

Investing in the Stock Market

an Introduction

Gold Coast 29 July 2012

Bill Dodd





AUSTRALIAN
INVESTORS'
ASSOCIATION

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This course is a guide to investing in the share market.

- Provides a foundation from which an investor can understand the market and how it operates...

Some misconceptions about investing in stocks

1. Buy and hold is the best strategy
2. Use a professional to managed your money
3. Dollar cost averaging is a good strategy...

1. Buy and hold is the best strategy.

CSL - Weekly 10/02/2012 Open 30.89, Hi 30.92, Lo 29.61, Close 30.57 (0.4%)



CSL weekly

6.666

RIO weekly



30.728



QBE weekly

11.98



PPT weekly

22.31

2. Dollar cost averaging (averaging down)



BSL weekly

0.405



Dollar cost averaging

initial share holding is 1000 @ \$8 = \$8000

1000 @ \$6 = \$6000

1000 @ 4\$ = \$4000

1000 @ \$2 = \$2000

1000 @ \$1 = \$1000

current holding is 5000 @ ave \$4.20 cost \$21,000

Current market value is about \$1450

Will there be a dividend?

0.405



Dollar cost averaging is a poor strategy.

Never buy a stock in a downtrend

0.405

2. You must use a professional fund manager!

Top 5 retail Australian share funds by 5 year performance

Fund name	5 year return	Size	Star rating
Clime Australian Value	4.66	\$18m	*****
Zurich Inv Equity Income	0.06%	\$445 m	*****
Greencape High Conviction	- 0.15%	\$93m	*****
Zurich Equity Income Retail	- 0.29%	\$7m	*****
Greencape Ws Broadcap	- 0.53%	\$52m	*****

Average return per annum over 5 years 0.75%

Source: Money July 2012

Top 5 retail Australian share funds **by size**

Fund name	5 yr return	Size	Rating
CFS High Growth	-2.76%	\$1584m	***
Aviva Growth	1.28%	\$1001m	*****
UBS Aust shares	-0.10%	\$939m	*****
MLC Income Builder	-4.61%	\$720m	*
Black Rock Aust shares	-1.71%	\$604m	***

Average **annual loss** every year for 5 years is **1.58%**

Source: Money February 2012

To be a profitable investor in the market:

- Avoid a buy and hold strategy
- Don't average down - never buy stocks in a downtrend
- Be very careful when using financial services professionals...

The Objectives of this Course

At the end of the day you should :

- Have an overview of investing in the stock market
- Appreciate the risks in investing and how these can be managed
- Understand the need for an investment plan
- Have an overview of fundamental and technical analysis
- Understand several methods for selecting a stock
- Know how to use a stock broker and buy a stock...

Some Definitions

- Stocks vs. shares
- Investors vs. traders
- Index, ASX200, All Ords, DOW, S&P500
- Blue chips vs. speculative stocks ...

Learning about the Market

- Courses and seminars
- The internet
- Investor organisations
- Books
- On line investor forums ...

Books

Building wealth in the stock market

Colin Nicholson (2009)



Blue Chip Investing

Alan Hull (2008)



Teach yourself about Shares

Roger Kinsky (2009)

Trend Trading

Daryl Guppy (2004)



Value.able

Roger Montgomery (2010)

Top Stocks

Martin Roth (2011)

The Psychology of Investing

Colin Nicholson (2006)

Share market course as a DVD



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	Portfolio Management	Moderator - Peter Brooks	Asset allocation after age 67	by writee 20 January 2012 02:08 PM	13	91
	Superannuation (including SMSF)	Moderator - Garry Eldridge	SMSF "Audit Protection...	by Jenni 24 December 2011 12:50 PM	50	280

What is a share?

(stocks vs. shares)

- A share gives an investor part ownership in a business
 - before electronic transactions were implemented, evidence of ownership was the share certificate.

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Clutha Limited

1 0 0 1 4 0 0 0 9 0 0 9 4 6 1 4 6

AUTHORISED CAPITAL 50,000,000 ORDINARY SHARES OF 50 CENTS EACH
REGISTERED OFFICE: 19 QUEEN STREET, NARRIHAN, N.S.W. 2257
SHARE REGISTRY: BDO NELSON PARKHILL, LEVEL 22, 2 MARKET STREET, SYDNEY N.S.W. 2000. PO BOX 4524, SYDNEY SOUTH, N.S.W. 2000.

Ordinary Share Certificate

Investor's name

DATE

27-07-94

REGISTRY

SYDNEY

THIS IS TO CERTIFY that the person named herein is the registered holder of the number of 50 cent Fully Paid Ordinary Shares specified subject to the Memorandum and Articles of Association of the Company.

REFERENCE FRAYSTON	SHARES No. 9140	NO OF SHARES 5,000
-----------------------	--------------------	-----------------------

NO OF SHARES	HUNDREDS	TENS	THOUSANDS	THOUSANDS	HUNDREDS	TENS	UNITS
MILLIONS	THOUSANDS	THOUSANDS	THOUSANDS	THOUSANDS	HUNDREDS	TENS	UNITS
Nil	Nil	Nil	Five	Nil	Nil	Nil	Nil

GIVEN UNDER THE COMMON SEAL OF THE COMPANY






DIRECTOR



DIRECTOR

09254

No transfer of any of the Shares comprised in this Certificate will be recognised unless accompanied by this Certificate.

What is a share?


(stocks vs. shares)

- A share gives an investor part ownership in a business
 - evidence of ownership now through Chess (Clearing House Electronic Sub-register System)

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Incitec Pivot Limited
ABN 42 004 080 264
State of Incorporation/Registration: Victoria

CHESH HOLDING STATEMENT

For statement enquiries contact
your CHESH Sponsor:
**ETRADE AUSTRALIA SECURITIES
LIMITED**
LEVEL 1
10 BRIDGE STREET
SYDNEY, NSW 2000
☎ 1300 658 355

Investor's Name

IPL - ORDINARY FULLY PAID

Date	Transaction Type	Transaction ID	Ex/Cum Status	Quantity		Holding Balance
				On	Off	
	Balance Brought Forward from 17 Jun 09					16000
07 Jul 09	Movement of Securities due to Purchase, Sale or Transfer	0144253019736600		16000		32000
08 Jul 09	Movement of Securities due to Purchase, Sale or Transfer	0144253021663200			16000	16000

What is a share?

(stocks vs. shares)

- A share gives an investor part ownership in a business
- Different types of stocks (companies)
 - blue chip stocks - CBA
 - growth stocks (lower dividends higher P/E ratio) - WOW, COH
 - value stocks (cyclical, higher dividends, lower P/E ratios) - HVN
 - defensive stocks - WOW
 - speculative stocks (higher risk, often have no dividend)
- **Do you know what are you are buying?** It is listed on the ASX - but is it a share?

• fully paid ordinary share (FPO)	XYZ
• preference share	XYZP, XYZPA
• company option	XYZO, XYZOA, XYZOB
• ETF, AREIT, LIC, etc.	XYZ
• contributing share or partly paid share	XYZC

The risks of partly paid or contributing shares

Brisconnections was floated in July after winning a \$3.5 billion contract to build a toll road in Brisbane. Shares were issued at \$3 each, to be paid in three instalments of \$1. ASX code was BCSCA

“When the share price of Brisconnections plummeted to just a mere one tenth of a cent, bargain hunters moved in. They now face bills running into millions of dollars when the next \$1 per share payment falls due in April, with another to follow in 2010.”

“[Mr X] bought 47,643,166 Brisconnections units for about \$47,600. He now owes the company a further two instalments of \$47.6 million, under the deal devised by Macquarie Bank.”

The Age November 27, 2008...

Risk

Investing does entail Risk

For the investor, preservation of capital is essential...

Will all of my Investments be Winners?

- when I buy a stock there is no way of knowing if my analysis is correct, this stock might be a loser or the market may move against me. (use stops.)
- 70% winners is good & 80% is excellent
- I will have some losing investments so I must have risk management strategies
 - must calculate the risk of loss on any investment
 - must use stops to avoid significant losses
- but what are the different risk factors and how can these risks be handled ?...

Managing the Risks in Investment

Market risk

- if the market falls, most stocks will fall too - know the position of market

Specific risk

- the risk that the stock you buy, falls in price - diversification - the 2% rule

~~Liquidity risk~~

- the market for this stock is too thin - ~~avoid this stock~~

~~Financial or credit risk~~

- risk when an investor borrows money - ~~exercise care if borrowing~~
- risk if that the company (stock) has high debt - watch debt/equity ratio

~~Sovereign risk or country risk~~

- the risk of investing in an unstable economy - ~~avoid this stock~~

~~Currency risk~~

- investing overseas poses risk of currency movement - ~~hedge currency~~

Managing the Risks in Investment

- Market risk and specific risk cannot be avoided so must be managed
- Market risk will be covered in some detail later in the session
- We now consider specific risk...

Managing specific risk

The risk that the stock you buy, falls in price

We can manage specific risk if we:

- Diversify and invest in a number of stocks - how many?
- Apply the 2% rule. This prevents us from losing more than 2% of capital on any one investment. It also tells us how many shares we can buy in one stock

Consider an example of how the investment plan helps to manage specific risk...

Risk and the Investment Plan

Once an investor is aware of the different risk factors then strategies to avoid or manage these risks can be built into **the investment plan**.

- So the investment plan should be written in such a way that it helps:
 - manage risk
 - manage the investor's behavioural problems under stress
 - provide strategies to select, buy, manage and sell stocks.

- An investment plan evolves and is never finished...

Why the Investment Plan is Essential

Consider the following example.

It is 2005. You are interested in buying shares in Centro Property Trust (CNP).

- The fundamentals of Centro seem to be very sound
- It seems that CNP might be an excellent investment
- Consider the chart of CNP...

CNP - Weekly 19/03/2010 Open 0.25, Hi 0.25, Lo 0.235, Close 0.235 (-6.0%)

CNP weekly chart

Shares can be bought at \$4.85

4.91664

Jun Oct 2003 Apr Jul Oct 2004 Apr Jul Oct 2005 Apr Jul



You now feel that this will be a profitable investment:

How would you buy and manage an investment in Centro Property Trust (CNP)?

We now look to our investment plan.....

- Available capital is \$100,000
- Shares of CNP can be bought at \$4.85
- CNP is potentially an excellent investment and some decisions are now needed:

The investment plan now tells us how we can buy and manage this investment.

- Is this a buy and hold investment? **No this will be a managed investment**
- Is a stop loss needed? where to place the stop? **Must use a stop loss**
- How many shares to buy? what is my risk? **The concern here is specific risk**
- How will the investment be managed? **Use technical approach**

These are some of the important guidelines we get from our investment plan

Managing specific risk

calculating number of shares to buy

entry price = \$4.85
stop loss = \$4.10
max risk/share = \$0.75

2% Rule

max risk to capital = \$2000 (2% of \$100,000)
shares to buy = $2000 / 0.75$
= 2666 shares

cost of shares = $2666 \times \$4.85 = \$12,933$

>



You now have 2666 shares of CNP bought at \$4.85

- The question now is how should this investment be managed?
- Consider the outcome of this investment...

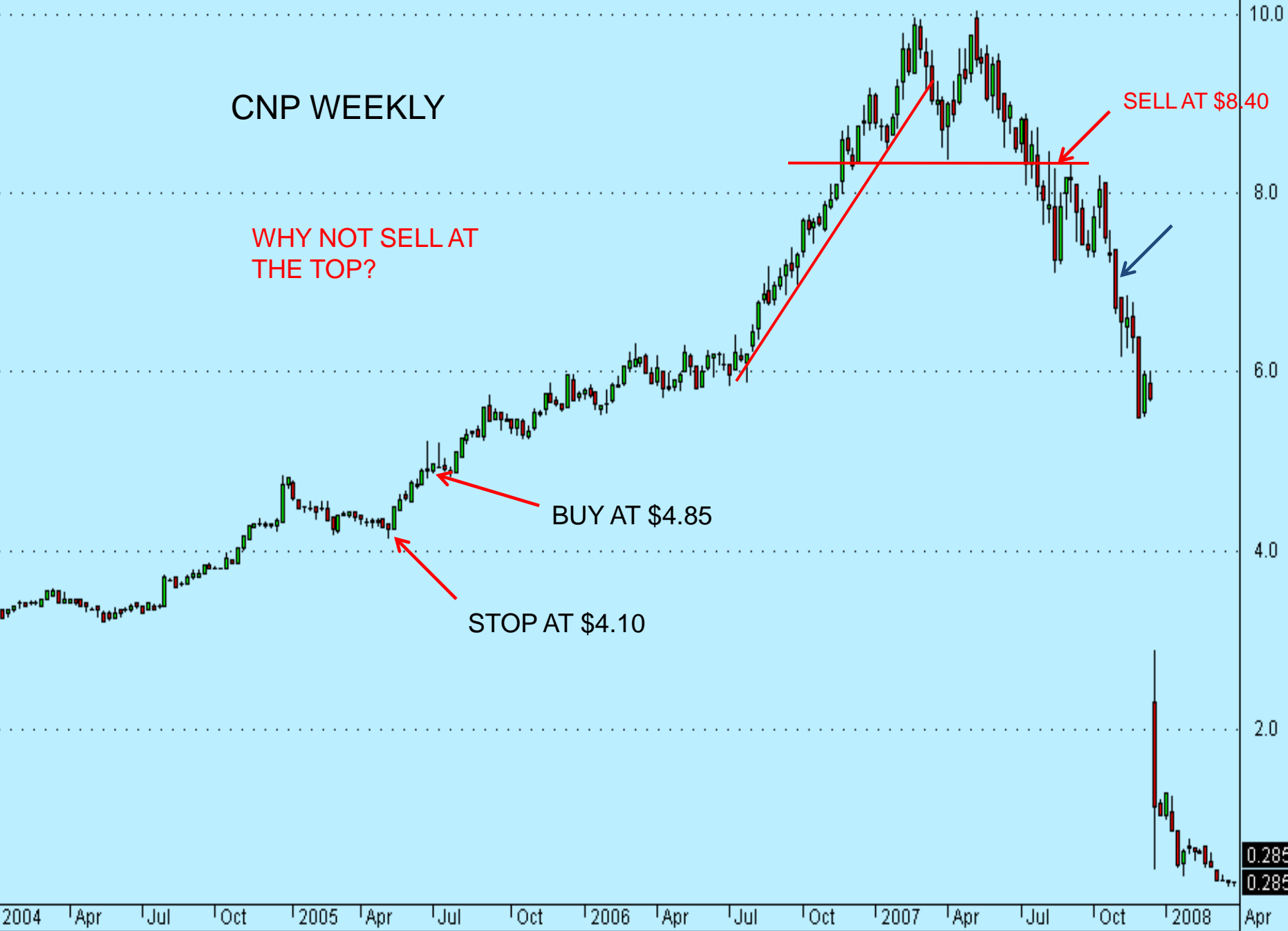
CNP WEEKLY

You have 2666 shares
bought at \$4.85



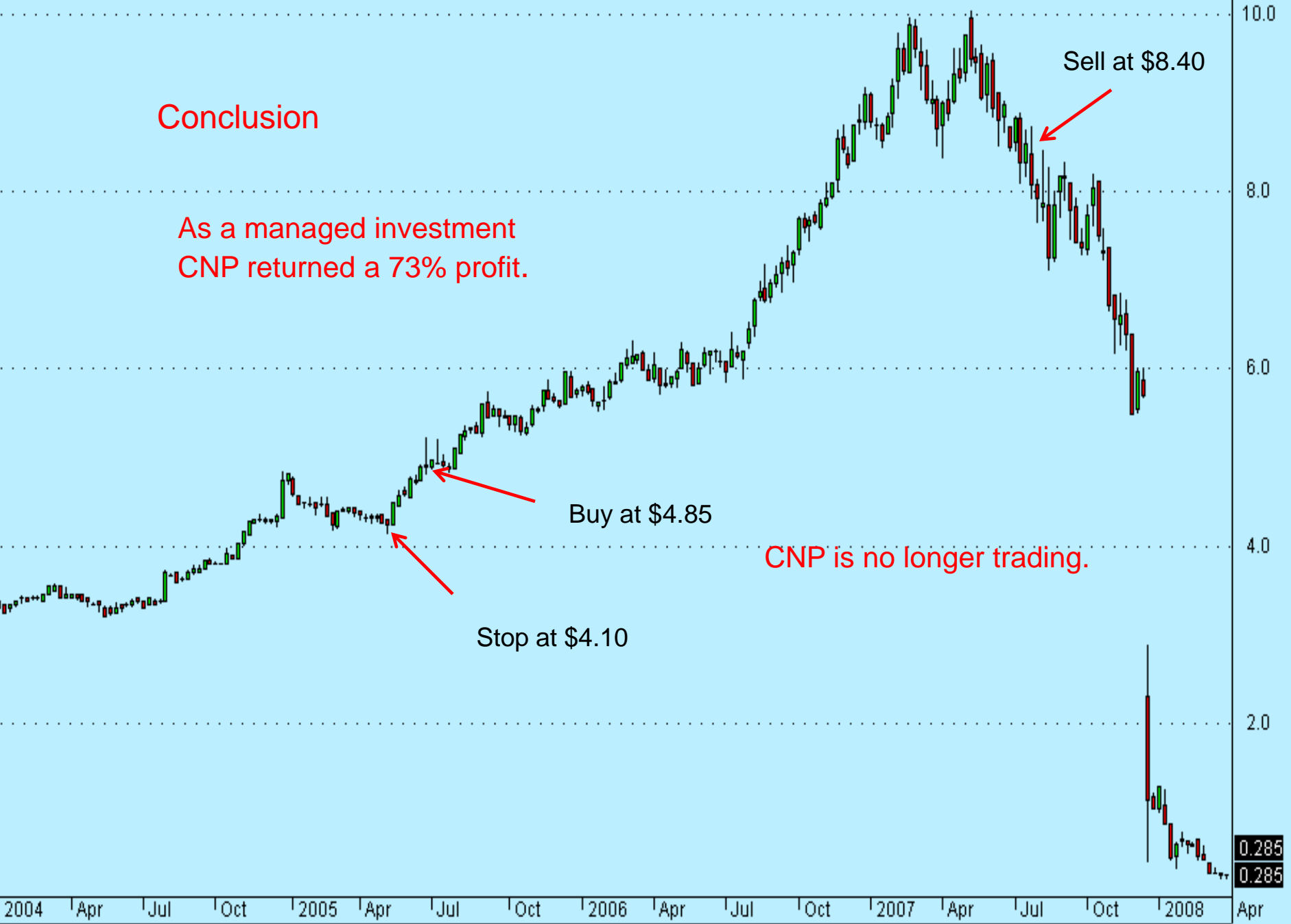
0.285
0.285

CNP WEEKLY



Conclusion

As a managed investment
CNP returned a 73% profit.



CNP is no longer trading.

0.285
0.285

With a sound investment plan this was a great investment but without a plan the Centro investment was a disaster.

The investment plan provided the strategies to enter and manage the investment.

It also protected the investor from making poor and **emotional decisions**.

Where were the emotional decisions?...

CNP WEEKLY



BUY AT \$4.85

SELL AT \$8.40

0.285
0.285

As an investor, I must Understand

- I cannot control the market
- I **can** control the amount of money I am prepared to risk
- I **can** control when I sell
- I **can** control my attitude to the market?? (Psychology)
- The investment plan is the key to such controls e.g. CNP...

The Investment Plan

- Investing needs to be treated as a business. It must be planned.
- An investment plan includes a number of unbreakable rules as well as some guidelines to manage the investment process
- Start with a simple plan and add to it as you continue to invest
- An investment plan is never finished...

What is an Investment Plan?

It is a **written** document **based on the investor's profile**.

The investment plan should include the following:

- Investment style, direct investor or managed funds (buy and hold or managed)
- Which stocks to buy and how to select them
- How many stocks are in the portfolio, which sectors, diversification
- Risk management strategies
- How many shares of each stock to buy – money management - the 2% rule
- Market entry - managing the investment - rules for selling the stock

The investment plan not only **provides a guide as to what to buy and sell and how to manage risk, it protects the investor during periods of uncertainty and stress...**

Consider the following example of an investment plan...

Alan Hull's Investment Plan

Hull,(2008) Blue Chip Investing, Wright books

Why use Hull's investment plan as an example?

- It is simple but comprehensive
- It includes excellent risk management strategies
- The actual time to manage the investment using this plan is very small
- It is a proven investment plan (tested over a number of years)
- It is profitable (over 5 yr period from 2001, 21.7%>ASX200)...

The specifics of Hull's investment plan

(actually my interpretation)

- trades only Australian shares in the ASX200:
 - selects the fastest trending stocks in the index
 - “**must be fundamentally sound**” and have an annual rate of return >25%
- uses these criteria to generate a list of the 40 best performing stocks
- available funds are invested equally in the top 10 stocks from this list
 - these must be liquid and he selects no more than 4 stocks in any one sector
- strict money management - max loss of 2% in any one stock
- stop loss : sell if:
 - rate of annual return falls below 25%
 - price falls 20% from max price
 - the price falls below the 52 week moving average
 - stock is no longer listed in his top 40 stocks
- profit take if :
 - any one stock increases in value to be >15% of portfolio value
- manage on a weekly basis from Friday's data – place order on Monday...

This is an example of a carefully thought out and tested investment plan.

- We will review Hull's investment approach and plan in detail later when we discuss investment strategies.
- Having reviewed the investment plan, we now we need to discuss how to analyse stocks and markets...

Stock and Market analysis

An overview of the role of technical analysis and fundamental analysis in investing?

The basic tools available to investors are fundamental and technical analysis.

As investors we should take advantage of both forms of analysis to understand what is happening in the market and to make investment decisions....

What is a stock market?

- The stock market is a place where buyers and sellers trade company stocks.
- The stock market is often irrational and unpredictable...

So what moves the Stock Market

“What ultimately makes the price of a stock go up or down are the changes in its future earnings capacity as perceived by the market”

Higgins and Abey(1995)
Fortune Strategy

So two things move the markets.

- the changes in future earnings
- investor perception of value

This gives us a lead as to what we need to know to invest successfully in the market.

As investors we need information about the value of a stock and we also need to know what the market perception is of that stock.

The basic tools of the investor are fundamental analysis and technical analysis

- both aim to form an opinion about the value of a stock

Fundamental analysis

- aims to estimate the value (future earnings) of the company using performance data
- tells investors what to buy or sell based on value and future earnings potential

Technical analysis

- based on the belief that everything that is known about a stock is reflected in the chart of its price and volume
- tells investors when to buy or sell by giving insights into market perception...

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Part I Fundamental Analysis

- Important ratios
- What is value?
- Value investing...

Fundamental Analysis provides the following information.

- The intrinsic value of the shares in a company
- The company's growth and where it comes from
- Compares company growth to the sector and its competitors ...

Using the Financial Statements

Analysts use the company financial statements to calculate financial ratios.

Some important ratios are:

- earnings per share (eps) = profit after tax / no of shares on issue
- dividend per share (dps) = total dividend paid / no of shares on issue
- payout ratio = the percentage of the eps that is paid to shareholders

- dividend yield = $dps / \text{share price}$

- p/e ratio = $\text{share price} / \text{eps}$

- return on equity (roe) = profit after tax/shareholder equity

- debt/equity ratio = $(\text{total borrowings} - \text{available cash}) / \text{share holder equity}...$

Applying the Fundamental Ratios

A useful way to gain an appreciation of how these ratios are applied is to follow the approach used by Morningstar in the special publication “How to read an Equities Report” which has been provided, courtesy of Morningstar...

Huntleys' Your Money Weekly

- ▶ These notes are provided as a guide to our investment newsletter
- ▶ Our objective is simple: To provide useful and thorough information and analysis to enable the investor to make informed choices and maximise his or her return on investments

How to Read an Equities Report

Morningstar™ is a leading provider of independent investment research in North America, Europe, Australia, and Asia. Morningstar is a trusted source for insightful information on stocks, managed funds, exchange-traded funds, hedge funds, separate accounts and offers an extensive line of Internet, software, and print-based products and services for individuals, financial advisors, and institutions. We provide data on more than 325,000 investment offerings. The company has operations in 19 countries.

A long-time champion of the individual investor, our mission is to create great products that help investors reach their financial goals. Morningstar's purchase of Huntleys' in mid-2006 was a natural fit that marries perfectly with the role Ian Huntley and the Huntleys' publications have played in the

When stocks are high, relatively few will receive our Buy recommendation. But when the market tumbles, there will likely be many more 'Buys'. We think assets are more attractive when they're cheap than when they're dear. We wait to buy clothes and DVD players when they're on sale, so why not do the same for stocks?

Our recommendations are anchored on each analyst's estimate of a company's 'fair value', which is what the analyst thinks the business is worth on a per-share basis. Our analysts arrive at this value by forecasting how much excess cash – or 'free cash flow' – the firm will generate in the future, and then adjusting that total for both timing and risk.

Cash generated next year is worth more than cash generated several years down the road, and cash from a stable business is worth more than cash from a cyclical or uncertain business. Stocks trading at meaningful discounts to our fair value estimates will receive positive recommendations. For high-quality businesses, we require a smaller

Most analysts value stocks using the following parameters

Earnings

Earnings growth

Earnings per share (eps)

Price to earnings ratio (P/E)

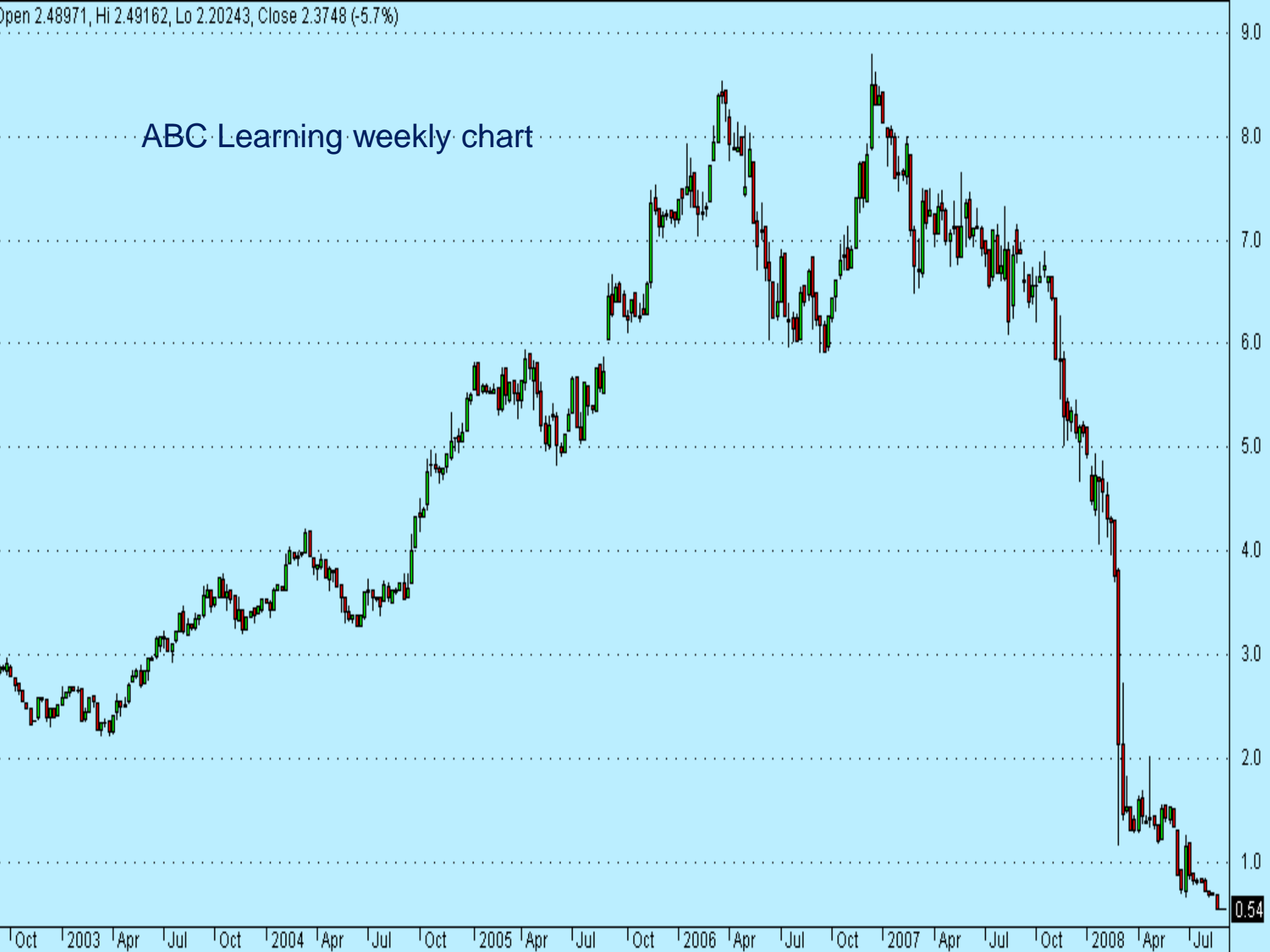
Dividends

This can lead to errors in valuation.

Consider the example of ABC Learning (ABS) ...

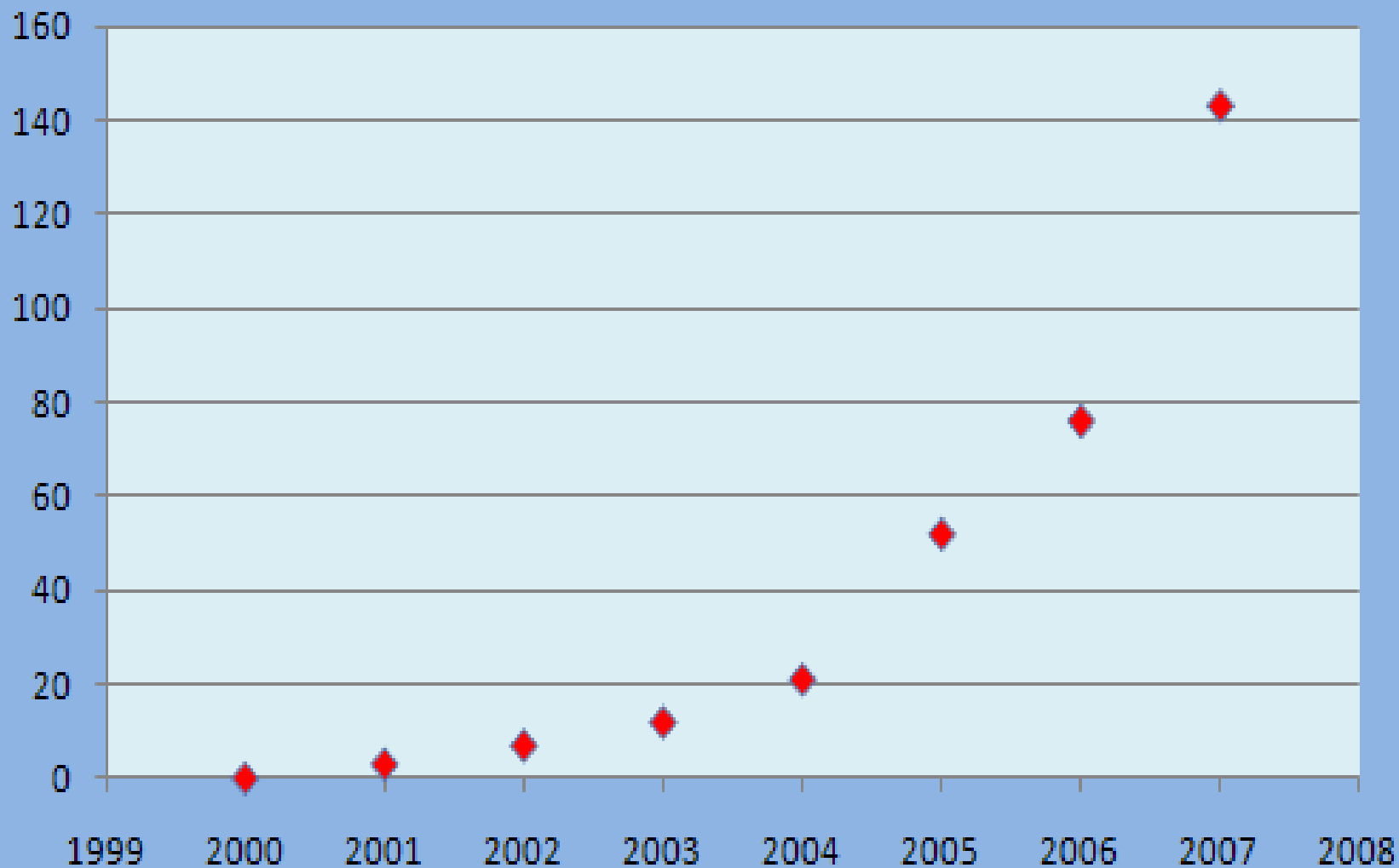
Open 2.48971, Hi 2.49162, Lo 2.20243, Close 2.3748 (-5.7%)

ABC Learning weekly chart



ABC CHILDCARE NPAT \$MILLIONS

\$M



Conventional stock analysis can be misleading

Price gives no guide to value

Earnings alone give no guide (ABS is one example)

So there are dangers in just using profit and P/E ratios

So what should be used instead?...

What becomes really important is Return On Equity

ROE is a measure of the return on investors capital. It is a key measure of the potential of a business to make a profit...

Consider the Return on Equity of ABC Learning (ABS)

Remember that ABS had a high and increasing net profit after tax (NPAT) even in 2007, while the price of this stock had started to collapse in late 2006...

ABC CHILDCARE NPAT \$MILLIONS

\$M

160

140

120

100

80

60

40

20

0

1999

2000

2001

2002

2003

2004

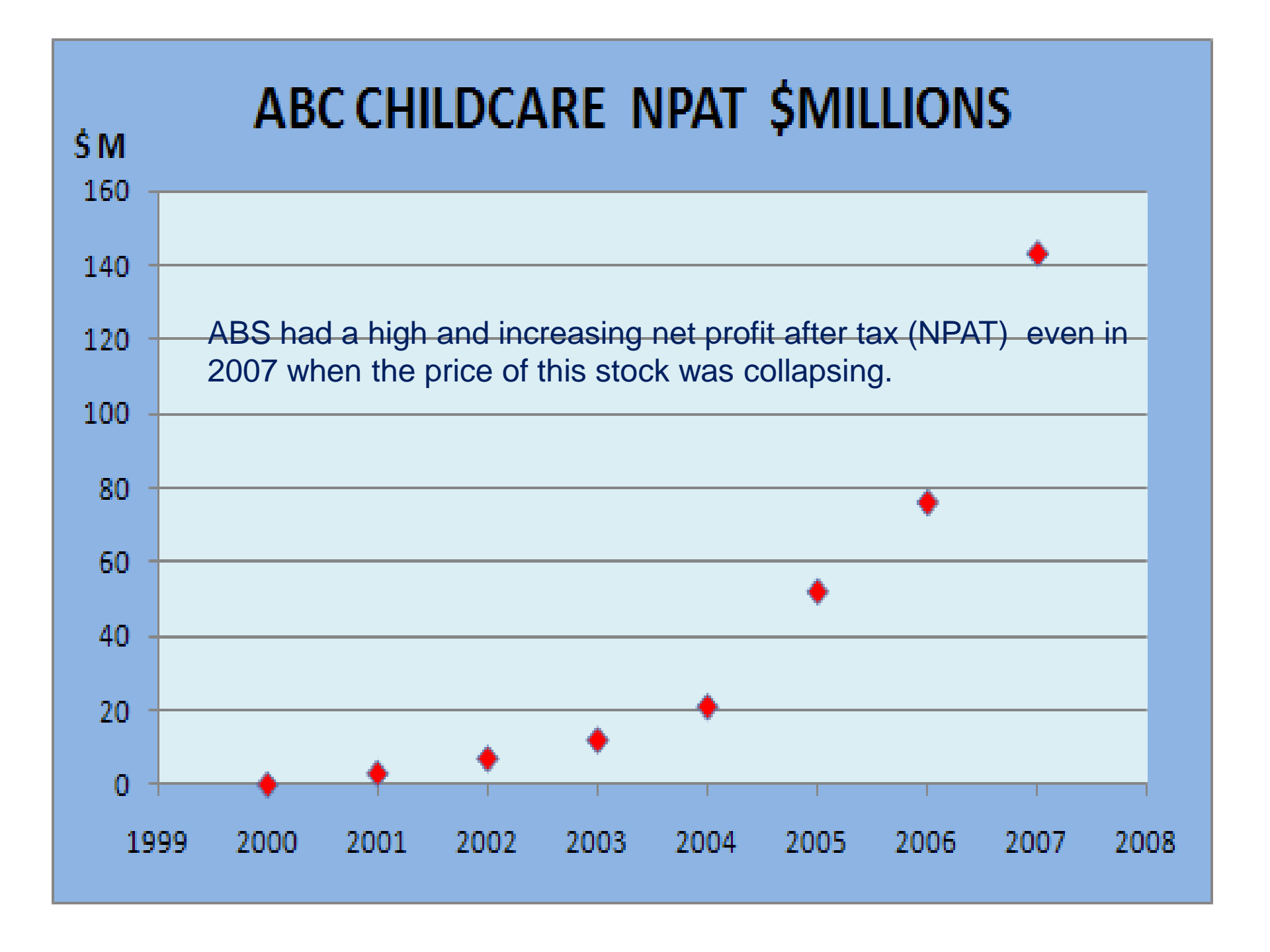
2005

2006

2007

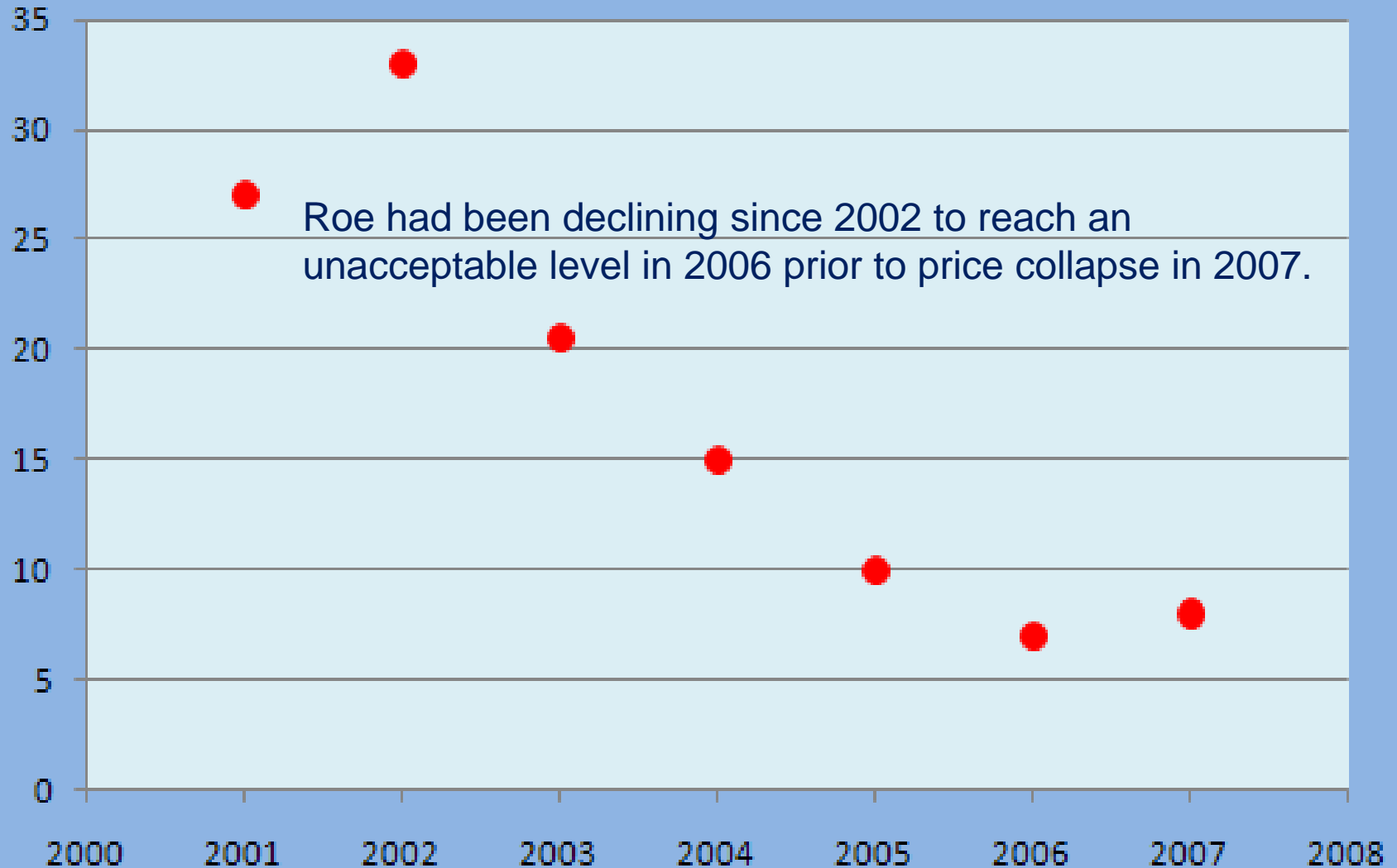
2008

ABS had a high and increasing net profit after tax (NPAT) even in 2007 when the price of this stock was collapsing.



ABC CHILDCARE %ROE

%ROE



What can we learn from ABC Learning?

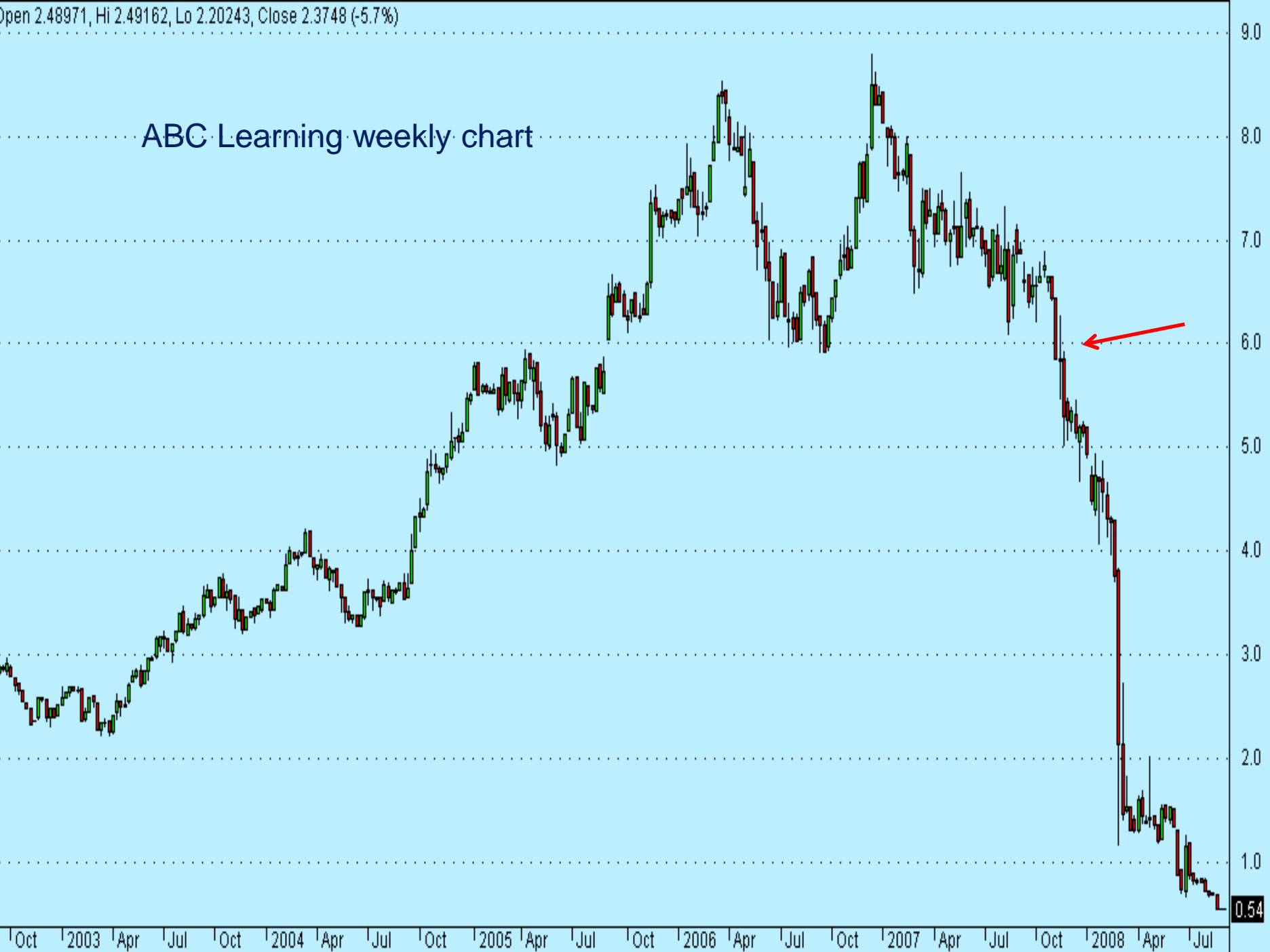
In the case of ABC Learning an investor needed to understand that while the profits were increasing, this company had a declining ROE, a very high and increasing debt and an increasing number of issued shares.

Simply looking at the increasing profit which was due to increased input of new funds (and increasing the no of shares on issue) gave no clue to the underlying company profitability.

Note that the warnings were given by the declining ROE but an investor could also have used technical analysis to avoid serious losses in this stock...

Open 2.48971, Hi 2.49162, Lo 2.20243, Close 2.3748 (-5.7%)

ABC Learning weekly chart



When valuing a stock, earnings applied in isolation can be very misleading even though most analysts use the P/E ratio when they value stocks.

The P/E ratio is useful in identifying a stock which may be undervalued by the market, but it must be used with care.

- The earnings report is always historical and may be up to 6 months out of date.
- The earnings may not reflect the return on equity but may be affected by capital raising by a company which has poor cash flow and increasing debt.
- A very low P/E ratio could also mean that the company is nearing insolvency....

Probably the most successful example of the application of fundamental analysis to investing comes from the work of
Warren Buffett

This approach is often referred to as “value investing” ...

Value Investing

At first sight there are two problems for the value investor .

1. What is the value of the stock?
2. How much to pay for that stock?

The problem is that there is often little correlation between the value of a stock and its market price.

So how can the investor decide - if a stock is a buy and how much he should reasonably pay for that stock?...

The Question is “What is the Value of a Security”?

Book value – value of the asset less depreciation and other costs (goodwill and intangible assets).

Market value – value of the asset on the open market.

Intrinsic value (actual value, fundamental value) – the present value of all expected future net cash flows to the company.

The investor needs to know the intrinsic value of the stock....

Value investing is based on an estimate of the true value or intrinsic value (IV) of a stock.

The Intrinsic Value provides a much better estimate of the real value of the stock than market price.

Having calculated the IV for a stock, the investor is in a position to buy that stock if it is trading at or below its Intrinsic Value.

This means that should there be a market correction, the high IV stocks should not fall as far as the over-valued stocks and should recover faster.

A value investor could see a market correction as an opportunity to buy more shares rather than to need to sell a holding ...

The Origin of Value Investing

1. Benjamin Graham “The Intelligent Investor”.
2. Warren Buffett - Berkshire Hathaway

Buffett has been very successful over a long period of time. Can we emulate his methods?...

How does Buffett operate?

He buys the whole company or a substantial part of it

Has a seat on the board and an input into management

Reputedly Buffett's holding time is "forever"

but

So Buffett is really not a buy and hold investor...

The Buffett approach to investing

Buffett buys businesses and does not trade stocks. He uses no technical analysis.

The best businesses have:

- High return on equity (ROE)

- Little or no debt

- Have good cash flow

Buffett regards the dividend payout as unimportant

- Emphasis must be on high ROE

- Stocks with high ROE should retain earnings

- Stocks with low ROE **should not** retain earnings...

How important is the dividend?

Investors seem to have a preoccupation with high yielding stocks. Dividends are important but not as important as ROE.

If a company has a 30% ROE this means that this company is earning 30% on shareholders equity. In this situation it is in the shareholders' interest to have a low dividend payout with most earnings retained by the company to yield a 30% return on investor capital.

By contrast a company with a ROE of 5% should pay out all of its earnings as a dividend. The investor should then be in a position to invest the returns to yield more than 5% (QAN ROE 3%)...

Berkshire Hathaway dividend policy

Berkshire Hathaway paid a 10c per share dividend only once, (in 1967).

In all other years no dividend was paid - the earnings were reinvested.

Berkshire Hathaway A shares traded for less than \$10 in the mid 1960s, while in 2007 they traded for about \$140,000.

So the share price increase is a reflection of reinvesting retained earnings in a company which has a very high ROE.

Berkshire Hathaway's ROE averaged 21.4% over a 40 year period to 2006...

So what is most important when valuing a Stock?

It would seem that in valuing a stock we need to pay more attention to the ROE of a stock and place less emphasis on the earnings and dividend.

The other important factors are company debt and cash flow...

So this suggests that any stock which has an increasing ROE will have a proportionate rise in its share price!

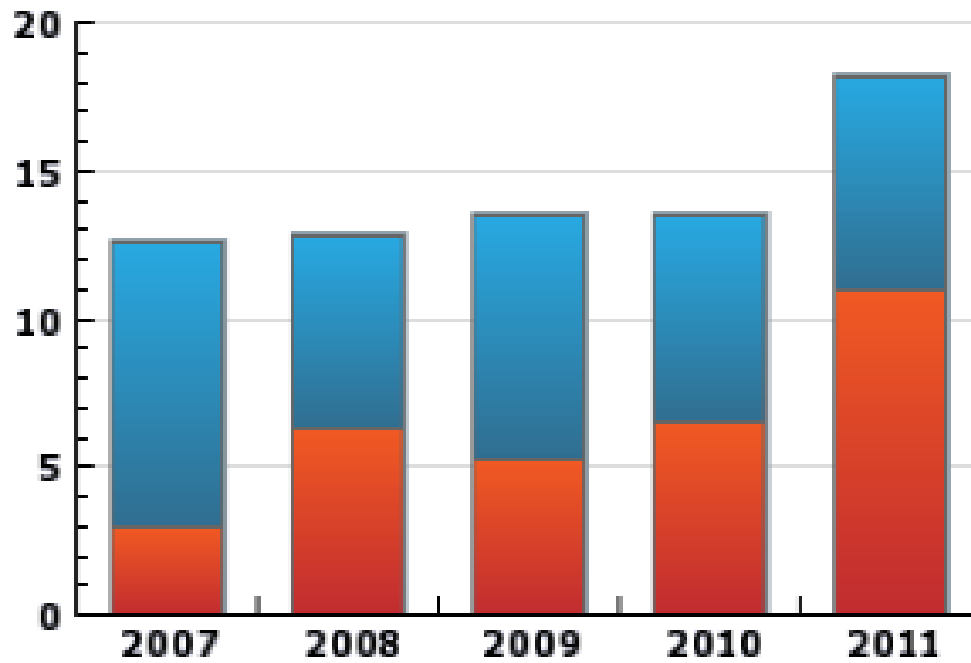
It would follow that if an investor can identify those stocks which have a high and increasing ROE then investing should be profitable and to some extent predicable...

If return on equity (ROE) is so important it should bear some relationship to share price.

Consider the example of Amcom (AMM)...

AMM data from Clime

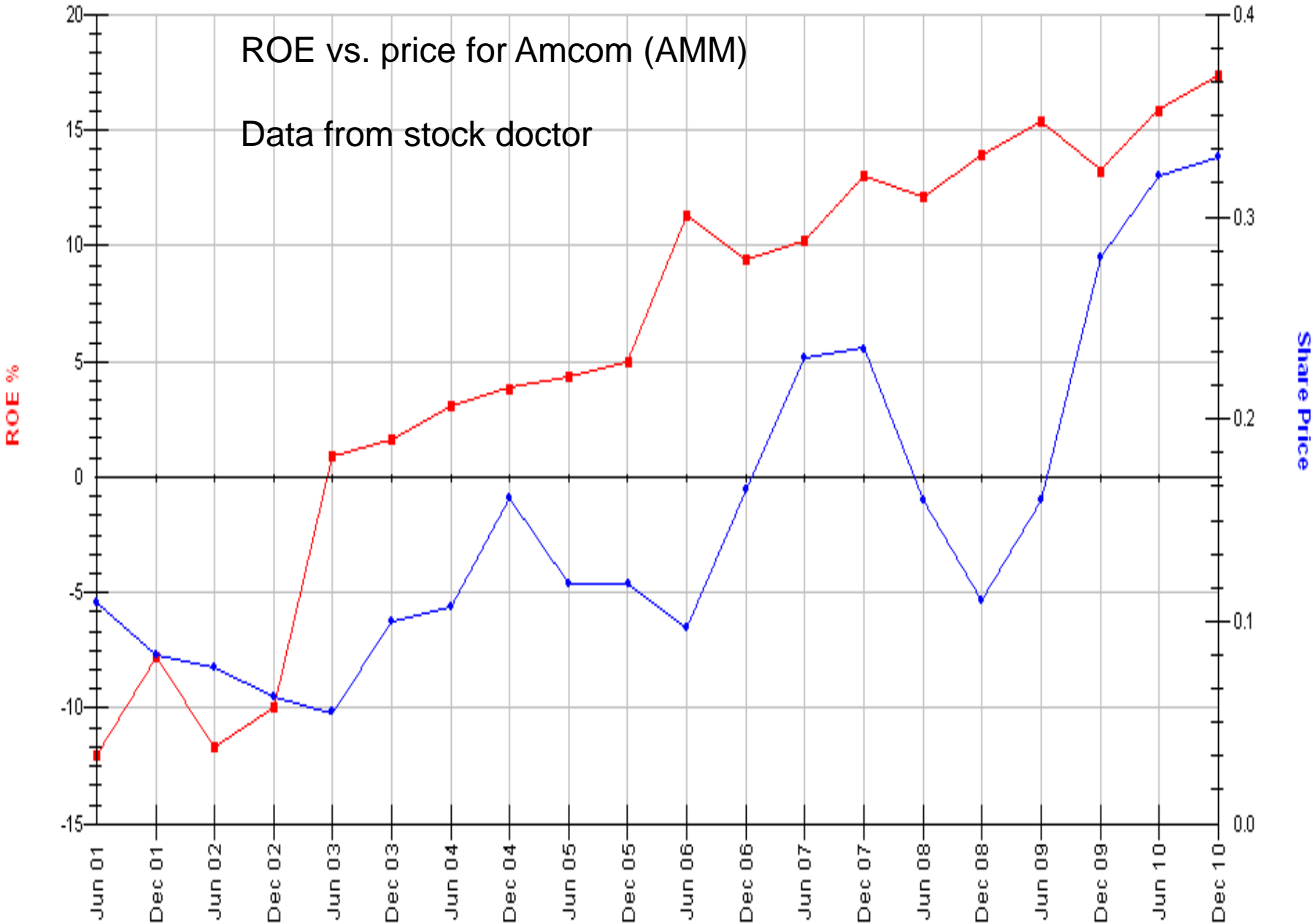
Performance Chart



Reinv.	9.6%	6.5%	8.2%	7.0%	7.2%
Dist.	3.0%	6.3%	5.3%	6.5%	11.0%
NROE	12.5%	12.8%	13.5%	13.5%	18.2%

ROE vs. price for Amcom (AMM)

Data from stock doctor



It follows from the Amcom example that if an investor buys a stock where the intrinsic value shows an increasing ROE, she should be profitable.

The biggest problem for investors when valuing a stock is to determine the true value (Intrinsic Value) of shares in a company.

How can we calculate or find the intrinsic value of a stock?...

If we are to emulate Buffett we need some method of obtaining a reasonably accurate value for the stock.

Montgomery's recent book is useful...

ROGER MONTGOMERY

VALUE  ABLE
Second Edition

HOW TO VALUE THE BEST STOCKS AND
BUY THEM FOR LESS THAN THEY'RE WORTH

Montgomery provides a method for calculation of the intrinsic value (IV)

Based on the following data.

- The number of shares on issue
- The end of year equity
- Forecast return on equity (ROE)
- Forecast earnings per share (EPS)
- Forecast dividend per share (DPS)

See his book for more information...

Montgomery's approach is useful

But the factors which affect the Intrinsic Value of a stock change frequently so it is difficult for an investor to maintain an updated list of more than perhaps 20 stocks.

An alternative is to look for a commercial solution which provides Intrinsic Values for most stocks listed on the ASX and updates these valuations regularly.

- Stock Doctor
- Clime
- Skaffold...

When do Value Investors sell?

Value investing is not a buy and hold strategy.

Stocks may be sold if:

- The performance of the business declines
- The price rises well above intrinsic value
- The investor is fully invested but sees a better opportunity...

Value Investing in Summary

(an application of fundamental analysis)

The investor calculates the real value (IV) for a company

The investor aims to buy the stock below its IV. (at a discount to its IV)

This then should provide a buffer in times of market correction.

During a market correction shares in value stocks are not sold: this seen as an opportunity to increase holdings in profitable companies...

Other “fundamental” analysis approaches

There are other methods used by fundamental investors

- Sector analysis
- Management
- Market capitalization
- Institutional ownership...

What are the Pros and Cons of Fundamental Analysis?

Fundamental analysis is a powerful tool but be careful how you use it.

In support of fundamental analysis.

- it is the only way we can determine the intrinsic value of a company's shares
- it provides key information on which stocks have the best value and should be profitable.

The problems with fundamental analysis.

- assumes that all data is available and that the information is acted upon.
- data may be old and not give an accurate picture of the current position of a company.
- while the fundamentals show the **company to be good value, is it the right time to buy it?...**

Technical Analysis

see ASX web site <http://www.asx.com.au/resources/education/classes/shares/index.htm>

- What is technical analysis?
- An introduction to different types of charts
- An introduction to charting software
- An overview of some areas of technical analysis...

Technical Analysis

see ASX web site <http://www.asx.com.au/resources/education/classes/shares/index.htm>

Technical analysis is the study of the price and volume movements of a stock.

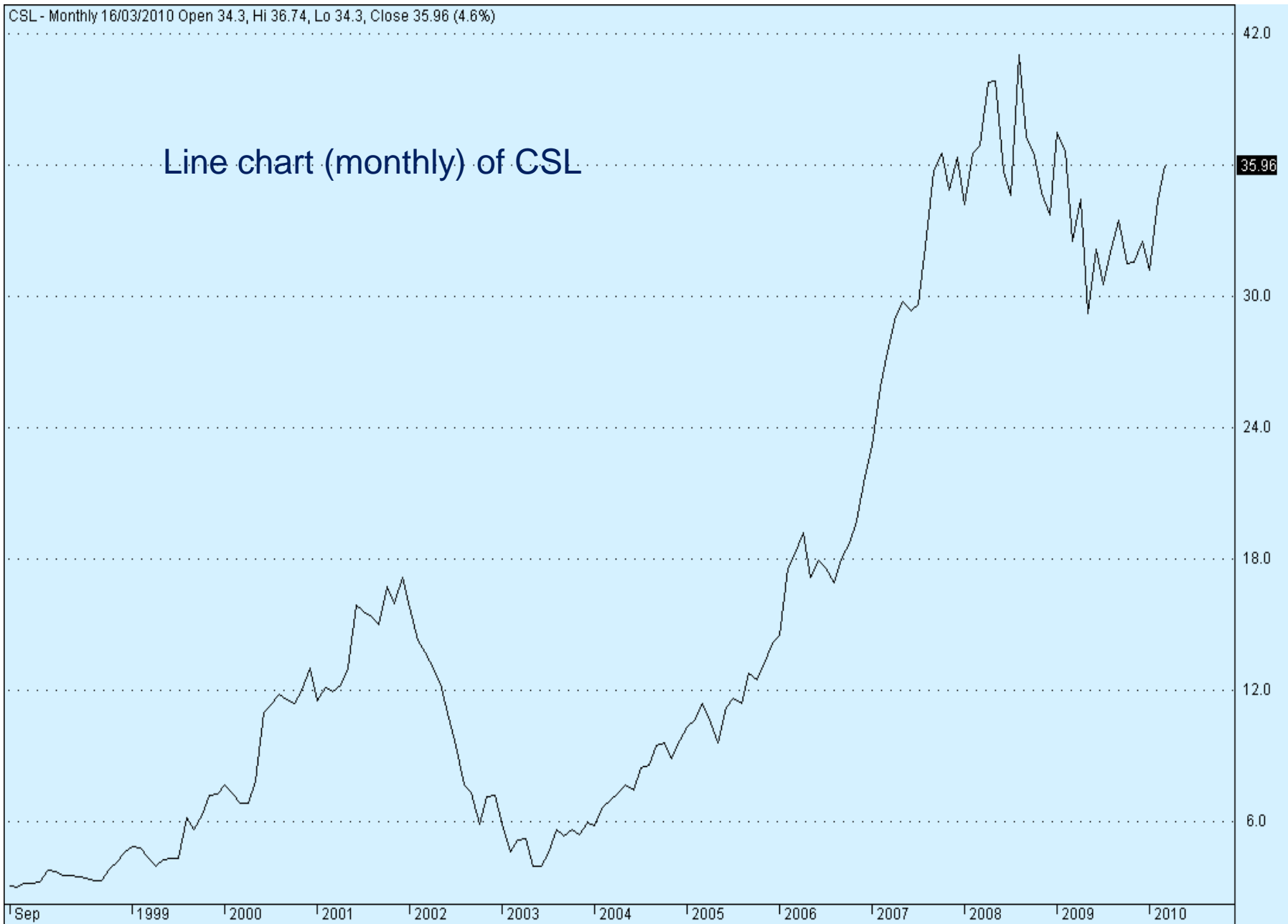
It is based on the belief that everything that is known about a stock is reflected in the share price and the volume of shares traded.

Technical analysis **tells investors when to buy or sell** by providing insights into market sentiment and emotion.

Charts are the important tool in technical analysis...

CSL - Monthly 16/03/2010 Open 34.3, Hi 36.74, Lo 34.3, Close 35.96 (4.6%)

Line chart (monthly) of CSL



CSL - Monthly 16/03/2010 Open 34.3, Hi 36.74, Lo 34.3, Close 35.96 (4.6%)

Bar chart (monthly) of CSL

Open, High, Low & Close



CSL - Monthly 16/03/2010 Open 34.3, Hi 36.74, Lo 34.3, Close 35.96 (4.6%)

Candlestick chart of CSL (monthly)

Open, High, Low & Close



Software for technical analysis

Good charts and data are the basis of technical analysis

Most software can be expensive \$200 to \$4,000

- some free software is useful

Data will cost \$30 to \$60 per month

- free data is available but use with caution

Incredible charts is an excellent software package and is free *

- It includes all data and many indicators...

Getting Started with Incredible Charts

<http://www.incrediblecharts.com/>

Go to the AIA website. From the drop down resources menu, select products, share market investment course to access the three video clips. The link is <http://www.investors.asn.au/resources/products/sharemarket-investment-course/>

On the right hand side of this page which promotes the Share Market Investment Course, there are links to three video clips which will provide the background you need to get started with Incredible Charts...



Incredible Charts

The Course refers the Incredible Charts software (available free). The following brief videos will assist in understanding the use of 'Incredible Charts'.

1. [Introduction to 'Incredible Charts' software](#)
2. [How to handle charts](#)
3. [Use of the screening module](#)

Technical Analysis

see ASX web site <http://www.asx.com.au/resources/education/classes/shares/index.htm>

So technical analysis is the study of the price and volume movements of a stock or market.

It is based on the belief that everything that is known about a stock is reflected in the share price and the volume of shares traded.

Technical analysis **tells investors when to buy or sell** by providing insights into market sentiment and emotion...

An Overview of Technical Analysis

1. Classical methods
 - (a) phase analysis
 - (b) support and resistance

2. Pattern recognition
 - (a) continuation patterns
 - (b) trend reversal patterns

3. Indicators
 - (a) trend confirmation indicators
 - (i) multiple moving averages (MMA)
 - (b) reversal indicators
 - (i) Coppock indicator
 - (ii) Relative strength index (RSI)

4. Volume...

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Phase analysis (Dow Theory)

- Proposes that markets are cyclical
- That markets go through bull and bear cycles
- Within each cycle different phases can be recognized
- These different phases represent different risk situations
 - Consider the different phases of the S&P500...

DOW PHASE ANALYSIS ON THE S&P500 WEEKLY

Distribution

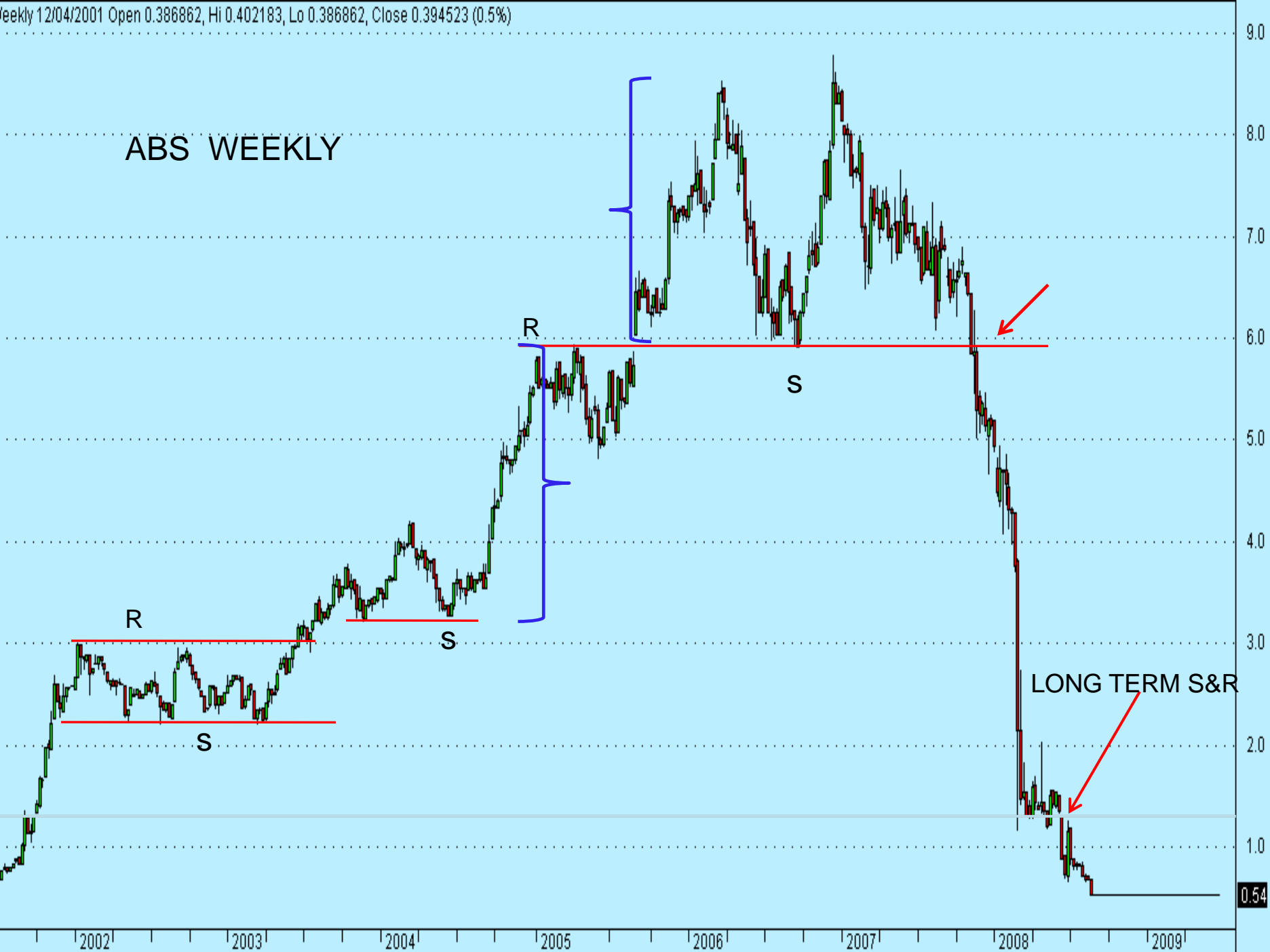
1,600
1,500
1,400
1,300
1,200
1,100
1,000
954.6
900
800
700



Accumulation

I (b) Support and Resistance

ABS WEEKLY



0.54

WOW weekly



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Pattern Recognition and Trends

Trends in stock prices are very important. Most successful investment systems follow trends - so need to identify trend changes.

But what is a trend?...

This stock is not trending



27.25

All Ords monthly

Trends can continue for long periods.



How to draw trend lines





It is a big advantage if an investor can understand when a trend is about to start or end.

Chart patterns are very useful for this...

Pattern Recognition

Chart patterns reflect human behaviour in buying and selling shares.

The following chart patterns offer a high probability of future market movement and can be used to select stocks or to time entries into stocks which have been selected using other selection methods.

(a) Trend continuation patterns

- triangles
- flags and pennants

(b) Trend reversal patterns (at the top or bottom of a market)

- double top/bottom patterns
- head and shoulders patterns
- base/top patterns...



A trend continuation pattern

A trend reversal pattern

10,609.7
10,609.7

Pattern Recognition

Chart patterns reflect human behaviour in buying and selling shares.

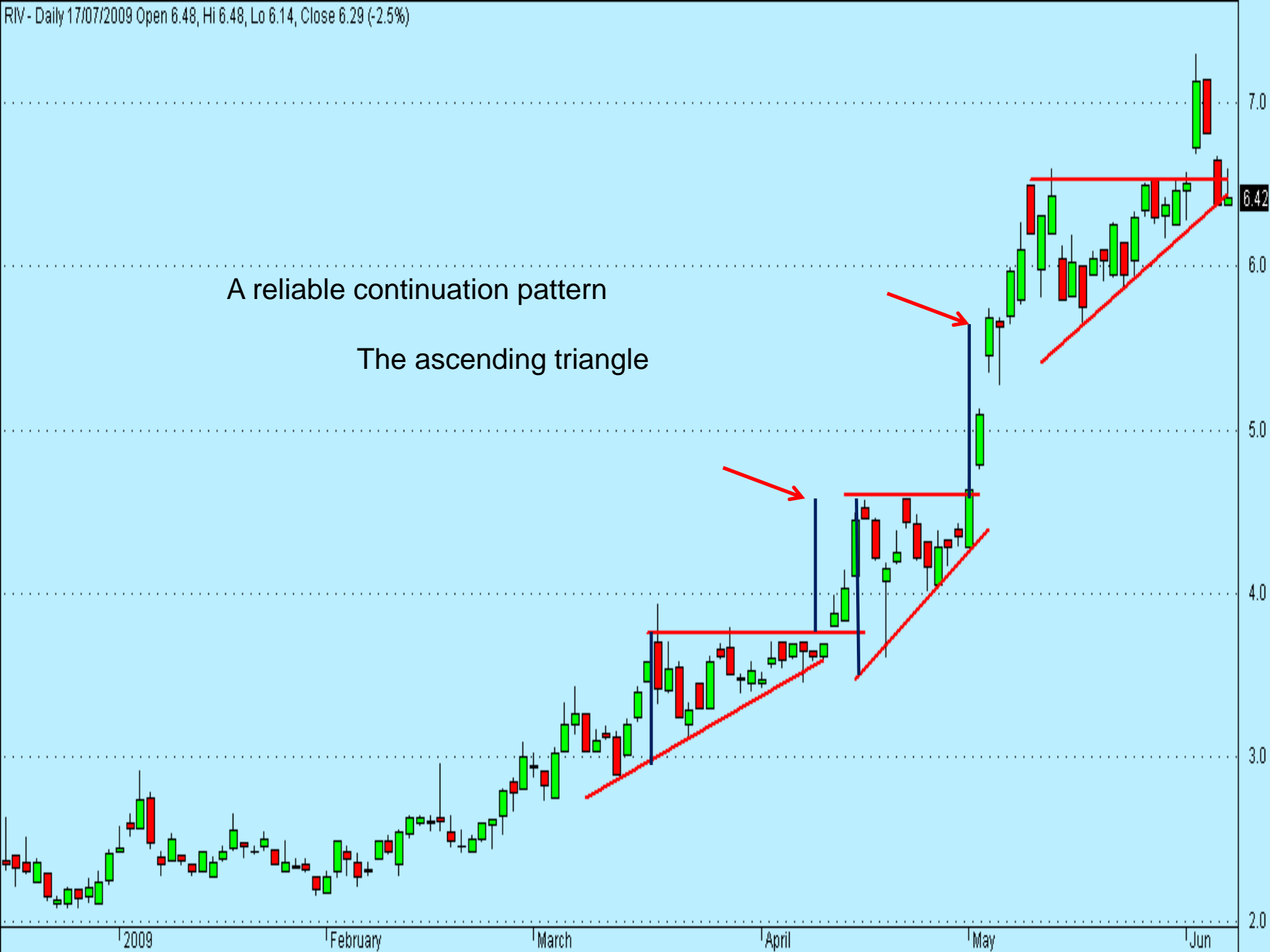
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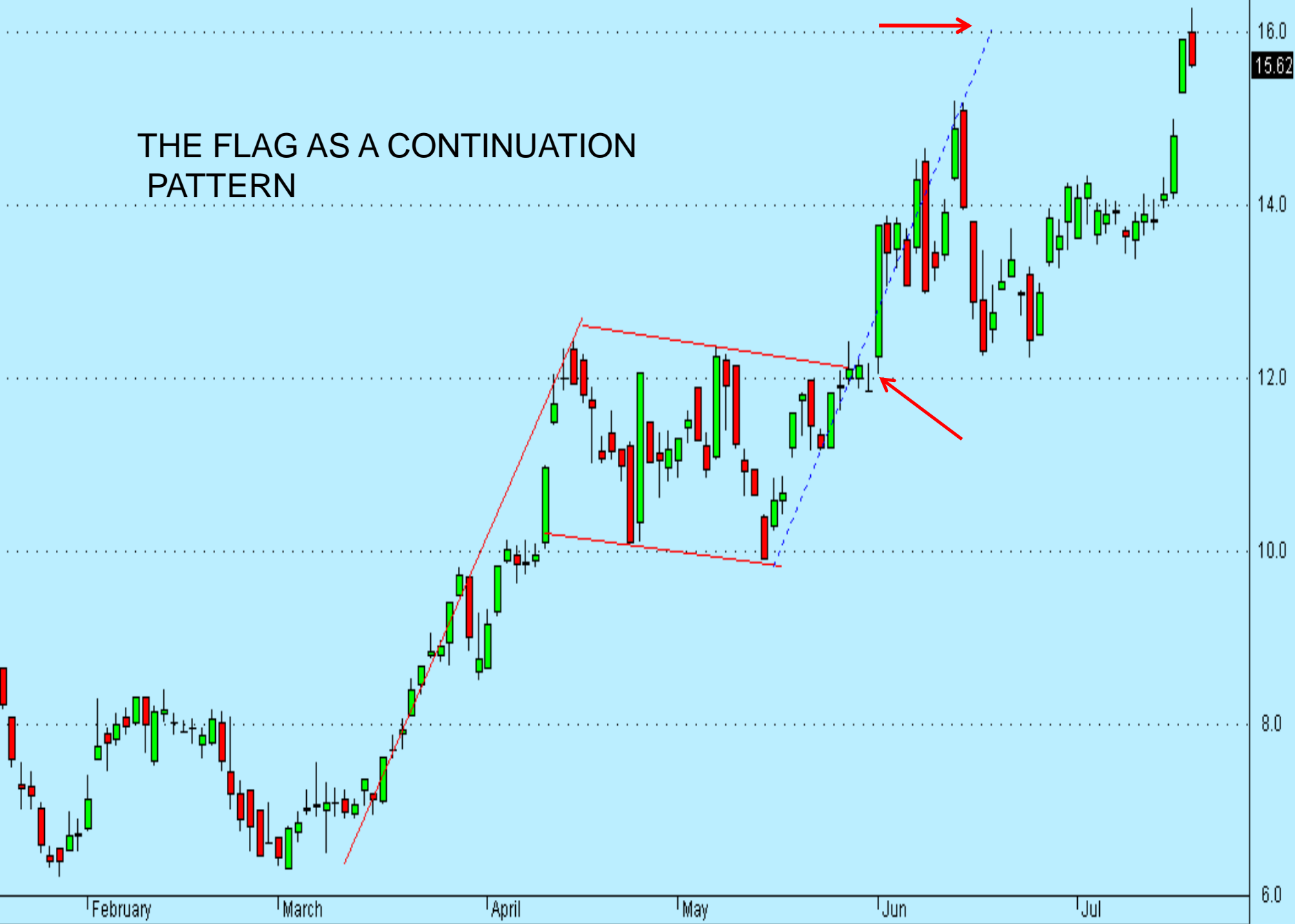
- double top/bottom patterns
- head and shoulders patterns
- base/top patterns



A reliable continuation pattern

The ascending triangle

THE FLAG AS A CONTINUATION PATTERN





CBA weekly

Target \$24

39.38

CBA - Weekly 2/02/2009 Open 26.58, Hi 26.94, Lo 26.31, Close 26.45 (-1.7%)

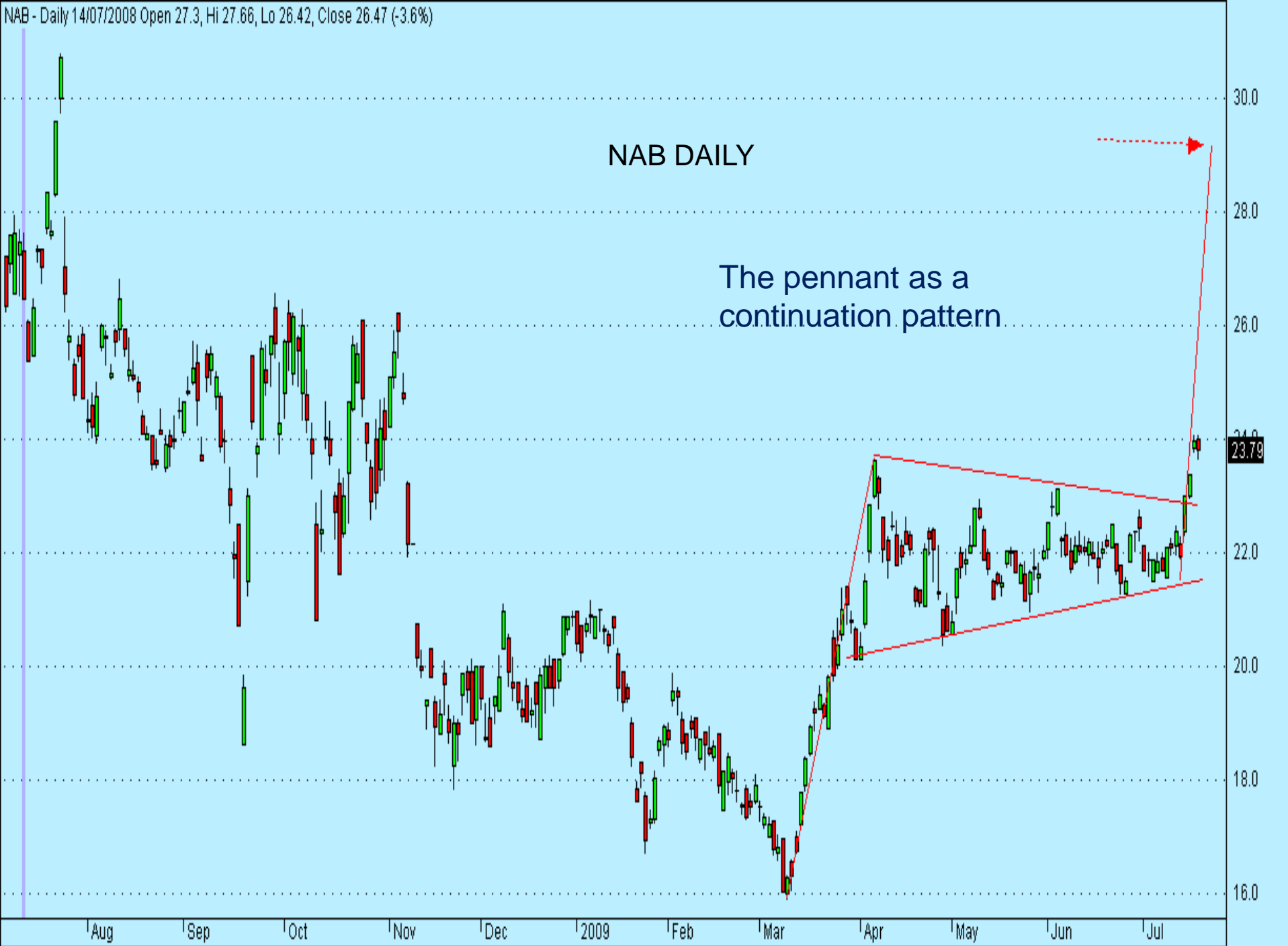


CBA weekly

26.45

NAB DAILY

The pennant as a continuation pattern



Pattern Recognition

Chart patterns reflect human behaviour in buying and selling shares.

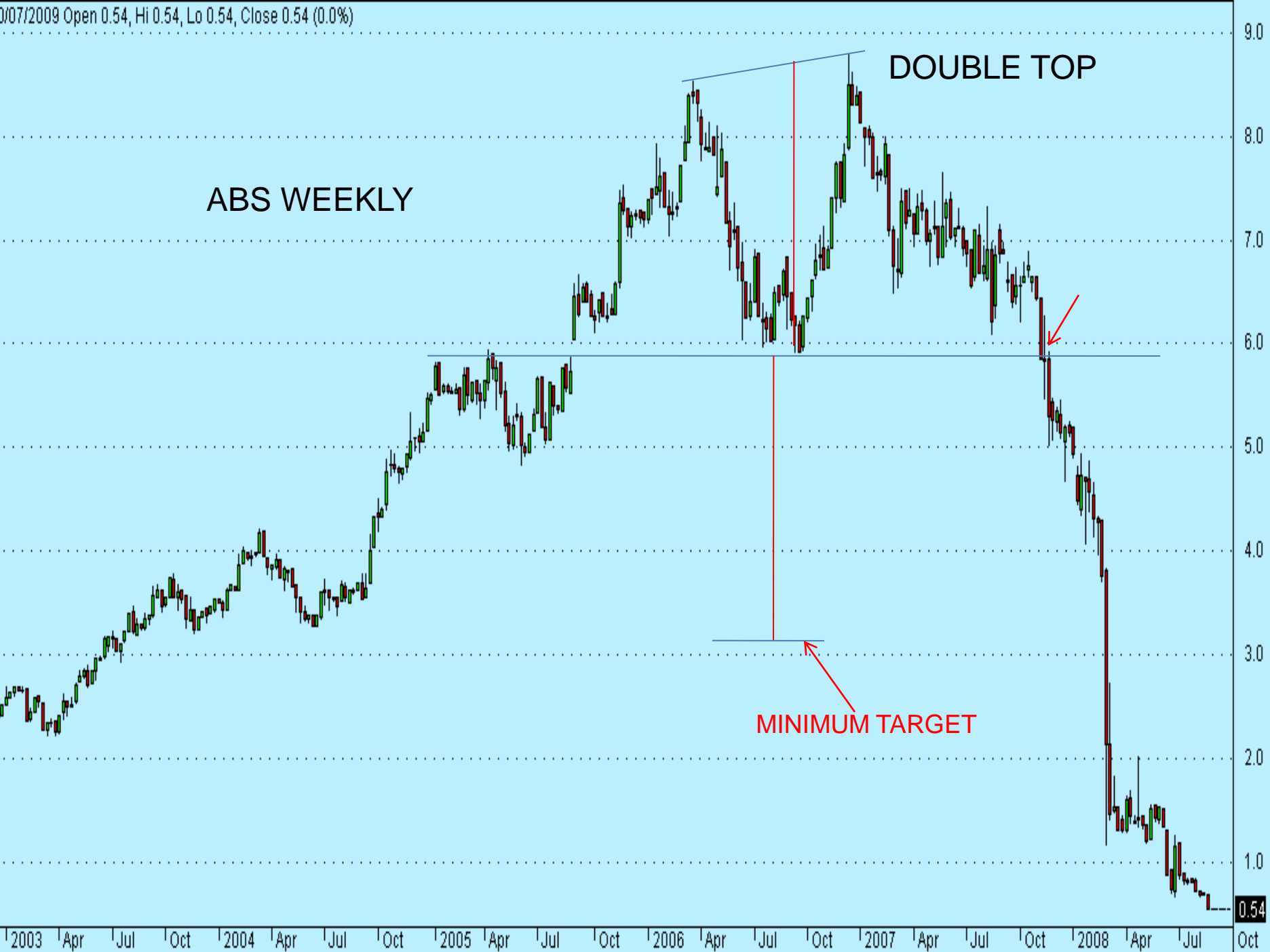
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- head and shoulders patterns
- base/top patterns...



IPL WEEKLY



2.62



Head and shoulders pattern

All Ords weekly

Neck line 1

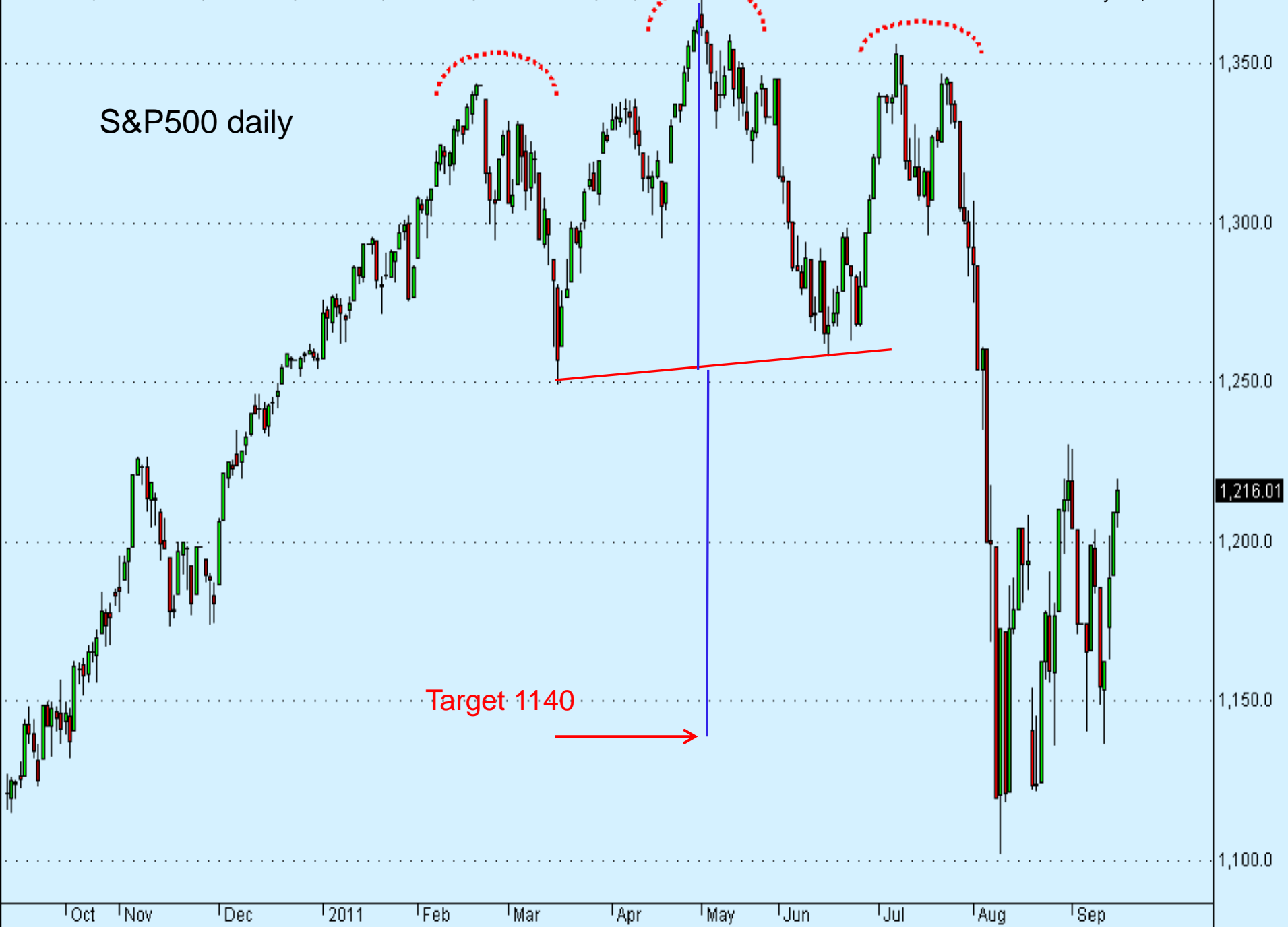
Neck line 2

TARGET

TARGET 2

3,875.17

S&P500 daily



1,216.01

Developing H&S pattern on the
Dow Jones index monthly chart

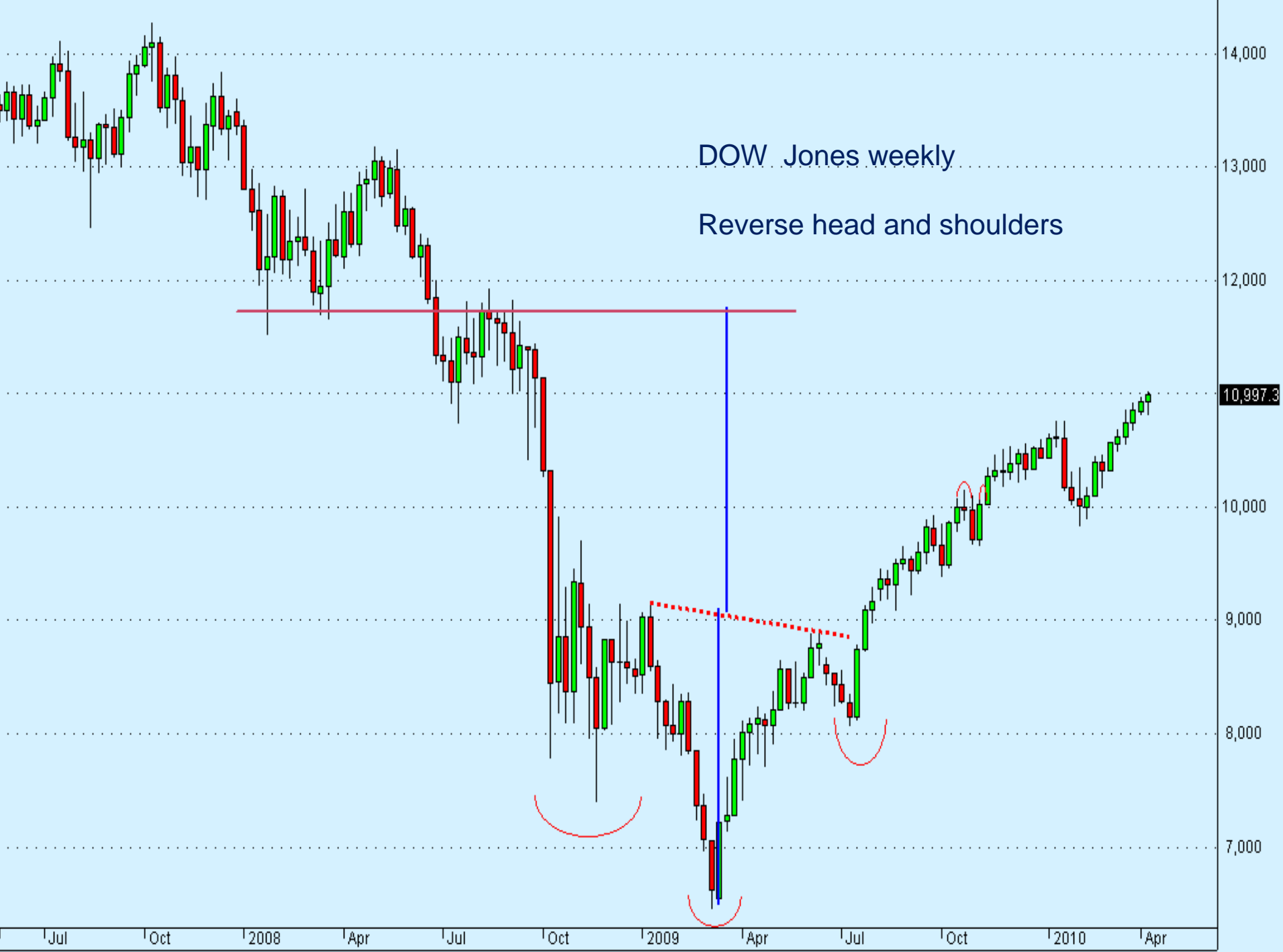


Also note the Inverse of these Patterns

- Double bottoms
- Reverse head and shoulders...

Open 1890, Hi 1940, Lo 1885, Close 1927.5 (2.0%)





Emphasising why patterns are so important.

The market comprises a very large number of investors who react to the economic events at the time. This behaviour of the investors leaves a footprint in the form of a chart pattern.

Investors and traders respond in the same way to market events so chart patterns repeat themselves over and over again. So investors can use market patterns as a guide to the future.

An investor who understands technical analysis, including chart patterns has an insight into investor behaviour. This is a very big advantage...

Indicators

An indicator is derived from a mathematical calculation based on the price and volume of a security.

Indicators allow an investor to analyse the chart of a stock or index and provide an indication of probable future market action or direction...

Use of Indicators

An indicator can be used to measure stock price trends, volatility and momentum.

An indicator can be used to time entry into a stock which has been selected by another method.

An indicator entry signal can also be used to scan the market (aka screening or exploration) as a stock selection method...

Use of Indicators

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 - (ii) Relative strength index (RSI)

4. Volume

3. Indicators

(there are many indicators – I will cover only three)

(a) **trend confirmation indicators**

(i) moving averages (including MMA)

(b) **trend reversal indicators**

(i) Coppock indicator

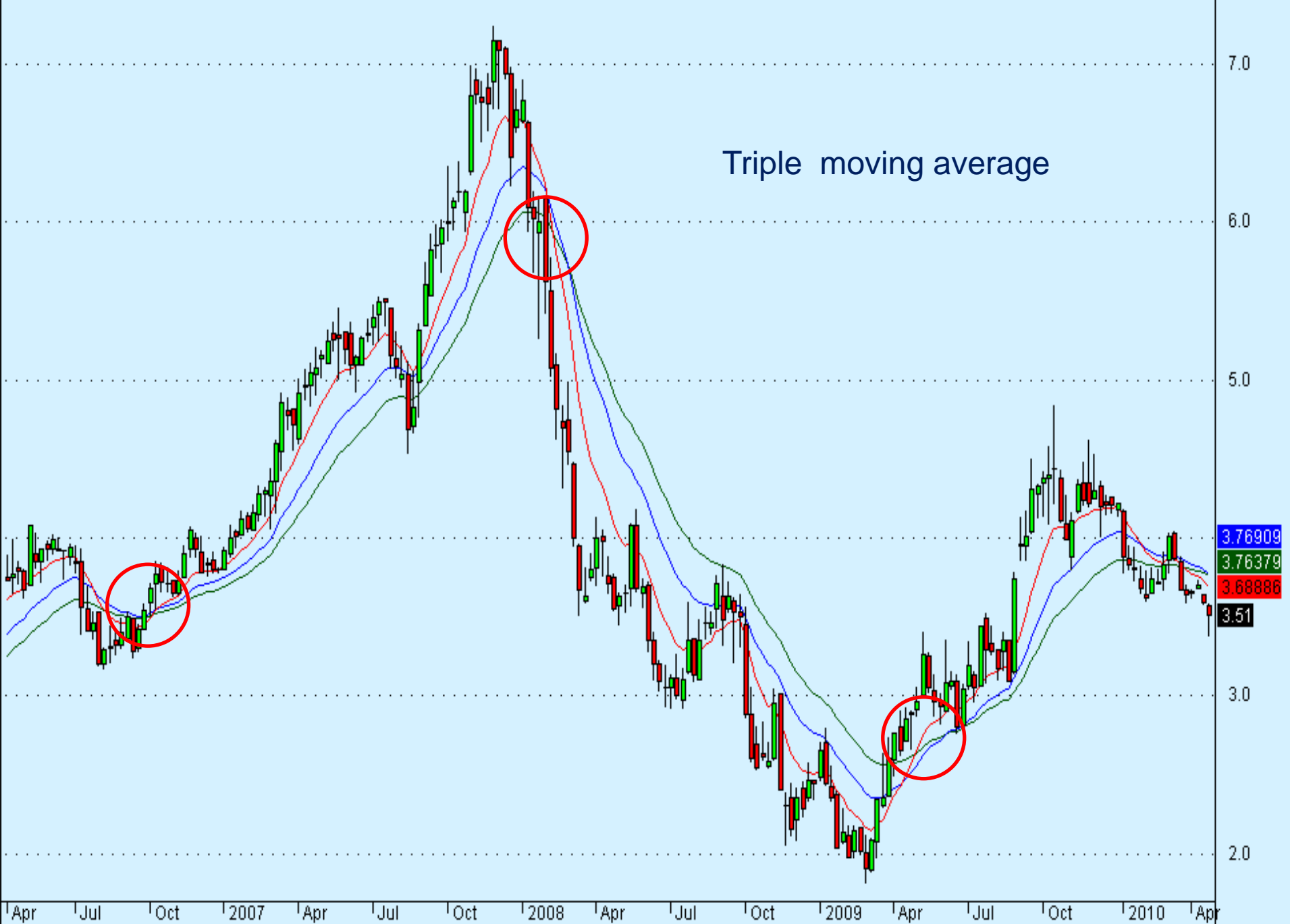
(ii) Relative Strength Index (RSI) - also has other applications...

The use of indicators in Trend Confirmation

These indicators provide some probability that the trend will continue and would be used to enter an existing trend.

3 (a) Moving averages (including MMA) ...





Triple moving average

3.76909
3.76379
3.68886
3.51



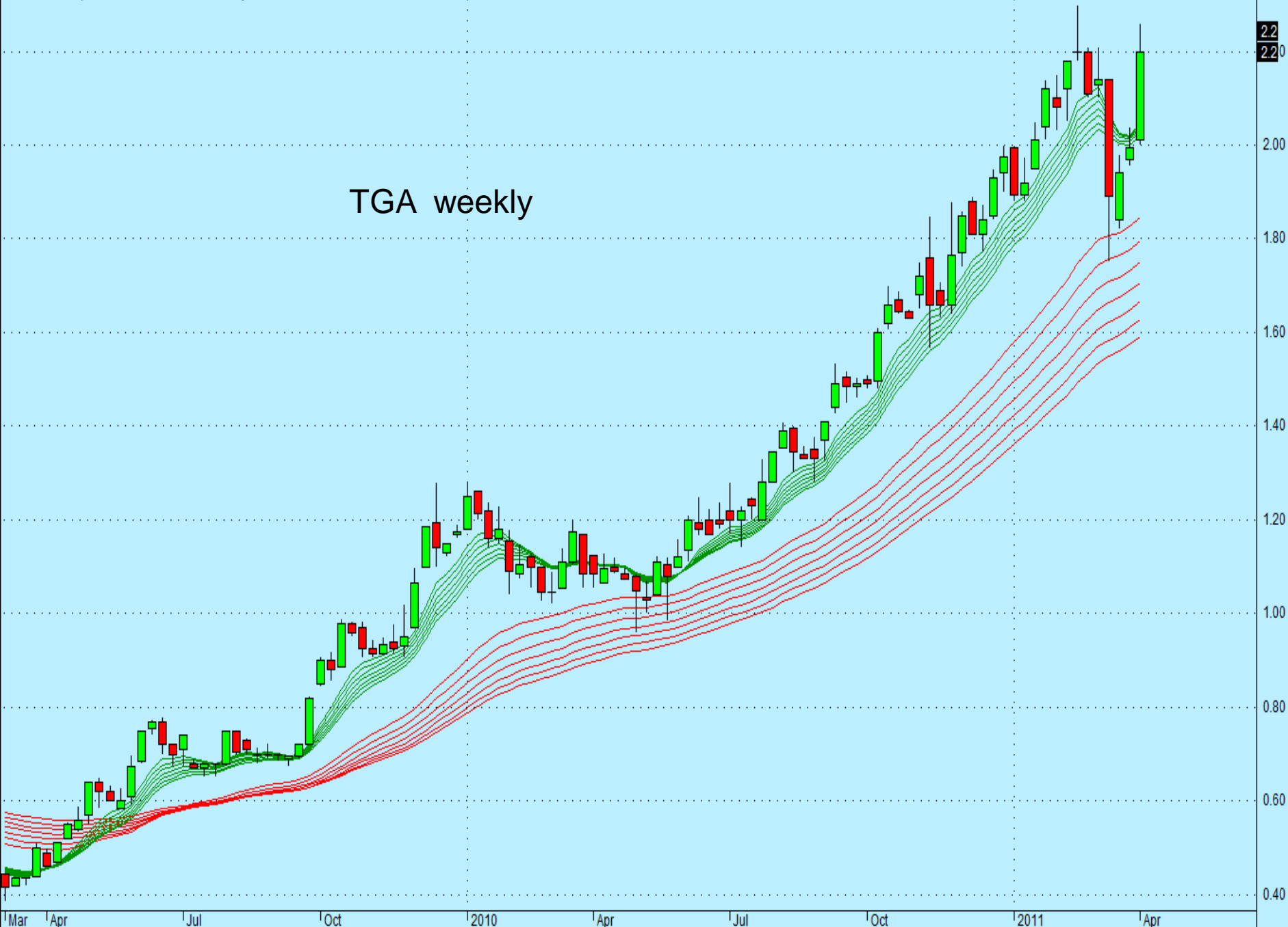
The multiple moving average.

3.51
3.51

LYC weekly



TGA weekly



3 (b) Trend Reversal Indicators

(i) Coppock indicator

(ii) Relative strength index (RSI)...

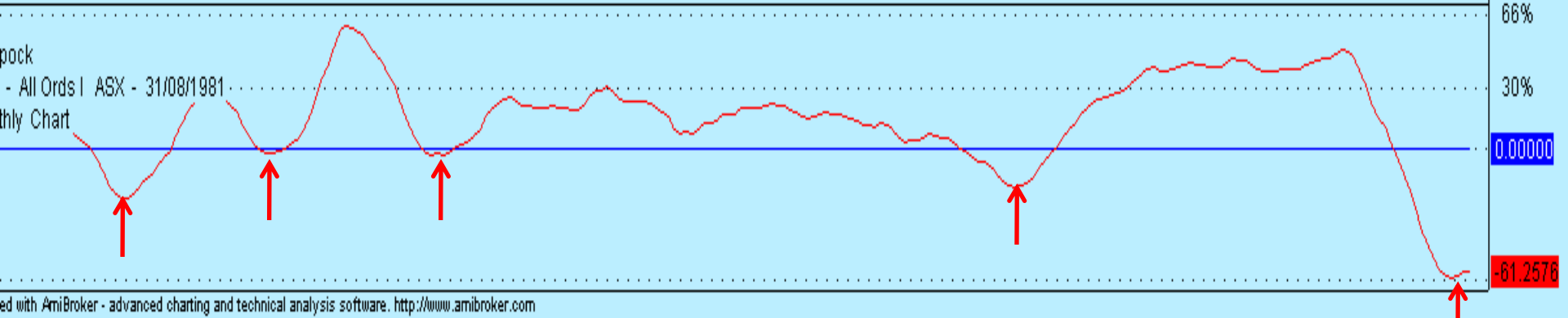
(i) Coppock indicator

The Coppock Indicator was designed to identify the start of the bull market on the Dow Jones Index and works well with any index.

It is used only on monthly charts e.g. the All Ordinaries index ...

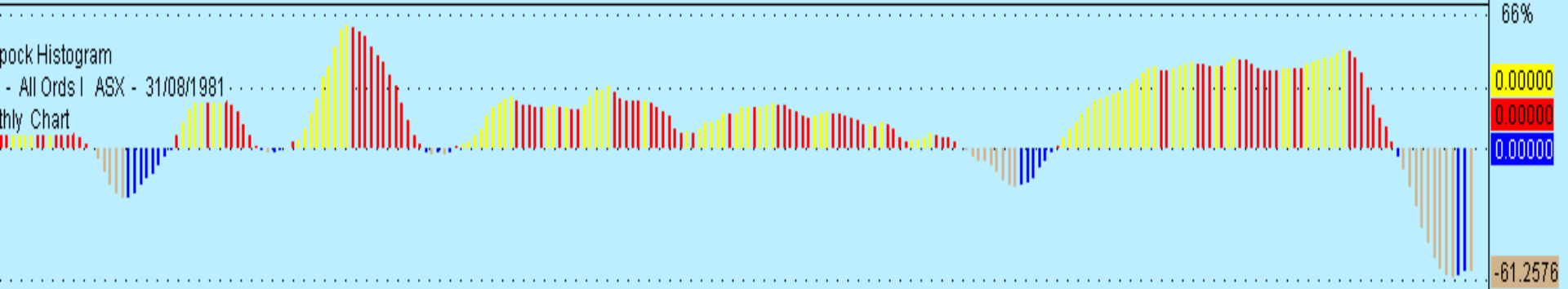
Monthly 31/08/1981 O= 635, H= 657.3, L= 623.5, C=□
2 (-0.7%) V= 0

All Ords monthly



Monthly 31/08/1981 O= 635, H= 657.3, L= 623.5, C=□
2 (-0.7%) V= 0

All Ords monthly



Although Coppock was designed to identify the start of the bull market on the Dow Jones Index.....

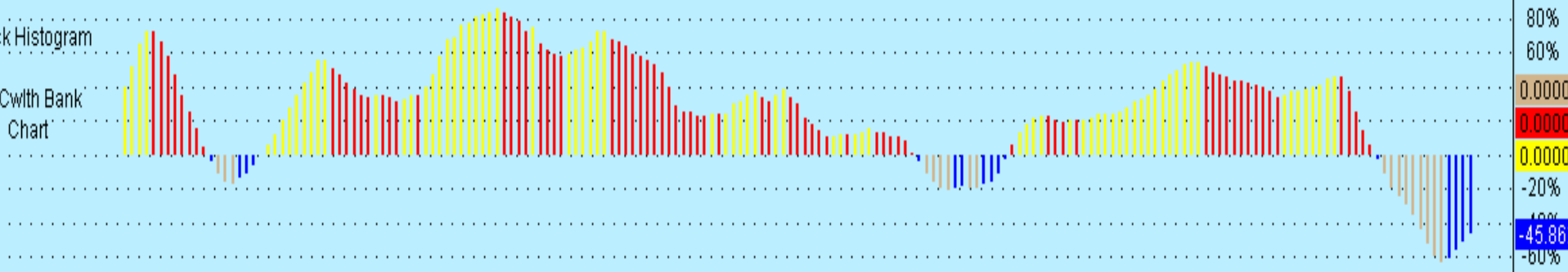
It can be used on stock charts too.

Is useful for any liquid stock e.g. those in the ASX200...

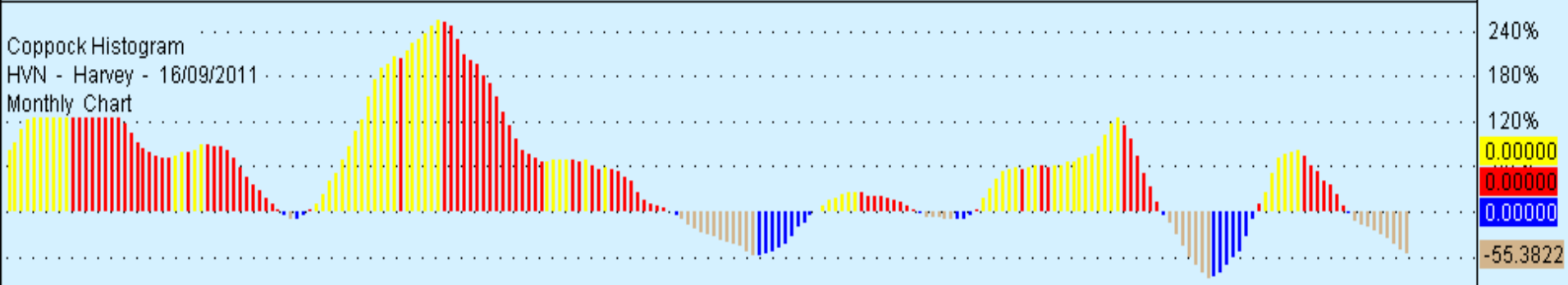
CBA MONTHLY



37.44
37.44



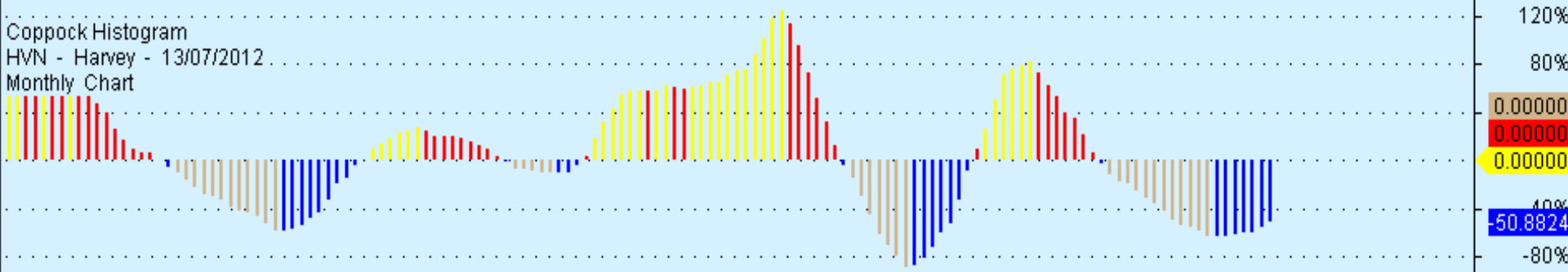
HVN monthly



Coppock Indicator can give false signals.

Avoid false signals by using a filter (30 week ema)...

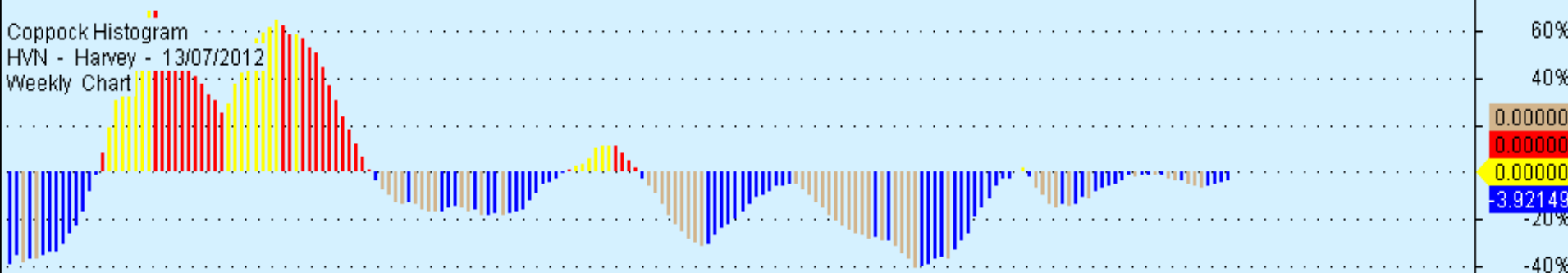
HVN monthly



HVN weekly



1.9873
1.935



0.00000
0.00000
0.00000
-3.92149
-20%
-40%

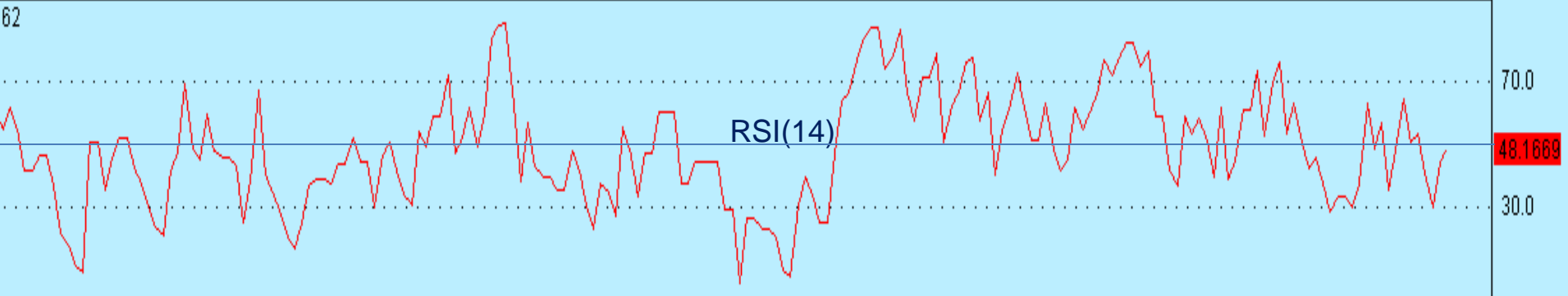
Relative Strength Index (RSI)

This indicator compares the magnitude of recent gains or losses to past gains or losses: (see DVD for the equation).

RSI is a momentum oscillator with a range from 0 to 100

Is a coincident or leading indicator ...

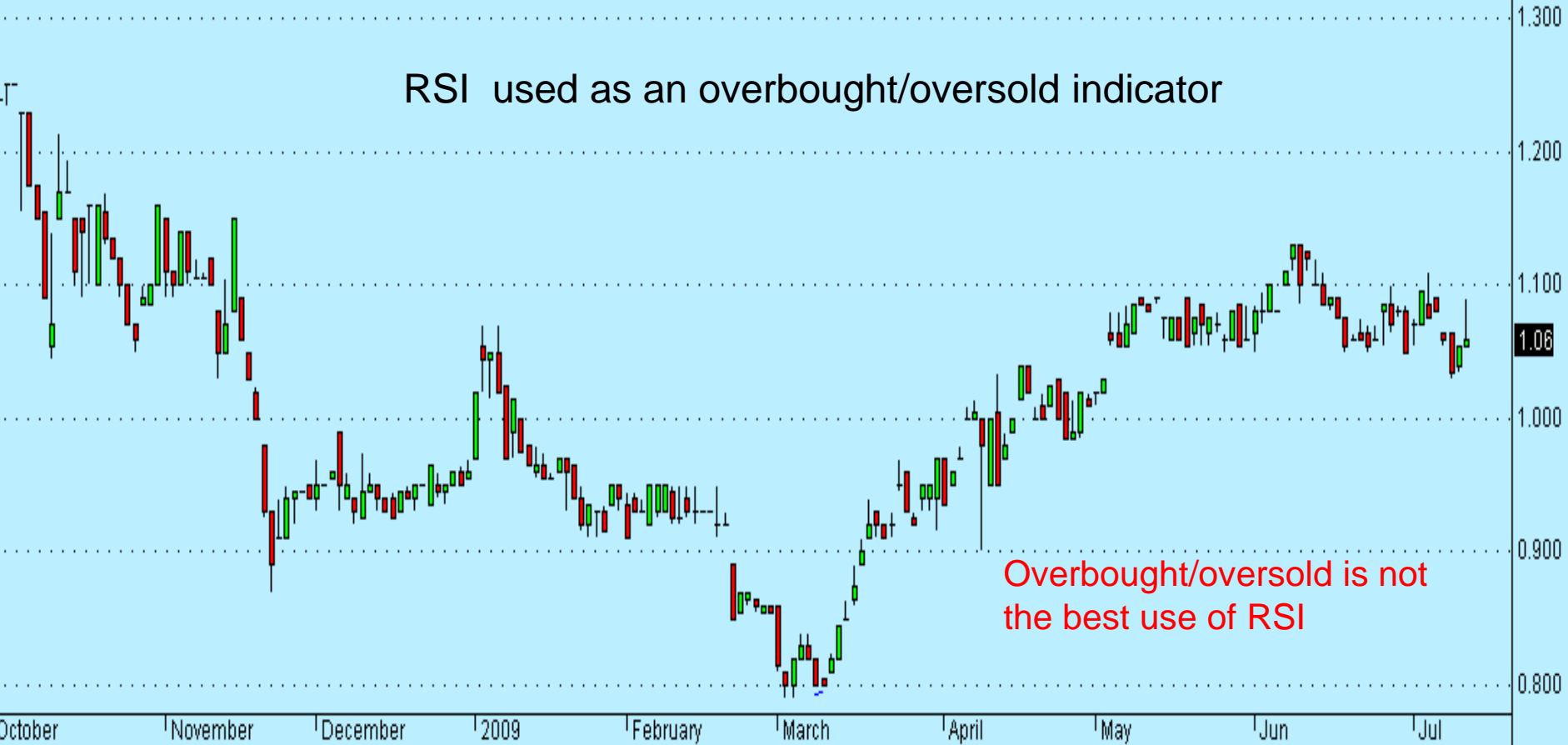
2008 Open 1.27, Hi 1.29, Lo 1.265, Close 1.29 (-1.9%)



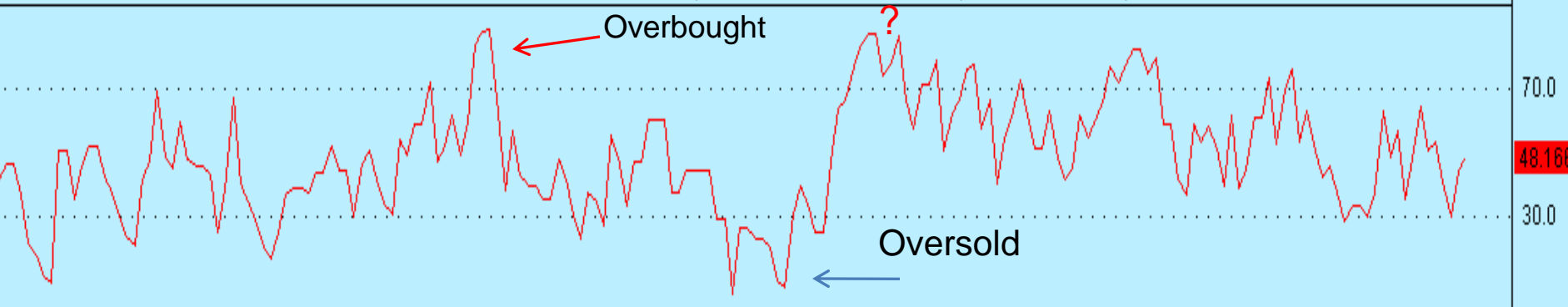
The RSI has many applications

- as an overbought/oversold indicator
- as a market reversal indicator
- as an indicator to enter a trend (centre line crossover) ...

RSI used as an overbought/oversold indicator



Overbought/oversold is not the best use of RSI



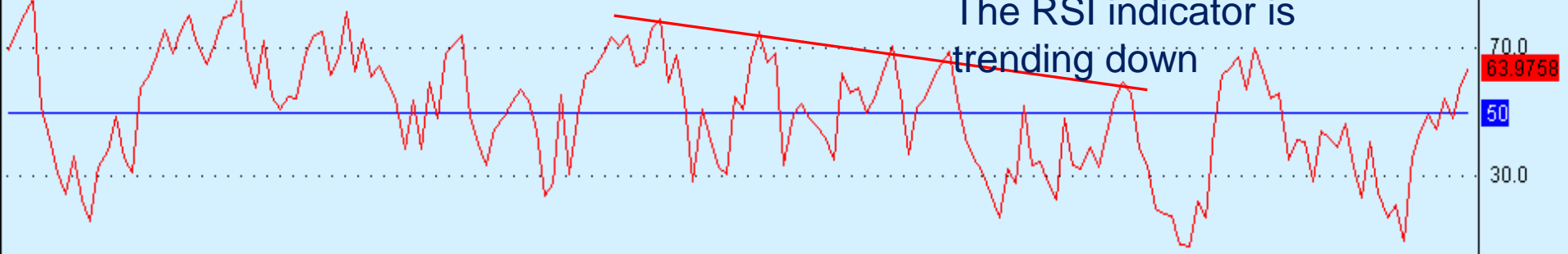
RSI as a Divergence Indicator

(the 2nd application)

- what is divergence?...



SP51Z - RSI(5) = 90.27, 50% Line = 50.00



RSI Divergence signals can be difficult to interpret

When divergence occurs there is a high probability that the trend will reverse.

But the divergence signal doesn't tell the analyst **when** the price trend reversal will occur nor how significant that reversal will be.

The next chart illustrates the problem and the solution...

S&P500 MONTHLY

THE PROBLEM

THE SOLUTION

End of the trend

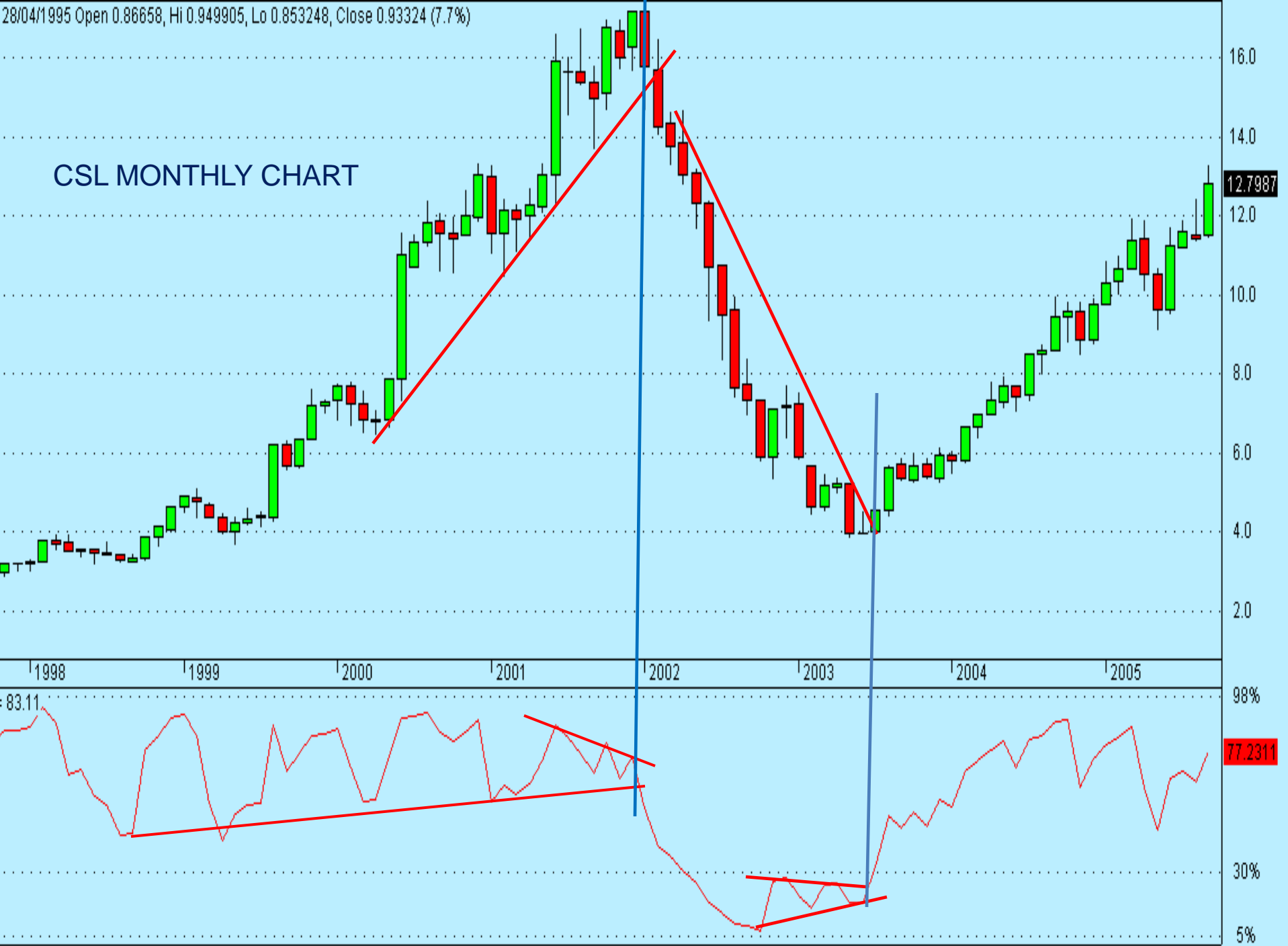


If the RSI is useful to find the end of an existing trend it should be useful in finding the start of a new trend...



28/04/1995 Open 0.86658, Hi 0.949905, Lo 0.853248, Close 0.93324 (7.7%)

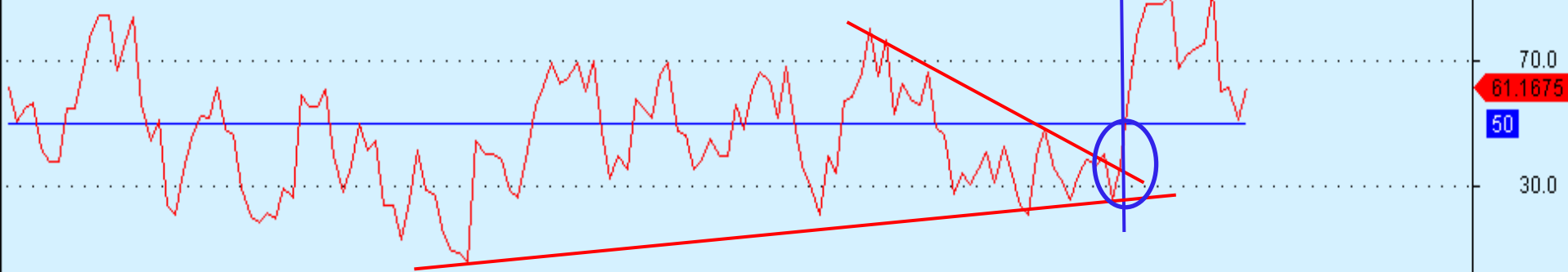
CSL MONTHLY CHART



LYC - Daily 8/02/2012 Open 1.38, Hi 1.47, Lo 1.375, Close 1.455 (5.4%)



LYC - RSI(5) = 61.17, 50% Line = 50.00



Entering a Trend Using the RSI Indicator (the 3rd RSI application)

The RSI can be used as an indicator to show when to enter an existing trend.

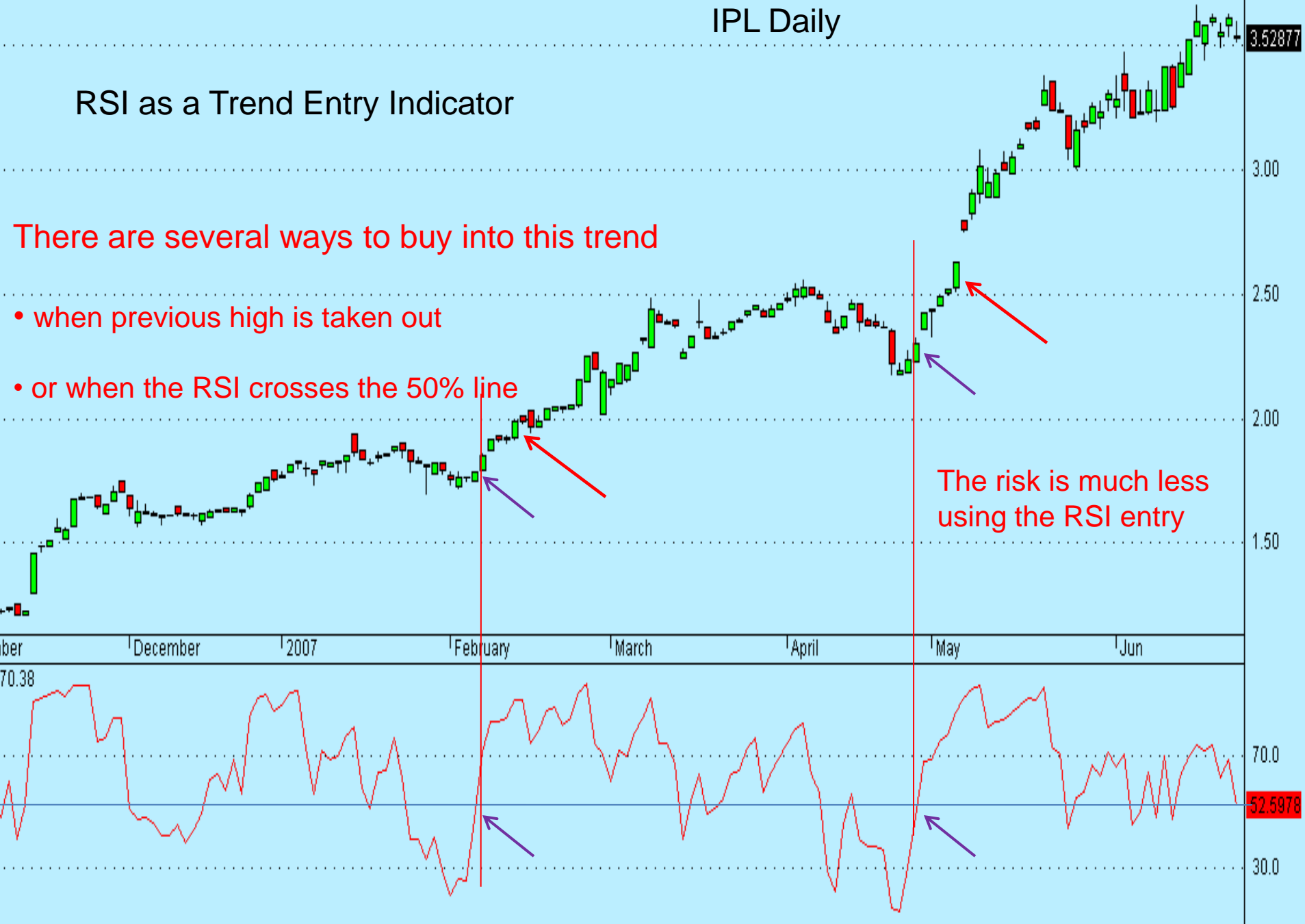
The entry signal is given when the RSI rises through the 50% level...

IPL Daily

RSI as a Trend Entry Indicator

There are several ways to buy into this trend

- when previous high is taken out
- or when the RSI crosses the 50% line



Fundamental analysis is little help in timing the market
and this is where technical analysis is useful.

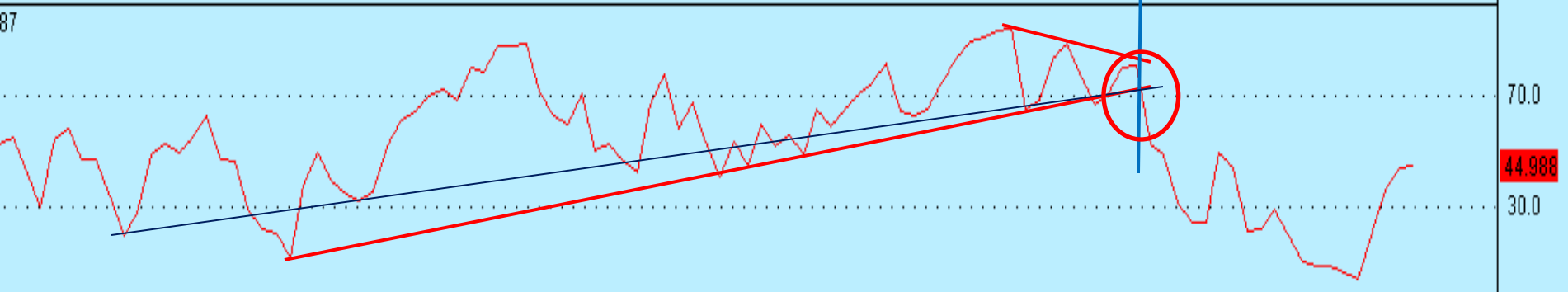
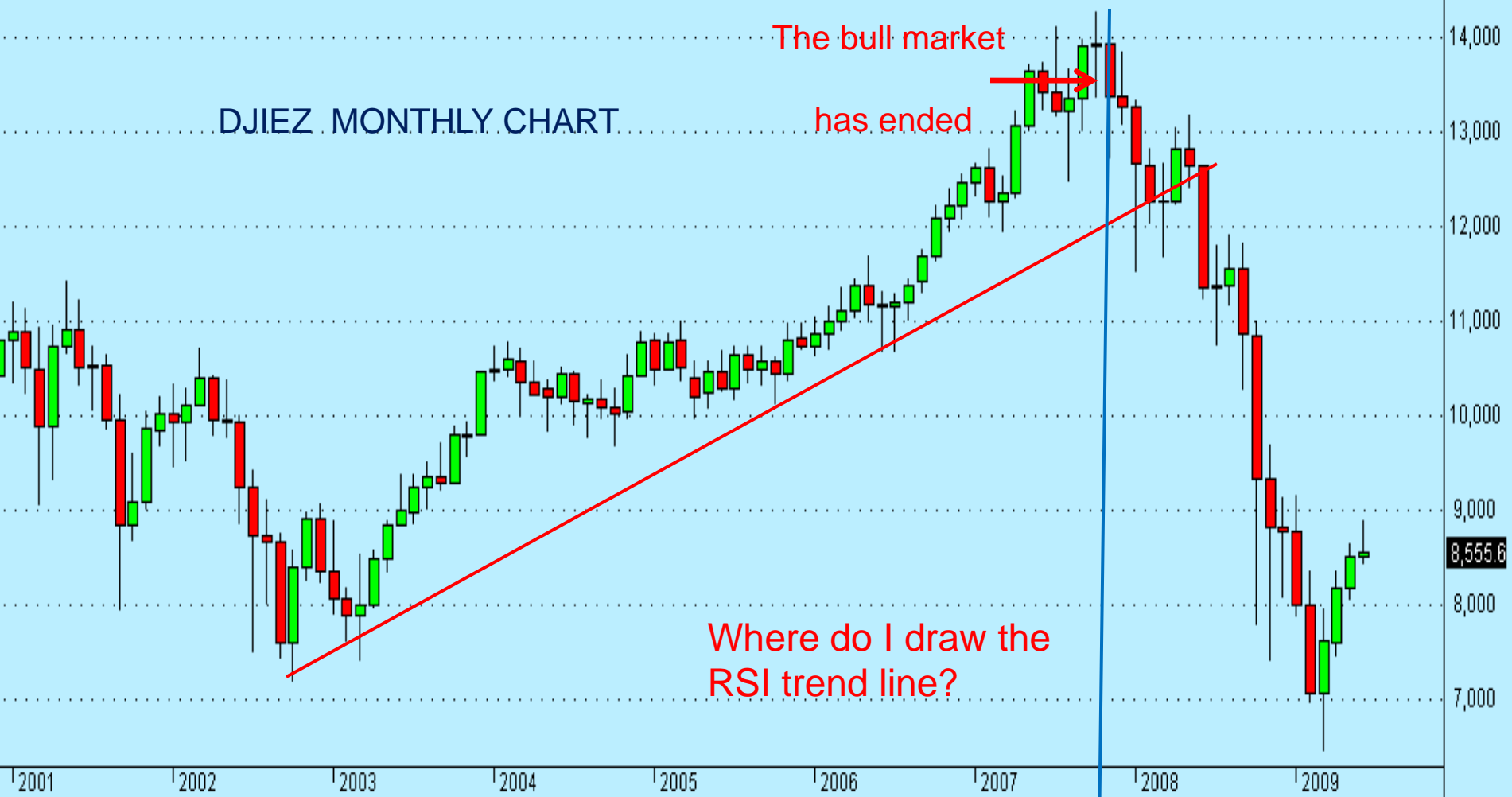
Consider the end of the bull market on the DOW in 2007 ...

DJIEZ MONTHLY CHART

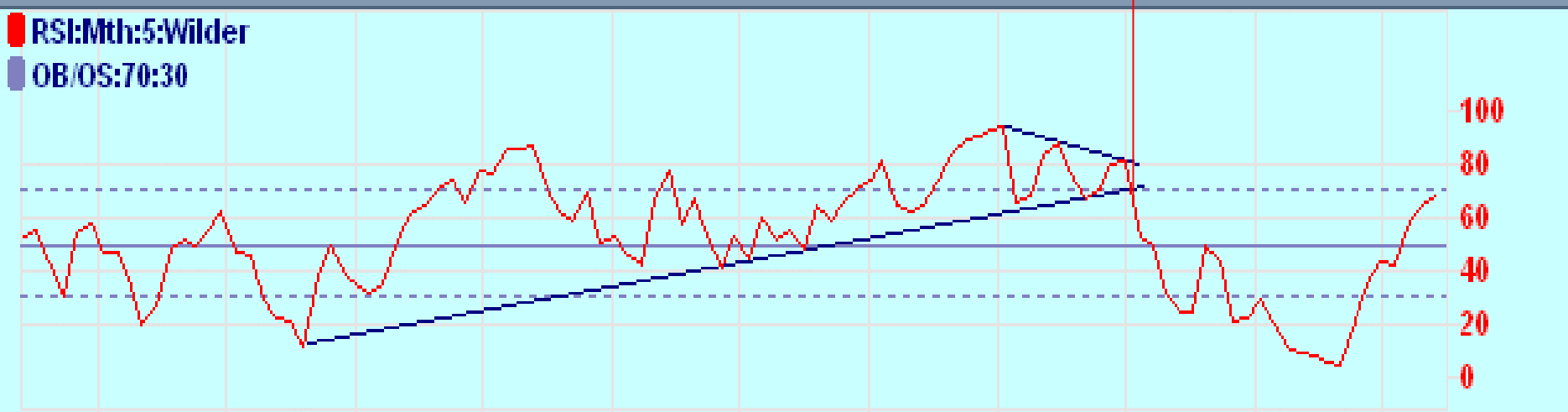
The bull market
has ended



Where do I draw the
RSI trend line?



Can I do this with Incredible Charts?

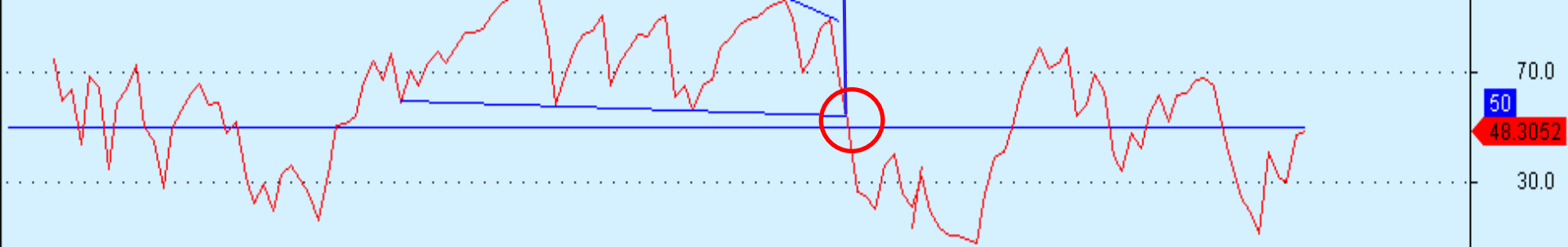


XJO - Monthly 7/02/2012 Open 4259.6, Hi 4312, Lo 4225.7, Close 4274.2 (0.3%)

ASX200 monthly



XJO - RSI(5) = 48.31, 50% Line = 50.00



RSI accurately described the end of the bull market in Australia

It also gave the same signal for the end of the bull market on all of the major world indices in 2007. This was a time to sell!

So technical analysis does have value in planning an investment strategy and **we can time the market.**

Many fund managers claim that you cannot time the market...

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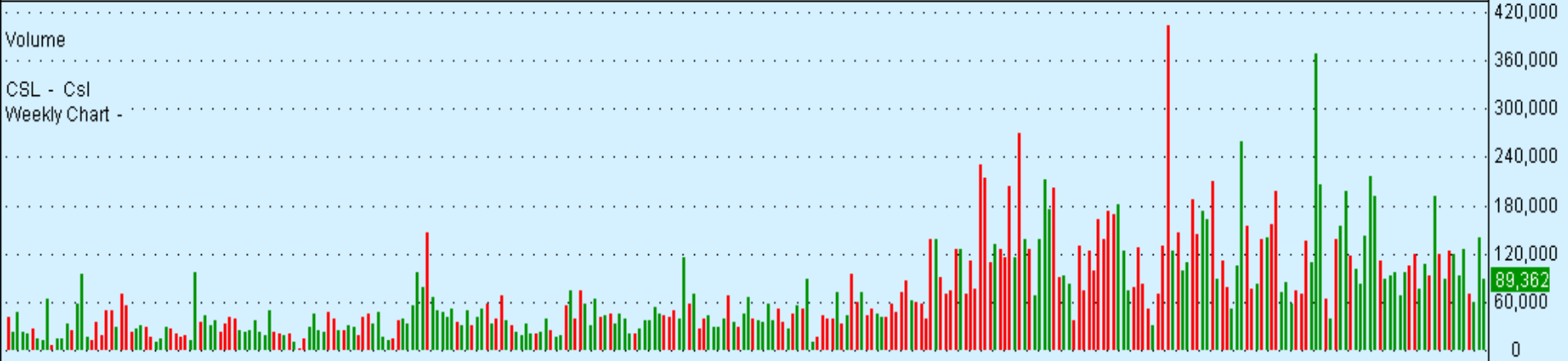
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4. Volume

Volume on the weekly chart of CSL



Volume in Technical Analysis

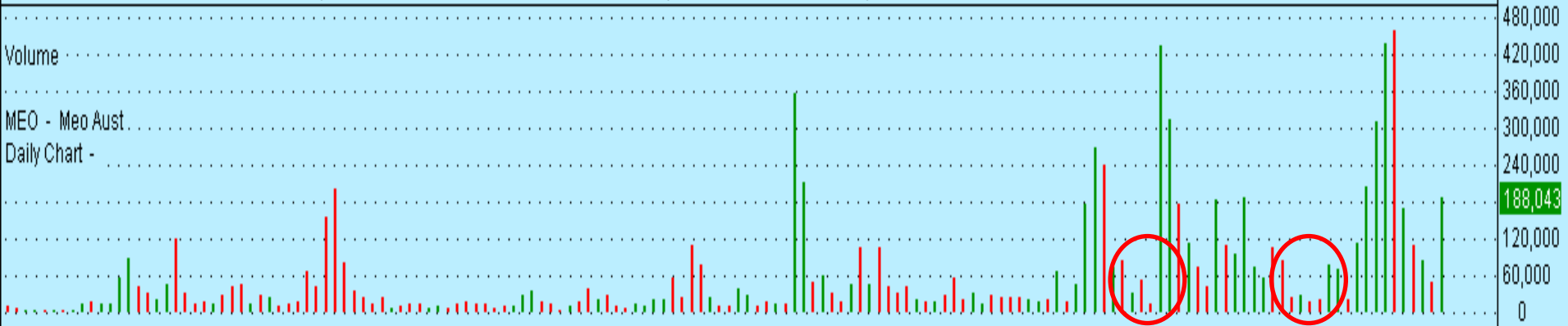
Volume provides important information about the buyers and sellers.

Where there is high demand for a particular stock

- volume increases significantly with buyer activity.
- when buyer activity slows, price doesn't fall very much, while volume falls significantly. (i.e. There are very few sellers)
- this is a good indication that this stock is going to continue to rise in price...

MEO - Daily 31/07/2009 Open 0.42, Hi 0.455, Lo 0.42, Close 0.45 (8.4%)

MEO DAILY



Time Frames in Technical Analysis

The time frame is very important.

- a signal on a daily chart can be useful for short term trades or for an investor wanting to refine an entry
- a signal on a weekly chart is more significant
- a signal on a monthly chart should not be ignored

Always start the analysis with the longer term charts before looking at the shorter term charts...

Summary of Technical Analysis

In technical analysis, charts are used to interpret the pattern of price and volume movement which is a reflection of the market mood and emotion.

The market mood results from perhaps tens of thousands or hundreds of thousands of investors who have different opinions and emotions about the market. This is what moves the price of stocks...

Technical Analysis, the pros and cons

Advantages

- the market is all about emotion and technical analysis is concerned with the forces of supply and demand for the shares
- technical analysis should allow the investor to make an objective assessment about the movement of stock prices without being party to the emotion of the market participants

Disadvantages

- the problem with the use of technical analysis is that investors can become convinced that the chart has a bullish or bearish pattern even when that pattern does not exist. This may create the illusion of a buying or selling opportunity
- some analysts use too many indicators in the belief that more indicators will confirm a market signal

The techniques of technical analysis must be used objectively and with care...

Investment Strategies

Fundamental analysis or Technical analysis?

Both fundamental and technical analysis offer powerful tools to the investor.

Investing is not easy, so why not take advantage of all information and approaches that are available and use both fundamental and technical analysis? ...

Consider two examples of Investment Systems

1. Alan Hull

- a. Hull, A. (2008) Blue Chip Investing Wright Books

2. Colin Nicholson

- b. Nicholson, C. (2009) Building Wealth in the Stock Market, Wiley...

We start with Alan Hull's System

Hull, A. (2008) Blue Chip Investing, Wright books

- with the CNP example we controlled the risk in buying the shares (2%) and then managed the investment to ended up with a very good profit
- the alternative was to buy and hold (hope) and the results were not so good
- we now look at how Hull's investment approach manages risk and manages the investment ...

Hull's investment plan is a useful model because:

- it is a complete investment program with good strategies and good money management (risk management).
- all aspects of the management of each trade are specified
- it is profitable and has averaged 21% p.a. above the ASX200 over a 5yr period
- **it is simple** and takes only 1 hour per week to manage
- look at the elements of this plan (and other plans) which make them so successful.
See if any of these are these worth incorporating into your investment plan...

Hull's Investment Plan

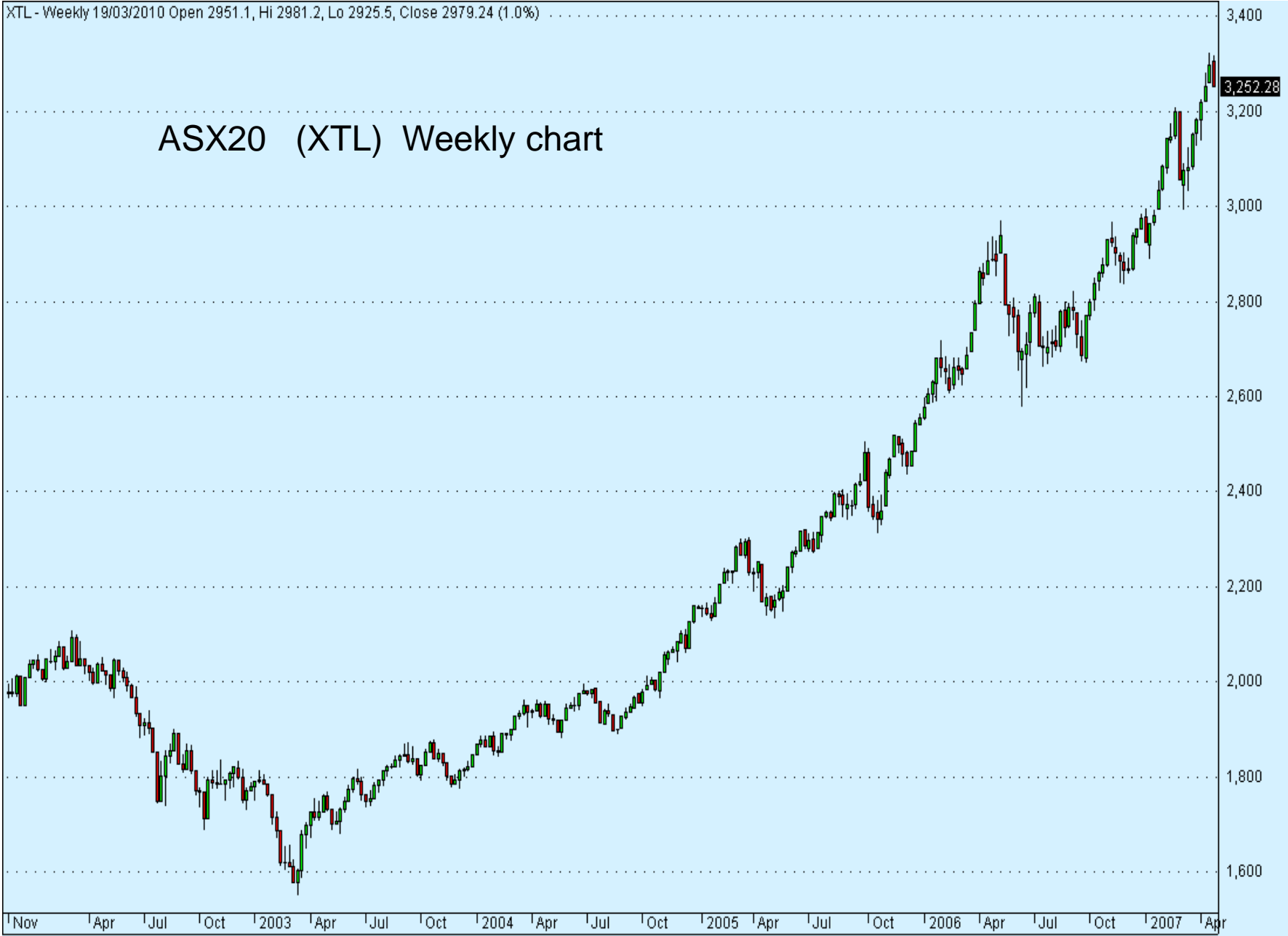
(actually my interpretation)

- trades only Australian shares in the ASX200:
 - selects the fastest trending stocks in the index
 - “must be fundamentally sound” and have an annual rate of return >25%
- uses these criteria to generate a list of the 40 best performing stocks
- available funds are invested equally in the top 10 stocks from this list
 - these must be liquid and select no more than 4 stocks in any one sector
- strict money management - max loss of 2% in any one stock
- stop loss : sell if:
 - rate of annual return falls below 25%
 - price falls 20% from max price
 - the price falls below the 52 week moving average
 - stock is no longer listed in his top 40 stocks
- profit take if :
 - any one stock increases in value to be >15% of portfolio value
- manage on a weekly basis from Friday's data – place order on Monday...

Hull's Stock Selection Philosophy is so Simple...

XTL - Weekly 19/03/2010 Open 2951.1, Hi 2981.2, Lo 2925.5, Close 2979.24 (1.0%)

ASX20 (XTL) Weekly chart



XTL - Weekly 19/03/2010 Open 2951.1, Hi 2981.2, Lo 2925.5, Close 2979.24 (1.0%)

ASX20 (XTL) Weekly chart

It should be easy to out-perform the index if we buy only those 10 stocks which are the top performers.



The first part in Hull's approach is Stock Selection

- a simple moving average (sma) is fitted to the chart to sit under the price
- this is used to measure the rate of annual return (ROAR).
- this is explained in the next slide...

CSL WEEKLY CHART

Price at year end = \$9.20
Price at start of year = \$5.40
Price increase = \$3.80

$$\frac{\$3.80}{\$5.40} * 100 = 70.3\%$$

70% Increase in 12 months

or

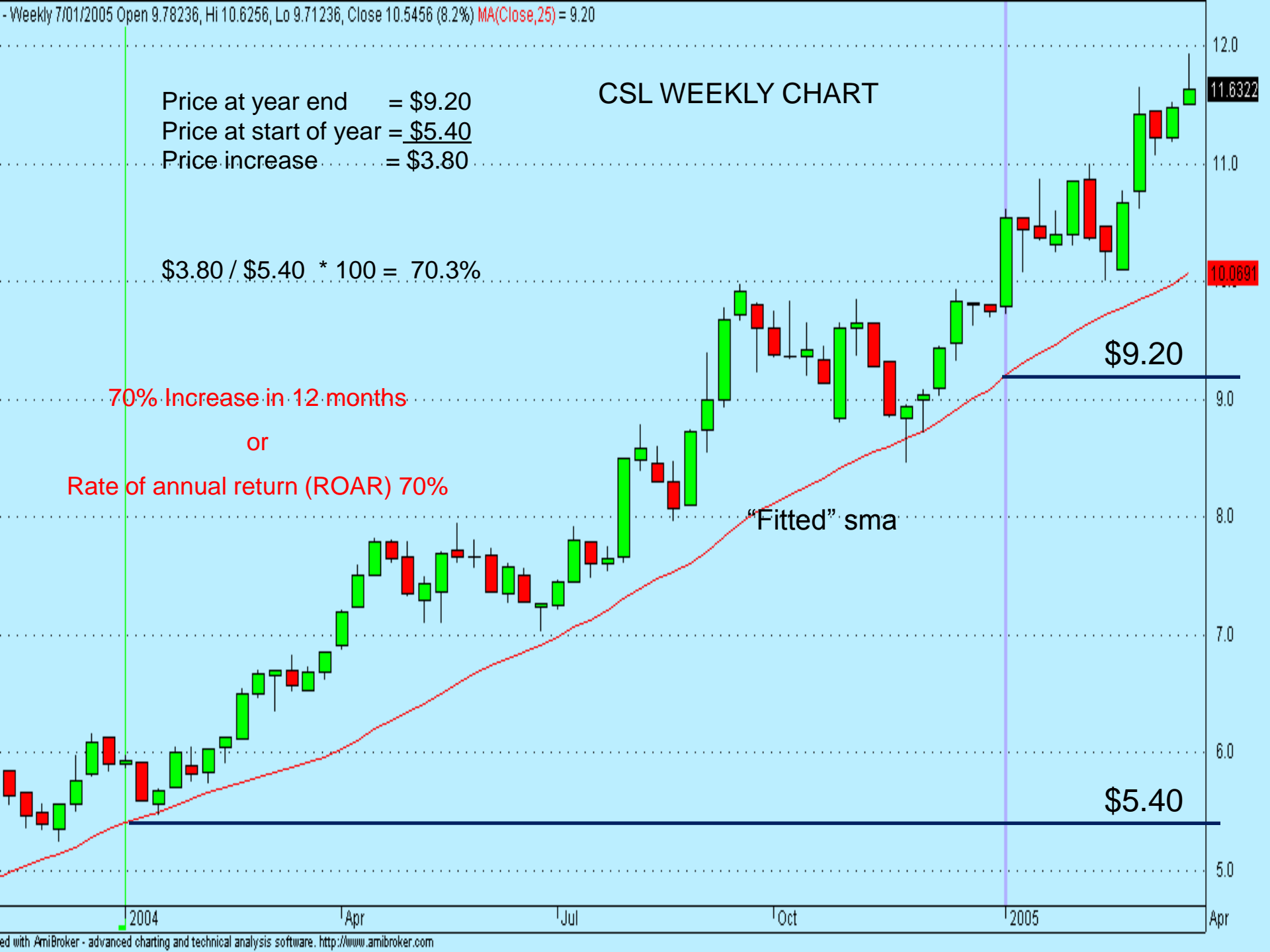
Rate of annual return (ROAR) 70%

"Fitted" sma

\$9.20

\$5.40

12.0
11.0
10.0691



The Next Step

- in the CSL example the rate of annual return (ROAR) has been calculated manually. In practice software is used to calculate the rate of annual return of all stocks in the ASX200
- a market scan then finds those stocks in the ASX200 with a ROAR $>25\%$
- a list of the top 40 stocks is printed out
 - Hull does this whole procedure on his proprietary software
 - we will see later how we can get a similar result using Incredible Charts.
- Hull's list of stocks for January 18, 2008 is reproduced in the next slide...

ASX200 Search Results RBA Cash Rate Target = 6.75%

Code	Company Name	Price(\$)	ROAR(%)	Cashflow(\$)	Industry Group
CSM	Consolidated Mins	5.00	87.80	2733197	Materials
IPL	Incitec Pivot	113.00	84.29	6884523	Materials
LEI	Leighton Holdings	49.20	74.63	12844658	Capital Goods
WOR	Worleyparsons	41.00	70.17	7286172	Energy
FLT	Flight Centre	29.00	54.11	2050950	Consumer Serv
CSL	CSL	34.11	48.50	13474649	Pharm Biotech.
HVN	Harvey Norman	6.02	44.46	5153597	Retailing
AQP	Aquarius Platinum	12.65	40.68	742541	Materials
SDG	Sunland Group	3.65	38.18	625653	Real Estate
ASX	Aust Stock Exch	47.03	35.93	9301623	Div Financial
OST	Onesteel	6.26	35.02	6250768	Materials
TSE	Transfield Servs	12.29	34.16	1632604	Comm.Services
WOW	Woolworths	30.75	33.73	23455392	Food & Staples
DJS	David Jones	4.87	33.44	2243817	Retailing
ABC	Adelaide Brighton	3.37	29.09	889177	Materials
RIO	Rio Tinto	124.00	27.73	80278376	Materials
CCL	Coca-Cola Amatil	9.30	27.44	7718430	Food Beverage
SBC	Southern Cross	17.41	26.35	89207	Media
SEV	Seven Network	12.10	26.23	2158676	Media
CRG	Crane Group	16.49	26.21	797306	Capital Goods
AIX	Aust.Infrastruct	2.87	25.79	664646	Transportation

Some Comments on this List of 21 Stocks

Note that this list had 21 stocks not 40 stocks - why?

We buy the top 10 stocks in this list but:

- the stock must be liquid – liquidity is Hull's cash flow column
- cash flow is 5% of the dollar value of share turnover for the week
 - e.g. if 1,000,000 shares of BKN sold this week at average of \$8
= dollar value of \$8,000,000
 - 5% of this is \$400,000 (Hull's Cash flow column is 5% of the weekly t/o)
 - our purchase of BKN cannot exceed \$400,000

Must not include more than four stocks from any one sector ...

ASX200 Search Results RBA Cash Rate Target = 6.75%

Code	Company Name	Price(\$)	ROAR(%)	Cashflow(\$)	Industry Group
CSM	Consolidated Mins	5.00	87.80	2733197	Materials
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HVN	Harvey Norman	6.02	44.46	5153597	Retailing
AQP	Aquarius Platinum	12.65	40.68	742541	Materials
SDG	Sunland Group	3.65	38.18	625653	Real Estate
ASX	Aust Stock Exch	47.03	35.93	9301623	Div Financial
OST	Onesteel	6.26	35.02	6250768	Materials
TSE	Transfield Servs	12.29	34.16	1632604	Comm.Services
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DJS	David Jones	4.87	33.44	2243817	Retailing
ABC	Adelaide Brighton	3.37	29.09	889177	Materials
RIO	Rio Tinto	124.00	27.73	80278376	Materials
CCL	Coca-Cola Amatil	9.30	27.44	7718430	Food Beverage
SBC	Southern Cross	17.41	26.35	89207	Media
SEV	Seven Network	12.10	26.23	2158676	Media
CRG	Crane Group	16.49	26.21	797306	Capital Goods
AIX	Aust.Infrastruct	2.87	25.79	664646	Transportation

Buying the Stocks

Assume that available capital is \$100,000

Investment of \$10,000 will be made in each of the 10 top stocks in this list...

Investment Records

Good investments records are essential.

Use a book or spread sheet.

Here we enter the data into an Excel spreadsheet...

HULL PORTFOLIO STARTED

INITIAL FUNDS	
AVAILABLE CASH	
VALUE OF P'FOLIO	
PROFIT	

CAPITAL	
SHARE VALUE	
SHARES TO BUY	

P/F AT START ON 20 JAN 2008

ASX CODE	NUMBER BOUGHT	PRICE PAID	VALUE AT START	% OF TOTAL
TOTALS			0	

VALUES ON WEEK ENDING

CURRENT PRICE	CURRENT VALUE	% OF TOTAL	PROFIT
TOTALS		0	0

INSERT DATA ONLY IN PINK CELLS

ASX200 Search Results RBA Cash Rate Target = 6.75%

Code	Company Name	Price(\$)	ROAR(%)	Cashflow(\$)	Industry Group
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CRG	Crane Group	16.49	26.21	797306	Capital Goods
AIX	Aust.Infrastruct	2.87	25.79	664646	Transportation

HULL PORTFOLIO STARTED

20-Jan-08

INITIAL FUNDS	100000
AVAILABLE CASH	101
VALUE OF P'FOLIC	
PROFIT	

CAPITAL	100000
SHARE VALUE	5.00
SHARES TO BUY	2000

P/F AT START ON 20 JAN 2008

ASX CODE	NUMBER BOUGHT	PRICE PAID	VALUE AT START	% OF TOTAL
CSM	2000	5.00	10000	10.00
IPL	88	113.00	9944	9.94
LEI	203	49.20	9988	9.99
WOR	244	41.00	10004	10.00
FLT	345	29.00	10005	10.01
CSL	293	34.11	9994	9.99
HVN	1661	6.02	9999	10.00
AQP	790	12.65	9994	9.99
SDG	2740	3.65	10001	10.00
ASX	212	47.03	9970	9.97
TOTALS			99899	

VALUES ON WEEK ENDING JAN 20 2008

CURRENT PRICE	CURRENT VALUE	% OF TOTAL	PROFIT
	0		0

INSERT DATA ONLY IN PINK CELLS

HULL PORTFOLIO STARTED

20-Jan-08

INITIAL FUNDS	100000
AVAILABLE CASH	101
VALUE OF P'FOLIO	100000
PROFIT	

CAPITAL	
SHARE VALUE	
SHARES TO BUY	

P/F AT START ON 20 JAN 2008

VALUES ON WEEK ENDING JAN 20 2008

ASX CODE	NUMBER BOUGHT	PRICE PAID	VALUE AT START	% OF TOTAL
CSM	2000	5.00	10000	10.00
IPL	88	113.00	9944	9.94
LEI	203	49.20	9988	9.99
WOR	244	41.00	10004	10.00
FLT	345	29.00	10005	10.01
CSL	293	34.11	9994	9.99
HVN	1661	6.02	9999	10.00
AQP	790	12.65	9994	9.99
SDG	2740	3.65	10001	10.00
ASX	212	47.03	9970	9.97
TOTALS			99899	

CURRENT PRICE	CURRENT VALUE	% OF TOTAL	PROFIT
5.00	10000	10.0	0
113.00	9944	10.0	0
49.20	9988	10.0	0
41.00	10004	10.0	0
29.00	10005	10.0	0
34.11	9994	10.0	0
6.02	9999	10.0	0
12.65	9994	10.0	0
3.65	10001	10.0	0
47.03	9970	10.0	0
TOTALS			0

INSERT DATA ONLY IN PINK CELLS

Portfolio Update

- Update the portfolio weekly on Friday's close...

In one months time on 25 February 2008 the spreadsheet is updated by inserting the current closing prices at the end of the week into the price column.

(in practice the spreadsheet is updated every week) ...

HULL PORTFOLIO STARTED

20-Jan-08

INITIAL FUNDS	100000
AVAILABLE CASH	101
VALUE OF P'FOLIO	104194
PROFIT	4194

CAPITAL	
SHARE VALUE	
SHARES TO BUY	

P/F AT START ON 20 JAN 2008

ASX CODE	NUMBER BOUGHT	PRICE PAID	VALUE AT START	% OF TOTAL
CSM	2000	5.00	10000	10.00
IPL	88	113.00	9944	9.94
LEI	203	49.20	9988	9.99
WOR	244	41.00	10004	10.00
FLT	345	29.00	10005	10.01
CSL	293	34.11	9994	9.99
HVN	1661	6.02	9999	10.00
AQP	790	12.65	9994	9.99
SDG	2740	3.65	10001	10.00
ASX	212	47.03	9970	9.97
TOTALS			99899	

VALUES ON WEEK ENDING

Feb-28

CURRENT PRICE	CURRENT VALUE	% OF TOTAL	PROFIT
5.11	10220	9.8	220
105.30	9266	8.9	-678
53.20	10800	10.4	812
36.98	9023	8.7	-981
29.11	10043	9.6	38
35.00	10255	9.9	261
8.95	14866	14.3	4867
14.22	11234	10.8	1240
2.98	8165	7.8	-1836
48.21	10221	9.8	250
TOTALS		104093	4194

INSERT DATA ONLY IN PINK CELLS

We continue to updated the spreadsheet at the end of every week.

We now look at the spreadsheet about two months later on 5 May 2008 and see how the investment has progressed...

HULL PORTFOLIO STARTED

20-Jan-08

INITIAL FUNDS	100000
AVAILABLE CASH	101
VALUE OF P'FOLIO	112277
PROFIT	12277

CAPITAL	
SHARE VALUE	
SHARES TO BUY	

P/F AT START ON 20 JAN 2008

ASX CODE	NUMBER BOUGHT	PRICE PAID	VALUE AT START	% OF TOTAL
CSM	2000	5.00	10000	10.00
IPL	88	113.00	9944	9.94
LEI	203	49.20	9988	9.99
WOR	244	41.00	10004	10.00
FLT	345	29.00	10005	10.01
CSL	293	34.11	9994	9.99
HVN	1661	6.02	9999	10.00
AQP	790	12.65	9994	9.99
SDG	2740	3.65	10001	10.00
ASX	212	47.03	9970	9.97
TOTALS			99899	

VALUES ON WEEK ENDING 5th May

CURRENT PRICE	CURRENT VALUE	% OF TOTAL	PROFIT
5.58	11160	9.9	1160
104.75	9218	8.2	-726
53.20	10800	9.6	812
31.20	7613	6.8	-2391
32.90	11351	10.1	1346
36.10	10577	9.4	583
10.26	17042	15.2	7043
14.22	11234	10.0	1240
4.67	12796	11.4	2795
48.99	10386	9.3	416
TOTALS		112176	12277

INSERT DATA ONLY IN PINK CELLS

Remember the Portfolio Management Rules

Sell if:

- rate of annual return falls below 25%
- ★• price falls 20% from max price
- the price falls below the 52 week moving average

Take profit if:

- ★• any one stock increases in value to be >15% of portfolio
 - reduce holding to 10%...

Remember the Portfolio Management Rules

Sell if:

- rate of annual return falls below 25%
- price falls 20% from max price
- the price falls below the 52 week moving average

Take profit if:

- any one stock increases in value to be >15% of portfolio
 - reduce holding to 10%

consider again the portfolio at May 5th ...

HULL PORTFOLIO STARTED

20-Jan-08

INITIAL FUNDS	100000
AVAILABLE CASH	101
VALUE OF P'FOLIO	112277
PROFIT	12277

CAPITAL	
SHARE VALUE	
SHARES TO BUY	

P/F AT START ON 20 JAN 2008

ASX CODE	NUMBER BOUGHT	PRICE PAID	VALUE AT START	% OF TOTAL
CSM	2000	5.00	10000	10.00
IPL	88	113.00	9944	9.94
LEI	203	49.20	9988	9.99
WOR	244	41.00	10004	10.00
FLT	345	29.00	10005	10.01
CSL	293	34.11	9994	9.99
HVN	1661	6.02	9999	10.00
AQP	790	12.65	9994	9.99
SDG	2740	3.65	10001	10.00
ASX	212	47.03	9970	9.97
TOTALS			99899	

VALUES ON WEEK ENDING 5th May

CURRENT PRICE	CURRENT VALUE	% OF TOTAL	PROFIT
5.58	11160	9.9	1160
104.75	9218	8.2	-726
53.20	10800	9.6	812
31.20	7613	6.8	-2391
32.90	11351	10.1	1346
36.10	10577	9.4	583
10.26	17042	15.2	7043
14.22	11234	10.0	1240
4.67	12796	11.4	2795
48.99	10386	9.3	416
TOTALS		112176	12277

INSERT DATA ONLY IN PINK CELLS

Management Action Needed

- must sell WOR as it now is showing a 20% loss
 - this adds \$7,613 to our available cash
- must take profit on HVN - reduce HVN holding to 10%
 - assume that 10% of portfolio value is about \$11,200
 - we retain 1091 shares each valued at \$10.26 for a total of \$11,193 (10%)
 - this means selling 570 shares in HVN at 10.26 for \$5,848
 - this \$5,842 is also added to our cash
- there is now a total of \$13,461 to add to our available cash
- cash now totals \$13,562 (includes the \$101 previously available cash)

our portfolio now looks like this...

HULL PORTFOLIO STARTED

20-Jan-08

INITIAL FUNDS	100000
AVAILABLE CASH	13562
VALUE OF P'FOLIO	112277
PROFIT	12277

CAPITAL	
SHARE VALUE	
SHARES TO BUY	

P/F AT START ON 20 JAN 2008

ASX CODE	NUMBER BOUGHT	PRICE PAID	VALUE AT START	% OF TOTAL
CSM	2000	5.00	10000	10.00
IPL	88	113.00	9944	9.94
LEI	203	49.20	9988	9.99
FLT	345	29.00	10005	10.01
CSL	293	34.11	9994	9.99
HVN	1091	10.26	11194	11.19
AQP	790	12.65	9994	9.99
SDG	2740	3.65	10001	10.00
ASX	212	47.03	9970	9.97
TOTALS			91089	

VALUES ON WEEK ENDING 5th May

CURRENT PRICE	CURRENT VALUE	% OF TOTAL	PROFIT
5.58	11160	9.9	1160
104.75	9218	8.2	-726
53.20	10800	9.6	812
32.90	11351	10.1	1346
36.10	10577	9.4	583
10.26	11194	10.0	0
14.22	11234	10.0	1240
4.67	12796	11.4	2795
48.99	10386	9.3	416
TOTALS		98715	7625

INSERT DATA ONLY IN PINK CELLS

There is a need to replace WOR

Portfolio value is now \$112,277 so the purchase of the replacement stock needs to be 10% of capital (i.e. about \$11,200)

The stock to be purchased is the highest ROAR valued stock on the **current** list on 5 May...

5 May 2008

ASX200 Search Results RBA Cash Rate Target = 6.50%

Code	Company Name	Price(\$)	ROAR(%)	Cashflow(\$)	Industry Group
IPL	Incitec Pivot	104.75	93.29	4879173	Materials
LEI	Leighton Holdings	53.20	87.30	8375197	Cap Goods
AQP	Aquarius Platinum	14.22	63.40	858569	Materials
CSL	CSL	36.10	61.00	15967153	Pharm &Biotech.
SDG	Sunland Group	4.67	57.68	779833	Real Estate
FLT	Flight Centre	32.90	56.46	1538725	Consumer Services
CSM	Consolidated Mins	5.58	49.62	265555	Materials
HVN	Harvey Norman	10.26	47.72	4663817	Retail Holdings
★ OST	One Steel	6.26	46.73	7945330	Materials
ASX	Aust. Stock Exchange	48.99	45.93	9501905	Divers Financials
SEK	Seek	8.72	44.47	1814592	Comm Services
WOR	Worley parsons	31.20	44.41	5805346	Energy
TOL	Toll Holdings	13.70	43.71	9259917	Transportation
DJS	David Jones	5.01	43.43	210142	Retailing
WAN	West Aust. Newspapers	14.91	43.96	1680213	Media
QAN	QANTAS	5.65	42.81	16833348	Transportation
CRG	Crane Group	16.99	39.74	952076	Capital Goods
AIX	Aust. Infrastructure	3.32	37.77	805489	Transport Fund
WOW	Woolworths	30.61	35.60	22778006	Food & Staples
MXG	Multiplex Group	5.02	35.20	9220087	Real Estate
SGM	Sims Group	30.70	34.63	3120403	Materials
PBG	Pacific Brands	3.12	33.06	2526771	Retailing
ABC	Adelaide Brighton	3.86	32.31	998854	Materials
SBC	Southern Cross	17.15	31.98	1101305	Media Broadcasting
TSE	Transfield Services	14.00	31.95	1413420	Comm. Services
JST	Just Group	5.33	30.91	975617	Retailing

From the Latest List of Stocks

We will buy OST

Available cash is about \$11,200, so we can buy:

1794 shares of OST at \$6.26 for a total cost of \$11,230

this leaves a cash balance of \$2332

After the purchase of OST, the updated portfolio looks like this...

HULL PORTFOLIO STARTED

20-Jan-08

INITIAL FUNDS	100000
AVAILABLE CASH	2332
VALUE OF P'FOLIO	112277
PROFIT	12277

CAPITAL	112277
SHARE VALUE	6.26
SHARES TO BUY	1794

P/F AT START ON 20 JAN 2008

ASX CODE	NUMBER BOUGHT	PRICE PAID	VALUE AT START	% OF TOTAL
CSM	2000	5.00	10000	8.91
IPL	88	113.00	9944	8.86
LEI	203	49.20	9988	8.90
OST	1794	6.26	11230	10.00
FLT	345	29.00	10005	8.91
CSL	293	34.11	9994	8.90
HVN	1091	10.26	11194	9.97
AQP	790	12.65	9994	8.90
SDG	2740	3.65	10001	8.91
ASX	212	47.03	9970	8.88
TOTALS			102320	

VALUES ON WEEK ENDIN 5th May lay-05

CURRENT PRICE	CURRENT VALUE	% OF TOTAL	PROFIT
5.58	11160	9.9	1160
104.75	9218	8.2	-726
53.20	10800	9.6	812
6.26	11230	10.0	0
32.90	11351	10.1	1346
36.10	10577	9.4	583
10.26	11194	10.0	0
14.22	11234	10.0	1240
4.67	12796	11.4	2795
48.99	10386	9.3	416
TOTALS		109945	7625

INSERT DATA ONLY IN PINK CELLS

Summary of Hull's Management Strategy

Sell if:

- if price closes below the 20% drawdown stop loss
- or if price closed below the 52 week sma stop loss
- or if the roar stop loss is hit
- or if stock is no longer in the top 40 stop loss

Take profit if :

- any one stock increases in value to be >15% of portfolio

All ten stocks need to be managed on a weekly basis using weekly charts (takes an hour at the weekend)

Use data from Friday and place order on following Monday...

What about the Charts?

We have maintained the portfolio from a spread sheet.

But the trade would be managed using the chart as well as the spreadsheet.

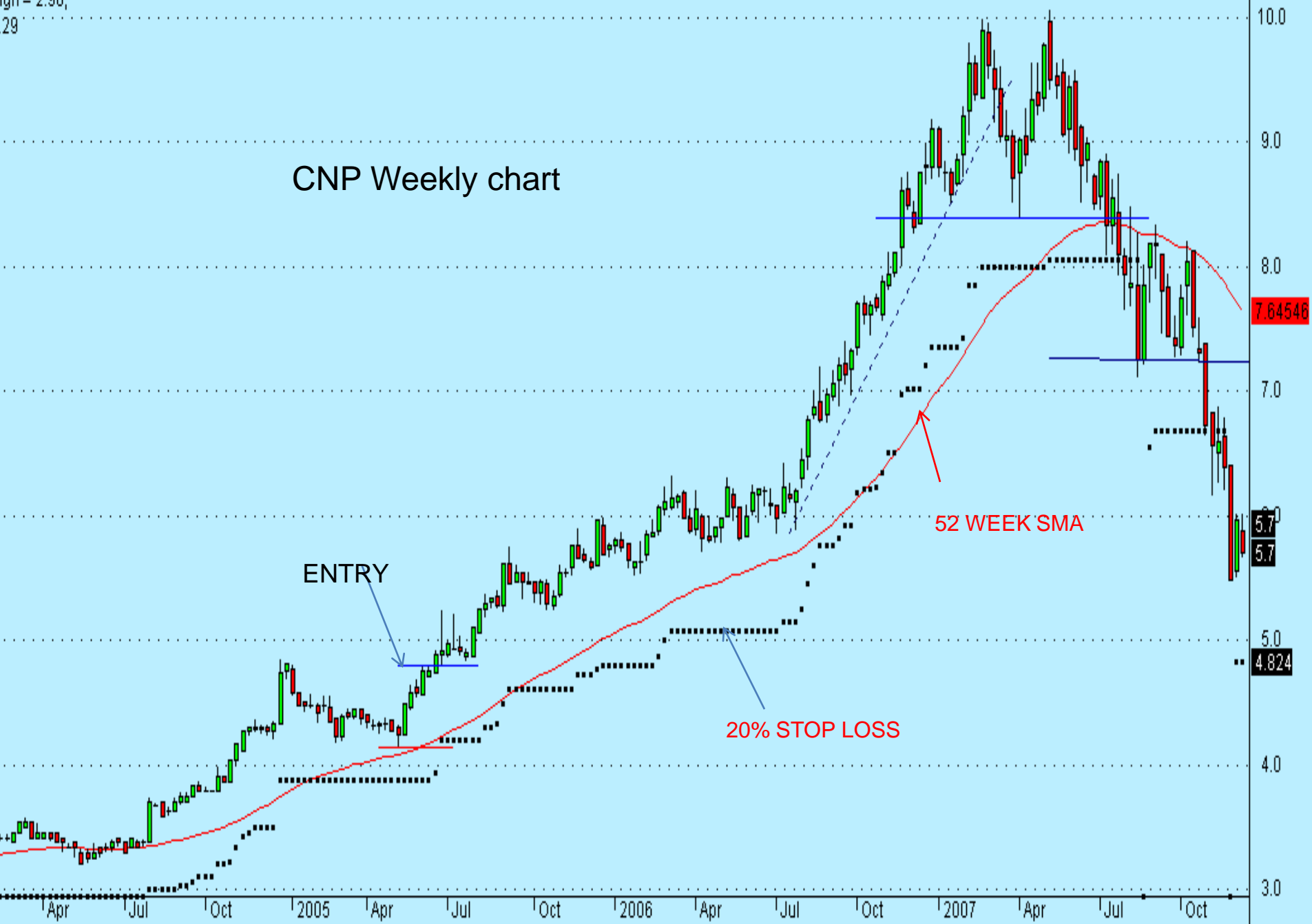
The stops need to be entered on the charts (manually if necessary)...

3 Open 3.20831, Hi 3.29165, Lo 3.20831, Close 3.24998 (1.3%)

High = 2.90,

29

CNP Weekly chart



QBE - Weekly 16/06/2009 Open 19.59, Hi 19.92, Lo 19.07, Close 19.3 (-1.1%)

Stop Loss 20% from High = 18.28,

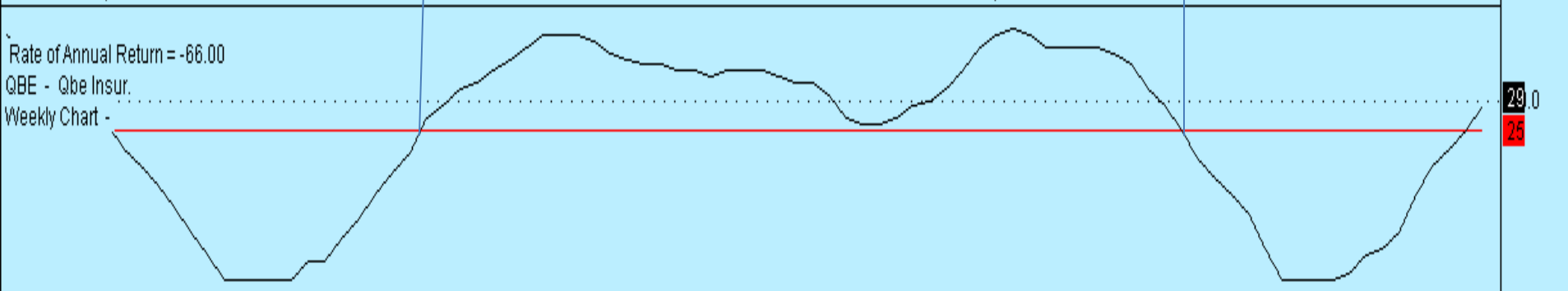
52 Week EMA Stop = 22.48



Rate of Annual Return = -66.00

QBE - Qbe Insur.

Weekly Chart -



The Investment approach of Colin Nicholson

Nicholson, C. (2009) Building Wealth in the Stock Market, Wiley...

The Nicholson Strategy

His overall strategy:

- he buys only quality Australian stocks based on fundamental analysis
- he buys only stocks which are trending up
- he buys partial positions and adds to them
- quickly sells any stock where the trend has failed

He has a comprehensive trading plan:

- he takes into account the risks in investing (very risk adverse)
- he enters the market when risk is lowest and sells when risk is greater
- has a rigorous stock selection method: will buy max of 25 stocks.
- has a specific method for managing his investments
- keeps good records and actively times the market...

He enters the market when risk is lowest
and sells when risk increases

When is the market risk high or low? ...



How does Nicholson Select Stocks?

He uses technical analysis first to select any stocks which have made a 52 week high and then subjects these stocks to fundamental analysis.

He then applies fundamental analysis to this preliminary list:

- stock must make profits and pay dividends
- have a low P/E ratio
- have conservative debt to equity ratio
- be liquid

Finally the entry is made using technical analysis

- stock must be trending up
- could buy an upward breakout from accumulation
- could buy an upward breakout from consolidation...

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Accumulation, Distribution and Consolidation

Some examples ...



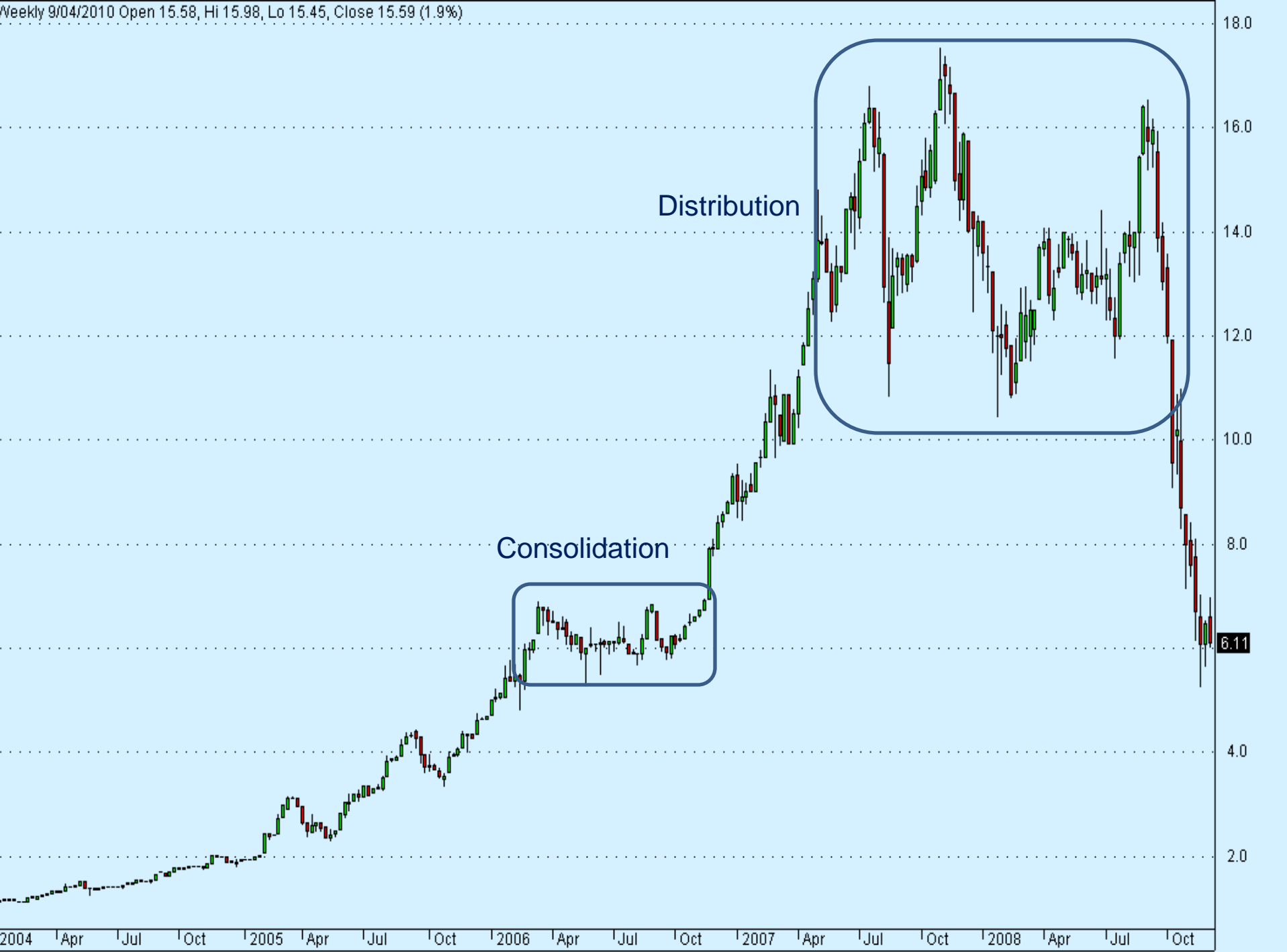


Accumulation

Consolidation

16.1534







0.195

MARK DOWN

MARK UP

ACCUMULATION

Partial positions

Having selected the stock and decided when to enter the market, the Nicholson approach is to buy a partial position.

He would risk no more than 2% on any one investment. If he planned to buy 3000 BHP he might first buy 1000 BHP and then add to his position with later purchases.

This is a risk adverse approach to investing...

Nicholson uses technical analysis as part of his stock selection method and having bought the stock he manages the trade using technical analysis by understanding the trend...

Comparing the Approaches of Nicholson and Hull

The two approaches are quite different but do have common elements

- they both invest in stocks which are trending upwards
- they both have trading plans which minimise risk
- both are actively managed programs - not buy and hold
- they both invest only in Australian shares

Hull (is a trader rather than an investor) (uses only technical analysis)

- invests available capital equally in 10 stocks
- assumes ASX200 stocks are quality – not interested in dividends
- stock must have a minimum ROAR of 25%
- does not attempt to time the market.

Nicholson (an investor) (uses both fundamental and technical analysis)

- may buy up to 25 stocks
- stocks must be quality and return good dividends
- stock is often at its yearly high
- actively times the market but uses no indicators in trade management...

This Hull approach is best suited to bull markets?

Stock Selection

Stock selection is not the most important part of investing

- Management of the open position
- Money management

How do investors select stocks?

It must be seen in the context of the investment plan.

The advantages of stock selection are lost if there is no plan:

- To manage risk
- To manage the open position...

The Challenge of Stock Selection

- there are about 2100 stocks listed on the ASX.
- most investors are looking for about 10 - 20 stocks
- how does the investor select stocks which will be profitable?
- one problem is the huge amount of available information

Today we consider several approaches used to select stocks...

The Stock Selection Process

Investors use one of two main approaches in stock selection.

- passive selection
 - the stocks are selected by a broker or advisor
- active selection (stocks selected by the investor)
 - based only on fundamental analysis
 - using only a technical approach
 - combining technical and fundamental approaches ...

Passive Stock Selection

This is where the investor depends on brokers or advisors to make the selections and decisions and does not participate in the process.

The use of a professional to select stocks is a perfectly logical approach.

- the investor must be sure that the professional is competent
- there is a danger that an investor who depends upon a professional for advice **may take no further interest or responsibility in the management of her/his investment...**

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This is where the investor depends on brokers or advisors to make the selections and decisions and does not participate in the process.

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- there is a danger that an investor who depends upon a professional for advice **may take no further interest or responsibility in the management of her/his investment!**

The passive investor must take responsibility...

Active Methods for Stock Selection

Active investors are actively involved in the decision making process
they use fundamental and/or technical methods to select stocks.

fundamental methods

- give information on **which stocks to buy**

technical methods

- give information on **when to buy and when to sell**

combining both fundamental and technical methods.

- takes advantage of the strengths of both methods ...

Using Fundamental Analysis as a Stock Selection tool

Fundamental analysis is the study of the various factors that affect the company's earnings and dividends. It looks at various aspects of the company's financial position and performance.

The objective is to determine the stock's intrinsic worth or its growth prospects. If the shares are trading at less than their intrinsic value then the shares are be seen as good value.

As investors we can make use of fundamental ratios to compare stocks...

Sources of Fundamental Data

- newsletters
 - Eureka report
 - Huntley YMW (Morningstar)
 - Intelligent Investor
- investment journals, internet, Financial Review
- software
 - Clime
 - Stockdoctor
 - broker software
- Roth – Top Stocks ..

"... one of the best sources of information for sharemarket investors. Professional investors and occasional dabblers alike will find this volume extremely useful"

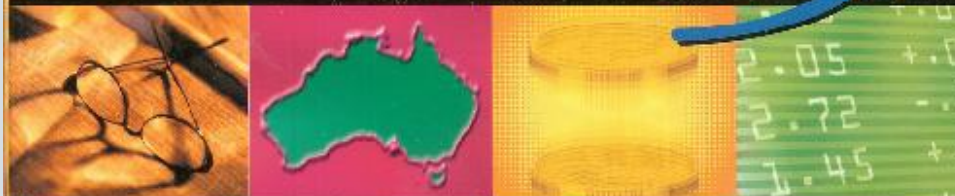
Derek Parker, THE AUSTRALIAN

Martin Roth

TOP STOCKS

11th
YEAR of
PUBLICATION

2005



A SHAREBUYER'S GUIDE TO
115 LEADING AUSTRALIAN COMPANIES

Stock Selection

Using Both Technical and Fundamental Methods

Some investors prefer to do the fundamental search first and subject the filtered candidates to technical analysis. Others prefer to filter the market using technical methods first, followed by fundamental analysis.

The important thing is to reduce the market to a manageable number of stocks then subject these to further detailed analysis using the other approach.

The following example, selects stocks using fundamental analysis first and then uses technical analysis to further refine the selection...

Using software for selecting stocks based on fundamentals

- there is useful software available which provides filters offering many different fundamental criteria with which to scan the market.
- the following market scan uses software from the broker E*TRADE.

This is a useful approach since the result of the screening process provides full quantitative data which can be transferred into Excel for analysis.

The following analysis was carried out in March 2009 ...

Research Tools: Advanced Stock Filter

Research By:  **ASPECTHUNTLEY**

Category	Field	Option	User Value	Predefined Value
<input type="text" value="- SELECT CATEGORY -"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> <input type="text"/>	OR <input type="radio"/> <input type="text"/>
<input type="text" value="- SELECT CATEGORY -"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> <input type="text"/>	OR <input type="radio"/> <input type="text"/>
<input type="text" value="- SELECT CATEGORY -"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> <input type="text"/>	OR <input type="radio"/> <input type="text"/>
<input type="text" value="- SELECT CATEGORY -"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> <input type="text"/>	OR <input type="radio"/> <input type="text"/>
<input type="text" value="- SELECT CATEGORY -"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> <input type="text"/>	OR <input type="radio"/> <input type="text"/>



3,235.54
3,235.54

Research Tools: Advanced Stock Filter

Category	Field	Option	User Value	Predefined Value
<input type="text" value="Income"/>	<input type="text" value="Dividend Yield"/>	<input type="text" value="Greater than"/>	<input checked="" type="radio"/> <input type="text" value="0.05"/>	OR <input type="radio"/> <input type="text"/>
<input type="text" value="- SELECT CATEGORY -"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> <input type="text"/>	OR <input type="radio"/> <input type="text"/>
<input type="text" value="- SELECT CATEGORY -"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> <input type="text"/>	OR <input type="radio"/> <input type="text"/>
<input type="text" value="- SELECT CATEGORY -"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> <input type="text"/>	OR <input type="radio"/> <input type="text"/>
<input type="text" value="- SELECT CATEGORY -"/>	<input type="text"/>	<input type="text"/>	<input type="radio"/> <input type="text"/>	OR <input type="radio"/> <input type="text"/>

USING THE ETRADE FUNDAMENTAL FILTER

FILTER	NUMBER OF STOCKS
NO FILTER (TOTAL STOCKS AVAILABLE)	1942
STOCK PRICE IS GREATER THAN \$2.00	259
P/E RATIO < 12	87
MARKET CAP > \$ 500 M	45
DIVIDEND YIELD > 5%	30
RETURN ON EQUITY > 15%	17

STOCKS FROM ETRADE FUNDAMENTAL FILTER

ASX Code	Price	P/E Ratio	Market Cap	Dividend Yield	Return on Equity
<u>WAN</u>	4.2	9.22	892,322,172	10.65%	131.90%
<u>CNA</u>	82	10.4	7,099,948,270	6.23%	54.10%
<u>LEI</u>	23.46	11.28	6,990,419,272	5.67%	40.90%
<u>CXP</u>	3.7	9.98	621,494,957	7.16%	36.80%
<u>BKN</u>	4.24	7.89	538,108,902	6.72%	31.20%
<u>TLS</u>	3.28	10.77	40,813,283,890	8.54%	30.70%
<u>TEL</u>	2.06	10.21	3,835,905,667	10.22%	26.00%
<u>CPB</u>	19.02	9.86	1,008,693,080	5.06%	25.80%
<u>BBG</u>	8.75	11.84	2,133,261,952	5.74%	22.20%
<u>WBC</u>	19.79	11.7	57,612,881,620	6.46%	21.30%
<u>IPL</u>	2.73	8.03	4,367,348,450	6.58%	20.90%
<u>TAH</u>	7.32	8.24	4,419,138,307	7.65%	18.70%
<u>ABC</u>	2.32	12	1,418,540,723	6.03%	17.30%
<u>FBU</u>	5.4	11.31	3,264,116,551	7.08%	17.20%
<u>AHD</u>	4.54	6.18	585,685,955	6.61%	16.80%
<u>QBE</u>	19.15	9.77	19,200,279,282	6.58%	16.70%
<u>TSE</u>	2.84	8.89	1,173,719,127	8.45%	15.80%

Using the Results from the Fundamental Approach

- these filters provide a short list of interesting stocks
- the investor could simply buy the top stocks in the list
- an alternative is to apply technical analysis to this list of stocks.
- today we will look at three stock from the list, WAN, CNA & IPL ...

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Technical Analysis is now Applied to These Data.

Technical analysis is now used to study these stocks from a different perspective. **(and tell us when to buy).**

Looking for stocks which are now in an uptrend.

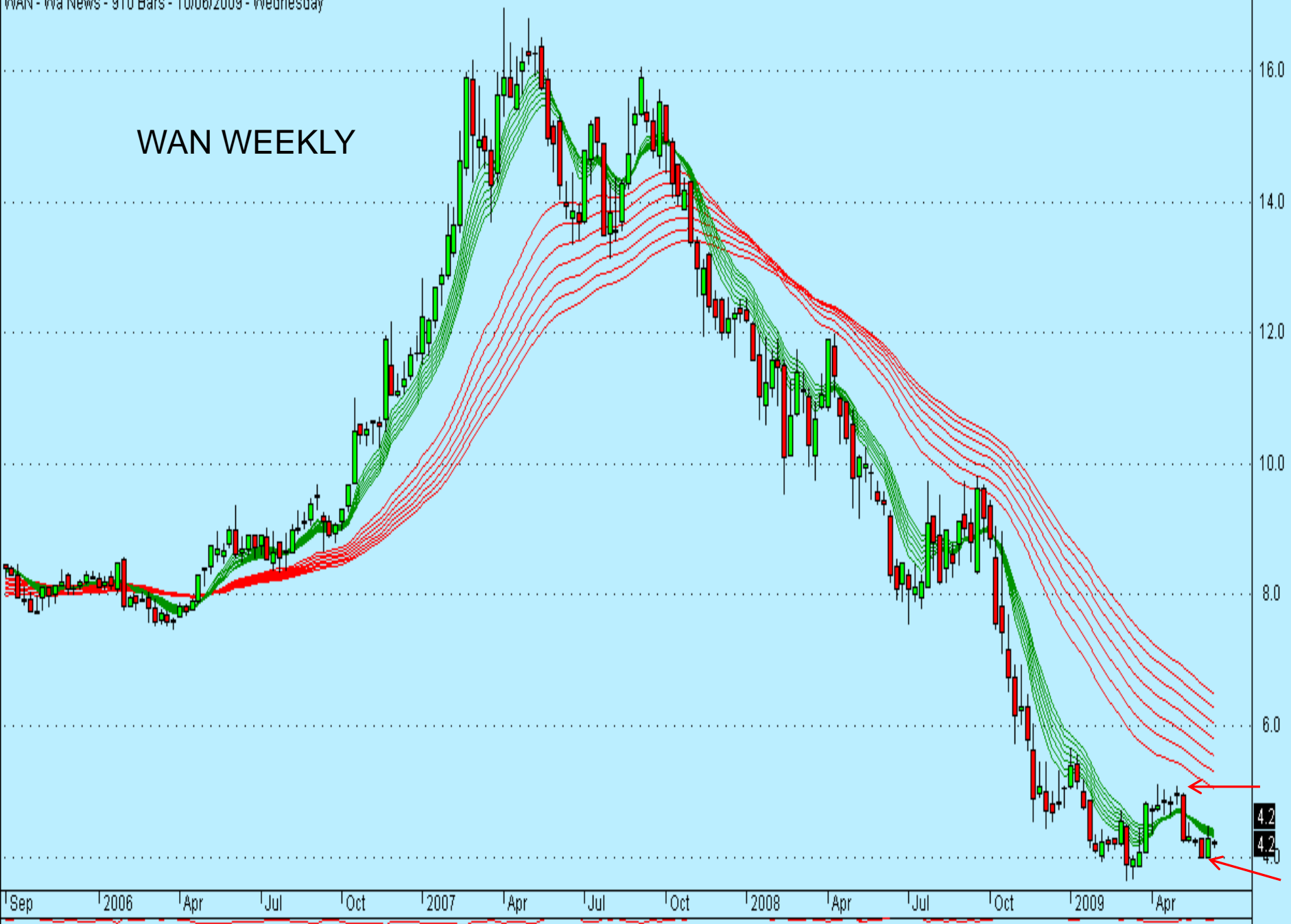
Technical analysis may warn of other factors affecting the price of these stocks, factors which are not evident from fundamental information.

- Is there a trend?
- Evidence of insider trading
- Lack of liquidity etc...

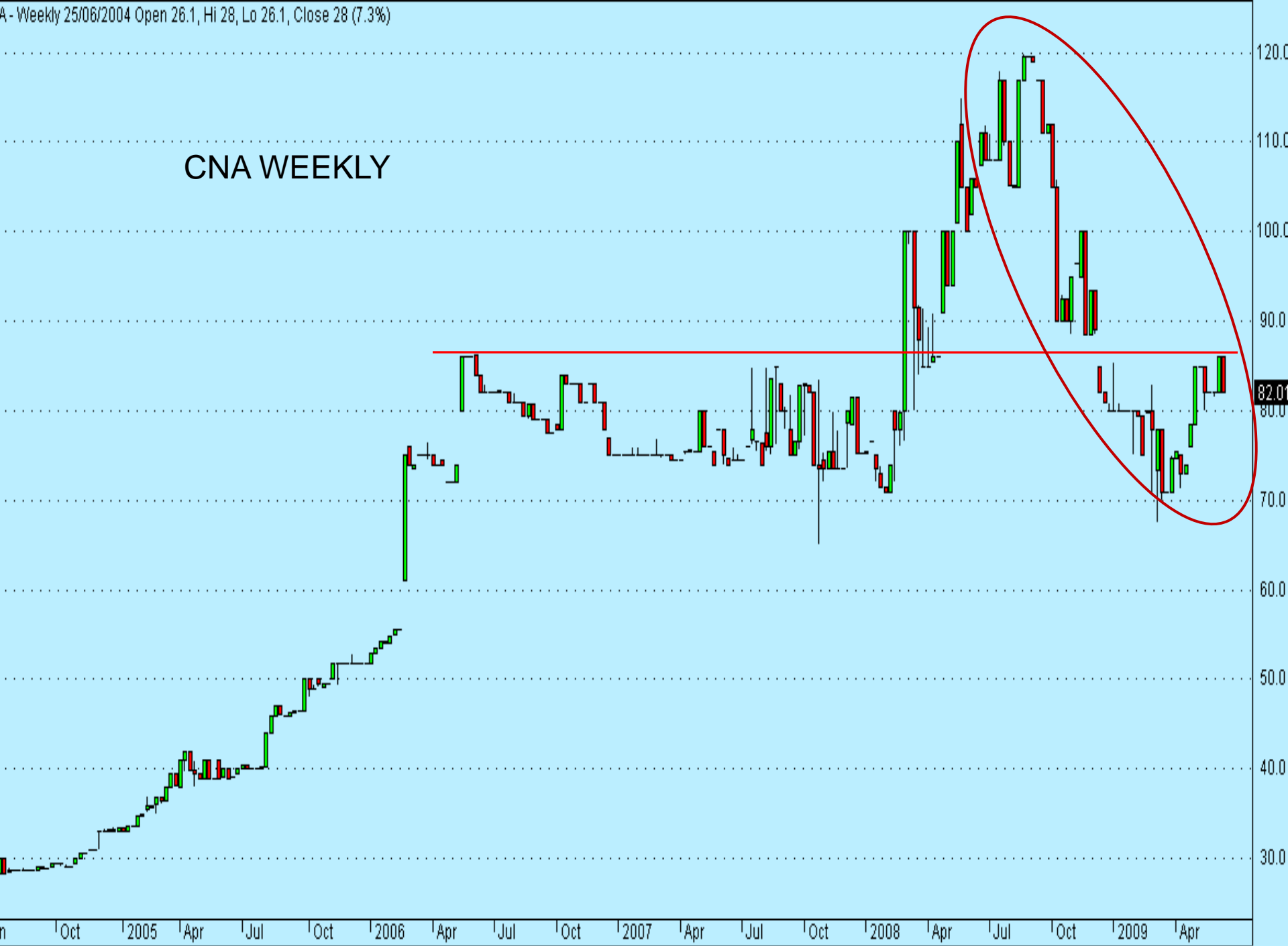
WAN WEEKLY

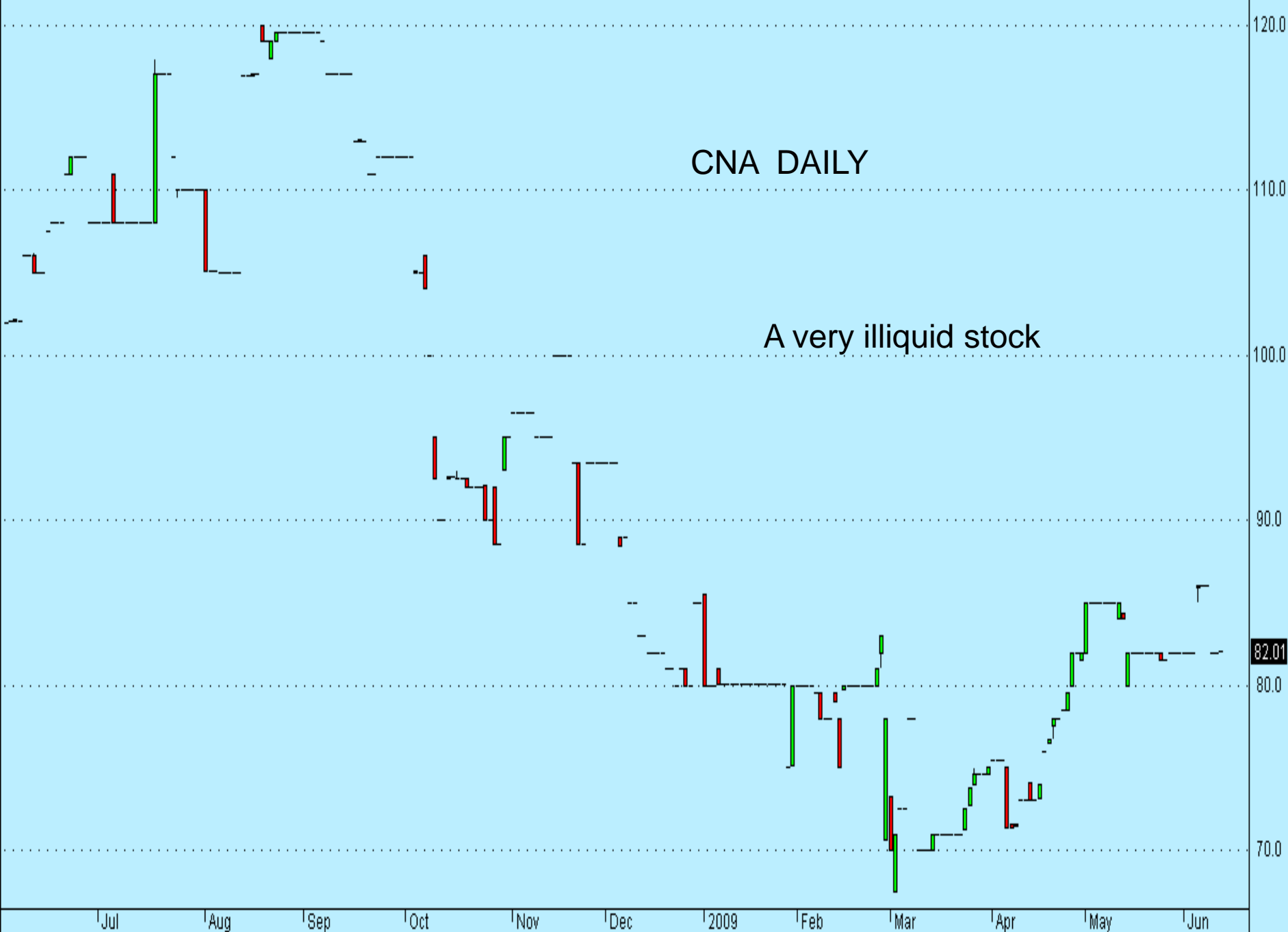


WAN WEEKLY



CNA WEEKLY





82.01

IPL WEEKLY



IPL WEEKLY



2.73

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Summarising the Dual Filter Approach

From the list of 17 stocks selected on fundamental grounds - three were evaluated using technical analysis. On technical grounds, none of these three stocks would be bought at this time. (March 2009)

1. IPL is a potential purchase but needs to overcome resistance before buying.
2. CNA is a high market capitalization stock but was eliminated as it has low liquidity and so is an investment risk.
3. WAN was the top prospect on fundamental grounds but remains on a watch list as this stock is still in a down trend and could pose a potential risk of capital loss.

This was the conclusion in March 2009. So how did these stocks perform subsequently?...



WAN weekly

FREEDATA



Having used the fundamental approach followed by technical analysis:
now consider an alternative method of stock selection.

This time using technical analysis to find a list of suitable stocks....

What help can Technical Analysis offer in stock selection?

Charts provide a number of opportunities to understand a market.

- identify trends and support & resistance
- show market patterns which can be used to interpret market sentiment
- offer a range of indicators which may identify trend continuation or termination...

What software is needed to select stocks using technical parameters

Charting packages offer the opportunity to select stocks using technical parameters in **a process called screening or exploration.**

This is simply a means of reducing the 2000 ASX stocks to provide a usable list of perhaps 10 – 20 stocks...

Many suitable software packages are available

Metastock

Amibroker

Incredible charts

In this example Incredible Charts is used:

Here we Screen the market to select a list of stocks for a “Hull portfolio”...

Create

Saved

Shared

Scheduled

Exchange:

Australia

Index:

All Ordinaries

Sector:

All Equities

Watchlist:

Sort By:

% Price Move (6 month)

Descending

Results/Page:

100 Fast



Save Screen

Run Screen

Reset

Add Filters

[Collapse All](#) | [Expand All](#)

[Hide Hints](#)

- + Bollinger Bands
- + Directional Movement
- + Gaps
- + Linear Regression Premium
- + Moving Average (Exponential)
- + MACD
- + Price
- + RSI (Wilder)

Create

Saved

Shared

Scheduled

Exchange: Australia

Index: All Ordinaries

Sector: All Equities

Watchlist:

Sort By: % Price Move (6 month) Descending

Results/Page: 100 Fast

Filters

Price
Price



Parameters

Percentage of Price Movement: 1 year (min 30%)
Closing price today is \geq 2.00 dollars.

Action

Edit | Del
Edit | Del

Save Screen

Run Screen

Reset

Add Filters

[Collapse All](#) | [Expand All](#)

[Hide Hints](#)

- + Bollinger Bands
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- + RSI (Wilder)

[Create](#)[Saved](#)[Shared](#)[Scheduled](#)

Exchange:

Index:

Sector:

Watchlist:

Sort By:

Results/Page:

Filters

Price

Price

Parameters

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Action

[Edit](#) | [Del](#)









[Edit](#) | [Del](#)

[Save Screen](#)[Run Screen](#)[Reset](#)

Add Filters

[Collapse All](#) | [Expand All](#)

[Hide Hints](#)

-  Bollinger Bands
-  Directional Movement
-  Gaps
-  Linear Regression Premium
-  Moving Average (Exponential)
-  MACD
-  Price
-  RSI (Wilder)

1 - 20 of 26 (ALPHA) : Last Update 25Mar2011 21:10 Sydney

Security

Security	Exchange	Sector	Close	Indexes	%PM(1Y)
• AURORA OIL & GAS [AUT]	ASX	Oil & Gas Exploration & P...	303	ASX 200	597
• INTREPID MINES [IAU]	ASX	Gold	210	ASX 200	546
• LYNAS CORPORATION [LYC]	ASX	Diversified Metals & Mining	214	ASX 100	337
• COALSPUR MINES LTD [CPL]	ASX	Speciality Chemicals	200	ASX 200	300
• ILUKA RESOURCES [ILU]	ASX	Diversified Metals & Mining	1175	ASX 100	170
• REGIS RESOURCES [RRL]	ASX	Gold	228	ASX 200	127
• SANDFIRE RESOURCES [SFR]	ASX	Diversified Metals & Mining	699	ASX 200	96
• RIVERSDALE MINING [RIV]	ASX	Speciality Chemicals	1615	ASX 100	87
• MEDUSA MINING LTD [MML]	ASX	Gold	721	ASX 200	85
• LINC ENERGY LTD [LNC]	ASX	Oil & Gas Exploration & P...	287	ASX 200	77
• AUSDRILL LIMITED [ASL]	ASX	Diversified Metals & Mining	376	ASX 200	67
• MINERAL RESOURCES. [MIN]	ASX	Diversified Support Ser...	1184	ASX 200	63
• PERSEUS MINING LTD [PRU]	ASX	Gold	310	ASX 200	59
• TOWER AUSTRALIA [TAL]	ASX	Multi-Line Insurance	393	ASX 200	53
• INDEPENDENCE GROUP [IGO]	ASX	Diversified Metals & Mining	656	ASX 200	53
• BOART LONGYEAR [BLY]	ASX	Construction & Engineering	449	ASX 100	47
• ATLAS IRON LIMITED [AGO]	ASX	Steel	352	ASX 100	47
• ST BARBARA LIMITED [SBM]	ASX	Gold	220	ASX 200	44
• ALUMINA LIMITED [AWC]	ASX	Aluminum	239	ASX 50	44
• FLEETWOOD CORP [FWD]	ASX	Automobile Manufacturers	1215	ASX 200	42

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Activate Premium Version

AURORA OIL & GAS [AUT]:Wk:[w] 25Mar2011 21:10 Sydney: End-Of-Day Delayed > 6hrs.

EMA:Wk:30:[w]



23Apr08 12Sep08 05Feb09 30Jun09 17Nov09 14Apr10 03Sep10 27Jan11 23May11

RSI:Wk:5:Wilder

OB/OS:70:30



Having selected a list of stocks on a technical basis, the investor could buy the top 10 stocks on the list or:

Apply fundamental analysis to these stocks to further refine the list.

In summary: using both fundamental and technical analysis in stock selection is a very useful approach...

Other Stock “Selection” Methods

- newsletters
- the media
- brokers
- tips

Most of these methods are suspect.

Always evaluate any stock by looking at a chart before you buy...

Conclusions

Stock selection is important but it is only one step contributing to a successful investment result.

- while fundamental and technical analysis are valuable tools in stock selection, both techniques must be used with care.
- a sound investment plan, with good risk management and trade management strategies in place is basic to profitable investing.
- from this position, appropriate stock selection methods become important to an investor's profitability...

Clime valuation = \$13.37

Market price = \$9.21

The market undervalues this stock
by about 45%



ROE = 40%

P/E = 14

Debt/Equ = 12%

Yield (ff) = 3.4%

9.13

How to Manage Market Risk

Finding the Position of the Market

The Problem of Market Risk.

We have considered the risks in investing and how each risk factor can be avoided or at least managed.

We discussed how an investor would manage **specific risk** but we have not addressed **market risk**.

Perhaps market risk is the most poorly considered aspect of risk management and yet nearly every investor does make some attempt to evaluate market risk every time they buy or sell a stock.

It is the process of evaluating market risk that I would call **Position of the Market...**

The Position of the Market

- Is an assessment of market risk.
- **Market risk** is one of two risk situations which we cannot control.
As investors we need to make an assessment of probable future market moves before we invest in the market.
- As an investor I would like to be fully invested early in the bull market.
- But I do not want to invest at the last stages of a bull market...

ASX200 weekly chart



This is the approach that I use

- I Fundamental analysis to assess the World and Australian situation

- II Technical Analysis of International and Australian markets...

I. Fundamental Appraisal of the Markets

USA

- High sovereign, corporate debt. Consumer debt. Unemployment, real estate crisis.
- Monetary solution vs.. Fiscal solution, Further QE --- inflation, Baby boomers
- Unfunded liabilities for pension and medical. No bull market.

The European Union

- The crisis of sovereign debt, corporate debt. Fiscal and political indecision.
- In recession. Greece will default. Spain, Portugal and Italy?
- Recession, deflation, changes in the EU?

China

- Inflation, Bubble in real estate. Regional infrastructure debt. Transparency of info.
- slowing economy. A manufacturing nation. The EU effect. Social issues.

The Islamic Region

- Moves for social and democratic change. Sectarian differences
- Oil, Iran and Saudi Arabia, Disruption of world economy – oil.

Australia

- Dual economy, Unemployment rising, Government and consumer debt,
- Real estate bubble? Reliance on China.
- World recession will affect Aust. Unduly complacent....

World Fundamentals in Summary

- There are now serious issues with sovereign debt.
- the EU will lead the world into recession
- Period of low growth, deflation, markets performing poorly
- Inflation inevitable in the longer term
- Australia closely coupled to China...

China is vital to Australia

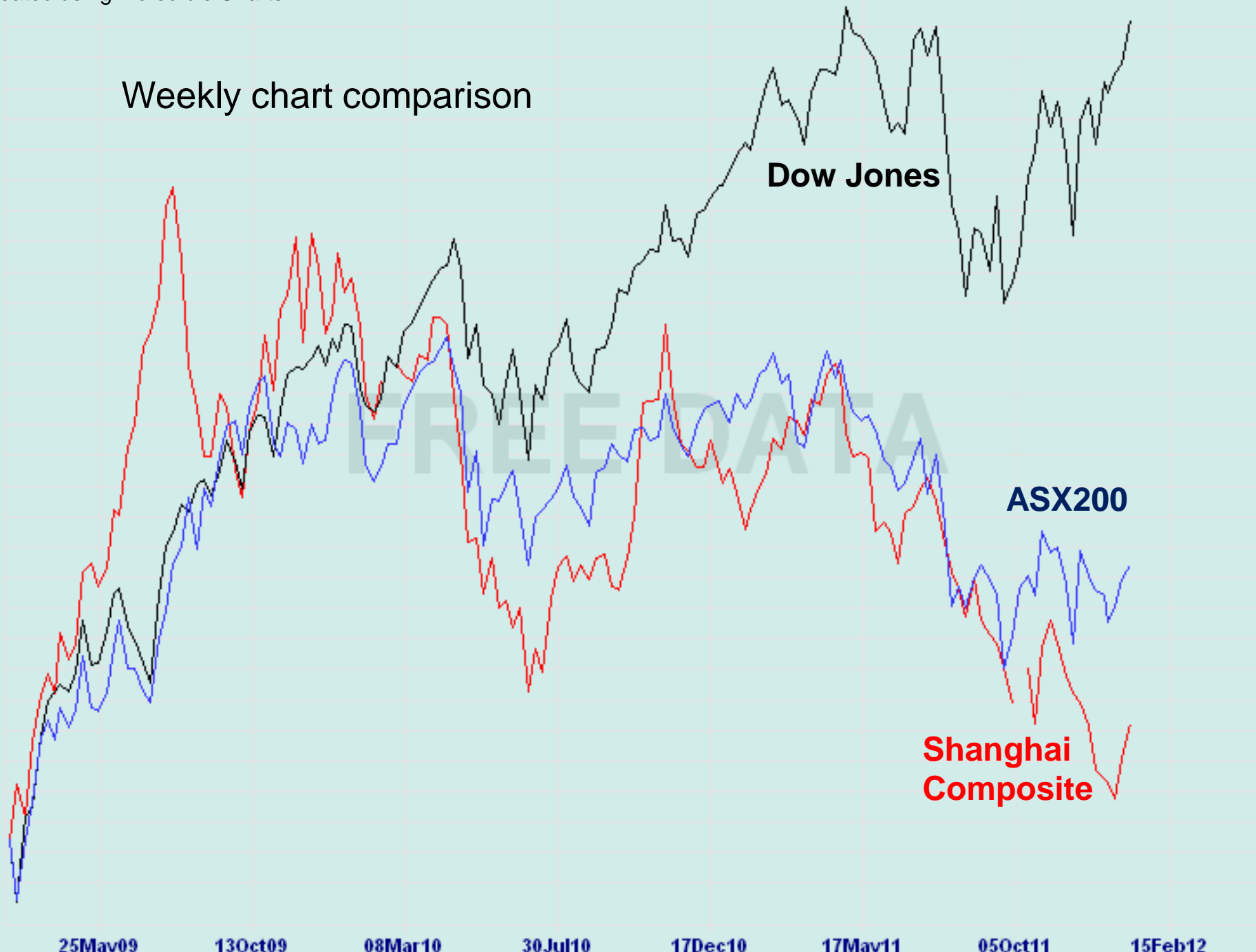
- Lack of credible information
- But investors have inside information on China's economy
- The Shanghai Composite index...

Shanghai composite

21% fall in 2011



Weekly chart comparison



Dow Jones

ASX200

Shanghai Composite

FREEDATA

25May09 13Oct09 08Mar10 30Jul10 17Dec10 17May11 05Oct11 15Feb12

The Australian economy is linked to China

- Australian investors need to follow the Shanghai Composite index
- Take less notice of the Dow Jones index...

Using Technical Analysis to assess the Position of the Market

The following are the independent technical approaches to assess the position of the market.

- a. Elliot wave theory
- b. Classical methods - support and resistance
- c. Pattern recognition
- d. Indicators - Relative Strength Index (RSI)

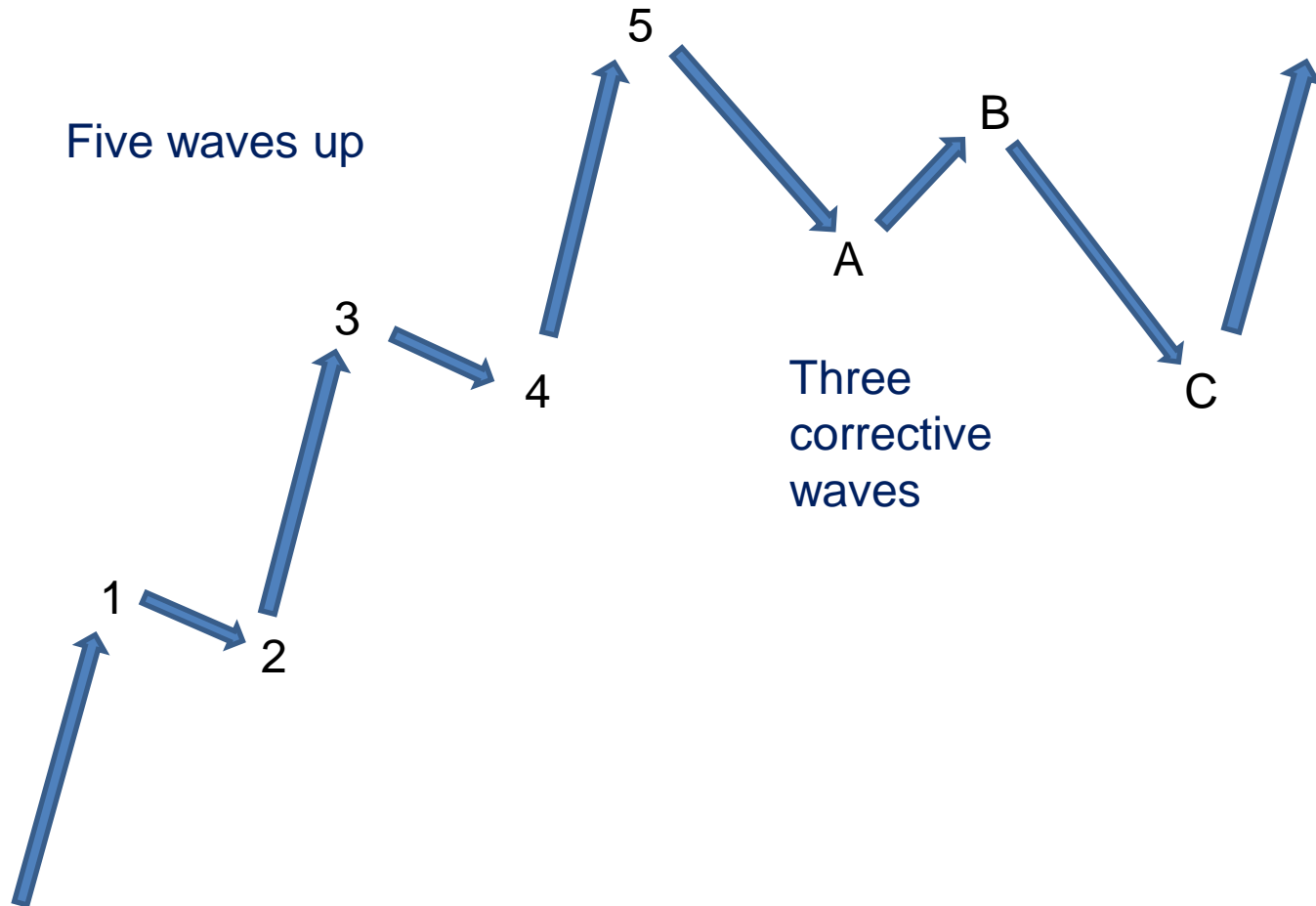
Elliot wave theory has not been discussed.....

So What is Elliot wave theory?

Elliot Wave theory is based on the idea that there is order in the market.

The market is not random but moves in wave-like patterns...

An overview of the Elliot Wave model

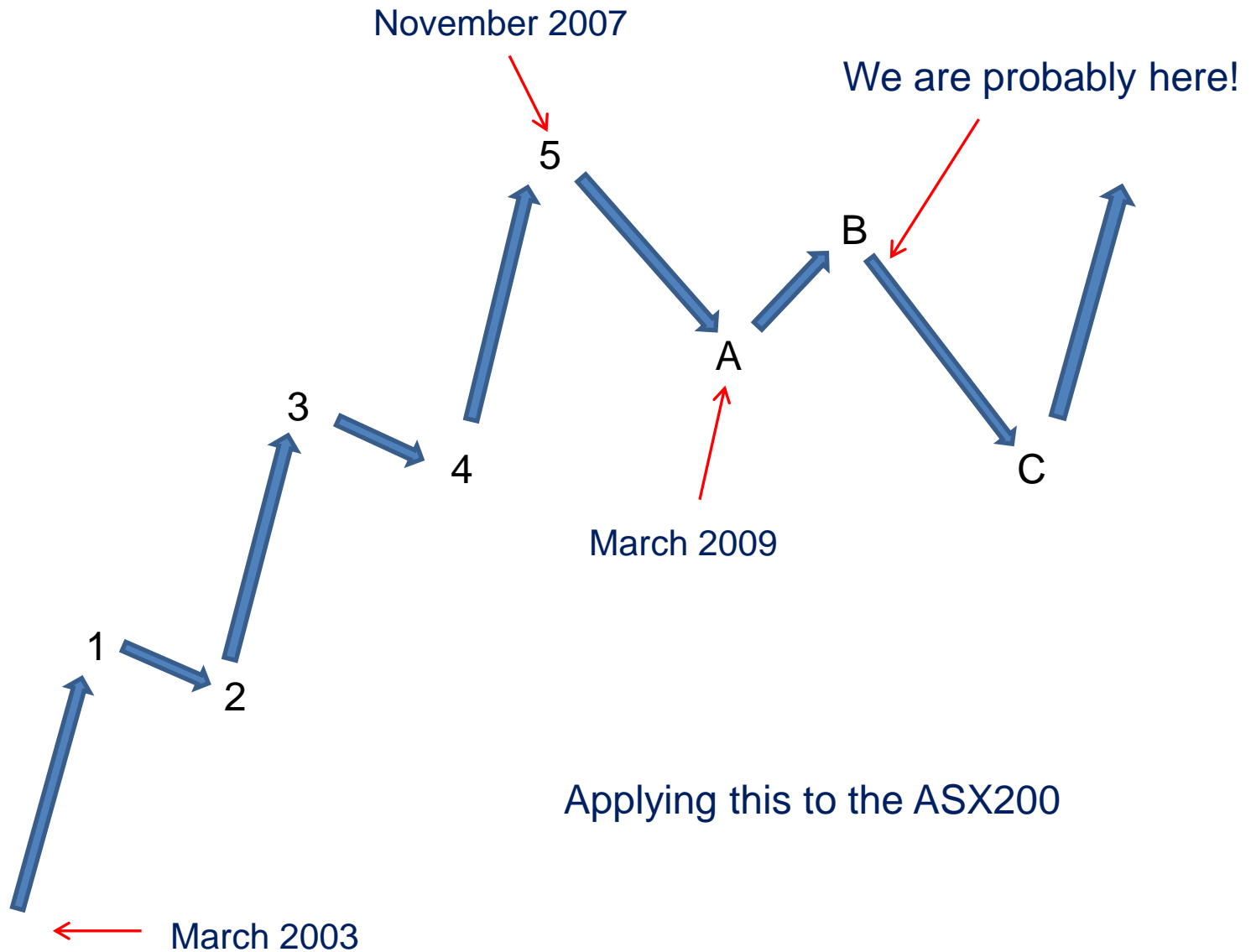


Applying Elliot wave analysis to the ASX200

Elliot wave analysis can tell the investor about the current position of the market.

So what is our current position?...

What is the market position in February 2012?



XJO (ASX200) weekly chart

Bear market bottom ca. 2800?



The Elliot Wave model suggests that we are now in this final phase of the bear market which started in November 2007

How do I routinely use technical analysis
to assess the Position of the Market?...





Some observations from technical analysis

- The Australian market is now uncoupled from the major markets of the developed nations but closely aligned with the Chinese market.
- Technical data from independent analyses (Secular market, Elliot wave, pattern analysis and indicators) show that there is a high probability of further market decline...

Overall impressions on Position of the Market

- When considering world fundamentals, sovereign debt particularly in the EU gives cause for concern. With US economic problems in addition to the EU situation this suggests the probability of a world recession.
- Technical analysis of the markets using several independent approaches suggest the high probability of a continuing bear market.

These analyses are provided as an educational exercise. They provide a probability of future market events and should not be taken as a forecast.

Other topics

1. How do I start to invest?
2. What if I have very little capital?
3. Using stock broker services
4. What if I don't want to invest directly?
5. Data recording
6. Investor psychology
7. Information overload...

How do I start to invest in the market?

- Starting a new venture is difficult. Investing is no different !
- Open a brokers account - deposit some funds in a CMA
- If you have investment capital of \$100,000 consider investing \$5,000?
- Buy a small holding in a secure, low volatility blue chip stock or
Commsec and E*Trade have “share packs” (6,8 stocks – br \$66 or \$80)
- Understand the risks involved before you actually invest. Buy stock(s)
which are trading at a discount to their intrinsic value...

WOW - Monthly 9/11/2010 Open 28.22, Hi 28.94, Lo 28.01, Close 28.7 (-1.0%)

36.0

30.0

24.0

18.0

12.0

6.0

WOW monthly chart

A low volatility blue chip stock

28.7

Jul 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010



What's Value Today?

Effortlessly identify what companies are showing as being in value (i.e. trading at a discount to their intrinsic value). Companies are grouped according to their Required Return (RR).

Rank By Required Return:

Very Low to High

Companies: 95 Table Data: [Series 1](#) | [Series 2](#) | [Custom](#) Actions: [Print](#)

Price Value V / P RR Equity/Sh Borr/Sh ND/Eq FSNROE D DY Frank

Code	Sector	Reviewed	Company Name	Price	Value	V / P	△	RR	ND/Eq	DY
WOW	Consumer S...	R	WOOLWORTHS LIMITED	\$26.79	\$33.66	25.7%		11.4%	37.7%	4.5%
TRS	Consumer D...	R	THE REJECT SHOP LIM...	\$12.05	\$14.63	21.4%		13.8%	42.7%	4.2%
MYR	Consumer D...		MYER HOLDINGS LIMITED	\$3.18	\$3.72	17.0%		13.5%	27.5%	7.1%
BHP	Materials	R	BHP BILLITON LIMITED	\$47.55	\$55.48	16.7%		12.7%	0.0%	2.0%
BKW	Materials	R	BRICKWORKS LIMITED	\$11.07	\$12.63	14.1%		13.0%	14.0%	3.7%
JBH	Consumer D...	R	JB HI FI LIMITED	\$19.86	\$22.57	13.6%		13.9%	128.3%	4.5%
OST	Materials		ONE STEP LIMITED	\$2.51	\$2.84	13.3%		13.5%	21.7%	3.6%
ANZ	Financials	R	AUSTRALIA AND NEW ZE...	\$23.94	\$26.51	10.7%		12.0%	0.0%	4.4%
CBA	Financials		COMMONWEALTH BANK LI...	\$52.25	\$57.78	10.6%		12.0%	0.0%	5.8%
TLS	Telecommun...		TELSTRA CORPORATION ...	\$2.85	\$3.15	10.5%		12.0%	97.5%	9.8%
RIO	Materials	R	RIO TINTO LIMITED	\$86.16	\$93.62	8.7%		13.0%	7.5%	1.1%
NAB	Financials	R	NATIONAL AUSTRALIA B...	\$26.06	\$28.28	8.5%		12.5%	0.0%	5.5%
PBG	Consumer D...	R	PACIFIC BRANDS LIMIT...	\$0.84	\$0.90	7.4%		13.8%	21.8%	3.7%
WBC	Financials		WESTPAC BANKING CORP...	\$24.33	\$25.87	6.3%		12.3%	0.0%	5.1%
MGR	Financials		MIRVAC GROUP	\$1.26	\$1.31	4.7%		13.0%	36.1%	6.3%
SOL	Financials	R	WASHINGTON H SOLU PA	\$13.05	\$13.57	4.0%		13.0%	0.0%	2.7%

These are not current data and this is not investment advice

Click here to view a

Other topics

1. How do I start to invest?
- 2. What if I have very little capital?**
3. Using stock broker services
4. What if I don't want to invest directly?
5. Data recording
6. Information overload

What if I have very little Capital? (Starting with \$6,000)

Investing in any position with less than \$2000 means that the brokerage becomes a bigger percentage of each trade and limits profit!

With \$6000 it is suggested that the investor/trader use a 1:2 approach:

- \$2000 placed in a speculative stock (Why a speculative stock?)
- \$4000 in two blue chip stocks

When capital increases to \$21,000 use a 1:2:4 approach:

- have \$3000 in one speculative stock
- \$6000 in two midcap stocks
- \$12000 in four blue chip stocks

Source: Guppy, Daryl (1996), Share Trading. Wright Books
Chapter 13, "Turning \$6,000 into \$21,000"...

Other topics

1. How do I start to invest?
2. What if I have very little capital?
- 3. Using stock broker services**
4. What if I don't want to invest directly?
5. Data recording
6. Information overload

Using Broker services to buy & sell shares

When dealing with any professional we must be able to assess:

- how competent they are at their job
- what they charge for their services
- what services they can and will provide.

What can we say about Stock Brokers?...

Quotation from Michael Covel (2009)
in "Trend Following" p241 FT Press

Remember that October 2000 was the start of a very significant bear market.

"....in 2000, there were 28,000 recommendations by broker house analysts.
[At] the start of October 2000, 99.1% of those recommendations were
either strong buy, buy or hold. Just 0.9% of the analysts said sell."

So at the start of the bear market only 1% of brokers understood the
seriousness of the market situation!

Does this mean that only 1% of stock brokers are competent? ...

Stockbrokers

Full service or online broker?

- Full service broker
 - high fees
 - may get excellent service and advice
 - access to IPOs, newsletters
- Online brokers (discount brokers)
 - low fees online (higher fees by telephone)
 - minimal personal service, no advice
 - often excellent information on website
 - need for good facilities for transfer of funds ...

Take Care when Selecting a Broker

There is a need to assess:

- how competent they are at their job
- what they charge for their services
- what services they can and will provide

Consider the need for a specialist (full service) broker:

- fixed interest
- options
- futures
- CFDs
- foreign exchange (forex) ...

Using an On-line Broker to Buy Shares

This example uses the discount broker E*trade

We want to buy ANZ shares

Total investment capital is \$6,000

First question is, how many shares can we buy?

This is the approach that Nicholson would use...

09/2006 Open 27.17, Hi 27.55, Lo 26.94, Close 27.4 (1.1%)

ANZ WEEKLY



Nicholson would buy
on breakout from
consolidation

Consolidation

16.9

ANZ daily



Nicholson would buy on breakout from consolidation.

Assume that ANZ is breaking out of consolidation and that it can be bought at \$16.86.

So how many ANZ shares can we buy?

ANZ daily



• our capital is \$6000

• the 2% rule says that the maximum loss we can incur on any one trade (investment) is 2% of \$6,000 = \$120

• we plan to buy ANZ shares at \$16.86

the buy price is \$16.86

the stop loss is \$15.67

loss per share is \$1.19

• therefore we can buy $120 / 1.19 = 100$ shares

• this costs us \$1686

Stocks: Place Order

- Stocks
- Conditional Orders
- Options
- SharePack
- Managed Funds
- IPO Centre

Order to be placed on Account: 1090707

ANZ BANKING GRP LTD ORDINARY FULLY PAID

Last Price	Today's Change	Bid	Offer	Day High	Day Low	Volume	Type
\$16.940	\$0.070 (0.42%)	\$16.940	\$16.950	\$16.960	\$16.850	378,338	REAL TIME PRICES as at 21 Jul 2009, 10:08:19 AM

Your Order Details

Transaction Type:	Buy	Current Price:	\$16.940
Code:	ANZ	Term:	Good till Cancelled
# of Shares:	100	Price Type:	At Limit \$16.860
Security Type:	Equity		

Estimated Order Value (AUD) : \$1,686.00

Estimated Brokerage including GST : \$32.95

ESTIMATED ORDER TOTAL (AUD) : \$1,718.95

Important: You are placing a firm order. Please review carefully. Enter your Trading Password and click "PLACE BUY ORDER" *only* once to process your order.

Trading Password :

-
-
-

Market Depth - Summary



Code: **ANZ BANK FPO**

Status	UpEst	Last	Time	+/-	%	Open	High	Low	Volume	Trades	R	VWAP	52WkHi	52WkLo	Basis
Pre-Open	16.700	16.870	16:10:55	-0.170	-1.01%								20.100	11.830	

No.	Quantity	Buy	Sell	Quantity	No.
1	900	18.010	14.260	4,745	1
1	150	18.000	14.300	1,072	1
1	23	17.790	14.400	1,249	2
2	18,623	17.740	15.000	2,109	2
1	1,000	17.500	15.490	37,585	1
2	66,696	17.400	15.640	615	1
5	4,709	17.290	15.990	1,642	2
2	905	17.200	16.000	794	2
2	1,433	17.100	16.030	61,126	2
1	1,000	17.050	16.200	9,668	1
7	8,233	17.000	16.370	816	1
4	7,415	16.950	16.500	1,646	3
3	7,563	16.910	16.530	26,150	1
7	3,170	16.900	16.540	26,150	1
2	2,050	16.880	16.600	385	1
5	5,565	16.870	16.610	26,150	1
1	100	16.860	16.700	793	1
3	3,200	16.850	16.750	927	1
2	1,350	16.840	16.800	11,685	10
2	7,000	16.830	16.850	2,742	5
2	2,350	16.820	16.860	1,242	1
2	1,070	16.810	16.870	3,142	6
9	14,870	16.800	16.890	1,042	1
1	11,840	16.790	16.900	7,391	11
2	8,350	16.780	16.910	1,042	1

Market Depth - Summary



Code: **ANZ.ASX** **ANZ BANK FPO**

Status	OpEst	Last	Time	+/-	%	Open	High	Low	Volume	Trades	R	VWAP	52WkHi	52WkLo	Basis	Di
Open		16.850	10:00:00	-0.020	-0.12%	16.850	16.850	16.850	202,277	121		16.850	20.100	11.830		

No.	Quantity	Buy	Sell	Quantity	No.
2	1,405	16.850	16.860	1,590	2
4	3,090	16.840	16.870	3,927	7
3	7,479	16.830	16.890	1,042	1
4	12,997	16.820	16.900	7,391	11
2	1,070	16.810	16.910	476	1
14	26,732	16.800	16.920	700	1
1	11,840	16.790	16.940	55	1
2	8,350	16.780	16.950	20,966	10
3	5,720	16.760	16.960	1,500	1
12	33,942	16.750	16.970	600	2
2	1,350	16.740	16.980	4,079	7
1	1,000	16.730	16.990	13,769	15
4	2,152	16.720	17.000	308,425	287
1	2,000	16.710	17.010	4,131	5
8	13,612	16.700	17.020	11,126	5
1	1,800	16.690	17.030	3,762	4
2	1,350	16.680	17.040	5,242	3
5	4,850	16.670	17.050	22,813	24
2	8,350	16.660	17.060	6,000	2
	3,150	16.650	17.070	24,274	5
2	28,000	16.630	17.080	11,400	6
2	2,117	16.610	17.090	10,604	11
8	19,920	16.600	17.100	84,962	74
1	900	16.590	17.110	1,850	3
4	6,787	16.580	17.120	9,013	8

My order for 100 ANZ at \$16.86 has already been filled.

Market Depth - Summary



Code: ANZ.ASX    ANZ BANK FPO

Status	OpEst	Last	Time	+/-	%	Open	High	Low	Volume	Trades	R	VWAP	52WkHi	52WkLo	Base	Dir
Open		16.940	10:04:58	+0.070	+0.41%	16.850	16.950	16.850	286,06	259		16.8693	20.100	11.830		↑

No.	Quantity	Buy	Sell	Quantity	No.
5	6,858	16.910	16.940	1,747	4
7	7,079	16.900	16.950	3,451	7
2	304	16.890	16.960	1,500	1
2	1,228	16.880	16.970	1,100	3
1	1,000	16.870	16.980	5,579	9
6	6,095	16.860	16.990	15,281	17
7	12,783	16.850	17.000	306,383	286
2	1,500	16.840	17.010	4,131	5
2	7,000	16.830	17.020	11,211	6
1	2,000	16.820	17.030	3,412	3
2	570	16.810	17.040	5,242	3
9	22,670	16.800	17.050	23,463	25
2	26,000	16.780	17.060	6,000	2
2	5,370	16.760	17.070	3,924	3
12	32,408	16.750	17.080	11,400	6
1	1,000	16.740	17.090	10,254	10
1	1,000	16.730	17.100	85,962	76
2	1,269	16.720	17.110	1,500	2
1	2,000	16.710	17.120	9,013	8
6	11,132	16.700	17.130	2,275	2
1	1,800	16.690	17.140	11,575	5
1	1,000	16.680	17.150	16,785	21
5	4,850	16.670	17.160	758	1
1	8,000	16.660	17.170	26,433	5
2	1,150	16.650	17.180	4,113	7

h 27.1, Hi 27.55, Lo 27.1, Close 27.4 (0.6%)



ANZ daily

BUY AT \$16.86

STOP LOSS AT \$15.67

17.0

16.77

16.0

15.0

14.0

13.0

12.0

March

April

May

Jun

Jul

Course of Trades



Date/Time	Code	Price	Quantity	Conditions	Value	Buyer	Seller	Ref.
10:01:19	ANZ	16.920	149		2,521.08			3153
10:01:19	ANZ	16.920	99		1,675.08			3152
10:01:19	ANZ	16.920	9		152.28			3151
10:01:19	ANZ	16.920	6		101.52			3150
10:01:14	ANZ	16.920	194		3,282.48			3120
10:01:14	ANZ	16.920	839		14,195.88			3119
10:01:13	ANZ	16.950	3,479		58,969.05			3118
10:01:13	ANZ	16.940	594		10,062.36			3117
10:01:13	ANZ	16.940	59		999.46			3116
10:01:13	ANZ	16.940	868		14,703.92			3115
10:01:05	ANZ	16.950	654	XT	11,085.30			3038
10:01:05	ANZ	16.950	1,010	XT	17,119.50			3037
10:01:05	ANZ	16.940	148		2,507.12			3036
10:01:05	ANZ	16.940	594		10,062.36			3035
10:01:05	ANZ	16.930	594		10,056.42			3034
10:00:59	ANZ	16.930	285		4,825.05			2953
10:00:59	ANZ	16.900	137		2,315.30			2952
10:00:59	ANZ	16.910	64		1,082.24			2951
10:00:59	ANZ	16.910	289		4,886.99			2950
10:00:59	ANZ	16.910	102		1,724.82			2949

Factors to consider when placing an order

Closing prices reflect value (set by the professionals)

Opening prices can be very volatile (amateurs buy on open)

A good depth of market screen is an asset ...

On-line Broker Services will Vary

Very low cost online brokers may provide minimal services.

You may get a limited depth of market screen.

Access to all of your past records on line is important.

Simple online procedures to transfer funds are essential...

Other topics

1. How do I start to invest?
2. What if I have very little capital?
3. Using stock broker services
- 4. What if I don't want to invest directly?**
5. Data recording
6. Information overload

What if I Don't Want to be a Direct Investor?

Not everyone wants to invest directly in shares

There are some alternatives:

- a good broker
- an experienced and competent investment advisor

and/or

- use managed investments ...

Managed Investments in Summary

Managed investments are an excellent alternative for those investors who would prefer not to invest directly in shares.

Investors need to be aware of the very poor performance of many (most) professional fund managers.

It is essential for investors to regularly monitor the progress of their investments and compare them to the index...

Other topics

1. How do I start to invest?
2. What if I have very little capital?
3. Using stock broker services
4. What if I don't want to invest directly?
- 5. Data recording**
6. Investor psychology
7. Information overload

Data Recording

Good records are essential

Spreadsheet or software.

Need to maintain an equity curve...

Other topics

1. How do I start to invest?
2. What if I have very little capital?
3. Using stock broker services
4. What if I don't want to invest directly?
5. Data recording
- 6. Investor psychology**
7. Information overload

Psychology!

Questions that all investors need to ask:

1. Is my temperament suitable for independent investing in equities?
2. Should I be investing in lower risk securities?
3. The crowd is usually wrong. Do I understand the “madness of crowds”?
4. Do I suffer from over confidence?
5. Do I fall in love with a stock?
6. Is my personality impulsive and impatient or am I disciplined and patient?
7. Do I have the tendency to blame others for a bad investment?
8. Which mindsets will prevent me from buying at the start of the next bull market?...

Other topics

1. How do I start to invest?
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3. Using stock broker services
4. What if I don't want to invest directly?
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6. Investor psychology
- 7. Information overload**

Information Overload

It has been suggested that the amount of information available to investors doubles each year.

How do investors cope with information.

We delete it. (we ignore it)

We generalise it

We distort it.

So the information we have may be valueless because of the way we see it, process it and make use of it.

It is often said that we trade our beliefs we do not trade the market...

Coping with Information Overload

Some suggestions:

- Use an independent newsletter service which can provide impartial fundamental analysis and data.
- Use technical analysis to provide a further analysis and a different approach
 1. Be cautious about using too many indicators
 2. Have good data
 3. Use an adequate package but don't pay too much. IC might be useful.
- Avoid listening to the media and don't act on tips: try always to be impartial.
- Have a written investment plan, update it regularly and refer to it when buying, managing and selling an investment

The characteristics of successful investors.

There are many different pathways to successful investing. Generally successful investors will have the following. They:

- Have a written plan.
- Make independent decisions and accept responsibility for them.
- Understand risk and have a strategies to deal with it.
- Are aware that psychology may be their biggest shortcoming.
- Keep good records...

Our Journey Today

Risk assessment

The investment plan

Stock and market analysis

- Technical analysis

- Fundamental analysis

- Stock selection

Investment strategies. The approaches of Hull and Nicholson

Managing market risk. The Position of the market

Other topics

- How do I start to invest in the stock market?

- What if I have very little capital?

- Using stock broker services

- What if I don't want to invest directly?

- Data recording

- Information overload ...

Questions

Exchange: Australia

Index: ASX 200

Sector: All Equities

Watchlist:

Sort By: Stock Descending

Results/Page: 50 Very Fast

Filters

MA Crossovers

Parameters

1st MA (10 day) crossed above the 2nd MA (30 day) within the last 1 trading days.

Action

[Edit](#) | [Del](#)

Save Screen

Run Screen

Reset

Add Filters

[Collapse All](#) | [Expand All](#)

[Hide Hints](#)

- Bollinger Bands
- Directional Movement
- Gaps
- Linear Regression Premium
- Moving Average (Exponential)

above

10 day

MA crossed

30 day

MA

within

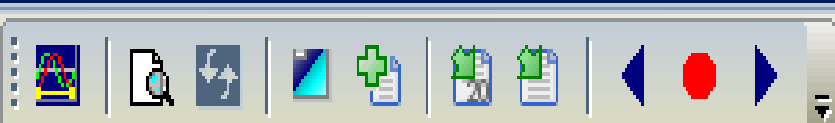
the last

3

trading days

Add

below



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1 - 5 of 5 (ALPHA) : Last Update 10Feb2012 21:10 Sydney

To get info on columns, hover Mouse over applicable Column. The info will be displayed here.

Security	Exchange	Sector	EMA(10,...
• WHITE ENERGY LTD [WEC]	AUSTRALIA	Speciality Chemicals	1
• TEN NETWORK HLDGS [TEN]	AUSTRALIA	Broadcasting	1
• SIGMA PHARMA [SIP]	AUSTRALIA	Health Care Distributors	1
• AUSTAR UNITED COMM [AUN]	AUSTRALIA	Cable & Satellite	1
• ASTON RES [AZT]	AUSTRALIA	Diversified Metals & Mining	1

