April 2022 Newsletter

Overview

The stock markets are jittery this month with remaining concerns around Covid-19, world commodity prices (particularly energy) and inflation generally. I like to review the consumer price index published by the UK government. You can read this months [here](#).

Main points are:

- *"The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 6.2% in the 12 months to March 2022, up from 5.5% in February.*
- *The largest upward contributions to the annual CPIH inflation rate in March 2022 came from housing and household services (1.49 percentage points, principally from electricity, gas and other fuels, and owner occupiers' housing costs) and transport (1.47 percentage points, principally from motor fuels and second-hand cars)"*

All interesting stuff (well, if your name is Roy Cropper!) but what does it mean for the markets and more importantly for our trading?

The above points are reflected by my index filter discussed in my article "[How To Decide When to Trade](#)"

Running the long filter on major indices reveals only one index that meets the criterion of the filter. This is a sign of flat lining or falling markets. If they are falling then it would be reflected in the short filter (also described in the above article) Running that filter returns no indices that meet the criterion so my interpretation is that the markets are flat lining with significant volatility.

This is a sign to exercise caution, with fewer than normal stock trades and then only in FTSE 100 stocks since only that index meets the filter criterion.

We can also run the long filter on both commodities and FOREX.

Running the filter on commodities shows more opportunities than in stocks with 23 different commodities passing the filter, headed by Natural Gas with a 49.9% increase in the last 20 trading days!

Running the filter on FOREX also shows more opportunities than in stocks with 21 currency pairs meeting the filter criterion. Not all are suitable for trading and i tend to stick with the ten major pairs as listed on IGIndex.

These are:

USD/JPY

EUR/USD

GBP/USD

AUD/USD

USD/CAD

EUR/JPY

EUR/GBP

USD/CHF

EUR/CHF

GBP/EUR

Of these, two meet the filter criterion, USD/JPY and EUR/JPY with the former returning 5.72% in the last 20 trading days.

Running Trades

Considering all the above I am limiting trades to those that pass my filter and looking at stocks in the FTSE 100, commodities and major FX pairs.

Here are my running trades on one of my IG accounts:

Positions

Add to workspace ↗

MARKET	SIZE	OPENING	LATEST	STOP		LIMIT	PROFIT/LOSS	
🏷 USD/JPY	+20	12567.0	12641.8	12562	T	12867	£1,496.00	Market closed
🏷 Natural Gas	+6.65	7131.00	7388	7111	T	8031	£1,709.05	Market closed
Total							£3,205.05	

You can see that I have only one major currency pair (USD/JPY) and also the Natural Gas Index being traded. I might add one or two more but no more than that.

Both trades are going well, with the trailing stops moving to just under the opening prices on both trades.

The USD/JPY trade has a potential down-side of just £100 (calculated by multiplying [opening price - stop price]) and trade size. In this case this is [12567 - 12562] * £20 = £100.

The Natural Gas trade has a potential down-side of £133, calculated in the same way.

So what we have are two high probability trades with significant upside and very limited down-side, which is exactly what we want.

That's all for now.....watch out for the next newsletter!

Regards

Colin