

Effective Volume as a timing buy/sell signal for value stocks

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The CARA 100 and the Survivors Tables

	A	B	C	D	E	F	G	H	I	J
1	October 10, 2008	Sector Name	Sector Signal	Strength Aver Tot EV	Extention Tot EV	Tot EV Status	LER Signal Since	LER Status	LER	Rating
2	RIO	Base Metals	--	3%	-4%				55	25
3	BDK	Hand Tools	--	100%	5%				48	51
4	MBT	Telecom Wireless	--	31%	-1%				46	36
5	NUE	Steel	--	0%	0%				35	26
6	SNDK	Semiconductors	--	30%	2%				24	32
7	PG	Cosmetics	--	99%	6%				3	52
8	ATVI	Sftw Enterpr	--	36%	16%	Buying surges			2	39
9	QCOM	Telecom	--	0%	-5%				0	22
10	RIMM	Telecom	--	0%	-16%	Selling continues			-10	16
11	ABX	Gold	--	37%	-7%				-10	26
12	BBBY	Home Furnishing	--	16%	-6%				-12	24
13	WFBK	Banks Foreign	--	0%	-4%				-13	23
14	TCK	Base Metals	--	0%	-13%	Selling continues			-23	15
15	ORCL	Sftw Enterpr	--	27%	-11%	Selling continues			-24	25
16	GS	Invest. Brokers	--	100%	7%				-29	49
17	PBR	Oil Integrated	--	0%	-24%	Selling continues			-29	10

The above table summarizes the different signals related to each stock of the CARA 100. It is updated daily and can be downloaded at the following link:

<http://www.effectivevolume.eu/content/Reports/Cara100.xls>
<http://www.effectivevolume.eu/content/Reports/Survivors.xls>

How is the Table sorted?

It is first sorted by "Sector Signal" (Column "C") then by Total Effective Volume Status (Column "F") and then by Large Effective Ratio levels (Column "I").

You may use the following "BRL" icons to sort the list differently:



The "B" icon sorts the list by the Total EV Status (Col F). Clicking twice on this icon sorts the list starting from the selling strength.

The "R" icon sorts the list by the total rating (Col J). This total rating summarizes all the signals. I usually buy stocks that show a signal above 90.

The "L" sorts the list by the LER (Col H). Clicking twice on this icon sorts the list starting from the selling strength.

What is the Sector Signal?

This signal compares the 20D price trend to the 20D Money Flow trend.

"++": means that the price trend is not negative, while the Money Flow trend is strong. **We may buy.**

"+": means that the price trend is still positive but the Money Flow is weakening. **We must be ready to sell.**

"-": means that the price trend is positive but that the Money Flow is now negative. **We should consider selling.**

--": means that the price trend is negative. **We should not be invested in the sector.**

When is it good to "buy" a sector?

The best moment to buy a sector is when the sector signal turns from "--" to "++". This is what happened between Aug 14 and Aug 15 for the Transportation Service sector.

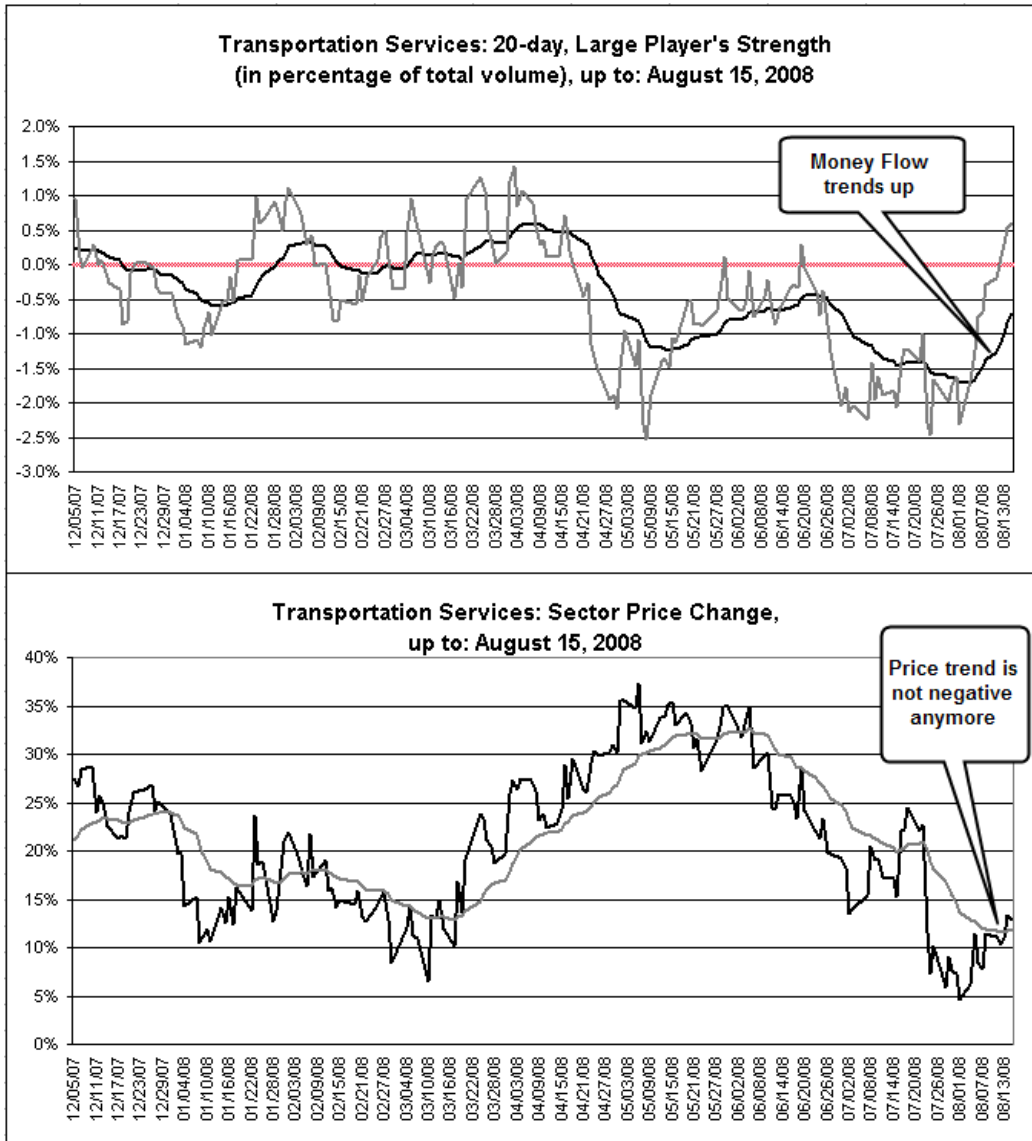


Figure 1

How is the long-term Total Effective Volume measured?

First, I look at the 20-Day average trend for the Total Effective Volume Flow (Pink Line) in Figure 2 for the last 60 trading days (about three months). We can see that for PG on Aug 15, the pink line is at its maximum, which means that the accumulation force is the strongest for the last 60 trading days. The results are shown in Column "D" of the CARA 100 table.

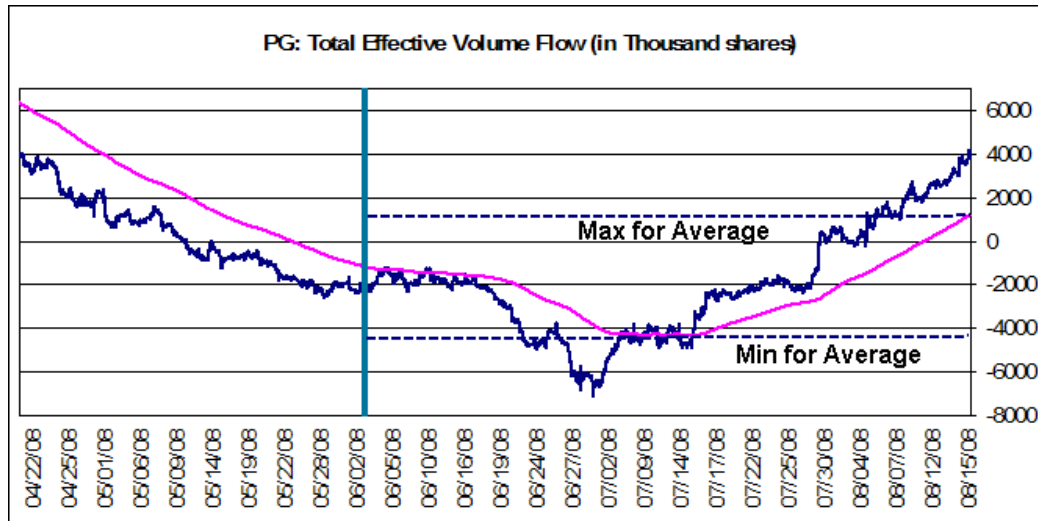


Figure 2

I then look at the extension of the blue line above or below the pink line, compared to the signal variations during the last 60-days (I divide the length of the pink arrow by the length of the black arrow and add a "+" or "-" sign depending if the blue signal is above or below the pink one). For PG, the result is 22% and is shown in column "E".

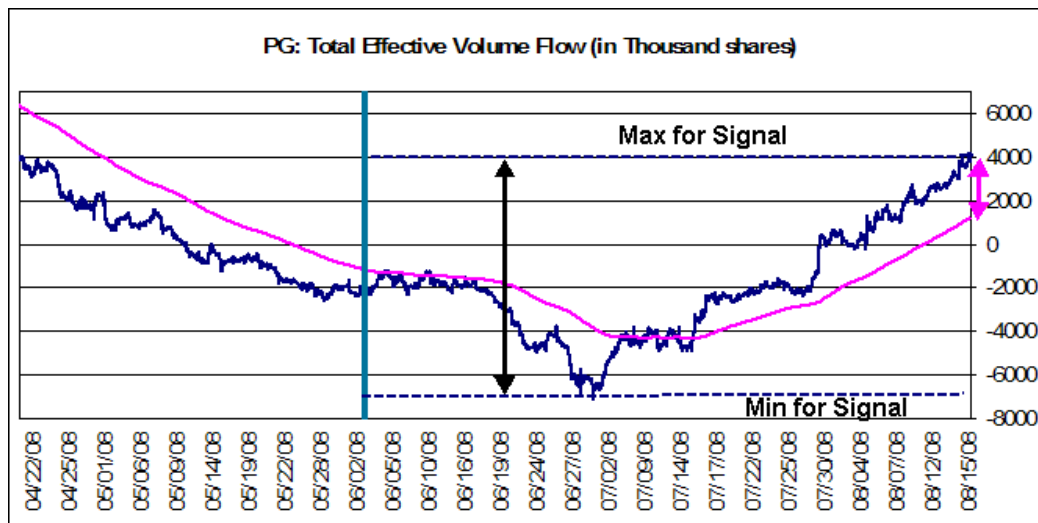


Figure 3

Column "F" is a summary of Column "D" and "E", in terms of buying and selling. For each of the CARA 100 stocks, the above figure can be seen by typing the ticket into the "Stock" field of the EV web site.

When is it good to buy a stock using the long term Total Effective Volume Flow?

You might consider those where a "Buying surges" or a "Buying continues" is indicated. A "Buying surges" is generated when the average of the Total Effective Volume is lower than 50% (Pink line), but the signal itself is at least 10% above that average.

How do we use the 5-day Large Effective Ratio (LER)?

The 5-Day LER only considers the large players accumulation strength during the past 5 days, compared to past accumulations. The signal is rated between -125 and +125. You may consider buying stocks above the 100 limit.

Column "I" shows that indicator.

Column "H" gives the explanation "Strong Accumulation, Accumulation or Do not Buy"

Column "G" shows when the LER signal was first generated. For PG, it was generated on July 15.