

Selection of a stock: catalyst, volume, price movement



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For stock price to move, stock needs strong catalyst

Most important catalysts that will move stock price:

- 1) Earnings report
- 2) News
- 3) Contracts
- 4) Economic events (e.g. interest rate cuts)
- 5) Political events (e.g. war)
- 6) Buyout of a company
- 7) Opinions of analysts (downgrade, upgrade)



Earnings effects on FL stock price

FL Foot Locker Inc

Consumer Cyclical · Apparel Retail · USA · NYSE

Dec 06 04:00PM ET Aftermarket 06:25PM ET
22.00 +0.83 ↑ 3.92% **22.07** +0.07 ↑ 0.32%

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Gap on earnings



Earnings effects on FL stock: high relative volume

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High volume days

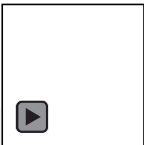


Definition of relative volume

Relative Volume (RVOL) is calculated by dividing the current trading volume by the average trading volume over certain period of time (most usually 14 days)



Higher RVOL on the Earnings day allows for better, smoother trading opportunities.



Earnings effects on FL stock "price range"

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Price movement is larger on larger volume (more participants) with a great catalyst. This allows better and possibly more intraday trading opportunities.



True range

The true range (TR) of a price is the largest of the following three values:

- 1) The difference between the current high and current low of the candle.**
- 2) The absolute value of the difference between the current high and the previous close of the candle.**
- 3) The absolute value of the difference between the current low and the previous close of the candle.**



Average True Range measures volatility, magnitude of a move in price of the stock.

The average true range (ATR) is a technical indicator that measures the average price variation of an asset over a specific time period (most usually 14 days).

It's used by traders to assess market volatility and determine the best time to trade, and which stocks to select for trading



Low ATR stocks usually do not provide good opportunities.

High ATR stocks usually do provide good opportunities.

However, we have to know character of the stock....



ATR character of the stock

TSLA stock priced at \$389.22

ATR (14) on 12/7/2024 was \$16.19, meaning that TSLA stock price will on average move intraday about \$16.19.

FL stock priced at \$20

ATR (14) on 12/7/2024 was \$1.34, meaning that FL stock price will on average move intraday about \$1.34.

Generally, daily ATR (14) below 1 is considered to be bad stock selection as it will not provide enough intraday volatility in the price move to make significant profit.

