How to grow your money via learning how to invest

A. Investment Principles

1. To **benchmark** against **Fixed Deposit (Risk free investment) in Bank**. At present the 12-month **FD rate is about 4% per annum.** Therefore, our **investment strategy must yield** at **least 6% per annum** otherwise it is **not worth** the while to make an **investment** which involves taking risks. The key **understanding** is we **invest** to **grow** your **money**, **not** to **punt** and **speculate** in the stock market.

2. **Buy low sell high strategy**. Buy into **strong quality stocks** like proven blue-chip counters, growth stocks, turnaround stocks, high dividend yield stocks, cyclical stocks, and active stocks with high Beta (trading stocks) **with understanding**. Must **do market research** and use **Techno-fundamental** tools to locate **such stocks** and **understand** when it is **low** and **when** is it **high?**

2.1 When is it low?

- During **crisis time** (economic crisis, political crisis, trade wars, major wars, & nature's disasters, etc.)
- When there is a **drop** in quarterly revenue and profit (share price will drop).
- When there is **accounting fraud** (**management integrity** lacking).
- When historical dividend yield has become 8 % and above.
- When the market is very bearish, having crashed over a period with very thin trading volumes.

2.2 When is it high?

- During **favorable** and **euphoric** economic conditions.
- When stocks **quarterly revenue and profit** are doing very well (good result).
- When **dividend yield** has become less than 3%.
- When share prices have **gone up too fast.** (60 to 100%+ up during a period of 12 months or less).

3. **To look at big picture** (the **4 stage cycles** of **boom and bust**). The best time to make the **big money** is **stage 1** (when the market is just about to **recover** from the stock market bust or collapse). Everything floats. **Stage 2** is when cyclical and recovery stocks start to recover. To sell into **strong market, take profit** and **conserved cash** during **stages 3 & 4** (the **euphoric** and **booming** bull market cycles) then to wait for **market to collapse.** Wait **until** all the **bad signs are out** then **check** for **strong blue chips** and **resilience stocks** with **good dividend yield** and **start accumulating them**. During this 4th stage market cycle's **crash**, **good blue chips stocks** will be **dirt cheap** and that is *how we can buy them* when they are **truly cheap** and in *large quantity* to make the **big profit** of **5 to 12 times**. Then wait for recovery or stage 1, up market cycle to realize the big profit.

4. **Avoid political** and **rumors stocks** because political and rumors stocks are high risk stocks. There are a lot of other much better and almost risk-free investment stocks to choose from. **Avoid** the **death traps** of **stages 3** and **4 – high risk** phases. During these stages **trade more** and **cash out** to keep up till at least 80% cash in portfolio.

5. **Supply and demand theory.** Look for signs of stock accumulation by major investors (demand). Look out for bearish signs (Supply or selling). The candlesticks charting is a very good tool or technique to help detect supply and demand of a stock. It is also a good tool to assist us in making good trading decisions.

6. Understanding **market participants** and near **zero sum theory**. Only the top 5% can consistently make money from stock investment. So you need to be very good.

B. Invest and trade in the following 5 categories of stocks:

1. Dividend yield stocks

- Identify stocks with **dividend yield of 6% and above**.
- Start buying (**collecting**) at **6% yield** and **continue to fish** (by buying downward) more **aggressively** during **weak market.** When its share **prices drop** further it implies a **higher dividend yield,** hence **better buy.** The **yield will protect** our **investment** because it is much better than **FD yield** of only **4%.**
- After that take **30% to 50%** for **trading** to make additional trading profit (**capital gain)** to **complement our dividend yield**. **Trading** to be **guided** by the **Japanese candlesticks charting**. This strategy can allow us to trade during both up and down markets.

2. Cyclical stocks

- Buy mainly Banks, strong consumer products, utilities, construction, tech stocks and Blue chips.
- Buy into sectorial stocks e.g., **Furniture** (Heave, Poh Huat), **steel** (Ann Joo, Hiap Tek), **Oil Palm, Oil & Gas, Airline, Tech, Gloves/Health care, Properties**, etc. during **weak market** (when they are not doing well) - to wait for turnaround later.
- Buy during **crisis** and **weak** market on **downward cycle** guided by the Japanese candlesticks charting.
- Buy only when the traditional dividend yield is at least 10% or above.
- To monitor dividend yield and **trade** like above dividend yield stocks.
- Sell when **country's sovereign rating** has been downgraded by rating agencies like Moody or S&P.

3. Turnaround stocks

- Stocks with **improving quarterly revenues** and **profits** followed by **good cash** flows.
- Stocks with good **new corporate proposal** via **reverse takeover** and **capital injection** etc.
- Stocks moving into **new** and **more profitable businesses**.
- Stocks with **strategic** mergers and acquisitions that can lead to **good synergy** and **turnaround.**

4. Growth stocks will high level of cash position and strong cash flow

- In the **right sector** with **high growth potential**.
- Business **expansion** involves **internally generated** funds or **corporate funds** raising to **grow business.**
- Good management. (Good **CEO** with good management **integrity**).
- Check their SWOT (Strengths, Weaknesses, opportunities, and Threats) analysis to understand when they will be **doing better** and **well.** Example currency, raw material costing factors etc.

5. Trading active and strong stocks with high Beta and low trading commissions

- Stocks which are popular among fund managers.
- Strong and active stocks with relatively high Beta, active + with good fundamentals and reasonable dividend yield, especially blue chips like Genting, Genting Malaysia, Maybank, RHB Bank, AmBank.

- Apart from **dividend yield** trading the stock can also give us **capital gain**. Dividend yield + Capital gain can be very lucrative, especially so for strong and active stocks with high Beta like **Maybank** and **Genting**).

C. How to read financial statements, especially quarterly reports?

1. EPS (Earnings per share), **2. PE** (price to earning) ratio, **3.** NTA (net tangible assets),

4. Profit and **Loss** (P &L) – can be **deceiving** because maybe a 1 off Gain or Loss and non-operational.

5. Cash flows statements are more important, especially operational cash flow.

6. Healthy cash reserves.

D. Chart

KBank Thailand (Monthly chart)

Maybank (weekly chart)

Maybank (Daily chart)

Kossan (weekly chart)

Hartalega (Daily chart)