


Share Market GEMs


Brainy's  
**Share Market  
GEMs**

(Wall Street Words of Wisdom)


*Robert Brain*  
March 2011



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Version 2



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Brainy's  
**GEMs**

Introduction

As investors and traders,  
many clichés  
influence our opinions,  
behaviours and strategies.  
(eg. "The trend is your friend".)

**But some clichés are  
absolute nonsense!!**

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Brainy's  
**GEMs**

Introduction


About this presentation...

- There are many clichés, idioms, etc. regarding the share market
- Many are very useful
- But some are "misleading"
- Let's look at a few . . .

**Interactive presentation!  
Questions welcome.**



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**Brainy's GEMs** Introduction

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1. This presentation does not include any advice.
2. For proper advice, your personal financial situation needs to be considered.
3. This presentation is pure education, only for your general awareness. 
4. There are no recommendations to take any action, or to invest any money in any way.
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**Brainy's GEMs** Introduction

### Important Notice



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- 1) Regular opportunities for networking with peers, including international affiliations (IFTA).
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- 3) Access to web-based INO-TV for streaming audio and video presentations.
- 4) Extensive ATAA website resources — many past journal articles, presentations from past meetings and more.
- 5) Lots of member discounts — bookshops, email newsletters, memberships, etc.
- 6) Learn about Technical Analysis, including:
  - (a) risk assessment and money management
  - (b) market entry and exit timing
  - (c) market timing and cycle analysis
  - (d) complementing different trading styles
  - (e) trade and strategy back-testing
  - (f) trading and investment psychology.



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Brainy's GEMs
Introduction

### About... Robert Brain

Consultant, educator and part-time\* share trader  
Web-based sharemarket-support business

- Many years experience as trainer, presenter, conference facilitator (*Scouts* )
- Share Market – active 11+ years\*
- Chartist ie. technical analyst (ATAA member and national director) 
- Provide tuition and support to traders and investors   
[Brainy's Share Market Toolbox](#) 

- Engineering Degree (structured thinking with an eye for charts and diagrams)
- 30+ years – professional experience (IT and management)
- **Do not hold AFS license! (Can't give advice)**
- BullCharts software (convenor Australian BullCharts User Group and authorised reseller (with special pricing))
- Member Mensa

\* - Not yet enough capital to live off the proceeds of trading (after trading as a hobby until a career change in 2008).

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Brainy's GEMs
Introduction

### Promotions & Endorsements

- Robert is an ATAA member, and office-bearer (Melb chapter Vice-Pres, and national director), and so he will actively endorse and promote the ATAA - [www.ataa.com.au](http://www.ataa.com.au)
- But, Robert's own personal views do not necessarily represent those of the ATAA.



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Share Market  
"GEMs" ?

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**Brainy's GEMs**      **GEMs — definition**

What is a Share Market *GEM*?

- snippet of useful info
- adage
- cliché
- proverb
- axiom
- pearl of wisdom

to do with the share market

For example:

- *Up by the stairs and down by the elevator.*
- *A rising tide lifts all boats.*

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**Brainy's GEMs**      **GEMs — definition**

Why bother with *GEMs*?

- Share market *GEMs* (or pearls of wisdom) are worth knowing about
- Some are very, very useful
- Many seminars, lectures, training sessions, newspapers, magazines, books
- It can take many years to find out about the more useful ones.

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**Brainy's GEMs** **GEMs — definition**

Watch out for *furphies*!

- Be very careful!!
- Some are stretching the truth and continually peddled by people with vested interests.
- Some accepted and touted GEMs are actually "furphies"!!

**BTW** — what is a *furphy*?

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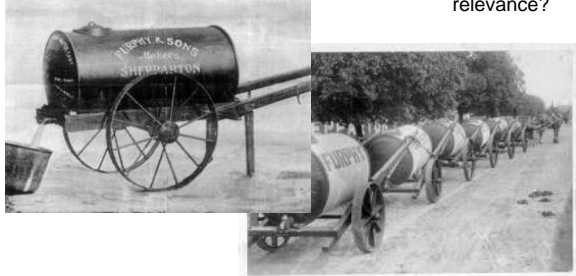
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**Brainy's GEMs** **GEMs — definition**

What is a *Furphy*?

Farm water cart produced by J.Furphy & Sons

Source: [www.furphys.com.au/history/the-famous-furphy-water-cart.html](http://www.furphys.com.au/history/the-famous-furphy-water-cart.html) but how come? relevance?




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**Brainy's GEMs** **GEMs — definition**

*Furphy?*

Wikipedia:

*“ . . . Australian slang for a rumour, or an erroneous or improbable story . . . ”*

- “The word is derived from water carts made by a company established by John Furphy (J. Furphy & Sons, Shepparton, Vic). Many Furphy water carts were used to take water to Australian Army personnel during World War I. The carts, with "J. Furphy & Sons" written on their tanks, became popular as gathering places where soldiers could exchange gossip, rumours and fanciful tales—much like today's water cooler discussion.
- “Another suggested explanation is that the rumbling of an approaching water cart sounded like the firing of artillery, thus causing a false alarm.”

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**Brainy's GEMS** **GEMs — definition**

btw — “Good, better, best...” ?

What is the origin of:  
 “Good, better, best.  
 Never let it rest.  
 Till your good is better  
 and your better — best.”

Has been around for long time.  
 Appears on Furphy carts.

Original author — unknown

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Now here are some  
**GEMs . . .**

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**Brainy's GEMS** **Some GEMs (or furphies?) ...**

Summary List on the web

GEMs - Summary List

- Important considerations**
  - First off in Robert's list of share market gems are some important considerations.
  - The share market is like an elephant
  - The 3-Ways Rule - Trends
  - Only invest in something that you understand
  - Buy low, sell high
- Company performance**
  - Blue chips - Are they really "blue chip"?
  - Don't fall in love with the company
  - Today's dating can be tomorrow's dog
  - Up by the stairs and down by the elevator
  - Public Floats and IPOs
- Financial returns**
  - Past performance is no guarantee...
  - What's most important? - Dividends or capital or TGR?
  - The Rule of 72
  - Never bet the house
- Investing and trading facts**
- Market tops and bottoms**
  - The market leads the economy 3-6 months
  - Bull market top
  - Bear market bottom
  - Accumulation and distribution
  - Volume behaviour
  - Market indices diverging
  - Advance Decline indexes
  - New Highs and Lows
- Time-of-Year observations**
  - Badnews Friday
  - January Barometer — As goes January, so goes the year
  - Sell in May and go away
  - The weekend and holiday sell-off
  - June business selling
  - Europe & US summer vacation (August)
  - Confessional season profit warnings (May-June and Nov-Dec)
  - Reporting season opportunities (February and August)
  - Reporting season tardiness
  - September (and October) — a bad month?
  - September (and October) — a good month?

>100 GEMs listed under 19 headings

Visit: [www.robertbrain.com/gems/](http://www.robertbrain.com/gems/)

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

#1 — Important considerations

*The share market is like an elephant!*

But why so?

**GEMs - Summary List**

1. Important considerations

First off in Robert's list of share market gems are some important considerations.

- The share market is like an elephant
- Only invest in something that you understand
- Buy low, sell high

12. Market

- TH
- BU
- BE
- AC
- VC
- MI
- AC
- NA

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

Market = Elephant?

Both the market and an elephant are:

- large and cumbersome
- comprised of many parts
- complex
- up close to study the detail... not so simple.

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

An elephant is an elephant?

Ask blind people to feel different parts of an elephant and describe their observations. They will provide different descriptions.

It is the same in the "markets".

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Different "markets"

- share markets — equities (stocks)
- commodities markets
- currency markets
- derivatives — futures contracts, options, CFDs, warrants, etc. . . .

There are many variations to the whole "market".

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Behaviour

- can be unpredictable
- often moves slowly, but can move very fast

An elephant is like this.  
The share market can be docile at times, and then it can move a long way very quickly.  
When the market falls, it can fall heavily and quickly (down by the elevator).

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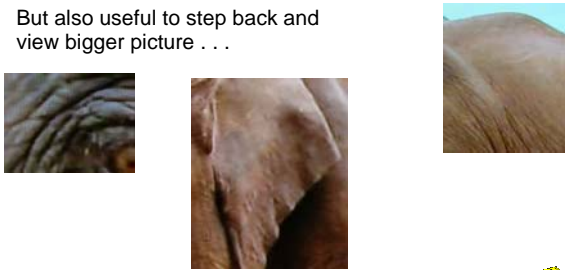
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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Get up close

It's okay to look at a very small portion of the market or a price chart (like close-up on an elephant);  
But also useful to step back and view bigger picture . . .



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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Step back — bigger picture

- In the market for individual stocks or instruments, step back to look at longer time periods (using daily, weekly, or monthly charts) You might spot a different trend, or significant chart pattern
- Also take a look at the performance and behaviour of the overall market index (XJO or XAO in Australia), or the relevant sub-indexes

**Remember:**  
*"A rising tide lifts all boats!"*  
 (Doesn't it?).

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Stand in the way?

Be careful!

- If you get in the way of an elephant (or the market), you might get trampled!
- We can't stand in front of a stampeding elephant, and we can't argue with the market.



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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### 2. Company share price performance

*Blue chip stocks . . .*

**1. Important considerations**

First off in Robert's list of share market gems are some important considerations.

- The share market is like an elephant
- The 3-Ways Rule - Trends
- Only invest in something that you understand
- Buy low, sell high

**2. Company performance**

- Blue chips - Are they really 'blue chip'?
- Don't fall in love with one company
- Today's darling can be tomorrow's dog
- Up by the stairs and down by the elevator
- Public Floats and IPOs

**3. Financial returns**

- Past performance is no guarantee...
- What's most important? - Dividends or capital or TSR?
- The Rule of 72
- Never bet the house

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**Brainy's GEMs**      **Some GEMs (or furchies?) ...**

**Blue Chip?**

*"Show me a list of Blue Chip stocks — they will make me money! — Won't they?"*

Many long-term investors buy blue chip stocks for the bottom drawer . . .

A useful long-term strategy??



*What do you think?*

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**Brainy's GEMs**      **Some GEMs (or furchies?) ...**

**Blue Chip?**

*"Show me a list of Blue Chip stocks . . ."*

- List of blue chip stocks? There is no list!
- Make money? — Not necessarily. This is no guarantee of performance.

**So, what is the definition of "blue chip"?**



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**Brainy's GEMs**      **Some GEMs (or furchies?) ...**

**Blue Chip Stocks — definition?**

Current definition\*:

*Larger companies with a long history of profitability and stability.*

Former definition\*:

*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.*

\* Source — [www.asx.com.au](http://www.asx.com.au)

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Blue Chip — why called?

How did the term “blue chip” come about?



In earlier times, the blue chips were the most highly prized chips on the casino table.

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Will *blue chips* always make you money?

- It depends on your strategy and objective:
  - Share price performance? and/or
  - Dividends? and/or
  - Total Shareholder Return? (ie. share gain + dividend)

**NOTE:**  
During the GFC, most Aussie blue chip stocks fell in value, and some fell by 50%!

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Some blue chips fell during GFC

| Code | Name                    | Worst | Now | Notes |
|------|-------------------------|-------|-----|-------|
| LEI  | Leighton Holdings       | -74%  | ?   |       |
| NAB  | National Australia Bank | -63%  | ?   |       |
| ANZ  | ANZ Bank                | -62%  | ?   |       |
| CBA  | Commonwealth Bank       | -58%  | ?   |       |
| DJS  | David Jones             | -57%  | ?   |       |
| QBE  | QBE Insurance           | -57%  | ?   |       |
| BHP  | BHP Billiton            | -55%  | ?   |       |
| AMP  | AMP                     | -65%  | ?   |       |
| WDC  | Westfield Group         | -55%  | ?   |       |
| WES  | Wesfarmers              | -66%  | ?   |       |

**Question:** Where are they now? up or down?

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

Where are they now\*? — up / down?

| Code | Name                    | Worst | Now  | Notes         |
|------|-------------------------|-------|------|---------------|
| LEI  | Leighton Holdings       | -74%  | -53% |               |
| NAB  | National Australia Bank | -63%  | -38% |               |
| ANZ  | ANZ Bank                | -62%  | -21% |               |
| CBA  | Commonwealth Bank       | -58%  | -13% |               |
| DJS  | David Jones             | -57%  | -19% | Did recover!  |
| QBE  | QBE Insurance           | -57%  | -45% |               |
| BHP  | BHP Billiton            | -55%  | 6%   | Now positive! |
| AMP  | AMP                     | -65%  | -45% |               |
| WDC  | Westfield Group         | -55%  | -47% |               |
| WES  | Wesfarmers              | -66%  | -22% |               |

\* — as at 11 April 2011

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

Blue chips — conclusion?

What's your conclusion?



Are **blue chip** stocks guaranteed to make us money?

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

2. Company share price performance

Public floats (IPO\*) —  
A great way to make money!?! — Or is it?

What is your experience?



2. Company performance

- Blue chips - Are they really "blue chip"?
- Don't fall in love with the company
- Today's darling can be tomorrow's dog
- **Public Floats and IPOs**

3. Financial returns

- Past performance is no guarantee...
- What's most important? - Dividends or capital or TSR?
- The Rule of 72
- Never bet the house

\* IPO = Initial Public Offering

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Public floats (IPO\*)

Cursory review of IPO performance in Australia:

- about half worth less than listing price several months after listing

Several empirical studies regarding two key observations:

- IPO *under-pricing*, and
- IPO *long-term under-performance*

Consistent conclusions:

- Many IPOs under-perform both the market and their industry peers in the months following the IPO.

\* IPO = Initial Public Offering

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Public floats (IPOs)

Refer:

- McDonald and Fisher, 1991
- Logue, 1973
- Ibbotson, 1975
- Ritter, 1984
- Ibbotson, Sindelar and Ritter, 1988
- Ritter, 1991
- Ritter and Welch, 2002
- Ritter and Loughran, 2002
- Santos, 2010

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Public floats (IPO\*)



So, is it worth investing in IPOs?

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Brainy's GEMs **Some GEMs (or furphies?) ...**

9. Key concepts for investing, trading

*"Time in the market is more important than timing the market"*

What do you think?

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Brainy's GEMs **Some GEMs (or furphies?) ...**

Can we really "time the market"?

The learned finance industry professionals:  
*"you can't time the market!"*

BUT:

Technical analysts say that  
*we CAN time the market!*

So, who is right? —

- The ones who have **proved it is possible?**
- Or the ones who **don't want us to do it?**

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Brainy's GEMs **Some GEMs (or furphies?) ...**

Can we really "time the market"?

*"Time in the market is more important than timing the market"*

A true GEM?  
or a furphy?



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Brainy's GEMs **Some GEMs (or furphies?) ...**

9. Key concepts for investing, trading

"A rising tide lifts all boats" — or does it? 

9. Key concepts for investing and trading

- The trend is your friend
- Time in the market is more important than timing — NOT!
- Technical analysis (charting)
- ~~Finds technical analysis~~
- A rising tide lifts all boats - not?

10. Investing and trading - TIPS

- Keep your eye on the ball
- A routine is critical
- Risk analysis is vital
- In order to change the outcome you need to change the actions
- A long journey starts with a single step
- Maintain perspective
- Remember your Investment Plan

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Brainy's GEMs **Some GEMs (or furphies?) ...**

*A rising tide lifts all boats — ?*

- Based on the premise that when most of the share market is rising, then most stocks will also be rising.
- BUT, can we rely on it?

In reality:

- This idiom, coined by John F Kennedy (1963), describes the idea that when an **economy** is performing well, **all people** will benefit from it. (sources: Wikipedia, and [www.usingenglish.com](http://www.usingenglish.com) )

This was **not** in reference to the **share market**.

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Brainy's GEMs **Some GEMs (or furphies?) ...**

*A rising tide lifts all boats — ?*

Truthfully,  
at any one point in time,  
the market (or an index)  
might not accurately reflect  
the performance of  
many of it's constituent stocks.

(samples on next slides...)

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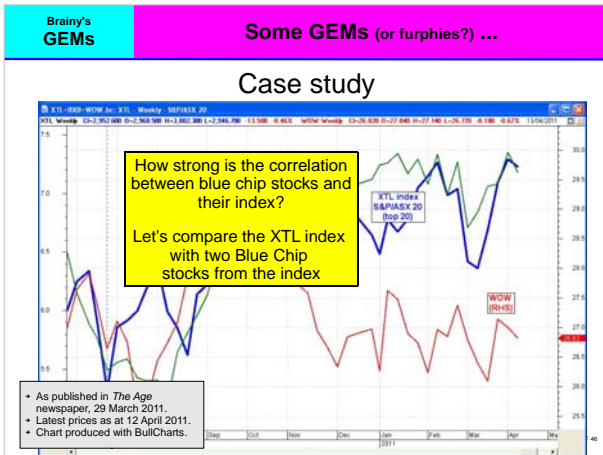
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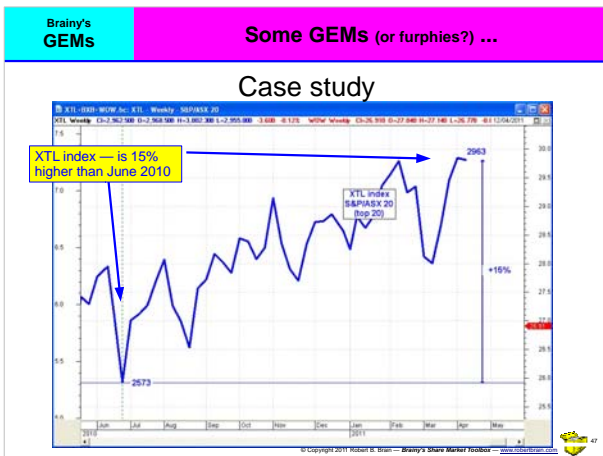
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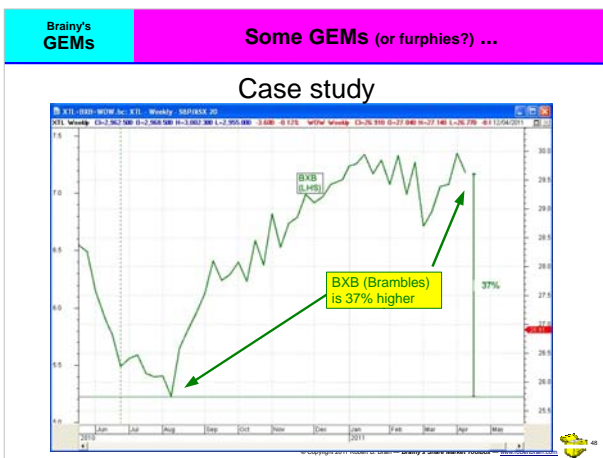
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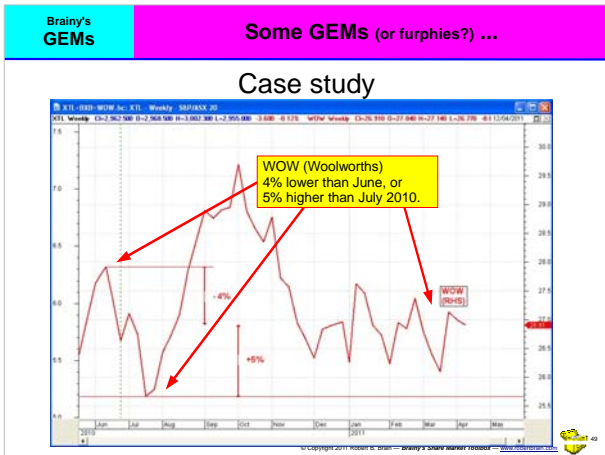
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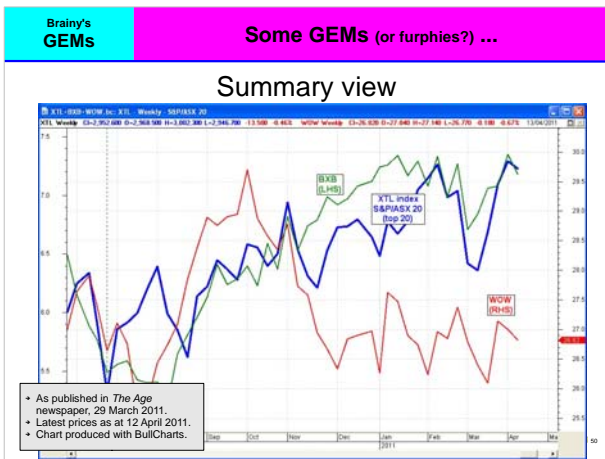
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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Case study

**BTW**

See the scanned article from *The Age*:  
[www.robertbrain.com/ataa/](http://www.robertbrain.com/ataa/)

file name: "20110329\_RBrain\_XTL.pdf"

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

During the GFC . . .

The All Ordinaries index (XAO) fell 54% over a 17 month period from October 2007 until March 2009.

But, did ALL stocks fall in this period?

That is, *does a rising tide really lift **all** boats? (and a falling tide drop all boats?)*

(See next slide...)

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

During the GFC . . .

A sample list of just SOME of the risers . . .

| Stock Code | Stock Name         | Price at 1/11/2007 | Price at 6/3/2009 | percent change |
|------------|--------------------|--------------------|-------------------|----------------|
| XAO        | All Ords index     | 6853.6             | 3111.7            | -54%           |
| BOW        | Bow Energy         | \$ 0.160           | \$ 0.745          | 365%           |
| VPE        | Victoria Petroleum | \$ 0.130           | \$ 0.320          | 146%           |
| EXT        | Extract Resources  | \$ 1.138           | \$ 2.603          | 129%           |
| ICN        | Icon Energy        | \$ 0.100           | \$ 0.200          | 100%           |
| ORG        | Origin Energy      | \$ 8.880           | \$ 13.215         | 49%            |
| NHC        | New Hope           | \$ 2.046           | \$ 2.979          | 46%            |

**BTW** Notice anything common about these stocks?

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

During the GFC . . .

**Their GICS Industry Group code:**

| Stock Code | Stock Name         | Price at 1/11/2007 | Price at 6/3/2009 | percent change | GICS code* |
|------------|--------------------|--------------------|-------------------|----------------|------------|
| XAO        | All Ords index     | 6853.6             | 3111.7            | -54%           |            |
| BOW        | Bow Energy         | \$ 0.160           | \$ 0.745          | 365%           | 1010       |
| VPE        | Victoria Petroleum | \$ 0.130           | \$ 0.320          | 146%           | 1010       |
| EXT        | Extract Resources  | \$ 1.138           | \$ 2.603          | 129%           | 1010       |
| ICN        | Icon Energy        | \$ 0.100           | \$ 0.200          | 100%           | 1010       |
| ORG        | Origin Energy      | \$ 8.880           | \$ 13.215         | 49%            | 1010       |
| NHC        | New Hope           | \$ 2.046           | \$ 2.979          | 46%            | 1010       |

**BTW**

It can be very useful to understand the GICS coding system  
 \* GICS Industry Group 1010 = Energy

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

*A rising tide lifts all boats — ?*

Is this a GEM, or a furphy?



ps: When is a GEM not a GEM?  
Answer: When it's a furphy!

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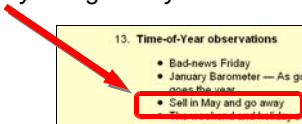
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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

13. Time-of-year observations

*"Sell in May and go away"*



13. Time-of-Year observations

- Bad-news Friday
- January Barometer — As goes January, so goes the year
- **Sell in May and go away**
- Summer holidays — market pull-off
- June tax-loss selling
- Europe & US summer vacation (August)
- Confessional season profit warnings (May-June and Nov-Dec)
- Reporting season opportunities (February and August)
- Reporting season tardiness
- September (and October) — a bad month?
- September (and October) — a good month?
- Christmas rally = Santa Claus rally
- Federal elections - go nowhere

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

**Sell in May and go away**

- The months of May to October are renowned for poor returns on the global share markets
- and the months of October to December often have good returns

Partly explained by the northern hemisphere "summer vacation" — much of Europe goes into holiday mode for a few weeks in July-August, and likewise in North America.

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Brainy's GEMs **Some GEMs (or furphies?) ...**

16. General observations

*Bear market durations (you might be surprised)!*



- When Wall Street sneezes, other markets catch a cold
- The world's largest economies
- P/E - Price/Earnings Ratio
- **Bull and Bear market durations**
- The market abhors a vacuum
- Learn from the past
- Black Monday 1987

17. Shares and other financial instruments

- Shares are dangerous
- Shares might not be shares
- Derivative products
- Leveraged products
- Leveraged finances

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Brainy's GEMs **Some GEMs (or furphies?) ...**

Bear markets — frequency & duration

Question:

How often does a *bear market* or a *market correction* come around?



Correction = a fall of between 10% and 20%  
 Bear market = a fall of 20% or more

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Brainy's GEMs **Some GEMs (or furphies?) ...**

Bear markets — frequency & duration

- A Correction or bear market has occurred **eight times** in the 23 years 1987-2010 (ie. a fall of at least 10% every 2.9 years)
- AND, on two occasions, while recovering from a bear market a correction has hit *before new highs!*
- AND, the average duration to achieve new highs is **3.2 years!**

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

A bear market end?  
 What is it that signals the end of a bear market?

(a) A rise of a certain percentage?  
 (b) A particular chart indicator signal?  
 (eg. cross of 24-month EMA; RSI above 50)  
 (c) Reaching a new high?

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

One approach

The long-term effects of a bear market are still in place until new highs are achieved.

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

Recent history — 1987 to Feb 2011

**Bear Markets and Corrections — 1987 to 2011**

| Start Date                         | From Point | Bear Market or Correction | Amt (%) | Weeks to bottom | Time to recover to past high |       |            |
|------------------------------------|------------|---------------------------|---------|-----------------|------------------------------|-------|------------|
|                                    |            |                           |         |                 | Weeks                        | Years |            |
| Sept 1987                          | A          | Bear market               | -48     | 21              | 470                          | 9.0   |            |
| Oct 1989                           | E          | Bear market               | -30     | 65              | 194                          | 3.7   |            |
| Nov 1991                           | G          | Correction                | -19     | 53              | 80                           | 1.5   |            |
| Jan 1994                           | I          | Bear market               | -21     | 53              | 150                          | 2.9   |            |
| Sept 1997                          | K          | Correction                | -11     | 5 or 50         | 66                           | 1.3   |            |
| June 2001                          | O          | Correction                | -21     | 88              | 152                          | 2.9   |            |
| Oct 2007 *                         | S2         | Bear market               | -54     | 73*             | 161                          | 3.3   |            |
| Apr 2010 *                         | U          | Correction                | -15     | 11*             | 30                           | 0.7   |            |
| <b>Average time for new highs:</b> |            |                           |         |                 |                              |       | <b>3.2</b> |

\* — Latest bear market has not yet "finished".

Note: The letters in the "From Point" column refer to points on the chart.

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Bear Market + Correction

In 2007 to 2010+

- Bear Market (3½+ years) plus a Correction (? years) April 2010?



1989 to 1993

- Bear Market (3.7 years) plus a Correction (1.5 years) in late 1991-1992 (see chart on next slide)

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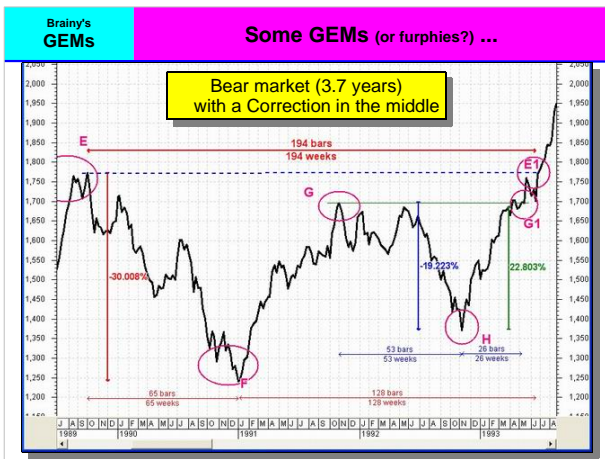
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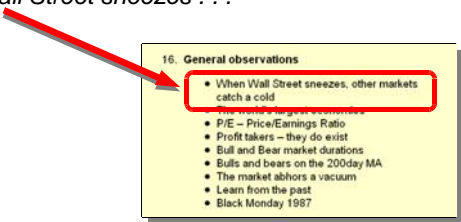
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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### 16. General observations

*When Wall Street sneezes . . .*



**16. General observations**

- When Wall Street sneezes, other markets catch a cold
- The world's largest economies
- P/E - Price/Earnings Ratio
- Profit takers - they do exist
- Bull and Bear market durations
- Bulls and bears on the 200day MA
- The market abhors a vacuum
- Learn from the past
- Black Monday 1987

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

When Wall Street sneezes . . .

- The US economy and stock market are so large that events there can have a flow-on effect to other economies and markets
- This phrase appeared frequently in US newspapers in the 1950s and 1960s
- But, just how big is the US economy?

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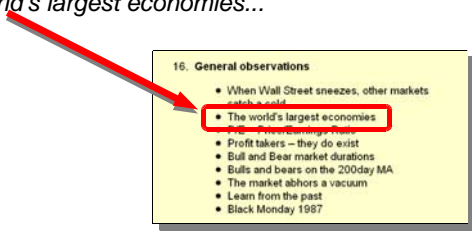
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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

16. General observations

*The world's largest economies...*



**16. General observations**

- When Wall Street sneezes, other markets catch the cold
- **The world's largest economies**
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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

Which country?

(a) Which country has the largest economy (GDP)? and

(b) What percentage of the world's total economy is it?

2%  
5%  
10%  
20%  
30%

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

The world's largest economies . . .

In comparison to other countries, the US economy\* is rather large:-

| Rank | Country | GDP (trillion US\$) | Percent of world |
|------|---------|---------------------|------------------|
| 1    | USA     | 14.62               | 23.6%            |

But how big are the other countries?



\* Source — [www.economywatch.com/economies-in-top/](http://www.economywatch.com/economies-in-top/) using 2010 GDP figures.

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

The world's largest economies . . .

The other “top” countries:

| Ranking | Country | GDP (trillion US dollars) | Percent of world |
|---------|---------|---------------------------|------------------|
| 1       | USA     | 14.62                     | 23.6%            |
| 2       | China   | 5.74                      | 9.3%             |
| 3       | Japan   | 5.39                      | 8.7%             |
| 4       | Germany | 3.31                      | 5.3%             |
| 5       | France  | 2.56                      | 4.1%             |
| 6       | UK      | 2.26                      | 3.6%             |

But where is Australia?



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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

| Ranking | Country    | GDP (trillion US\$) | Percent of world |
|---------|------------|---------------------|------------------|
| 1       | USA        | 14.62               | 23.6%            |
| 2       | China      | 5.74                | 9.3%             |
| 3       | Japan      | 5.39                | 8.7%             |
| 4       | Germany    | 3.31                | 5.3%             |
| 5       | France     | 2.56                | 4.1%             |
| 6       | UK         | 2.26                | 3.6%             |
| 7       | Italy      | 2.04                | 3.3%             |
| 8       | Brazil     | 2.02                | 3.3%             |
| 9       | Canada     | 1.56                | 2.5%             |
| 10      | Russia     | 1.48                | 2.4%             |
| 11      | India      | 1.43                | 2.3%             |
| 12      | Spain      | 1.37                | 2.2%             |
| 13      | Australia  | 1.22                | 2.0%             |
|         | (the rest) | 16.85               | 27.3%            |
|         | WORLD      | 61.90               | 100%             |

Australia

\* Source — <http://www.economywatch.com/economies-in-top/> using 2010 GDP figures.

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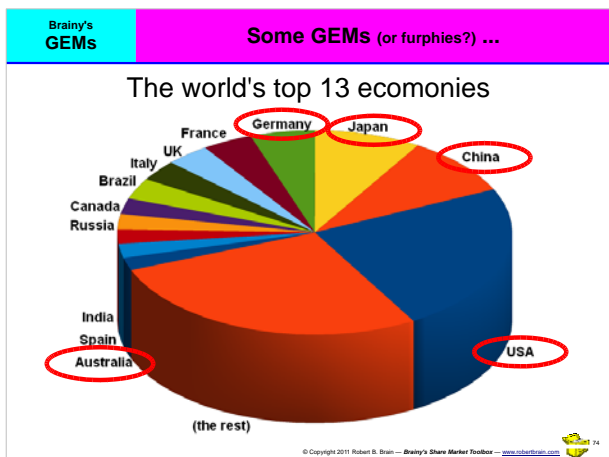
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- Brainy's GEMs      Some GEMs (or furphies?) ...
- ### World economies
- The US economy is rather large and can influence other economies
  - China, Japan, Germany also large
  - Australia's economy is relatively small.
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Brainy's GEMs      Some GEMs (or furphies?) ...

### 19. In summary

Self-fulfilling prophecy?

19. In summary

- Self-fulfilling prophecy?
- How old is Technical Analysis?

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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### Self-fulfilling prophecy?

Something to ponder over dinner:

Is it possible that with so many people following technical analysis principles that many of the concepts are actually self-fulfilling?

For example:

- Price approaching an obvious support or resistance level.
- A chart pattern (eg. triangle) suggesting continuation.
- etc.

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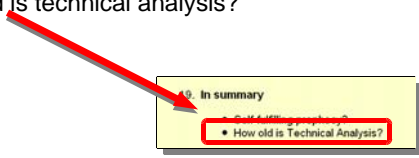
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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### 19. In summary

How old is technical analysis?



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**Brainy's GEMs** **Some GEMs (or furphies?) ...**

### How old is Technical Analysis?

- 1980s-1990s — chart indicators on computers
- Early 20th century — Ralph Elliott, William Gann, etc.
- 1948 — Edwards and Magee published *“Technical Analysis of Stock Trends”*
- 1920s and 1930s — Richard W. Schabacker published several books

(continued over...)

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**Brainy's GEMs**      **Some GEMs (or furphies?) ...**

How old is Technical Analysis?

- Charles Dow (1851-1902) developed a series of principles for understanding and analysing market behaviour which later became known as Dow theory
- Early 18th century —  
Candlesticks developed and used in Japan;  
Munehisa Homma the father of candles
- 17th century — it is said that Joseph de la Vega hinted at the notions of technical analysis in his writings about the Dutch market.

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**Brainy's GEMs**      **Some GEMs (or furphies?) ...**

How old is Technical Analysis?

- Charting techniques can be dated back many many decades.
- Are there any aspects of technical analysis which could be considered self-fulfilling?

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**Brainy's GEMs**      **Summary & Wrap up**

Share market GEMs, clichés, snippets . . .  
Are they useful?



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**Brainy's GEMs** Summary & Wrap up

### Summary

- Share market GEMs (pearls of wisdom) are worth knowing about
- Some are very useful
- Can take years to find the useful ones (seminars, lectures, training sessions, newspapers, magazines, books . . .)
- BUT watch out for popular furbphies (peddled by self-interested professionals).

ps: *Beware the sharks in the ocean!*

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**Brainy's GEMs** Summary & Wrap up

### Share Market Toolbox

Robert's Web-based business:

- The list of Share Market GEMs: [www.robertbrain.com/gems](http://www.robertbrain.com/gems)
- Share Market Toolbox Members download the 47-page GEMs (PDF) eBook.
- Free stuff — [www.robertbrain.com/free](http://www.robertbrain.com/free)
- plus more stuff reserved for Toolbox Members





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*Share Market GEMs*

THE END

THANK YOU

(backup slides follow)

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