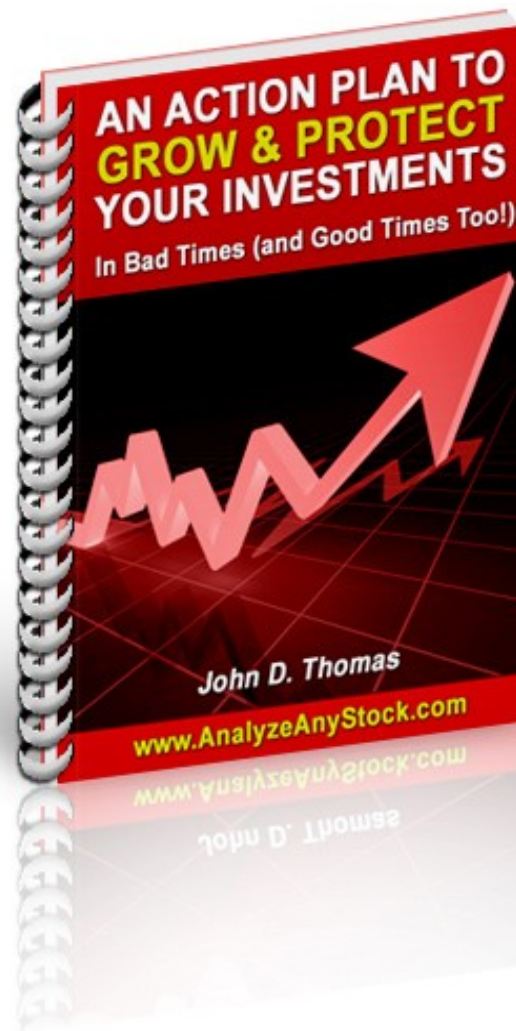


**An Action Plan  
to Grow & Protect  
Your Investments  
in Bad Times  
(and Good Times Too!)**

John D. Thomas  
[www.AnalyzeAnyStock.com](http://www.AnalyzeAnyStock.com)



## **Table of Contents**

### **Copyright**

### **Disclaimer**

### **Introduction**

### **What Type of Trader or Investor Are You?**

Risk tolerance  
Time horizon  
Active or infrequent

### **Your Action Plan**

1. The big picture
2. Look for trending stocks
3. Look for support and resistance
4. Using technical analysis
5. Looking at fundamentals
6. Managing your nest egg

### **Get a Little Help from Your Friends**

Stock selections and recommendations  
Stocks relative to other stocks  
Industry group performance and potential

### **Summary**

### **Several Other Things to Consider**

## **Copyright Notice**

**John D. Thomas, 2008-2011 All Rights Reserved**

These materials are protected by copyright (U.S. Copyright Act, 17 U.S.C) and may not be reproduced, offered for resale, distributed, modified, transmitted, displayed, published or broadcast for any reason.

If you are found in violation of criminal statutes for copyright infringement of this report you will be subject to prosecution. If you continue in this violation after notification of such violation, you will be subject to enhanced penalties to include damages and all attorney costs.

### **Disclaimer**

The purpose of this report is for educational purposes only. The content in this report is not intended to provide investment or financial advice. The information on particular stocks in this report is for illustration purposes only and is not meant to serve as recommendations regarding any buy or sell investment transaction.

Neither Atex Global Info or its owner assumes any liability for loss as a result of relying upon any content or illustrations in this report.

Each reader of this report should perform his or her own due diligence and make personal decisions for investments after consulting with his or her legal, tax or investment advisors.

This report may refer to other websites and resources but neither Atex Global Info or its owner does not endorse nor take responsibility for their content.

## Introduction

There are always challenges for traders and investors to starting, growing and protecting their hard-earned money. These challenges only seem to mushroom with bad economic times. Just when one crisis seems to be winding down then one or several more hit us between the eyes.

What's a person to do? Well, for sure, you don't want to stick your head in the sand and lose even more control. Instead, **why not be proactive? Why not build a simple, solid and reliable investment strategy?**

Take control and put forth the time and effort right now to **learn an easy, step-by-step action plan.** An action plan that you can rely upon that will keep you safe from the emotional roller coaster.

Let me introduce myself. My name is John D. Thomas and I'm a certified public accountant by profession. Years ago I learned how to "crunch the numbers" while analyzing stocks. I performed fundamental analysis on common stocks, looking at a history of sales and earnings and then making 5-year projections. The drawback was that fundamental analysis may tell you "what" to buy but not "when" to buy. I needed to know both.

So, there was a missing piece until **the Internet came along which opened the door to "market timing". By studying stock charts, trends important patterns can be identified.** Without knowing anything about a stock's fundamentals, a clear picture can sometimes be drawn on "when" a person should or should not be into a stock. With stock charts, a long history of stock price activity, along with all sorts of technical analysis, became equal partners with fundamental analyses. These patterns and trends became readily apparent and became the bases on when to get into or out of a stock.



Thus, the puzzle was complete and in today's investing environment each individual has the best of both – stock chart technical analysis and financial fundamental analysis. You can use these tools to create your action plan.

**And when I'm talking about "action plan", I'm talking about a simple, step-by-step strategy that makes sense to YOU.**

I'm not talking about a lot of complicated computations because many people DO over-complicate what they are doing. They jump around from one thing to another and never settle down on just one simple action plan that not only lets them sleep better but actually grows and protects their investment portfolio.

So, we are going to show you how to keep your action plan simple.

Now - **before you begin to construct your action plan, you need to know what type of trader or investor you are.** What is your profile?

You need to answer three basic questions to determine your investment profile. Here they are:

1. What is your tolerance for risk?
2. What is your "time horizon" for trading or investing?
3. How actively do you buy or sell?

**Make sure you have a clear understanding of these because they will set the framework within which your action plan will fall.** So, let's talk a little bit more about this framework before we get into your action plan.

## What Type of Trader or Investor Are You?

### 1. Risk Tolerance

Some investors are especially adverse to much risk. This is good to some extent. The important thing to remember is that **you need to know what your risk tolerance is and then you need to select stocks that are more suited to your temperament.**

While there is no guarantee that you will always come up with stocks that agree with your temperament, you will fare better if you know your level of tolerance beforehand and then try to allocate your stock portfolio accordingly.

**Stock charts will often times clue you in whether a stock has price stability or volatility.** So, just what IS your tolerance for risk?



### 2. Time horizon

Your investment horizon will determine basically two things:

- "When" you expect to sell or "cash-in" in the future, and
- "Which time frames" you will use when analyzing a stock chart or financial statements.

Insofar as "cashing in" is concerned, most people generally know if they are investing for immediate or long-term needs. **Generally those with more immediate needs will trade frequently and they have a shorter time horizon. On the other hand, those with more long-term needs will trade relatively infrequently and will have a longer time horizon.**

Insofar as selecting time frames for viewing historical charts or financials is concerned, I call these historical time frames "look-back" periods.

And, for sure, **a trader or investor will want to look-back over various time frames for a particular stock, not just one time frame.**

For example, if you are an "average" trader or investor and are doing a preliminary review for a number of stocks using stock charting software, you may want to pull up the one-year chart to start. I always select charts using "candlesticks". But, this is another story in itself.

You may want to select a few stocks for further study and others you may quickly discard just by viewing their chart.

So, after you narrow down your field of stocks that you are previewing, you may want to go to the 3-month or the 20-day chart. You will be surprised at times how switching from one look-back period to another with just one stock will reveal some interesting and sometimes "conflicting" information.

What may be attractive in one time frame may be very unappealing in another.

So, the **look-back periods could range anywhere from several minutes to 3-5 years, depending upon your investing frequency and time horizon for selling.**

### **3. Active or Infrequent**

Generally, the words "trading" or "trader" indicate that the person is an active investor. **Active traders, perhaps, include day or swing traders, the latter looking to make trades every several days or on a weekly or monthly basis.**

Likewise, the words "**investing**" or "**investor**" indicate that the person is investing more **for the longer term**. These investors **might be looking to buy and sell infrequently during a one, three or five year period or longer**. Sometimes these investors with a long time-horizon are known as "buy and hold" investors.

Between the person that is an active day trader and the long-term infrequent investor are those in the middle who will make trades more than several times throughout the year.

Understanding these different types of traders and investors with **their different velocities of trading frequency** will help you understand that these frequencies **are pretty much determined by their investment "horizons"**.

## Your Action Plan

Now, let's look at six simple steps that you can create and employ in your Action Plan.

### 1. The Big Picture

Getting the "big picture" means two things:

- Understanding what the broader markets are doing, and
- Getting a historical perspective on each particular investment.

First, let's look at understanding what the broader markets are doing.

Before you jump into stocks, you want to make sure that you are not jumping into a boat that is headed toward a waterfall, so to speak. That is, **you want to see what the market "in general" is doing because this might have an impact on how any particular stock that you select is doing.**

You might want to **focus on industries or sectors** that are expected to outperform others. Further, you may want to check what some of the broad market indices are doing.

Both the **Dow Jones Industrial Average (DJIA)** and the **S&P Index (SPX)** are two indicators of broader general market trends. Both have been in a downtrend for some time as of late 2007 with a nice recovery starting in early 2009.



The DJIA hit a high of about 14,200 around early October of 2007. Thereafter it was in a downslide, hovering a little over 8,600 in middle October 2008. In early 2009 it dipped below 7,000, losing about 50% of its value in over a fifteen month period but, more recently, has recovered all of its lost value.

The S&P Index hit a high of about 1,575 about the same time as the DJIA in early October of 2007. Likewise, the S&P has been nearly a mirror image of the Dow, first losing much of its value and then making a nice recovery ever since early 2009.

**This is certainly not to say that you should “cash out” or avoid investing when the broader markets are failing such as they did until early 2009. Here is why. There are defensive postures to take.**

There will always be particular stocks that stand up to the falling broader markets. You may want to turn your focus to these stalwartly stocks. And this brings us to the second aspect of getting the big picture.

**As you begin to study particular stocks, you want to get a historical perspective on what has happened in the past as you look at what is happening at the current time.**

**McDonalds (MCD)** has held up very well for the most part. During the downtrend of the broader markets mentioned above, MCD held firm and then proceeded to climb again in early 2009.

**AutoZone, Inc. (AZO)** has taken the auto parts industry by a storm, holding steady during the broad market downturn and then stepping on the gas beginning early 2009.

Now, these stocks may suffer some decline if the broader markets reverse into a downward trend. However, you would be hard pressed to find performers such as these with their steady-as-you-go upward trends.

These two stocks are only two out of thousands; yet, if you do some research, you may be able identify some good candidates for preserving capital or taking on more risk – whichever you prefer. Let me explain.

### *Identifying High Beta and Low Beta Stocks*

Stocks are sometimes evaluated according to how volatile they are in relation to the broader market. High beta stocks will react more to changes in the broad market indexes than low beta stocks.

If you are seeking rapid profits, low beta stocks are not for you; however, if you are seeking safety, low beta stocks will be the better choice.

There are a number of services that will identify some high beta and low beta stocks. I like Schaeffer's Investment Research.

Go here to learn more:

<http://www.schaeffersresearch.com/streetools/premium/toolkit/fundamental/beta.aspx>

As you can see from the two examples above, **a lot of money can still be made – or preserved – even when the broader markets are moving sideways or are in a downward trend.** But you have to be very, very selective. Our goal is to help you do exactly that. Here is why.



Many stocks that followed the broader markets downward have recovered and have been trending upward until recently. Some are currently at a threshold. Should a downturn hit upon us, the question is "Which stocks will best preserve your gains?" This is a difficult question for many traders and investors alike.

Those who bought into the lows of early 2009 may be now sitting on some very good gains; it would be a shame to see these gains evaporate like smoke.

**The solution is to create a suitable action plan that gives you the greatest probability for "success"s by first of all avoiding huge losses during market declines.**

Put this plan into action and then monitor your activity and stick with what is working. Be patient but be alert to react quickly when necessary depending upon your particular personal strategy.



**Having a sensible strategy in place helps to eliminate the emotion. It gives you a beacon in the dark,** so to speak. So, let's take a look at the next step in building a trading or investing strategy. One that you will create that coincides with your goals.

## 2. Look for trending stocks

You can view stock charts from various sources on the Internet and you can quickly see if a stock is trending upward, downward or sideways. You will also see how the price movement may bounce up and down while it is in the "major" trend.

As it is bouncing up and down, the problem is not knowing if a stock is at a turning point. Is the bounce the beginning of a new trend? Is it a reversal? **Is it just a "wiggle" or is it a real change in direction?**

The best place to begin is to **look at the stock's moving averages over a certain time frame.** Moving averages are plotted on a stock chart and are "smoothed out" versions of a particular stock's actual stock price.



If the current stock price is above its 50-day and 200-day moving average, this is indicating the stock may be in an uptrend. Conversely, if the current stock price is below these moving averages, the stock may be in a downtrend.

For example, let's say you are a swing trader looking to hold a stock for anywhere from two to three or four days on up to two to three or four weeks.

You might want to select your look-back periods as 10 days, 20 days and three months. You want to get a bigger picture by looking at the historic price movement for a period greater than what you intend on holding it.

Once you have selected your look-back period, you want to look at the moving averages for that period. For swing traders, this might be the 5, 10 and 50 day moving average.

**If you are looking to "go long" on a stock, you want to make sure that each moving average is in an upward trend.** Moving averages are "lagging" indicators and the actual stock price may have already moved upward or downward, departing from the moving averages.

When the stock price moves above or below a moving average, these are known as "cross-overs" and can point to a turning point or a trend reversal.

To better ensure that you have a sustained upward movement you might want to wait until all the moving averages are moving in tandem.

Let me say that **the most opportune time to invest in a stock is at the confluence of three moving averages that are all beginning to move in an upward direction.** However, this depends, of course, on your particular time horizon and look-back period.

In step three you will learn about support and resistance.

### 3. Look for support and resistance

**Support and resistance are levels of price activity that establish "artificial" boundaries.** For example if a stock has been moving in an up and down fashion for several months between \$40 and \$60 per share it is sometimes difficult to penetrate above the \$60 boundary or to fall below the \$40 boundary.

So there is "resistance" at the upper boundary and "support" at the lower boundary. However, **once the stock price extends above or below these artificial boundaries, this may usually be an indication that the stock price will proceed further in the direction of penetration.** Thus a new leg upward or downward has begun and may offer strong potential profits.

The stronger the breakthrough either above or below the support and resistance levels will often times indicate the strength of the breakout to the upside or the breakdown to the downside.

**Once a strong breakthrough occurs, the stock price will generally head toward the next level of support or resistance.**

The "traditional" method of casting support and resistance levels is to draw horizontal, parallel lines. However, support and resistance can also be viewed in the context of parallel price channels which may be trending up or down.

Each investor creates his or her own method or may use a combination of several methods. But keeping it simple is important.

Now let's look at step four, using technical analysis.

### 4. Using technical analysis

**Technical analysis (TA) uses both the historical and current price movement of stocks to create probabilities of future price movement.**

TA may include a wide variety of charts and indicators based purely upon the price of the stock. For example, moving averages are derived from the historical stock price over certain time frames.

Technical analysis can be very complicated or it can be simple. There is no need to try and learn 10 or 15 different technical indicators even for the very experienced trader or investor.

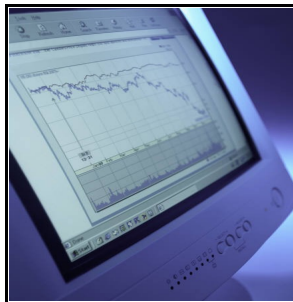
**One of the most simple technical indicators is the MACD (Moving Average Convergence Divergence).** By monitoring a fast and a slow moving average, a buy signal might occur when the fast moving average crosses above the slower moving average or a sell signal might occur when the fast moving average crosses below the slower moving average. Both moving averages move up and down above and below a hypothetical horizontal zero line.

In addition to monitoring the two moving averages within the MACD, **you can also view how the MACD moves in relation to the stock price. In this case, you are looking for "divergences"** that are sometimes predictive of an upcoming reversal.

More on the MACD further down.

In addition to the MACD with its two moving averages and possibly various divergences, **other chart patterns derived by the movement of the stock price may also play an important role in stock analysis.**

For example, there are **"flags", "triangles", "double-tops", "double-bottoms"** to mention several.



My two favorites are the flag and the triangle. The flag pattern will see the price of the stock suddenly shoot up and then pull back for several periods. Then, as abruptly as the first jump, the stock price shoots even higher than the first time. And then pulls back again.

This pattern can go on and on but usually gives way to leveling out or making a reversal.

The triangle forms when the stock price begins with relatively wide swings up and down and over a period of time the ups and downs get less and less volatile until the price gets "pinched" into the corner of the triangle.

This sets up a breakout either to the upside or downside but normally in the direction of the major trend.

**With patterns and various indicators, you are always keeping in mind the "probability" of a stock moving one way or the other.**

Step five will bring us to fundamental analysis.

## 5. Looking at fundamentals

Now let's look at fundamentals. **Fundamentals are related to a company's sales, profits, earnings per share and debt**, for example. The fact is, any and all financial activity may be subject to analysis.

Some fundamentals are viewed by themselves in their historic perspective - sales and earnings trends, for example. Other fundamentals are compared to each other in what are called "ratio" analysis.

**Sales, net profit before or after taxes, net profit margins as well as earnings per share before or after taxes are primary sources for analysis.**

Active or day traders may not heed any such fundamental information. In fact, these active traders don't rely too much upon technical analysis as well. Their focus is more on monitoring the daily, hourly and sometimes minute-by-minute buying and selling behavior of institutional investors. But this is an entirely different ballgame sometimes referred to as trading using Level II information.

You can get a good snapshot of a company's fundamentals by going to [Zacks Investment Research](#).

At this website you will find year-over-year and quarter-over-quarter on a company's financial activity.



Let's take a look a closer look at how Zack's can help. On the home page, enter the symbol GE for General Electric, as an example, in the upper left corner. Over on the right, select "Financials". Then in about the middle of the page, click on the link, "Income Statement".

Here for General Electric (GE), you can see the most current five year Annual results. You can see how sales peaked in 2008 and declined in both 2009 and 2010.

Earnings per share (EPS) actually peaked in 2007 and have been decimated since then for 2009 and 2010.

Now let's turn to the Quarterly data. On the right hand side of the web page, look for "See Quarterly Income Statement" and click on it. One of the nicer benefits of using Zack's is that fact that they give you "quarter-over-quarter" data. You want to compare the March quarter, for example, with last year's March data not with June's data as other financial services might provide.

Look at the most recent quarter and compare the sales there with the sales for the previous year's corresponding quarter. Here, with GE, you see sales are down a fraction even though earnings per share increased nicely.

This increase in earnings per share was most likely the result of lower non-operating losses and less interest expense from the previous corresponding quarter.

However, you would rather see a robust gain in sales and a corresponding gain in net income or earnings per share which would indicate "growth". General Electric's recent growth is not evident.

Sometimes stock prices move in tandem with trends in fundamental data. This is not always the case, however, since so much of stock price movement is based upon "expectations" and other non-financial information as well as the fundamentals.

The ideal situation, nevertheless, is to identify stocks with a strong pattern of growth in sales, net profits and increasing profit margins as well as a strong balance sheet. Strong balance sheets help companies weather economic downturns.

So, don't neglect your research into the financial activity of the particular stocks you are researching.

**You may want to establish certain attributes or benchmarks that need to be met in a company before you invest in them.** For example, you may want stocks that have gained 25% year-over-year in sales and net profits or earning per share. Or you may be looking for a

stock with a price-to-earnings ratio (PE) less than its historic average. Or you may be looking for a stock that has 3-5 years of solid growth in cash flow from operations.

**Generally, the longer term investor that you are, the more fundamental information you will want to collect as mentioned above.**

For example, you might want to track the company's PE ratio for several months, or the net profit margin which is the net profit for a period divided by total sales or revenues, or the return-on-equity (ROE) which is the net profit for a period divided by the stockholder's equity. There could be as many as 40 or 50 fundamental statistics and ratios that you could calculate and monitor. And, in some cases, you might want to.

**In the final analysis, research into the fundamentals often indicates "which" stock you should buy (or avoid). Further, fundamental analysis coupled with technical analysis can go a long way toward protecting your nest egg.**

Keep it simple. Know how the company's sales, earnings and profit margins are trending, if at all. You do not need your MBA to study a few simple statistics.

Here is the last step in your action plan.

## 6. **Managing your nest egg**

Here is where the majority of **traders and investors fail and fail "big" time.**

- First, **they don't really know what type of investor they are,**
- Second, **they don't create a simple strategy, "system" or action plan,**
- Three, **they are not disciplined** enough to follow their plans or strategies once they have created them. And,
- Four, **they fret their time** with "wishful thinking"

The result is undisciplined rolling of the dice or taking a crack shot at the horse races.



**Investors without self-knowledge or an action plan react emotionally and haphazardly.** When you create your own personal action plan – stick with it IF it has proven itself. Until it proves itself, keep testing and find out what suits your personal preferences.

**Your trading or investing system should be void of emotion.** When certain things happen or don't happen, you should have a plan for your next step. You don't "think" about it, you act or react without hesitation. You should act and react based upon your preset strategy and if you deviate, you should have a good reason for doing so.

This is easier said than done. But **once you master "yourself", you are then prepared to reap untold profits – if you have a good action plan.**

Many traders and investors will agree that one of the best ways to accumulate wealth is to keep your downside losses small. Do not let your losses run. Again, this is so easy to say but oh so difficult to follow.

So, in this regard, **you may want to put into place a "stop-loss" strategy that limits your losses.** Yes, you may get "stopped-out" only to see your stock bounce back and go on to higher levels. But, other times you will "save your hide", so to speak.

**Stop-loss points should be based upon various levels of support.** This is the preferred method. But many traders and investors just use a certain percent. This is, if the stock falls 8%, for example, an automatic sell is triggered.

**Your action plan should be the very first item of importance before you begin any trading or investment program** and it should be the only over-riding concern as you monitor your performance.

**Again, here are the four greatest pitfalls to destroying your wealth.**

- Not knowing what type of investor you are,
- Lack of an action plan,
- Not following it once you do have one,
- Wishful thinking (e.g. "I KNOW it's gonna turn around") .....



## **Get a Little Help from Your Friends**

Once you create an action plan that is based upon your risk tolerance, your frequency of investing and your time horizon, you may want to turn to others and let them do the "heavy lifting" for you as you search for potential opportunities.

Many good and reputable market researchers have already uncovered a number of potential stocks that may be suitable for you.

You may take their recommendations and run them through your personal analysis, checking the chart activity and a few fundamentals. You may decide to eliminate some immediately; others you may want to drill down on and do some more in-depth research.

But – keep it simple.

### *Stock Selections and Recommendations*

Zack's, mentioned above, provides a section called "Zacks Rank Buys – Stock Ideas". Check this section out to see what there might be for you in their basket of ideas.

Go to Zacks Investment Research.

Once you click on their featured stock, you have access to more goodies under "More Zacks Links".

Many stock analysts from other sources provide estimates on a company's sales and earnings as well as "target" prices. It might be just as well to ignore these estimates and do your own simple chart and fundamental analysis. Many analysts, as good as they are, work with brokerage houses and have a vested interest in providing opinions and other information on stocks that their company is promoting.

Your goal is to get unbiased and objective information and then "do your own thing". Look to others for suggestions – but then you take it from there.

### *Stocks Relative to Other Stocks*

Here is another resource I like. This one gives you a good perspective on the relative strength and potential of particular stocks compared with other stocks. Industry groups are also ranked with other industry groups. I'm referring to John

Bollinger's Equity Trader website at [www.equitytrader.com](http://www.equitytrader.com). John is the originator of the well-known Bollinger Bands that provide technical price channels to help investors.

Once you enter a symbol on his web page, you arrive at a rather intimidating scenario at first glance. If you are new to investing, click on the "Classic" tab on the upper left corner. It is a bit less intimidating.

Immediately you see a graph. On the left you see some Performance buttons and to the right you see some Potential buttons. If Performance is all green, you know the stock has done well up to the present. If the Potential is all green, you can expect the stock to be an outperformer.

Yellow buttons indicate past and potential performance that is less than optimal and not as desirable as all green buttons.

These Performance and Potential buttons are based upon John's proprietary, statistical analyses which, in my opinion, are more reliable than brokerage house estimates.

Now this is where John starts to set his methodology apart from the others. Over on the left side you will see a box with the word "Group". Here John has rated the particular company you are viewing against all others in the same industry group.

Which company is poised to grow? Which is "on the move"?



If your stock happens to be low on the list, just click the first two or three that rank high to get a snap shot of those that are considered to have the best potential for price gains. Usually the Performance and Potential buttons are all green.

More often than not, you will find stocks that display better chart patterns than the stock you initially was researching. So, the next thing is to take these potentially better selections and run them through your fundamental analyses.

And this is not all – right below the chart you see another set of Performance and Potential buttons. These are for the industry group.

### Industry Group Performance and Potential

Since many stocks that do well are from within industry groups that are poised to do well, does it not make sense to find an industry group that is poised to do well and where the Potential buttons are all green?

### **The Closest Thing to a Crystal Ball You Will Ever Find**

What if you actually had a crystal ball? You would pull that thing out every possible change and use it to the hilt. Well, maybe you need to get familiar with "negative divergences".

Let me explain: negative divergences occur when two independent indicators diverge in opposite directions. For investors, the two indicators are 1) the stock price, and 2) the MACD.

If the stock price is trending up but the slope of the MACD is trending down, this most likely points to an impending downward reversal in stock price. The two indicators are converging in a negative fashion.

Conversely, if the stock price is trending down but the slope of the MACD is trending up, this most likely points to an impending upward reversal in stock price. Again, the two indicators are converging in a negative fashion.

Negative divergencies do not always "deliver" with reversals. However, if you do some back testing or viewing, you may find that the probabilities of these reversals occurring are high.

## Summary

So now you have several steps to use in constructing your trading or investing strategy or action plan. Create it – yes, tweak it and test it if and when you need to – but **once you find something that works, do not deviate from it.**

### **Take the emotion out of your investing and rely upon an action plan.**

This will keep you steadfast toward your personal financial goals. **Let's review these steps** in getting your action plan created:

**1. Big picture** – you want to know what is going on in the broader markets such as charting and monitoring the DJIA and the S&P 500 Index as well as getting a historical perspective on particular stocks that you own or that you uncover.

**2. Trending stocks** – you want to get into stocks that are indeed in an upward trend or that have “turned the corner”. Avoid “bottom-fishing” for the most part.

**3. Support and Resistance** – you want to look at a company's support and resistance levels and understand that a stock price will tend to “get stuck” at certain levels and will bounce off of them. So, sometimes upward price movement will be thwarted by one or several resistance levels.

**4. Use Technical Analysis** – by following the MACD for a certain stock, you will often know “when” to get in or “when” to wait. Learn to watch the “cross-overs” of the two moving averages and see how they relate to the stock price. Learn several other simple “patterns” such as “flags” and “triangles”.

**5. Looking at Fundamentals** – financial activity related to sales, net profits, profit margins and earning per share should be followed by investors with a longer term horizon. Knowing that you have purchased a “growing” company that is financially sound is a good assurance for these investors.

**6. Managing Your Nest Egg** – know what type of investor you are, create a workable action plan or trading or investing strategy **FIRST**; exercise discipline as you execute your purchases and sales; and don't fall prey to wishful thinking. **These four steps are the most important components for stock market success. Period.**



## **Summary Continued**

### **Get a Little Help from Your Friends**

There are a number of good investment services that can uncover potential winners. These investment services normally do not sell these particular stocks and thus the analysts who uncover potential stocks remain unbiased.

Zacks Research provides information on potential stocks to purchase and has a great section on fundamental, financial data for most stocks.

Equity Trader will rank stocks and industry groups by past performance and expected potential. These rankings are based upon a myriad of technical indicators.

Lastly, learning and identifying negative divergencies will help reveal trend reversals. This skill is simple to use and or so powerful.

### **Several Other Things to Consider .....**

Find a simple strategy that suits your temperament – be comfortable with it.

Look at “probabilities” ..... nothing is for sure.

Understand that nothing goes up or down forever.