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Capstone Companies, Inc. (OTCQB:CAPC)

CAPC

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5/4/2014 6:57:57 PM

Quick Facts:

- Pick Date : May 4, 2014
Pick Price : \$0.024
Trade Duration: 2 - 4 Months
Sell Price: \$0.035

Today's stock pick shows a classic situation when technicals and fundamentals work in sync. This Company has been on a roll over the last year or so, the stock chart shows it, and their fundamentals are certainly showing it.

The company is a leading designer, manufacturer and marketer of specialty power failure lighting solutions and innovator of other specialty consumer products for the North American and Latin American retail markets.

This is a Company moving at an impressive speed; just take a look at their 4th quarter, 2013 highlights:

- Revenue was \$7.3 million, an increase of 189% from the prior-year period.
- Gross profit increased \$1.2 million, or 261%, to \$1.7 million compared with the fourth quarter of 2012.
- Net income improved significantly to \$0.7 million compared with net loss of \$0.2 million in the fourth quarter 2012.
- Record revenue of \$14.6 million, increased \$6.2 million, or 75%, from 2012.
- Gross profit more than doubled to \$3.6 million, or 24.7% of sales, from \$1.8 million, or 21.4% of sales, in 2013.
- Net income was \$0.7 million compared with a net loss of \$0.6 million in 2012.

As if that wasn't enough, on April 2nd, the Company announced that it is expecting net sales for the quarter ending March 31, 2014 to be in the range of \$3.0 million to \$3.2 million, a traditionally slow quarter for the Company.

Stewart Wallach, CEO of Capstone Companies, commented in the release, "Our expected record first quarter sales provide a strong start to 2014 as we come off of a record year in 2013. Our current order levels also indicate that our first half could be in the range of \$4.5 million to \$5.0 million nearly three times sales realized in the first half of last year."

He continued, "As important as we look forward are the new product introductions for 2014, specifically those developed through collaboration with AC Kinetics that will be debuted at the Hardware Show early next month. Product innovation is paramount to continue to drive growth over the long term."

This Company is off to a stellar 2014, with new product launches and the developed distribution channels with the likes of Costco, Home Depot, Lowes, Office Depot, Sam's Club, Target and Walmart, further sales and revenue increases should follow suit in the coming quarters and years.

By the way, that Hardware Show that the CEO commented on is next week, May 6th to May 8th to be specific. Conferences of this type can attract new interest not only in the Companies product offerings, but also in the Company as well. That and the specific unveiling of new products could ignite the stock price at this fundamentally critical time for the Company.



the stock price. The bottom trend line of the upward channel formation is currently around the \$0.018 area and rising while the upper trend line is currently around the \$0.05 level and rising. These levels will mark key support and resistance levels, which we will get into below.

When examining a daily technical chart (below), we are noticing a symmetrical triangle pattern unfolding (definition below). This continuation pattern looks to be near a defining point as the upper and lower bands are near an intersection point.

As mentioned above, a key support level will be the bottom trend line of the upward channel formation, currently at \$0.018 are and rising, however an equally important support level will be the \$0.02 level, as this was a strong resistance level for years, and will likely act as support since it was broken earlier this year.

Looking at resistance levels, from a daily perspective we will be looking for the current one month down trend to be broken. A couple of strong days of trading should do it for this to happen, and if that is the case, the next major level of resistance would come in around the \$0.027 (not drawn) level, then further resistance around the \$0.036 recent high. Lastly, top resistance will be at the top trend line of the upward channel formation, currently at \$0.05 and rising.



With that said, we would monitor events on a daily basis and should new developments occur, we would not hesitate to increase our sell price to capture even higher returns, if we believe they could be achieved.

Capstone Companies, Inc. (OTCQB:CAPC) trading at \$0.024 a share with such an excellent fundamental proposition and equally impressive technical outlook was a stock we couldn't overlook, as such we had to choose it as our first stock pick for May.

As always, we will update our members periodically on this stock as it continues to stay an open trade on AllPennyStocks.com Pro. If we decide that it's best to get out of this stock for whatever reason, we will also promptly alert our members by email to the sell call.

Also, we always recommend that investors seek the opinion of a financial advisor prior to making any trades with AllPennyStocks.com Pro. It's your money; you can never get enough advice when investing it.

Capstone Companies, Inc. (OTCQB:CAPC) Buy at \$0.024 on May 4, 2014. Support at \$0.02 and \$0.018. Resistance at \$0.027 and \$0.036. Trade length 2 - 4 months.

May 14th, 2014 Update: Capstone Companies, Inc. (OTCQB:CAPC) was sold today at \$0.0345, for a 43.75% gain in ten days.

Frequently Used Terms & Technical Terms Used In This Article:

Support and resistance represent key junctures where the forces of supply and demand meet. In the financial markets, prices are driven by excessive supply (down) and demand (up). Supply is synonymous with bearish, bears and selling.

Support:

Support is the price level at which demand is thought to be strong enough to prevent the price from declining further. The logic dictates that as the price declines towards support and gets cheaper, buyers become more inclined to buy and sellers become less inclined to sell.

Resistance:

Resistance is the price level at which supply is thought to be strong enough to prevent the price from rising further. The logic dictates that as the price advances towards resistance, sellers become more inclined to sell and buyers become less inclined to buy.

Symmetrical Triangle Pattern:

The symmetrical triangle, which can also be referred to as a coil, usually forms during a trend as a continuation pattern. The pattern contains at least two lower highs and two higher lows.

While there are instances when symmetrical triangles mark important trend reversals, they more often mark a continuation of the current trend. Regardless of the nature of the pattern, continuation or reversal, the direction of the next major move can only be determined after a valid breakout.

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