Standard

Online Share Trading

Education newsletter

*"You don't need wealth to invest.*
*But you do need to invest to be wealthy"*
Warren Buffet – the world's 2nd richest man

**23 March 2007**

**Up coming courses**

**Johannesburg**

- A practical guide on how to effectively use the website
  (27 March)
- The Truths of the Market and Trading Skills
  (28 March)

**Pretoria**

- Understanding Share Instalments
  (11 April)
- Basics of Single Stock Futures explained
  (12 April)
- Half day detailed warrants course
  (14 April)

**Cape Town**

- Introduction to investing
  (14 April)

**Durban**

- Introduction to Fundamental Investing
  (18 April)

To book your place at any of these courses please log onto the website and click on *Help and Education* and then select *Face to Face classes*.

**These courses are free to clients.**

**Educational newsletter content**


- Feedback
  - Send us your comments and ideas for this newsletter to securities@standardbank.co.za

**Education**

**Making sense of SENS**

When presenting my Introduction to Investing course to Online Share Trading clients, I always comment that having bought a share we need to start feeling like an owner. Sure this may sound a little corny but in truth too often we focus on price moves, PE ratios, div yields and other such jargon when in fact what we're doing is buying a slice of a company. Now sure the slice in question is still very small (even for the larger investors), but the reality remains, when buying a share we are buying into a business and we do need to start feeling and acting like owners.

So that said, as a business owner one of the key responsibilities is keeping tabs on your investment in the business. To use my favourite pizza shop analogy – having bought a slice of the business (even as a silent partner and that's essentially what share investing is) one needs to keep tabs on the business. This may just be a case of getting your accountant or auditor to check the annual results but it may even extend to weekly visits to sample the pizza.

We need to do the same with our share investment.

Now sure the first stop here is to keep an eye on the price, but equally important is keeping abreast with the company's activities like results, notices, trading statements, mergers, acquisitions, directors buying or selling etc. So how do we do this without a weekly phone call to the CEO? Simple – Stock Exchange News Service (AKA SENS).

SENS was introduced by the JSE in August 1997 and from mid October 1997 all JSE

listed companies had to use SENS to distribute information to share holders (and even non share holders) in real time.

Prior to SENS, the distribution of company information was fraught with difficulties as brokers were generally at the front line and got the info pronto (with some getting it more pronto then others), but for many of us smaller investors it could be days or even weeks before the information trickled down to us in the sticks. So without a hot line to the directors, the CEO or your broker, we were often left scratching our head over seemingly unexplained price movements.

Now with SENS, all JSE listed companies have to publish any price sensitive information via SENS (add something about this being part of the listing requirements) and this ensures that all share holders (investors) are on an equal footing. Further this gives us one place to check for new information rather then having to trawl through all the business newspapers, websites, and radio shows etc.

SENS is in fact used for all important company information such as:

- Results (twice per year (quarterly for mining companies), within three months of the reporting period end or financial year end).
- Trading statements (when profit or loss is 20% greater then the previous period the company has to inform the market via a SENS as soon as they become aware of this fact).
- Director dealings (buying, selling or exercising options).
- Director resigning/appointed.
- Mergers.
- Buyouts.

And then of course the vague cautionary that says nothing except that a deal is being discussed. For example; *Holders of XYZ shares are advised that XYZ has entered into negotiations, which, if successfully concluded, may have a material effect on the price at which the securities of XYZ trade. Accordingly, share holders are advised to exercise caution when dealing in their XYZ shares until a further announcement is made.*

In short, any price sensitive news must be published on SENS. If you were adding a new tomato base to your gourmet pizza, this would not require a SENS announcement. But if your pizza business were buying out the neighbouring competitor, a SENS would be required. If any information may be important to the owners and is not in the public domain it must go out via SENS.

So how do we monitor SENS? There are a number of ways on the Online Share Trading website to monitor the SENS announcements:

- News Service – on the menu. Here you will find:
    - SENS headlines (the last 10 days SENS announcements)
    - A functionality to search SENS
    - SENS for your portfolio (shares you own).
- Key Market Statistics ➔ Market overview (scroll about half way down the page to find the latest 10 SENS announcements).
- On the landing page just below your abridged portfolio another link for SENS for your portfolio (for the last 30days).
- On the company live price page (trade and quote) under the information, tools & links section (top right) you'll find the SENS for that company.
- Under the alerts section you can also request to receive the full SENS of a stock via email notification of a SENS announcement via SMS as soon as it is released. First go to your watch list and click the red **A** under the tools column.
- On Price Streamer (live streaming price facility).

So now next time your company makes a major announcement you be right in the front line receiving the information and able to respond accordingly and timelessly.

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## Jargon busting
### The long and short of it

Long and short are trading terms rather then investing terms (buy, hold & sell would be the investing terms).

Going long means buying a share (index or whatever) with the expectation that it will rise benefiting by selling it at a higher price to make a profit. Going short is selling a share that you do not own with the expectation that it will fall and you'll buy it back cheaper and make a profit.

So going short means, making money on the downside while long means making money on an up move.

One goes short via derivative products such as put warrants and single stock futures. (You can find more on these derivative products in our Help and Education section on the website. This includes both online courses and free face to face courses.)

**Dividends dates (Cum div, LTD and ex-div)**

Dividends are an important part of investing providing tax-free income and here we look at the various important dates.

First the dividend has to be announced by the company (generally twice a year when results are published, but it is up to the directors to decide if a dividend is paid). From when the dividend is announced the stock is now trading *Cum div* as the market knows the amount and payment date of the dividend and anybody buying the stock is now entitled to receive the dividend (if they hold until the LDT).

The *Last day to Trade (LDT)* will also be announced with the results release and this is the date that you have to be holding the share to receive the dividend. All an investor has to do is own the share at the close of trade on the LDT and you will receive the dividend regardless when you bought or sold the share. Then the first trading day after the LDT is known as the *ex-div date* and as a rule the stock will drop by an amount equal to the dividend being paid as the share holder now has the cash and if that is added to the reduced share price a share holder is in the same position as before.

The last date is the *payment date*, this will generally be a week or two after the LDT and the dividend income will be paid directly into the brokerage account in which you held the share on LDT.

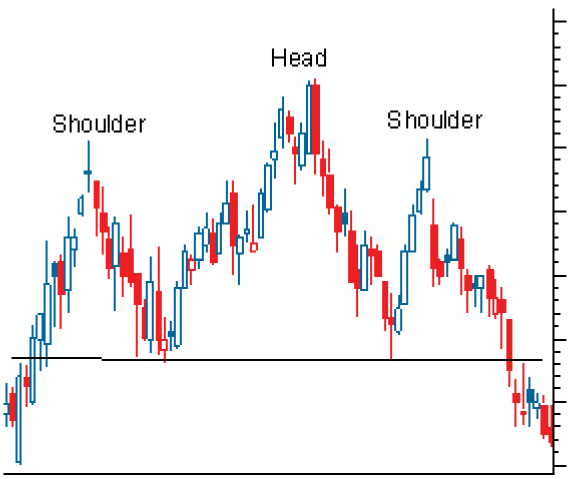
All the dividend dates and amounts are listed on the website as soon as they are announced. Find them under Key market statistics ➔ Dividends payable.

## Traders edge

**Head -and-Shoulders pattern**

The head-and-shoulders pattern is one of the most popular and reliable chart patterns in technical analysis. And as one might imagine from the name, the pattern looks like a head with two shoulders.

Head and shoulders is a reversal pattern that, when formed, signals the security is likely to move against the previous trend. There are two versions of the head-and-shoulders pattern. The head-and-shoulders top is a signal that a security's price is set to fall, once the pattern is complete, and is usually formed at the peak of an upward trend. The second version, the head-and- shoulders bottom (also known as inverse head and shoulders), signals that a security's price is set to rise and usually forms during a downward trend.




Source: Chart by MetaStock

Both of these head and shoulders have a similar construction in that there are four main parts to the head-and-shoulder chart pattern: two shoulders, a head and a neckline. The patterns are confirmed when the neckline is broken, after the formation of the second shoulder. The head and shoulders are sets of peaks and troughs. The neckline is a level of support or resistance.

The head and shoulders pattern is based on Dow Theory's peak-and-trough analysis. An upward trend, for example, is seen as a period of successive rising peaks and rising troughs. A downward trend, on the other hand, is a period of falling peaks and troughs. The head-and-shoulders pattern illustrates a weakening in a trend where there is deterioration in the peaks and troughs.



More info at;

- Investopedia.com the rest of the article detailing the pattern is at http://www.investopedia.com/university/charts/charts2.asp

- Online tutorial. On the website we have an online Technical Analysis course under *Help and education ➔ technical analysis*

- Face to face courses. Book online in the *Help and education section ➔ Face to face classes* for either the introduction or advanced full day technical analysis courses.

## Website review

**finance.google.com**

What doesn't Google do? Make my morning cup of coffee! Everything else is fair game and here we have Google providing financial information for traders and investors. As with many Google services it is still in beta, but that in no way degrades the service and I highly rate some of the features here.

First the good news is that South African stocks are included (to search for local stocks add **JNB:** before the three letter alpha code of the stock you are looking for). But one can also search by just putting the company name in the search block (such as Anglo). However I find better results by using the three-letter JSE alpha code (AGL for Anglo) as this then generates an auto drop down with all the companies that Google thinks will fit your search.

Having got to the page of the stock you're interested in you'll find the usual content; a summary of the company, links to their websites, directors details. Nothing more then that that is on the Online Share Trading website.

However there are three areas that are great. Firstly a list of related companies, but unfortunately only for companies on the same exchange so they don't link Rio Tinto to Anglo.

The best two features are the news and blogs sections. Under news Google has collated all the online news articles (with links to the original article) about the company so we can see what the world's online press is saying about the company.

The blogs section is a series of links to blogger posts about the company you're looking at. This is great in that we can see what others are saying about the company you're looking at. Do however remember that blogs carry large readers beware warning. Not everything written on a blog is accurate or fair.

## Getting to know the website

**Alerts**

Alerts are a very important feature of the Online Share trading website, especially if you're not able to spend your days watching the market and your portfolio (in other words if you have a real job!). Alerts enable you to receive either SMS or email notification when certain prices are reached and they will also alert you when a new SENS is issued.
There are two ways to access the alert setup page. Firstly from your detailed portfolio (My account ➔ My portfolio) and also from your watchlist (My detailed watchlist).

In both instances you need the share (or in fact any JSE listed product including; SSF's, warrants, instalments, preference shares etc.) to be entered in either your portfolio or watchlist. Then to start the process of setting up an alert click on the red **A** under the tools menu and this will start the process.

Now the first thing is to check that your email and cell number are correct (top of the page under "My contact details") otherwise the alert will be sent to somebody else, to change your details go to My details/preferences on the website menu.

The next step is to decide if you want a price or SENS alert (or both). Enter the high and/or low price that you wish to be alerted to. If this price trades above for high price and below for low price you will be alerted. You then select if you wish to receive the alert via email (free) or SMS (cost is 25c deducted from your quotes bank).

You can then also elect to receive notification when the company issues a SENS announcement (email will include the full announcement while the SMS will only include the heading and again the SMS will be charged at 25c.).

Once you have set an alert on a share in your watchlist you can now see the alert details on your watchlist page.

A last (and important) point is that when the price alert has triggered it is deleted and you will need to reset it.

To see the alert status, either check your watch list or click on the red "**A**" in your portfolio.

## Getting started in shares road show

Online Share Trading is hosting free one and a half hour educational seminars to the public. The seminars are designed to get you started on how to invest in shares.

By attending one of the seminars, you will learn:

- Investing and returns
- Why invest in the share market
- How to develop an investment strategy
- Understanding the share market
- What determines the share price
- How to make money in the market
- How to chose companies to invest in
- How do you buy shares
- Next steps

Tell your friends and help them get started on the path to investing wealth.

**Dates & cities**

Pretoria – 12 April
Cape Town – 18 April
Durban - 19 April
Johannesburg – 25 April

To book send us an email to seminars@standardbank.co.za telling us which venue/date and please include your name and contact details. All venues are central and start at 6.00pm.