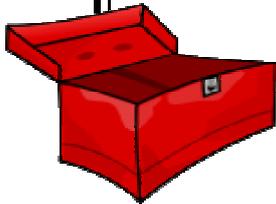
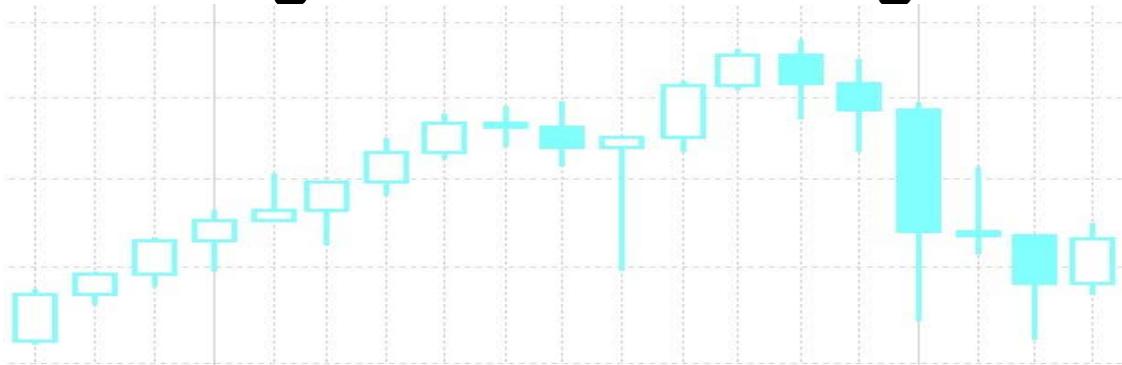


Brainy's Share Market Secrets



A Boot Camp style crash course about the ins and outs of the share market and how it works.

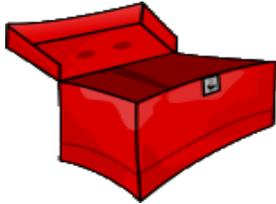
Including share price charts, investing and share trading.



Robert Brain

Edition 4
February 2010

Brainy's Share Market Secrets



One of the tools in
Brainy's Share Market Toolbox
Visit: www.robertbrain.com

This handbook is designed to accompany Robert's
Share Market Secrets seminar
(aka Boot Camp)
But it can easily be read independently.

A Boot Camp style crash course
about the ins and outs of
the share market and how it works.

Including share price charts, investing
and share trading.

Robert Brain

"The share market can seem mystical and almost like black magic; but with the right support and assistance, it just seems like magic."

Robert Brain

**Edition 4
February 2010**

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ABOUT THIS BOOK, SEMINAR(S) and HANDOUTS

This reference handbook was originally designed to accompany Robert's *Share Market Secrets* seminar (formerly known as the *Share Market Boot Camp* seminar). It is an introduction to the share market (or stock market), and to share price charts and share trading. It is intended for those people who are starting out in the share market, or who have already started and need to understand more about how it all works.

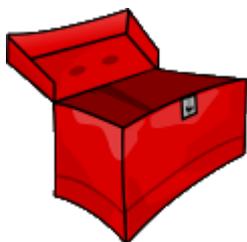
This seminar handbook is designed to be very useful for ongoing reference. But the sad news is that there are some key bits of information not included here. To get this information you need to attend the live seminar.

The seminar presentation closely follows the handbook. If you are using the handbook in the seminar, then feel free to follow the seminar in the book and make notes in it for your own future reference.

There are references in this handbook to various handout notes. These are in Brainy's Share Market Toolbox, and they available to Toolbox Members. Visit the web site for details.

Other seminars and workshops are also available for those people who might be interested in more details on various aspects that are covered in this introductory boot camp seminar.

One final comment about shares versus other financial instruments (eg. CFDs, warrants and options), and investing long versus investing short. In this book all of these topics are at least briefly touched upon, but most of the book focuses on shares, and on buying long. This is for simplicity for the early investor and trader.



For more information about Brainy's various seminars and workshops, including registration details for upcoming events, feel free to visit **Brainy's Share Market Toolbox** web site:

www.robertbrain.com

Important Notice (and disclaimer)

These seminars do not promote any financial products.

There are no recommendations to purchase any financial products.

There is no intention with any of these workshops, seminars or this handbook to provide investment advice.

None of the information presented takes into account the investment objectives, financial situation and/or particular needs of any person or class of persons. The information is strictly for education only. To this end, it has to be said here that any product that is mentioned or referred to in this workshop or handbook is not explicitly recommended by the author. The reader should seek professional advice to this end.

This handbook does not contain any advice.

Overview

The 6-hour *Share Market Secrets* seminar includes:-

- Share market, shares and share prices — sections 1 to 3;
- Analysis, trading introduction, charts, preparation — sections 4 to 7.

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Acknowledgements

All share price charts shown herein are produced using the Australian BullCharts charting software, made in Sydney, Australia. More details: www.bullcharts.com.au



Figure 1: BullCharts monthly price chart of XJO index from 2007 market peak.

ABOUT THE AUTHOR

Robert has a tertiary qualification in Engineering, and 30+ years experience in various industries (including: automotive design and manufacture, cigarette manufacture, food manufacture, retail, and consulting), using specialist skills and knowledge in the ICT field — Information and Communications Technology. He is a computer power user, and very proficient in a variety of desktop software products (including BullCharts charting software).

Robert became seriously interested in the stock market at about the time of the tech crash (2000-2001), and he has been studying and applying Technical Analysis since then. He helped to set up the Melbourne BullCharts User Group in 2006 (now known as the Australian BullCharts User Group), and has been the Group's convenor since inception. With the computer background, he is very knowledgeable in both the BullCharts software and technical analysis.

Armed with the useful skills and knowledge described above, Robert has set up his web site to both remind himself of key information and to help other people understand more about two topics — the share market, and the use of computers at home and in business.

Robert now maintains his **Share Market Toolbox** web site, and runs a business to provide ongoing support and tuition to share market investors and traders, and specialising in supporting BullCharts software users. Robert's seminars include the *Share Market Boot Camp* and an *Introduction to Technical Analysis*. He is also now running various BullCharts hands-on workshops (including a hands-on Introduction to BullCharts session).

Robert also offers chunks of useful information on 3 topics by monthly email on subscription: technical analysis, share trading and BullCharts charting software How-To documents. These monthly eNewsletter Articles are included in the membership of Brainy's *Share Market Toolbox*.

Robert's core business activities include:

- Maintain Brainy's **Share Market Toolbox** web site for the benefit of the Toolbox Members, continually updating it with new and updated useful information.
- Preparing and running training sessions and seminars to do with stock market investing, technology, and software usage.
- Monthly eNewsletters to subscribers, writing under the nom de plume of Brainy (an old high school nickname) to differentiate his products and services from others in this field.
- Running the Australian BullCharts User Group, and convene the monthly Melbourne chapter meetings.
- Assisting people with the use of technology, in particular investors and traders using contemporary PCs and PC software.

Why does Robert do all this? Well, for a successful trader to live on the proceeds of share market investing or trading requires a capital base of at least a quarter of a million dollars. Until you have this much, you have to work for a living while you build it up.

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**SAMPLE
der edition)**

***** CAUTION *****

- Investing in the share market (or various derivative markets) can result in loss of funds.
- With CFDs it is possible to make large returns for a relatively low injection of cash.
- With CFDs it is possible to lose a lot more than your initial deposit.
- There is no guarantee that any particular trading strategy might work or not work.
- Success in the share market does rely on an appropriate attitude and psychology, as well as adequate preparation and understanding.

1 Introduction

This Boot Camp seminar and accompanying handbook, as well as the advanced seminars, have come about because of a couple of things:

- The share market in Australia experienced a fantastic bull run from 2003 until late 2007, during which many people easily made a lot of money. They did this trading in shares, or CFDs, or various financial derivatives. With a severe market correction taking place over the months since November 2007, many people lost a significant amount of money.
- Many people have seen their superannuation holdings lose value due to the bear market described above.
- Many people are probably now feeling that they need to be better informed about the share market, and the players in the market.

1.1 The seminar(s)

This Boot Camp seminar is the first seminar in Robert's series of seminars, and runs every month or two. The second seminar — an Introduction to Technical Analysis — has already been presented, and also runs every month or two.

It is unfortunate that due to time and space limitations, this Boot Camp cannot possibly include all of the details that everyone would like to hear about. With a 4-hour presentation window, unfortunately the line has been drawn.

1.2 Share market boot camp seminar — outcomes

At the end of this *share market boot camp* seminar, or by the time the reader of this handbook has completed reading through the book, the following outcomes should be achieved:

1. Gain a broad understanding of the share market.
2. Understand who the key players are in the market.
3. Understand the various types of price charts, as well as chart time frames.
4. Understand how to interpret various basic features of share price charts.
5. Gain a brief understanding of various aspects of share trading.
6. Gain an understanding of different charting software tools.

1.3 This reference handbook

This handbook is a close reflection of the seminar content and presentation slides; but it is designed and structured so as to be easy to refer to later. It has a detailed Table of Contents in the front, and a good Index in the book, to help find information easily.

By the way, this document has been prepared using the Open Office software called Writer (Open Source software that directly competes with Microsoft's software; but which is free to buy).

1.4 Further reference

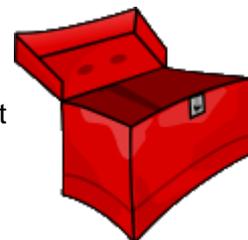
The reader of this handbook, and the Boot Camp seminar participant, are encouraged to seek out further details. There are many information sources available. Unfortunately, not all of them should be accepted at face value. Some should be used with caution.

Some of the readily available resources include various web sites and companies as follows (but this is not a recommendation or endorsement of any):

- The author's own **Share Market Toolbox** web site:

www.robertbrain.com

- The "Lotsa Web Sites" (or "Supplementary Resources") hand-out available at the seminar and from Robert's web site.
- Specialist text books from specialist book shops (eg. The Educated Investor bookshop in Collins Street, Melbourne can be endorsed and recommended – tell the shop staff that Robert Brain sent you).



1.5 Long versus short selling

In the field of share trading, it is possible to "short sell" stocks. You could do this if you believe the share price is going to fall (it is the converse of going long due to rising share prices.) That is, you "borrow" some shares from someone (eg. a broker), and then you sell them to someone on the market. At some future point, you buy the shares back, hopefully at a lower price, and then you give them back to the broker. You make a profit by: selling them at a high price, and buying them back at a low price.

In this handbook (and seminar) we will keep it simple, and we won't consider the short selling strategy (except for a brief mention).

1.6 Equities versus other instruments

In the big stock market world there are things other than just plain shares that you can buy and sell. In this handbook (and seminar) we will keep it simple, and we will mostly consider just shares.

1.7 Price charts and charting software

Throughout this handbook, the Australian BullCharts software is used for all price charts. For more information on BullCharts, visit their web site: <http://www.bullcharts.com.au> or contact the author directly.

Why does the author like and use BullCharts?

- General information:
 - Australian designed and developed software. Company based in Sydney (Australia).
 - User support is available by email or phone.
 - User Groups around Australia (Melbourne and Brisbane).
 - Online information available for users at the BullCharts Yahoo Forum.
- Software features:
 - Charting tools are great.
 - Many Indicators (more than 250).
 - Easy Scan of the market. That is, create and run a special set of selection criteria and search through a selected group of stocks to find those that match

your criteria. The resulting list of stocks is available for you to research further for share purchase consideration.

- Many scans are already supplied with the software (more than 100).
- Scans are very easy to modify, or to create your own. Uses drop-down boxes and selection lists — no programming required. (Much easier to use than competitive products — without mentioning any names.)
- If you have very unique or special requirements, you can use the supplied programming language (BullScript) to customise Scans or Indicators, or to write your own.
- Author Strategies — The trading strategies of many famous authors are implemented in both the scans and the available indicators.
- Back-testing features are available using the TradeSim software (from CompuVision Australia Pty. Ltd. — <http://www.compuvision.com.au>) with good integration with BullCharts.
- Printing of price charts is clear and crisp.
- Support:
 - User group support in Melbourne and Brisbane with monthly meetings.
 - User support via the Bulls and Bears Network in Sydney — <http://www.bullsandbearsnetwork.com.au/>
 - Training is available — contact the User Groups for details or Robert Brain directly — <http://www.robertbrain.com/>
 - BullCharts "How-To" information documents available via Brainy's monthly e-Newsletters from Robert's web site.
 - Tuition is provided in Melbourne by Robert Brain, either one-on-one, or in small groups.

1.8 Your own notes

At various places through this handbook there are places where you can make your own notes. Of course, you can make notes anywhere you like on your own copy of the handbook. That would make it more useful for future reference. But the following lines are a prompt to remind you that this is encouraged.

Your own notes and comments:

.....

.....

***** CAUTION *****

- Investing in the share market (or various derivative markets) can result in loss of funds.
- With CFDs it is possible to make large returns for a relatively low injection of cash.
- With CFDs it is possible to lose a lot more than your initial deposit.
- There is no guarantee that any particular trading strategy might work or not work.
- Success in the market does rely on an appropriate attitude and psychology.

2 The share market & shares – introduction

The topics covered in this section include:

- **Shares — exactly what are they?**
- **The "Share Market" — what is it and how does it work?**
- **How and why to buy /sell shares**
- **What sort of gains (losses) are possible?**
- **When is the right time to buy/sell shares?**

2.1 Shares and alternatives

In this section we look at an introduction to shares, and their alternatives.

2.1.1 Exactly what are "shares"?

(a) Shares — What are they?

In its simplest form, a new company needs money to assist with the set up and operation of the company; and an existing company needs money to assist with ongoing operations. If the company does not already have enough money to do this, then it needs to "borrow" the money from some where. One way to do this is to sell off a stake in the company.

Here is an example: Company XYZ needs to raise \$1,000,000. The board of directors decide to sell off 1,000,000 shares in the company at \$1 each, for a total of \$1,000,000. Whoever contributes to the \$1,000,000 in exchange for the 1,000,000 shares now becomes a shareholder, and a part owner of the company.

(b) How do you get some? for:-

- Publicly listed companies — Buy from someone who owns some, through a stock broker.
- Unlisted public companies — A company with potentially large number of investors, but which is not listed on a stock exchange. Tend to be small companies where the costs of listing make it not viable to list.
- Private companies (eg. proprietary limited company) — Directly from the owner of the shares, or through an intermediary (eg. a stock broker or other agent).
- Participate in IPO (Initial Public Offering) = float

(c) Key terms described:

The following terms are described using a simple example as follows:

A public company called XYZ is listed on the Australian Securities Exchange. At the point of listing on the exchange it was worth one million dollars; and it had one million shares on issue.

- total shares on issue – one million
- original share price at listing – \$1.00
- market capitalisation at listing – one million dollars (ie. one million shares @ \$1 each adds up to one million dollars)
- current price – is the price that the shares would sell for on the stock exchange today (eg. today's Closing price was \$1.10)

(d) Which price is better?

- Which company share price is better? \$20 or \$5?
- If one company's share price is \$5, and another one's is \$20, what does that tell us about relative value?

2.1.2 Publicly listed companies

(a) Listing Rules

- The ASX has listing rules regarding the listing of public companies.
- The largest shareholders details (who?, qty, % holding).
- Substantial holding – Shareholders with 5% or more of issued capital are to be identified. Whenever a shareholder acquires as much as 5% or more of a company, they need to lodge a Substantial Holding notice with the ASX.

(b) Blue chip companies

Definition: (from www.asx.com.au) — *Shares, usually highly valued, in a major company known for its ability to make profits in good times or in bad, and with reduced risk of default.*

So named because years ago when the term was first coined, there were three different poker chips in use (white, red, blue) and the blue coloured chip was the one of highest value. Today there are a few more colours used for higher-valued poker chips.

Here are some useful characteristics to be aware of:

- Quality companies
- Typically have good credit rating, strong balance sheet, and stable earnings power.
- Tends to be favoured by longer term and/or conservative investors.

(c) Samples

The following table lists two blue chip companies, and two other companies that are smaller in size. Share prices and market capitalisation details as at 31 Oct 2007 are shown. It is interesting to compare these values to their current values today.

Details as at 1 October 2007 (peak of a bull market):				
Code	Comment	Shares on Issue	Today's Closing Price (1 Oct 2007)	Market Capitalisation (\$mill)
BHP	BHP Billiton	3,356,081,497	\$46.10	\$154,715.36
RIO	Rio Tinto	456,815,943	\$110.00	\$50,249.75
CEG (CEC Group)	#1213 by market cap. and #487 on All Ords.	79,662,662	\$2.55	\$203.14
AFT Corp.	lowest share price	5,688,528,052	\$0.003	\$17.07

2.1.3 Direct investment? or let someone else do it?

(a) Consider whether to do it yourself:-

- Portfolio of managed funds + bonds + cash + ?
- SMSF (Self Managed Superannuation Fund)
(Note: this option might not be as easy as it sounds, as there are legal requirements and costs involved).

(b) What if you let someone else do it?

- Fund manager.
- Stock broker.
- Investment adviser.
- Who can you trust?