



Bloxtrade

Profitable trading
using risk management
strategies

BLOXTRADE
BLOXHAM





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Bloxham is one of Ireland's leading independent financial services companies specialising in providing tailored services to meet the needs of our clients. Blotrade is the specialist trading division within Bloxham.

1. Introduction

Over the last 20 years there has been a dramatic increase in the numbers of retail investors participating in the stock market. This is matched by the huge increase in the viewing figures for business television stations such as CNBC, Bloomberg and the vast number of publications aimed at the individual investor. This proliferation of information has increased the number of opinions on every tradable asset. While this information is valuable, it can also lead to a confused environment for many investors.

At Bloxham we have recognised how difficult a trading environment it has become and so have established **Bloxtrade**. At **Bloxtrade** we work with our clients using our own in-house trading systems and our highly experienced team of traders to cut through the noise and make clearly defined trading recommendations and manage these trades with our clients.

2. The investor versus the market

The participants in the stock markets include pension funds, hedge funds, investment banks, sovereign funds and the retail investor. Considering that all other participants tend to be professional investors, the retail investor has to adopt a rigorous trading strategy in order to achieve long term profitability.

Having observed the trading patterns of retail investors from our own experience and the market place in general, the overriding conclusion is that individual investors struggle to maintain long term profitability when trading markets. Fear and greed are ever present and often override a traders common sense. This often leads to the mistake of running losing trades and cutting winning trades too early.

At Bloxtrade, we believe that if discipline and control are utilised on every trade, clients can significantly improve their investment returns.



3. Bloxtrade approach - fundamental & technical analysis



Technical analysis is focused on price movement, whereas fundamental analysis is primarily focused on corporate profitability. Our preferred style of trading involves a marriage of fundamental and technical analysis. We use fundamentals to identify our preferred stocks and sectors, while technical indicators are used to set appropriate entry and exit price levels.

The specialist technical analysis team at Bloxham has developed in-house systems which use a number of key technical indicators to predict individual stock and sector movements. Our analysis shows that approximately 75% of the move in an individual stock comes from the move in the sector, so identifying the global movement of funds between sectors is key.

We also monitor individual stock prices to help identify buy and sell signals.

As part of the **Bloxtrade** team's trading strategy we strongly recommend clients work to a set of trading principles. The objective of these principles is to reduce the risk to clients' invested capital and to maximise returns. We advocate a strategy which concentrates on maximising returns from the trading calls that are successful and to limit losses on those trading calls we make that are not. The overriding objective is to make more from winning trades than losses on losing trades.

Why use technical analysis?

We believe that there is a clear distinction between investing and trading. Investors take a longer term view of the markets. Fundamental analysis focuses on the key drivers of profitability for the company, the sector or the economy with a five year plus time horizon. This is a very sensible approach if you are an investor.

For the trader the time horizon is more short term in nature and the future profitability of a company is of little practical

consequence. What is of absolute relevance is the ability to anticipate short term movements in price while limiting losses. The short term movement in a stock price is driven by many different forces some known, some unknown. The daily price movement takes into account all participants in the market place. The monitoring of price movements over a period of time gives an indication to the underlying psychology of the market. Essentially, a technical analyst believes that historical performance of stocks, sectors and markets provides an indication of future performance.

Should fundamental analysis be ignored?

The simple answer is no. Fundamental analysis identifies companies that are sound and will continue to be profitable. Using a technical approach in isolation may lead to taking inappropriate positions in companies that contradict the overriding fundamental condition of the company. In general, we have a preference for trading in companies, both in long & short positions, that have high market caps, high liquidity in the shares and exhibit trending price action.

Opposite is an example of how **Bloxtrade** would manage a long trading call using technical analysis to maximise gain with downside risk protection.

Each trading call will identify:

- an entry point - price at which to enter the trade;
- a stop loss - a protection on your position, which limits potential downside; and
- where a price moves in the direction we anticipated, we will recommend using trailing stops to protect/lock in gains. The level of stops can be moved to protect more of the gains as the price moves in our favour.

4. Maximising returns using Bloxtrade

Long Trading Call



We are attracted to Barclays as a market-leading, non-state owned, diversified financial stock which is attractively valued on our fundamental measures. The Bloxtrade team chose a price of 260p to go long 10,000 shares based on the following technical features.

- Technical analysis has identified 255p as historically significant support for the stock.
- A range of other technical indicators suggest the stock is also oversold, highlighting an increased probability of a bounce in the share price from current levels.
- A stop-loss limit of 250p is set, just below previous support, to limit downside risk in the event of previous support failing to provide a floor for the share price.



- Our price target on this trade is 290p, which is just below technical resistance that has historically been seen to limit share price gains.

After a number of days consolidating between 255p and 265p, the share price starts to recover and after fresh money flows into banking stocks, the oversold indicators on Barclays move to neutral and the stock hits 290p, where we sell our 10,000 shares and take a profit of £3,000 before costs.

We will also look to enter " Short " trades where we identify the potential to profit from falling share prices. A similar approach to that described above is used to determine entry, exit and stop levels.

5. CFD Trading

The instruments **Bloxtrade** use for trading are geared and non-geared Contracts for Difference (CFD).

For traditional share purchases, clients are required to make full payment in order to acquire the position. With CFDs however, a client can gain the same risk exposure but is only required to deposit 10 – 20 % of the value of that exposure upfront.

In this way, a CFD gives the trader access to gearing. A trader may not necessarily utilise this leveraging facility but with experience and risk controls, it can enhance returns. Initially, we recommend a low level of gearing, if at all. We feel it is important that clients reach a level of understanding and comfort regarding our trading strategy, before using leverage. The table below highlights the different returns from the same trade using shares, ungeared CFDs and twice geared CFDs.

We use CFDs as they have distinct advantages over traditional share buying and selling:

- Lower costs – no foreign exchange costs and no stamp duty on purchases.
- Access to Gearing.
- The ability to sell short and take advantage of falling markets.
- Foreign exchange exposures are limited to gains and losses only, rather than the full investment value.
- Stock indices, commodities and currencies can all be traded efficiently within the one CFD account.
- Enables clients to hedge exposures using short positions.
- Communication is online and user friendly.
- Personal tax returns are significantly simplified.

Trading example

- After talking to **Bloxtrade** you decide to buy €30,000 of CRH shares, as they are in a strong uptrend.
- The shares are bought at €15 each, with a stop loss initiated at €14.50, to protect against downside risk.
- After 10 days the price hits our target of €16.50 and after discussing the position with **Bloxtrade** you take profits.

Buying	Investment 1	Investment 2	Investment 3
Action	Shares	CFD with No Gearing	CFD with Gearing 2X
Opening Value	€30,000	€30,000	€60,000
*Deposit Required	€30,000	€30,000	€30,000
**Commission	€300	€150	€300
***Stamp Duty	€300	€0	€0

Selling

Action	Shares	CFD with No Gearing	CFD with Gearing 2X
Closing Value	€33,000	€33,000	€66,000
Commission	€330	€165	€330
Interest Charge	nil	€33	€66
Net Profit	€2,070	€2,652	€5,304
% Return on Equity	6.90%	8.84%	17.70%

*100% deposit is required for shares & 10% for CFDs

Commission is currently 1% on shares & 0.5% on CFDs *Stamp Duty is currently 1% on shares & there is no charge on CFDs

Gearing can range from a scale of 0 - 20X the capital invested depending on the investment chosen.

Risk

Using leverage can lead to losses in excess of the initial capital invested. Any losses over the initial capital must be paid, so clients need to exercise caution when using leverage of any kind. Your **Bloxtrade** advisor can advise you on the type of leveraging to suit your individual investment case.

6. Frequently asked questions

Why trade using Bloxtrade?

Bloxtrade is a trading team of highly experienced traders. We use in-house proprietary trading systems that screen the international markets to identify trading opportunities for our clients. Once a trade is identified we work closely with our clients in managing the trade to maximise the profit, while at the same time ensuring we manage the risk using protective strategies. At **Bloxtrade** we remove the emotional element, which is the enemy of the trader and replace it with a clearly disciplined trading strategy.

What instruments can be traded using Bloxtrade?

Clients who deal through **Bloxtrade** can trade in most international equities, all the major currencies, most major hard and soft commodities and many of the major stock market indices. Also clients can trade a wide variety of Exchange Traded Funds (ETFs).

Why shouldn't I educate myself and avoid the cost of Bloxtrade's service?

Bloxtrade provides its clients with a highly sophisticated trading partner and provides on the job education that will make trading an enjoyable and profitable experience. Many traders find the direction they receive from **Bloxtrade** invaluable as it helps them avoid the pitfalls of many a trader before them.

I am too busy to give time to trading, can I still benefit from Bloxtrade's technical expertise?

We offer clients who feel they do not have the time, resources or experience to give to trading the facility of a discretionary service. For such clients **Bloxtrade** will make the trading decisions on your behalf using the same approach as the advisory client. Your Bloxham broker will maintain contact as frequently as you require. A discretionary client always has the facility to switch to an advisory account at their request.

Will I have access to my account online?

All clients can access their account online. The comprehensive account overview presents the information in a user friendly fashion, detailing open positions, total exposure and live prices. Clients also receive a daily e-mail with all of this information.

7. Minimum investment amount and charges

The minimum investment amount is €30,000 and we charge a commission of 0.5% per buy or sell trade.

Funding of CFDs is charged at a margin of 2% on the prevailing inter bank rate.

8. Getting started

Contact your Bloxham broker who will take you through the features of trading using **Bloxtrade** as your trading partner.

Your Bloxham broker will provide you with the necessary documentation to open an account and get you started. Alternatively, if you already have an account with Bloxham your broker will answer any queries you may have about our trading service.

Warning: The value of your investment may go down as well as up.

Warning: Past performance is not a reliable guide to future performance.

Warning: This product may be affected by changes in currency exchange rates.

Warning: Using leverage can lead to losses in excess of the initial capital invested.





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Bloxtrade is the trading division within Bloxham.