

TSX /TSX-V = XXX:CA CNSX = XXX:CNX enter your email GO QUOTE: FREE NEWSLETTER:

Newsletter

GO SYMBOL LOOKUP

Advertising

Company Spotlight | MyPortfolio Home Canadian Home | American Home

Pro Menu

Custom Stock Scans

Pro Dashboard

Updates on Recent Stock

Monthly Technical

Analysis Commentary Penny Stock Of The Day

Edit Account

Archive

Contact Us

Log Out

Navigation menu Canadian Navigator

**US Navigator** 

Custom Stock Scans Education

Technical Analysis

Commodities Stock Calculator

Write For Us

About Us

Terms Of Service Featured Link

If you are looking for unbiased, small-cap stock picks with specific buy and sell calls,

AllPennyStocks.com Pro is the newest premiere newsletter for traders looking to make serious money. We pick the winners, you make the money. Click here to try it for

 Add Us to favorites Click Here Now! or hit CRL+D

Search Web Site

O Web AllPennyStocks.com

Search Site

Search Article Archive | Search

Enter Pro Site / Log Out

Edit

WatchList

View Archives

T RIM N/A N/A Royal Bank of Ca 75.17-0.29

Delayed 20 minutes

**Contact Us** 

### Capstone Companies, Inc. (OTCQB:CAPC)

CAPC 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. Capstone Companies, Inc. (OTCQB:CAPC) is a public holding company that engages, through its wholly-owned subsidiaries, Capstone Industries, Inc., Capstone Lighting Technologies, LLC, and Capstone International HK, Ltd., in the development, manufacturing, logistics, and distribution of consumer and institutional products to accounts throughout North America and in international markets.

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. The company develops, manufactures and sells a broad range of stylish, innovative and easy to use consumer products including portable book lights, specialty book lights, multi-task lights, e-reader lights, power failure multi-function handheld lights, power failure plug-in decorative lighting, power failure multi-function nightlight wall plates and wireless motion sensor lights that are designed to make today's lifestyles simpler and safer. The power failure lighting and security products are sold under its wholly - owned subsidiary Capstone Industries' brand name to such noted big box retailers as Costco, Home Depot, Lowes, Office Depot, Sam's Club, Target and Walmart.

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.

Not impressed enough, let's take a look at their full 2013 highlights:

- 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

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

likes of Costco, Home Depot, Lowes, Office Depot, Sam's Club, Target and Walmart, further sales and revenue



2014 Feb

What's important to note from a fundamental perspective is that this is a Company that as of 2013 is profitable, continues to pull in record revenues quarter after quarter and has its products sold in many of the biggest retail chains in North America. With further product launches on the horizon, this Company with a market cap of under \$16 Million will not stay at these levels too much longer.

That was the fundamental argument; let's take a closer look at the technicals because they seem to move in tandem with the improving fundamental picture.

Looking at the chart from a weekly perspective, the first thing we noticed is the development of an upward channel formation. The premise here is quite simple, as long as the stock trades inside of this channel, the trend should continue to be upward, as it has been for the last 6 months or so. Now while we aren't at the bottom trend line yet, the reason for our pick today was partially the technical situation when looked at from a daily chart perspective which we will get into a bit lower, but also because it is close enough to bottom support to warrant an entry at this price and also because of the uncertainty of what next week's Hardware Show in Las Vegas can do for

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. Continuation patterns 9 out of 10 times break out to the direction of the current trend, which in this case as shown from the above weekly chart is an upward trend. Another point to notice is that volume has been decreasing as the near term correction has occurred over the last month. This is a bullish sign that generally indicates that selling pressure is weakening, lending more credence to an eventual bullish pendulum swing. The stock holding above the 50 day moving average (dma) as well as the MACD still being above the zero line and the RSI above the 50 level, all indicate that there is still overall bullishness in this chart, and the last month was simply a correction from a huge move up, rather than a trend direction change.

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. Since both of these support levels are so close to each other, we would be placing stop losses just below the current channel formation bottom trend line, or at \$0.017 to be specific giving us 29.2% downside

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 the information we have at this time, we will be looking to sell this stock just under the recent high from April, specifically at \$0.035 giving us 45.8% upside potential. To get this type of return, we would be expecting a 2 to 4 month timeline.

promptly alert our members by email to the sell call.



@ StockCharts.com

CAPC Capstone OTC Mkt.

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

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. (OTCOB: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. Demand is synonymous with bullish, bulls and buying. As demand increases, prices advance and as supply increases, prices decline. When supply and demand are equal, prices move sideways as bulls and bears slug it out for control.

## 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. By the time the price reaches the support level, it is believed that demand will overcome supply and prevent the price from falling below support.

# Resistance:

Symmetrical Triangle Pattern:

Resistance is the price level at which selling 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. By the time the price reaches the resistance level, it is believed that supply will overcome demand and prevent the price from rising above resistance.

pattern. The pattern contains at least two lower highs and two higher lows. When these points are connected, the lines converge as they are extended and the symmetrical triangle takes shape. 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

The symmetrical triangle, which can also be referred to as a coil, usually forms during a trend as a continuation

Contact | Disclaimer / Terms of Service

Links | Links To Us | Make Us Your Homepage | Disclaimer | Privacy Statement | Advertising | About Us | Contact Us | Free Co-brand

of the next major move can only be determined after a valid breakout.