



"The big money was not in the individual fluctuations but in the main movements, that is, not in reading the tape but in sizing up the entire market and its trend."  
  
Jesse Livermore

**DB x-trackers**

Deutsche Bank is launching three new foreign Exchange Traded Funds (ETF's). They will respectively track;

- MSCI Japan Index
- MSCI USA Index
- MSCI World Index

The closing date for the IPO is 12pm on Monday 3 March 2008 and the minimum subscription amount is R10,000.00.

For more information, and to apply, please log into the website and you'll see the links under the special announcement section.

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**Client courses for the next few weeks**

These courses are *exclusively for Online Share Trading clients* and all are free. To book for one of these courses log onto Online Share Trading and go to; Help & Education → Face to face classes

- Pretoria
- Intro to technical analysis (part 1) (01 Mar)
- Johannesburg
- Understanding company financials and announcements (01 Mar)
  - The Truths of the Market (03 Mar)
  - A guide on how to use the website (10 Mar)
- Durban
- Understanding company financials and announcements (15 Mar)
- Cape Town
- Introduction to Futures (04 Mar)
  - Understanding Share Instalments (05 Mar)

## TALK

### From the editor

Last week was the budget speech, I remember in decades gone past how this was a massive day as we waited to hear what was happening and if we would get any tax cuts, or just the proverbial tax increases.

But these days with the medium term budget statement in October budget day has really become a bit of a non event and last week was largely that. A cut in the corporate tax rate did nothing for the market as they waited for some US data due later in the afternoon and while the currency did weaken markedly it actually started weakening before the speech started.

There were however two important statements around inward listed securities and currency futures, details on page 5.

All the best  
Simon Brown  
Head: Education & Media  
Online Share Trading

## JARGON BUSTING

### Momentum investing

An investment strategy that aims to capitalize on the continuance of existing trends in the market. The momentum investor believes that large increases in the price of a security will be followed by additional gains and vice versa for declining values.

This strategy looks to capture gains by riding "hot" stocks and selling "cold" ones. To participate in momentum investing, a trader will take a long position in an asset, which has shown an upward trending price, or short sell a security that has been in a downtrend. The basic idea is that once a trend is established, it is more likely to continue in that direction than to move against the trend.

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## INVESTOR

### Momentum investing

Momentum trading is "buying shares that going up and selling those going down". Sounds simple, almost too simple to work — but a recent article in Financial Times suggests it really is this easy.

The front page article quoted a comprehensive study by Elroy Dimson, Paul Marsh and Mike Staunton of the London Business School who stated that the results were "striking" and "remarkably persistent".

The study used data going back to 1900 and the theory was simple: buy the winners from the previous 12 months. They used the 100 largest stocks and rebalanced the portfolio every month, buying the 20 winners — and the net result was a compounded annual return of 15.2%.

Using data from the entire London market from 1955 to 2007, the returns increased to an annual compounded rate of 18.3%.

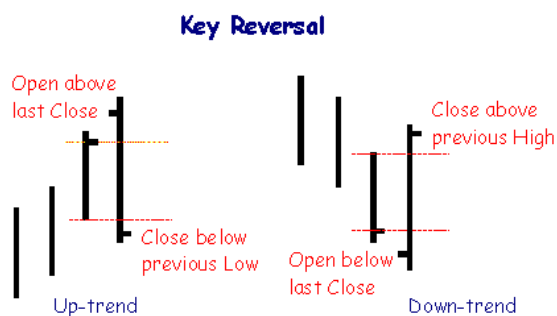
What they did not take into account was transaction costs, but their parting comment rings loud and clear and should not be ignored by investors. They say: "Managers who ignore the momentum effect do so at their peril".

Simon Brown  
Full article at <http://tinyurl.com/2hxno5>

## TRADER

### Key reversal

The key reversal does not occur very often but is very reliable when it does.



The signal day must make a new High (after an up-trend) or new Low (after a down-trend).

After an up-trend:

- The Open must be above yesterday's Close,
- The day must make a new High, and
- The Close must be below yesterday's Low.

## Education newsletter

After a down-trend:

- The Open must be below yesterday's Close,
- The day must make a new Low, and
- The Close must be above yesterday's High.

**Remember**

The signals are most reliable if they occur after a strong trend. If the trend is weak, so is the signal.

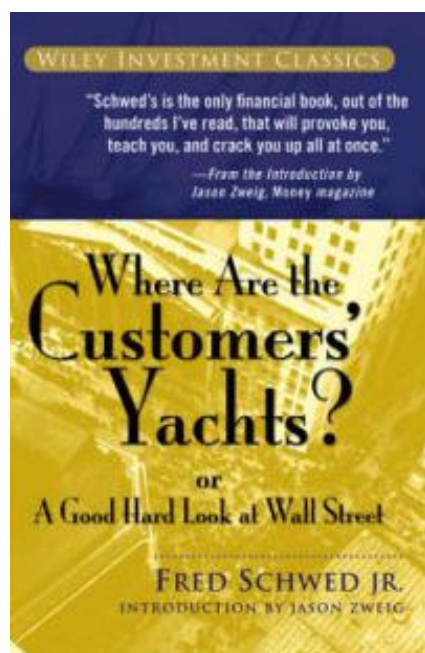
© *incrediblecharts.com*

## REVIEW – Book Where are the customers' yachts?

### Where are the customers' yachts by Fred Schwed JR.

Fred Schwed Jr, a former professional broker, wrote "Where are the customers' yachts?" in 1940. It was republished in 1955, and again in 1995. While the reworking of a classic often produces poorer results each time, this is an exception to the rule simply because the issues addressed are timeless; investment bankers and the like get richer, while most customers never seem to get the yachts.

The title of the book is derived from an old story where a client was being taken around the docks of the New York Yacht club and shown the investment bankers and brokers' yachts, to which the client asked the question: Where are



customers' yachts? Naturally, there were none.

The backdrop of the book is Wall Street, New York, after the great bear market of 1929 - 1940. The customer tends to be portrayed as a babe in woods who

ultimately falls into the trap of trusting those who appear to be in the know — and yet those in the know often don't know anything. The reason why they have yachts and the customers don't is simply that they are brilliant salesmen.

The author comes across as an eccentric. You could quite easily see him trotting up and down Wall Street, viewing players with bemusement, and laughing out loud at their opinions.

His style of writing is simple and enjoyable. There is no financial markets jargon. Ultimately, we appreciate how easily accessible information is to us. Humour and quirky logic effectively convey the writer's message. In one of the chapters he attempts to explain the follies associated with margin trading. His theory is that while he could provide with you with a million reasons to guard against margin trading, you would never believe him until you tried it for yourself. To quote a brilliant line from the book: "Art cannot convey to an inexperienced girl what it is to truly like to be a wife and mother. There are certain things that cannot be adequately explained to a virgin by words or pictures. Nor can any description that I might offer here even approximate what it feels like to lose a real chunk of money you used to own".

We are constantly reminded that while hindsight is brilliant, nothing and no one can predict the way the market will turn, and that even though we have access to so much information now, we still tend to make the same mistakes people made way back then when information was privy to a precious few. The fact that it was written in an age so different from ours simply highlights the fact that an industry so driven by human nature has essentially remained unchanged.

The book emphasises that which people who want to invest or trade should already know; there is no substitute for doing your own research, making your own decisions, and getting advice when you think you need it.

He does not claim to be fabulously wealthy nor does he claim to know the secrets to wealth. He certainly does not tell you how to get your own yacht. Those who are seeking advice on how and where to make your fortunes will find this a disappointing read. However, if you are looking for a refreshing and funny outlook on a serious subject, this is the book for you.

Marcia Nair  
Online Share Trading

## COLUMNIST

### Stab the bull

The Spaniards have the answer. Stab the bull with a very long sword and when it's dead, bow to the audience. Afterwards, steak washed down with liters of Rioja.

As it is, our bull is more of a dying swan, lifting its head from the floor before collapsing in a melodramatic fit. It's ludicrous picture to be sure, which explains why Tchaikovsky used a bird, and not a bovine, for his ballet. Dame Margot Fonteyn lumbering onstage in a cow suit would not have worked.

No surprise, then, that my trading is out of kilter. Stops keep getting triggered both on longs and shorts, often on the same shares on the same day. A week's careful trades can be undone in a single miserable afternoon. All very demoralizing. The market, it seems, cannot decide whether it wants to be a bear or a bull, which turns trading into game monstrous game of chicken.

Time for a Plan B, which is how I found myself headed for a job interview earlier this month, on an early morning plane to Johannesburg, eating the pasty roll with Chernobyl-colored cheese they call the in-flight breakfast.

I don't have a suit, but I do have a family funeral-and-wedding cupboard, a repository of cast-off jackets, trousers and the other formal knick-knacks these occasions demand, all pulled together with a polyester Woolies tie. Once dressed, I felt more like the head waiter at a Waterfront restaurant than an aspiring professional, which I should have taken as a warning that I was about to plunge in very much out of my depth.

As it was, I eventually landed up in Sandton City office tower, shaking hands with my prospective new boss. He was pudgy, thirty-something, smiled a lot and looked exactly like a head-waiter at the Waterfront.

Pleasantries exchanged, he took me on a tour of his kingdom which consisted of a 100 square meters of space edged with a murky glass window that overlooked the Gautrain construction site. In the background air-conditioning hummed and dutifully churned re-breathed air around the room.

The boss showed me the office coffee machine, the office kitchen, and my goodness, the office

muesli stash. A bucket-sized glass jar filled to the brim with the stuff. He seemed very pleased with it and patted it with deep affection.

"You can help yourself anytime," he said.

Beyond the kitchen, row after row of cubicles, as orderly as a cemetery, and flat-screen monitors. Soon, the boss said, I would have my very own spot in this composed environment.

I just had to complete a simple test. Psychometric personality evaluations are common practice these days, I'm told.

"You can't pass or fail," said the boss, with a cheery grin and a roll of his eyes. "Just one of those things you have to do. You know how it is".

Clearly I didn't, because fail I did.

I learned this a week later, back at home, with the arrival of a corporate Dear Johnny.

"Sir" it read. "Thank you for your interest. However we seek to employ the best candidate for the post. Unfortunately, this is not you."

I rang the boss.

"I thought you said I couldn't fail" I said.

"Well, I thought so too," he giggled. "Nobody ever does, at least, up to now." I pictured his clammy hands gripping his ergonomically designed telephone receiver. "It's just that HR does not think you are suited to our environment."

"You laugh like a girl," I said, and hung up.

I couldn't believe it. Rejected by an institution where pride of place went to a giant tub of horse-feed.

Of course this was my fault. I'd lost the faith. Faith in the market, faith in the charts, faith in my systems. So I'd tried to compensate by doing something for which I have no passion for, or ability, come to that.

Maybe I should stick with it and keep trading. At some point, the bull will die, and reemerge like a fiery phoenix, which will be great, because it would mean a steak that barbecue's itself. In the meantime, I expect conditions to remain tough, as the market volatility whipsaws me in and out of trades. So I'll scalp where I can, protect my stash and wait for better times to return. Until they do,



## Education newsletter

meat might not make a regular appearance on my table. But at least I won't have to eat any muesli.

*Peter Principle  
(a non du plume to protect future earning prospects)*

## MARKETS

### Inward listed restrictions lifted

Inward listed securities traded on the JSE used to only be tradable by private individuals. But in terms of changes in exchange control regulations referred to in the budget speech of 20 February 2008 Trevor Manuel announced that this restriction would no longer apply. So now any individual or legal entity (companies, CC's, trusts & partnerships) can buy inward listed securities.

Examples of inward listed securities are the Itrix Exchange Traded Funds (ETF's) and dual listed companies with their primary listing internationally such as UUU, APQ etc.

Further non individuals will also be able to trade Currency Futures effective Monday 03 March 2008.

*Online Share Trading*

## ROAD SHOWS

### AltX Showcases

In conjunction with the JSE, Online Share Trading is hosting this event in Cape Town.

#### Cape Town

#### **Tuesday, 04 March**

- OneLogix
- Dialogue Group
- SAB&T Ubuntu
- Interwaste
- Ansys
- Esor
- Huge Telecom
- Stratcorp
- Rolfes Technology

Attendance is free but seating is limited so please book early.

To book go to <http://tinyurl.com/3cy6uj>

## ROAD SHOWS

### Getting started in shares

Online Share Trading and the JSE host a 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 and are open to the general public.

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 choose companies to invest in
- How do you buy shares
- Next steps

**Tell your friends and family and help them get started on the path to creating wealth.**

#### Dates & cities

- Johannesburg –4 March 2008 (4pm)
- Pretoria –18 March 2008
- Johannesburg –19 March 2008
- Cape Town – 26 March 2008 (4pm)
- Durban – 27 March 2008

To go to <http://courses.standardbank.co.za>

All venues are central and start at 6.00pm unless otherwise stated

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