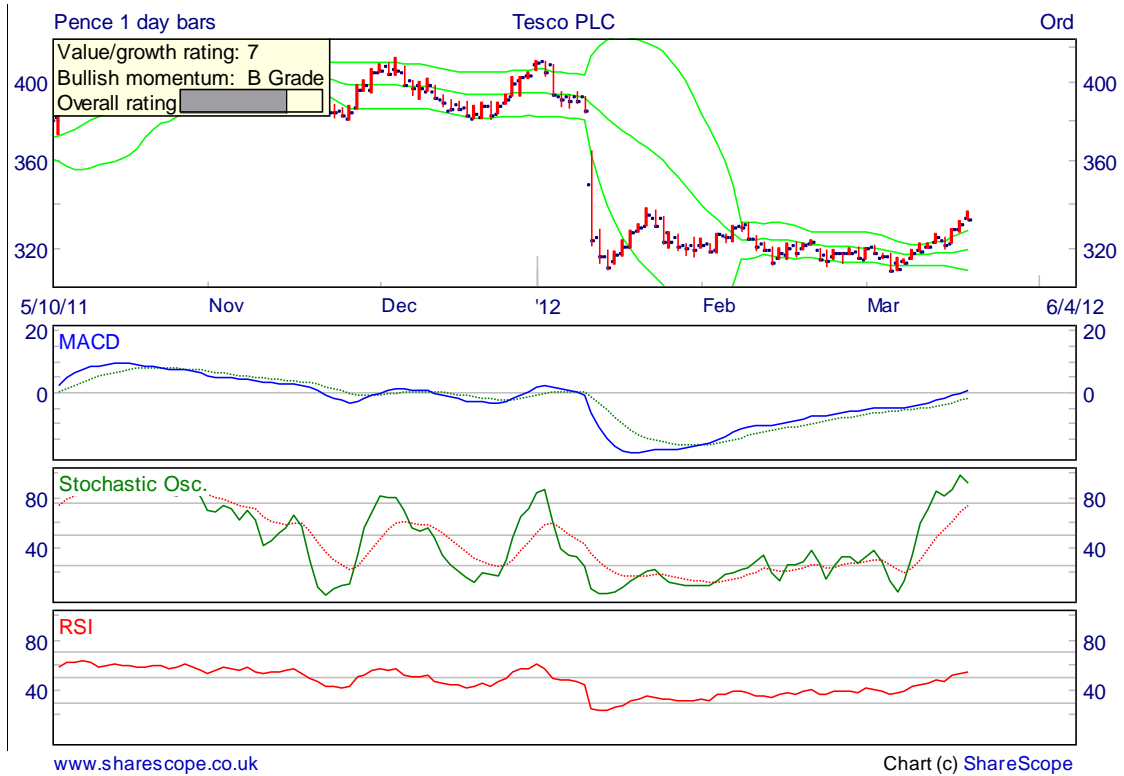
The ideal Bullish Momentum opportunity has the same attributes as for Momentum/Value trades:

- The price is rising in a relatively straight line.
- Price volatility is low which means a reduced risk of being stopped out.
- The MACD is rising and isn't at historically high levels - suggesting that there is scope for further rises.
- RSI and Stochastic are also rising but this is not essential.

Let's look at some examples:

Attractive opportunities:





Bad choice stock: possibly already made its move.

Of course, if you don't look at the filter every day some opportunities may have been in the filter for several days. Look at the chart below: the price and momentum indicators have turned down.

