

Linear Accelerator Bulletin

Introduction

The Linear Accelerator provides a means of comparing the performance of companies share prices over a short term period (3 months) and a longer term period (12 months) and using the resultant ranking to find stocks that we may want to add to our watch list – or even buy. It uses a Linear Regression modelling technique to provide a powerful way of RANKING one stock over another. It clearly shows the key performing stocks in the current market.

This is a very effective way to search for stocks that are receiving market attention today. Although past performance does not guarantee future performance, the Linear Accelerator allows you to follow current market momentum in a way that has not previously been available.

As part of the modelling, an accuracy figure is also calculated for the performance. This figure is a measure of the likelihood of the stock achieving the calculated level of performance over the longer term.

The modelling also annualises the short term calculations so that we get a similar projected return figure for both long and short term results. The “projected return” figures and the “accuracy” figures are then combined to produce a short term and long term “Ranking Score” thus identifying stocks that are currently showing potential outperformance.

By simply clicking the RANKING SCORE table header, the results are sorted in either ascending or descending order - allowing you to make a direct comparison between the two sets of figures (short term and long term).

Although the actual numbers displayed cannot be used directly, they are an extremely powerful way of RANKING each stock.

The Linear Accelerator is an extremely effective tool that can change the way you look for opportunity!

Advantages

The advantage of this method of ranking is:

- 1) There is nothing arbitrary about the result. The big benefit is its simplicity. There are no settings to change for each stock because the trading action *itself* determines the shape of the modelling and this is reflected in the simplicity and clarity of the result.
- 2) As the accuracy figure is a measure of how well the stock fits a linear regression model, it automatically takes account of the volatility of a stock. A very volatile

stock for example, is less likely to hit its projection - whereas a non volatile stock moving in one direction, is much more likely to hit its projection.

- 3) By simply clicking on the RANKING SCORE table headers you can “follow the money” and invest with the market momentum.

NOTE: If a result cannot be calculated or is meaningless, then the Ranking Score will be set to zero and should be ignored.

How to Display

- 1) Select the SCANS→ LINEAR ACCELERATOR menu item and the dialogue box below will be displayed showing a default list of stocks (the bottom of the dialogue box displays the default file currently in use – in this case, the ASX Top 100).

Symbol Name	Last Price	Projected % Return	Probability to Achieve	Ranking Score	Projected % Return	Probability to Achieve	Ranking Score
FMG.EOD	4.70	190.41	0.86		0.77		185.57
DOW.EOD	4.80	181.41	0.82		0.52		21.36
JBH.EOD	28.85	157.85	0.88		0.81		48.51
S32.EOD	2.24	135.78	0.80	27.31	75.57	0.54	40.49
BSE.EOD	7.79	132.59	0.64	21.25	153.77	0.89	137.27
ANN.EOD	21.98	117.88	0.70	20.58	2.58	0.01	0.02
HVN.EOD	5.13	97.20	0.78	18.94	30.82	0.74	22.78
QAN.EOD	3.25	92.66	0.78	18.11	-23.88	0.48	-11.57
CCL.EOD	9.80	78.00	0.89	17.27	1.85	0.01	0.03
FLT.EOD	34.84	88.03	0.74	16.32	-12.28	0.15	-1.86
COH.EOD	133.82	77.72	0.80	15.58	73.43	0.93	68.64
SRX.EOD	30.17	97.75	0.61	14.91	-24.12	0.41	-9.91
PPT.EOD	45.55	74.22	0.71	13.09	5.10	0.07	0.36
MQG.EOD	78.76	75.08	0.69	12.90	-8.49	0.08	-0.69
ORI.EOD	14.15	82.10	0.62	12.83	-15.23	0.34	-5.21
ANZ.EOD	26.09	65.60	0.78	12.82	-8.56	0.15	-1.30
TWE.EOD	10.96	88.02	0.58	12.68	58.25	0.84	48.75
DRA.EOD	2.96	65.84	0.69	11.29	40.40	0.77	31.30
TAH.EOD	4.88	64.10	0.70	11.27	1.66	0.01	0.01
BEN.EOD	10.16	60.27	0.68	10.25	-8.37	0.09	-0.74
WOW.EOD	22.53	67.59	0.61	10.23	-12.28	0.33	-4.02
ALL.EOD	14.92	66.26	0.52	8.64	91.43	0.81	73.89
NAB.EOD	26.81	45.73	0.71	8.12	-14.94	0.45	-6.77
RHC.EOD	76.14	53.12	0.60	8.03	29.83	0.65	19.44

- 2) If you want to change this list, click the “Open New List” button (top left) to reveal a list of all the files available.
- 3) Select the file required and click the “Open” button.
- 4) When the selected file required is displayed click the “Click to Analyse” button and the results will be displayed.
- 5) To sort the data by any column simply click the column header. One click for ascending and another click for descending.
- 6) To display a chart of any particular stock, ‘double click’ the symbol for that stock.
- 7) To display all the charts click the “Show Charts” button.
- 8) If you want to add a style sheet to a chart (for example to display the RSI on each chart automatically), select the required style sheet before you view or play the

chart. (Note: The style sheet must have been previously created before it can be used – See the section ‘Save Style Sheet’ around page 20 of your manual)

9) To save the results to a “CSV” file click the “Save Results” button.

Conclusions

The Linear Accelerator is a very useful screen. It shows you at a glance how the stocks you are watching are performing - one against the other. For example, a stock that has a negative score over the last 12 months (in other words, is trading today at a price that is less than it was trading for 12 months ago) but showing a very positive score over the last 3 months, would indicate that the market has re-evaluated the stock and it is now in a recovery mode. Once you have found a good stock in a recovery mode, you would then use standard technical analysis and apply your preferred indicators to work out the exact entry point.

A good idea is to use the Linear Regression indicator (LRI) instead of a moving average when examining these stocks.