



Stock Market Jumpstarter

*A BEGINNER'S GUIDE FOR INVESTING IN THE STOCK MARKET
BY J3 PATIÑO*

"The e-book was very useful. What I liked about it is its simplicity and understandability. Even a grade-schooler can use it as a guide if a child were ever allowed to invest this early"

-Cindy, 42 Customer Service Representative

"The e-book is very useful especially for a newbie in stock like me. It opened my mind to the world of stock market which is a bit hard to understand for a newbie. It is definitely worth reading and highly recommended. In fact, I already forwarded it to my sisters and friends. Thank you so much for this e-book!"

- Gee, 36, Work at Home Mom

"I liked the whole e-book. It was easy to read and anyone I think can easily follow. Yes, I will definitely recommend this!"

-Perli, 51, IT Director

"The most important thing that stood out from the e-book was its flow or it's pacing on teaching...Just from reading the start, it's easy to see the passion and effort given by the author on writing the e-book. You can really see that he has given enough time to take in suggestions and write it in the perspective of a person knowing nothing about the stock market. The flow was good overall by going into detail on the why's and how's on stock investing.

Thanks for writing the book J3!"

-Antonio, 23, Petron Engineer

Introduction

Hi there! I'm J3Patiño. Thank you for taking the time to read this guide. In this part, I'd just like to share with you two things: firstly, my story of how I got into the Stock Market, and secondly, how you can get the most out of this guide.

My Story

I've always wanted to invest in the stock market— ever since I was in college. So right after graduation, I explored the internet for information on how to get started. Sadly, it took more than 6 months just to learn it on my own. The problem was that I understood bits and pieces of information, but I couldn't see the big picture.

I was reading a bunch of articles, tutorials and other references – often not knowing if they were important or not. I even bought a report which contained very long math equations. Now, since I graduated from an engineering course, I was trained to be patient with equations. We learned that if you look at an equation long enough, there's a 50-50 chance you'll get it. So I took my chance, and stared at it... then finally I got... a headache.

There was just too much information available and it overwhelmed me. I never felt like I knew enough. The list of things to study and understand became so long, that it made me feel scared of starting. I was afraid that because I didn't know enough, I would just lose my money. So for a very long time, I was stuck in the "learning phase".

It took a long time before I found out that I already knew enough to move on into the earning phase. Even though I learned a lot while doing it on my own, I could have saved a lot of time and energy if someone had told me what exactly I needed to know in order to get started. This is the reason why I made this guide.

Get the Most Out of this Guide

I made this guide in order to make it easier for new investors to jump into the stock market. And I've designed it in a question and answer format so that it can also serve as your "knowledge checklist". My goal is that after you read this guide, you already have the confidence to start investing in the stock market.

There are three parts to this guide:

- Part 1 answers the most basic questions and most important questions about investing and the stock market. It is absolutely necessary to understand every chapter in this part.
- Part 2 answers the "exploratory" questions. Basically these are questions which may or may not be helpful to everyone, but still worth answering. Treat this section as a compilation of "nice-to-knows", rather than "must-knows".
- Part 3 is the action taking section. Here, you will be shown the exact steps you need to take so you can start investing in a convenient and consistently profitable manner.

If you haven't started investing in the stock market confidently yet, read the whole book from start to finish (and preferably, don't skip part 2).

If you know a little about the stock market but for some reason you haven't started investing yet, I recommend that you go to the table of contents and try to answer the questions listed there. Answer all the items there without taking a peek, and then compare your answers to mine.

If you're already a stock market investor, then feel free to skip to the parts which interest you.

Now that you know what to expect in this guide, let's get started and jump right into it!

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Part 1: The Basics of Investing and the Stock Market

On Investing

Investing in its simplest terms is this: Making your money work so that it makes more money for you. The great thing about investing is that it's money that's working. Unlike people, money doesn't get tired, it doesn't get sick, and it doesn't get burned out. All money needs is a good master who knows how to invest.

In this section, my goal is to show you why you should be investing in something (even if that something isn't necessarily the stock market).

1. Why should I invest my money?

The biggest enemy we are all fighting is inflation. Inflation is the general increase of the prices of goods year after year after year. Inflation hits everything from our basic necessities and our comforts in life. Nothing and no one is exempted.

When my mom was still a college student, her allowance was only P5.00 per day. She told me that the UP Ikot jeep cost only 35 centavos. A complete meal was only P1.00. At three meals per day, she would be able to set aside P1.00 per day for her monthly dorm fee of P30.00

My father, on the other hand lived on P1.00 per day when he was still in elementary. He said that for 50 centavos, you could already buy a piece of pan de coco. And that's what he bought every day.

Today, it would be extremely difficult to survive on P5.00 a day. With P1.00 you can only buy a piece of candy, not a complete meal. And for 50 centavos, you can get a photocopy of a piece of paper, not a piece of bread.

Whether we like it or not, the prices of food, transportation, rent, electricity and other necessities will continue to increase. And in the same way, the things that a peso can buy will decrease. If this guide is still being read in the next 20 years, one peso of that day might be equivalent to one centavo of today! This is an inescapable truth.

Inflation Pushes You Away from your Dreams

Inflation doesn't only affect our current lifestyle. It also affects our dreams for the future.

Imagine that you're in a marathon, and at the end of it you get to choose your dream car, home and vacation. It doesn't matter if you come in first or last place. You get the prize as long as you finish.

You've been running for quite a while now. You feel your muscles are already getting tired. You see other runners in the front, and some are running along your side. From time to time you see a runner on the side of the road lying down and resting.

All of a sudden, a fellow runner taps you on the shoulder. You look at him and he signals you to look down on the ground. You look down, and see that your shoes are untied. As you're tying your shoes, you notice that the ground you're on is moving backwards.

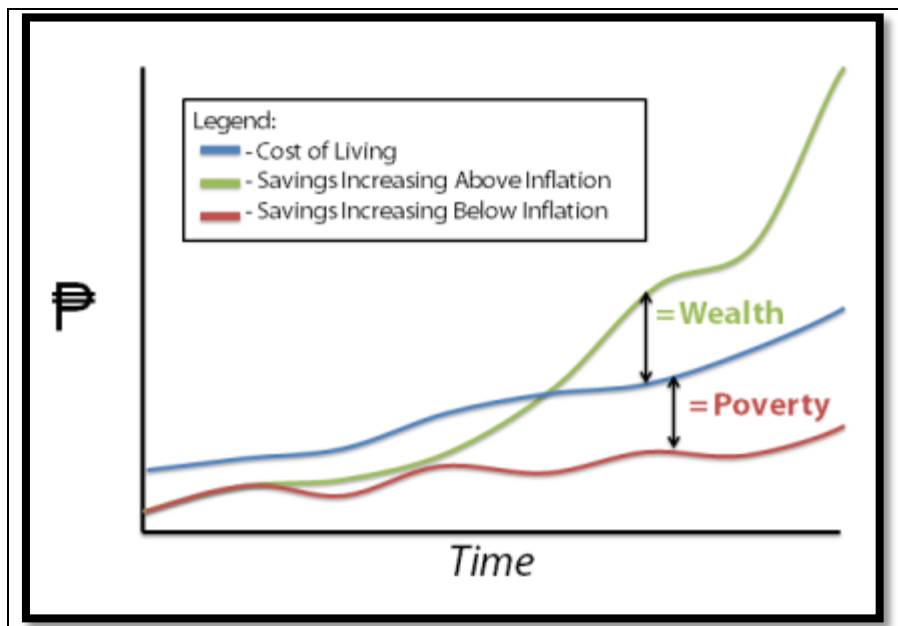
Puzzled, you feel the soil, and take a closer look at it. It really is moving backwards! It's slow, but it's moving backwards. You take a look around to see if the ground was like that everywhere. You take a few steps away from where you were and check the ground repeatedly. After several checks, you realize that you've wasted a lot of time looking at the ground. So you jump back on your feet and start running again. You'll just push yourself harder towards the finish line.

This is inflation. It moves us financially backwards little by little. We know it exists, but we ignore it. We just keep on working hard for our dreams, but what we don't realize is that inflation is pushing us back further and further away from it. If your dreams cost P1 million now, it will cost P1.2 million in five years. In ten years it will cost PhP1.6 million, and in 20 years, it will nearly triple to PhP2.8 million.

The good news is that we can fight inflation. This is by learning how to invest.

Fight Inflation by Investing

Inflation continuously divides people into 2 types: those who can invest above inflation, and those who can't. Those who can invest above inflation will be able to accumulate wealth and become rich, while those who can't will create poverty and become poor. It is unfortunate that very few Filipinos know how to invest above inflation. This is one explanation why so many Filipinos are poor.



2. What would happen if I don't invest?

Inflation is an invisible enemy, so you won't notice the impact today or tomorrow. After all, a 5% increase per year, is just a 0.4% increase per month, and a 0.01% increase per day. It's impossible to notice on a day to day basis.

The full impact of failing to fight inflation will be realized when you decide to retire. If you do not have enough money for your retirement, you'll spend the last of your days being financially constrained, and a financial burden to the ones you love most.

Imagine that you're 65 years old and no longer working. Who will pay for your food, water, electricity, medicines, and doctor's fees? Are you sure your pension will be able to cover for all of that? If we follow Filipino culture, it would be the kids who will support the parents once they retire. If your children are just starting to build their own family, you'll be competing for resources against your own grandchildren! Is this something that you would like? Is this something you think your kids would like? (I know the picture I'm painting here is very grim. That's because from an economic standpoint, that's how it really is.)

You Have a Long Way to Go

The average Filipino lifespan is 75 years old. So if you retire at the age of 65, you'll need to have enough money to support yourself for about 10 more years. Now, to know how much that will cost, I prepared quick estimates in the table below.

In order to use it you just need to do three things.

1. Estimate how much you'll be spending per month if you retire today.
2. Then look for the table matching that amount of spending you answered in #1.
3. In that table, look at the age nearest to yours in the left side of that table.

| Current Spending:P10,000 per month or P120,000 per year | | | |
|--|------------------------|--|---|
| Age Now | Years until Retirement | Yearly Cost of Living (Adjusted for Inflation) | Total Cost of Retirement (Adjusted for Inflation) |
| 20 | 45 | 1,078,200.94 | 14,239,570.27 |
| 30 | 35 | 661,921.84 | 8,741,860.91 |
| 40 | 25 | 406,362.59 | 5,366,744.28 |
| 50 | 15 | 249,471.38 | 3,294,715.44 |
| 60 | 5 | 153,153.79 | 2,022,669.47 |

| Current Spending:P20,000 per month or P240,000 per year | | | |
|--|------------------------|--|---|
| Age Now | Years until Retirement | Yearly Cost of Living (Adjusted for Inflation) | Total Cost of Retirement (Adjusted for Inflation) |
| 20 | 45 | 2,156,401.87 | 28,479,140.54 |
| 30 | 35 | 1,323,843.69 | 17,483,721.83 |
| 40 | 25 | 812,725.19 | 10,733,488.55 |
| 50 | 15 | 498,942.76 | 6,589,430.88 |
| 60 | 5 | 306,307.58 | 4,045,338.95 |

| Current Spending:P40,000 per month or P480,000 per year | | | |
|--|------------------------|--|---|
| Age Now | Years until Retirement | Yearly Cost of Living (Adjusted for Inflation) | Total Cost of Retirement (Adjusted for Inflation) |
| 20 | 45 | 4,312,803.74 | 56,958,281.08 |
| 30 | 35 | 2,647,687.38 | 34,967,443.65 |
| 40 | 25 | 1,625,450.37 | 21,466,977.10 |
| 50 | 15 | 997,885.53 | 13,178,861.76 |
| 60 | 5 | 612,615.15 | 8,090,677.90 |

| Current Spending: P80, 000 per month or P960,000 per year | | | |
|--|------------------------|--|---|
| Age Now | Years until Retirement | Yearly Cost of Living (Adjusted for Inflation) | Total Cost of Retirement (Adjusted for Inflation) |
| 20 | 45 | 8,625,607.48 | 113,916,562.16 |
| 30 | 35 | 5,295,374.75 | 69,934,887.31 |
| 40 | 25 | 3,250,900.74 | 42,933,954.20 |
| 50 | 15 | 1,995,771.05 | 26,357,723.51 |
| 60 | 5 | 1,225,230.30 | 16,181,355.80 |

The Total Cost of Retirement is the amount of money that you'll have to spend over the next 10 years after your retirement. That's the amount you need to have in preparation for your retirement. Now, I'd like to bring your attention to the difference of the Yearly Cost of Living vs. Current Spending. A P480, 000 per year lifestyle today will be P4.3 Million in 45 years! If you doubt the numbers shown in the tables, by all means go ahead and try to find a more specific answer. The important thing is that you know and plan for your retirement because someone will definitely have to pay for it.

I sincerely hope that the amount you have just seen scares you into taking action immediately. Investing is very easy to delay, easy to ignore, but the tradeoff from that is extremely painful.

3. But I'm with a very good company, and I get a pay raise every year.

Congratulations on the yearly raise, and I'm sure you deserve it because of your hard work. Unfortunately, this doesn't exempt you from the need of investing. This is because of the so-called "money illusion". This is our tendency to think of money in its absolute amount rather than what it can buy.

The Money Illusion

To illustrate the money illusion, let's consider the story of Roberto. Roberto is a burly construction worker. He's very proud of his strength and often boasts that he can carry two sacks of rice on his back. Being very powerful, he is always in demand. In a single day he usually has 2-3 jobs, one in the morning, another one in the afternoon, and the third one before dinner.

With his morning job, Roberto earns P150. This is the money he uses to buy his favorite lunch meal: the Jollibee Champ. The Champ meal costs exactly P150 pesos, and the money he earns is just enough.

A year later, his morning boss gave him a 10% raise. This increased his pay to P165 per day. Delighted at the news, he sets aside the extra P15 for his savings. Roberto gives himself a pat on the back for being P15 richer!

That day, Roberto goes to Jollibee and orders the same Jollibee Champ Meal, but it sees in the menu that it already costs P160. He thinks to himself that it was fortunate he got a raise. So he decides to buy it since he really wants the "one-third pound patty, heavier than a quarter-pounder, 100% pure-beef burger". So Roberto takes the rest from his savings, leaving only P5.

This is an example of the difference of the absolute amount of money vs. what it can buy. Roberto got a P15 raise, but his food also got more expensive by P10. So in reality, he only got richer by P5. The fortunate thing about this example is that the pay-raise was higher than inflation. Roberto still got wealthier; but it's not as high as he thought.

If the Raise Is Lower than Inflation...

A more upsetting situation is when inflation becomes higher than the pay-raise given.

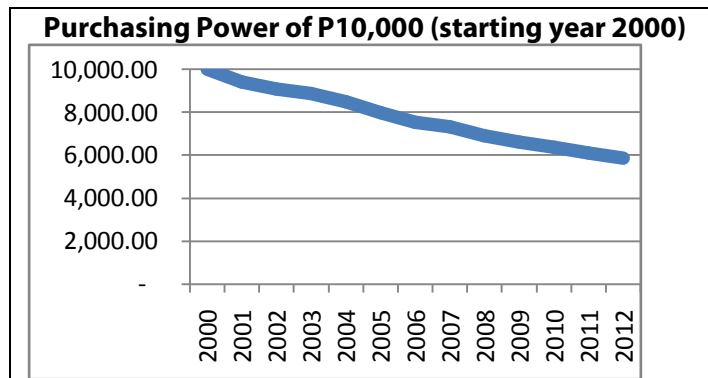
Let's consider the same situation, but this time with Kharl (yes with an H). Kharl is Roberto's co-worker and Champ-buddy. Both of them earned P150 per day, and both of them always bought the Champ meal. A year later, Kharl also got a raise. However, his salary was increased to only P155. Nonetheless, Kharl is still happy with the raise.

Kharl then goes to Jollibee with Roberto. At the counter, Kharl also ordered the Champ Meal. He handed out his money to the cashier, and waited for the receipt. The cashier then said, "Sir, the Champ is already P160. You only gave me P155."

Kharl was surprised that the Champ already got more expensive. With his mouth wide open, he looked at the menu, and then stared back at his money. He looked at the menu, then back at his money. He kept doing this for about a minute, until the guy behind him asked him to hurry up.

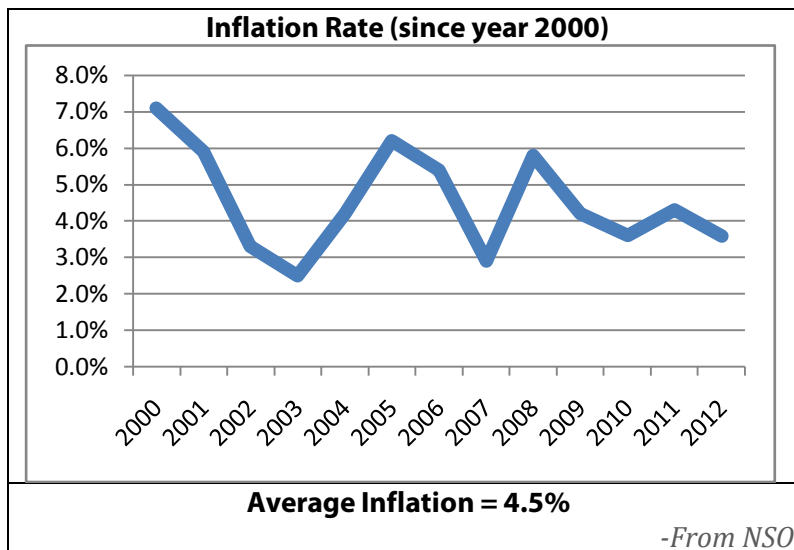
So as not to keep the people waiting, Kharl just changed the order to a regular cheeseburger.

Poor Kharl! He was happy that he got a raise. But, he could no longer afford his favorite Champ Meal. Because his raise was lower than inflation, what he actually got was a pay-cut. Again, this is the effect of the money illusion.



Real Salary Increases

With this, we can say that a salary increase is “real” only if it’s greater than inflation. If there were no salary increases, the bottom-line effect is that you received a pay-cut equal to the inflation rate. So if your pay-raises over the past years have beaten inflation significantly and consistently, you have a better chance of fighting inflation. However, you will still need to prepare for your retirement.



4. I'm buried in debt! How can I start investing?

If you're in debt, getting out of it should be your top priority, not investing. This is because all of the gains you'll get in investing will be eaten up by the penalties of being in debt. Inflation works against you by 5% per year. So if you earn 10% with your investments, you win the battle.

But, credit card debt is much more powerful. It works against you by 40% per year (that's 3% per month). This is eight times more powerful than inflation! So even if you earn 40% from your investments (which by the way is difficult to do on a consistent basis), you end up not earning anything! This is why your top priority should be to get out of debt first.

How to Get Out of Debt

This isn't a guide on how to get out of debt but here are some of the most important and practical things that you can do.

1. Record the amount you pay for your debt and the amount you borrow each month.
2. Decrease the amount you borrow each month.
3. Increase the amount you pay for your debt each month.

I'm sure you've heard of the advice to stop borrowing, leave the credit cards at home, and start paying cash for everything. You may have heard the advice before, but are you doing it? Chances are, not yet. The reason is that it's just too uncomfortable to change old habits! Don't change too many things at once, you'll burn out and fall back into old habits. So my advice is just start with 1, follow with 2 and then 3.

Recording how much you're borrowing and paying back forces you to face the reality of your debt problem. This is the most important step to solve the problem. If you don't know how big your problem is and how well you are solving it, then you'll never be able to solve it.

Once you know how much you borrow and pay back each month, slowly decrease the amount you're borrowing and slowly increase the amount you're paying back. From borrowing P5,000 per month from different people, just try and borrow P4,900 this month. From paying back only P3,000 per month, start paying back P3,200. While the changes may appear small, the important thing is you're already moving forward to becoming debt free.

5. I'll just invest when I'm already rich.

This objection is one of my favorites. It's just so silly! Waiting until you're rich before you start investing is like saying:

- When I get promoted, then I'll work harder.
- When I get a girlfriend, that's when I'll cut my hair (a friend of mine who had long and untidy hair actually said this)
- When I get my big break, I'll give it my all. (For a long time, I believed this!)

But we all know that it's the other way around!

When you work hard, that's when you get promoted. When you give it your all, that's when you get your big break. Finally, when you invest, that's when you'll be rich. And when you get a haircut...

6. So where do I invest?

There are many investments available aside from the stock market. There are time-deposits, bonds, mutual funds, foreign currency, precious metals and many others. For now, we'll talk about the most basic ones. As we go through each one, keep in mind that you don't have to pick just one. In fact, successful investors put their money in different investment vehicles. But when you're just starting out, it's easier to learn them one at a time.

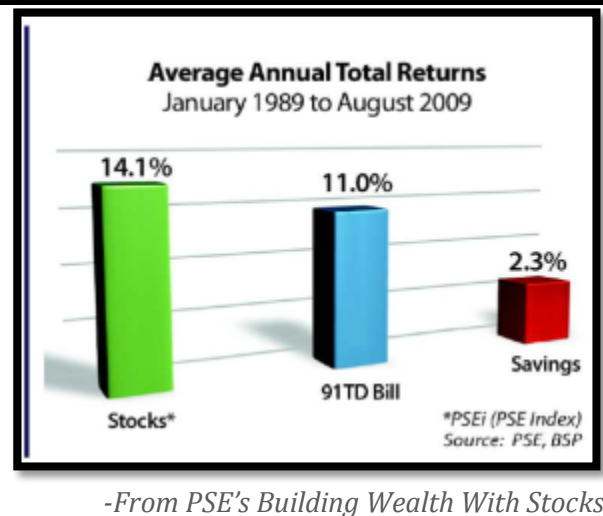
| Investment Vehicle | What is it? |
|------------------------------------|---|
| Time Deposits | A time deposit is a fixed-deposit which cannot be withdrawn for a certain period of time. Generally, the higher the amount, and the longer the period, the higher the returns. In the short term, time deposits are useful. However, for wealth building, they are almost useless because their returns are always lower than inflation. |
| Bonds | A bond is one way an institution borrows money. When you purchase a bond, you are essentially lending money to that institution. In return, you are paid interest during the life of the bond, and get paid the principal amount of the bond at the end of the term. |
| Mutual Funds | Mutual funds aren't actually investment vehicles; rather, it's a method for investing. Mutual funds are a collective investment scheme. This means that money from different investors is pooled into a single fund. The pooled funds may then be invested into bonds, or equities, or even foreign exchange. Mutual funds are always managed by an expert called the 'fund manager'. |
| Unit Investment Trust Funds (UITF) | A UITF is similar to a mutual fund in a way that both are collective investment schemes and that they are also managed by a fund manager. There are some technical differences; however, it isn't relevant to the discussion at the moment. |
| Equities (the Stock Market) | The stock market is a place where you can invest in 'publicly owned' or listed companies. By buying shares of stock in a company, you become a part-owner of that company. And as a part-owner, you participate in the company's ability to grow and make money. |

7. Why should I invest in the Stock Market?

I have two categories of reasons why I strongly recommend investing in the stock market. The first is of a purely economic reason, while the second is about your growth as an investor.

It's Got Higher Returns

The stock market has historically given higher average returns than bonds and inflation. In the picture below you'll see that over a 20-year period, the stock market has outperformed bonds, and savings accounts. Now, it is important to stress that the stock market doesn't give guaranteed returns, but over a long period of time, it also has more potential for returns.



Another reason to invest in the stock market is expert partnership. When you buy a stock of a company, you become part owner in these corporations. So when they make money, you also make money. Just for a few thousand pesos, you get the chance to partner with the owners of SM, Meralco, PLDT, and more.

Lastly, you also get a big bonus: TAX FREE INCOME! If you earn P100,000 from the stock market, you don't need to give 30+% of it to the government! You have no legal obligation to pay income taxes from income generated from the stock market. We're actually one of the few countries left that has this privilege. However, if you're a government employee, play it safe and declare this in your SALN.

It's about Financial Literacy

Now, my favorite reason why I highly encourage investing in the stock market is because you get to grow more as an investor. Investing in the stock market entails a lot more responsibility than making a one-time bank deposit. And because it requires a little more responsibility, you get to learn more. As a reward, you also get to earn more.

This is very important to me, because I believe that financial literacy is the solution to poverty. If every Filipino knew how to manage their money well, how to invest, and ultimately how to create wealth, we can become a first world nation again.

On the Stock Market

The previous section on investing focused on the “Why” questions. Now, this section focuses on the “What” and a little bit of “How” in the stock market.

8. What is the stock market?

The stock market is a place where you can buy and sell shares of stock of a publicly listed company. There are four key terms in that definition, which I will elaborate:

- **A Place:** It's a place called the Philippine Stock Exchange or PSE. They have two offices – one in Ortigas and one in Makati. But we don't need to go there in order to transact with them.
- **Buy and Sell:** That's why it's called a stock “market”. There are only select representatives called Trading Participants (or brokers) who can directly buy and sell shares of stock, though. For individual investors, we just transact with these brokers.
- **Shares of Stock:** Stocks, shares of stock, or shares (all used in the same way) represent ownership of a company. In a sole-proprietorship there is just one share of stock owned by the founder of the company. In corporations, there are multiple shares which can be owned by many different people. These are the shares which are bought and sold in the stock market.
- **Publicly-Listed Company:** Not all corporations are available in the stock market. The corporation must be a publicly listed company. A publicly-listed company is a business that offers its shares of stock to the public. This is usually done in order to finance its expanding operations. Now because the general public can invest, the company must first pass strict standards set by the PSE.

So to recap on what the stock market is just 4 things:

(1) It is a place where (2) you can buy and sell (3) shares of stock of (4) publicly listed companies.

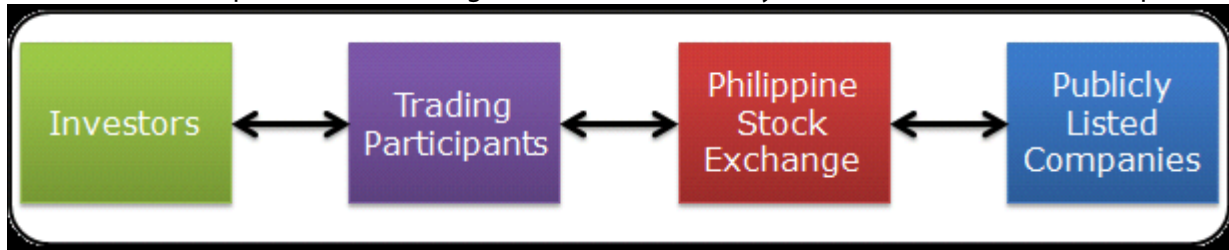


A picture of the trading floor of the Philippine Stock Exchange in Ayala, Makati City.

9. How does the stock market work?

There are three interactions between the four groups of people that make the stock market work. In the diagram below, we are the "Investors" and we only deal with the "Trading Participants".

However for a complete understanding of the market, I'll briefly describe the other relationships.



- **The Publicly Listed Company and the PSE** - The publicly listed company applies to the PSE so that they can be allowed to offer shares of stock to the public. The company must comply with very stringent requirements before the investments are opened to the public. The PSE protects you, the investor, and safeguards your interests.
- **The PSE and the Trading Participant (Broker)** - The PSE does not directly transact with us investors. Only Trading Participants licensed by the SEC are allowed to buy and sell shares of stock. This was done simply for control purposes and work simplification. The PSE prioritizes monitoring of Publicly Listed Companies while the Trading Participants deal with the investing public.
- **The Trading Participant and the Investor (You!)** - You will have to contact a trading participant or broker if you want to buy or sell shares of a particular company. For this, the broker will charge a very small fee for the buying or selling transaction. Brokers also provide you with information on which companies are good to buy in addition to their transaction services.

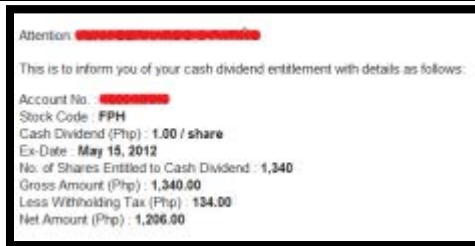
So in summary, this is how the Stock Market Works: (1) The PSE monitors and screens companies who would want to become publicly listed. (2) The PSE assigns trading participants to interact with the public for the buying and selling of shares. (3) The trading participants become the middle man between the PSE and the investing public.

10. How do I make money in the Stock Market?

Remember that in the stock market, you're buying ownership of businesses. So you make money the same way its business owners make money. These are through dividends and capital gains.

Dividends

The dividends are your share of earnings in the company as an investor. For example, last May 2012, the company, FPH (First Philippine Holdings) declared a dividend to be distributed among its shareholders. Each shareholder was to receive PhP1 per share. At that time I had 1,340 shares of FPH. This means I earned PhP1, 340 from my investment in FPH.



A common question that is asked here is that “why would the company declare dividends?” The answer to that is simply because they are also shareholders of the company. So in effect, by declaring dividends they are also paying themselves.

Capital Appreciation or Capital Gains

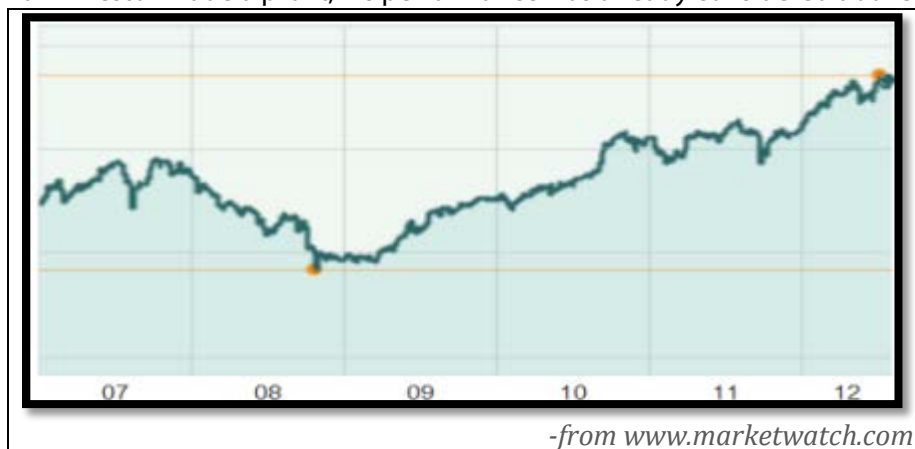
The second way is through capital appreciation. This simply means that company you own is worth more than when you bought it. For example, in January 4, 2010 a share of FPH costs P46.50. Two years later, the price of FPH was already P61.50 – a difference of P15 or 30%. So if you bought 100 shares of FPH, you could have made P1,500.

11. How much money can I make in the stock market?

The amount of money you can gain or lose in the stock market is always a percentage of the amount of money you put in. How high or low this percentage is dependent on how willing you are to learn and how disciplined you are in applying what you learn. Now, before I give you the numbers, it's important that you understand that a high percentage and a low percentage is often compared to the market average.

For instance, in the year 2011, I gained 30%. I personally think that this is just average given that 2011 was a very good year. In fact, in one of the seminars I was attending, the professor asked one of the audience members how much money he made in his stock trading, he answered 100%. He doubled his money in just a year! Amazing!

However, if we were in the year 2008, during the time of the financial crisis, the average return was negative! So if an investor made a profit, his performance was already considered above average.



Here's a graph of the Philippine Stock Exchange index (PSEi) for the past 5 years. This PSEi graph is useful because it is often used as a benchmark on how the market performed. As you can see, the PSEi was going down the whole year of 2008.

12. Isn't the stock market risky?

Yes. The stock market is very risky. And you'll be dealing with two kinds of risk: (1) Risk that's inherent in the market and; (2) Risk due to ignorance.

Inherent Risk in the Market

This risk exists because you can never correctly and accurately predict the price of a stock 100% of the time. One of the principles of forecasting (a process of making intelligent predictions), is that the more specific a prediction is, the more likely it is to be wrong. The opposite is also true in the sense that the more general predictions are more likely to be correct.

This simply means that a prediction that the stock price will increase by 10% tomorrow is more likely to be wrong, when compared a prediction that the price of the stock would have increased by 10% over the next 2 years. This is why investing in the short term is seen as more risky than investing for the long term.

The stock market is inherently risky because you can never predict the exact value of your investment. The good thing is that this amount of risk is acceptable if you acknowledge the fact that you could be wrong. With diversification and other investing strategies, this type of risk can be easily managed.

On the contrary, the inherent risk becomes a huge problem when the investor assumes that his prediction is going to be right. If he assumes that there is no chance of error, the investor will most likely have prepared no plans in the event that he is wrong. This is the much more dangerous type of risk we must be aware of, the risk due to ignorance.

Risk Due to Ignorance

The risk due to ignorance is perfectly expressed in one of my favorite (but highly underrated) quotes on investing.

"It's not the investment that is risky... It's the investor"
– From *"Who Took my Money?"*
by Robert Kiyosaki

Fully grasping this quote means that investments actually have little or no risk. There are only good investments, and bad investments. The risk comes when the investor doesn't know how to tell the difference.

When I read the quote above, I got really confused. I had to read it over and over again, because it challenged one of the oldest investing principles: "High risk, high return".

If Robert Kiyosaki was right, it meant that it was possible to get higher returns, without having to take on higher risks. All you needed to do was to become a smarter investor. This was puzzling, but at the same time empowering. With further study, I came across this text from the book "The Intelligent Investor"...

"It has been an old and sound principle that those who cannot afford to take risks should be content with a relatively low return on their invested funds. From this there has developed the general notion that the rate of return which the investor should aim for is more or less proportionate to the degree of risk he is ready to run. Our view is different. **The rate of return sought should be dependent, rather on the amount of intelligent effort the investor is willing and able to bring to bear on his task.** The minimum return goes to our passive investor, who wants both safety and freedom from concern. The maximum return would be realized by the alert and enterprising investor who exercises maximum intelligence and skill."

*-from "The Intelligent Investor"
by Benjamin Graham*

After reading this (especially the text in bold), I felt great. It felt great to know that success in the stock market didn't depend on chance. Rather, it depended on disciplined study.

13. How much money do I put in the stock market?

The kind of money that the average investor should put in the stock market is money that he or she won't be needing today, tomorrow, next year, or even 5 to 10 years from now. This is because you can never **exactly predict** what the value of your investment will be in the coming years. So even though the average annual return on the stock market (from 1989 to 2009) was 14% per year, future returns are never guaranteed.

The Biggest Problem in Investing

The biggest problem that can arise with investing is when your personal situation forces you to suddenly sell your investments for cash when the market is down.

Let's take the story of Mark as an example. Mark invested all his savings – amounting to P100, 000 – in the stock market. He hoped that someday he'd use it as down payment for a house. Unfortunately, he got into an accident where the bones in his leg got crushed. The medical fees were P100, 000. And even though his company offered medical benefits, his employer would only pay for P20, 000. So Mark had to find a way to pay for his share of P80, 000. The only other place he had money was in the stock market.

Unluckily, at that time, the market was down and the value of his investment was just P80, 000. That didn't surprise him, because it had already happened in the past. The value would go down and then it would go up again. It would go down and then it would go up again. Normally, he would just wait it out.

But this time was different. He couldn't afford to wait for his investment to go up. He had to pay the hospital. So, he withdrew his investment worth P80, 000, taking a loss of P20, 000. This is one of the most discouraging things that can happen when you put all your money in the stock market.

Make sure this doesn't happen to you!

In order to prevent the problem above, there are three ways to protect your investments from a sudden need of cash. I recommend that you do all of them, before you invest in the stock market.

1. Protect yourself with insurance. This is to make sure that when an accident happens (to you, your loved ones, your car, home, or business) it will be the insurance company that will be obligated to pay for it. At the same time, you won't need to cash out on your investments.
2. Shield yourself with an emergency fund. An emergency fund is a sum of money set aside just for emergencies. The general minimum of this amount is 6 months of your living expenses. This is for the unexpected things in your life which can't or won't be covered by insurance. So if you suddenly need money because you lost your job, you can live off your emergency fund until you find a new one.
3. Only put in money you won't be using for the next 5 years. In order to be able to do this, you should have a good grasp of the amount of money you'll be using. Don't forget to factor in the once a year expenses like birthdays and holidays. When the 13th month pay isn't enough to cover for your Christmas expenses, it would be very tempting to cash in on your investments.

14. How much time do I need to spend doing it?

It really depends on you and your investment strategy (I'll talk about the strategies later on). There are people who spend in total 1 hour per year. While there are those who go at it 8 hours per day!

When I was starting out, I took a look at my portfolio every hour! It was very exciting to see my money move up, and terrifying to see it move down. I kept on checking my portfolio, even though I really didn't "do" anything with it. That habit lasted for about two weeks, and then I got used to it. Seeing my money at -10%, and +10% didn't matter much anymore. Checking it frequently just became boring and well, a waste of time.

Now, I just spend 30 minutes every Saturday and Sunday to read up on the stocks I have. And once a month I spend a little more time to place my buy orders in the stock market. I now spend more time studying the stocks, rather than just staring at my portfolio and illogically cheering it on.

The important thing to know here is there is little or no relationship between the amount of time you spend 'buying and selling' to the amount of money that you can make in the stock market. Instead, the money you can make is proportional to the quality of investment knowledge you have learned and applied.

In the bestselling book, "The Millionaire Next Door", Thomas Stanley Ph.D. and William Danko Ph.D. studied the lifestyles of the wealthiest in America. They interviewed over 500 millionaires and over 11,000 high net-worth and/or high net-income individuals. They asked about their cars, suits, shoes, vacations, houses, worries, and more. Of course they also asked them about how long they kept their investments in a particular company. Here's what they found out:

- A whopping 90% of the millionaire investors in America are NOT active traders in the market. A great majority of them hold their stocks for a minimum of one year.

| Duration of Holding a Stock | Percentage of Millionaires |
|-----------------------------|----------------------------|
| Days only | 1% |
| Months to less than a year | 7% |
| 1-2 years | 20% |
| 2-4 years | 25% |
| 4-6 years | 13% |
| 6 years above | 32% |

- Millionaires spend more time studying far fewer offerings (companies). Thus, they can focus their time and energy to master their understanding of a much smaller variety of offerings in the market.

| Activity | Average Hours Per Month |
|--------------------------------------|-------------------------|
| Studying/Planning Future Investments | 10 |
| Managing Current Investments | 20 |

*-From "The Millionaire Next Door"
By Thomas J. Stanley Ph.D.
and William D. Danko Ph.D.*

15. Don't I need to have millions already before I can start investing?

Nope. With the widespread use of the internet, you can start investing for as low as P5, 000. The primary limitation before was that you needed a personal stock broker in order to be able to invest. So the stock brokers who had limited time had to set a minimum amount of investment before they accepted individual investors.

But today, there are online stock brokers who allow you to invest in the stock market on your own. All you need is a computer and a stable internet connection. You can send your buy or sell orders online. It's that easy. And because you don't go through the hassle of meeting and talking with a live person, the minimum starting amount is much lower.

Here are the websites of some online brokers. Take note that this list is not complete.

| Online Stock Broker | Website |
|--|--------------------------|
| BPI Securities Corporation | www.bpitrade.com |
| COL Financial Inc. | www.colfinancial.com |
| First Metro Securities Brokerage Corporation | www.firstmetrosec.com.ph |

Personally, I use COL Financial. I am not paid to promote them. I just highly recommend them, being a satisfied customer myself. They are the largest online brokerage in the country. They are also the most active when it comes to promoting stock market education. They even hold introductory stock market seminars every week at their office.

16. Isn't it stressful?

Stress and risk are highly related to each other. (See the answer to: Isn't the stock market risky?). If you're a risky investor, you're also a stressed investor. Stress comes from the feeling of being out of control, of not knowing what to do next. And not knowing what to do next is simply a cause of lack of information caused by the lack of research.

Imagine two college students taking a Calculus exam. Student A studied several weeks before the exam. Student B just started studying the night before. Who do you think would be more stressed before, during and after the exam?

Now let's bring the example to the stock market. Rick just heard the news that his officemate, Steve just made P30, 000 in one day from the stock market. He asked a friend for more information and to let him in on the next big thing on the stock market. A week later his friend tells Rick to invest in XYZ Company so that could double his money in a week. Rick gets excited over the news, and on the same day, invests his P100, 000 savings into XYZ.

The next day, Rick looks at his account... his money is just P90,000. He demands an explanation from his friend. His friend just laughs at him and explains that it will recover, and that it's just natural. His friend advises him to just look at his account 1 week later when it's already doubled. Rick being a very trusting guy follows the advice... One week later, he opens his account.... And boom.

Account Balance: P10, 000.

He just lost 90% of his savings in one week.

Imagine the stress Rick was going through. He blamed his friend for losing his money, and swore that he would never invest in the stock market again. Rick was unprepared and took on a lot of risk due to ignorance. Now, I'm sure he can't sleep at night because of the stress.

So if you don't want the stress, prepare. It's that simple.

17. It's too complicated! I'm not smart enough!

It's not complicated. It's just new, so take it in one at a time. A lot of people think that because I already know it, I think it's already easy. So to find out if it's really complicated, I did a little experiment. I logged on to my online account, and counted all the terms a 5th grader probably won't understand. I also counted the number of steps and clicks you had to make for the basic transactions. (Don't worry. I didn't hold back in counting the terms just to make it look easy.)

In the table below, you'll see the activity being done, the number of steps it took, and the number of terms which you'll see. I also made a distinction whether the stock market term is really useful.

| Activity | Number of Clicks/Steps | Number of Alien Terms | Number of NEW Alien Terms | Number of NEW Important Alien Terms |
|--------------------------|------------------------|-----------------------|---------------------------|-------------------------------------|
| Logging into the account | 3 | 4 | 4 | 1 |
| The Home Page | 0 | 33 | 29 | 2 |
| Checking Your Portfolio | 2 | 19 | 17 | 12 |
| Buying a Stock | 11 | 44 | 34 | 10 |
| Selling a Stock | 10 | 44 | 0 | 2 |
| Checking for Dividends | 2 | 6 | 6 | 5 |
| Total # of Terms | | | 90 | 32 |

Of the 90 new terms which will be shown to you when you start investing, you'll actually only have to remember 32 of them. The rest of the terms aren't really important.

This is just like the buttons in your TV/DVD remote. Count the number of buttons available in your TV remote, and then count how many of those buttons you actually use. Our TV remote has 49 buttons, but I just use 5 of those buttons: Power, Channel Up, Channel Down, Volume Up and Volume Down. If I show our TV remote to a person who has never seen a remote before, I'm sure they'll also say it's very complicated.

After you complete reading this guide, you'll be able to understand all those 32 terms plus a little bit more. And once you actually buy your first stock, you'll realize how simple it really is.

| | |
|---|--|
|  |  |
| <p><i>What you see when you open the order window.</i></p> | <p><i>What's actually important for your first buy.</i></p> |

On Getting Started

18. How do I start investing in the stock market?

There are three ways to get your money into the stock market. The key here is to find which best fits your desired style of investing.

#1 Through a Mutual Fund (Equity Funds)

A Mutual Fund is a type of investment wherein the money is pooled from many investors. These funds are professionally handled by the fund manager. Since there are several types of mutual funds, the one you should look for is an "Equity Fund", or a fund that has a percentage of it invested in the stock market.

In a mutual fund, you are not buying specific company. Instead, what you are buying are shares of that specific fund. So if the fund is invested in 10 different companies, your money is also invested in those 10 different companies. This also means that you no longer have to decide which companies to buy, and when to sell them. That responsibility is delegated to the fund manager. So if convenience is what you're after, an equity mutual fund may be for you.

2 Through a Traditional Stockbroker

A traditional stock broker is a living and breathing person who is licensed to give you professional advice on your investments. The good thing about this is that you can get advice made specific to your investing needs: Your investment goals, your timeline, and your tolerance to risk. A good stock broker will be able to advise you on what to buy, when to sell, and notify you of the upcoming opportunities. You can even assign some brokers to manage your portfolio for you while you go on vacation.

The many personalized services that come with this method entail a price – commonly in the form of higher commission rates and higher minimums for starting an account.

3 Through an Online Stock Broker

Investing through an online stockbroker is like being your own stock broker. On your own, you will be able to buy and sell stocks as long as you have a computer with access to the internet. Since everything is do-it-yourself, you will be paying the lowest commission rate possible (0.25%).

For the market tips and advice, your online broker will be providing you with tons of reports and market information. It would be up to you how to understand it and how to get the relevant details.

COL Financial, the online broker that I'm using, even created a short-list of companies which they highly recommend to their clients. They call it the Easy-Investment-Program or EIP. I'll talk about this more later.

19. Which among the three options should I pick?

Among these three options, what I generally recommend to starting investors is to start with an online stock broker. Here are the reasons why:

- **The minimum amount to start is just P5, 000.** This makes it accessible to almost anyone who has a source of steady source of income. New investors most probably haven't amassed the wealth required to get a full-service broker.

- **You're on your own.** You will read the company reports. You will decide which companies to buy, and which companies to sell. You will execute your buy and sell orders. You will manage your own portfolio. This means you stand to earn the biggest amount. And because you're the one doing everything... You get the biggest advantage:
- **You learn everything.** This is also the reason why I would recommend doing it on your own first, before getting a mutual fund. In a mutual fund, everything is managed for you. Your only responsibility is to write a check or make a deposit to the mutual fund company. (Developing the skill of writing a check and paying someone is very dangerous!). In effect, you're putting up all the capital, but taking none of the responsibility... From a business perspective, that's very risky.

I hope you don't misunderstand. I'm not saying that you shouldn't invest in mutual funds. In fact, I also have investments in mutual funds. But if you want to become a good investor, you'll learn much faster when you're doing it on your own.

20. How do I pick a stockbroker?

A couple of things which you should consider when selecting a stock broker are the following:

- **Broker's Fees** – For every transaction you make, the broker will get a certain percentage of that amount. The lowest that is allowable by the PSE is 0.25% of the transaction value. There are other fees which are mandatory such as VAT, PSE Transaction Fees, SCCP, and the Sales Tax. These other fees however would not vary from broker to broker.
- **Market Information Available** – The professional (non-generic) information and advice provided to you is the justification why brokers charge higher than 0.25%. This is why with online brokers (where only generic market information is provided), they just charge the minimum.
- **Trust, Reputation and Stability** - It is very important that you ensure your broker is registered with the Philippine Stock Exchange, and is not a scam. Here is a complete list of online and traditional brokers registered with the PSE. ([Broker Directory](#)). A ranking report by volume of transactions is also available in that link.

Overall, you should pick a broker who matches your investing needs. As a beginning investor with little starting capital, it would be best to pick brokers with the lowest fees. This way, more of your available money is put into stocks rather than transaction fees.



Take the Leap - Quick Tip!

There's no need to waste time picking and researching on brokers. Just choose Citiseconline (COLFinancial.com). They have the lowest fees. It's very easy to invest with them. And they provide a lot of market information. And they are the largest online brokerage in the country (stability).

On Basic Investing Strategies

In this section you'll learn about the different options you have for investing into the stock market. Some are simple, and some are a little complicated. Take a look at which one would be best for you.

22. What are the common investing methods?

There are three basic methods of investing: (1) the Buy and Hold, (2) the Peso Cost Averaging and (3) the Market Timing (or trading). Here you'll learn about each one, and why it works.

Buy and Hold

The buy and hold strategy is buying a stock and holding it until the end of time (meaning, until you want/need to get the money). This strategy is relatively stress-free, since you'll be ignoring the daily/weekly/monthly ups and downs of the market. This can be done when you have a sum of money that you don't really need now or later in the future – but you just want it off your hands. The important thing here is that you're not attached to the money. If it gets bigger, great! But if it gets lost, then you should still be okay.

With a buy and hold strategy, it's best to pick the giants of today's industry. Pick the companies that will most probably outlive you. These are the companies that have a history of expanding into new ways of making money. Here are some examples:

- PLDT used to be known only as a provider of telephone services. Then they expanded their business to also provide internet and cellular services. And much more recently, they even acquired a competitor, Sun Cellular.
- Jollibee Foods Corporation began by just selling Ice Cream. Then the business shifted to selling hotdogs. After the hotdogs, came the Yumburgers and Chickenjoy. When they couldn't sell any more chicken, they bought Greenwich. This marked their entrance in the pizza-pasta business. Now they own Chowking, Red Ribbon, and Burger King Philippines. And I'm sure you heard the news that they purchased Mang Inasal.
- San Miguel Corporation has been recognized for its world-famous San Miguel Beer. But aside from this product, SMC has had a history of expanding into new businesses. Some of these businesses are: Meralco, Philippine Airlines and Petron Corporation. Clearly, San Miguel Corporation will keep on evolving to thrive in the ever changing market.

Now, I'd like to show you how much money could have been made if we did a buy and hold strategy on these companies. If P10,000 was invested in Dec 1, 2000, that amount would now be:

| Stock | Price / Share (Dec 1, 2000) | # Shares Purchased | Price as of Dec 1, 2011 | Total Value (Dec 2011) | Effective Ann. Return |
|------------------------|--------------------------------|-----------------------|----------------------------|---------------------------|--------------------------|
| PLDT (TEL) | P800 | 12.50 | P2,470.00 | P30,875.00 | 10.79% |
| Jollibee (JFC) | P10 | 1000.00 | P88.00 | P88,000.00 | 21.86% |
| San Miguel Corp. (SMC) | P44.546 | 224.49 | P123.10 | P27,634.36 | 9.68% |

A Word of Caution: There is no guarantee that investing in these same companies today will yield the same returns 11 years from now. In fact, if it was the year 2009 – and you had put your money in San Miguel Corporation, your returns would have been negative in 2012.

Peso Cost Averaging

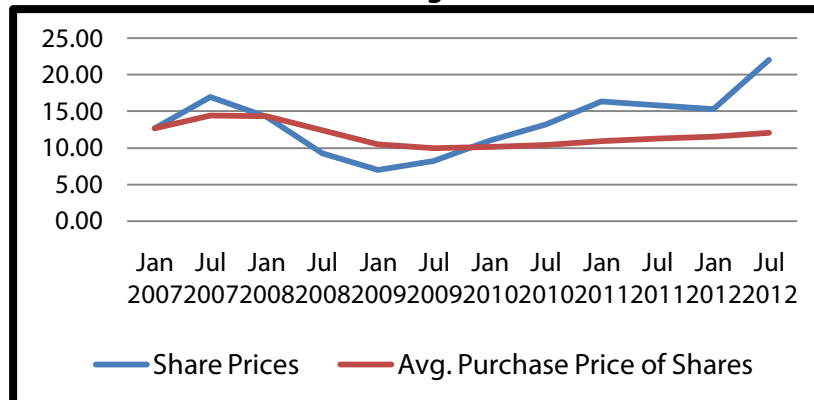
The peso cost averaging is a simple, safe and effective way to make money in the stock market. However, it requires more discipline than the buy and hold strategy. The peso cost averaging strategy is investing a fixed amount of money in a good company at fixed intervals, regardless of its price. This way, you spread out the risk of buying at expensive prices, at the same time take advantage of the opportunities at cheap prices.

Here is an example to show you how this works. Let's say that we've decided to invest in Ayala Land Incorporated (ALI) last January 2007. And we've set aside P5, 000 for investing every six months. This means every January and July, P5, 000 will be used to purchase stocks of ALI, regardless of the price.

The following table shows the prices of Ayala Land Inc, at six-month intervals. In the table below, I'd like you to notice how the number of shares purchased varies with the price per share. If ALI's price increases, the number of purchased shares decreases. And if ALI's price decreases, the number of purchased shares increases.

| Peso Cost Averaging – Ayala Land Incorporated (Jan 2007 to July 2012) | | | | |
|---|-----------------------|------------------------|-------------------|-------------------------------|
| Date | ALI Price (P / share) | # of Shares Purchased* | Total # of Shares | Ave. Purchase Price of Shares |
| Jan-07 | 12.71 | 300 | 300 | 12.71 |
| Jul-07 | 17.00 | 200 | 500 | 14.42 |
| Jan-08 | 14.25 | 300 | 800 | 14.36 |
| Jul-08 | 9.30 | 500 | 1300 | 12.41 |
| Jan-09 | 7.00 | 700 | 2000 | 10.52 |
| Jul-09 | 8.20 | 600 | 2600 | 9.98 |
| Jan-10 | 11.00 | 400 | 3000 | 10.12 |
| Jul-10 | 13.25 | 300 | 3300 | 10.40 |
| Jan-11 | 16.38 | 300 | 3600 | 10.90 |
| Jul-11 | 15.80 | 300 | 3900 | 11.28 |
| Jan-12 | 15.28 | 300 | 4200 | 11.56 |
| Jul-12 | 22.05 | 200 | 4400 | 12.04 |

Actual Share Prices vs. Average Purchase Price of Shares



Notice that even if the prices have gone up in January 2011, the average purchase price still remains lower. This is because a lot more shares were purchased during Jul 2008 to Jan 2009.

**the # of shares purchased is by the 100's because of the lot size restriction. See "Part 2. What does lot size mean?"*

Because you're able to purchase more shares when the price is low, the weight of the lower prices is greater. As a result, the average purchase price also goes lower. This is the magic of peso-cost averaging. By buying at fixed intervals, with fixed amounts of money, you take advantage of the price fluctuations.

Market Timing

Market timing is also known as stock trading. This means actively watching the stock market for opportunities to buy at the lows, and sell at the highs. Market timing requires more skill, time and dedication. At the same time, it is also a lot more exciting.

If you're willing to check on the stock market daily, and you want the excitement, this may be for you. With timing the market, you can double your money in a week! But at the same time, the reverse could happen. You could also lose half your money in that same week if you're not careful. This rush of winning and losing is the reason why the stock market is often likened to gambling.

While the concept of timing the lows and selling at the highs seems simple, it requires knowledge of a science called technical analysis. Technical analysis is a technique where you look for patterns in the stock charts, and look for different market indicators. Just to show a preview of some things you should know if you plan on doing this, take a look at this chart.



I won't be explaining here how to read this chart. But later, I'll be giving references which I used in order to understand what technical analysis is all about in "Part 2: On More Learning" Section.



Take the Leap - Quick Tip!

Of these three strategies, the best strategy for the new investor is peso cost averaging. You don't need to have huge amounts of capital. You spread your risk. You only need to check on it, once or twice a month. It's best for a long-term investment.

If you already have a huge amount of money set-aside (say, P100,000 and above), divide that portion into 6 portions (or so) and slowly invest it into the stock market using the peso-cost averaging.

23. How do I know which companies to buy?

Professionals use two approaches in deciding which companies to buy: Fundamental analysis and Technical analysis. Before I explain these two methods, please be reminded that the people who do it are professionals. Meaning they spend majority of their work week performing these kinds of analyses.

Now, rest assured though that you do not need to learn how to do this. I'm just discussing it here so that you have an idea on how it's done. *(In the next section, I'll be sharing with you a very practical and convenient of investing wherein you can leverage on the expertise of these professionals.)*

Fundamental Analysis

Fundamental analysis is a technique that estimates the potential value of a stock by focusing on underlying factors that affect a company's business and its future growth. The approach is usually done in a top-down manner, from general to specific. The following example I'll be giving is extremely broad. Don't get scared or overwhelmed, since you don't need to do this. I'm just sharing it so you understand the depth of this technique. The following list is the series of questions one would need to answer using the fundamental analysis approach on a global level.

- Which region is growing? Europe? North America? Asia?
- Which countries in that region have the highest potential for growth?
- Which industries in that country drive the growth?
- Which companies are the leaders in those industries?
- Will these companies continue to be the leader in their industries?

Again, don't worry because you don't need to do this when you start investing. When I was still starting out in studying how to invest in the stock market, this was one of the first things that I read. And it overwhelmed me. I felt that I had to read my book on Econ 101 again! (I was supposed to say "Econ 101 notes" but then I remembered that I didn't take down notes when I was in college!)

Fundamental Analysis: Simpler Version

To make fundamental analysis easier, the best first step is to start with what you already know. Start by identifying the products that you already use and find out who makes them. You'll be surprised that the makers of those products and services are listed in the stock market.

Which fast food restaurants do you eat in? - Take a look if it's owned by Jollibee.

Do you use electricity? (Of course you do) - Find out more about Meralco.

Who provides your water? - If it's Manila Water, study MWC (Manila Water Corp).

Where do you shop? SM Malls or Ayala Malls? Either way, both are listed in the stock market.

What banks do you go to? Which airlines do you use for travel? Where do you work? Who provides your internet? What about your sim card? If you closely take a look at all of the things you use, you'll have multiple companies with which you can start your research.

For each of these companies, your goal is to find evidence that these companies will continue to grow in the future. If you can't find any evidence, then don't put your money in it. The more evidence you have, the better your chance of making a good choice.

Which can convince you to buy a stock?

The following list contains examples of "evidence" which you could encounter when studying these companies. As you go through the list, you'll observe that there are pieces of evidence which you'll find ridiculous. I've put them there because there are people who buy stocks based on it. Also you'll find these ridiculous statements slowly turn into possibly reasonable ones with a few changes.

| Which are good enough reasons for you to buy a stock? |
|---|
| 1. The market share of company XYZ's major product A increased by 10%. |
| 2. The net profit of Company XYZ increased by 10% this year. |
| 3. Company XYZ's net profit has been growing consistently for the past 10 years. |
| 4. A guy on the road who was randomly interviewed on TV said, "There are too many condos here in Metro Manila! I don't even know anyone who buys them." |
| 5. A guy on the road, dressed in a suit who was randomly interviewed on TV said, "I can afford those condos. But I've never considered buying them." |
| 6. A professor of economics who was being interviewed on TV said, "There are already too many condos in Metro Manila. I don't know why these developers are still building them." |
| 7. A representative of Ayala during an interview said, "Our research shows that there is a lot of demand for condominiums. Come 2015, all these units would be sold out. So it would be best to buy them now as they're pre-selling at a discounted price." |
| 8. My boss just invested P10m into company XYZ! |
| 9. My boss, who's well connected with other investors just invested into company XYZ! |
| 10. My boss, whose wife is a mutual fund manager of an international bank, just invested P10m into company XYZ! |

As you do your research, you'll be able to uncover a lot of information. Some will make sense, some won't. Some evidence will be based on 10 years of performance, while some will be based on the latest rumors. In the end, it will be up to you to decide because it's your money that will be at stake.

Technical Analysis

Technical Analysis is a technique which estimates the future value of a stock by reviewing historical price charts and patterns. The major assumption in technical analysis is that everything that has happened and is happening is already factored into the stock price. And therefore, by studying the stock price alone, you have already factored in everything that could affect the price including fundamental factors and the market psychology.

In short, you only consider the price of the stock with technical analysis. This is in contrast with fundamental analysis where everything seems like a factor to consider. This makes technical analysis look a lot simpler, making more people want to try it out. The dangerous thing is that it's not that simple and it would take more than reading a few articles on the internet to learn this skill. In fact, the seminars on this (offered by CitisecOnline) have two sessions, each one going for at least 4 hours.

I have decided to end the discussion on technical analysis here. The reason is that I do not want to encourage you to try it without more in-depth training. At this point, it is enough that you know that Technical Analysis exists. Now, if you want to learn more, I've provided references at the last section of this guide.

24. Fundamental and Technical Analysis seem like a lot of work! Is there another way?

Yes, there is a better, easier, safer and more effective way to do it!

It's to learn from experts. Isaac Newton, one of the most influential scientists of all time said, "If I have seen further, it is by standing on the shoulders of giants." So even though you're new to the stock market, if you look up and follow the experts, you can get good returns on the stock market. At the same time, you will be able to learn a lot because you're still the one responsible for managing your money.

I call this method "Practical Investing". And I love it because it's the way the majority people (especially those who don't have time) can safely and profitably invest in the Stock Market.

On Practical Investing

Practical Investing is a method of investing wherein you simply follow a stock recommendation list given by experts in the Stock Market. This way you get to leverage on their time and talent when it comes to picking stocks.

25. Who are these experts that can guide me in my investing?

There are a lot of sources online wherein you can get this guidance. A few are great, some are okay, and many are just plain risky. So to answer this question, I will just recommend the best one. I believe that this expert is the best because of the consistency, reliability, integrity and ease of use.

The Best Source: Bo Sanchez's Stocks Update

Bo Sanchez is the author of the best-selling book: My Maid Invests in the Stock Market. Bo Sanchez actually taught his maids and drivers how to invest in the stock market. The latest news that I read was that his maid already had P100, 000+ in her portfolio. (Yes, he's that good in teaching the stock market.) Bo's motto was that if he could teach his maids how to invest in the stock market, he could teach it to anyone! So, when he already mastered making the stock market simple and easy, he created the "StocksUpdate".

The Stocks Update is a 5-7 page article which contains stock recommendations and the reasons why that company is being recommended. The best part is that it answers the **4** most important questions you'll have as a stock market investor:

- What company should I buy?
- At what price should I buy it?
- When should I sell it?

The following picture shows a snippet of the StocksUpdate. In just one look, you'll be provided with the answers to the 3 questions above:

This stocks update is the April 25, 2012 issue. The recommended stocks and the prices would have changed by the time you read this.

As of April 25, 2012 closing prices...

| STOCK | Current Price | Buy Below Price | Target Price | Action to Take |
|-------|---------------|-----------------|--------------|---------------------|
| 1 AP | 30.25 | 2 32.23 | 3 37.06 | Stop buying for now |
| BPI | 72.50 | 69.57 | 80.00 | Stop buying for now |
| CEB | 68.10 | 94.96 | 109.20 | Continue buying |
| EDC | 5.88 | 7.27 | 8.36 | Continue buying |
| FPH | 63.00 | 93.18 | 108.20 | Continue buying |
| JGS | 29.40 | 34.78 | 40.00 | Continue buying |
| MBT | 86.00 | 93.91 | 108.00 | Continue buying |
| MEG | 1.90 | 2.58 | 2.97 | Continue buying |
| SMPH | 16.30 | 17.39 | 20.00 | Continue buying |

| Question | Answer | Explanation |
|---------------|-----------------------|--|
| What Company? | (1) - Stock | The AP, BPI, CEB... are the stock codes identifying a particular company. AP is Aboitiz Power, BPI is the bank, and CEB is Cebu Pacific. |
| What Price? | (2) - Buy Below Price | This is the maximum price that you should be willing to pay for that stock. Anything below the buy below price is considered "cheap" for that company. So if the current market price goes near the buy below price, then that's the time you stop buying. |
| When to Sell? | (3) - Target Price | This is the target selling price. So for AP, when the price reaches P37.06 or higher, that's the time to sell it. |

The Value of the "Buy Below Price"

Remember that to make money in the stock market, you need to "Buy Low, then Sell High". So if you "Buy High" (or at a price wherein the stock is already expensive) there would be little or no space left for you to make money. This is why the buy below price is very important.

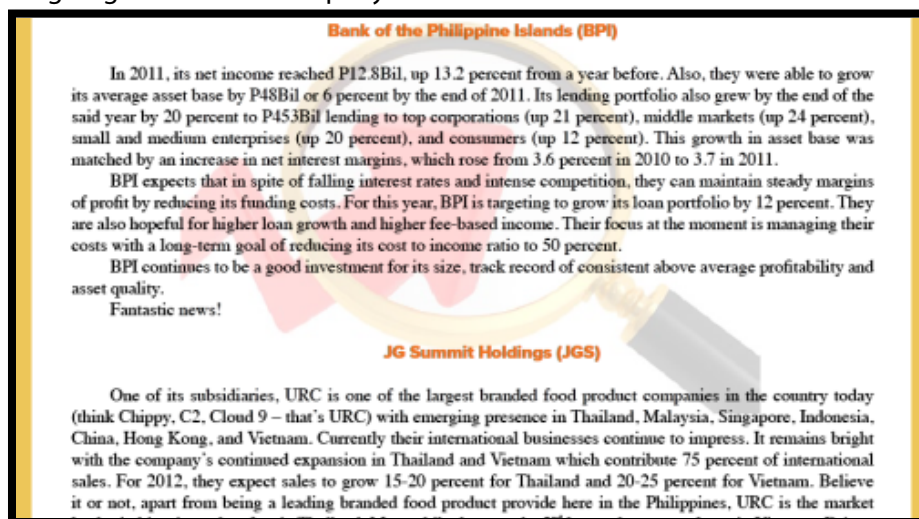
It is because of this Buy Below Price that investors are able to confidently invest their money in the recommended companies. Investors who understand this concept clearly, know that as long as they follow the buy below price, they are maximizing the use of every hard-earned peso they have.

Learn and Earn at the Same Time

By the way, did you notice that I said there were 4 questions, but only gave you 3? Well, here's the last one. The last and most important question that should be asked by an investor is:

- Why?

In the StocksUpdate, the "why" is answered by providing you updates on those recommended companies. You get to learn about the company's net income, expansion plans, growth targets, assets and liabilities, and other relevant financial information. The following picture is a snippet from the StocksUpdate, and you'll be able to read there why BPI was being recommended in this particular issue. So with the StocksUpdate, you get guided on what to buy, and at the same time you're also learning what's going on with the company.



26. How were the recommendations in the StocksUpdate made?

It's a combination of Fundamental as well as some Technical Analysis. With regard to the specific steps however, it's not publicly available. However, this stock recommendation list is considered to be best because of the minds that created it.

The Stocks Update Mastermind

The "mastermind" of the StocksUpdate is actually not Bo Sanchez, but his good friend and mentor Edward Lee. Edward Lee is not that popular to the average Filipino, but in the world of the stock market, he's a giant.

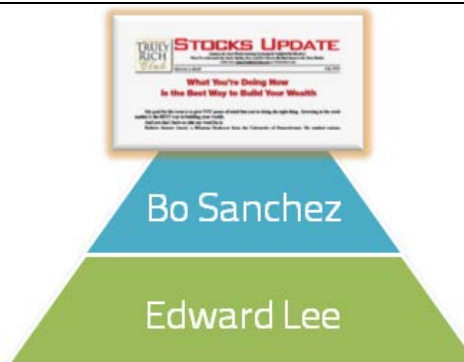
Edward was introduced to the stock market at a very young age of 18. And at that time, he was fascinated by it, and even borrowed other people's money to invest it. One year later, the stock market crashed, and he was completely wiped out. He was even buried in debt because he used borrowed money for investing!

But, thankfully for all of us, that stock market crash taught him a lesson. He persevered, and recovered, and continued studying and investing in the stock market. Today, (35+ years later...) he is a stock market giant. He's the founder of COLFinancial, the online broker that I'm recommending to you, and he is also a self-made b-b-b-billionaire! (Yes, with a B!)

Standing on the Shoulders of 2 Giants

The best way to look at the StocksUpdate, then, is to see it as a product of 2 giants: Edward Lee the stock market genius, and Bo Sanchez, the brilliant and inspiring motivational speaker.

Edward Lee provides the technical expertise of the recommendations. Then, Bo Sanchez translates the recommendations into a simple and entertaining manner in the StocksUpdate.



27. How do I get a copy of the StocksUpdate?

The StocksUpdate is actually a benefit of being a member in the Truly Rich Club. The Truly Rich Club is an online by membership group created Bo Sanchez. It's called "Truly Rich" because the members are taught not only to be financially wealthy, but also how to be blessed in the areas of life: relationships, career, spirituality, health, and of course finances.

Bo believed that being rich is useless if you're not healthy, or if you don't have energy to enjoy your money. Having a lot of money would also be useless if you don't have people to enjoy it with! That's why he's takes on a very holistic and practical approach to achieving financial abundance in the Truly Rich Club.

As a member, you get e-books, recordings of live seminars, financial newsletters aside from the StocksUpdate. Now, I'll just give a quick run through of the things you'll get as a Truly Rich Club member because I believe that this is the best guidance you can get as you start investing.

The Truly Rich Club Member Benefits

In the following table, I've lined out the things you'll get as a member including the StocksUpdate.

| Benefit | What is it? |
|------------------------------------|--|
| 1. StocksUpdate | Your ultimate step-by-step guide to investing in the stock market (as shown in the previous sections). |
| 2. Power Talks | These are the best of Bo's seminar recordings every month. These are inspirational and transformative talks that will teach you how to live the life that you would want for yourself. (Sent twice a month) |
| 3. Success Mentors Collection | These are interview recordings of Bo with his mentor's like Edward Lee (stock market), Larry Gamboa (real estate), and many others. Through these interviews, you get to learn not only from Bo, but other experts as well. (Sent quarterly) |
| 4. Wealth Strategies | This is a newsletter that gives you financial education. Topics range from the principles of abundance, to the nitty-gritty details of business, insurance and other investments. |
| Bonus: Free Learning Materials! | These are the one-time bonuses that you'll receive when you sign-up: Audio: How to be Truly Rich Seminar E-book: How to Turn Thoughts into Things E-book: How to Conquer Your Goliaths |
| Bonus: Earn Online as an Affiliate | As a member of the Truly Rich Club, you're also given the opportunity to earn online. If you share the Truly Rich Club with friends and family (and they sign-up) using your link, you will get to earn a commission. This is just to give the members a taste of "passive income". <i>Please take note that this is only a bonus and it's purely optional.</i> |

100% Transparency Disclaimer: Since I am a member of the Truly Rich Club, I have the bonus opportunity to earn some income from it. So when you sign up using my link, I will get a commission from your subscription. However, income aside, my recommendation is always based on my personal experience that the product provides excellent and valuable service.

Stock Market for Pinoy's Affiliate Bonus: Now, since I'll be earning a small amount of money when you join the Truly Rich Club using my link (visit www.StockMarketforPinoy.com/trc/begin), I'd like to give you additional bonuses when you sign-up, just as a thank you.

The Membership Cost

Membership to the Truly Rich Club is not free. I am currently paying P497 per month (roughly P17/day) to get these benefits. There are also other membership options which have different prices and benefits. The details however, need not be discussed here. However, what I think you'll find interesting is that there's a "30-day 'no-questions-asked' money back guarantee". Meaning you can try out the membership, get 100% access to the materials, and then if you don't like it, just ask for a refund. They will give your money back, with no questions asked. So, there's absolutely no risk to just try it out.

28. Interesting... So it's okay that I just follow the Truly Rich Club list?

You have to read this section first. You see, the only time following a stock recommendation list would be irresponsible is if you act on it blindly, without knowing the source and its credibility. Let me explain using this story:

There was a young and beautiful girl who lived in a hut by the ocean named Marimar. Her evil aunt, named Angelica, told Marimar that his husband Sergio has been cheating on her.

Being very gullible, Marimar believed Angelica and went home crying to seek comfort from her dog, Polgoso. Marimar was so angry and hopeless (and irresponsible) that she packed her things and left the country without saying goodbye to anyone. During the trip, she got into an accident, and died.

Now, Marimar failed to do something that she should have done after she got the information. She should have first checked the credibility of two things: the credibility of the source of information and the credibility of the information itself.

(For the benefit of the very young readers, the above story is just a reference to the 1994 Telenovela entitled Marimar. It was a show that swept the Philippine TV during its time. I still have the introductory song memorized! Oh and the story above wasn't the real plot of the show.)

Anyway, whenever you're following a stock recommendation list, it is a must to know the credibility of the source and the reliability of the information. Plainly speaking, you need to ask:

- Who is the person making the recommendation? (Source Credibility)
- How well have these recommendations been performing? (Information Credibility)

Truly Rich Club Credibility

The founder of the Truly Rich Club is Bo Sanchez. He is a spiritual preacher, best-selling author, publisher, international speaker, entrepreneur, millionaire, philanthropist, father and a husband. He has built many ministries for the poor and less fortunate, he has achieved many awards, and the list of his accomplishments is just too many to mention here.

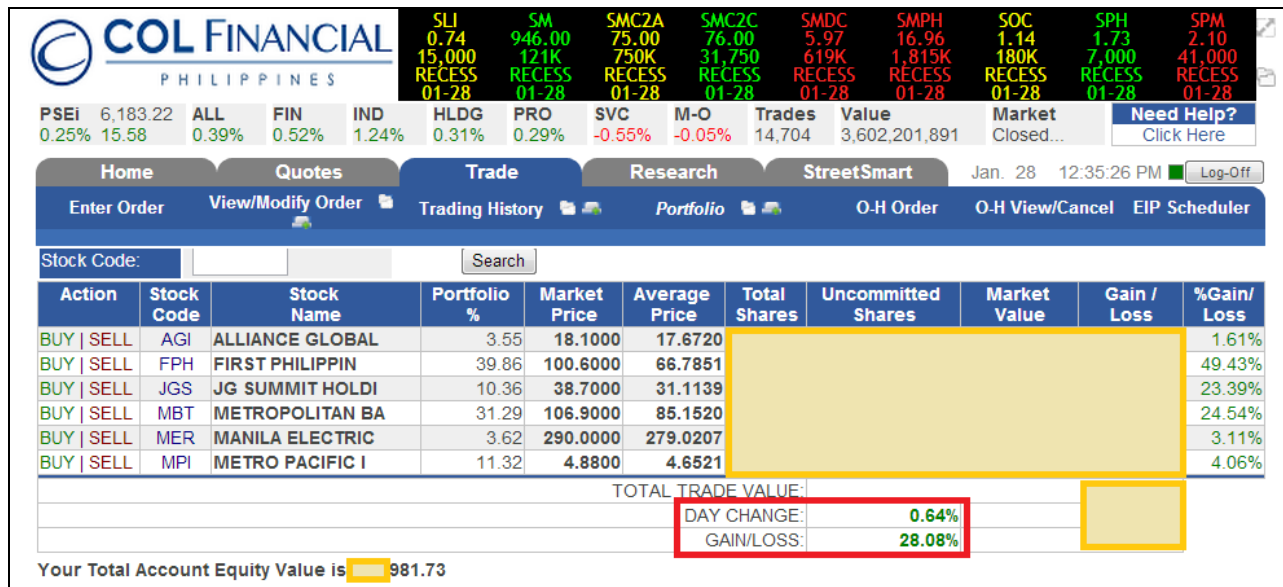
Now, I'd like to make something clear here: Bo Sanchez is not a stock market expert. In fact, if he was the one doing the analysis, I wouldn't be so comfortable following the recommendations. However, I'm a strong believer of the Truly Rich Club recommendations because of Bo's mentor and partner in the stock market, Edward Lee.

Edward Lee is known as the "Warren Buffet" of the Philippines. He is a self-made billionaire and the chairman and founder of CitisecOnline. He started investing in the stock market when he was only 18 years old. Today he has almost 40 years of experience under his belt. It is because of Edward Lee that the credibility of the Truly Rich Club is unrivaled.

Under the guidance of Edward Lee, the Truly Rich Club has been recommending stocks for the past 2 years. And so far, the performance has been stellar. Here is a list of the past winners of the Truly Rich Club this 2012.

| STOCKS | STOCK SYMBOL | TIME RECOMMENDED | ESTIMATED TIMEHELD | PRICE RANGE | ESTIMATED RETURN |
|--------------------------------|--------------|---|--------------------|--------------------|------------------|
| Ayala Land | ALI | June 2011 to February 2012 (3 rd week) | 9 Months | P15.09 to P21.65 | 35% |
| Nickel Asia | NIKL | February 2012 to March 2012 (3 rd week) | 2 Months | P23.75 to P26.20 | 10.32% |
| Bank of The Philippine Islands | BPI | February 2012 to November 2012 (4 th week) | 10 Months | P68.45 to P91.00 | 34.29% |
| Ayala Corporation | AC | October 2012 to December 2012 (2 nd week) | 2 Months | P440.00 to P520.00 | 17.65% |
| SM Prime Holdings | SMPH | February 2012 to December 2012 (1 st week) | 10 Months | P12.48 to P17.00 | 27.75% |

(Not all of the stocks recommended are here because some of them are still being held by the members – simply speaking, the fight is not yet over with the other stocks because they are still in the portfolio, just like what you're going to see in the next picture....)



COL FINANCIAL PHILIPPINES

PSEi 6,183.22 ALL 0.25% 15.58 FIN 0.39% 0.52% IND 1.24% 1.24% HLDG 0.31% 0.31% PRO 0.29% 0.29% SVC -0.55% 0.1-28 M-O -0.05% 0.1-28 Trades 14,704 Value 3,602,201,891 Market Closed... Need Help? Click Here

| Action | Stock Code | Stock Name | Portfolio % | Market Price | Average Price | Total Shares | Uncommitted Shares | Market Value | Gain / Loss | %Gain/Loss |
|------------|------------|-----------------|-------------|--------------|---------------|--------------|--------------------|--------------|-------------|------------|
| BUY SELL | AGI | ALLIANCE GLOBAL | 3.55 | 18.1000 | 17.6720 | | | | | 1.61% |
| BUY SELL | FPH | FIRST PHILIPPIN | 39.86 | 100.6000 | 66.7851 | | | | | 49.43% |
| BUY SELL | JGS | JG SUMMIT HOLDI | 10.36 | 38.7000 | 31.1139 | | | | | 23.39% |
| BUY SELL | MBT | METROPOLITAN BA | 31.29 | 106.9000 | 85.1520 | | | | | 24.54% |
| BUY SELL | MER | MANILA ELECTRIC | 3.62 | 290.0000 | 279.0207 | | | | | 3.11% |
| BUY SELL | MPI | METRO PACIFIC I | 11.32 | 4.8800 | 4.6521 | | | | | 4.06% |

TOTAL TRADE VALUE: [redacted]

DAY CHANGE: 0.64%

GAIN/LOSS: 28.08%

Your Total Account Equity Value is 981.73

The picture above is a screenshot of my portfolio just this January 2013. Some parts have been blocked out for personal reasons, but you may direct your eyes to the rightmost column which shows the percentage gains. This is a portfolio that follows the Truly Rich Club recommendations, and as you can see, it's making good returns. Some of these stocks have been held for almost one year, while some of the stocks have been only there for a couple of months.

With that, I really encourage you to join the Truly Rich Club as you start investing in the stock market. It's the best guidance out there, and you a complete education package for your financial education.



Take the Leap - Quick Tip!

Join the Truly Rich Club. With the StocksUpdate newsletter it would be like you have an expert baby sitter for your investing. You'll know exactly: (1) What companies to buy. (2) When exactly to buy them. (3) At what prices to buy them. And (4) When to sell them.

Important: When you sign-up, remember to sign-up through any of the links in this book, or in the stockmarketforpinoy.com [website](#). That way, I'll be able to give you exclusive bonuses and step-by-step tutorials on how to invest the Truly Rich Club Way.



Truly Rich Club Links

1. [Signing-up and Getting the Stock Market for Pinoy.com Bonuses](#)
2. [Truly Rich Club More Information Page](#)
3. [Performance Review of the StocksUpdate Recommendations](#)
4. [Video Tour of the Truly Rich Club](#)

Part 2: Exploring the Stock Market

This part is purely optional, however, it is suggested that you still read it. I've only included this part for people who are more curious than the rest. So there are actually many investors who have no clue about the topics listed below and it doesn't hurt them (even if they don't know it). But of course, the more you know the better right?

On the Philippine Stock Exchange

This section deals with nice-to-know details regarding the Philippine Stock Exchange. The information here has very little to do with investing in the stock market. I just put this here for those who are a bit more curious than the rest.

29. How many companies are in the Stock Market?

As of 2012, there are 344 listings in the Stock Market. While five years ago (2007) there were only 244 listed companies.

30. How "big" is the Philippine Stock Market?

The size of the market is measured by market capitalization. This is the total market value of all listed companies in that particular stock market. In the table below, it is easy to see that our stock is still very small when compared to others.

| Stock Market | Market Capitalization | Number of Listings | As of |
|---------------------------|---|--------------------|----------|
| New York Stock Exchange | 14,242,000,000,000.00 (14.2 Trillion USD) | 2,308 | Dec 2011 |
| Toronto Stock Exchange | 10,920,000,000,000.00 (10.92 Trillion USD) | 1,498 | Jan 2012 |
| Tokyo Stock Exchange | 3,300,000,000,000.00 (3.3 Trillion USD) | 2,292 | Dec 2011 |
| Hong Kong Stock Exchange | 2,190,000,000,000.00 2.19 Trillion USD | 1,421 | Nov 2011 |
| Korea Exchange | 1,100,000,000,000.00 (1.1 Trillion USD) | 1,757 | Dec 2007 |
| Philippine Stock Exchange | 230,823,529,411.00 (9.81 Billion USD) | 344 | Mar 2012 |

Don't worry about the size of our market though, because the size of the stock exchange doesn't limit the amount of money which you can make.

31. Why do companies get listed in the Stock Market?

Companies get listed in the stock market in order to raise huge amounts of capital without having to borrow money outright. This is a very cost-effective way of raising money since they won't need to pay for interest. With the stock market, they sell their shares of stock (their ownership) to the public – and just share the profits (through dividends) to their stockholders.

32. What are the requirements for a company to be listed?

The Philippine Stock Exchange is the entity responsible for screening companies who wish to be part of the PSE. Currently there are three boards (or segments) from which companies can get listed in: the First Board, Second Board and the SME (Small and Medium Enterprise) Board.

The first board caters to companies with market capitalization of at least P500 Million. The second board is for companies with market capitalization of at least P250 Million. Lastly, the SME board is for companies with market capitalization of P20 Million to P100 Million.

The following table is a quick summary of the standards set by the PSE for the three boards. For the more detailed requirements you can view it by following this link:

| First Board | Second Board | SME Board |
|--|--|---|
| <p>A track record of profitable operations for three full years; OR A market capitalization of P500m provided that it has a five-year operating history; OR Net tangible assets of P500m provided that it has a five-year operating history.</p> | <p>The applicant company must demonstrate its potential for superior growth to the exchange; It must have an operating history of at least one year prior to its listing; and At listing, the market capitalization of the company must be at least P250m.</p> | <p>The applicant company shall be evaluated based on the following: The integrity and capability of the company's management and its controlling stock holders; The company's prospect of further growth and profitability; The viability of the business and sustainability of the projected earnings stream; and The company's lack of existing material conflicts of interest.</p> |

-From www.pse.com.ph



Philippine Stock Exchange Links

1. [Philippine Stock Exchange Main Website](#)
2. [PSE Standards on Screening Companies](#)
3. [PSE List of Accredited Online Brokers](#)

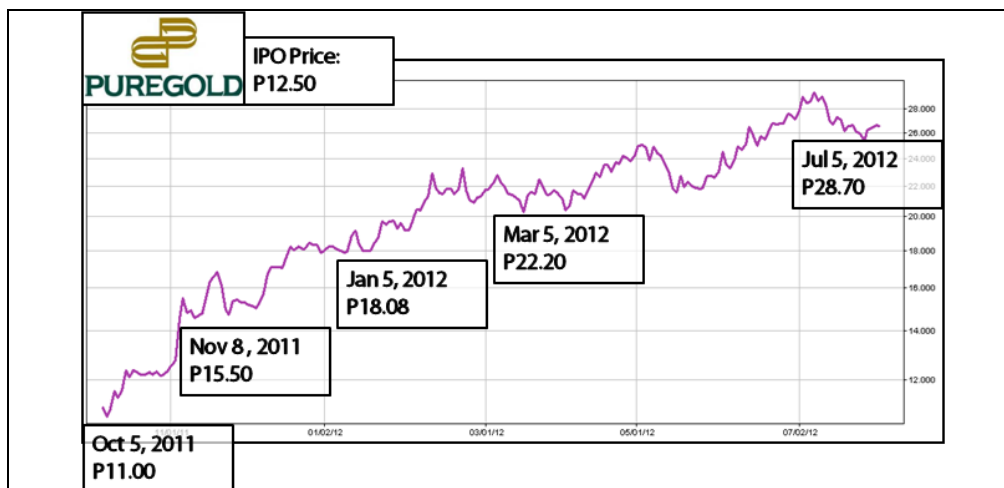
On Initial Public Offerings (IPO)

33. What is an IPO?

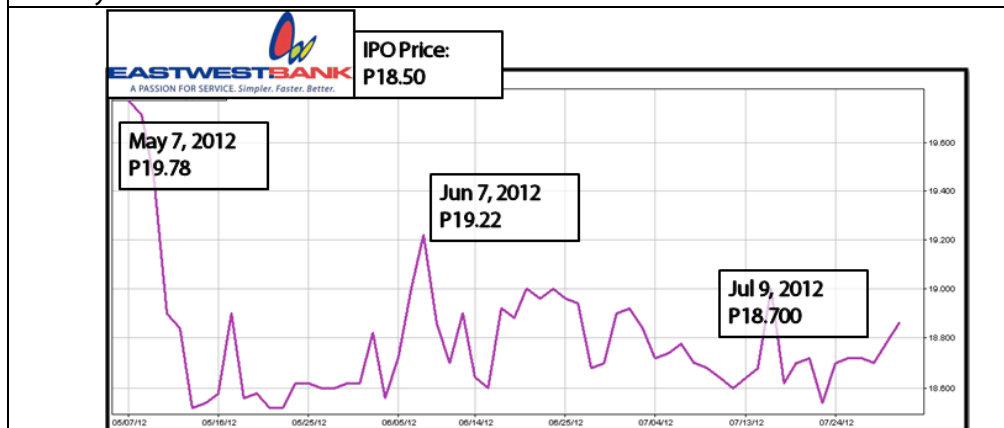
An IPO is short for 'Initial Public Offering'. This refers to the first time the public is given an opportunity to buy shares of a newly publicly listed company. Of course, this happens after PSE screens the company in order to protect the investing public.

IPOs are very exciting since it may present an opportunity to make a lot of money. Actually, the investing public is a bit biased towards IPOs. People remember, retell and exaggerate the money they made on the successful ones; while the IPOs that failed or performed less than spectacular are quickly forgotten or castigated (you may have read a lot of stories about Facebook's IPO on the internet).

Here are three IPO examples, and their stories:



PureGold's opening day was actually a bad day. Its opening price was P12.50, but it closed at P11.00. If you sold your shares immediately on that day, you would have already lost 12% of your money. However, for those who stuck with it for the next couple of months, they would have nearly doubled their money.



East West Bank's IPO opening day seemed like a good start since its price shot up to P19.78 from P18.50. However you'll see that the excitement quickly

died down in the following days.



The IPO of Cebu Pacific was also well received on its opening day. News also said that it was “oversubscribed”. This meant that a lot of people wanted to buy the stock. It climbed from P125 to P133 on its first day. However, after several months, the stock price gradually declined. Many people held on to the stock believing that it would one day get back up again. One year passed, but sadly the stock price dropped even more. (In July 2012, the stock price was only in the P67 - P70 range.

34. How do I get into an IPO?

The first person to go to if you want to get into an IPO is your stock broker. If you have an online broker and don't see any notifications in your home screen, then it would be best to call them already. As soon as you hear the news of an IPO, contact them already to ask when you can get the shares. Do not wait till the opening date since that would already be too late.

In an IPO the shares of stock are limited to each person. This means you can't “hoard” the shares (but there are probably people who work around this). For instance, in the PureGold IPO, the limit was at 1,000 shares per account only.

35. Is getting into an IPO advisable?

Investing in an IPO entails a lot of risk since the company is usually still new and not all of the information about the company has been ‘absorbed’ by the public. Add to that the emotional rush it creates: the excitement from everybody wanting to get it, and the fear from missing out on an opportunity. This emotional rush makes a lot of investors blind to the risk of not knowing anything about the company.

Imagine this scenario:

Ellie just heard about the IPO of Abakada Company. Ellie is a cautious and patient investor so she waits for more information before getting into it.

Ellie then receives a text from her friend asking, "Will you be buying Abakada IPO?" Ellie says that she's still thinking about it. The friend taunts her, "Don't wait anymore, you should get into it! It's a really good company."

While browsing on Facebook, Ellie sees a post: "Just got in Abakada IPO, woohoo!" She looks at who the post is from, but doesn't recognize the person. It must be one of the random people she added just to get the notifications down to zero.

Later that evening, Ellie went to her Tita's birthday party. While having dinner, she overheard one of the tables talking about investing. It was the "Chinese-Tito's" table. Since the table was already full, she just tried to listen to their conversation. After a few minutes of listening she learns that several of them already signed up for the IPO.

The next morning, Ellie calls up her broker, and asks to also get her shares for the coming IPO.

Did Ellie learn anything about the company? Not a thing.

What she did find out was that a ton of other people was also getting into it. And that shouldn't be enough reason to justify investing in any company.

I'm very familiar with this scenario since it has already happened to me. I got the texts. I saw the posts on Facebook. Instead of a birthday party, it was a despedida. Instead of the Chinese-tito table, it was my sister's high school friends table. And the moment I signed up for the stocks, I also encouraged my other friends to get into it. Fortunately, I didn't end up losing money.

One of the most lethal get-rich-quick- toxins that poisoned the mind of the investing public in the 1990's was the idea you could build wealth by buying IPOs. Investing in an IPO sounds like a great idea – after all if you had bought 100 shares of Microsoft when it went public in 1986, your \$2,100 investment would have grown to \$720,000 by early 2003.

Unfortunately, for every IPO like Microsoft that turns out to be a big winner, there are a thousand of losers. Psychologists Kahneman and Tversky have shown when humans estimate the likelihood of an event, we make that judgment based not on how often the event has actually occurred, but on how vivid the past examples are.

We all want to buy "the next Microsoft" – precisely because we know we missed buying the first Microsoft. But we conveniently overlook the fact that most other IPOs were terrible investments.

*-from the commentary by Jason Zweig of
"The Intelligent Investor"
By Benjamin Graham*

Basic Stock Market Terms

In this section, I'll quickly provide the meaning of basic stock market terms. You'll encounter them as soon as you create your account with an online broker. There will be a bit of technical and boring stuff here, but don't worry about not understanding it at the moment. This is because in part 3 of this e-book I've provided you with links to step-by-step video and text tutorials on how to go about these items. So for now it's enough that you just read through this once to get acquainted with the terms. You'll understand these concepts more when you really get started.

36. Stock Symbol or Stock Code

In the stock market, each company is assigned a nickname (or a code). This is called the stock symbol. The table below lists some examples. You don't need to memorize all of them, since you'll be provided with a 'cheat sheet' when you're making a transaction.

| Stock Symbol | Company Name |
|--------------|--|
| ALI | Ayala Land Incorporated |
| BPI | Bank of the Philippine Islands (BPI) |
| EDC | PNOG Energy Development Corp. |
| FLI | Filinvest Land Inc. |
| GLO | Globe Telecom Inc. |
| JFC | Jollibee Food Corporation |
| MER | Manila Electric Company (MERALCO) |
| RLC | Robinsons Land Corporation |
| TEL | Philippine Long Distance Tel. Co. (PLDT) |
| URC | Universal Rubina Corporation (URC) |

37. Market Price

The market price is simply the price per share of a particular stock. When the stock market is open, the price can change every second. It all depends on how much the buyers want to buy, and how much the sellers want to sell.

38. Bid and Ask Price / Size

You will see the bid and ask price when you want to place an order. You will probably see something that looks like this. The picture below is the Bid/Ask table for the stock PLDT.

| PHIL. LONG DISTANCE TEL. CO. | | | | |
|------------------------------|-------|------------|------------|----------|
| Bid | | Ask | | |
| Size | Price | Price | Size | |
| 1 | 2,515 | 2,308.0000 | 2,310.0000 | 10,350 6 |
| 3 | 5,500 | 2,306.0000 | 2,312.0000 | 2,370 4 |
| 1 | 500 | 2,304.0000 | 2,314.0000 | 1,025 2 |
| 2 | 2,100 | 2,302.0000 | 2,316.0000 | 1,000 1 |
| 8 | 7,005 | 2,300.0000 | 2,318.0000 | 1,000 1 |

In order to understand this table of bidding and asking prices, you need to remember that in order for a transaction to happen, buyers and sellers must “agree” on the price. Naturally, buyers would want to buy at the lowest price possible, while sellers would want to sell at the highest price possible. This bid/ask table just shows the buyers and sellers meeting point. This is why this table shows the highest buying prices and the lowest selling prices.

| Label | What is it? | What does it mean? |
|-------|-------------|--|
| 1 | Bid Price | The bid prices are the prices the buyers want to buy. The picture above shows that the highest price buyers were willing to pay was P2, 308 per share. |
| 2 | Bid Size | This is the number of shares that the buyers are willing to buy at a particular price. Example, on the third row: Buyers want to buy 500 shares at the price of P2, 304.00. |
| 3 | Ask Price | The asking price is the prices the sellers want to sell. The picture above shows that the lowest price sellers were willing to sell was at P2, 310.00. |
| 4 | Ask Size | This is the number of shares that the sellers are willing to sell at a particular price. Example, on the 4 th row: Sellers want to sell 1000 shares at the price of P2,316.00 |

39. Tick Size

The fluctuation or tick size is the smallest increment in the price of a stock. If you take a look at the prices of Bid/Ask table of PLDT, the prices are in increments of P2.00. The tick sizes are standards which have been set by the PSE for the purposes of easier trading. These tick sizes vary depending on the price range that stock belongs to.

If there were no tick sizes, buyers and sellers have an infinite range of prices to bid and sell. For example, if the current highest bid was P2, 308, you could outbid it by P0.0000001. This would make it more difficult to facilitate the trades.

40. Lot Size

Board Lots are also standard increments set by the PSE, but this time the minimum allowable increment affects the number of shares to be bought or sold. This time, take a look at the number of shares columns of PLDT, all of the numbers are multiples of 5. Like the tick size of a stock, the lot size is also dependent on the price range of the stock, and was also set to make trades easier to manage.

| PHIL. LONG DISTANCE TEL. CO. | | | | | |
|------------------------------|-------|------------|------------|--------|---|
| Bid | | | Ask | | |
| | Size | Price | Price | Size | |
| 1 | 2,515 | 2,308.0000 | 2,310.0000 | 10,350 | 6 |
| 3 | 5,500 | 2,306.0000 | 2,312.0000 | 2,370 | 4 |
| 1 | 500 | 2,304.0000 | 2,314.0000 | 1,025 | 2 |
| 2 | 2,100 | 2,302.0000 | 2,316.0000 | 1,000 | 1 |
| 8 | 7,005 | 2,300.0000 | 2,318.0000 | 1,000 | 1 |

41. Board Lot

The board lot is simply a table showing the summary of the tick sizes and the lot sizes of the respective price ranges of the stocks. Here is the board lot. Some examples on how to read it are given below.

| Price Range | | Tick Size | Lot Size |
|-------------|-----------|-----------|-----------|
| From | To | | |
| 0.0001 | 0.0099 | 0.0001 | 1,000,000 |
| 0.0100 | 0.0490 | 0.0010 | 100,000 |
| 0.0500 | 0.2490 | 0.0010 | 10,000 |
| 0.2500 | 0.4950 | 0.0050 | 10,000 |
| 0.5000 | 4.9900 | 0.0100 | 1,000 |
| 5.0000 | 9.9900 | 0.0100 | 100 |
| 10.0000 | 19.9800 | 0.0200 | 100 |
| 20.0000 | 49.9500 | 0.0500 | 100 |
| 50.0000 | 99.9500 | 0.0500 | 10 |
| 100.0000 | 199.9000 | 0.1000 | 10 |
| 200.0000 | 499.8000 | 0.2000 | 10 |
| 500.0000 | 999.5000 | 0.5000 | 10 |
| 1000.0000 | 1999.0000 | 1.0000 | 5 |
| 2000.0000 | 4998.0000 | 2.0000 | 5 |
| 5000.0000 | UP | 5.0000 | 5 |

Example 1: If stock XYZ were priced at P6.50 it belongs to the P5.0 - P9.9 range (6th row). At that price range, the tick size is P0.01, and the lot size is 100 shares. This means that the price of XYZ can change to P5.51, P6.52, P7.83, but not P5.512 nor P9.321. At the same time you could only buy it in increments of 100 shares.

Example 2: If the same stock XYZ suddenly climbed up to a price of P21.00. It would belong to the new price range of P20.00 – P49.95. It would have a new tick size of P0.05, while its lot size remains at 100 shares.

42. Woah! That was a LOT of Technical Information!

Yes, sorry for that! I hope your nose didn't bleed. But don't worry, because you don't have to understand them at this time. You'll understand it better when you actually have an account and are going through the actual buying and selling of stocks.

So the technical information you saw up there, we'll go through them in depth with the other step-by-step guides you'll be able to access in Part 3 of this guide. I've made those step-by-step guides in such a way that even a grade school student will be able to follow it – it is a 110% spoon feeding guide. So with that, read on!

On More Learning

In this section you will find my recommended references for further study. I have arranged it in increasing order of complexity (the further down the list, the harder it is to read). So my suggestion is to start doing them from the top of the list **per category**.

Included in these references are books, e-books, websites and seminars which you can look at to further your interest in those topics. Most of the books listed here are available at National, Power Books or Fully Booked. For the other references, links are provided for more information.

Now, take note that you already know enough to start investing in the stock market. Reading these references below would be good, but it isn't necessary for you to get started. You can do it at the same time you begin investing.

Abundance Mindsets

How to Be Truly Rich Seminar by Bo Sanchez – Ninety percent of money problems are actually problems of the mind. In this seminar, Bo Sanchez teaches you how to enlarge your “psychological wallet”, and prepare your mind to receive abundant blessings. If you join the Truly Rich Club, you already get the recording. ([More Information Here](#))

Truly Rich Club Membership by Bo Sanchez – In the Truly Rich Club, you get an overflow of blessings with e-books, audio tapes, seminar recordings and wealth articles that will guide you in your journey to becoming Truly Rich. In this club, you'll be taught how to be truly rich in all areas of your life: finances, relationships, career, spirituality, and health. ([More Information Here](#))

The Millionaire Next Door by Stanley Ph.D. and Danko PhD – In this book, you'll learn about the wealth habits of the millionaires in America. After reading this, you'll be a lot more conscious of the things that make you richer, and the things that make you poorer.

On Investing

Rich Dad, Poor Dad by Robert Kiyosaki – This is the best book that can explain in very simple terms, how to become rich. It teaches about the difference of real assets and real liabilities. Knowledge of this basic principle will change how you decide what things to buy.

Who Took My Money by Robert Kiyosaki – This book teaches about becoming a more patient investor. Its basic principle is that those who are patient in learning get the highest returns. While those who are impatient (what to get the easiest form of investments) get the worst kinds of returns.

The Intelligent Investor by Benjamin Graham – This is a classic when it comes to the world of investing. It teaches “value investing”- a set of principles which guides investors how to become more discerning.

Stock Market: Long-term Investing

The Turtle Always Wins by Bo Sanchez – This is a sequel to the “My Maid Invests in the Stock Market”. It explains the four kinds of investors in the stock market. It also shows how and why investing for the long term beats the short term traders.

Buffetology by Mary Buffet – Warren Buffet is the world's greatest investor. In this book, you'll learn about his techniques which have allowed him to get the greatest returns over long periods of time.

Warren Buffet and the Interpretation of Financial Statements – This book provides simple explanations on how to understand financial statements. It's a must read for those who want to take Fundamental Analysis seriously.

Market Timing, Trading / Technical Analysis

COL Technical Analysis Seminars – This is a two-part seminar held once a month by CitisecOnline. Registration is free for current CitisecOnline members. ([More Information and Registration Here](#))

www.Swing-Trade-Stocks.com – This website contains a very structured tutorial on how to time the market. Articles are appropriately separated into beginner, intermediate and advanced topics.

Other Seminars – I haven't attended all of the seminars available regarding technical analysis. But as a quick guideline here, only attend a technical seminar if that is the only topic for the WHOLE day. Do **not** attend seminars wherein you'll be taught the basics plus technical analysis, or technical plus fundamental analysis. Technical analysis is a course which is good for a minimum of 8 hours, and that's already with a good teacher. That's why the seminar you want to attend should purely be focused on technical analysis alone, for the whole day.

Part 3: Taking the Leap

Now that you already know everything you need to begin investing in the stock market, I'll be showing you the specific steps you should take in order to get started. In this section, please note that my focus is the action step itself, so I will no longer elaborate on ideas which have been discussed in part 1 and part 2 of this guide.


I will only give specific instructions which will move you further along your journey on investing. My goal here is to get you started with your investing in the fastest and most effective way possible. So bear in mind that rather than present you with Options A, B and C. I will just instruct you to do X, Y and then Z.

Day 1: Commit to a Personal Investing Goal

The first thing that you will need in order to get started is your commitment. While that's such a cliché statement, it needs to be said repeated. Nothing will happen without your commitment.


Right now, it doesn't matter if you're rich or poor, a college graduate, or a drop-out, an employee or an entrepreneur. It doesn't matter where you're coming from – all that matters is where you're going. So at this moment, the only thing that matters is if you're willing to improve your financial life, and start investing in the stock market.

With that said, I'd like you to commit to a goal that you will be moving towards financial freedom. It can be the goal written below, so something more personal to you. It could be about investing for yourself, or for the people you love. The important thing here is that you decide and commit to it.

| | | |
|---|---|--|
|  | Commit to Your Personal Investing Goal! | |
| | <p>Write down your personal investing goal and put it where you'll see it frequently. This way every time you see it, you'll be reminded of the promise you have made to yourself. (Below is only a sample)</p> <p><i>I am consistently investing 10% or more of my salary so that I can comfortably retire, and spend more time with the people I love and care about.</i></p> | |

Day 2: Create an Account with Citiseconline

Now, it's time to move forward and create an account with Citiseconline. Creating an account with Citiseconline or COL Financial (it's the same company) can be broken down in three "medium-sized" steps. In the table below, you'll be able to see these steps, a few notes on them, and the downloadable guides on how exactly to do them.

| | | | |
|---|------|--------------------------|--|
|  | Step | Action | Downloadable Step-by-Step Guides |
| | 1 | Prepare the Requirements | Creating an Account with COL.pdf |
| | 2 | Send the Forms | |
| | 3 | Fund Your Account | Funding Your Account.pdf |

The whole process would only take about a total of 0.5 to 1.5 hours of your time. If you don't think you have the time for this right now (or ever) then break it down to simpler steps. Downloading the forms is 1 minute. Filling out the forms is 5 minutes. Photocopying your ID is 2 minutes. (I think you get the picture now).

It may take 2-3 days for COLFinancial to process your forms from the time they receive it. So it's really good if you start as soon as possible. One of my friends told me that she didn't act on this very quickly when she was starting. She was already excited to get started, but for some reason she only filled out the forms and never sent it to COLFinancial. Then without her knowing, several months passed by with her forms accumulating dust in the drawer. Now, I hope you don't let this happen to you. So act now, act now and act now.

Day3: Try Out or Sign-up To the Truly Rich Club


The Truly Rich Club is really the best guide out there for beginners and even veterans. You have worked hard for your money, and I think your money deserves the best "baby-sitter" (Edward Lee) out there. Ultimately, what this can mean for you is not only profitability, but peace of mind. To know that you're being guided by the best means you can sleep soundly while your money works hard for you.

Now, personally, I think of the Truly Rich Club as being able to hire the best stock market expert here in the Philippines (Edward Lee) so that he can tell me exactly what to buy and sell.

However, if paying for expert guidance is really not your thing; another other option is to look at the COL EIP recommendation list. As of Nov 2012, they are recommending 16 different companies that you can invest in it for the long term. Now, please take note here that with this COL EIP list, you will be on your own. So it's important that you have the discipline and confidence to keep on investing in your selected companies.


If you can't decide at the moment, then just go for the Truly Rich Club and try it out. There's a 30-day money back guarantee anyway. So you can just "see what it's like" first.

Here are the important links for your reference in this step.

| | |
|---|--|
|  | Guide and Link |
| | Website: Truly Rich Club Sign-up Page w/ Bonuses |
| | Online Article: Truly Rich Club Performance Review |
| | Online Article: COL EIP List Performance Review |

Day4: Buy your First Stock

From your list from the TRC or EIP, pick out a company there that you like and buy it. Two to three companies from different industries would be a good enough diversification.

| | |
|---|--|
|  | Guide and Link |
| | PDF Guide: How to Buy Stocks in COL Financial |
| | Video Guide: The 5 Rules for Investing using the SAM – Truly Rich Club Way |
| | PDF Guide: The COL EIP Kit |

Day5: Monitor Your Investment


Congratulations!

You are already invested into the stock market.

Feel free to watch your investments go green (up), and go red (down). The important thing to remind yourself here is that you are a long-term investor and that these small price movements don't really matter.

Right now, you should be proud that the Filipino business tycoons are working hard to make your money grow. (Recall that if you buy a stock, you are buying into a business, and you are leveraging on the people running that business.)

Here is the guide on how you can understand your portfolio even more.

| | |
|---|---|
|  | Guide and Link |
| | <p>Again, as you begin, it's definite that you'll see your portfolio in the red (losing money). What you have to remember is that this is the natural fluctuation of the stock market. It goes up, and it goes down.</p> <p>Click here to download: Monitoring Your Portfolio.pdf</p> |

Day6: Stick to Your Investing Strategy


Next month or next quarter, make sure to invest your savings into the stock market. Remember that your original investment grow if you don't keep on planting. It doesn't matter how small you put in every month, the important thing is that you are accumulating wealth.

Now, as you begin to invest in the stock market, you will notice that a lot of people will be boasting about their investing strategies. You will hear about people making 50+% over the past month and it's natural to get a little envious of this.

But it is at this point that you need to stick to your strategy because of the following reasons:

1. You do not know how much money these people have lost in the past. Most probably they are only sharing their wins.
2. You do not know how long these people study the stock market, and how exactly they study it. They may be spending several hours a day so they can execute their trades.
3. You do not know what kind of rules they follow with their trades.
4. You do not know when they bought that stock or when they sold it.

If you want to venture into a new strategy, you need to preserve your current strategy, and just set aside a portion for this adventure. For example, if you're investing P2000 monthly, you can divide that amount into 2 portions: The first portion is for your slow but sure way of investing, and the other portion is for the new strategy. In this manner, you secure your core long-term investment, while you get to explore other strategies.

| | |
|---|---|
|  | Article on Sticking to Your Strategy |
| | <p>It is very important that you use the stock market to complement your lifestyle rather complicate it. When you don't stick to your strategy and try to attempt strategies that you don't fully understand, it's going to get really stressful for you.</p> <p>Online Article: Click here to read Sticking to Your Strategy</p> |


Day 7: Share the Knowledge

In 2011, there were 38 million Filipinos who were employed. Of that number, active stock market investors numbered only an estimated 157,000 – a measly 0.4%.

This isn't surprising, considering we were never taught how to invest. Our teachers didn't teach us, nor did our parents. After all, how could they teach us, if no one taught them either?

I am saying this to you so that you can appreciate the person who introduced you to the stock market, and made you download this book. Thank that person, because the knowledge that you gained here is so very rare among Filipinos.

I sincerely hope that since you're almost done reading this book, you would be investing in the Stock Market within the week (or at most within the month). And when you finally get to start investing in the stock market, hopefully you can share the knowledge here with your fellow Filipinos. This way, sometime in the future, the majority of Filipinos would have the much deserved convenience of making their money work hard for them. Let's end the poverty. Let's spread financial literacy.

| | |
|---|---|
|  | <p style="text-align: center;">Importance of Spreading Financial Literacy</p> <p>The only way to end the poverty in the country is to spread financial literacy. Watch this video to find-out how you can contribute to the fight against financial ignorance. Online Article: Advocacy for Financial Literacy</p> |
|---|---|

Conclusion

Now that you've finished reading this book, I just want to let you know that you already know sooo much. What took me 6 whole months to understand, you just read in this past hour or so. And believe me when I tell you this: You are READY. You already have what it takes to be an investor. All you have to do now is take a step forward by following the steps and guides above.

With that, I'd like to ask a little something from you. I would like for you to read the words below aloud. It may sound corny but do it anyway. These words summarize on who you have become in the process of reading this book (and well, it's also an awesome way of ending the book too!) So are you ready? Let's say this all together now.

"I am no longer a slave to money. I am free.
I am no longer a spender and I am better than a saver.
I am an investor. And I make my money work hard for me!"

P.S. I really enjoyed writing this book, and I hope you enjoyed reading it too. Please feel free to share this with your colleagues, friends and family. It would be a great honor to me if you would personally recommend this to the people you care about.

Just direct them to www.StockMarketforPinoy.com and tell them to put their name and email so that they'll get this e-book as well as all the new videos, tutorials, and guides that I'll be able to come up with the future.