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# Stock Market Simulation

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# STOCK MARKET SIMULATION

An Interactive Qualifying Project Report:  
Submitted to the Faculty of  
WORCESTER POLYTECHNIC INSTITUTE  
in partial fulfillment of the requirements for the  
Degree of Bachelor of Science

By

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Approved by Professor Dalin Tang, Project Advisor

## **Abstract**

Through the use of tools and resources available from the internet as well as text and media references, a team of six people conducted an eleven-week stock-market simulation to investigate the validity and success of different trading strategies in the stock market. In the project group members selected companies to follow and trade based on how the company projected earnings. This required extensive research into the companies' history and recent movements. The group found that all of the methods tested were adequate in producing returns but one method that followed Livermore's Principles of investing was far superior to all of the others. The experience gained throughout this project will allow the group to become more competent investors in the future.

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# Chapter 1

## Introduction

### 1.1 Goals

The objective of our IQP is to develop an in-depth knowledge of the stock market and apply learned strategies to reveal the strengths and weaknesses of each particular approach. Each person will be responsible for the care of their own stock portfolio, buying and selling the stocks as they see fit and in conjunction with their overall strategies. While gains and losses are to be expected in such a versatile market we hope as a group to be able to collectively learn and teach each other what we learn from our mistakes and from our gains. The nature of the project is such that we are focused on our own unique portfolios and objectives which give each of us a different view of the market. This unique perspective provided by our vastly different styles enable us to teach the group about our unique experiences. Our main goal is to not only learn from ourselves but from the group.

### 1.2 Methods

Each member of the group will use a variety of tools in order to better their portfolio. One of the greatest tools utilized by the group will be the news media, electronic and paper. News outlets often run stories on the bigger public companies which if closely viewed can give some indication of the future outlook of the company and its stock prices. This information however is often biased based on the news network and its motives and before information is acted on it is best to follow up the news article with a deeper investigation. Several internet based stock trackers will be utilized by the group to track the day to day changes in the stocks' values.

Using products such as Google Finance and Yahoo Finance it is possible to look back through the company's history and determine any patterns that may exist and the overall strength of the company. Taking a gradual look back on the company helps indicate if the company is currently going a double bottom or double top or is historically close to peaking. Google Finance and Yahoo Finance also make it possible to track stocks and see their daily changes in real time allowing faster and more accurate trading. These two products also can keep track of the amount a person says they invested and their daily gains and losses, as well their percent gain and overall return. The members will then decide when to sell or buy stocks based on the portfolio's strategy and hopefully make a profit. Using bi-weekly meetings the group will share data and hopefully gain experience from each other which will lead to a more successful investment period. People using methods like the intuition based investing find their stocks to build their portfolio by searching online finance sections, seeing what is doing well at any given time and investing in it if they like what they see and if they feel that the pattern of increases will continue. They then sell the stocks when they no longer have the inclination to keep the stock or another stock is doing even better and they feel like jumping on the great increases in hopes to profit. Others using the double bottom and double top strategies observe trends going back months and even years before investing in their stocks. One strategy, the Counter trend strategy, which is being heavily used by one of the portfolios, involves watching stocks that are losing value. Then, once they have somewhat stabilized, investing in them in hopes that they will return to their average value in the past.

### **1.3 Overview of the Stock Market**

A stock market is a public market for the trading of company stock and derivatives at an agreed price; these are securities listed on a stock exchange as well as those only traded privately. The size of the world stock market was estimated at about \$36.6 trillion US at the beginning of October 2008. The total world derivatives market has been estimated at about \$791 trillion face or nominal value, 11 times the size of the entire world economy. The value of the derivatives market, because it is stated in terms of notional values, cannot be directly compared to a stock or a fixed income security, which traditionally refers to an actual value.

## Chapter 2

### Investment Definitions

by: Jake Loitherstein

Chapter 2 is a chapter in which many of the terms encountered while researching for this project are defined. As no one in the group had ever invested in the market before a lot of terms that were encountered were foreign to us so they had to be looked up. Learning the language of the business is essential to understanding what is being invested in and how a person is actually investing. While many people do invest in the stock market many people have no idea what they are investing in. As part of our learning process we had to first learn the terminology.

#### 2.1 Stock

Stock is a security issued in the form of shares that represent ownership interests in a company. There is both common stock (often simply called "stock," "shares," or "equity") and preferred stock. Common stock holders elect the company's board of directors and actively participate in the company's success (or failure) through a rising (or falling) stock price. Common stock holders may also receive dividends, provided the company is profitable, obligations to commercial creditors and bondholders have been met, and the board sees fit to declare them. In the event of liquidation, however, common stock holders have no right to assets until all other obligations of the firm have been met. Common stock holders may have "pre-emptive" rights to maintain their percentage ownership of the firm. For example, a common stock holder with 100 of the 1,000 outstanding shares of the company, or 10%, may (or may not) have the right to buy

10 shares of a new issue of 100 shares. Preferred stock holders, in turn, are generally guaranteed dividends at a fixed rate, but they have limited voting rights.

## **2.2 Bond**

The indebted entity (issuer) issues a bond stipulating the stated interest rate (coupon) to be paid and a date when the loaned funds (bond principal) are to be returned (maturity date). Interest on bonds usually is paid every six months (semiannually); bond categories include corporate bonds, municipal bonds, and U.S. Treasury bonds, notes, and bills (“Treasury”). Two features of a bond—credit quality and maturity—are the principal determinants of the interest rate of a bond. Bond maturities can range from a 90-day Treasury bill to a 30-year government bond. Corporate and municipal bonds typically go out 3 to 10 years.

## **2.3 CD**

A CD (certificate of deposit) is a receipt for a time deposit issued for a stated time period and normally paying a fixed rate of interest. Bank CDs, issued in negotiable and non-negotiable form, have maturities as short as seven days to seven years or longer, and pay a market rate of interest. The interest earned on consumer CDs, which are non-negotiable debt instruments protected by federal deposit insurance up to \$100,000 in interest and principal, is stated as an annual rate and an effective rate that shows the effect of interest compounding. Since 1983, when time deposit rates were deregulated and minimum deposit requirements were lowered, CDs have been enormously popular investment accounts with consumers. Banks and savings institutions

also have issued zero-coupon CDs, which pay no interest until the maturity date, much like zero-coupon bonds.

A negotiable certificate of deposit has a principal of \$100,000 (frequently \$1 million or more), and can be sold to a new owner before maturity. Negotiable CDs are generally purchased by institutional investors, rather than individuals, and are actively traded in the secondary market. Cashing in a bank CD before the maturity date can trigger an early withdrawal penalty, usually a partial loss of interest. Penalties are set by the issuing bank or savings institution.

## **2.4 IRA**

The term "IRA" is an acronym for a government sponsored personal retirement plan called an Individual Retirement Account. IRAs are tax-advantaged retirement programs for individuals with earned income.

In order to open an IRA, an individual must first establish an account with a bank, brokerage firm or mutual fund company. These firms then act in the capacity of a fiduciary. The individual is responsible for establishing the IRA and selecting the plan investments. Once the account has been established, the individual can contribute a maximum of several thousand dollars per year into an IRA (see the table below for exact contribution limits). The IRA plan, which was established in 1974 by Congress, has been an extremely popular retirement savings plan for workers for over thirty years.

### **IRA Age 50 + Catch-Up**

Participants who are age 50 and over are eligible to make an additional annual contribution to their IRAs beginning in the year they turn 50. See below for details.

Annual Contribution Limit for IRAs

Year	Limit	50+ Limit
2005	\$4,000	\$4,500
2006	\$4,000	\$5,000
2007	\$4,000	\$5,000
2008	\$5,000	\$6,000

Taxes and Distributions

Taxes on Traditional IRA contributions and earnings are deferred until the account owner takes a distribution from the IRA. When money is withdrawn from a Traditional IRA it is taxed as regular income. Withdrawals are typically made when or after the plan owner has reached the age of 59 1/2. If the plan owner withdraws money from the account prior to retirement age, then he/she will incur a 10% penalty payable to the IRS (unless specific circumstances apply).

IRA Investment Options

IRA account owners can invest in stocks, bonds, CDs, and mutual funds, but some trustees also allow non-standard assets to be held in IRAs. Some of these non-standard assets include:

- Real Estate
- REITs
- Futures

-- Options

-- U.S. minted gold and silver coins

According to figures from the Investment Company Institute trade group in Washington, D.C., U.S. investors had contributed an estimated \$2.33 trillion to IRA accounts by year-end 2002.

## **2.5 Mutual Fund**

A mutual fund is nothing more than a collection of stocks and/or bonds. You can think of a mutual fund as a company that brings together a group of people and invests their money in stocks, bonds, and other securities. Each investor owns shares, which represent a portion of the holdings of the fund.

You can make money from a mutual fund in three ways:

- 1) Income is earned from dividends on stocks and interest on bonds. A fund pays out nearly all of the income it receives over the year to fund owners in the form of a distribution.
- 2) If the fund sells securities that have increased in price, the fund has a capital gain. Most funds also pass on these gains to investors in a distribution.
- 3) If fund holdings increase in price but are not sold by the fund manager, the fund's shares increase in price. You can then sell your mutual fund shares for a profit. Funds will also usually give you a choice either to receive a check for distributions or to reinvest the earnings and get more shares.

## **2.6 Securities**

An investment instrument, other than an insurance policy or fixed annuity, issued by a corporation, government, or other organization which offers evidence of debt or equity. The official definition, from the Securities Exchange Act of 1934, is: "Any note, stock, treasury stock, bond, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral royalty or lease, any collateral trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit, for a security, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or in general, any instrument commonly known as a 'security'; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing; but shall not include currency or any note, draft, bill of exchange, or banker's acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited."

## **2.7 Risk Tolerance**

The degree of uncertainty that an investor can handle in regard to a negative change in the value of his or her portfolio. An investor's risk tolerance varies according to age, income requirements, financial goals, etc. For example, a 70-year-old retired widow will generally have

a lower risk tolerance than a single 30-year-old executive, who generally has a longer time frame to make up for any losses she may incur on her portfolio

## **2.8 Capital Asset Pricing Model - CAPM**

A model that describes the relationship between risk and expected return and that is used in the pricing of risky securities.

$$\bar{r}_a = r_f + \beta_a(\bar{r}_m - r_f)$$

Where:

$r_f$  = Risk free rate

$\beta_a$  = Beta of the security

$\bar{r}_m$  = Expected market return

Figure 2.1 Capital Asset Pricing Model Equation

The general idea behind CAPM is that investors need to be compensated in two ways: time value of money and risk. The time value of money is represented by the risk-free (rf) rate in the formula and compensates the investors for placing money in any investment over a period of time. The other half of the formula represents risk and calculates the amount of compensation the investor needs for taking on additional risk. This is calculated by taking a risk measure (beta) that compares the returns of the asset to the market over a period of time and to the market premium (Rm-rf).

The CAPM says that the expected return of a security or a portfolio equals the rate on a risk-free security plus a risk premium. If this expected return does not meet or beat the required return, then the investment should not be undertaken. The security market line plots the results of the CAPM for all different risks (betas).

Using the CAPM model and the following assumptions, we can compute the expected return of a stock in this CAPM example: if the risk-free rate is 3%, the beta (risk measure) of the stock is 2 and the expected market return over the period is 10%, the stock is expected to return 17% ( $3\% + 2(10\% - 3\%)$ ).

The equations that make up the CAPM are highly sensitive to the initial variables. A small change in the market rate of return can have a large impact on the solution set.

### **2.9 Roll's Critique**

An economic idea that suggests that it is impossible to create or observe a truly diversified market (one of the key variables of the capital asset pricing model (CAPM)). According to this view, a true "market portfolio" would include every investment in every market, including commodities, collectibles and virtually anything with marketable value. Those who still use the CAPM do so with a market index, such as the S&P 500, as a proxy for the overall market. The critique is attributed to economist Richard Roll.

### **2.10 Diversification**

A risk management technique that mixes a wide variety of investments within a portfolio. The rationale behind this technique contends that a portfolio of different kinds of investments will, on average, yield higher returns and pose a lower risk than any individual investment found within the portfolio. Studies and mathematical models have shown that maintaining a well-diversified portfolio of 25 to 30 stocks will yield the most cost-effective level of risk reduction.

Investing in more securities will still yield further diversification benefits, albeit at a drastically smaller rate.

### **2.11 Volatility**

A statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index. Commonly, the higher the volatility, the riskier the security.

### **2.12 Portfolio**

A grouping of financial assets such as stocks, bonds and cash equivalents, as well as their mutual, exchange-traded and closed-fund counterparts. Portfolios are held directly by investors and/or managed by financial professionals. A risk-averse investor dislikes risk, and therefore will stay away from adding high-risk stocks or investments to their portfolio and in turn will often lose out on higher rates of return. Investors looking for "safer" investments will generally stick to index funds and government bonds, which generally have lower returns.

### **2.13 Risk Averse**

A description of an investor who, when faced with two investments with a similar expected return (but different risks), will prefer the one with the lower risk.

## **2.14 Treynor Ratio**

A ratio developed by Jack Treynor that measures returns earned in excess of that which could have been earned on a riskless investment per each unit of market risk. The Treynor ratio is calculated as:

$$\text{(Average Return of the Portfolio - Average Return of the Risk-Free Rate) / Beta of the Portfolio}$$

In other words, the Treynor ratio is a risk-adjusted measure of return based on systematic risk. It is similar to the Sharpe ratio, with the difference being that the Treynor ratio uses beta as the measurement of volatility.

## Chapter 3

### Investment Strategies

by: Brandon Rubadou

Investing is a way of using your money to gain additional profit. By putting your faith in the successes of a company, you can make great sums of money. The stock market is a vast area of the economy whose inner workings are very intricate and complicated, but a good understanding of the principles that govern this system is crucial to making the market work for you.

Each stock that you purchase gives you ownership of part of that company. With this ownership come privileges, like the right to attend meetings and to vote on pending matters within the company. As the value of the company increases or decreases, so does the value of your stock. You are giving your money to these companies with the hopes they will grow with your investment.

You can attack the market from many different angles, depending on your goals, resources, and aggressiveness. It is also important to have a good perspective on a variety of these approaches in order to make an educated decision of the proper path to choose. Though each approach may send you in a different direction, they all intend to lead you to one primary thing: profit.

#### **3.1 Day Trading**

Day trading is a practice that is very risky, but can also be very successful. The term “day trader” or “day trading” means just what it says; you buy and sell stocks at a rapid pace throughout a

day's time. A day trader hopes that these stocks will either continue rising or falling for the seconds or minutes that they actually own the stock. If a day trader makes smart decisions, profits can be made quickly. Since the duration of holding shares in a stock while day trading is very short, a day trader usually invests a large amount of money so that their returns will be worthwhile. Investing a small amount of money at a certain price and selling it at a price that is only a little larger will not reap any worthwhile gains. In fact, money may even be lost on that trade due to commissions and taxes applied to dividends.

Emotion is an important part of day trading. Since many decisions are quick and impulsive, misjudgments are easy to make. Day traders who suffer from lack of discipline often allow their emotions to rule their trading decisions, which then lead to bad decisions and unacceptable trading losses. Emotions should never be allowed to rule trades. One way to become a successful day trader is to construct a plan (subject to any changes from time to time) and consistently adhere to it. A good day trader exits the market when he has reached his initial objective and does not let emotions like fear and greed influence day trading decisions.

### **3.2 Value investing**

Value investing is a form of investing created by Benjamin Graham and David Dodd that became popular after the publication of the revolutionary *Security Analysis* in 1934. In value investing, much emphasis is placed on determining a stock's underlying value through thorough analysis of financial statements and past records. Graham created the method of calculating a stock's intrinsic value, a per share price valuation, independent of the current trading price. Intrinsic value is based solely on a company's underlying hard assets and cash,

which allows it to assess a company for its actual value, rather than what the market has valued the stock for.

Graham observed that in the stock market, companies typically trade at extremes of their actual value. A corporation with a past history of astonishing growth would typically be trading at high multiples of its earnings per share or underlying value, an effect solely based on the market speculation that the company would continue to grow at its past rate. Large market capitalization corporations would trade at very expensive prices, because investors believed that they were the safest places to put their money. On the opposite end of the spectrum, corporations that encountered some financial mishap or halts in growth would end up trading at prices much lower than their intrinsic value. Value investors scavenge through the market trying to find bargain stocks that have been wrongly priced by the market. Successful value investors dig through financial statements and find stocks that are worth much more than their current price.

Instead of relying on price to earnings ratio for only the trailing twelve months, value investors will sometimes look at an average of the past few years' earnings in relation to the price, to average out a large spike in earnings due to rapid growth. A good value investor will typically look at the past five years of form 10-K's and at least a year's worth of form 10-'s. Corporations with more cash from financing than from operating activities should be avoided. Graham specifies that a defensive investing portfolio should meet some strict criteria to remain safe. The price to book value per share should not exceed a ratio of 1.5. When valuing a corporation, the intangible assets and goodwill should not be part of the book value of the security. Price to earnings ratios should be moderate and no greater than 15. If the company issues dividends, it should have a consistent dividend issue record. A conservative earnings indicator is that over the past ten years, the company's earnings should have increased by at least 1/3. Another important

ratio to calculate is Return on Invested Capital (ROIC), which is a useful indicator for comparing a company's efficiency of management and practicality of product lines. The ROIC is calculated by dividing the owner earning by invested capital. Owner earnings are calculated by the sum of operating profit, depreciation, amortization, and goodwill minus federal income tax. Any ratio greater than 7% is good.

When analyzing a company's quarterly and yearly financial statement, an intelligent investor should check several vital things. Any corporation that acquires more than two to three companies in a year is heading for trouble. We will discuss problems associated with acquisitions below. Graham gives several examples of past companies that were "serial acquirers", and the author of his commentary shows that the same was true of Lucent Technologies, and Tyco. When analyzing the financial statements, it is intelligent to make sure the company has many customers, rather than just a few customers that are buying a lot of product. The company should be a marathoner, not a sprinter. The fastest growing companies tend to overheat and flame out (Ramezani, Soenen, Jung 56-67). The management of the company should state in past financial statements what their intentions for the future were, then check ahead in the future to make sure that what was said was actually done. The executive of the corporation should not be seen publicly promoting the company. The most successful companies did not have executives that were constantly exposed publicly trying to stir up a buzz and make the company appear sensational. Executives who do this are obviously not focused on the long term. Graham recommends reading the financial statements backwards because accountants generally put the things they don't want the public to know at the end. Reading the footnotes in financial statements is also very important. It is also crucial to understand that pro-forma statements of earnings are not genuine. They have been completely abused in the past.

Pro-form earnings and statements allow a corporation to state what they would have earned in the absence of some prodigious expense or if some serious problem had not occurred. Graham also supports the idea that the efficient market hypothesis does not always apply. Otherwise, it would be impossible to find any type of value investment in the market.

An important discernment in *The Intelligent Investor* is knowing the difference between being an enterprising investor and a defensive investor. An investor must decide which one these categories he or she fits into before making any decisions. As an enterprising investor, one should prepare to dedicate substantial effort and time to analyzing financial statements and calculating important ratios. In addition, they must be prepared to check up on the corporations they are invested in from time to time when quarterly and annual reports are released to verify that everything is going well. Enterprising investors must also possess patience, as holding stocks through inclement market conditions is crucial to realizing the most gains. A defensive investor must be prepared to put all of their assets into less risky vehicles such as index funds and bonds. Time and patience is crucial to being a successful defensive investor as well. A defensive investor must be prepared to hold onto their stocks and trust that the market will return substantially over a long enough time line.

### **3.3 Intrinsic Value**

The formula for calculating intrinsic value is  $(\text{Total Shareholder Equity} - \text{Soft Assets}) / (\text{Fully Diluted Number of Shares Outstanding})$ .

Value investors invest with the intent of holding their stocks for very long periods, many years. A good value investor stands by the idea that they are so confident in the research they performed on their investment that they should very rarely have to check what the current quoted

trading price is. Of course, intrinsic value is not the only important rating to look for when choosing an investment.

### **3.4 Resources for Investors**

One source for investors is Reuters. Reuters is global information company providing indispensable information geared toward for professionals in the financial services, media and corporate markets. More than 90% of their revenue derives from their financial services business. Some 427,000 financial market professionals working in the equities, fixed income, foreign exchange, money, commodities and energy markets around the world use Reuters products. Reuters provides financial institutions with specially designed tools to help them reduce risk and distribute and manage the ever-increasing volumes of market data. They also offer personalized automated trading products for the treasury market. News, text, graphics, video, and pictures to media organizations and websites around the world are also offered by Reuters.

Another resource is Morningstar, Inc. Morningstar is a leading provider of independent investment research. The company offers an extensive line of internet, software, and print-based products for individual investors, financial advisors, and institutional clients. Morningstar is a trusted source for insightful information on stocks, mutual funds, variable annuities, closed-end funds, exchange-traded funds, separate accounts, and 529 college savings plans. With operations in 16 countries, Morningstar currently tracks more than 100,000 investment offerings worldwide.

### **3.5 100% Equities Strategy**

An investment strategy for an individual portfolio or pooled funds vehicle such as a mutual fund. Only equity securities are considered for investment, whether they are listed stocks, over-the-counter stocks, or private equity shares. A mutual fund or ETF will often state a "100% equities strategy" in its prospectus to inform potential investors of the fund's overall risk profile.

### **3.6 Capital Growth Strategy**

An asset allocation strategy that seeks to maximize capital appreciation or the increase in value of a portfolio or asset over the long term. Portfolios with the goal of capital growth consist mainly of equities. The exact proportion of equities to the total portfolio will vary according to the individual investor's investment horizon, financial constraints, investment goals and risk tolerance. In general, a capital growth portfolio will contain approximately 65-70% equities, 20-25% fixed-income securities and the remainder in cash or money market securities. While seeking high returns, this mixture still somewhat protects the investor against a severe loss in portfolio value if the higher-risk equity portion of the portfolio takes a plunge.

### **3.7 Countertrend Strategy**

A trading strategy where an investor attempts to make small gains through a series of trades against the current trend. It is also known as "counter-trend trading". Contrarian investors perform counter-trend trading strategies - purchasing shares when prices are low and selling when they're high. The investor receives smaller gains since the full market swing is not

recognized. Many counter-trend investors use momentum indicators to determine the best times to execute their trades.

### **3.8 Double Top**

A term used in technical analysis to describe the rise of a stock, a drop, another rise to the same level as the original rise, and finally another drop.

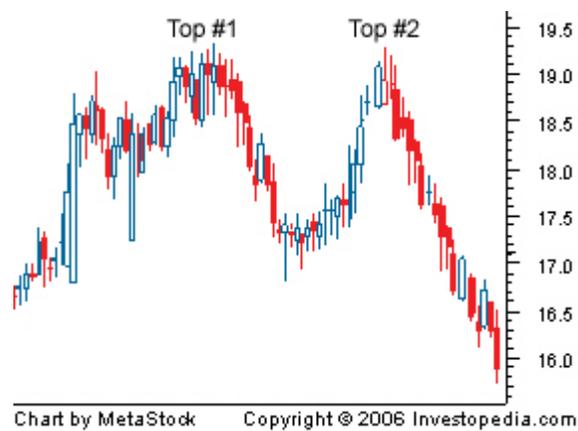


Figure 3.1 Double Top

### **3.9 Double Bottom**

A charting pattern used in technical analysis. It describes the drop of a stock (or index), a rebound, another drop to the same (or similar) level as the original drop, and finally another rebound.

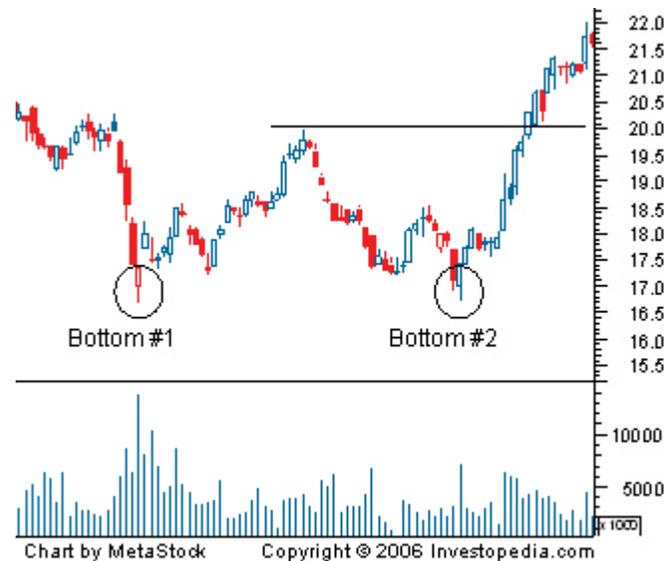


Figure 3.2 Double Bottom

The double bottom looks like the letter "W". The twice touched low is considered a support level. Most technical analysts believe that the advance off of the first bottom should be 10-20%. The second bottom should form within 3-4% of the previous low, and volume on the ensuing advance should increase.

### **3.10 Memory-Of-Price Strategy**

A trading strategy that assumes the support and resistance points of double tops and double bottoms exert an influence on future price action after they have been broken. The memory-of-price strategy says that after support or resistance has been broken and the majority of stops have been cleared, the price will be attracted back to these support and resistance levels. This strategy is based on the theory that it will take a very large amount of buying or selling to exceed the prior range of the double top or double bottom, respectively. However this strategy is very dangerous and can result in major losses [1].

## Chapter 4

# Livermore's Principles of Investing in Conjunction with the Top-Down Method

by: Brandon Rubadou

This portfolio focuses on specific strategies in order to make a profit, and to further understand the inner workings of the stock market. Over the course of 11 weeks, knowledge will be gained based on the experience gained from a detailed simulation of the market, using hypothetical capital.

### **4.1 Using Livermore's Principles and the Top-Down Method**

While doing research on the stock market, its history, and the strategies used to succeed in it, a name that kept recurring in readings was one of Jesse Livermore. Though he lived during the great depression and died a horrible death of suicide, he had innovative techniques that can be used to make a serious amount of money on the stock market, as well as to protect you from financial tragedy on the rough waves of the stock market. He preached the following: always trade with the trend, along the line of least resistance; make sure all the factors are in your favor before you make a trade; stay with the leading stocks of the day; stocks do not move alone; do not buy your entire position at once; always have a stop before you get in a trade; never take tips from anyone; never argue with the tape; you should not be in the market all the time.

Though all of Jesse Livermore's strategies do not apply in the case of the group's goals, his point of view is definitely worth considering when forming and approach to the stock market. Another

method that can't be overlooked is the top-down investment method. This is "An investment strategy which first finds the best sectors or industries to invest in, and then searches for the best companies within those sectors or industries. This investing strategy begins with a look at the overall economic picture and then narrows it down to sectors, industries and companies that are expected to perform well. Analysis of the fundamentals of a given security is the final step."

By following the teachings of Livermore, and the policies of the top-down method, an investor could succeed. Using the top-down method would help you choose which companies to focus on, and Livermore's principles would help to protect you and tell you the optimal time to collect your earnings [2,3].

## **4.2 Companies**

A variety of different companies from many different sectors were used. All the sectors and companies appear profitable based on judgement and analysis using the top-down method.

### **NexMed, Inc.**

NexMed, Inc., a pharmaceutical and medical technology company, engages in the development of topical pharmaceutical products based on its proprietary NexACT transdermal drug delivery technology. The NexACT transdermal drug delivery technology is designed to enhance the absorption of an active drug through the skin and enable concentrations of the active drug to penetrate the desired site of the skin or extremity. This company is a far different approach from the others chosen for further research in this portfolio. Though this is considered a "penny stock" which most wouldn't consider a safe investment strategy, the outlook for investing in it seem very high at this time. With a little more insight into the company and its trends, exploring the possibilities of investing in this low value stock will hopefully prove whether shares like these

are a good method. This company is also in danger of being delisted from the NASDAQ market because they have not complied with the rule that they must maintain security prices of at least \$1. With that being said, I feel like everyone at NexMed will be working hard to improve the outlook of their stocks in order to keep themselves on the market. This may be a risky investment, but risks bring great rewards, and it can bring valuable knowledge about the lower value securities [4].



Figure 4.1 NexMed, Inc. Year to Date Stock Prices

### **Procter and Gamble**

The Procter & Gamble Company engages in the manufacture and sale of consumer goods worldwide. The company operates in three global business units (GBUs): Beauty, Health and Well-Being, and Household Care. The Beauty GBU offers cosmetics, deodorants, fragrances, hair care products, and personal cleansing and skin care products under the Head & Shoulders, Olay, Pantene, and Wella brands; and blades and razors, electric hair removal devices, face and

shave products, and home appliances under the Braun, Fusion, Gillette, and Mach3 brands. The Health and Well-Being GBU provides feminine care, oral care, and personal health care products, as well as pharmaceuticals under the Actonel, Always, Crest, and Oral-B brands; and pet food and snacks under the Iams and Pringles brands. The Household Care GBU offers air care products, batteries, dish care products, and fabric care and surface care products under the Ariel, Dawn, Downy, Duracell, Gain, and Tide brands; and baby wipes, bath tissues, diapers, facial tissues, and paper towels under the Bounty, Charmin, and Pampers brands. The company offers its products to mass merchandisers, grocery stores, membership club stores, and drug stores. The Procter & Gamble Company was founded in 1837 and is headquartered in Cincinnati, Ohio. Their section of the consumer goods sector appears to have a good outlook, and with many fans attending “Gillette Stadium” for the football season this year, researching this corporation is certainly worthwhile.



Figure 4.2 Procter and Gamble Year to Date Stock Prices

### **Raytheon Company**

The company was founded in 1922 and is based in Waltham, Massachusetts. Raytheon Company designs, develops, manufactures, integrates, and supports technological products, services, and solutions for governmental and commercial customers in the United States and internationally. It operates in six segments: Integrated Defense Systems (IDS), Intelligence and Information Systems (IIS), Missile Systems (MS), Network Centric Systems (NCS), Space and Airborne Systems (SAS), and Technical Services (TS). The IDS segment provides ballistic missile defense, including space, air, surface, and subsurface; naval; and maritime and homeland security solutions. The IIS segment provides signal and image processing, geospatial intelligence, air- and space-borne command and control, ground engineering support, weather and environmental management, information technology, identity management, and information assurance services. The MS segment develops and supports a range of cutting edge weapon systems that include missiles, smart munitions, projectiles, kinetic kill vehicles, space vehicles, and directed energy effectors. The NCS segment develops and produces mission solutions for networking, command and control, battle space awareness, and transportation management. This segment's principal programs comprise command and control systems, integrated communications systems, netted sensor systems, and homeland security, as well as civil applications and components to create these systems. The SAS segment provides integrated systems and solutions for advanced missions, including surveillance and reconnaissance, precision engagement, unmanned aerial operations, and special force operations and space. The TS segment offers technical, scientific, and professional services, as well as a range of training and outsourcing services. This segment specializes in mission Support, counter-proliferation and

counter-terrorism, range operations, product support, and customized engineering services. The sector has become a focus of many successful investors, and the government continues to pour money into the industry, especially during the violent times we are in. In addition, the Navy poured in another \$22.2 million into the company on September 17<sup>th</sup>, in addition to the large amount of funding that Raytheon gets from other sources already. This seems like a very good prospect that is definitely worth researching [5].



Figure 4.3 Raytheon, Inc. Year to Date Stock Prices

**Senetek PLC**

Senetek PLC (Senetek) is a life sciences company engaged in the development of technologies that target the science of healthy aging. The Company’s business consists of two business segments: dermatological/skincare compounds principally addressing photoaging and other skincare needs (Skincare), and pharmaceuticals, principally those addressing sales of monoclonal antibodies, sexual dysfunction and drug delivery of liquid injectable products (automatic

injectors) (Pharmaceutical). The Skincare segment's products include Pyratine-6, 4HBAP and Kinetin. The Pharmaceutical segment's products include Invicorp, Reliaject, and diagnostic monoclonal antibodies used in Alzheimer's and other disease research, which the Company licenses from Research Foundation for Mental Hygiene (RFMH) and sells to Covance Antibody Services Inc. The Company has three wholly owned subsidiaries, Senetek Drug Delivery Technologies Inc. (SSDT), Carme Cosmeceutical Sciences Inc. (CCSI) and Senetek Denmark ApS.



Figure 4.4 Senetek PLC Year to Date Stock Prices

**Sony Corporation**

Sony definitely has a good outlook, when considering the teachings of Jesse Livermore and the top-down approach. With the holiday season approaching, and new technologies set to be released, Sony looks to be a great investment opportunity.

Sony Corporation, together with its subsidiaries, engages in the development, design, manufacture, and sale of electronic equipment, instruments, and devices for consumer and industrial markets in Japan, the United States, Europe, and internationally. The company's products include audio and video equipment, liquid crystal display televisions, personal computers, monitors, semiconductors, components, mobile phones, CDs, DVDs, and Blu-ray discs. It develops, produces, markets, and distributes home-use game consoles and software, such as PlayStation2, PlayStation Portable, and PLAYSTATION 3 hardware and related software. Sony Corporation also engages in the development, production, manufacture, marketing, distribution, and broadcasting of image-based software, including film, video, and television products. In addition, the company involves in motion picture, television, and home entertainment production, acquisition, and distribution; digital content creation and distribution; channel investments; studio facilities operation; entertainment products, services, and technologies development; and filmed entertainment distribution. Further, it engages in various financial service operations, such as insurance, banking, and leasing and credit financing. Additionally, Sony Corporation operates a network service business, an animation production and marketing business, and an advertising agency business. The company also operates a domestic recorded music business that produces recorded music and music videos through contracts with various artists in various musical genres; music publishing business to own and acquire rights to musical compositions; and So-net, an Internet-related service business. The company was formerly known as Tokyo Tsushin Kogyo Kabushiki Kaisha and changed its name to Sony Corporation in January 1958. Sony Corporation was founded in 1946 and is headquartered in Tokyo, Japan [6].



Figure 4.5 Sony Year to Date Stock Prices

**Revlon, Inc.**

Revlon, Inc., through its direct wholly owned operating subsidiary, Revlon Consumer Products Corporation manufactures, markets and sells an array of cosmetics, women’s hair color, beauty tools, fragrances, skincare, anti-perspirants/deodorants and personal care products. The Company’s products are sold worldwide and marketed as Revlon, which includes the Revlon ColorStay, Revlon Super Lustrous and Revlon Age Defying franchises, as well as the Almay brand, which includes the Almay Intense i-Color and Almay Smart Shade franchises, in cosmetics; Revlon ColorSilk in women’s hair color; Revlon in beauty tools, Charlie and Jean Nate in fragrances, Ultima II and Gatineau in skincare, and Mitchum in personal care products. The Company’s principal customers include retailers, chain drug stores and food stores, as well as certain department stores and other specialty stores, such as perfumeries, outside the United

States. The Company also sells beauty products to United States military exchanges and commissaries.

### Cosmetics

The cosmetics brand includes the Revlon and Almay products. The Company sells a range of cosmetics under its flagship Revlon brand, which include face, lip, eye and nail products. It sells face makeup, including foundation, powder, blush and concealers, under the Revlon brand name. Revlon Age Defying, which is targeted for women in the over-35 age bracket, incorporates Botafirm ingredients to help reduce the appearance of lines and wrinkles. During the year ended December 31, 2008, the Company developed Revlon Age Defying Spa foundation and concealer. The Company also markets a range of Revlon ColorStay long-wearing liquid and powder face makeup with SoftFlex technology. The Revlon ColorStay mineral collection includes loose powder foundation, as well as baked blush and bronzer. The Revlon Beyond Natural collection offers a skin-tone matching liquid foundation.

The Company markets lip makeup, including lipstick, lip-gloss and lip liner. The brands under these cosmetics include Super Lustrous, ColorStay Soft & Smooth, ColorStay Overtime, ColorStay Overtime Sheer, ColorStay Mineral, ColorStay Mineral gloss. The Company's eye makeup products include mascaras, eyeliners, eye shadows and brow products. The products sold include Fabulash, Lash Fantasy Total Definition, Revlon Luxurious Color, Revlon ColorStay, and Revlon Matte. Its nail color and nail care lines include enamels, treatments and cuticle preparations. The Company's Revlon nail enamel provides application, shine and gloss in a toluene-free, formaldehyde-free and phthalate-free formula.

The Company's Almay brand consists of hypo-allergenic, dermatologist-tested, fragrance-free cosmetics and skincare products. Almay products include face, eye and lip makeup and makeup

removers. Almay Pure Blends is a collection of natural cosmetics. Within the face category, the products include Almay TLC Truly Lasting Color makeup and pressed powder. In eye makeup, the products include Almay Bright Eyes Collection and Almay Triple Effect.

### Hair

REV sells both haircolor and haircare products worldwide. In women's haircolor, the Company's brands include the Revlon ColorSilk, which offers color with conditioning.

### Beauty Tools

This company sells Revlon Beauty Tools, which include nail and eye grooming tools, such as clippers, scissors, files, tweezers and eye lash curlers. Revlon beauty tools are sold individually and in sets under the Revlon brand name. The Company developed Revlon Pedi-Expert, an ergonomically-engineered, pedicure tool.

### Fragrances

Revlon sells a selection of fragrances, including perfumes, eau de toilettes, colognes and body sprays. The Company's portfolio includes fragrances such as Charlie and Jean Naté. In the area of antiperspirants/deodorants, the Company markets Mitchum antiperspirant brands. The Company sells skincare products in the United States and in international markets, and under various regional brands, including Gatineau brand, as well as Ultima II.

The company uses print, television and Internet advertising, as well as point-of-sale merchandising, including displays and samples, and coupons and other trial incentives. The Company also uses cooperative advertising programs, supported by Company-paid or Company-subsidized demonstrators, and coordinated in-store promotions and displays. Additionally, the

Company maintains separate Websites, [www.revlon.com](http://www.revlon.com), [www.almay.com](http://www.almay.com) and [www.mitchumman.com](http://www.mitchumman.com).

Revlon competes with L'Oreal S.A., The Procter & Gamble Company, Avon Products, Inc. and The Estee Lauder Companies Inc.



Figure 4.6 Revlon Year to Date Stock Prices

### Microsoft Corporation

Now, more than ever, it is apparent that Microsoft is an intelligent investment.

It consists of several segments that, in total, employ over 90,000 individuals. The segments are: Client, Server and Tools, Online Services, Microsoft Business Division, and the Entertainment and Devices Division. Microsoft Corporation provides software and hardware products and solutions worldwide. The Client segment offers Windows Vista comprising Home Basic, Home Premium, Ultimate, Business, Enterprise, and Starter editions; and Windows XP, including Professional, Home, Media Center, and Tablet PC editions. The Server and Tools segment

develops software server products, as well as software developer tools, services, and solutions consisting of Microsoft SQL Server, Visual Studio, Silverlight, System Center products, Forefront security products, Biz Talk Server, Microsoft Consulting Services, and Premier product support services. The Online Services Business segment provides online advertising platform; online information offerings; and email and instant messaging services. This segment's product line comprises Bing; Microsoft adCenter/adExpert; Microsoft Media Network; MSN portals, channels, and mobile services; Windows Live suite of applications and mobile services; Atlas online tools; MSN Premium Web Services; and Razorfish media agency services. The Microsoft Business Division segment offers Microsoft Office system products and Microsoft Dynamics business solutions, including Microsoft Office; Microsoft Office Project; Microsoft Office Visio; Microsoft Office SharePoint Server; FAST ESP; Microsoft Exchange Server; Microsoft Exchange Hosted Services; Microsoft Office Live Meeting; Microsoft Office Communications Server; Microsoft Office Communicator; Microsoft Tellme Service; Microsoft Dynamics ERP products; Microsoft Dynamics CRM; and Microsoft Dynamics CRM Online. The Entertainment and Devices Division segment provides Xbox 360 console and games; Xbox Live; Zune; Mediaroom; consumer software and hardware products, such as mice and keyboards; Windows Mobile software and services platform; Windows Embedded device operating system; Windows Automotive; and the Microsoft Surface computing platform. The company was founded in 1975 and is headquartered in Redmond, Washington.

With the release of its newest operating system, there is confidence that Microsoft will see great progress in the market. By reading positive reviews and using the product personally, Microsoft should have a strong run in the coming weeks.



Figure 4.7 Microsoft Corp. Year to Date Stock Prices

### **Amazon.com, Inc.**

Amazon.com, Inc. operates as an online retailer in North America and internationally. It operates various retail Web sites, including amazon.com, amazon.co.uk, amazon.de, amazon.fr, amazon.co.jp, amazon.ca, and amazon.cn. The company serves its consumer customers through its retail Websites and focuses on selection, price, and convenience. It also offers programs that enable seller customers to sell their products on its Websites and their own branded Websites. In addition, the company serves developer customers through Amazon Web Services, which provides access to technology infrastructure that developers can use to enable virtually any type of business. Further, it offers co-branded credit card programs, fulfillment, and other marketing and promotional services, such as online advertising. Amazon.com, Inc. was founded in 1994 and is headquartered in Seattle, Washington.

With more than 20,000 employees, and the holiday season approaching, it is safe to say that sales will be on an upward trend, hopefully with the value of their stock as well.

Their shares are also at a record high, so attention must be paid to the company to make sure the stock doesn't dip back down again. With expansions happening every day, though, there are high hopes for the coming weeks.



Figure 4.8 Amazon.com Inc. Year to Date Stock Prices

### **Anheuser-Busch InBev**

Anheuser-Busch InBev, together with its subsidiaries, engages in brewing and selling beer in North America, Latin America north, Latin America south, Western Europe, Central and Eastern Europe, and the Asia Pacific. It primarily manages a portfolio of approximately 300 brands that include Budweiser, Stella Artois, Beck's, Leffe, Hoegaarden, Bud Light, Skol, Brahma, Quilmes, Michelob, Harbin, Sedrin, Cass, Klinskoye, Sibirskaya Korona, Chernigivske, Jupiler, and Corona. Anheuser-Busch also engages in the manufacture and sale of soft drinks. The company was founded in 1366 and is based in Leuven, Belgium.

With a fresh, new, ad campaign, and a promising new brew just released, the future looks bright for this company.



Figure 4.9 Anheuser Busch Inbev 6 month Stock Prices

### **Barnes & Noble, Inc**

Barnes & Noble, Inc. (Barnes & Noble), incorporated in 1986, is a bookseller. The Company's principal business is the sale of trade books (generally hardcover and paperback consumer titles, excluding educational textbooks and specialized religious titles), mass-market paperbacks (such as mystery, romance, science fiction and other fiction), children's books, bargain books, magazines, gift, cafe products and services, music and movies direct to customers. As of January 31, 2009, the Company operated 778 bookstores and a Website. Of the 778 bookstores, 726 operate under the Barnes & Noble Booksellers trade name and 52 operate primarily under the B. Dalton Bookseller trade name. As of January 31, 2009, the Company owned an approximate 74% interest in Calendar Club, an operator of seasonal kiosks. The Company subsequently sold

its interest in Calendar Club in February 2009. In March 2009, the Company acquired Fictionwise. In September 2009, the Company acquired Barnes & Noble College Booksellers, Inc. and its trade name that was earlier licensed to the Company.

Barnes & Noble conducts the online part of its business through barnesandnoble.com llc (Barnes & Noble.com). Through Sterling Publishing Co., Inc. (Sterling), the Company is a general trade book publisher. Barnes & Noble stores range in size from 10,000 to 60,000 square feet depending upon market size, with an overall average store size of 26,000 square feet. Most of the Company's B. Dalton stores range in size from 2,000 to 6,000 square feet. B. Dalton generally discounts between 15% and 30% off publishers' suggested retail prices for hardcover bestsellers. B. Dalton also offers the Barnes & Noble Member Program, which gives members additional discounts and other benefits. Each Barnes & Noble store features a selection of books, ranging from 60,000 to 200,000 titles. Many of the Barnes & Noble stores have music/ digital versatile disc (DVD) departments, which range in size from 1,300 to 6,000 square feet. The music/DVD departments typically stock over 30,000 titles. The Company's DVD selection is focused on foreign films, documentaries and episodic television shows. During the year ended December 31, 2008, the Company introduced a selection of BluRay discs. Barnes & Noble MasterCard is an affinity credit card issued by Barclays Bank Delaware. Holders of the Barnes & Noble MasterCard receive an additional 5% rebate for all purchases made in Barnes & Noble stores, B. Dalton bookstores or at Barnes & Noble.com.

Sterling is a publisher of non-fiction trade titles, with more than 5,000 books in print. Sterling publishes a range of non-fiction and illustrated books, consisting primarily of subjects, such as crafts, food and wine, mind/ body/spirit, photography, puzzles and games, current affairs and children's books. Sterling also publishes books for a number of brands, including many of the

Hearst magazines, such as Good Housekeeping and Cosmopolitan, Hasbro, The American Museum of Natural History, and AARP.

Barnes and Noble competes with Borders Group, Inc., Books-A-Million, Waldenbooks, Amazon.com, Wal-Mart and Costco.



Figure 4.10 Barnes and Noble Inc. Year to Date Stock Prices

### **Overstock.com, Inc.**

Overstock.com, Inc. is an online closeout retailer offering discount brand name merchandise, including bed-and-bath goods, home decor, kitchenware, watches, jewelry, electronics and computers, sporting goods, apparel, and designer accessories, among other products. The Company also sells books, magazines, compact disc (CD), digital versatile disc (DVD), and video games (BMMG). In addition, it operates as a section on its Website, an online auction site, a marketplace for the buying and selling of goods and services, as well as, the section on its Website for listing cars and real estate for sale. The Company utilizes the Internet to aggregate

the fragmented supply and demand and create a market for liquidation merchandise. It focuses on providing a one-stop discount shopping destination for products and services sold through the Internet. The Company's shopping business includes direct business and a fulfillment partner business.

#### Direct business

Direct business includes sales made to individual consumers and businesses, which are fulfilled from its warehouses. During the year ended December 31, 2008, the Company fulfilled approximately 21% of all orders through its warehouses. Its warehouses ship between 5,000 and 8,000 orders per day and up to approximately 32,000 orders per day during peak periods, using overlapping daily shifts.

#### Fulfillment partner business

The Company sells merchandise of other retailers, cataloguers or manufacturers through its Website for fulfillment partner business. The Company has 1,200 fulfillment partners which post 196,000 non-BMMG products, as well as, most of the BMMG products on its Website. Both direct and fulfillment partner revenues are seasonal, reflecting higher consumer holiday spending. The Company operates an online auction service as part of its Website. It allows sellers to list items for sale, buyers to bid on items of interest, and users to browse through listed items online. From time to time, the Company also sells items returned from its shopping business through its auction service.

#### Car listing business

Overstock.com, Inc. operates an online site for listing cars for sale as a part of its Website. The car listing service allows sellers to list vehicles for sale and allows buyers to review vehicle

descriptions, post offers to purchase, and provides the means for purchasers to contact sellers for further information and negotiations on the purchase of an advertised vehicle. Revenue from its car listing business is included in the fulfillment partner segment.

#### Real Estate listing business

The Company operates an online site for listing real estate for sale as a part of its Website. The real estate listing service allows customers to search active listings across the country. Listing categories include foreclosures, live and on-line auctions, for sale by owner listings, broker/agent listings and numerous aggregated classified ad listings. Revenue from the real estate business is included in the fulfillment partner segment, as it is not significant enough to segregate as a segment.

#### International business

The Company utilizes a third party to provide logistics and fulfillment for international orders. The Company sells its products through its Website to customers outside the United States. The countries include Canada and 33 European countries, including the U.K. and Germany. Revenue generated from its international business is included in either direct or fulfillment partner revenue, depending on whether the product is shipped from its warehouses or from a fulfillment partner.

The Company's Website is organized into five main sections, namely: shopping, auctions, cars, real estate, and community. The Company sells its products through online campaigns, such as advertising through portals, keywords, search engines, affiliate marketing programs, banners, e-mail, and direct mail campaigns.

The Company competes with Amazon.com, Inc., eBay, Inc., Buy.com, Inc., SmartBargains, BlueNile, BackCountry, Ross Stores, Inc., Walmart Stores, Inc., TJX Companies, Inc., Costco Wholesale Corporation, Target Corporation, Best Buy Co., Inc., and Barnes and Noble, Inc.



Figure 4.11 Overstock.com Inc. Year to Date Stock Prices

### **eBay Inc.**

eBay Inc. (eBay), incorporated in May 1996, provides online marketplaces for the sale of goods and services, as well as other online commerce, or ecommerce, platforms, online payments services and online communications offerings to a diverse community of individuals and businesses. The Company has three business segments: Marketplaces, Payments and Communications. Its Marketplaces segment provides the infrastructure to enable global online commerce through a variety of platforms, including the traditional eBay.com platform and eBay's other online platforms, such as classifieds businesses, secondary tickets marketplace (StubHub), online shopping comparison Website (Shopping.com), apartment listing service

platform (Rent.com), as well as its fixed price media marketplace (Half.com). eBay's Payments segment comprises its online payment solutions PayPal and Bill Me Later. Its Communications segment, which consists of Skype Technologies S.A. (Skype), enables voice over Internet protocol (VoIP) calls between Skype users, and provides connectivity to traditional fixed-line and mobile telephones. In November 2008, eBay acquired Bill Me Later. In October 2009, the Company sold its 65% interest in online phone company, Skype Technologies, to Silver Lake Partners III.

### Marketplaces

The Company's Marketplaces segment consists of online commerce platforms that enable a global community of buyers and sellers to interact and trade with one another. eBay's Marketplaces platforms seek to bring buyers and sellers together through automated online Websites that are available round the clock. The platforms include software tools and services, some available at no charge and others for a fee, that allow buyers and sellers to trade with one another. The Marketplaces platforms consist of its core online commerce platform, eBay.com and its localized counterparts, and adjacent platforms consisting of the Company's classifieds Websites, as well as StubHub, Shopping.com, Half.com and Rent.com. eBay's Marketplaces platforms earn revenue from, as the case may be, listing, feature, subscription and final value fees paid by sellers, lead referral fees, transaction fees and advertising fees.

eBay's Marketplaces core platform, eBay.com, includes its traditional auction-style format and fixed-price format and has a global presence in 39 markets. During the year ended December 31, 2008, the Company's auction-style listing format accounted for approximately 55% of its gross merchandise volume. The Company's fixed-price listing format accounted for the remaining 45% of its gross merchandise volume in 2008. Its traditional auction-style format allows a seller

to select a minimum price for opening bids, with the option to set a reserve price for the item, which is the minimum price, at which the seller is willing to sell the item. A seller with appropriate feedback ratings can also sell in a Multiple Item Auction format, which allows a seller to sell multiple identical items to the highest bidders.

The Company's fixed-price format allows buyers and sellers to accelerate the transaction process rather than waiting for the auction period to expire. Sellers with appropriate feedback ratings are allowed to name a price at the time the item is listed at which they would be willing to sell the item to a buyer. Its Half.com subsidiary also provides a fixed-price, person-to-person online commerce platform that allows people to buy and sell new and previously owned books, movies, music and games at discounted prices. In addition, eBay Stores enable sellers to exhibit all of their listings in one place on its eBay platform, and to describe their respective businesses through customized pages. eBay Stores provides sellers with tools to build, manage, promote and track their businesses. Store Inventory Format listings allow sellers to list items for a minimum 30-day listing period at a lower insertion fee and higher final value fee than regular auction-style and fixed-price listings. As of December 31, 2008, there were approximately 516,000 online storefronts established by users in locations around the world.

eBay offers a range of services for buyers and sellers, which include Feedback Forum, SafeHarbor Program, Verified Rights Owner (VeRO) Program, Customer Support, Value-Added Tools and Services, PowerSeller program, Top buyer program, Coupons and Buyer Rewards and Best Match. Other Marketplaces platforms and services include StubHub, Classifieds Websites, Online Advertising and Other Services, Shopping.com and Rent.com. StubHub is a United States ticket marketplace that enables fans to buy and sell tickets to a selection of sporting, concert, theater and other live entertainment events. The Company's classifieds Websites are available in

hundreds of cities and regions around the world, and are designed to help people meet, share ideas and trade on a local level. Its classified Websites include Kijiji, Den Bla Avis, Gumtree.com, LoQUo.com, OpusForum, Marktplaats.nl and mobile.de. eBay works with its partners in a variety of areas, such as online advertising, mailing and other services, that allows the Company to extend the monetization of its platforms and user base. Shopping.com is a comparison shopping destination featuring products from thousands of merchants across the Internet. Rent.com is a United States listing Website in the rental housing industry.

### Payments

The Company's PayPal enables individual or business to send and receive payments online in approximately 190 markets worldwide. eBay's PayPal enables buyers to pay merchants without sharing sensitive financial information. To make payments, buyers need to disclose only their email addresses to recipients. Buyers also benefit from PayPal's Buyer Protection Program, which reimburses buyers using PayPal with respect to most purchases made on eBay.com. When using Bill Me Later to obtain transactional credit, buyers need to provide only their name, address, birth date and the last four digits of their social security number. Bill Me Later also offers United States buyers an opportunity to defer payments, and under some promotional arrangements with select merchants, interest on such payments can be deferred for as long as 3 to 6 months.

PayPal offers online merchants an all-in-one payment processing solution, and enables merchants to conduct business with approximately 68.6 million PayPal registered active accounts in approximately 190 markets. In addition, PayPal also offers a payment gateway service that provides merchants who already have a credit card merchant account with a secure connection from their online store to their Internet merchant account and their payment processing network.

A merchant can generally open a PayPal account and begin accepting credit card payments within a few minutes. Most merchants are approved instantly for a PayPal account, and do not need to provide a personal guaranty, acquire any specialized hardware, prepare an application, contact a payment gateway or securely store customer financial information that is maintained by PayPal instead of the merchant. United States merchants offering Bill Me Later provides buyers with various transactional credit arrangements at the point of sale. PayPal offers three types of accounts: Personal, Business and Premier. Buyers make payments at the PayPal Website, at the eBay.com Website, or at the Websites of merchants that have integrated PayPal's Website Payments or Express Checkout features.

Bill Me Later offers United States online consumers a way to obtain instant credit at the point of transaction. Bill Me Later is not a chartered financial institution, and relies on CIT Bank to extend credit to Bill Me Later customers with the Bill Me Later service. When a consumer makes a purchase using the Bill Me Later service, CIT Bank funds the consumer loan at the point of sale and advances funds to the merchant. Bill Me Later subsequently purchases the receivable related to the consumer loan extended by CIT Bank.

Bill Me Later accounts are most commonly opened on a United States merchant site offering Bill Me Later as a payment method, but can also be opened at the Bill Me Later Website. A buyer enters his or her birth date and the last four digits of his or her social security number and, if approved, Bill Me Later opens an account for the buyer. This account can be used on any other United States merchant site offering the Bill Me Later payment option. Once established, customers can then manage their accounts online with access to their transaction history and monthly statements and can elect to establish recurring electronic monthly payments. Bill Me Later earns the majority of its revenues by collecting interest on the outstanding customer

balances and collecting late fees, as well as transaction fees from merchants. The Bill Me Later payment solution is available on the Websites of more than 1,000 online stores, catalogs and travel partners, including Borders, Blue Nile, Bluefly, Continental Airlines, eLUXURY, Fujitsu, JetBlue, Overstock, QVC, Toshiba, Toys “R” Us, U.S. Airways, Walmart.com and Zappos.

### Communications

eBay’s Communications segment comprises Skype. Skype offers ways for people around the world to stay in touch over the Internet through free voice and video calls, sending instant messages, short message service (SMS) (text messaging) or files, and by making low-cost calls to landline and mobile numbers. Skype generates revenue through its premium offerings, such as calls made to and from landline and mobile phones, voicemail, call forwarding, and SMS. Skype users can also purchase a variety of flat rate subscriptions for regional and international calling to landlines in many different countries.



Figure 4.12 Ebay Inc. Year to Date Stock Prices

### **4.3 Initial Investments**

My initial investments lead to a fairly balanced and diverse portfolio. Approximately \$20,000 was invested in each company, as evenly as possible. The total cash used for investments was \$100,020.30, including \$10 that was taken into account for each transaction.

<b>Date</b>	<b>Symbol</b>	<b>buy/ Sell</b>	<b>Price</b>	<b>Shares</b>	<b>Net Cost/ Proceeds</b>	<b>Profit/ Loss</b>	<b>Total Cash</b>	<b>Total Profit</b>
09/21/09	PG	buy	\$57.10	350	\$19995.00	(\$10)	\$80025.30	
09/21/09	RTN	buy	\$47.79	419	\$20034.01	(\$10)	\$60011.35	
09/21/09	SNE	buy	\$28.33	706	\$20010.98	(\$10)	\$40020.37	
09/21/09	NEXM	buy	\$0.19	105263	\$20009.97	(\$10)	\$20010.40	
09/21/09	SNKTY	buy	\$1.20	16667	\$20010.40	(\$10)	\$0	

Table 4.1 Week 1 Order Records

### **4.4 Simulation**

#### **Week 1**

The initial investments were the only transactions made this week.

The first purchases were made for this portfolio this week. Five separate stocks were purchased with approximately \$100,000 in total (Table 4.1). The variety of stocks purchased gives a diverse observation of the market, with several different sectors and areas within the economy.

Most of this week was monitoring my stocks closely in order to learn about the simulation process and get a closer look at the early movement of my stocks. Financially, the stocks were fairly split between gains and losses. The only losses made were fairly small, except for a loss of more than 5% in NEXM, as can be observed in Table 4.2. Better results were hoped for and expected from this company, since its purpose was to explore the benefits of low-value stocks. Everything seems worth holding onto for now, though further research into other prospective stocks is definitely worthwhile. An article was recently published at forbes.com stating that Proctor and Gamble was given a “buy” rating by Jefferies and Co, a major global securities and investment group (forbes.com). This definitely points to a good outlook for the stock of PG, and close eye will be kept on the stock

Symbol	Shares	21-Sep	22-Sep	23-Sep	24-Sep	25-Sep
PG	350	57.10	57.24	57.25	57.84	58.01
RTN	419	47.79	47.64	48.10	47.38	47.59
SNE	706	28.33	28.37	28.15	28.81	29.43
NEXM	105263	0.19	0.19	0.18	0.18	0.18
SNKTY	16667	1.20	1.23	1.25	1.28	1.30

Table 4.2 Week 1 Stock Prices

## Week 2

Research is being done into other sectors of the market, including internet retailers, as well as other types of consumer goods, such as food and drink. When more stability is observed in that area, action will be taken to profit from their purchase.

This week, the stocks made a fairly strong downward turn. Every stock lost a good amount of money, with the exception of SNKTY (Table 4.3). One aspect of this loss that is a particular concern is the loss of nearly 10% of the already tiny stock of NEXM. Now, with the stock at

only \$.16, a line has been drawn at this value, and if the cost drops any more the stock will be sold, and the loss taken.

It is puzzling why companies like Sony would be losing ground in the market. Sony recently released new technologies in several different areas, but they made no gains in the market. Hopefully in the longer term things will look up for them in the technology sector.

Symbol	Shares	28-Sep	29-Sep	30-Sep	1-Oct	2-Oct
PG	350	58.16	57.91	57.92	56.62	56.75
RTN	419	48.00	48.30	47.97	46.67	46.01
SNE	706	30.00	29.39	29.20	28.02	27.16
NEXM	105263	0.18	0.18	0.18	0.17	0.16
SNKTY	16667	1.32	1.35	1.38	1.38	1.39

Table 4.3 Week 2 Stock Prices

### Week 3

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
10/6/09	SNKTY	sell	\$1.40	16667	\$23323.80	\$3323.40	\$23333.80	\$3263.40
10/6/09	REV	buy	\$4.85	4124	\$20011.40	(\$10)	\$3322.40	\$3253.40

Table 4.4 Week 3 Order Records

The stocks took a better turn this week, and the first sell was made in my portfolio. SNKTY made a good amount of progress, and then began to drop slightly, so it was an appropriate time to get rid of the stock. After some research Revlon was purchased in response to the sale of SNKTY (Table 4.4). This new company will help to diversify the portfolio, and lower the risk involved in the investments.

As far as the other companies in this portfolio Proctor and Gamble and Sony made a decent size jump in value, while NEXM and RTN stayed very close to the same value. Revlon made a good gain in price since it was bought it as well (Table 4.5). NEXM will continue to be observed as well, with hopes of recovering the investment.

Symbol	Shares	5-Oct	6-Oct	7-Oct	8-Oct	9-Oct
PG	350	56.68	57.03	56.95	57.65	57.56
RTN	419	46.12	46.55	45.78	45.59	46.11
SNE	706	27.17	27.63	28.09	28.20	28.44
NEXM	105263	0.16	0.16	0.16	0.16	0.16
SNKTY	16667	1.41	1.40	N/A	N/A	N/A
REV	4124	N/A	4.85	4.85	5.00	5.30

Table 4.5 Week 3 Stock Prices

#### Week 4

Week 4 brought some moderate progress across the portfolio. The only stock to lose ground was Proctor and Gamble, and it was only by one percentile (Table 4.6).

NEXM made a great recovery this week, finally getting back to the point where it was bought at. At this crucial point, the stocks were sold, and the only money lost was the cost of trading (\$10) (Table 4.7).

Raytheon made headlines this week, being awarded a \$5.5 million contract from The Defense Advanced Research Projects Agency, and a \$73.9 million Air Force deal. Hopefully these big contracts will translate to the stock price of Raytheon in the coming weeks.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
10/16/09	NEXM	sell	\$0.19	105263	\$19979.97	\$30	\$23302.37	\$3243.40

Table 4.6 Week 4 Order Records

Symbol	Shares	12-Oct	13-Oct	14-Oct	15-Oct	16-Oct
PG	350	57.50	57.26	57.31	57.24	57.44
RTN	419	45.86	45.97	46.92	46.60	46.55
SNE	706	28.62	28.20	28.56	29.22	28.88
NEXM	105263	0.16	0.15	0.17	0.19	N/A
REV	4124	5.38	5.35	5.49	5.41	5.42

Table 4.7 Week 4 Stock Prices

## Week 5

This week, many of my stocks slid down in value a bit, with the exception of Revlon. None of the losses were too critical, but it is still a good time to research other companies to invest in (4.8). The portfolio currently holds only 4 stocks, so the extra money is readily available when there is an opportunity to buy.

Revlon made only small gains this week, but there are hopes that they will make an even bigger breakthrough, since they have recently launched a new website that will hopefully bring more business to the company.

Symbol	Shares	19-Oct	20-Oct	21-Oct	22-Oct	23-Oct
PG	350	57.79	58.13	57.49	58.13	57.64
RTN	419	47.15	45.54	45.18	46.82	46.43
SNE	706	29.51	29.11	28.96	29.26	28.91
NEXM	105263	N/A	N/A	N/A	N/A	N/A
REV	4124	5.52	5.57	5.66	5.78	5.77

Table 4.8 Week 5 Stock Prices

## Week 6

Week 6 was a great week for this portfolio. Each of the stocks made progress, including a giant leap in price by Revlon, setting an 11 month high and surprising many investors and brokers. It

was surprising also, since the company had just released its quarterly report showing it had lost significant progress in Q3. Care must be taken so that it can be sold at the appropriate time in order to hold onto the financial profit.

Proctor and Gamble also made a good jump, putting it up about \$2.50 from when it was purchased at one point. It quickly dropped back down though, leaving PG's stock seemingly unstable and unpredictable (Table 4.9).

A fairly pronounced pattern has been noticed: that the prices of many of my stocks rise throughout the week up until about Thursday, at which point they fall back to a more reasonable price for Friday's closing. This will be explored more, and hopefully utilized during trading.

Symbol	Shares	26-Oct	27-Oct	28-Oct	29-Oct	30-Oct
PG	350	56.90	57.18	57.23	59.54	58.00
RTN	419	46.01	46.02	45.61	45.87	46.28
SNE	706	29.16	29.22	28.63	30.54	29.39
NEXM	105263	N/A	N/A	N/A	N/A	N/A
REV	4124	5.85	5.92	5.75	8.24	8.43

Table 4.9 Week 6 Stock Prices

## Week 7

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
11/06/09	REV	sell	\$10.78	4124	\$44436.72	\$24445.32	\$47747.69	\$27688.72
11/06/09	MSFT	buy	\$27.88	717	\$19999.96	(\$10)	\$27747.73	\$27678.72

Table 4.10 Week 7 Order Records

This was another successful week for this portfolio. Revlon made even more progress, though they were more moderate. Since they have slowed, the time seems optimal to get rid of this and collect the profits. In response to the trade, Microsoft's stock was obtained with the ~\$20,000 that was made from the sale of NEXM. With the new Microsoft Windows program having just arrived, MSFT seems like a great prospect in the coming weeks. Now, there is full \$100,000 in the market again for my portfolio (Table 4.10)

Sony seems to be in a slump, and other companies will be researched in order to trade the funds for a more stable corporation. Other than that, PG has made impressive progress, while the others have remained fairly constant (Table 4.11).

Symbol	Shares	2-Nov	3-Nov	4-Nov	5-Nov	6-Nov
PG	350	58.85	58.58	59.03	60.47	61.04
RTN	419	45.73	45.75	46.23	47.08	47.57
SNE	706	28.90	29.01	28.69	28.73	28.87
REV	4124	10.07	10.79	10.57	10.92	10.78
MSFT	717	N/A	N/A	N/A	N/A	27.88

Table 4.11 Week 7 Stock Prices

## Week 8

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
11/09/09	AMZN	buy	\$126.67	158	\$20023.86	(\$10)	\$27715.27	\$27668.72
11/09/09	PG	sell	\$61.85	350	\$21637.50	\$1642.50	\$49352.77	\$29331.22
11/9/09	SNE	sell	\$29.49	706	\$20809.94	\$798.96	\$70162.71	\$30130.18
11/10/09	BUD	buy	\$48.32	413	\$19966.16	(\$10)	\$50196.55	\$30120.18

Table 4.12 Week 8 Order Records

This week Sony and Proctor and Gamble were sold, both for a moderate profit. The daily price trends point to a possible downward turn for the price of the stocks in the future. As far as

purchases go, Amazon and Budweiser were purchased. Amazon looks to have very profitable times on the way, especially with holidays on their way. Budweiser is an experiment into a completely different sector of the stock market. Companies like BUD tend to experience moderate, constant growth, but with their new advertisement campaign, as well as several promotional products recently released it may be worth following the stock to make a profit from the profit the advertisements bring to the company.

Symbol	Shares	9-Nov	10-Nov	11-Nov	12-Nov	13-Nov
PG	350	61.85	N/A	N/A	N/A	N/A
RTN	419	48.17	48.36	48.85	48.56	49.03
SNE	706	29.49	N/A	N/A	N/A	N/A
MSFT	717	28.99	29.01	29.12	29.36	29.63
AMZN	158	126.67	130.15	129.91	130.53	132.97
BUD	413	49.72	48.32	48.64	48.27	50.27

Table 4.13 Week 8 Stock Prices

## Week 9

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
11/16/09	REV	buy	\$15.47	1293	\$20012.71	(\$10)	\$30183.84	\$30120.18
11/16/09	BKS	buy	\$20.42	979	\$20001.18	(\$10)	\$10182.66	\$30120.18
11/20/09	RTN	sell	\$50.59	419	\$21187.21	\$1153.20	\$31369.87	\$31273.38

Table 4.14 Week 9 Order Records

The results of this week were mixed. Profit was made through the three transactions made throughout the week, but both BUD and AMZN produced small losses. It appears as though

Amazon is worth holding onto, however, with the holiday season quickly approaching and online sales undoubtedly booming.

Stock in Barnes and Noble was purchased with the same hopes. With many stores, as well as a successful website, this time of year should lead to prosperous results. Also, the stock is up 34% in November alone, and hopefully this trend will continue. Additionally, it should be noted that Barnes and Noble and Amazon.com will be in a battle for control of the e-book market in the coming weeks, since BKS is developing the “nook,” which will be a part of its website devoted to selling these electronic books.

Revlon was repurchased with \$20,000, since this stock continues to grow. Later in the week of its second purchase, however, the stock began to stall in price. Though it seems stable at the moment, careful attention will be paid to REV, in order to prevent a loss from a sudden crash (4.14).

Raytheon has been making good progress of late, and hopefully the trend will continue. Though better gains were expected, Microsoft’s stock also rose in value. Both new stocks purchased this week made good sized gains as well (Table 4.15).

<b>Symbol</b>	<b>Shares</b>	<b>16-Nov</b>	<b>17-Nov</b>	<b>18-Nov</b>	<b>19-Nov</b>	<b>20-Nov</b>
RTN	419	49.80	50.21	50.41	49.83	50.59
MSFT	717	29.54	30.00	30.11	29.78	29.62
AMZN	158	131.59	131.25	131.29	128.99	129.66
BUD	413	51.65	51.09	51.39	50.60	50.67
REV	1293	16.90	17.31	17.56	17.31	17.22
BKS	979	20.50	22.05	22.14	22.31	22.30

Table 4.15 Week 9 Stock Prices

## Week 10

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
11/27/2009	BKS	sell	\$24.39	979	\$23867.81	\$3866.63	\$55237.68	\$35140.01
11/27/2009	OSTK	buy	\$14.67	1363	\$20005.21	(\$10)	\$35232.47	\$35140.01
11/27/2009	EBAY	buy	\$23.22	1391	\$29987.02	(\$10)	\$5245.45	\$35140.01

Table 4.16 Week 10 Order Records

This week was a very unpredictable week for this portfolio. Most of the stocks lost a bit of ground, but that was due to the sudden drop that “Black Friday” brought. Barnes and Noble was an exception to this trend, as it gained almost a full dollar per share. With the loss on Friday though, it seemed better to sell the stock for a profit, than to risk losing even more ground on the stock (Table 4.16).

With the coming of “Cyber Monday,” (the Monday after Thanksgiving, when employees around the world tend to use their time to purchase gifts for the holidays) it seems appropriate to purchase stocks in companies that make most of their revenue from internet sales. Therefore, eBay and Overstock.com seem to be the logical choices, as both have done exceptional in the past on such occasions. Though large gains are expected in the coming days, it will be crucial to keep a close eye on the stocks in order to sell at the best possible times.

The same goes for the stock in Revlon. Across the entire portfolio losses were made on Black Friday (Table 4.17), but Revlon is up so much higher than its usual price that it may drop unexpectedly even further than it did already. If this is the case, a quick sale would still bring plenty of profit to the portfolio.

Symbol	Shares	23-Nov	24-Nov	25-Nov	26-Nov	27-Nov
MSFT	717	29.94	29.91	29.79	29.79	29.22
AMZN	158	133.00	132.94	134.03	134.03	131.74
BUD	413	51.32	51.32	52.44	52.44	51.18
REV	1293	17.99	17.91	17.74	17.74	17.33
BKS	979	23.52	22.25	24.76	24.76	24.39
OSTK	1363	16.10	15.50	15.30	15.30	14.67
EBAY	1391	23.45	23.59	23.61	23.61	23.22

Table 4.17 Week 10 Stock Prices

### Week 11

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
12/4/2009	MSFT	sell	\$29.98	717	\$21485.66	\$1485.70	\$26731.11	\$36625.71
12/4/2009	AMZN	sell	\$137.58	158	\$21727.64	\$1694.78	\$48458.75	\$38320.49
12/4/2009	BUD	sell	\$52.64	413	\$21730.32	\$1774.16	\$70189.07	\$40094.65
12/4/2009	REV	sell	\$19.32	1293	\$24980.76	\$4968.05	\$95169.83	\$45062.70
12/4/2009	BKS	sell	\$21.61	979	\$21146.19	\$1155.01	\$116316.02	\$46217.71
12/4/2009	OSTK	sell	\$14.93	1363	\$20339.59	\$334.38	\$136655.61	\$46552.09
12/4/2009	EBAY	sell	\$23.67	1391	\$32914.97	\$2927.95	\$169570.58	\$49480.04

Table 4.18 Week 11 Order Records

This week, all of the companies that had been purchased were sold. No more company research was done, as the time had arrived to cash in the investments for this portfolio and analyze the results

This final week of holding investments led to a good amount of profit to finish off this portfolio. Five out of seven stocks made a gain in value this week, with Revlon making an outstanding gain of more than 5%. EBAY and OSTK made a profit for the portfolio, but not nearly as much as was expected. OSTK was deemed a “stock poised to plunge” by motelyfool.com, so the time was probably prime to sell anyways. It has been said that the stock was severely “overbought” and is unstable at this time. The same could be said about EBAY, since many people also had confidence in this company during the holiday times.

Symbol	Shares	30-Nov	1-Dec	2-Dec	3-Dec	4-Dec
MSFT	717	29.41	30.01	29.78	29.83	29.98
AMZN	158	135.91	138.50	142.25	141.17	137.58
BUD	413	50.29	52.25	53.24	52.64	52.64
REV	1293	18.10	18.50	18.41	18.83	19.32
BKS	979	23.34	23.05	23.22	21.59	21.61
OSTK	1363	14.62	15.05	14.76	14.49	14.93
EBAY	1391	24.47	24.00	23.76	23.60	23.67

Table 4.19 Week 11 Stock Prices

## **4.5 Conclusion**

The principles of Jesse Livermore were used heavily as a strategy in this portfolio. Additionally, the top-down method was used in choosing the companies to choose to invest in.

Livermore encouraged investors to follow several values, specifically: always trade with the trend, along the line of least resistance; make sure all the factors are in your favor before you make a trade; stay with the leading stocks of the day; stocks do not move alone; do not buy your entire position at once; always have a stop before you get in a trade; never take tips from anyone; never argue with the tape; you should not be in the market all the time. Trends were a great guide for the transactions made in these several weeks. For example, Revlon was on a great upward trend for several weeks. When the stock began to level out, it appeared as though a downward trend was beginning. After selling the stock, however, the trend changed back to a positive one, and it was highly profitable to repurchase it. The leading stocks of the day were a great indication of which sectors and specific companies were profitable at any given time. Never buying my entire position all at once was a fairly easy concept to follow, since there was a variety of interest in different areas. This concept also led to a very diverse portfolio, with investments in the technology, retailer goods, consumer goods, and even food goods. Having a stop before getting into a trade was a useful tip in this portfolio, and it made it possible for me to break even with the low-value stock of NEXM. If it had not been for this tool of Livermore, lots of money would have been lost in the first few weeks of investment. Never taking tips from anyone was tough, since the research done on the market led to many different views and hints. In the end, it became useful to take these hints with a grain of salt, and to use them to investigate the next move to make.

The top-down method led to many wise investments. To start the portfolio, companies were chosen in strong industries like the pharmaceutical, technology, and consumer sectors. More specifically, the companies that were chosen within these sectors were those which had been showing a strong upward trend in recent history. Also, research was done in the recent headlines to find evidence that these companies were solid choices of investments. Based on these initial observations, it was clear which areas of the market were worth pursuing further investments in. With more research, other successful sectors were discovered, leading to more profit for this portfolio. The top-down method appears to be a simple, yet logical way to go about researching investments.

## Chapter 5

### The Countertrend Strategy

by: Carl Anderson

#### **5.1 Using the Countertrend Strategy**

This portfolio utilized The Countertrend Strategy in attempting to invest in the best options available in the market. Through the course of ten weeks of investing this strategy was tested repeatedly as to its validity and potential as a method for an investor to create capital. This strategy is based on making a series of small trades based against the current trend. Essentially, the investor would purchase shares when prices are low and sell them when they are high. As a result, the investor receives smaller gains since the full market swing is not recognized. For example, when a stock price plummets an investor would buy shares of this stock, keeping in mind the expectation that the stock will rise.

#### **5.2 Companies**

The following list represents the companies that were chosen to be invested into at least once during the ten week simulation period. Also provided are the stock prices associated with each company for the three months prior to their purchase. This allows for a visual understanding of how well the stock fits into the countertrend strategy prior to being bought.

#### **Abbott Laboratories (NYSE: ABT)**

Abbott Laboratories manufactures and sells health care products worldwide. This stock is invested in because of personal employment with the company. Abbott Laboratories

manufactures and sells health care products worldwide. The company's Pharmaceutical Products segment offers adult and pediatric pharmaceuticals for rheumatoid arthritis, psoriatic arthritis, ankylosing spondylitis, psoriasis, Crohn's disease, dyslipidemia, HIV infection, hypothyroidism, advanced prostate cancer, endometriosis and central precocious puberty, anemia caused by uterine fibroids, obesity, epilepsy and bipolar disorder, migraines, and secondary hyperparathyroidism; and provides anesthesia products and anti-infectives. Its Diagnostic Products segment offers immunoassay systems; chemistry systems; assays used for screening and/or diagnosis for drugs of abuse, cancer, therapeutic drug monitoring, fertility, physiological diseases, and infectious diseases; instruments that automate the extraction, purification, and preparation of DNA and RNA from patient samples, and detect and measure infections agents; genomic-based tests; hematology systems and reagents; and point-of-care diagnostic systems and tests for blood analysis. The company's Nutritional Products segment provides various forms of prepared infant formula and follow-on formula, adult and other pediatric nutritional products, nutritional products used in enteral feeding in health care institutions, and bars and nutritional brands. Its Vascular Products segment offers coronary, endovascular, and vessel closure devices, such as drug-eluting coronary stent systems, coronary metallic stents, balloon dilatation products, coronary guidewires, vessel closure devices, and carotid stent systems to treat vascular disease. Abbott serves wholesalers, government agencies, health care facilities, specialty pharmacies, independent retailers, hospitals, clinics, physicians' offices, blood banks, commercial laboratories, alternate-care testing sites, plasma protein therapeutic companies, and third-party distributors. The company was founded in 1888 and is based in Abbott Park, Illinois [7].

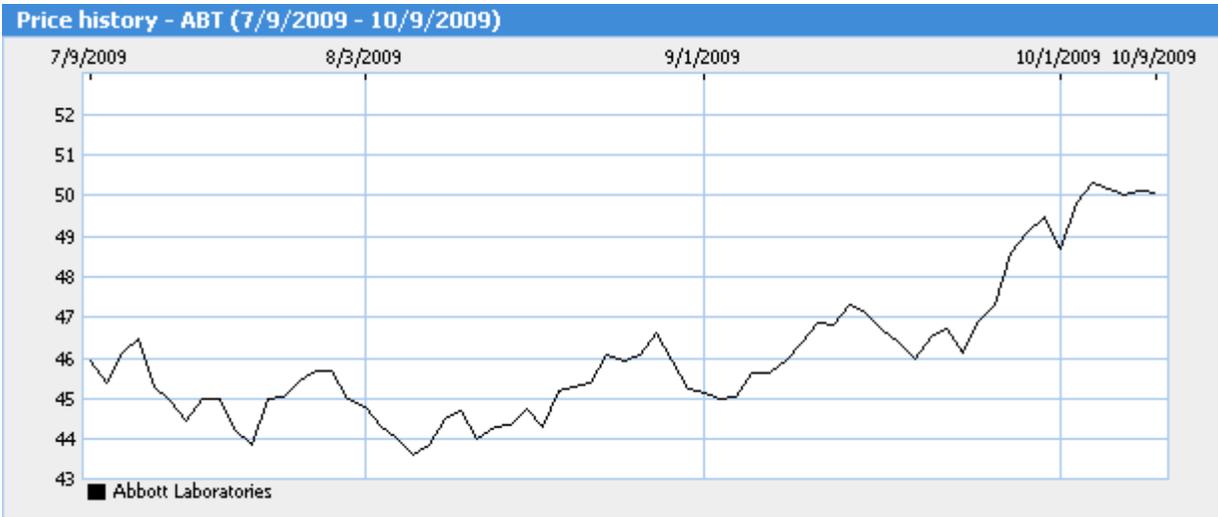


Figure 5.1 Abbott Laboratories Price Chart

**BP PLC (Public, NYSE: BP)**

BP PLC provides fuel for transportation, energy for heat and light, retail services, and petrochemicals products. It operates in three segments: Exploration and Production, Refining and Marketing, and Other Businesses and Corporate. On September 2, 2009, BP announced a giant oil discovery at its Tiber Prospect in the deepwater US Gulf of Mexico. BP p.l.c. provides fuel for transportation, energy for heat and light, retail services, and petrochemicals products. It operates in three segments: Exploration and Production, Refining and Marketing, and Other Businesses and Corporate. The Exploration and Production segment engages in the oil and natural gas exploration, development, and production; and marketing and trading of natural gas liquids, liquefied natural gas (LNG), and gas and power. It has exploration and production activities in the United States, the United Kingdom, Angola, Azerbaijan, Canada, Egypt, the Russian Federation, and Trinidad and Tobago, as well as in the Asia Pacific, Latin America, and the Middle East. This segment also owns and manages crude oil and natural gas pipelines;

processing and export terminals; and LNG processing facilities and transportation. BP p.l.c. has interests in the Trans Alaska pipeline system, the Forties pipeline system, the Central Area transmission system pipeline, and Baku-Tbilisi-Ceyhan pipeline, as well as in LNG plants located in Trinidad, Indonesia, and Australia. The Refining and Marketing segment engages in the supply and trading, refining, marketing, and transportation of crude oil, petroleum, and chemicals products to wholesale and retail customers under the Amoco and BP brands. The other businesses and corporate segment produces and markets rolled aluminum products, as well as generates energy through wind, solar, biofuels, hydrogen, and gas-fired sources. BP p.l.c. has a joint development agreement with Martek Biosciences Corp. to work on the production of microbial oils for biofuels applications. The company was founded in 1889 and is headquartered in London, the United Kingdom [8].



Figure 5.2 BP Pricing Chart

**Las Vegas Sands Corp. (Public, NYSE:LVS)**

Las Vegas Sands Corps. , one of the world's largest casino companies, has secured commitments to raise up to \$600 million through the sale of exchangeable bonds, the company said in early September, 2009. Las Vegas Sands Corp. and its subsidiaries develop multi-use integrated resorts worldwide. It owns and operates The Venetian Resort Hotel Casino, The Palazzo Resort Hotel Casino, and The Sands Expo and Convention Center in Las Vegas, Nevada; and the Sands Macao, The Venetian Macao Resort Hotel, and the Four Seasons Hotel Macao, Cotai Strip in Macao, the People's Republic of China. The company is also developing Marina Bay Sands, an integrated resort in Singapore; and Sands Casino Resort Bethlehem, an integrated resort in Bethlehem, Pennsylvania. Las Vegas Sands Corp. was founded in 1988 and is headquartered in Las Vegas, Nevada [9].



Figure 5.3 Las Vegas Sands Corp Pricing Chart

**North American Palladium Ltd. (Public, AMEX:PAL)**

North American Palladium Ltd. is in the business of exploring and mining Platinum Group Metals (PGMs) and certain base and precious metals. The Company owns the Lac des Iles mine, which is located approximately 85 kilometers northwest of the city of Thunder Bay, Ontario, Canada. Palladium is replacing titanium because it is both cheaper and stronger. North American Palladium Ltd. (NAP) is one of North America's largest producers of palladium that commenced operations at its 100% owned Lac des Iles mine in 1993. In October 2008, NAP placed the mine on care and maintenance due to low metal prices and is currently working on a mine restart plan that will optimize future profitability when metal prices recover. The company owns the Lac des Iles mine, which is located approximately 85 kilometers northwest of the city of Thunder Bay, Ontario, Canada. The mine consists of an open pit mine, an underground mine, the Offset Zone, a processing plant with a nominal capacity of approximately 15,000 tons per day, and the original mill with a nominal capacity of approximately 2,400 tons per day. The primary deposits on the property are the Roby Zone and the Offset Zone [10,11].



Figure 5.4 North American Palladium Ltd Pricing Chart

**HTC Corporation (Public, TPE:2498)**

HTC Corporation (TSE: 2498), formerly High Tech Computer Corporation, is a Taiwan-based manufacturer of primarily Microsoft Windows Mobile-based portable devices as well as several Google Android-based devices. It was founded on May 15, 1997 and initially was strictly an outsourcing company, an original design manufacturer (ODM). Today, HTC provides its own *HTC* self-branded products, as well as supporting its operator-branded products and its original equipment manufacturer (OEM) partners. HTC products are sold under several brand names — HTC, Dopod (HTC's subsidiary company) and Qtek — and are often rebranded by major telecommunication carriers such as Orange, T-Mobile, Verizon Wireless, Sprint Nextel, O<sub>2</sub>, Vodafone, AT&T, Alltel, Bell Mobility and Telus Mobility.

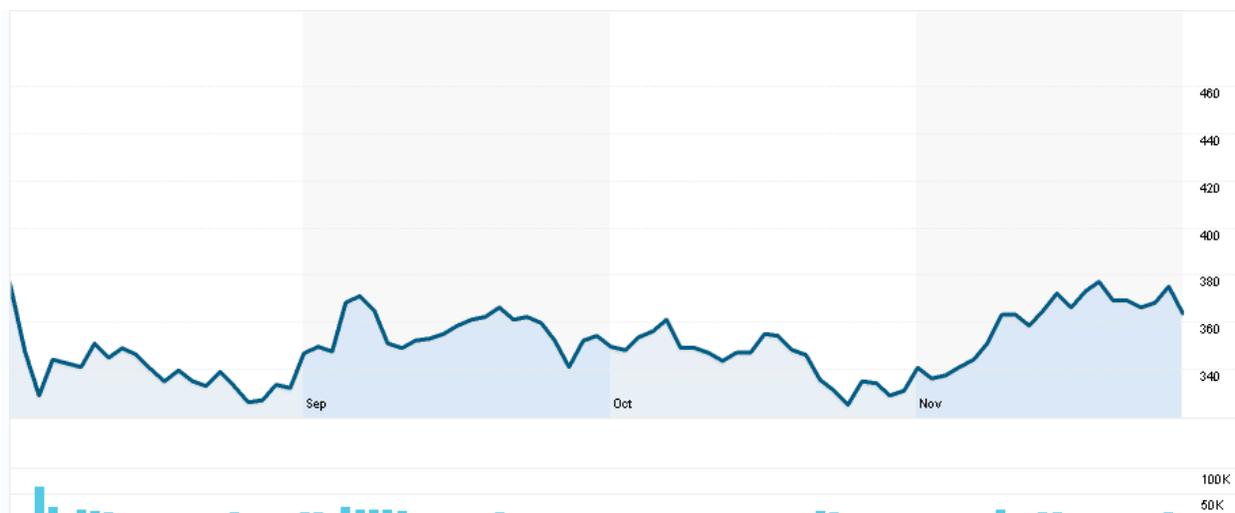


Figure 5.5 HTC Corporation Pricing Chart

**Eldorado Gold Corporation (Public, TSE:ELD)**

Eldorado Gold Corporation (Eldorado) is a gold producer engaged in gold mining and related activities including exploration, development, extraction, processing and reclamation. The Company owns and operates the Kisladag gold mine (Kisladag) in Turkey and the Tanjianshan gold mine (TJS) in China, and is also developing gold projects in Turkey and Greece, as well as an iron ore project in Brazil. The Company’s subsidiaries include Qinghai Dachaidan Mining Ltd, Tüprag Metal Madencilik Sanayi ve Ticaret AS, Unamgen Mineração e Metalurgia S/A and Thracean Gold Mining SA. On July 7, 2008, the Company acquired Frontier Pacific Mining Corporation (Frontier). Effective December 15, 2008, Eldorado sold its wholly owned Bermudian subsidiary, Sao Bento Gold Ltd. and its wholly owned Brazilian subsidiary Sao Bento Mineracao S.A. to AngloGold Ashanti. In July 2009, Solex Resources Corp acquired 100% of the shares in Minera Frontera Pacifica S.A. from a wholly owned subsidiary of Eldorado.



Figure 5.6 Eldorado Gold Corporation Pricing Chart

**Google Inc. (Public, NASDAQ:GOOG)**

Google Inc., incorporated in September 1998, maintains an index of Websites and other online content, and makes this information freely available through its search engine to anyone with an Internet connection. The Company’s automated search technology helps people obtain nearly instant access to relevant information from its online index. The Company generates revenue primarily by delivering online advertising. Businesses use its AdWords program to promote their products and services with targeted advertising. In addition, the thousands of third-party Websites that comprise the Google Network use its AdSense program to deliver relevant ads that generate revenue and enhance the user experience. In March 2008, the Company acquired Click Holding Corp. (DoubleClick), a company that offers online ad serving and management services to advertisers, ad agencies and Web site publishers. In August 2008, the Company sold the search marketing business of Performics, a division of DoubleClick. In September 2008, Google Inc. bought Korea-based blogging software developer Tatter and Company. In September 2009,

the Company acquired ReCAPTCHA Inc., a spin-off of Carnegie Mellon University's Computer Science Department



Figure 5.7 Google Inc. Pricing Chart

**Exxon Mobil Corporation (Public, NYSE:XOM)**

Exxon Mobil Corporation (Exxon Mobil) through its divisions and affiliates is engaged in exploration for, and production of, crude oil and natural gas, manufacture of petroleum products and transportation and sale of crude oil, natural gas and petroleum products. ExxonMobil is a manufacturer and marketer of commodity petrochemicals, including olefins, aromatics, polyethylene and polypropylene plastics and a wide variety of specialty products. It also has interests in electric power generation facilities. Affiliates of ExxonMobil conduct research programs in support of these businesses. Exxon Mobil Corporation has several divisions and affiliates, many with names that include Exxon Mobil, Exxon, Esso or Mobil. The Company operates in three segments: Upstream, Downstream and Chemicals. In November 2008, Sunoco

Logistics Partners L.P. completed the acquisition of the MagTex refined products pipeline system located in Texas, from affiliates of Exxon Mobil Corporation.



Figure 5.8 Exxon Mobil Corporation Pricing Chart

**Agrium Inc. (Public, TSE:AGU)**

Agrium Inc. is a retailer of agriculture products and services in the United State, as well as Argentina and Chile, and global producer and wholesale marketer of nutrients for agricultural and industrial markets. The Company's three operating business units are: Retail, Wholesale, and Advanced Technologies. The Company operates 872 retail centers, 72 terminals and 19 distribution centers in North and South America. On May 5, 2008, the Company acquired UAP Holding Corp. (UAP), a distributor of a range of crop protection products, nutrients, seed and services to growers across North America. On July 8, 2008, it acquired a 70% interest in Common Market Fertilizers S.A. (CMF) a fertilizer distribution company.

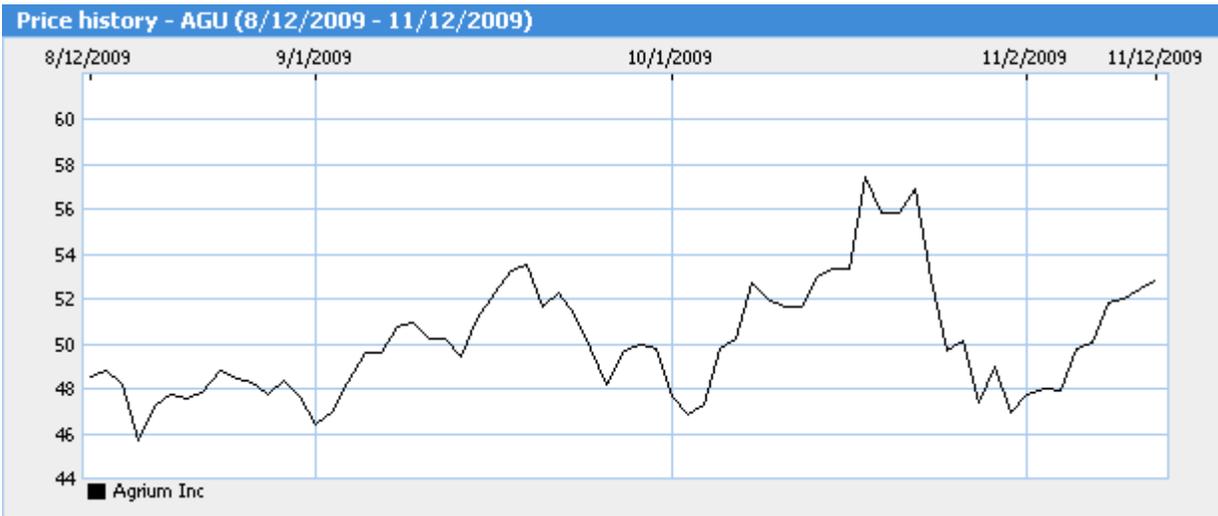


Figure 5.8 Agrium Inc. Pricing Chart

**Best Buy Co., Inc. (Public, NYSE:BBY)**

Best Buy Co., Inc. (Best Buy) is a specialty retailer of consumer electronics, home office products, entertainment software, appliances and related services. The Company operates retail stores and Web sites under the brand names Best Buy (BestBuy.com, BestBuy.ca, BestBuy.com.cn, espanol.BestBuy.com and BestBuyMobile.com), The Carphone Warehouse (Carphone Warehouse.com), Five Star (Five-Star.cn), Future Shop (FutureShop.ca), Geek Squad (GeekSquad.com and GeekSquad.ca), Magnolia Audio Video (MagnoliaAV.com). It operates through two business segments: Domestic and International. The Domestic segment consists of the store, call center and online operations in all states, districts and territories of the United States operating under the brand names Best Buy, Best Buy Mobile, Geek Squad, Magnolia Audio Video and Speakeasy. The International segment is comprised all Canada store, call

center and online operations, under the brand names Best Buy, Best Buy Mobile, Future Shop and Geek Squad.



Figure 5.9 Best Buy Company Inc. Pricing Chart

**Target Corporation (Public, NYSE:TGT)**

Target Corporation (Target) operates Target general merchandise stores with an assortment of general merchandise and food items, as well as SuperTarget stores with a line of food and general merchandise items. Target.com offers an assortment of general merchandise, including many items found in the Company’s stores and a complementary assortment, such as extended sizes and colors, sold only online. The Company operates in two segments: Retail and Credit Card. The Retail Segment includes all of its merchandising operations, including its general merchandise and food discount stores in the United States and its integrated online business. The Credit Card Segment offers credit to qualified guests through its branded credit cards, the Target Visa and the Target Card (collectively, REDcards).



Figure 5.10 Target Corporation Pricing Chart

**Southwest Airlines Co. (Public, NYSE:LUV)**

Southwest Airlines Co. (Southwest) is a passenger airline that provides scheduled air transportation in the United States. As of December 31, 2008, the Company operated 537 Boeing 737 aircraft and provided service to 64 cities in 32 states throughout the United States. The Company focuses principally on point-to-point service, rather than hub-and-spoke service. As of December 31, 2008, Southwest served 438 non-stop city pairs. Approximately 78% of the Company's customers fly non-stop. Southwest predominantly serves short-haul routes with high frequencies. It complements this service with more medium to long-haul routes, including transcontinental service. The Company's average aircraft trip stage length for the year ended December 31, 2008, was 636 miles with an average duration of approximately 1.8 hours.

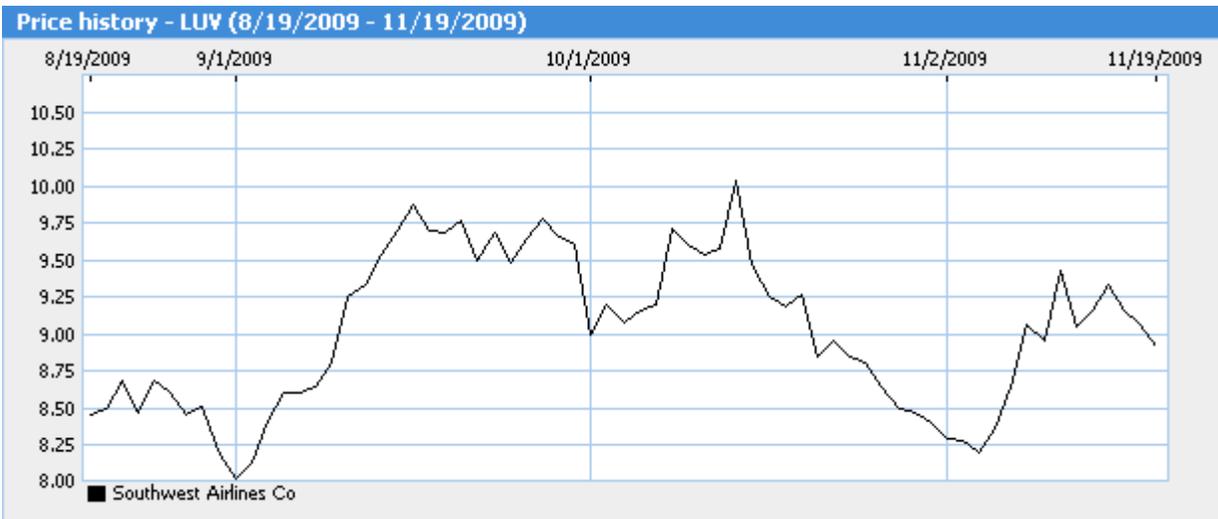


Figure 5.11 Southwest Airlines Company Pricing Chart

**Sprint Nextel Corporation (Public, NYSE:S)**

Sprint Nextel Corporation (Sprint Nextel) is a holding company that offers a range of wireless and wireline communications products and services for individual consumers, businesses and government customers. The Company conducts its operations through two segments: Wireless and Wireline. Sprint Nextel owns wireless networks and a global long distance, Tier 1 Internet backbone. The Company offers digital wireless service to subscribers in all 50 states, Puerto Rico and the United States Virgin Islands under the Sprint brand name utilizing wireless code division multiple access (CDMA) technology. The Company offers digital wireless services under its Nextel brand name using integrated digital enhanced network (iDEN) technology. On September 23, 2008, the Company closed the transaction with TowerCo Acquisition LLC, under which it sold 3,084 cell sites.



Figure 5.12 Sprint Nextel Corporation Pricing Chart

**AirTran Holdings, Inc. (Public, NYSE:AAI)**

AirTran Holdings, Inc. (AirTran) conducts the flight operations, through its wholly owned subsidiary, AirTran Airways, Inc. The Company is engaged in operating scheduled airlines in the United States. As of February 2, 2009, the Company operated 86 Boeing B717-200 aircraft (B717) and 50 Boeing B737-700 aircraft (B737) offering approximately 700 scheduled flights per day to 56 locations in the United States (including San Juan, Puerto Rico). The entire fleet of the Company is comprised of B717 and B737 aircrafts. As of February 2, 2009, the Company had a combined total of 136 aircrafts.



Figure 5.13 AirTran Holdings Inc Pricing Chart

**Apple Inc. (Public, NASDAQ:AAPL)**

Apple Inc. (Apple) designs, manufactures, and markets personal computers, mobile communication devices, and portable digital music and video players, and sells a variety of related software, services, peripherals, and networking solutions. The Company sells its products worldwide through its online stores, its retail stores, its direct sales force, and third-party wholesalers, resellers, and value-added resellers. In addition, the Company sells a variety of third-party Macintosh (Mac), iPhone and iPod compatible products, including application software, printers, storage devices, speakers, headphones, and various other accessories and peripherals through its online and retail stores, and digital content and applications through the iTunes Store. The Company sells to consumer, small and mid-sized business (SMB), education, enterprise, government and creative customers.

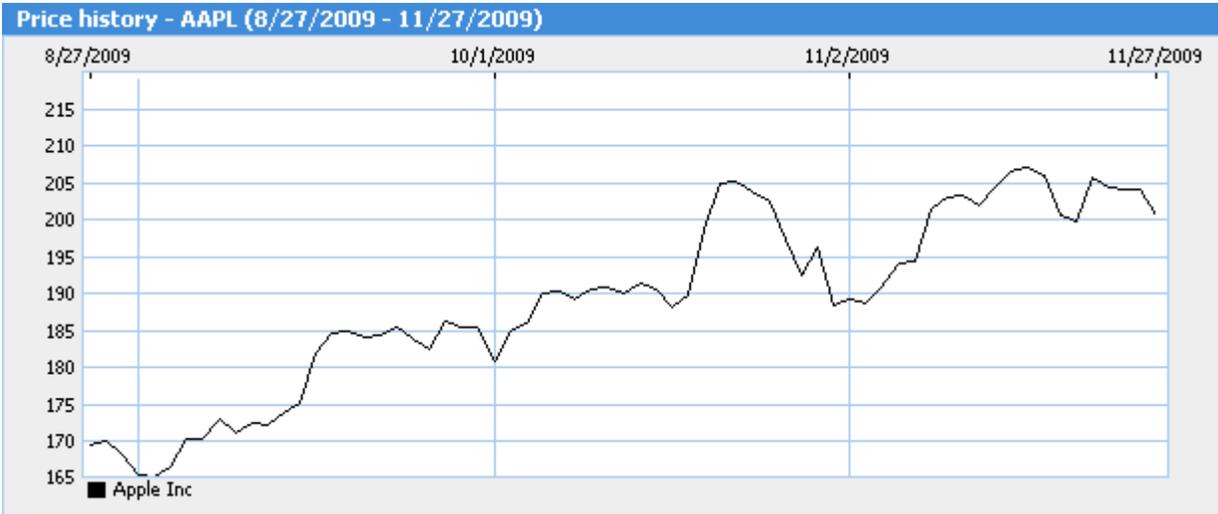


Figure 5.14 Apple Inc. Pricing Chart

### **5.3 Initial Investments**

The initial companies I chose to invest with this week were chosen intuitively (as they had some relation to me) and strategically (in that they fit criteria for use with the countertrend strategy). North American Palladium Ltd. (PAL) and Las Vegas Sands Corp. (LVS) were both suggestions from a friend. Abbott Laboratories (ABT) was the company I worked for. BP was chosen after some initial research about potentially strong stocks led me in its direction. The transaction table and stock price charts for these purchases are presented in the first week of Section 5.4, the simulation segment.

### **5.4 Simulation**

#### **Week 1**

For the first week, I purchased the four initial stocks mentioned in Section 5.3. I monitored their progress for the week and did not sell any of them. As a result, I ended the week without any

profit. I chose these four stocks with a total of \$104,468.84 to expend. Table 5.1 shows how the money was divided among the companies I chose to buy. In addition, for every purchase a ten dollar surcharge was included. Table 5.2 represents the fluctuations of the stock prices throughout the week. The economy slipped somewhat this week and this is especially evident in the information provided in table 5.2.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
09/21/09	PAL	buy	\$2.97	9,328.00	\$27,714.16		\$76,734.68	0
09/21/09	BP	buy	\$52.27	472.00	\$24,681.44		\$52,063.24	0
09/21/09	ABT	buy	\$50.08	528.00	\$26,452.24		\$25,621.00	0
09/21/09	LVS	buy	\$18.05	1,420.00	\$25,621.00		\$0.00	0

Table 5.1 Week 1 Transactions

Symbol	Shares	21-Sep	22-Sep	23-Sep	24-Sep	25-Sep
PAL	9,328.00	3.13	2.91	2.83	2.7	2.71
BP	472	54.41	55.39	54.24	53.19	52.91
ABT	528	46.52	46.73	46.13	46.94	47.34
LVS	1,420.00	18.64	19.27	18.74	17.4	17.6

Table 5.2 Week 1 Stock Prices

## Week 2

This week I monitored the progress of my stocks. I did research on countertrend strategy, which is this strategy I chose to use. Three of my investments fell this week as is evident in Table 5.3. Abbott was the lone stock to increase. This may in fact be a result that **Abbot Laboratories**

(**ABT:NYSE**) announced it will buy **Solvay (SVYSY:OTC ADR)** for \$6.6 billion in cash. Solvay is a Belgian plastics and chemical giant. The two firms already have an agreement to market cholesterol-related drugs. According to *The New York Times*, the all-cash acquisition would be Abbott Laboratories third significant deal this month and fifth this year. Abbott hopes the acquisition of Solvay will help bolster its lackluster prescription drug business.

<b>Symbol</b>	<b>Shares</b>	<b>28-Sep</b>	<b>29-Sep</b>	<b>30-Sep</b>	<b>1-Oct</b>	<b>2-Oct</b>
PAL	9,328.00	3.13	2.91	2.83	2.7	2.71
BP	472	54.41	55.39	54.24	53.19	52.91
ABT	528	46.52	46.73	46.13	46.94	47.34
LVS	1,420.00	18.64	19.27	18.74	17.4	17.6

Table 5.3 Week 2 Stock Prices

### **Week 3**

During this week, I modified formatting throughout my chapter. I also focused on the rise and fall of my stocks and began assessing when a good time for me to trade was going to be. Corrections were made in response to the advisor's suggestions. Table 5.4 shows that three of my stocks have increased in price for the week. This is a good sign especially in relation to the countertrend strategy. At this point however, only Abbott has remained above the initial price that I paid to buy my shares.

Symbol	Shares	5-Oct	6-Oct	7-Oct	8-Oct	9-Oct
PAL	252	2.66	2.71	2.90	3.09	2.99
BP	29	51.44	52.50	52.23	52.76	52.28
ABT	2380	50.33	50.11	50.04	50.11	50.11
LVS	300	17.45	17.36	17.35	18.28	18.05

Table 5.4 Week 3 Stock Prices

#### Week 4

This week was dedicated to fixing my work and abiding by the suggestions given by my advisor. Further research was conducted in establishing a point to start making intelligent trades. Table 5.5 reveals the continual fall of the North American Palladium and Las Vegas Sands stocks. Abbott Laboratories and BP however, had profitable weeks and remain above my initial buying price.

Symbol	Shares	12-Oct	13-Oct	14-Oct	15-Oct	16-Oct
PAL	9,328.00	3.05	3.04	3.02	3.01	3.00
BP	472.00	52.64	52.68	53.66	54.76	55.01
ABT	528.00	50.00	49.65	51.20	51.91	51.43
LVS	1,420.00	17.72	17.74	17.94	16.93	16.85

Table 5.5 Week 4 Stock Prices

#### Week 5

This week was dedicated to fixing my work and abiding by the suggestions given by my advisor. Further research was conducted in establishing a point to start making intelligent trades. Week five provided to be a down week in terms of the economy. Table 5.6 shows that each one of my stocks fell this week. At this point, countertrend strategy may be best implemented when these stocks rise again.

Symbol	Shares	19-Oct	20-Oct	21-Oct	22-Oct	23-Oct
PAL	9,328.00	3.02	2.91	2.89	2.83	2.71
BP	472.00	56.40	56.18	56.42	56.64	55.42
ABT	528.00	52.23	51.86	51.15	52.17	51.31
LVS	1,420.00	16.64	16.46	15.97	16.82	16.51

Table 5.6 Week 5 Stock Prices

## Week 6

This week was dedicated to fixing my work and abiding by the suggestions given by my advisor. Further research was conducted in establishing a time to start making intelligent trades. The only stock to rise this week was BP. Again, it was another rough week for the economy. Table 5.7 reflects the current state of the economy, as three of stocks have fallen in price.

Symbol	Shares	26-Oct	27-Oct	28-Oct	29-Oct	30-Oct
PAL	9,328.00	2.63	2.61	2.36	2.55	2.40
BP	472.00	55.48	57.48	56.82	58.30	56.62
ABT	528.00	50.89	51.22	51.02	50.86	50.57
LVS	1,420.00	16.06	14.31	13.17	14.76	15.09

Table 5.7 Week 5 Stock Prices

## Week 7

This week I made my first trades while utilizing the countertrend strategy. Table 5.8 refers to the transactions that took place during this week. This week I actually lost money. However, I have put myself in a much better position to make some gains. After much research, I believe the stocks I chose show a lot more promise than the two that I had been holding on to. I traded LVS and PAL based primarily on poor performance. HTC was bought based on intuition coupled

with the fact that its price was low at the time. Eldorado Gold Company was bought in response to the buzz about the gold market and the fact that its relatively lower price played well into my countertrend strategy.

Table 5.9 refers to the stock prices of the companies I have invested into for this week. As one can see, the two companies I bought have already increased in price since the time I bought them.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
11/02/09	LVS	sell	\$14.81	1,420.00	\$21,030.20	(\$4,590.8)	\$21,000.68	(\$4,590.80)
11/02/09	2498	buy	\$332.00	63.26	\$21,000.68		\$0	(\$4,600.80)
11/04/09	PAL	sell	\$2.64	9,328.00	\$24,625.92	(\$3078.24)	\$24,625.92	(\$7679.04)
11/04/09	ELD	buy	\$13.20	1,865.60	\$24,625.92		\$0	(\$7679.04)

Table 5.8 Week 7 Transactions

Symbol	Shares	2-Nov	3-Nov	4-Nov	5-Nov	6-Nov
PAL	9,328.00	2.401	2.57	2.58	N/A	N/A
BP	472.00	57.27	57.55	57.58	58.53	58.38
ABT	528.00	50.91	50.43	50.91	51.62	51.47
2498	61.44	338.50	336.00	336.00	343.00	343.00
ELD	1865.60	N/A	N/A	13.01	13.22	13.30

Table 5.9 Week 7 Stock Prices

## Week 8

Several trades were made this week. First, I sold BP. This worked out great for me as it was my first profitable trade. In its place I bought Google (GOOG). It seemed like a good time to buy

Google because its price was down relative to where it had been the past couple weeks. This transaction coincides with the countertrend strategy that I have been using. I also sold my HTC (2498) and Abbott Laboratories (ABT) stocks. I made similar profits with each of these trades (approximately \$1800). I decided to buy Exxon Mobile (XOM) because of its poor performance as of late (made in accordance with countertrend strategy). I also bought Agrium Inc. (AGU) stock based on research online which indicated great future performance.

Table 5.10 refers to the transactions that I have made this week. After the six transactions, I have made significant progress in terms of gaining profit. Table 5.11 reveals the price fluctuations of my investments for this week. Each stock I have invested in has made gains this week.

Date	Symbol	Buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
11/09/09	BP	sell	\$59.79	472	\$28,220.88	\$3539.44	\$28,220.88	(\$4139.60)
11/09/09	GOOG	buy	\$554.80	50.85	\$28,210.88		\$0	(\$4149.60)
11/11/09	2498	sell	\$361.50	63.26	\$22,868.49	\$1867.81	\$22,868.49	(\$2281.79)
11/12/09	AGU	buy	\$52.09	438.82	\$22,858.40		\$0	(\$2291.29)
11/12/09	ABT	sell	\$53.41	528.00	\$28,200.48	\$1748.24	\$28,200.48	(\$543.05)
11/12/09	XOM	buy	\$72.17	390.61	\$28,190.48		\$0	(\$553.05)

Table 5.10 Week 8 Transactions

Symbol	Shares	9-Nov	10-Nov	11-Nov	12-Nov	13-Nov
GOOG	50.85	563.21	566.76	570.56	567.85	572.14
2498	63.26	350.00	361.50	N/A	N/A	N/A
ABT	528.00	52.35	52.80	53.26	N/A	N/A
AGU	438.82	N/A	N/A	N/A	52.84	53.05
ELD	1,865.60	13.84	13.88	13.93	13.63	13.88
XOM	390.61	N/A	N/A	N/A	71.90	72.565

Table 5.11 Week 8 Stock Prices

### Week Starting 9

I continued my trade activity this week with six more transactions. Since implementation of the countertrend strategy, I have made substantial profit. My first move this week was the selling of Google (GOOG). I made a little over one thousand dollars on this trade and finally came out of the red. In exchange, I bought Best Buy (BBY) stock. I bought Best Buy because of the soon approaching shopping season and because its price was relatively low in comparison to recent weeks. Next, I sold Eldorado Gold (ELD) and made a significant profit of \$2649.15. I bought Target using similar reasoning as my Best Buy purchase. My last sell of the week was that of Agrium Inc, in which I made my highest profit to date (\$3339.15). I bought Southwest Airlines (LUV) in anticipation of heavier flight traffic for the upcoming holiday season. Its price was also low in comparison to recent recordings. Table 5.12 refers to the transactions I have made for the week. As one can see, I made nearly \$6000 of profit this week. Table 5.13 reveals the price fluctuations of my investments for this week.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
11/17/09	GOOG	sell	\$576.13	50.85	\$29,296.21	\$1085.33	\$29,296.21	\$532.28
11/17/09	BBY	buy	\$41.76	701.3	\$29,286.21		\$0	\$522.28
11/18/09	ELD	sell	\$14.62	1,865.60	\$27,275.07	\$2649.15	\$27,275.07	\$3171.43
11/18/09	TGT	buy	\$47.84	569.92	\$27,265.07		\$0	\$3161.43
11/19/09	AGU	sell	\$59.70	438.82	\$26,197.55	\$3339.15	\$26,197.55	\$6500.58
11/19/09	LUV	buy	\$8.92	2935.82	\$26,187.55		\$26,187.55	\$6490.58

Table 5.12 Week 9 Transactions

Symbol	Shares	16-Nov	17-Nov	18-Nov	19-Nov	20-Nov
GOOG	50.85	576.28	576.13	N/A	N/A	N/A
AGU	438.82	56.40	58.55	60.03	60.76	N/A
ELD	1,865.60	14.24	14.36	14.28	N/A	N/A
XOM	390.61	74.35	75.03	75.27	74.65	74.35
BBY	701.3	N/A	42.20	42.48	42.95	43.26
TGT	569.92	N/A	N/A	47.87	47.90	47.50
LUV	2935.82	N/A	N/A	N/A	8.91	9.01

Table 5.13 Week 9 Stock Prices

## Week 10

My success has continued this week with the use of the countertrend strategy. My first transaction was the selling of my XOM (Exxon Mobil) stock. I did this because I saw an opportunity for a guaranteed profit and capitalized. That same day, I bought S (Sprint Nextel) shares. I bought this because the holiday season is usually great for retail (Sprint also provides service for me). I also sold LUV (Southwest Airlines) and used the money to buy AAI (AirTran

Holdings). This was strictly a play off the countertrend strategy. My final transactions were the sale of my BBY (Best Buy) shares and purchase of AAPL (Apple) share. Again, this move was made in accordance to the countertrend strategy.

Table 5.14 refers to the transactions I made for week 10. Approximately, \$1500 worth of profit was made for this week. Table 5.15 reveals the price fluctuations of my investments for this week. Although I expected big gains in anticipation of *Black Friday*, I realized that although November 27 may be the busiest shopping day of the year for the United States this doesn't necessarily translate into increased stock performance.

<b>Date</b>	<b>Symbol</b>	<b>Buy/ Sell</b>	<b>Price</b>	<b>Shares</b>	<b>Net Cost/ Proceeds</b>	<b>Profit/ Loss</b>	<b>Total Cash</b>	<b>Total Profit</b>
11/25/09	XOM	sell	\$76.42	390.61	\$29,850.42	\$1659.94	\$29,850.42	\$8150.52
11/25/09	S	buy	\$3.80	7852.74	\$29,840.42		\$0	\$8140.52
11/25/09	LUV	sell	\$9.12	2935.82	\$26,774.68	587.1284	\$26,774.68	\$8727.65
11/25/09	AAI	buy	\$4.14	6464.9	\$26,764.68		\$0	\$8717.65
11/27/09	BBY	sell	\$43.09	701.3	\$30,219.02	932.81	\$30,219.02	\$9650.46
11/27/09	AAPL	buy	\$202.17	149.42	\$30,209.02		\$0	\$9640.46

Table 5.14 Week 10 Transactions

Symbol	Shares	23-Nov	24-Nov	25-Nov	26-Nov	27-Nov
XOM	390.61	75.70	75.97	76.47	N/A	N/A
BBY	701.3	43.71	42.85	43.26	N/A	43.09
TGT	569.92	47.26	47.46	47.83	N/A	47.70
LUV	2935.82	9.14	8.94	9.12	N/A	N/A
S	7852.74	N/A	N/A	3.84	N/A	3.75
AAI	6464.9	N/A	N/A	4.16	N/A	4.15
AAPL	149.42	N/A	N/A	N/A	N/A	200.59

Table 5.15 Week 10 Stock Prices

## 5.5 Conclusion

The transactions for the entire 10 week simulation are presented in Table 5.16. Initially, I began the simulation period with a total of \$104,468.84. After 26 transactions and implementation of the countertrend strategy, I made a profit of \$9640.46.

Date	Symbol	Buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
Week 1							\$104,468.84	
10/09/09	PAL	buy	\$2.97	9,328.00	\$27,714.16		\$76,734.68	\$0
10/09/09	BP	buy	\$52.27	472.00	\$24,681.44		\$52,063.24	\$0
10/09/09	ABT	buy	\$50.08	528.00	\$26,452.24		\$25,621.00	\$0
10/09/09	LVS	buy	\$18.05	1,420.00	\$25,621.00		\$0	\$0
Week 7							\$0	
11/02/09	LVS	sell	\$14.81	1,420.00	\$21,030.20	(\$4,590.8)	\$21,000.68	(\$4,590.80)
11/02/09	2498	buy	\$332.00	63.26	\$21,000.68		\$0	(\$4,600.80)
11/04/09	PAL	sell	\$2.64	9,328.00	\$24,625.92	(\$3078.24)	\$24,625.92	(\$7679.04)
11/04/09	ELD	buy	\$13.20	1,865.60	\$24,625.92		\$0	(\$7679.04)
Week 8							\$0	

11/09/09	BP	sell	\$59.79	472	\$28,220.88	\$3539.44	\$28,220.88	(\$4139.60)
11/09/09	GOOG	buy	\$554.80	50.85	\$28,210.88		\$0	(\$4149.60)
11/11/09	2498	sell	\$361.50	63.26	\$22,868.49	\$1867.81	\$22,868.49	(\$2281.79)
11/12/09	AGU	buy	\$52.09	438.82	\$22,858.40		\$0	(\$2291.29)
11/12/09	ABT	sell	\$53.41	528.00	\$28,200.48	\$1748.24	\$28,200.48	(\$543.05)
11/12/09	XOM	buy	\$72.17	390.61	\$28,190.48		\$0	(\$553.05)
Week 9							\$0	
11/17/09	GOOG	sell	\$576.13	50.85	\$29,296.21	\$1085.33	\$29,296.21	\$532.28
11/17/09	BBY	buy	\$41.76	701.3	\$29,286.21		\$0	\$522.28
11/18/09	ELD	sell	\$14.62	1,865.60	\$27,275.07	\$2649.15	\$27,275.07	\$3171.43
11/18/09	TGT	buy	\$47.84	569.92	\$27,265.07		\$0	\$3161.43
11/19/09	AGU	sell	\$59.70	438.82	\$26,197.55	\$3339.15	\$26,197.55	\$6500.58
11/19/09	LUV	buy	\$8.92	2935.82	\$26,187.55		\$26,187.55	\$6490.58
Week 10						\$0		
11/25/09	XOM	sell	\$76.42	390.61	\$29,850.42	\$1659.94	\$29,850.42	\$8150.52
11/25/09	S	buy	\$3.80	7852.74	\$29,840.42		\$0	\$8140.52
11/25/09	LUV	sell	\$9.12	2935.82	\$26,774.68	587.1284	\$26,774.68	\$8727.65
11/25/09	AAI	buy	\$4.14	6464.9	\$26,764.68		\$0	\$8717.65
11/27/09	BBY	sell	\$43.09	701.3	\$30,219.02	932.81	\$30,219.02	\$9650.46
11/27/09	AAPL	buy	\$202.17	149.42	\$30,209.02		\$0	\$9640.46

Table 5.16 Ten Week Transaction Table

This ten week study of the stock market and the use of the countertrend trading strategy have provided me a substantial amount of information and experience within this field. Prior to this period, I had never worked on anything significantly related to the stock market or investing in

general. However, I am now leaving this project with a sense of confidence resulting from my observation, experimentation, and analysis of trading.

At first, I was somewhat hesitant about the capability of the countertrend strategy in providing me with success in regard to accumulating profit. Initial research led me to believe that countertrend strategy wasn't an optimal approach in terms of having strong trade returns within one's portfolio. However, since the implementation of the strategy in week seven I enjoyed significant gains. The consistency of increased profit each week, while utilizing the countertrend strategy, was remarkable. In fact, I had profitable terms in every week, with the exception of the first, that I implemented the countertrend strategy.

During the first six weeks of this project, little trading activity occurred. Although some of this was due to the miscommunication of the expectations of the project, a lot of information regarding the stock market, countertrend strategy, and investing in general was accumulated during this time. Report presentation and formatting was also at the forefront at this time.

Weeks seven through ten saw a lot of action in regard to trade volume. On average, about six transactions per week took place. A great amount of research went into these trades as I had to make sure each transaction reflected my use of the countertrend strategy. Although companies were chosen in relation to the countertrend strategy at hand, I did choose several based on intuition and familiarity with me as an investor. For example, in the first week I chose Abbot Laboratories (ABT) because it is the company I have worked for during the past two years. Also, I chose a couple retail stores during the times right before *Black Friday* expecting prices to increase during the busiest shopping day of the year. I did however learn from this mistake because nearly every stock fell in contrast to my expectations.

This ten week simulation has taught me a lot of invaluable information that I can actually apply to future endeavors. Not only were the lessons gained from trading significant, but education in time management, working within a team, and professional formatting was preserved. I have learned that communication is vital in efforts of completing anything within a team-based environment. In conclusion, the ten week stock market simulation has provided me with information, tools, and experiences to not only embark in future trading endeavors but also any other team-related projects I may encounter.

## **Chapter 6**

### **The Intuition Strategy**

by: Daniel Metcalf

This portfolio used the strategy of intuition based investing to invest over a period of nine weeks. For each company invested in a profile of the company's history is included.

#### **6.1 Using The Intuition Strategy**

The investment strategy chosen for this portfolio is intuition. Stocks will be bought and sold based on news about the company's performance and on the government's actions involving foreign policy and reactions to the market. This strategy is heavily employed by the average person as most people do not have the significant understanding of the stock market necessary to employ other strategies. This does not mean the investor will be investing blindly however. A significant factor in whether or not a company will be bought or sold will be its past performance and any current observable trends in the market.

#### **6.2 Companies**

Due to the nature of this investment strategy the companies that were selected for the initial portfolio are very different.

##### **Ford Motor Company**

Ford Motor Company designs, develops, manufactures, and services cars and trucks worldwide. It operates in two sectors, Automotive and Financial Services. The Automotive sector sells vehicles under Ford, Mercury, Lincoln, and Volvo brand names. This sector markets cars, trucks, and parts through retail dealers in North America, and through distributors and dealers outside of North America. The Financial Services sector offers a various automotive financing products to and through automotive dealers. It offers retail financing, which includes purchasing retail installment sale contracts and retail lease contracts from dealers, and offering financing to commercial customers to purchase or lease vehicle fleets; wholesale financing that comprises making loans to dealers to finance the purchase of vehicle inventory; and other financing, which consists of making loans to dealers for working capital, improvements to dealership facilities, and to purchase or finance dealership real estate. Ford is currently the fifth largest automaker in the world, directly behind Hyundai-Kia. In 2007, Ford fell from second to third-ranked automaker in US sales for the first time in 56 years, behind only General Motors and Toyota. However, Ford occasionally outsells Toyota on monthly periods (most recently, during the summer months of 2009). As of 2008, Ford has become the second largest automaker in Europe (only behind Volkswagen), with sales that occasionally exceed those in the United States and large markets in Germany, Italy, and the United Kingdom. Ford is the seventh-ranked overall American-based company in the 2008 Fortune 500 list, based on global revenues in 2008 of \$146.3 billion. In 2008, Ford produced 5.532 million automobiles and employed about 213,000 employees at around 90 plants and facilities worldwide. Starting in 2007, Ford received more initial quality survey awards from J. D. Power and Associates than any other automaker. Five of Ford's vehicles ranked at the top of their categories and fourteen vehicles ranked in the top three [12].



Figure 6.1 Ford Year to Date Stock Prices

**Lockheed Martin Corporation**

Lockheed Martin Corporation engages in the research, design, development, manufacture, integration, and sustainment of advanced technology systems, products, and services in the United States and internationally. The company operates in four segments: Electronic Systems, Information Systems & Global Services, Aeronautics, and Space Systems. The Electronic Systems segment offers air and missile defense; tactical missiles; weapon fire control systems; surface ship and submarine combat systems; anti-submarine and undersea warfare systems; land, sea-based, and airborne radars; surveillance and reconnaissance systems; simulation and training systems; and integrated logistics and sustainment services. Lockheed products included the Trident missile, P-3 Orion, F-16 Fighting Falcon, F-22 Raptor, C-130 Hercules, A-4AR Fightinghawk and the DSCS-3 satellite. Martin Marietta products included Titan rockets, Sandia National Laboratories(management contract acquired in 1993), Space Shuttle External Tank,

Viking 1 and Viking 2 landers, the Transfer Orbit Stage (under subcontract to Orbital Sciences Corporation) and various satellite models [13].



Figure 6.2 Lockheed Martin Year to Date Stock Prices

### General Electric Co.

General Electric Company (GE) operates as a technology, media, and financial services company worldwide. Its Energy Infrastructure segment produces gas, steam, and aeroderivative turbines; generators; and combined cycle systems, as well as provides water treatment services and equipment. This segment also sells surface and subsea drilling and production systems, floating production platform equipment, compressors, turbines, turboexpanders, and high pressure reactors to national, international, and independent oil and gas companies; and offers equipment overhauls and upgrades, pipeline inspection and integrity services, remote diagnostic and monitoring, and contractual service agreements. By 1890, Thomas Edison had brought together several of his business interests under one corporation to form Edison General Electric. At about

the same time, Thomson-Houston Company, under the leadership of Charles A. Coffin, gained access to a number of key patents through the acquisition of a number of competitors. Subsequently, General Electric was formed by the 1892 merger of Edison General Electric and Thomson-Houston Company [14].



Figure 6.3 General Electric Year to Date Stock Prices

### **Exxon Mobil Corporation**

Exxon Mobil Corporation engages in the exploration, production, transportation, and sale of crude oil and natural gas. The company also engages in the manufacture of petroleum products, and transportation and sale of crude oil, natural gas, and petroleum products. It manufactures and markets commodity petrochemicals, including olefins, aromatics, polyethylene and polypropylene plastics, and other specialty products. The company also has interests in electric

power generation facilities. As of December 31, 2008, it operated 16,286 gross wells. The Exxon Mobil Corporation, or ExxonMobil, is an American oil and gas corporation. It is a direct descendant of John Rockefeller's Standard Oil company, and was formed on November 30, 1999, by the merger of Exxon and Mobil.

ExxonMobil is the world's second largest publicly traded company when measured by market capitalization after PetroChina. Exxon Mobil's reserves were 72 billion oil-equivalent barrels at the end of 2007 and, at current rates of production, are expected to last over 14 years. The company has 38 oil refineries in 21 countries constituting a combined daily refining capacity of 6.3 million barrels.

While it is the largest of the six oil super majors with daily production of 3.921 million BOE (barrels of oil equivalent) in 2008, this is only approximately 3% of world production and ExxonMobil's daily production is surpassed by several of the largest state-owned petroleum companies. When ranked by oil and gas reserves it is 14th in the world with less than 1% of the total.

ExxonMobil has been accused by major scientific organizations of waging a misinformation campaign aiming to create uncertainty on the issue of global warming [15].



Figure 6.4 Exxon Mobile Year to Date Stock Prices

**The Boeing Company**

The Boeing Company, together with its subsidiaries, engages in the design, development, manufacture, sale, and support of commercial jetliners, military aircraft, satellites, missile defense, human space flight, and launch systems and services worldwide. It operates in five segments: Commercial Airplanes, Boeing Military Aircraft (BMA), Network and Space Systems (N&SS), Global Services and Support (GS&S), and Boeing Capital Corporation (BCC). The Commercial Airplanes segment develops, produces, and markets commercial jet aircraft, as well as provides related support services principally to the commercial airline industry. Its family of commercial jet aircraft includes the 737 Next-Generation narrow-body model; and the 747, 767, 777, and 787 wide-body models [16].

**Hewlett-Packard Company**

Hewlett-Packard Company is a provider of products, technologies, software, solutions and services to individual consumers, small- and medium-sized businesses (SMBs) and large enterprises, including the public and education sectors. Its offerings span personal computing and other access devices; imaging and printing-related products and services; enterprise information technology infrastructure, including enterprise storage and server technology and software that optimizes business technology investments, and multi-vendor customer services, including technology support and maintenance, consulting and integration and outsourcing services, as well as application services and business process outsourcing. During the fiscal year ended October 31, 2008, its operations were organized into seven business segments: Enterprise Storage and Servers, HP Services, HP Software, the Personal Systems Group, the Imaging and Printing Group, HP Financial Services and Corporate Investments.



Table 6.5 Hewlett-Packard Company Year to Date Stock Prices

## Royal Bank of Scotland

The Royal Bank of Scotland Group plc (RBS) is the holding company of a global banking and financial services group. The Company operates in the United Kingdom, the United States, and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc (the Royal Bank) and National Westminster Bank Plc (NatWest). Both the Royal Bank and NatWest are United Kingdom clearing banks. In the United States, RBS' subsidiary Citizens Financial Group, Inc. (Citizens) operates as a commercial banking company. The Company's activities are organized into four business divisions: Global Markets (comprising Global Banking & Markets and Global Transaction Services), Regional Markets (comprising UK Retail & Commercial Banking, US Retail & Commercial Banking, Europe & Middle East Retail & Commercial Banking, and Asia Retail & Commercial Banking), RBS Insurance and Group Manufacturing.



Figure 6.6 Royal Bank of Scotland Year to Date Stock Prices

### **Barclays Group**

Barclays PLC (Barclays) is a global financial service provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services with an international presence in Europe, United States, Africa and Asia. The Company operates in business segments: UK Retail Banking, Barclays Commercial Bank, Barclaycard, Global Retail and Commercial Banking (GRCB)-Western Europe, GRCB-Emerging Markets, GRCB-Absa, Barclays Capital, Barclays Global Investors and Barclays Wealth. In November 2008, Barclays PLC announced that it has completed the purchase of the Italian residential mortgage business of Macquarie Group Limited. In October 2008, Swiss Re completed the acquisition of Barclays PLC's Barclays Life Assurance Company Ltd. On September 22, 2008, Barclays PLC completed the acquisition of Lehman Brothers North American investment banking and capital markets operations and supporting infrastructure.



Figure 6.7 Barclays Group Year to Date Stock Prices

### **Lloyds Banking Group**

Lloyds Banking Group plc, formerly Lloyds TSB Group plc, is a United Kingdom-based financial services group providing a range of banking and financial services, primarily in the United Kingdom, to personal and corporate customers. The Company operates in three divisions: UK Retail Banking, Insurance and Investments, and Wholesale and International Banking. Its main business activities are retail, commercial and corporate banking, general insurance, and life, pensions and investment provision. The Company also operates an international banking business with a global footprint in 40 countries. Services are offered through a number of brands, including Lloyds TSB, Halifax, Bank of Scotland, Scottish Widows, Clerical Medical and Cheltenham & Gloucester. On January 16, 2009, Lloyds Banking Group plc acquired HBOS plc.

In November 2009, The Bank of New York Mellon Corporation completed the acquisition of Insight Investment Management Limited from the Company.



Figure 6.8 Lloyds Banking Group Year to Date Stock Prices

**Beazer Homes USA, Inc**

Beazer Homes USA, Inc. (Beazer) is a diversified homebuilder. It operates in 17 states. The Company's homes are designed to appeal to homeowners at various price points across various demographic segments and are generally offered for sale in advance of their construction. The Company acts as the general contractor for the construction of its projects. Its project development operations are controlled by the Company's operating divisions, whose employees supervise the construction of each project, coordinate the activities of subcontractors and suppliers, subject their work to quality and cost controls, and assure compliance with zoning and

building codes. The Company also offers title insurance services to its homebuyers in many of its markets. On February 1, 2008, the Company discontinued homebuilding operations in Charlotte, North Carolina, Cincinnati/Dayton, Ohio, Columbia, South Carolina, Columbus, Ohio, Lexington, Kentucky, Colorado and Fresno, California.



Figure 6.9 Beezer Homes USA, Inc Year to Date Stock Prices

**Bank of America Corporation**

Bank of America Corporation (Bank of America) is a bank holding company and a financial holding company. Through its banking subsidiaries and various non-banking subsidiaries throughout the United States and in selected international markets, it provides a diversified range of banking and non-banking financial services and products through three business segments: Global Consumer and Small Business Banking, Global Corporate and Investment Banking and Global Wealth and Investment Management. Bank of America operates in 50 states, the District

of Columbia and more than 40 foreign countries. Bank of America has 6,100 banking centers, approximately 18,700 automated teller machines (ATMs), nationwide call centers, and online and mobile banking platforms. On January 1, 2009, Bank of America announced the purchase of Merrill Lynch & Co., Inc. On July 1, 2008, Bank of America completed the acquisition of Countrywide Financial Corporation. Global Consumer and Small Business Banking offer a range of products and services through a franchise that stretches through 32 states and the District of Columbia. The Company provides credit card products to customers in Canada, Ireland, Spain and the United Kingdom. In the United States, it serves more than 59 million consumer and small business relationships utilizing its network of 6,139 banking centers, 18,685 domestic branded ATMs, and telephone and Internet channels. Within Global Consumer and Small Business Banking, there are three primary businesses: Deposits and Student Lending, Card Services and Mortgage, Home Equity and Insurance Services (MHEIS). The Company's Deposits and Student Lending business provides a range of products to consumers and small businesses. Its products include savings accounts, money market savings accounts, certificate of deposit (CDs) and individual retirement account (IRAs), and non-interest and interest-bearing checking accounts. During the year ended December 31, 2008, the Company added 2.2 million net new retail checking accounts. Card Services, excluding debit cards, provides an offering of products, including United States Consumer and Business Card, Unsecured Lending, Merchant Services and International Card. Bank of America offers a variety of co-branded and affinity credit card products. It also offers a variety of co-branded and affinity credit card products.



Figure 6.10 Bank Of America Corporation Year to Date Stock Prices

**Anheuser-Busch InBev**

Anheuser-Busch InBev, together with its subsidiaries, engages in brewing and selling beer in North America, Latin America north, Latin America south, Western Europe, Central and Eastern Europe, and the Asia Pacific. It primarily manages a portfolio of approximately 300 brands that include Budweiser, Stella Artois, Beck’s, Leffe, Hoegaarden, Bud Light, Skol, Brahma, Quilmes, Michelob, Harbin, Sedrin, Cass, Klinskoye, Sibirskaya Korona, Chernigivske, Jupiler, and Corona. Anheuser-Busch also engages in the manufacture and sale of soft drinks. The company was founded in 1366 and is based in Leuven, Belgium.

With a fresh, new, ad campaign, and a promising new brew just released, the future looks bright for this company.

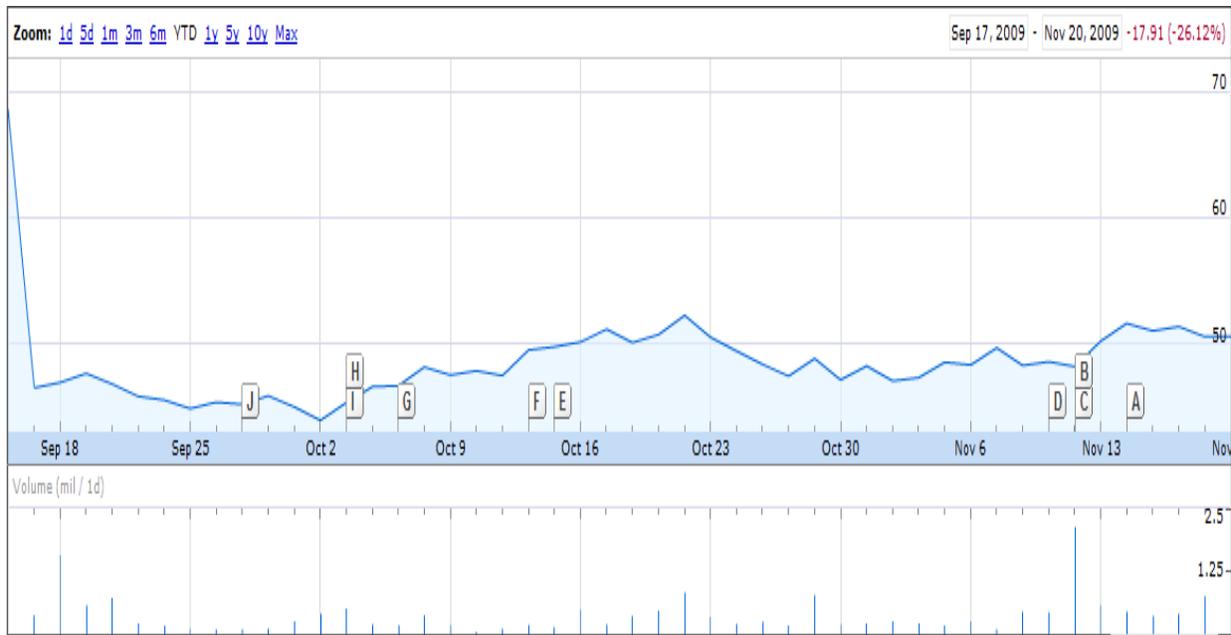


Figure 6.11 Anheuser-Busch InBev Year to Date Stock Prices

### **Nokia Corporation**

Nokia Corporation (Nokia) is engaged in the manufacturing of mobile devices and in converging Internet and communications industries. The company is engaged in manufacturing a range of devices for all the consumer segments and offering Internet services that enable people to experience music, maps, media, messaging and games. Nokia is also engaged in providing digital map information through NAVTEQ and equipment, solutions and services for communications networks through Nokia Siemens Networks. The Company operates in three business segments: Devices and Services; NAVTEQ, and Nokia Siemens Networks. On July 10, 2008, the Company completed the acquisition of NAVTEQ Corporation. The Devices and Services group was formed on January 1, 2008, and combined the three former mobile device

groups, Mobile Phones, Multimedia and Enterprise Solutions and the supporting horizontal groups into one integrated business group. In August 2009, Nokia acquired Cellity.



Figure 6.12 Nokia Year to Date Stock Prices

**Royal Bank of Canada**

Royal Bank of Canada (RBC) is a diversified financial services company. It provides personal and commercial banking, wealth management services, insurance, corporate and investment banking, and transaction processing services on a global basis. The Company operates through five business segments: Canadian Banking, Wealth Management, Insurance, International Banking and Capital Markets. In August 2008, the Company completed the acquisition of Richardson Barr & Co., an energy advisory firm specializing in acquisitions and divestitures in the exploration and production sector. In June 2008, RBC completed the acquisition of the RBTT Financial Group and Baker Watts, Incorporated. In May 2008, the Company completed the acquisition of Phillips, Hager & North Investment Management Ltd. In February 2008, RBC

Bancorporation, a wholly owned subsidiary of RBC, completed the acquisition of Alabama National BanCorporation.



Figure 6.13 Royal Bank of Canada Year to Date Stock Prices

### **Morgan Stanley**

Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides its products and services to a group of clients and customers, including corporations, governments, financial institutions and individuals. The Company operates in three segments: Institutional Securities, Global Wealth Management Group and Asset Management. On October 14, 2008, Mitsubishi UFJ Financial Group, Inc. acquired a 21% stake in Morgan Stanley. Institutional Securities' services include capital raising; financial advisory services, including advice on mergers and acquisitions, restructurings, real estate and project finance. Global Wealth

Management Group's services include brokerage and investment advisory services covering various investment alternatives; financial and wealth planning services, and annuity and other insurance products. Asset Management's services include global asset management products and services in equity, fixed income, alternative investments.



Figure 6.14 Morgan Stanley Year to Date Stock Prices

### **Microsoft Corporation**

Microsoft Corporation is engaged in developing, manufacturing, licensing, and supporting a range of software products and services for different types of computing devices. The Company operates in five business segments: Client, Server and Tools, Online Services Business, Microsoft Business Division, and Entertainment and Devices Division. The software products and services include operating systems for servers, personal computers, and intelligent devices; server applications for distributed computing environments; information worker productivity

applications; business solutions applications; computing applications; software development tools, and video games. The Company provides consulting and product and solution support services, and trains and certifies computer system integrators and developers. It also designs and sells hardware, including Xbox 360 video game console, the Zune digital music and entertainment device, and peripherals.



Figure 6.15 Microsoft Year to Date Stock Prices

### **Apple Inc.**

Apple Inc. (Apple) designs, manufactures, and markets personal computers, mobile communication devices, and portable digital music and video players, and sells a variety of related software, services, peripherals, and networking solutions. The Company sells its products worldwide through its online stores, its retail stores, its direct sales force, and third-party wholesalers, resellers, and value-added resellers. In addition, the Company sells a variety of

third-party Macintosh (Mac), iPhone and iPod compatible products, including application software, printers, storage devices, speakers, headphones, and various other accessories and peripherals through its online and retail stores, and digital content and applications through the iTunes Store. The Company sells to consumer, small and mid-sized business (SMB), education, enterprise, government and creative customers.



Figure 6.16 Apple Inc. Year to Date Stock Prices

### **6.3 Initial Investments**

This week several companies that were invested in, Lockheed Martin and Boeing as seen in Table 6.1, are all doing extremely well right now and have been doing extremely well due to their current government contracts involving the construction of the missile defense shield in Europe. Ford has been doing well due to its great success in the Cash for Clunkers program. Ford had the most popular vehicle bought and due to the extreme increase in sales should post

great 3<sup>rd</sup> quarter earnings. Exxon Mobile also at the moment appears to be a good purchase due to the steady increase in gas prices since the end of the summer. Another stock, General Electric, has been steadily increasing this year so it seems smart to invest in the company.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
09/28/09							\$105,378.00	
09/28/09	F	buy	\$6.83	2000	\$13,650.00		\$91,728.00	
09/28/09	LMT	buy	\$79.19	514	\$40,693.66		\$51,034.48	
09/28/09	GE	buy	\$16.76	611	\$10,230.36		\$40,804.12	
09/28/09	XOM	buy	\$69.57	292	\$20,304.44		\$20,499.68	
09/28/09	BA	buy	\$52.86	388	\$20,499.68		0	

Table 6.1 Week 1 Order Records

## 6.4 Simulation

### Week 1

This week saw steep increases in the value of Ford, where as all of the other companies slid from their original value. Lockheed Martin had the most noticeable loss of \$1.50 a share. The other companies did not have as great losses but the results were still felt. The portfolio was worth \$104,667.69 at the end of the first week of investing.

Symbol	Share #	21-Sep	22-Sep	23-Sep	24-Sep	25-Sep
F	2,000.00	6.83	7.20	7.36	7.33	7.29
LMT	514.00	79.19	79.56	78.83	76.95	77.89
GE	611.00	16.76	17.01	17.00	16.58	16.37
XOM	292.00	69.57	69.83	69.18	68.93	68.70
BA	388.00	52.86	53.14	52.48	52.27	51.52

Table 6.2 Week 1 Stock Prices

## Week 2

No trading was done this week due to the losses in the portfolio in all of its categories. No company performed well this week so the stocks were not sold nor new stocks purchased. This week shows very little growth in the stocks purchased. Ford had very minimal gains and all of the other companies that were invested in posted slight losses in value. By the end of week two I had \$101,189.70 in assets all of which were invested in the market.

Alternative stocks in the banking and car industry are currently being investigated to determine whether they might be better investment opportunities seeing as how Ford is projected to do rather well. In the car manufacturing business some of the major leaders including Toyota, Nissan, Honda, and GM all were involved in the same cash for clunkers program that I believe will cause Ford to do so well in the 3<sup>rd</sup> quarter this year. The only difference could be that Ford was the number one company in the program with its Ford Focus. This could cause Ford to do better than the other companies.

Symbol	Share	28-Sep	29-Sep	30-Sep	1-Oct	2-Oct
F	2000	7.48	7.45	7.23	7.2	6.84
LMT	514	78.39	79.05	78.08	76.61	75.37
GE	611	16.76	16.71	16.42	15.97	15.36
XOM	292	69.59	69.05	68.61	67.22	66.58
BA	388	53.07	54.6	54.28	52.11	51.40

Table 6.3 Week 2 Stock Prices

### Week 3

The losses suffered this week by Boeing or Lockheed the portfolio had a good week actually gaining several thousand dollars in value. At the end of the week the portfolio was worth \$103,771.58.

Of the car based companies watched, Nissan, Honda, and Toyota currently are hovering around their average stock price as of late so it does not appear as if much profit could be made from these companies. However Ford has been doing rather well and I predict will do rather well this year and could be a sold for a large profit. No trading was done this week but Ford will be promptly sold in the coming weeks due to its steady increase in value. A major change in the market this week was the cancellation of both Boeing's and Lockheed Martin's government contracts to construct the missile shield in Europe. The President made this move to calm Russian arguments over the construction of American missile defense compounds so near and around their country. This caused a larger loss for Lockheed than Boeing but both companies were significantly affected.

Symbol	Share #	5-Oct	6-Oct	7-Oct	8-Oct	9-Oct
F	2,000.00	7.05	7.12	7.13	7.185	7.11
LMT	514	74.99	76.18	74.41	73.01	76.06
GE	611	15.81	16.08	16.16	16.22	16.155
XOM	292	67.58	68.57	68.60	69.05	69.14
BA	388	52.28	52.29	51.79	52.30	52.57

Table 6.4 Week 3 Stock Prices

#### **Week 4**

This week the value of the stocks may have fluctuated but the total value of the portfolio remained similar to the previous week. The portfolio was worth \$103,822.43 by the end of the week. An increase of only one hundred dollars from the previous week indicating the market had stabilized since the news of the cutting of several key government contracts.

Even though it seems contrary to popular belief, I have begun investigating several companies that in the past year have done extremely poorly due to the current economic climate. These companies are being observed in hopes of investing in them at a low value and the stocks returning to their historic rates. Ford did really well at the beginning of the week and then slipped slightly, hopefully next week the stock will improve and when that happens a sale will be made. Exxon Mobile is also doing fairly well and will probably be sold around the same time as Boeing. Historically increases in gasoline prices usually increase less in the winter so the stock shouldn't be held on to for too long so that money is not lost. Boeing has slightly recovered so the stock will be held onto for several more weeks. Exxon's success can be seen as being directly affected by the recent gradual increase in the price of gasoline and crude oil. With an increase in almost twenty-five cents per gallon it can be seen how Exxon would be making more money.

Symbol	Share #	12-Oct	13-Oct	14-Oct	15-Oct	16-Oct
F	2,000.00	7.62	7.70	7.74	7.65	7.43
LMT	514	74.99	73.95	75.15	74.00	75.21
GE	611	16.37	16.69	16.84	16.79	16.11
XOM	292	70.34	70.04	71.74	72.66	73.12
BA	388	51.61	51.90	52.33	51.03	52.83

Table 6.5 Week 4 Stock Prices

## Week 5

Throughout the course of the week Lockheed Martin stock slightly recovered from the previous week. Exxon Mobile posted significant gains and both GE and Boeing took significant hits. By the end of the week I had \$103,497.83 in assets, \$87,577.83 in stocks and \$15,920 liquid.

The significant change this week was the sale, indicated in Table 6.6, of Ford stocks on Wednesday. In a little over a week in a half the value of the stock had increased over 95 cents per share. This seemed to be a great time to sell so I made the sale. It turned out to be a great decision because later in the week the stock did not do as well as it did on Wednesday.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
09/28/09							\$100,000.00	
09/28/09	F	buy	\$6.83	2000	\$13,650.00		\$91,728.00	
09/28/09	LMT	buy	\$79.19	514	\$40,693.66		\$51,034.48	
09/28/09	GE	buy	\$16.76	611	\$10,230.36		\$40,804.12	
09/28/09	XOM	buy	\$69.57	292	\$20,304.44		\$20,499.68	
09/28/09	BA	buy	\$52.86	388	\$20,499.68		0	
10/21/09	F	sell	\$7.96	2000	\$15,920.00	\$2,280.00	15,920	\$2,270.00

Table 6.6 Order Records as of Week 5

As the other car companies are no longer being investigated due to a current relatively steady state in the value of their stocks, banking companies are currently the main focus of investigation. The only concerns with the banking companies is the bailouts they received and the possibility that investors will not be confident in them which could cause a drop in stock prices. Although from what I have seen they have been having mixed results either greatly increasing in a short period or gradually decreasing in the same period so trading will require an almost day trading like strategy to do well with those stocks.

Symbol	Share #	19-Oct	20-Oct	21-Oct	22-Oct	23-Oct
F	2,000.00	7.62	7.75	7.96	N/A	N/A
LMT	514	72.09	72.17	70.50	70.30	72.37
GE	611	15.94	15.55	15.53	15.34	15.15
XOM	292	73.95	72.59	73.97	74.22	74.54
BA	388	53.36	51.61	50.87	51.20	49.89

Table 6.7 Week 5 Stock Prices

## Week 6

The portfolio ended this week with a value of \$99,475.24 with \$83,555.24 in stocks and \$15,920 liquid. At the start of the week the liquid assets were invested and then sold back such that the same amount of liquid assets was available at the end of the week.

This week Hewlett-Packard was investigated and briefly invested in as seen in Table 6.8. 332 shares were bought on Monday and by Friday all of the shares were sold back for a minor loss of \$3.32.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
09/28/09							\$105,378.00	
09/28/09	F	buy	\$6.83	2000	\$13,650.00		\$91,728.00	
09/28/09	LMT	buy	\$79.19	514	\$40,693.66		\$51,034.48	
09/28/09	GE	buy	\$16.76	611	\$10,230.36		\$40,804.12	
09/28/09	XOM	buy	\$69.57	292	\$20,304.44		\$20,499.68	
09/28/09	BA	buy	\$52.86	388	\$20,499.68		0	
10/21/09	F	sell	\$7.96	2000	\$15,920.00	\$2,280.00	15,920	\$2,270.00
10/26/09	HPQ	buy	\$47.75	332	\$15,853.00		67	
10/30/09	HPQ	sell	\$47.74	332	\$15,853.00	\$3.32	15,920.00	\$2,256.68

Table 6.8 Order Record as of Week 6

Now that there is money to be spared to invest I believe the main banking company I will be focusing on is Royal Bank of Scotland. The value of the stock had been sliding progressively down all month which is why it wasn't invested in as of yet. However the stock recently has slowly began recovering and if purchased soon the stock should provide great profits even if it just goes back to its average price. It appears that the stock recently reached its bottom and will follow the pattern of rebounding as most stocks do after hitting a bottom and slightly increases. If patterns are to be believed the stock will reach higher potential than it had previously. This week I also tried to invest in Hewlett-Packard Company but the market was very up and down this week so when I sold the stocks on Friday, for pretty much the same price I bought them for, I was relieved not to have lost even more money.

This week Lockheed and Boeing took significant hits and like previous weeks lost significant value. Hewlett-Packard Company had an interesting week. The stock's value ranged in over the course of the week maxing on Thursday and going back to its original value on Friday.

Symbol	Share #	26-Oct	27-Oct	28-Oct	29-Oct	30-Oct
LMT	514	71.47	69.55	68.32	68.48	68.81
HPQ	335	47.86	47.30	46.93	48.35	47.75
GE	611	15.02	14.93	14.40	14.84	14.26
XOM	292	73.89	74.88	74.97	73.84	71.67
BA	388	48.50	47.61	47.22	48.81	47.80

Table 6.9 Week 6 Stock Prices

## Week 7

At the end of week seven the portfolio was valued at \$102,006.67. Of that amount \$101,988.69 was invested in stocks and \$17.98 was liquid.

On Wednesday of this week after selling Lockheed Martin several new stocks were purchased. These stocks as indicated in Table 6.10 include Lloyd's Banking Group, Barclay's PLC, and of course Royal Bank of Scotland as previously mentioned. While money may have been lost through my Lockheed Investments I feel comfortable that my new stocks should be able to correct any damage done by Lockheed's loss in value. These banks have proven to do relatively well in the market so other banking stocks are also being looked into to determine whether they would be helpful for the portfolio. However there is a big risk with so much investment in banking stocks due to the lack of diversity in the portfolio. With a lack of diversity it is possible

to receive extremely low returns or extreme losses if one area of the market does extremely badly.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
09/28/09							\$105,378.00	
09/28/09	F	buy	\$6.83	2000	\$13,650.00		\$91,728.00	
09/28/09	LMT	buy	\$79.19	514	\$40,693.66		\$51,034.48	
09/28/09	GE	buy	\$16.76	611	\$10,230.36		\$40,804.12	
09/28/09	XOM	buy	\$69.57	292	\$20,304.44		\$20,499.68	
09/28/09	BA	buy	\$52.86	388	\$20,499.68		0	
10/21/09	F	sell	\$7.96	2000	\$15,920.00	\$2,280.00	15,920	\$2,270.00
10/26/09	HPQ	buy	\$47.75	332	\$15,853.00		67	
10/30/09	HPQ	sell	\$47.74	332	\$15,853.00	\$3.32	15,920.00	\$2,256.68
11/04/09	LMT	sell	\$70.21	514	\$36,087.94	\$4,618.72	52,007.94	\$2,372.04
11/04/09	RBS	buy	\$12.11	1477	\$17,886.47		34,121.47	
11/04/09	BCS	buy	\$22.32	806	\$17,989.92		16,131.55	
11/04/09	LYG	buy	\$5.79	2783	\$16,113.57		17.98	

Figure 6.10 Order Records as of Week 7

This week the stock prices fluctuated greatly. Royal Bank of Scotland and Barclays Group posted gains while Lloyds Group stocks dipped in value then recovered slightly. For the first time in many weeks GE recovered value.

Symbol	Share #	2-Nov	3-Nov	4-Nov	5-Nov	6-Nov
LYG	2783	N/A	N/A	5.79	5.55	5.63
RBS	1477	N/A	N/A	12.11	11.88	12.41
GE	611	14.49	14.29	14.20	14.43	15.33
XOM	292	72.15	71.74	71.30	72.51	72.58
BA	388	48.07	48.27	48.07	49.77	49.69
BCS	806	N/A	N/A	22.32	21.99	22.52
LMT	514	68.96	69.36	70.21	N/A	N/A

Table 6.11 Week 7 Stock Prices

## Week 8

By the end of week 8 I had \$105,583.22 in assets, \$43,467.82 in stocks and \$62,115.40 in cash. The reason for the amount of liquid assets was to enable the purchase many new stocks at the beginning of trading in week 9 thereby hopefully allowing me to buy the stocks at a low price as the stocks historically start the week with a low value and peak around Wednesday.

This week several stocks were bought and sold including Royal Bank of Scotland, all of which are indicated in Table 6.12. One difference this week was that I purchased several stocks based on a notification on an investment page that a certain company was doing extremely well this week. One of the companies Beezer Homes USA was posting significant gains at the start of the week so on Tuesday I purchased the stocks with the hope that they would keep increasing and as I hoped the stocks' value increased greatly and by Wednesday the value had increased about forty cents a share so I determined it would be a good time to sell. I sold the stocks fearing that the shares might lose their value as quickly as they had gained it. Checking back later in the

week I realized that this was not what had occurred but was comforted in the fact that the stocks had not increased in value by more than a couple cents per share. Royal Bank of Scotland, Exxon Mobile, and Boeing were all sold on Tuesday to free up money for investing. Overall a profit was made on these three sales even though Boeing had lost a lot in value. Bank of America was also purchased on Tuesday and was sold on Wednesday for a small profit. This was done due to the fact that the banking industry isn't always stable and a lot of banking companies were at the time invested in. With all of the profits made this week several companies that I started following early this week can be invested in hopefully for large returns.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
09/28/09							\$105,378.00	
09/28/09	F	buy	\$6.83	2000	\$13,650.00		\$91,728.00	
09/28/09	LMT	buy	\$79.19	514	\$40,693.66		\$51,034.48	
09/28/09	GE	buy	\$16.76	611	\$10,230.36		\$40,804.12	
09/28/09	XOM	buy	\$69.57	292	\$20,304.44		\$20,499.68	
09/28/09	BA	buy	\$52.86	388	\$20,499.68		0	
10/21/09	F	sell	\$7.96	2000	\$15,920.00	\$2,280.00	15,920	\$2,270.00
10/26/09	HPQ	buy	\$47.75	332	\$15,853.00		67	
10/30/09	HPQ	sell	\$47.74	332	\$15,853.00	\$3.32	15,920.00	\$2,256.68
11/04/09	LMT	sell	\$70.21	514	\$36087.94	\$4,618.72	52,007.94	\$2,372.04
11/04/09	RBS	buy	\$12.11	1477	\$17,886.47		34,121.47	
11/04/09	BCS	buy	\$22.32	806	\$17,989.92		16,131.55	
11/04/09	LYG	buy	\$5.79	2783	\$16,113.57		17.98	
11/10/09	XOM	sell	\$72.86	292	\$21,275.12	\$990.68	21,283.12	\$1,391.36
11/10/09	BA	sell	\$50.60	388	\$19,632.80	\$866.88	40,905.92	\$2,268.24
11/10/09	BZH	buy	\$5.09	2946	\$14,995.14		25,910.78	
11/10/09	BAC	buy	\$15.93	943	\$14,984.27		10,926.51	
11/10/09	RBS	sell	\$13.22	1477	\$19,525.94	\$1649.47	30,452.45	\$628.77
11/11/09	BZH	sell	\$5.46	2946	\$16,085.16	\$1100.02	46,537.61	\$461.25
11/11/09	BAC	sell	\$16.53	943	\$15,587.79	\$613.52	62,115.40	\$1064.77

Figure 6.12 Order Record as of Week 8

Three companies being investigated are Royal Bank of Canada, Apple, and Nokia. All three companies have been steadily increasing in value throughout the past couple of weeks which is why I have set so much money aside for investing in them.

With the exception of GE all of the companies that were invested in this week increased in value.

GE as per its usual style decreased in value.

Symbol	Share #	9-Nov	10-Nov	11-Nov	12-Nov	13-Nov
LYG	2783	5.68	5.74	5.87	5.88	5.96
BZH	2946	N/A	5.09	5.46	N/A	N/A
RBS	1477	13.52	13.22	N/A	N/A	N/A
GE	611	15.85	15.78	15.83	15.75	15.66
XOM	292	72.85	72.86	N/A	N/A	N/A
BA	388	50.70	50.74	N/A	N/A	N/A
BAC	943	N/A	15.93	16.53	N/A	N/A
BCS	806	23.12	21.96	21.55	21.46	21.48

Table 6.13 Week 8 Stock Prices

### Week 9

At the end of Week 9 I had \$108,324.70 in assets, \$91,738.02 in cash, and \$16,586.68 in stocks. Only Lloyd's Group was retained another week.

To start the week I sold my stocks in Barclays Group and in General Electric in order to free up resources so that I could invest in several companies of interest. These companies were purchased on the following day. Both Anheuser Bush, Royal Bank of Canada, and Nokia looked promising so as seen in Table 6.12 the companies were purchased. I originally had wanted to invest in either Apple or Microsoft but decided to hold off until I had a little more time to observe their data to find trends and positive signs indicating future growth.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
09/28/09							\$105,378.00	
09/28/09	F	buy	\$6.83	2000	\$13,650.00		\$91,728.00	
09/28/09	LMT	buy	\$79.19	514	\$40,693.66		\$51,034.48	
09/28/09	GE	buy	\$16.76	611	\$10,230.36		\$40,804.12	
09/28/09	XOM	buy	\$69.57	292	\$20,304.44		\$20,499.68	
09/28/09	BA	buy	\$52.86	388	\$20,499.68		0	
10/21/09	F	sell	\$7.96	2000	\$15,920.00	\$2,280.00	15,920	\$2,270.00
10/26/09	HPQ	buy	\$47.75	332	\$15,853.00		67	
10/30/09	HPQ	sell	\$47.74	332	\$15,853.00	\$3.32	15,920.00	\$2,256.68
11/04/09	LMT	sell	\$70.21	514	\$36087.94	\$4,618.72	52,007.94	\$2,372.04
11/04/09	RBS	buy	\$12.11	1477	\$17,886.47		34,121.47	
11/04/09	BCS	buy	\$22.32	806	\$17,989.92		16,131.55	
11/04/09	LYG	buy	\$5.79	2783	\$16,113.57		17.98	
11/10/09	XOM	sell	\$72.86	292	\$21,275.12	\$990.68	21,283.12	\$1,391.36
11/10/09	BA	sell	\$50.60	388	\$19,632.80	\$866.88	40,905.92	\$2,268.24
11/10/09	BZH	buy	\$5.09	2946	\$14,995.14		25,910.78	
11/10/09	BAC	buy	\$15.93	943	\$14,984.27		10,926.51	
11/10/09	RBS	sell	\$13.22	1477	\$19,525.94	\$1649.47	30,452.45	\$628.77
11/11/09	BZH	sell	\$5.46	2946	\$16,085.16	\$1100.02	46,537.61	\$461.25
11/11/09	BAC	sell	\$16.53	943	\$15,587.79	\$613.52	62,115.40	\$1064.77
11/16/09	BCS	sell	\$21.94	806	\$17,683.64	\$306.28	79,789.04	\$748.49
11/16/09	GE	sell	\$16.18	611	\$9,885.98	\$344.38	89,675.02	\$403.11
11/17/09	BUD	buy	\$50.09	499	\$24,994.91		64,690.11	
11/17/09	RY	buy	\$54.18	461	\$24,976.98		39,713.13	
11/17/09	NOK	buy	\$13.53	1627	\$22,013.31		17,699.82	
11/18/09	RY	sell	\$55.44	461	\$25,557.84	\$580.86	43,247.66	\$973.97
11/18/09	NOK	sell	\$14.03	1627	\$22,826.81	\$813.50	66,064.47	\$1,777.47
11/18/09	BUD	sell	\$51.45	499	\$25,673.55	\$678.64	91,738.02	\$2,446.11

Table 6.14 Order Record as of Week 9

For next week I will still be observing Microsoft and Apple, as well as looking into pharmaceutical companies since I have so much cash on hand to invest. The only stock currently retained is my stock in Lloyds Group.

This was a fairly good week for both Anheuser Busch, Royal Bank of Canada, and Nokia. All three companies were sold at various points on the following day after they all posted significant increases which I felt were probably only temporary. Fortunately I did sell them when I did because it enabled me to create large profits from each investment. As I found out by the end of the week I would not have lost any money by keeping the companies longer but I would not have made as much money off of them.

Symbol	Share #	16-Nov	17-Nov	18-Nov	19-Nov	20-Nov
LYG	2783	5.68	5.74	5.87	5.88	5.96
GE	611	16.18	N/A	N/A	N/A	N/A
BUD	499	N/A	50.09	51.45	N/A	N/A
NOK	1627	N/A	13.53	14.03	N/A	N/A
RY	461	N/A	54.18	55.44	N/A	N/A
BCS	806	21.94	N/A	N/A	N/A	N/A

Table 6.15 Week 9 Stock Prices

### Week 10

As this was the last week I sold off all of my stocks at the end and was left with \$108,473.66 in cash.

This week I purchased Microsoft, Morgan Stanley, and Apple. Microsoft and Apple I had been watching for a while and they appeared as if they could be on the upswing thus producing a profit. Unfortunately due to the Thanksgiving Holiday there was no trading on Thursday so this

week really isn't a good representation I feel as to the normalcy of a stock's price. However I was still able to make some profit as indicated in Table 6.16.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
09/28/09							\$105,378.00	
09/28/09	F	buy	\$6.83	2000	\$13,650.00		\$91,728.00	
09/28/09	LMT	buy	\$79.19	514	\$40,693.66		\$51,034.48	
09/28/09	GE	buy	\$16.76	611	\$10,230.36		\$40,804.12	
09/28/09	XOM	buy	\$69.57	292	\$20,304.44		\$20,499.68	
09/28/09	BA	buy	\$52.86	388	\$20,499.68		0	
10/21/09	F	sell	\$7.96	2000	\$15,920.00	\$2,280.00	15,920	\$2,270.00
10/26/09	HPQ	buy	\$47.75	332	\$15,853.00		67	
10/30/09	HPQ	sell	\$47.74	332	\$15,853.00	\$3.32	15,920.00	\$2,256.68
11/04/09	LMT	sell	\$70.21	514	\$36087.94	\$4,618.72	52,007.94	\$2,372.04
11/04/09	RBS	buy	\$12.11	1477	\$17,886.47		34,121.47	
11/04/09	BCS	buy	\$22.32	806	\$17,989.92		16,131.55	
11/04/09	LYG	buy	\$5.79	2783	\$16,113.57		17.98	
11/10/09	XOM	sell	\$72.86	292	\$21,275.12	\$990.68	21,283.12	\$1,391.36
11/10/09	BA	sell	\$50.60	388	\$19,632.80	\$866.88	40,905.92	\$2,268.24
11/10/09	BZH	buy	\$5.09	2946	\$14,995.14		25,910.78	
11/10/09	BAC	buy	\$15.93	943	\$14,984.27		10,926.51	
11/10/09	RBS	sell	\$13.22	1477	\$19,525.94	\$1649.47	30,452.45	\$628.77
11/11/09	BZH	sell	\$5.46	2946	\$16,085.16	\$1100.02	46,537.61	\$461.25
11/11/09	BAC	sell	\$16.53	943	\$15,587.79	\$613.52	62,115.40	\$1064.77
11/16/09	BCS	sell	\$21.94	806	\$17,683.64	\$306.28	79,789.04	\$748.49
11/16/09	GE	sell	\$16.18	611	\$9,885.98	\$344.38	89,675.02	\$403.11
11/17/09	BUD	buy	\$50.09	499	\$24,994.91		64,690.11	
11/17/09	RY	buy	\$54.18	461	\$24,976.98		39,713.13	
11/17/09	NOK	buy	\$13.53	1627	\$22,013.31		17,699.82	
11/18/09	RY	sell	\$55.44	461	\$25,557.84	\$580.86	43,247.66	\$973.97
11/18/09	NOK	sell	\$14.03	1627	\$22,826.81	\$813.50	66,064.47	\$1,777.47
11/18/09	BUD	sell	\$51.45	499	\$25,673.55	\$678.64	91,738.02	\$2,446.11
11/23/09	MSFT	buy	\$29.98	1000	\$29,980.00		61,758.02	
11/23/09	MS	buy	\$32.52	922	\$29,983.44		31,774.58	
11/23/09	AAPL	buy	\$203.12	147	\$29,858.64		1,915.94	
11/25/09	MSFT	sell	\$29.78	1000	\$29,780.00	\$200.00	31,695.94	\$2,236.11
11/25/09	AAPL	sell	\$205.09	147	\$30,148.23	\$289.59	61,844.17	\$2,515.70
11/25/09	MS	sell	\$31.86	922	\$29,374.92	\$608.52	91,219.06	\$1,897.18
11/25/09	LYG	sell	\$6.20	2783	\$17,254.60	\$1,335.84	108,473.66	\$3,223.02

Table 6.16 Order Record as of Week 10

A big effect on the market this week was the news from Dubai, UAE. Dubai had requested a hold on payments it would have to make on its loans. This was supposed to have a big affect on the market so as soon as I heard the news I sold all of my stocks. Fortunately I made a very large profit of Lloyds Group which made up for a loss with Morgan Stanley. I later inspected how the stocks did on Friday after the news of the Dubai situation was well known, and it was easy to see the vast affect this news had on the world market.

Symbol	Share #	23-Nov	24Nov	25-Nov	26-Nov	27-Nov
LYG	2783	6.03	6.17	6.20	N/A	N/A
MSFT	1000	29.98	29.88	29.78	N/A	N/A
MS	922	32.52	32.13	31.86	N/A	N/A
AAPL	147	203.12	204.38	205.09	N/A	N/A

Table 6.17 Week 10 Stock Prices

## **6.5 Conclusion**

After ten weeks of investing using the intuition based investment strategy I had produced a \$3,223.02 profit on my original investment of \$105,250.64 investment. Throughout the ten weeks I made 34 trades with 17 different companies. My biggest gains came from the sale of Ford and Lloyd's Group each netting over a thousand dollars in profits. My biggest loss came from investing in Lockheed Martin which resulted in over four thousand dollars in losses. Figure 6.17 indicates the biggest changes in the value of the portfolio. The Portfolio peaked during the last week of investing and was at its low point at Week 6. Interestingly enough the value of the portfolio seems to follow the double bottom strategy due to the fact that in Week 2 there was a similar low point.

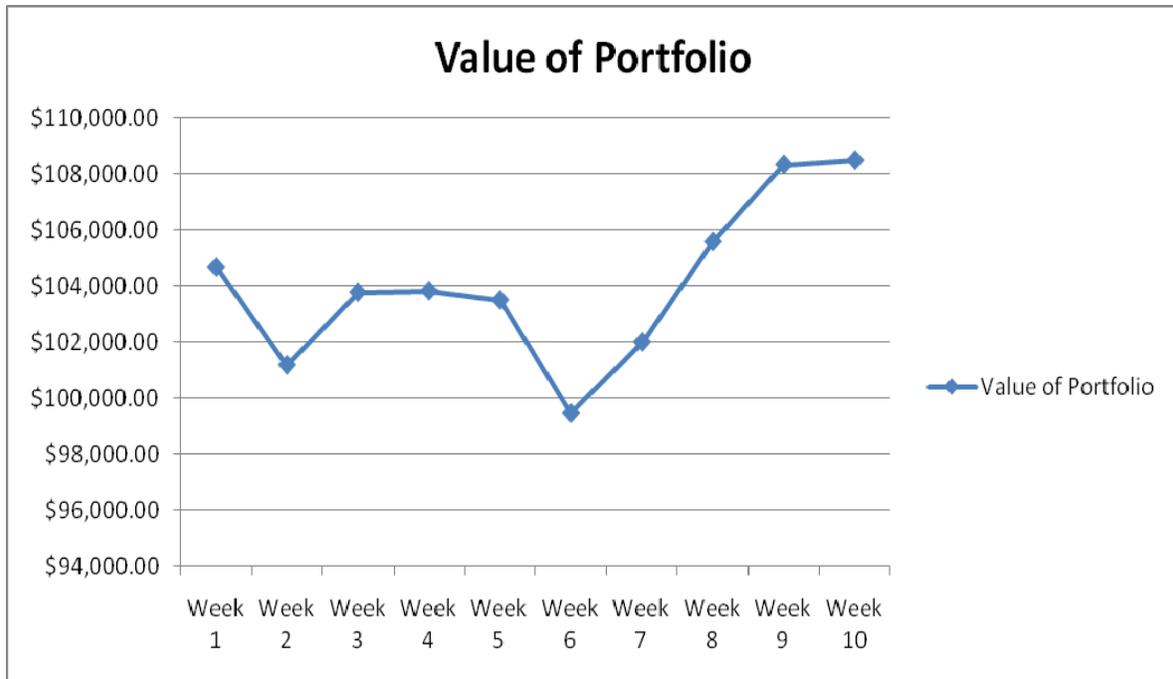


Figure 6.17 Value of the Portfolio Throughout Investment Period

Through the employment of the intuition based investment strategy for the past ten weeks I was able to determine that on a whole it worked fairly well as an investment strategy. The companies I selected were based on what was available to the general public in terms of news media and other forms of internet based information to determine which stocks would be pertinent to invest in during the up and coming weeks. However I felt over the course of the investment period I was able to determine discernable patterns in the market which allowed me to invest more accurately. I determined during the course of my investment period that selling mid-week was the best option. Most of the stocks I invested in did much better mid-week than they did towards the end of week. Throughout the ten week investment period I learned just how much the market could be affected by global news and took all of that into consideration when investing. Due to my experience investing I was able to determine that to use the intuition based investment

strategy required a keen eye on the world news and most of the time luck. This strategy does not produce any pattern able results.

## **Chapter 7**

### **The Memory of Price Strategy**

by: Jake Loitherstein

#### **7.1 Using The Memory of Price Strategy**

The investment strategy being used in this portfolio is the Memory of Price strategy. This is when you buy stocks when they are cheap and sell them when they grow if you know they will. This is an effective strategy and is a great tool in the stock market.

#### **7.2 Companies**

##### **Genzyme**

Genzyme is a pharmaceutical company that strives to bring medical supplies internationally to people that normally would not be able to afford them. Genzyme is supported by the government and gets financial aid so they can bring people these supplies. The decision in investing in Genzyme was because they are a large upcoming company and they are soon coming out with new ways to improve shoulder damage so it can be assumed their stock will increase. In 1981, Henry Blair founded Genzyme to produce products based on enzyme technologies. With the help of venture capital funding, Blair acquired Whatman Biochemicals Ltd., which became Genzyme Biochemicals. In 1982, Blair acquired a British catalog business, Koch-Light Laboratories, a supplier of chemicals to the pharmaceutical industry. The

pharmaceutical manufacturing arm of Koch Laboratories in 1986 became Genzyme Pharmaceutical and Fine Chemicals based in Haverill, England.

Despite these developments, Genzyme struggled until 1983, when Dutch-born Henri Termeer left Baxter Travenol (now Baxter International) to become company chairman at Genzyme. Termeer studied economics at the University of Rotterdam and earned an M.B.A. at the University of Virginia before joining Baxter in 1973. After undergoing two years of training in Chicago, Baxter assigned him to run its largest overseas sales organization in Germany. The position gave him valuable experience in managing a major business operation. By the time he joined Genzyme, Termeer was one of Baxter's executive vice-presidents. He was recruited to Genzyme by the venture capital firm Oak Investment Partners, which had substantial investments in the start-up company.

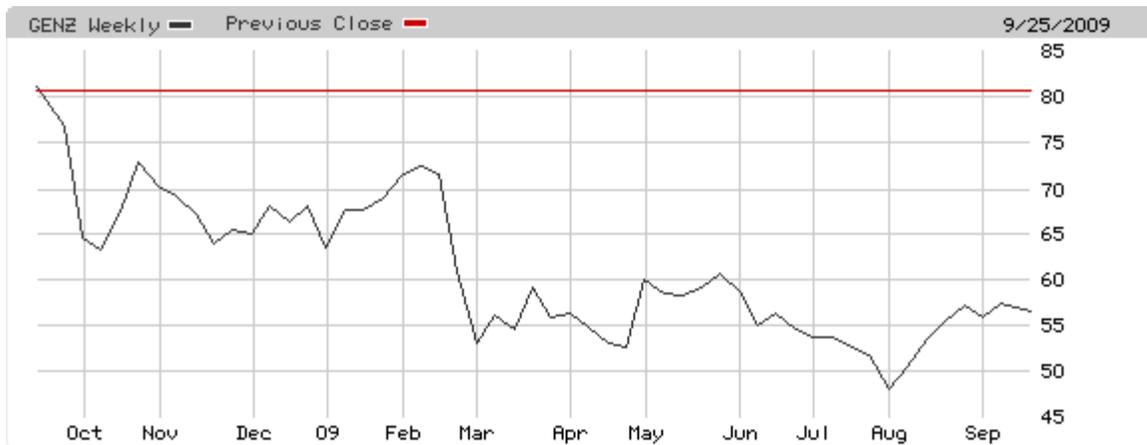


Figure 7.1 Genzyme Year to Date Stock Prices

## **Google.com**

Chances are, if you've ever searched for anything on the Internet, you've discovered Google.com. Chances are also, once you've discovered Google.com, yours is one of over 150 million Internet searches that Google.com handles a day. With reliable and almost instantaneous results (the life span of a Google query normally lasts less than half a second), Google claims one of the widest audiences among Web sites, with 3 billion searchable documents and more than 21 million unique users per month. A dot-com company that made it, Google Inc. has not only survived, but is making a profit. Credit is given to top-rate technology, a rare sales model and an aggressive vision for what's ahead. Google, Inc., the developer of the award-winning Google search engine, was conceived in 1995 by Stanford University computer science graduate students, Larry Page and Sergey Brin. Their meeting at a spring gathering of new Ph. D. computer science candidates launched a friendship and later a collaboration to find a unique approach to solving one of computing's biggest challenges: retrieving relevant information from a massive set of data. By 1996 this collaboration had produced a search engine called BackRub, named for its unique ability to analyze the "back links" that point to a given Web site. Continuing to perfect the technology in 1998, Page and Brin built their own computer housing in Larry's dorm room, a business office in Sergey's room, and Google had a new home. The next step was to find potential partners who might want to license their search technology, a technology that worked better than any available at the time. Among the contacts was David Filo, a friend and Yahoo! founder. Filo encouraged the two to grow the service themselves by starting a search engine company.



Figure 7.2 Google Year to Date Stock Prices

**Jet Blue Airways**

JetBlue Airways is a major American low-cost airline owned by JetBlue Airways Corporation (NASDAQ: JBLU). The company is headquartered in the Forest Hills neighborhood of the borough of Queens in New York City. Its home airport is John F. Kennedy International Airport. JetBlue is a non-union airline.

In October, 2007, JetBlue was named the number one U.S. domestic airline by Conde Nast Traveler magazine's "Readers' Choice Awards" for the sixth year in a row.

In 2001, JetBlue began a focus city operation at Long Beach in Los Angeles County, and another at Logan International Airport, Boston in 2004. It also has focus city operations at Fort Lauderdale, Oakland International Airport, and at Washington-Dulles, as well as substantial operations at Orlando International Airport. The airline mainly serves destinations in the United States, along with flights to the Caribbean, the Bahamas, Bermuda, and Mexico.



Figure 7.3 Jet Blue Year to Date Stock Prices

### *Pepsi and Coke Companies*

It was a prohibition law, enacted in Atlanta in 1886, that persuaded physician and chemist Dr. John Stith Pemberton to rename and rewrite the formula for his popular nerve tonic, stimulant and headache remedy, "Pemberton's French Wine Coca," sold at that time by most, if not all, of the city's druggists.

So when the new Coca-Cola debuted later that year--still possessing "the valuable tonic and nerve stimulant properties of the coca plant and cola nuts," yet sweetened with sugar instead of wine--Pemberton advertised it not only as a "delicious, exhilarating, refreshing and invigorating" soda-fountain beverage but also as the ideal "temperance drink."

Dr. John Stith Pemberton, a local pharmacist, produced the syrup for Coca-Cola®, and carried a jug of the new product down the street to Jacobs' Pharmacy, where it was sampled, pronounced "excellent" and placed on sale for five cents a glass as a soda fountain drink. Carbonated water was teamed with the new syrup to produce a drink that was at once "Delicious and Refreshing,"

.Dr. Pemberton's partner and bookkeeper, Frank M. Robinson, suggested the name and penned the now famous trademark "Coca-Cola" in his unique script. The first newspaper ad for Coca-Cola soon appeared in *The Atlanta Journal*, inviting thirsty citizens to try "the new and popular soda fountain drink." Hand-painted oilcloth signs reading "Coca-Cola" appeared on store awnings, with the suggestion "Drink" added to inform passersby that the new beverage was for soda fountain refreshment.

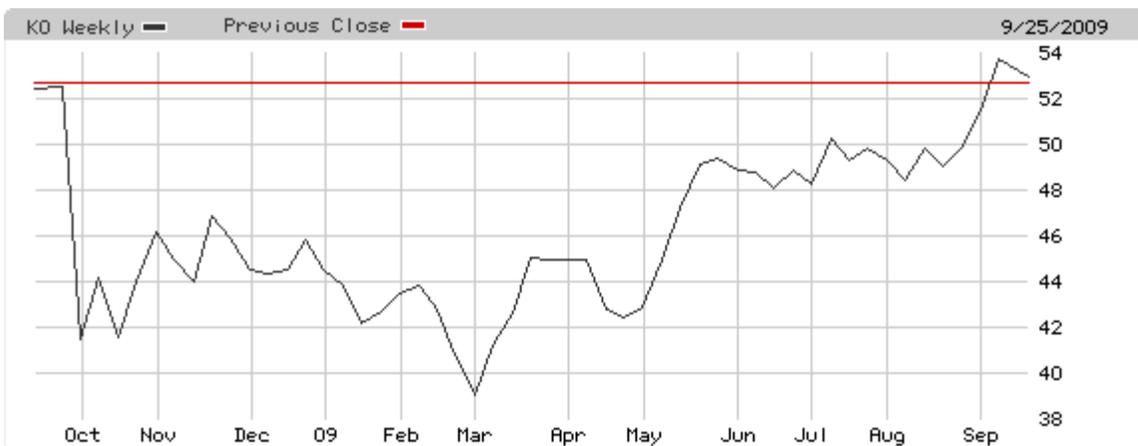


Figure 7.4 Coca-Cola Year to Date Stock Prices

In March 1999, PepsiCo spun off its soft drink bottling and distribution operations--what was known within the organization as Pepsi COBO (company-owned bottling operations)&mdash The Pepsi Bottling Group Inc. In the fifth largest initial public offering in U.S. stock market history, PepsiCo sold 100 million shares at \$23 a share. Retaining a 40 percent interest in the newly public company, PepsiCo placed two senior officials on its board of directors. In addition, PBG was required to submit its annual operating plan to PepsiCo for its approval and was using only PepsiCo-approved vendors. In return, PBG was expecting a high level of funded marketing support from PepsiCo.

Pepsi Bottling Group was focusing on enhancing the one-third of its business defined as 'cold drink' or single serve. This profitable area had been growing rapidly as consumers increased their snacking. PBG doubled its spending on new coolers and vending machines between 1997 and 1999, adding about 175,000 new pieces of equipment. The company also was acquiring more bottlers in areas primarily contiguous to its existing operations, in order to realize cost savings in raw materials, manufacturing, warehousing, logistics, and general administration. Weatherup, who had been president and chief executive officer of Pepsi-Cola North America (1990-96) and chairman and CEO of its parent, Pepsi-Cola Co. (1996-99), and who then became the first chairman and CEO of Pepsi Bottling Group, said the company intended to grow 1 to 2 percent a year by acquisitions, averaging six to ten deals a year.

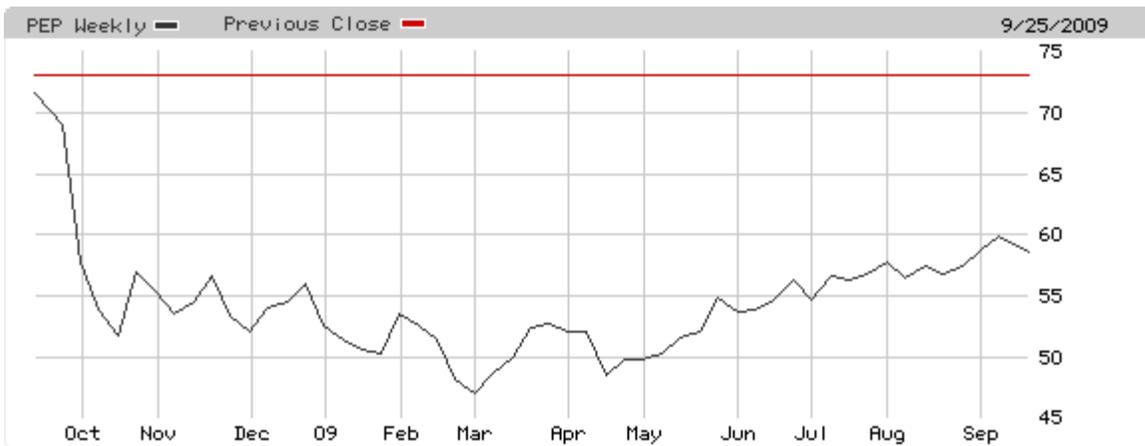


Figure 7.5 Pepsi Cola Year to Date Stock Prices

### **Raytheon Company**

Raytheon develops security and other miscellaneous products for government contracts and can someday be a very important company. Investing in them could help understand the economic incline and decline of the nation [17].

### **Wal-Mart Corporation**

Wal-Mart Stores, Inc. is not only the largest retailer in the world, it now also ranks as the largest corporation in the world. The retail giant dwarfs its nearest competition, generating three times the revenues of the world's number two retailer, France's Carrefour SA. Domestically, Wal-Mart has more than 1.2 million workers, making it the nation's largest nongovernmental employer. U.S. operations include 1,478 Wal-Mart discount stores (located in all 50 states); 1,471 Wal-Mart Supercenters, which are combined discount outlets and grocery stores (and which make Wal-Mart the country's top food retailer); 538 Sam's Clubs, the number two U.S. warehouse membership club chain (trailing Costco Wholesale Corporation); and 64 Wal-Mart Neighborhood Markets, smaller food and drug outlets also offering a selection of general merchandise. International operations, which commenced in 1991, include Wal-Mart discount stores in Canada and Puerto Rico; Wal-Mart Supercenters in Argentina, Brazil, China, Germany, Mexico, Puerto Rico, South Korea, and the United Kingdom; and Sam's Clubs in Brazil, China, Mexico, and Puerto Rico. In Mexico, Wal-Mart also operates Bodegas discount stores, Suburbias specialty department stores, Superamas supermarkets, and Vips restaurants.

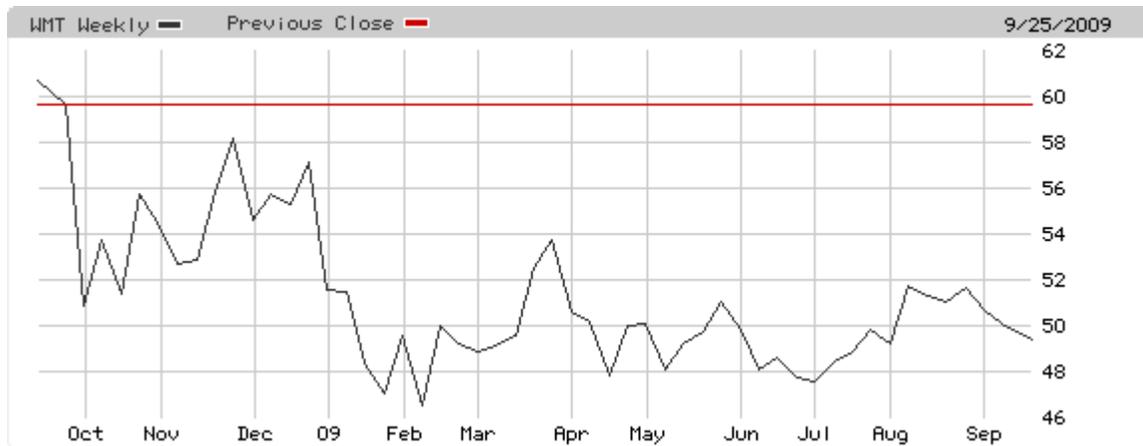


Figure 7.6 Walmart Year to Date Stock Prices

### **7.3 Initial Investments**

This week companies were chosen to be invested in. These companies were Genzyme, Raytheon, Coca-Cola, Pepsi, Google, Jet Blue, and Wal-Mart. Time was spent getting to understand the stock market and which stocks may be worth holding onto for an extended amount of time and which I may have to get rid of soon. Most of the companies have not changed much, except for a few. Genzyme was not doing so well and I lost a decent amount of money in their stock the first week. Google, on the other hand, did pretty well and it went up about 6%.

It seems like the stock market has had a slow decrease during the week, and it seems like it may be an idea of things to come. Unfortunately, during these economic times, this first week of only having two stocks that had a slight increase, and five that decreased could foreshadow a bad time to invest in the stock market.

## 7.4 Simulation

### Week 1

This week my stocks decreased slightly in every company. Jet Blue seems to be taking the biggest hit and has decreased nearly 20%. As this is the first will I will keep the stocks and monitor them to make sure they do not continue to decrease.

Symbol	Shares	21-Sep	22-Sep	23-Sep	24-Sep	25-Sep
GENZ	252	57.24	57.00	56.51	56.64	56.72
GOOG	29	497.00	499.15	498.10	498.56	492.51
JBLUE	2,380	6.59	6.44	6.18	6.07	6.00
RTN	302	47.79	47.64	48.10	47.38	47.6
WMT	288	50.11	50.9	50.99	50.4	49.52
KO	269	53.00	52.88	52.85	52.34	52.95
PEP	243	59.02	58.58	58.47	58.54	58.68

Table 7.1 Week 1 Stock Prices

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
09/21/09	GENZ	buy	\$57.24	252	\$14424.48	(\$10)	0	
09/21/09	GOOG	buy	\$497.00	29	\$14413.00	(\$10)	0	
09/21/09	JBLU	buy	\$6.59	2380	\$15684.20	(\$10)	0	
09/21/09	RTN	buy	\$49.79	300	\$14937.00	(\$10)	0	
09/21/09	WMT	buy	\$50.91	288	\$14662.08	(\$10)	0	
09/21/09	KO	buy	\$53.00	269	\$14257.00	(\$10)	0	
09/21/09	PEP	buy	\$59.02	243	\$14341.86	(\$10)	0	

Table 7.2 Order Record Week 1

## Week 2

As I assumed, the stock market continued to decrease and showed no signs of stopping. Jet Blue took the worst blow and went down almost 18%. Most of the companies are staying around the same price and being steady, but very few are actually going up in price.

Wal-Mart decreased as well a decent amount which is surprising to me because it is the largest company in the country and it is still struggling in this tough economic time. This just goes to show that no company is safe right now and that if even major companies like Wal-Mart are struggling than there is little hope for smaller companies like Genzyme.

Symbol	Shares	28-Sep	29-Sep	30-Sep	1-Oct	2-Oct
GENZ	252	57.47	56.95	56.76	55.25	55.56
GOOG	29	498.53	499.37	495.46	487.13	485.52
JBLU	2380	5.63	5.92	5.98	5.48	5.63
RTN	300	48.00	48.30	48.03	46.67	45.97
WMT	288	49.50	49.21	49.09	49.00	49.06
KO	269	53.13	53.31	53.70	53.15	53.88
PEP	243	59.03	58.51	58.86	58.71	60.88

Table 7.3 Week 2 Stock Prices

### Week 3

During this week not a lot has changed. Genzyme has continued to decrease and it is looking like it may be getting time to get rid of the stock. Coca-Cola has also made a slight decrease while Pepsi has had a slight increase. This is interesting to me because I always thought Coca-Cola is a larger, steadier corporation than Pepsi is. Also, being a very similar company I figured their stocks would increase and decrease around the same. Since everyone always needs their refreshments, it seems to me that it would have been unlikely for the stocks of Pepsi and Coke to decrease.

Raytheon was awarded 5.5 million dollars this week from the Defense Advanced Research Projects and 73.9 million dollar Air Force Deal. I am hoping that this will cause Raytheon's stock to greatly increase in price

Symbol	Shares	5-Oct	6-Oct	7-Oct	8-Oct	9-Oct
GENZ	252	55.08	56.72	56.23	55.81	56.52
GOOG	29	488.52	499.16	517.54	514.88	515.45
JBLU	2380	5.66	5.71	5.60	5.65	5.67
RTN	300	46.12	46.55	45.78	45.59	46.12
WMT	288	49.08	49.48	49.49	49.74	49.97
KO	269	53.80	54.32	54.81	54.59	54.61
PEP	243	60.85	60.87	61.21	60.39	60.59

Table 7.4 Week 3 Stock Prices

## Week 4

This week there were not a lot of changes with the stocks except for Google went up a decent amount. Raytheon and Jet Blue went up a little bit as well.

Symbol	Shares	12-Oct	13-Oct	14-Oct	15-Oct	16-Oct
GENZ	252	56.22	55.90	56.49	55.99	55.94
GOOG	29	524.04	526.11	535.32	529.91	549.85
JBLU	2380	5.66	5.68	5.76	5.75	5.76
RTN	300	45.86	45.97	46.92	46.60	46.55
WMT	288	49.61	50.34	50.19	50.95	51.22
KO	269	54.79	54.80	58.84	54.92	55.01
PEP	243	60.92	60.60	61.62	62.68	62.29

Table 7.5 Week 4 Stock Prices

## **Week 5**

This week, Google has greatly increased their stock value and have gone up almost 19% in one week. Google is a very prominent stock in the stock market and to see their stocks increase hopefully represents an overall increase in the stock market. Many of the stocks have not shown similar increases, but it is tough to tell this early whether it is time to start looking into other stocks.

If this upcoming week does not show more production in the stock market I feel like it is definitely time to start selling a few of my stocks and invest in more steady stocks in the market. Before, I bought most of the stocks trying to make the quick increase in stocks, but it seems that a lot of them went the other way and decreased instead of increased.

Symbol	Shares	19-Oct	20-Oct	21-Oct	22-Oct	23-Oct
GENZ	252	55.70	54.85	51.43	52.94	52.24
GOOG	29	552.09	551.72	551.10	554.09	553.69
JBLU	2380	5.94	6.02	5.74	5.61	5.38
RTN	300	47.15	45.54	45.18	46.82	46.43
WMT	288	51.89	51.70	50.63	50.48	50.44
KO	269	54.79	54.07	54.07	54.15	53.24
PEP	243	62.06	61.58	61.84	61.50	61.03

Table 7.6 Week 5 Stock Prices

## Week 6

The major stock I had an increase in was Google and it continued to increase this week. Other than that, the stocks did not look so good and I lost money in Raytheon, Wal-Mart, Genzyme, and Pepsi. Next week I will definitely begin to sell some of my stocks and look into other stocks that I can make a steadier increase in money. I will try to sell some of the seven stocks I own and put a larger amount of money into a smaller number of stocks. Having my money split into seven stocks makes it tougher to monitor all of the stocks and all the money I have put into them. Putting a large amount of money into few stocks that are more reliable will hopefully help me make more money week to week. I will have to look into the market and see which stocks have been dependable and which are not unpredictable.

Symbol	Shares	26-Oct	27-Oct	28-Oct	29-Oct	30-Oct
GENZ	252	51.70	51.83	51.18	51.58	50.60
GOOG	29	554.21	548.29	540.30	551.05	536.12
JBLU	2380	5.32	5.28	5.09	5.18	4.96
RTN	300	46.01	46.02	45.61	45.87	46.28
WMT	288	49.84	49.87	49.90	50.40	49.68
KO	269	53.46	53.51	54.09	53.31	53.51
PEP	243	60.47	61.00	60.99	61.39	60.55

Table 7.7 Week 6 Stock Prices

### Week 7

For this week, I tried selling my stocks that were losing money, or increasing at a very slow pace, and putting them into some of my other stocks that are increasing at a faster rate. I sold all 252 shares of my Genzyme stock on Monday, November 9<sup>th</sup> for a total of \$13240.08. Since Google was doing so well I bought another 23 shares for \$13157.15 with the money from Genzyme. I also sold all 288 shares of my Wal-Mart stock for \$15494.40 on Wednesday, November 11<sup>th</sup> and made \$832.32. I heard of Terra Industries doing well in the stock market right now under the basic materials industries so I bought 410 shares for a total of \$15473.40 with the money from Wal-Mart. Next, I sold 132 (half) of the Coca-Cola stocks on Wednesday, November 11<sup>th</sup> at 56.13 dollars per share and got \$7521.42, which allowed me to buy another 199 shares of Terra Industries stock. I then sold all 300 shares of Raytheon's stock at \$48.85 per share because the stock price was staying around the same consistently. I got \$14655.00 and bought another 25 shares of Google for \$14300.00. This week I did a lot of thinking about which

stocks are useful to me, and which ones I should sell and cut my losses to minimize loss and maximize profit.

Symbol	Shares	2-Nov	3-Nov	4-Nov	5-Nov	6-Nov
GENZ	252	50.31	51.68	51.01	52.02	51.94
GOOG	29	533.39	539.39	540.33	548.65	549.79
JBLU	2380	4.97	4.88	4.76	4.83	5.23
RTN	300	45.75	45.73	46.11	47.08	47.40
WMT	288	50.28	49.84	50.38	51.28	51.14
KO	269	53.73	53.07	53.43	54.40	54.38
PEP	243	60.60	60.06	60.42	61.17	61.36

Table 7.8 Week 7 Stock Prices

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
11/03/09	JBLU	sell	\$6.59	0	\$16828.76	(\$10)	\$11828.76	(\$5055.44)
11/03/09	GOOG	buy	\$572.05	23		(\$10)		

Figure 7.9 Week 7 Order Record

## Week 8

For this week, I tried selling my stocks that were losing money, or increasing at a very slow pace, and putting them into some of my other stocks that are increasing at a faster rate. I sold all 252 shares of my Genzyme stock on Monday, November 9<sup>th</sup> for a total of \$13240.08. Since Google was doing so well I bought another 23 shares for \$13157.15 with the money from Genzyme. I also sold all 288 shares of my Wal-Mart stock for \$15494.40 on Wednesday, November 11<sup>th</sup> and made \$832.32. I heard of Terra Industries doing well in the stock market

right now under the basic materials industries so I bought 410 shares for a total of \$15473.40 with the money from Wal-Mart. Next, I sold 132 (half) of the Coca-Cola stocks on Wednesday, November 11<sup>th</sup> at 56.13 dollars per share and got \$7521.42, which allowed me to buy another 199 shares of Terra Industries stock. I then sold all 300 shares of Raytheon's stock at \$48.85 per share because the stock price was staying around the same consistently. I got \$14655.00 and bought another 25 shares of Google for \$14300.00.

This week I did a lot of thinking about which stocks are useful to me, and which ones I should sell and cut my losses to minimize loss and maximize profit.

Symbol	Shares	9-Nov	10-Nov	11-Nov	12-Nov	13-Nov
GENZ	252	52.54				
GOOG	77	561.85	566.76	570.56	567.85	572.14
RTN	300	48.10	48.36	48.85		
JBLU	2380	6.59				
RTN	300	48.85				
WMT	288	51.96	52.31	52.97		
KO	269	55.46	55.81	56.13	55.95	56.47
PEP	243	62.28	62.08	62.58	61.14	62.05
TRA	609				37.74	38.05

Table 7.10 Week 8 Stock Prices

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
11/11/09	GENZ	sell	52.54	252	\$14424.4 8	(\$10)	\$13240.0 8	(\$2684.76 )
11/11/09	JBLU	sell	\$6.59	0	\$16828.7 6	(\$10)	\$11828.7 6	(\$5055.44 )
11/11/09	RTN	sell	\$49.79	0	\$14937.0 0	(\$10)	\$14655.0 0	(\$282)
11/11/09	WMT	buy	\$50.91	288	\$14662.0 8	(\$10)	\$15494.4 0	\$832.32
11/11/09	KO	sell	\$53.00	135	\$14257.0 0	(\$10)	\$7521.42	\$392.92

Figure 7.11 Order as of Week 8

On Monday, November 16<sup>th</sup> I sold forty of my Google shares for \$17161.50. With that money I bought 620 shares of Kraft for \$27.64 and totaled \$17136.80. The Google stock was decreasing from what it previously was, so I decided to cut my losses and sell the shares. On November 18<sup>th</sup> I sold my 620 shares of Kraft for the same price I bought them for. I did not lose any money, but I was not gaining any money either so I decided it was not worth keeping the stock. I also bought 319 shares of the J.M. Smuckers Company for a total of \$17117.54. The Smuckers Company's stock was increasing quickly and I thought it would be an intelligent investment. I sold the rest of my 59 shares for \$34022.35 and bought another 634 shares of Smucker's Company for \$34020.44. I figured it was not worth keeping my Google shares but to try to find a better way to use all that money that I put into it.

Symbol	Shares	16-Nov	17-Nov	18-Nov	19-Nov	20-Nov
GOOG	77	576.01	577.49	576.35	N/A	N/A
KO	269	56.74	56.87	56.97	56.88	57.51
PEP	243	62.43	62.60	62.30	61.92	62.09
TRA	609	37.52	37.98	38.05	38.10	40.05
KFT	620	27.64	27.64	27.25	N/A	N/A
SJM	953	N/A	N/A	N/A	53.48	56.40

Table 7.12 Week 9 Stock Prices

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
11/16/09	GENZ	sell	52.54	252	\$14424.48	(\$10)	\$13240.08	(\$2684.76)
11/16/09	GOOG	buy	\$497.00	59	\$14413.00	(\$10)	0	
11/16/09	JBLU	sell	\$6.59	0	\$16828.76	(\$10)	\$11828.76	(\$5055.44)
11/16/09	RTN	sell	\$49.79	0	\$14937.00	(\$10)	\$14655.00	(\$282)
11/16/09	WMT	buy	\$50.91	0	\$14662.08	(\$10)	\$15494.40	\$832.32
11/16/09	KO	sell	\$53.00	135	\$14257.00	(\$10)	\$7521.42	\$392.92
11/16/09	PEP	buy	\$59.02	243	\$14341.86	(\$10)		
11/16/09	TRA	buy	\$37.74	609	\$22991.40	(\$10)		
11/16/09	KFT	buy	\$27.64	620	\$17136.80	(\$10)		\$0

Figure 7.13 Order as of Week 9

## Week 10

This week I kept a close eye on my stocks and decided it was not worth making many changes. I did sell my 243 stocks of Pepsi on Wednesday for \$15187.50. I put the money into MedClean

Technologies and bought 513 stocks of it. I made money on all of my stocks, namely in the J.M Smucker's Company and the Coca-Cola Company. My intention of selling some stocks and putting more money into only a few prominent stocks have shown to pay off. When I had less money in more stocks it was unlikely I would make money because if one goes up, it is likely another will go down. By putting more money into few stocks, it has proven to be easier to monitor the stocks and keep a closer eye on them. I do not know whether it is the increase in economic activity over the course of Thanksgiving week, but for some reason all of my stocks had a good week. Pepsi and Terra Industries also had a slight increase in their stock price, but not that of Coca-Cola and Smuckers. My market gain has increased to 147.77% which is a good, high number to have. Next week I will likely continue with my strategy and sell a few stocks, but likely keep Coca-Cola and Smuckers and see if I can hold onto them for a little while longer.

Symbol	Shares	23-Nov	24-Nov	25-Nov	26-Nov	27-Nov
KO	269	58.24	58.20	58.11	N/A	N/A
PEP	243	62.49	62.50	63.19	N/A	62.28
TRA	609	39.63	39.10	39.56	N/A	38.97
SJM	953	58.11	58.36	58.78	N/A	58.49
HSI	513	N/A	N/A	N/A	N/A	29.34

7.14 Week 10 Stock Prices

This chart shows the interactions with the stock market.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
11/18/09	SJM	Buy	\$53.66	953	\$34020.44	(\$10)		
11/24/09	PEP	sell	\$62.50	243	\$15187.50	(\$10)	\$14341.86	\$82.62
11/24/09	MCT	Buy	\$43.20	331	\$14299.20	(\$10)		

Figure 7.15 Order as of Week 10

## **7.5 Conclusion**

In general, my memory of price strategy seemed to work pretty well. I started off with numerous stocks and ended it with just a few. I first put a small amount of money in seven stocks, saw which ones did well and sold the ones that did not do so well. Having money in a lot of stocks made it hard to operate and control the money I was making. When I had money in four or five stocks, it was easier to supervise them and make sure I was making the maximum amount of money.

I looked into the market to understand which areas of the market were making the most money, and a few times I ended up buying a stock that was doing well in those areas of the market. Sometimes this was a bad idea because some areas of the market can do well one day and not so well the next. All in all it is evident that this stock market simulation helped understand the basics ins and outs of the system. Gaining knowledge of how such a marketplace can operate is an important concept for anyone attempting to work for a company in the future.

I thought it was interesting when I bought stocks that were similar in nature. For example, both Pepsi and Coca-Cola were bought. Both stocks were similar most of the time and fluctuated similarly, but by the end of the simulation Coca-Cola started to increase more. It is interesting to see how certain products can stay steady during economic crises.

## Chapter 8

### Capital Growth Strategy

by: Richard Wingert

#### 8.1 Using The Capital Growth Strategy

In general, a capital growth portfolio will contain approximately 65-70% equities, 20-25% fixed-income securities and the remainder in cash or money market securities. While seeking high returns, this mixture still somewhat protects the investor against a severe loss in portfolio value if the higher-risk equity portion of the portfolio takes a plunge. Note that an aggressive portfolio strategy also aims to maximize capital growth, but of the total portfolio value, these strategies are of considerably higher risk; sometimes consisting entirely of equities.

The main focus of my chapter is to grasp a fully in depth understanding of the companies I have invested into and the promise that I may find a better analytical concept of the stock market. I believe that the growth capital investment strategy that I have securely set into place will bring about a greater omen of whether or not the stocks that I have invested into will show gain or drastic fall. With the first investments into highly examined and observed 1 year intervals, the rest of my investments will continue to follow a pattern, by which will come to a final conclusion at the end of my stock market simulation. It is important to take in the information that is given by the trading graphs, and stock price graphs to be at once presented, to understand the concepts and ideals from the stocks that are being invested into.

For this portfolio the Capital Growth Strategy, would seem to use a probable risk for each company so that a big gain is expected. In case of a bad investment this strategy will protect

from a terrible loss. A Capital Growth Strategy is an asset allocation strategy that seeks to maximize capital appreciation or the increase in value of a portfolio or asset over the long term.

This Strategy develop portfolios with the goal of capital growth consist mainly of equities. The exact proportion of equities to the total portfolio will vary according to the individual investor's investment horizon, financial constraints, investment goals and risk tolerance.

## **8.2 Companies**

### **General Electric Co.**

General Electric Company (GE) operates as a technology, media, and financial services company worldwide. Its Energy Infrastructure segment produces gas, steam, and aero derivative turbines; generators; and combined cycle systems, as well as provides water treatment services and equipment. This segment also sells surface and subsea drilling and production systems, floating production platform equipment, compressors, turbines, turbo expanders, and high pressure reactors to national, international, and independent oil and gas companies; and offers equipment overhauls and upgrades, pipeline inspection and integrity services, remote diagnostic and monitoring, and contractual service agreements. 1876 was the year that Thomas Alva Edison opened a laboratory in Menlo Park, New Jersey, where he could explore the possibilities of the dynamo and other electrical devices that he had seen in the Exposition. Out of that laboratory came perhaps the greatest invention of the age - a successful incandescent electric lamp.

By 1890, Edison established the Edison General Electric Company by bringing his various businesses together. During that period, a competitor emerged. The Thomson-Houston

Company became a dominant electrical innovation company through a series of mergers led by Charles A. Coffin, a former shoe manufacturer from Lynn, Massachusetts.

As both businesses expanded, it had become increasingly difficult for either company to produce complete electrical installations relying solely on their own patents and technologies. In 1892, the two companies combined. They called the new organization the General Electric Company.

Several of Edison's early business offerings are still part of GE today, including lighting, transportation, industrial products, power transmission, and medical equipment. The first GE Appliances electric fans were produced at the Ft. Wayne electric works as early as the 1890s, while a full line of heating and cooking devices were developed in 1907. GE Aircraft Engines, the division's name only since 1987, actually began its story in 1917 when the U.S. government began its search for a company to develop the first airplane engine "booster" for the fledgling U.S. aviation industry. Thomas Edison's experiments with plastic filaments for light bulbs in 1893 led to the first GE Plastics department, created in 1930. GE's leaders through the years have built a diverse portfolio of leading businesses; a stream of powerful company-wide initiatives that drives growth and reduces cost; financial strength and Controllershship that allow it to capitalize on opportunities through numerous cycles; and a set of common values that allows it to face any environment with confidence [18,19].



Figure 8.1 General Electric Year to Date Stock Prices

**Textron Inc.**

Textron started as a small textile company in 1923, when 27-year-old Royal Little founded the Special Yarns Corporation in Boston, Massachusetts. Revenues that first year were just \$75,000. This modest beginning was the seed that ultimately grew to become the world's first conglomerate, today known as the multi-industry company Textron Inc.

Textiles boomed during World War II, ushering in a period of growth and activity for the company, which was now doing business as Atlantic Rayon Corporation. A major line of business during the war was parachutes. In 1943, with World War II government contracts dwindling, Little faced the challenge of declining revenue and underutilized production capacity. He developed a vertically integrated company that controlled every operational aspect from raw goods processing to distribution. He moved quickly from producing parachutes to making lingerie, blouses, bed linens and other consumer goods.

This new operation needed a brand name. Atlantic Rayon's advertising agency suggested "Señorita Creations," but it was rejected in favor of Textron. The "Tex" was derived from textiles and the "tron" came from synthetics such as "Lustron. " The theme of the advertising reflected Little's vision: "From yarn to you, it's Textron all the way. "

Marking a major milestone for the company, Textron was listed on the New York Stock Exchange on December 22, 1947. By 1949, Textron's sales had reached \$67.8 million.

In 1952, facing yet another decline in the demand for textiles, Little approached the Textron Board of Directors for approval to diversify by acquiring businesses in unrelated industries. He planned to maintain textile operations as an earnings base while acquiring non-textile businesses.

In 1953, Textron purchased its first non-textile business, Burkart Manufacturing Co. of St. Louis, Missouri. This company supplied cushioning materials to the automotive market.

Little's success building a diversified company prompted other businesses to follow his model. Textron avoided many of the costly mistakes of other conglomerates by entering new lines of business with small, incremental investments, where other conglomerates tended to make massive, headline-grabbing acquisitions when they moved into new industries.

The pace of acquisitions was great and among the more important businesses added in the early 1950's were Homelite, which was retained until 1994; Camcar, which was retained until 2006; and CWC which remains part of Textron today.

1958 was a milestone for Textron. It was the first time diversification was tested in a recession. While sales declined four percent, earnings rose 24 percent.

In 1960, Textron purchased Bell Aerospace - which included **Bell Helicopter** - to balance Textron's earnings base by increasing its government business. At the same time, Little added another company, which, like Bell, remains a part of Textron: golf car manufacturer E-Z-GO.

Textron's founder, Royal Little, retired as chairman at the end of 1960. Sales had grown to \$383 million. Little's successor, banker Rupert Thompson, led Textron into the new decade alongside company President G. William Miller. In 1963, Textron sold its last textile operation.

Consumer product businesses defined Textron in the sixties and seventies. Notable acquisitions during this period included Speidel, maker of watchbands; Sheaffer Pen; staple and nail gun maker Bostich; and Rhode Island silver company Gorham. Throughout this period, Textron was recognized as the pioneer of the conglomerate and one of the most highly diversified corporations in the U.S. In 1967, the *Wall Street Journal* called Textron "the conglomerate king." During this time, Textron common stock also split twice: once in January of 1966 and again in September of 1967.

William Miller succeeded Thompson as chief executive officer at the end of 1968. Acquisitions under Miller included snowmobile maker Polaris, Australian card maker Valentine Holdings, and the venture capital firm American Research & Development.

Miller's tenure at Textron ended in 1977, when President Jimmy Carter nominated him to be chairman of the Federal Reserve. He later served as Secretary of the Treasury for President Carter. Joseph Collinson succeeded Miller as Textron's chairman and CEO.

From the 1960s through the 1980s, Textron's management philosophy remained relatively constant. The corporate office, for the most part, maintained oversight of operational issues. During this time business units operated autonomously and corporate staff was small. Oversight

by the corporate center was handled by a rotating group of corporate officers called group vice presidents.

In 1979, Collinson retired, and he was succeeded by Robert P. Straetz as chairman and CEO. Beverly F. Dolan, founder and former president of E-Z-GO, was president. By the end of 1979, revenues had risen to \$3.3 billion [20,21].



Figure 8.2 Textron Co. Year to Date Stock Prices

### **Southwest Airlines Co.**

Southwest Airlines Co. operates as a passenger airline that provides scheduled air transportation in the United States. As of December 31, 2008, it operated 537 Boeing 737 aircraft and provided service to 64 cities in 32 states. Southwest Airlines also sells frequent flyer credits and related services to companies participating in its Rapid Rewards frequent flyer program, including credit card companies, hotels, telecommunication companies, and car rental agencies. The company was founded in 1967 and is headquartered in Dallas, Texas. More than 38 years ago, Rollin King and Herb Kelleher got together and decided to start a different kind of airline. They began

with one simple notion: If you get your passengers to their destinations when they want to get there, on time, at the lowest possible fares, and make darn sure they have a good time doing it, people will fly your airline. And you know what? They were right. What began as a small Texas airline has grown to become one of the largest airlines in America. Today, Southwest Airlines flies over 100 million passengers a year to 66 great cities all across the country, and we do it more than 3,200 times a day. With over 500 aircraft, Southwest has one of the youngest fleets in the nation, with an average age of approximately nine years. Included in the fleet are three flying killer whales, the “Shamu” aircraft; “Lone Star One,” painted like the Texas flag, to celebrate Southwest Airlines’ 20th Anniversary in a style and manner second to none; “Arizona One,” a symbol of the importance of the state of Arizona to Southwest Airlines; “California One,” a high-flying tribute to the state of California; “Silver One,” our 25th Anniversary plane; “Triple Crown One,” dedicated to the Employees of Southwest Airlines for their marvelous achievement of five consecutive annual Triple Crown awards; “Nevada One,” a high-flying tribute to the state of Nevada; “New Mexico One,” also known as Zia, painted in the bright yellow of the New Mexico flag; “Maryland One,” emblazoned with an artist’s rendering of the Maryland flag; and the newest addition, “Slam Dunk One,” symbolizing Southwest’s special partnership with the National Basketball Association.

Since 1987, when the Department of Transportation began tracking Customer Satisfaction statistics, Southwest has consistently led the entire airline industry with the lowest ratio of complaints per passengers boarded. Many airlines have tried to copy Southwest’s business model, and the Culture of Southwest is admired and emulated by corporations and organizations in all walks of life. Always the innovator, Southwest pioneered Senior Fares, a same-day air freight delivery service, and Ticketless Travel. Southwest led the way with the first airline web

page—southwest.com, DING! The first-ever direct link to Customer’s computer desktops that delivers live updates on the hottest deals, and the first airline corporate blog, Nuts About Southwest. Our Share the Spirit community programs make Southwest the hometown airline of every city we serve [22,23].



Figure 8.3 Southwest Airlines Year to Date Stock Prices

**Spectra Energy Corp.**

Spectra Energy Corp, through its subsidiaries and equity affiliates, engages in the ownership and operation of a portfolio of complementary natural gas-related energy assets. The company operates in four segments: U.S. Transmission, Distribution, Western Canada Transmission and Processing, and Field Services.

**1947**

Texas Eastern Transmission was founded following the purchase of the Big Inch and Little Big Inch crude oil pipelines from the U.S. government, thus initiating natural gas transmission service from the energy fields of East Texas to the northeastern United States.

**1953**

Algonquin commenced operations and made its first deliveries of Gulf Coast natural gas to New England customers.

**1989**

Texas Eastern's board announced the \$3.22 billion deal with Panhandle Eastern Corp. in which Texas Eastern became a wholly owned subsidiary of Panhandle Eastern. The new company had four major pipelines: Panhandle Eastern Pipe Line, Trunkline Gas, Texas Eastern Transmission and Algonquin Gas Transmission.

**1997**

Duke Power and PanEnergy merged, forming Duke Energy.

**2000**

Duke Energy purchased East Tennessee Natural Gas (ETNG) from El Paso Energy. The purchase established interconnects between ETNG and Texas Eastern Transmission to provide Duke Energy with seamless service from the Gulf Coast to ETNG's southeastern markets. Duke Energy purchased Market Hub Partners LP from NiSource.

**2002**

Duke Energy acquired Westcoast Energy. The acquisition significantly strengthened the company's natural gas transmission and storage capacity positions, by adding more than 6,000 miles of transmission pipeline, 155 billion cubic feet of natural gas storage capacity and 16,500 miles of distribution pipeline.

## 2007

Spectra Energy separated from Duke Energy to become an independent publicly traded, pure-play natural gas business.

Spectra Energy formed Master Limited Partnership (MLP) Spectra Energy Partners, LP.

## 2009

Spectra Energy Partners, LP purchased Ozark Gas Transmission and Ozark Gas Gathering (Ozark) [24,25].

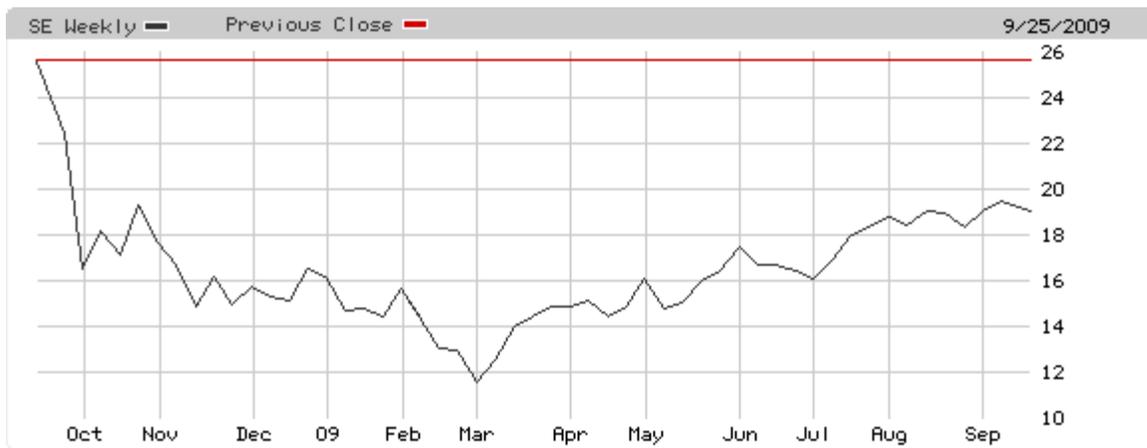


Figure 8.4 Spectra Energy Year to Date Stock Prices

### **Teva Pharmaceutical Industries Limited**

Teva Pharmaceutical Industries Limited engages in the development, production, and sale of a range of generic and branded pharmaceuticals, biogenetics, and active pharmaceutical ingredients (APIs) worldwide. Its research and development efforts focus on therapies for the central nervous system (with emphasis on multiple sclerosis), autoimmune diseases, and oncology. In the year 2000, Teva's acquisition of Novopharm in Canada, together with its

Hungarian subsidiary Teva Pharmaceutical Works Ltd. Hungary (formerly Human Ltd), led Teva to become the largest generic pharmaceutical company in North America. Teva continued to expand its presence worldwide with the acquisition in 2002 of Teva Classics (previously Bayer) in France, which included the Teva Sante' manufacturing plant in Sens. And finally the acquisition of the Honeywell Fine Pharmaceutical Chemical plants in northern Italy, renamed Teva PFC, has added to the range of Teva's API products manufactured worldwide. On January 22, 2004, Sicor became a wholly owned subsidiary of Teva. This acquisition brings together two premier generic pharmaceutical companies, combining Teva's successful oral dose generic drugs franchise with Sicor's leading generic injectable business. In addition, both the Active Pharmaceutical Ingredients (API) businesses and Sicor's biogenerics capabilities will enhance and expand the combined company's product offerings.

On January 26, 2006, the acquisition of IVAX Corporation was finalized and IVAX is now a wholly owned subsidiary of Teva. IVAX Corporation discovers, develops, manufactures, and markets branded and brand equivalent (generic) pharmaceuticals and veterinary products in the U.S. and internationally. IVAX brings a strong presence in Latin America and in Central and Eastern Europe and complementary operations in North America and Europe. IVAX also brings complementary product lines in generics, a significant respiratory business, and a rich pipeline of generic and proprietary products in the areas of respiratory, CNS, and oncology. The combined company will offer the widest range of cost-effective pharmaceuticals, both generic and branded, to consumers, customers, and healthcare providers.

In December 2008, Teva has completed its acquisition of Barr Pharmaceuticals in the US and its European subsidiary Pliva. This acquisition will further enhance Teva's leadership position in the U.S. and will significantly strengthen its position in key European and Central and Eastern

European markets. The combined company will have a significant presence in over 60 countries and will have a highly complementary generics business in the U.S. which extends its product portfolio and pipeline into new and product categories.

With over a century of experience in the health care industry the company enjoys firmly established international presence, operating through a strategic tailored network of worldwide subsidiaries. Teva has major manufacturing and marketing facilities in Israel, Europe and the US. Today, Teva is among the top 20 pharmaceutical companies in the world and one of the largest generic pharmaceutical companies in the world.

Teva is among the most traded shares on the Tel Aviv Stock Exchange and among the most widely held Israeli shares on NASDAQ. It is also traded on Seaq International in London and the Frankfurt Stock Exchange [26,27].



Figure 8.5 Teva Co. Year to Date Stock Prices

**Sprint**

Sprint Corporation is the private holding company for two publicly traded firms, Sprint FON and Sprint PCS. Sprint FON ("fiber optic network") operates a wire-based telecommunications

business, providing local and long-distance telephone service, integrated voice, data, and Internet connections, and a phone directory publishing arm. Sprint PCS ("personal communications services") maintains the largest digital wireless network in the nation. The unit is the fourth-largest wireless company in the United States. Long a distant number three in the nation's long-distance telephone market, Sprint was responsible for a series of technological innovations in the 1980s and 1990s, including installing the first coast-to-coast fiber optic transmission network in the United States. It continues to innovate with new communications technology, deploying new forms of high-speed data transmission networks. Sprint also has a sizable international telecommunications market.

Sprint traces part of its origin to the Southern Pacific Communications Corporation, a division of the Southern Pacific Railroad. During the early years of electronic communication, it was common for railroads to install telegraph wire on poles along its tracks. This enabled dispatchers to monitor trains and relay track conditions to locomotive engineers. With the advent of telephony, these wires were converted to voice communications. The complex nature of railroad communications necessitated the installation of telephone switches and multiplexing equipment, which allowed several conversations to be carried over the same pair of wires. By the 1940s, these railroads had established enormous long-distance networks that were independent of the Bell System and other telephone companies.

In 1983, the GTE Corporation offered to purchase SPCC, which included a satellite company and the Switched Private Network Telecommunications group, known as "Sprint." GTE, parent company of General Telephone, the United States' largest non-Bell telecommunications company, hoped to add the system to its own toll office network to form the backbone for a new long-distance unit to compete with AT&T. Federal antitrust action obliged AT&T to divest itself

of its 22 local Bell companies by 1984. In addition, AT&T's long-distance monopoly was ended, clearing the way for competition.

Sprint's second parent was a Kansas phone company that began in 1899 as the Brown Telephone company. It controlled a local Kansas and a Midwestern market. In the 1950s, the company was one of the top alternatives to Ma Bell in the country. It changed its name in the 1940s to United Utilities and again in 1972 to United Telecommunications. United Telecom was a \$1 billion company by the mid-1970s, with over 3.5 million telephone lines in markets across the country. With the break-up of AT&T in 1984, United Telecom began development of its own long-distance company, called US Telecom. Hundreds of long-distance companies had emerged at the same time, each looking for just a piece of AT&T's hugely profitable business. Few of these actually operated alternative networks, choosing instead to simply aggregate traffic over AT&T's high-capacity data lines.

The collapse of the WorldCom merger set back some of Sprint's plans, particularly for international expansion. Yet it still had a unique portfolio of properties. Unlike most of its competitors, Sprint was spread among four main business areas, with its local phone, long-distance, internet, and wireless operations. The company hoped to be able to cross-sell its services to existing customers, bundling its various services. However, by late 2001 it was clear that the telecommunications market was down. Sprint laid off over 6,000 employees in October, while the industry as whole shed 225,000 workers that year. Despite the soft economy, Sprint kept on with investments in new technology. It shut down its ION project, which had debuted in some cities in 1999, citing technological and economic difficulties with the deployment. But it then contracted with equipment-maker Nortel Networks Corp. to deploy a new switching technology known as "packet" network. The packet-based system allowed more traffic on

telecommunications lines. Sprint vowed to put all its phone lines on the packet system eventually, which would both save the company money and allow it to offer more services to its customers. Sprint invested in upgrades of its wireless network and continued to gain customers for its new Wireless Web service. The company seemed prepared to ride out falling revenues and a stagnant market in the early 2000s, as it continued to plan new products and services.



Figure 8.6 Sprint Year to Date Stock Prices

### AT&T

AT&T Corporation organizes its business into two segments, business services and consumer services. AT&T's consumer services business, the bedrock of its existence for more than a century, provides domestic and international long-distance telephone service to roughly 35 million residential customers in the United States, as well as Internet service through AT&T Worldnet and AT&T digital subscriber line (DSL) service to a much smaller portion of the U.S. population. AT&T's business services segment, which the company regards as its future,

involves offering global communications services to three million customers, ranging from small businesses to large, multinational corporations. For its corporate clientele, AT&T provides domestic and international voice service, domestic and international data and Internet protocol (IP) services, networking services, and domestic and international wholesale transport services.

AT&T had its origin in the invention of the telephone in 1876 by Alexander Graham Bell. In 1877, Bell and several financial partners formed the Bell Telephone Company, and in 1878 they formed the New England Telephone Company to license telephone exchanges in New England. The two companies licensed local operating companies in Chicago, New York, and Boston. Over the next year, Bell and his backers sold a controlling interest in the companies to a group of Boston financiers.

The companies were soon embroiled in patent disputes with Western Union Telegraph Company, the world's largest telegraph company. During the dispute, the two Bell companies were consolidated into the National Bell Telephone Company, and Theodore J. Vail was named general manager. In November 1879, the patent suit was settled out of court. Western Union left the telephone business and sold its system of 56,000 telephones in 55 cities to Bell. Bell agreed to stay out of the telegraph business and paid Western Union a 20 percent royalty on telephone equipment leases for the next 17 years. Between 1877 and 1881, Bell licensed numerous local operating companies as a way to promote the telephone without having to raise capital. The companies signed five- to ten-year contracts, under which Bell got \$20 per telephone per year and the right to buy the licensee's property when the contract expired.

Competition from independents continued to mount. Their rates were sometimes half of Bell's, and the United States was in an antimonopoly mood. Many rural communities started their own

not-for-profit phone companies that were later sold to independents or Bell. By 1907, the independents operated 51 percent of all phones. AT&T was fighting back, having made the decision to take on the independents when it moved and changed its name. The company's first and most effective action was to slash rates. The arrogance of early company officials was replaced by a desire to please customers. AT&T also bought out independents, set up its own "independents," and used its political and financial clout to strangle competitors. AT&T's greatest advantage was its virtual monopoly of long-distance service, which it refused to let independents use.

The invention of a certain electric device, the loading coil, in 1899 gave long-distance service a push by allowing smaller-diameter wires to be used, which made underground long-distance cables feasible. They were implemented for an underground New York-Philadelphia line in 1906, but long-distance signals remained weak and difficult to hear until the invention of the vacuum-tube repeater in 1912.

Competition had given AT&T a necessary push, forcing it to expand and grow, but it also weakened its finances. Between 1902 and 1906, debt grew from \$60 million to \$200 million. Through a series of bond purchases starting in 1903, financier J.P. Morgan tried to wrest control of the company from the Boston capitalists, beginning a free-for-all that lasted several years. When the dust cleared in 1907, Morgan and his New York and London backers had won, and they brought back Vail as president. Vail had left in 1887 because of differences with the Bostonians, whose view was focused narrowly on short-term profit. Vail and his backers had a wider vision than the Bostonians, believing they should create a comprehensive, nationwide communications system.

In October 1998, the company merged its Wireless Services division with Vanguard Cellular Systems, a Northeast U.S.-based cell phone company with 625,000 subscribers. AT&T also started its own "dial-around" service, Lucky Dog. A host of new competitors had emerged who were offering low residential long-distance rates via special 7-digit access numbers. The heavily advertised Lucky Dog was an attempt to tap into this market and was promoted with no mention of its corporate owner. In December, a deal worth \$5 billion was reached to buy IBM's Global Network Internet access business, which was expected to provide a starting point for the joint venture with British Telecom.

Armstrong's first year performance was winning rave reviews, and he continued at full throttle in 1999 with the \$60 billion acquisition of a second major cable provider, MediaOne. In a heated battle, AT&T had outbid both Comcast and Microsoft. As a sop to the latter, an agreement was reached to sell the computer giant \$5 billion in AT&T stock and to use Microsoft products in the company's new cable boxes. Deals with Comcast and Time Warner also brought more cable subscribers to the company. Armstrong's vision for AT&T's future was to offer both telephone and Internet services through the newly acquired cable TV networks, taking advantage of the large data-transmission capacity they offered. This would eliminate the slow download speed experienced by Internet users who connected via telephone line and modem. Billions of dollars would have to be invested to retrofit cable systems for interactivity and telephone use for the plan to succeed.

One constant during AT&T's development was change, particularly during the latter half of the 20th century. As the company prepared for the 21st century, its inconstancy was true to form, as AT&T struggled to find a lasting identity for itself. In October 2000, a little more than two years after Armstrong hailed the beginning of new age for AT&T, the company announced plans to

split into four separate companies. Armstrong's vision of using cable-TV networks to deliver broadband Internet access and local phone service to residential customers was abandoned, shelved in favor of creating four distinct businesses: AT&T Consumer, AT&T Business, AT&T Broadband, and AT&T Wireless. "The creation of these four companies," Armstrong remarked in a November 6, 2000 interview with *Business Week*, "is the foundation for a path to value creation. The journey hasn't been simple, but I believe it will be successful."

As the company entered a new decade, the process of stripping itself down to assume a new strategic stance began again, although not according to Armstrong's plan. Major facets of AT&T's business were divested, leaving the company focused on two business areas. In mid-2001, Comcast Corp. offered \$40 billion for AT&T Broadband, eventually gaining the assets after it increased its bid to \$72 billion at the end of 2001. In early 2004, Cingular Wireless and Vodafone Group launched a bidding war for AT&T Wireless, with Cingular's \$41 billion cash offer emerging the winner. The deal was approved by AT&T shareholders in May 2004, leaving AT&T with two business segments, AT&T consumer services and AT&T business services.

By the end 2004, AT&T was preparing for the beginning a new era. The company's residential telephone business, described by Armstrong in a November 8, 2000 interview with *Knight Ridder/Tribune Business News* as "in systemic decline," offered little opportunity for future growth. In July 2004, the company announced it would stop courting residential customers and instead focus its future on its business services segment. In the years ahead, AT&T planned on providing global voice and data communications services to clients ranging from small businesses to large multinational conglomerates, hoping its expertise in networking, Internet protocol (IP), and e-commerce services would provide a stable foundation for future growth.



Figure 8.7 AT&T Year to Date Stock Prices

**MetroPCS Communications, Inc.**

MetroPCS Communications, Inc. (MetroPCS), incorporated in 2004, is a wireless communications provider that offers wireless broadband mobile services under the MetroPCS brand in selected metropolitan areas in the United States over its own licensed networks or networks of entities, in which the Company holds a substantial non-controlling ownership interest. The Company provides an array of wireless communications services to its subscribers on a no long-term contract, paid-in-advance, flat-rate, unlimited usage basis. As of December 31, 2008, it had approximately 5.4 million subscribers in eight states.

The Company provides its array of wireless broadband mobile services primarily in selected major metropolitan areas in the United States, including the Atlanta, Boston, Dallas/Ft. Worth, Detroit, Las Vegas, Los Angeles, Miami, New York, Orlando/Jacksonville, Philadelphia, Sacramento, San Francisco, and Tampa/Sarasota metropolitan areas. As of December 31, 2008, it holds, or has access to, wireless spectrum covering a total population of approximately 150 million people and nine of the top 12 and 14 of the top 25 most populous metropolitan areas in the United States. The Company provides services using code division multiple access (CDMA), networks, using 1xRTT technology. In September 2008, it entered into a national roaming agreement and an agreement to exchange wireless spectrum with Leap Wireless International, Inc. (Leap).

The Company's voice services allows customers to place voice calls to, and receive calls from, any telephone in the world, including local, domestic long distance, and international calls. Its services also allows customers to receive and make calls while they are located in geographic areas served by certain other wireless broadband mobile carriers through roaming arrangements with such carriers. Its data services include services provided through the Binary Runtime Environment for Wireless (BREW), platform, such as ringtones, ring back tones, games and content applications; text messaging services (domestic and international); multimedia messaging services; mobile Internet browsing; mobile instant messaging; location based services; social networking services, and push e-mail. The Company offers custom calling features, including caller ID, call waiting, three-way calling and voicemail. The Company sells a range of handsets manufactured by nationally recognized handset manufacturers for use on its network, including models that have cameras, can browse the Internet, play music and have other features facilitating digital data.

The Company competes with AT&T, Verizon Wireless, Sprint Nextel, T-Mobile, Time Warner Cable, Comcast and Cox Communications.



Figure 8.8 MetroPCS Year to Date Stock Prices

### **Gold Trust (ETF)**

Gold - it is unlike all other elements on earth. Virtually indestructible, this precious metal has been the source of countless fables and has mobilized the growth of nations and financial infrastructures worldwide. Human beings have been utilizing gold as both a form of currency and an investment for thousands of years. As an asset class, gold is unique. Durable and highly liquid, the economic forces that determine the price of gold are different from the economic forces that determine the price of many other asset classes such as equities, bonds or real estate. A potential safe haven from the uncertainty of economic events, political unrest and high inflation, gold offers investors an attractive opportunity to diversify their portfolios - potentially reducing overall portfolio risk and ultimately preserving portfolio wealth.

SPDR Gold Shares offer investors an innovative, relatively cost efficient and secure way to access the gold market. Originally listed on the New York Stock Exchange in November of 2004, and traded on NYSE Arca since December 13, 2007, SPDR Gold Shares has been one of the fastest growing ETFs in the US. SPDR Gold Shares now trade on the Singapore Stock Exchange as well as the Tokyo Stock Exchange and the Stock Exchange of Hong Kong. For more information, please click on the appropriate country flag above.

SPDR Gold Shares are intended to offer investors a means of participating in the gold bullion market without the necessity of taking physical delivery of gold, and to buy and sell that interest through the trading of a security on a regulated stock exchange. The introduction of SPDR Gold Shares was intended to lower many of the barriers, such as access, custody, and transaction costs, that have prevented some investors from investing in gold.

SPDR Gold Shares represent fractional, undivided beneficial ownership interests in the Trust, the sole assets of which are gold bullion, and, from time to time, cash. SPDR Gold Shares are intended to lower a large number of the barriers preventing investors from using gold as an asset allocation and trading tool. These barriers have included the logistics of buying, storing and insuring gold. In addition, certain pension funds and mutual funds do not or cannot hold physical commodities, such as gold, or the derivatives.



Figure 8.9 Gold Trust Year to Date Stock Prices

**iShares Silver Trust (ETF)**

In the world of metals and commodity ETF products, the iShares Silver Trust (NYS: SLV) has been the go-to ETF for traders wanting exposure to the price of silver as it has an objective to reflect the price of silver owned by the iShares Silver Trust after the fund's expenses and liabilities. There are other silver ETF products that traders and investors can use, but a new competing ETF has launched today. The ETFS Silver Trust (NYSE: SIVR) has now launched and has issued shares backed by physical silver SIVR for NYSE listing. There is a fairly high benchmark here and it will be some time before traders and investors can determine whether this is a success or not. That measure will come through volume and liquidity. The iShares Silver Trust (NYS: SLV) trades on average 8.8 million shares. At \$13.57, its 52-week trading range is \$8.45 to \$17.68 and its market cap is \$3.9 billion.

PowerShares DB Silver (NYSE: DBS) is far smaller and far thinner in trading volume. At \$24.67, its 52-week range is \$14.81 to \$33.00 and market cap is listed as almost \$83 million. This one only trades almost 100,000 shares on an average day. There is also the E-TRACS UBS Bloomberg CMCI Silver ETN (NYSE: USV), although this one is so small and thinly traded that we do not even rank it very high.

Then there is leveraged-ETF trend seen in the Ultra Silver ProShares (NYSE: AGQ), which is double-leverage against silver bullion. At \$41.22, its 52-week trading range is \$21.60 to \$57.32 and its average volume is roughly 250,000 shares. Its double-short inverse is the ProShares UltraShort Silver ETF (NYSE: ZSL).

Despite the “four letter ticker” that might make you think this is a NASDAQ traded instrument, it trades on the NYSE.



Figure 8.10 iShares Silver Trust Year to Date Stock Prices

**Platinum Underwriters Holdings, Ltd.**

Platinum Underwriters Holdings, Ltd. completed the initial public offering of 33,044,000 common shares in November 2002. Concurrent with the initial public offering, we sold 6,000,000 common shares to St. Paul, and 3,960,000 common shares to RenaissanceRe in private placements. St. Paul sold its 6,000,000 common shares in June 2004 and RenaissanceRe sold its 3,960,000 common shares in December 2005, in each case in public offerings. As part of the private placements, St. Paul and RenaissanceRe received options to purchase up to 6,000,000 and 2,500,000 of additional common shares, respectively, at any time during the ten years following the initial public offering at a price of \$27.00 per share. Both of these options were subsequently amended to provide that in lieu of paying \$27.00 per share, any option exercise will be settled on a net share basis, which will result in our issuance of a number of common shares equal to the excess of the market price per share, determined in accordance with the amendments, over \$27.00, less the par value per share, multiplied by the number of common shares issuable upon exercise of the option divided by that market price per share. Neither St. Paul nor RenaissanceRe has exercised its option. In November 2002, we entered into several agreements with St. Paul for the transfer of continuing reinsurance business and certain related assets of St. Paul. Among these agreements were the Quota Share Retrocession Agreements under which Platinum Underwriters Holdings, Ltd. assumed from St. Paul unpaid losses and LAE, unearned premiums and certain other liabilities on reinsurance contracts becoming effective in 2002 underwritten by St. Paul Re. In November 2002, Platinum Underwriters Holdings, Ltd. entered into a five-year Services and Capacity Reservation Agreement with RenaissanceRe, pursuant to which RenaissanceRe provided consulting services to them in connection with the property catastrophe book of business (the "RenRe Agreement"). The RenRe

Agreement provided that, up to two times per year, RenaissanceRe would analyze our property catastrophe treaties and contracts and assist us in measuring risk and managing our aggregate catastrophe exposures. The RenRe Agreement expired in September 2007.

Periods of moderate economic growth or recession tend not to adversely affect our operations. Periods of moderate inflation or deflation also tend not to adversely affect our operations. However, periods of severe inflation or deflation or prolonged periods of recession may adversely impact our results of operations or financial condition. Management considers the potential impact of economic trends in the estimation process for establishing unpaid losses and LAE and in determining our investment strategies.

The reinsurance industry historically has been cyclical, characterized by periods of price competition due to excessive underwriting capacity as well as periods of favorable pricing due to shortages of underwriting capacity. Cyclical trends in the industry and the industry's profitability can also be significantly affected by volatile developments, including natural and other catastrophes. Property and casualty reinsurance rates often rise in the aftermath of significant catastrophe losses. To the extent that actual claim liabilities are higher than anticipated, the industry's capacity to write new business diminishes. The reinsurance industry is also affected by changes in the propensity of courts to expand insurance coverage and grant large liability awards, as well as fluctuations in interest rates, inflation and other changes in the economic environment that affect the fair values of investments.

In 2005 an unprecedented level of hurricane losses caused many reinsurers to report significant net losses after which rating agencies imposed higher capital requirements. Both reinsurers and their clients reassessed their catastrophe pricing parameters and procedures. The result was an

increase in catastrophe pricing, particularly for wind exposures in the United States, in 2006 and the beginning of 2007. A number of new companies were formed to take advantage of the improved pricing. The combination of additional capacity and a lack of major catastrophe activity in 2006 and 2007 led to a decline in pricing for catastrophe exposed reinsurance in the second half of 2007. After initially stabilizing, the weakening of non-catastrophe pricing resumed in late 2006 and continued throughout 2007. The pricing of reinsurance continued to decline in the first half of 2008. However, during the second half of 2008, the financial markets experienced significant adverse credit events and a loss of liquidity, which reduced the amount of capital in the insurance industry. In addition, the 2008 hurricane season resulted in substantial losses to the insurance and reinsurance industry.

Platinum Underwriters Holdings, Ltd. believes that the current adverse conditions in the financial markets have made debt and equity capital either unavailable or significantly more expensive to access than in the recent past. Since reinsurance can serve primary insurers as a replacement of dedicated capital, we believe demand for reinsurance will increase. Platinum Underwriters Holdings, Ltd. also believe that some reinsurers have been negatively impacted by the current adverse conditions in the financial markets and 2008 hurricane losses to such an extent that they may be reluctant to deploy their capacity without appropriate rate increases. Platinum Underwriters Holdings, Ltd. believes that these factors have begun to affect reinsurance market conditions positively. At January 1, 2009 rate adequacy stabilized or improved in most classes. Platinum Underwriters Holdings, Ltd. believes that these conditions may lead to further rate strengthening during 2009, particularly with respect to property and marine business.

For the Property and Marine segment, catastrophe rate adequacy improved most in catastrophe exposed areas of the U.S. Platinum Underwriters Holdings, Ltd. seek to limit the estimated

probable maximum loss to a specific level for severe catastrophic events. Platinum Underwriters Holdings, Ltd. currently expect to limit the probable maximum pre-tax loss for 2009 to no more than 22.5% of total capital for a severe catastrophic event in any geographic zone that could be expected to occur once in every 250 years, although we may change this threshold at any time. In January 2009, the estimated probable maximum loss for a catastrophic event in any geographic zone arising from a 1-in-250 year event was approximately \$293 million as compared with \$467 million in January 2008.

For the Casualty segment, we believe that the market offers adequate returns on certain accounts and that pricing has been stabilizing. Platinum Underwriters Holdings, Ltd. believes that financial security is a significant concern for buyers of long-tailed reinsurance protection who typically seek reinsurers with strong balance sheets, quality ratings, and a proven claims-paying record. Platinum Underwriters Holdings, Ltd. believes that our rating, capitalization and reputation as a lead casualty reinsurer position us well to write profitable business as opportunities arise.

Platinum Underwriters Holdings, Ltd. found relatively more attractive opportunities in our Property and Marine segment and relatively fewer attractive opportunities in our Casualty segment. Therefore, Property and Marine business may represent a larger proportion of our overall book of business in future periods, which could increase the volatility of our results of operations.

In the Finite Risk segment, Platinum Underwriters Holdings, Ltd. expects the relatively low level of demand will continue for the foreseeable future.



Figure 8.11 Platinum Underwriters HLDGS Year to Date Stock Prices

**Neenah Paper, Inc. (NP)**

Neenah Paper, Inc. (Neenah), incorporated in April 2004, is a producer of fine papers and technical products. The Company operates in two segments: fine paper business and technical products business. The Company owns approximately 500,000 acres of timberlands in Nova Scotia, Canada. Neenah's fine paper business is a producer of writing, text, cover and specialty papers used in corporate identity packages, corporate annual reports, invitations, personal stationery and packaging for point of purchase advertising. Its technical products business is a producer of transportation and other filter media, saturated and coated substrates for a range of end uses, and nonwoven wall coverings. In June 2008, the Company sold its pulp mill located in Pictou, Nova Scotia, Canada.

### Fine Paper Business

The Company sells its products primarily to authorized paper distributors, converters and specialty businesses. Neenah's fine paper manufacturing facilities are located in Appleton, Neenah and Whiting, Wisconsin, and Ripon, California. Text and cover papers are used in applications, such as corporate identity packages, corporate annual reports, insert advertising, direct mail, facility brochures, business cards, hang tags, scrapbooks, and a range of other uses where colors, textured finishes or heavier weight papers are desired. The Company's brands in this category include CLASSIC, CLASSIC CREST, SUNDANCE, CORONADO, ESSE, ENVIRONMENT and STARWHITE. It also sells a range of custom paper colors, paper finishes and duplex/laminated papers. The fine paper business produces and sells other specialty papers, including translucent papers, art papers, papers for optical scanning and other specialized applications, under the UV/ULTRA II trademark and other brands.

### Technical Products Business

Neenah's technical products business is organized into five global strategic business units (SBUs): Tape; Filtration; Component Materials, which includes its abrasives business; Graphics and Identification, and Wall Covering. The Filtration SBU produces filtration media for automotive induction air, fuel, oil, and cabin air applications and vacuum cleaner bags and filters. The Tape SBU produces tape base sheets from latex saturated crepe and flat papers and sells them to manufacturers to produce finished pressure sensitive products for sale in automotive, automotive aftermarket, transportation, manufacturing and building construction, and industrial general purpose applications. The Component Materials SBU is a producer of latex saturated and coated papers for use by a range of manufacturers. The Graphics & Identification SBU produces label and tag products from saturated (latex impregnated) base label

stock and purchased synthetic base label stock. The Wall Covering SBU produces a line of substrates made from saturated and coated wet-laid non-wovens and markets to converters serving primarily European commercial and do-it-yourself markets.

The Company competes with Mohawk Fine Papers Inc., Wausau Paper Corp., ArjoWiggins S.A.S., MeadWestvaco Corporation, Hollingsworth & Vose Company, Arkwright, Inc., Ahlstrom Corporation, Monadnock Paper Mills, Inc., Fortress Paper, Ltd and Paper Line S.p.A.



Figure 8.12 Neenah Paper Year to Date Stock Prices

### **Clearwater Paper Corp. (CLW)**

Clearwater Paper Corporation is principally engaged in the manufacturing and selling of pulp-based products. The Company is a producer of private label tissue products sold in grocery stores in the United States, and it manufactures and markets bleached paperboard for the packaging industry. The Company also manufactures and markets bleached pulp and wood products,

including appearance grade cedar and dimensional framing lumber products. The Company operates in three segments: Consumer Products, Pulp and Paperboard, and Wood Products. In December 2008, the Company completed the spin-off from Potlatch Corporation.

#### Consumer Products segment

The Company's Consumer Products segment manufactures and markets household private label consumer tissue products, including household paper towels, napkins, and facial and bathroom tissue. The Company's tissue products are manufactured on three machines at its facility in Lewiston, Idaho, as well as one machine at facility in Las Vegas, Nevada. In household paper towels, it produces and sells high-end through-air-dried (TAD) towels, as well as premium and value towels. In napkins, the Company manufactures ultra two- and three-ply dinner napkins, as well as and value one-ply luncheon napkins. In bathroom tissue, the majority of its sales are two-ply ultra and products. In the facial category, the Company sells an ultra lotion facial tissue, as well as a line of products.

#### Pulp and Paperboard segment

The Company's Pulp and Paperboard segment manufactures and a market bleached paperboard for the packaging industry and is a producer of solid bleach sulfate (SBS) paperboard. This segment also produces softwood market pulp, which is used as the basis for many paper products, and slush pulp, which it supplies to its Consumer Products segment. SBS is a paperboard grade that is used to produce folding cartons, liquid packaging, cups and plates, and commercial printing items. It's Pulp and Paperboard segment operates two facilities, one in Idaho and one in Arkansas. The Company also sells paperboard for use in cup and plate

products. Its Pulp and Paperboard segment also sells products for commercial printing applications.

### Wood Products segment

The Company's Wood Products segment consists of a single lumber facility located on the site in Lewiston, Idaho, as its tissue and pulp and paperboard manufacturing facilities. This segment produces and markets appearance grade cedar and dimensional framing lumber products, including glued and profile lumber for building products end-users. Its cedar products include appearance grade boards, siding and trim. The Company's glued cedar process utilizes low grade cedar to produce finger jointed and edge glued board and siding. Its dimensional lumber business includes two-inch dimensional framing lumber, industrial timbers and railroad ties.



Figure 8.13 Clearwater Paper Corp Year to Date Stock Prices

### **International Paper Company (IP)**

International Paper Company (International Paper), incorporated in 1941, is a global paper and packaging company that is complemented by a North American merchant distribution system, with primary markets and manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. During the year ended December 31, 2008, the Company operated 23 pulp, paper and packaging mills, 157 converting and packaging plants, 19 recycling plants and three bag facilities. During 2008, the production facilities in Europe, Asia, Latin America and South America included eight pulp, paper and packaging mills, 53 converting and packaging plants, and two recycling plants. The Company operates in six segments: Printing Papers, Industrial Packaging, Consumer Packaging, Distribution, Forest Products, and Specialty Businesses and Other. On August 4, 2008, International Paper completed the acquisition of the assets of Weyerhaeuser Company's Containerboard, Packaging and Recycling (CBPR) business.

#### **Printing Papers**

International Paper produces uncoated printing and writing papers. Products in this segment include uncoated papers, market pulp and uncoated bristols. Uncoated papers business produces papers for use in copiers, desktop and laser printers, and digital imaging. End use applications include advertising and promotional materials, such as brochures, pamphlets, greeting cards, books, annual reports and direct mail. Uncoated papers business also produces a variety of grades that are converted by its customers into envelopes, tablets, business forms and file folders. Uncoated papers are sold under private label and International Paper brand names that include

Hammermill, Springhill, Williamsburg, Postmark, Accent, Great White, Ballet, Rey and Chamex.

Market pulp is used in the manufacture of printing, writing and specialty papers, towel and tissue products and filtration products. Pulp is also converted into products, such as diapers and sanitary napkins. Pulp products include fluff, southern softwood pulp, as well as southern and birch hardwood paper pulps. These products are produced in the United States, France, Poland and Russia, and are sold worldwide.

### Industrial Packaging

International Paper is the manufacturer of containerboard in the United States. Its products include linerboard, medium, whitetop, recycled linerboard, recycled medium and saturating kraft. About 80% of its production is converted domestically into corrugated boxes and other packaging by the 137 United States container plants. In Europe, its operations include recycled containerboard mills in France and Morocco, and 22 container plants in France, Italy, Spain, Turkey and Morocco. In Asia, its operations include 10 container plants in China and one container plant in Thailand.

### Consumer Packaging

The Company's coated paperboard business produces coated paperboard for a variety of packaging and commercial printing end uses. Everest, Fortress, and Starcote brands are used in packaging applications for everyday products, such as food, cosmetics, pharmaceuticals, computer software and tobacco products. Carolina brand is used in commercial printing end uses, such as greeting cards, paperback book covers, lottery tickets, direct mail and point-of-purchase advertising. International Paper is a producer of solid bleached sulfate board with

annual United States production capacity of about 1.9 million tons. Shorewood Packaging Corporation utilizes emerging technologies in its 18 facilities worldwide to produce packaging with graphics for a variety of markets, including home entertainment, tobacco, cosmetics, general consumer and pharmaceuticals. Its Foodservice business offers cups, lids, food containers and plates through three domestic plants and four international facilities.

### Distribution

Through xpedx, the Company's North American merchant distribution business, it provides distribution services and products to a number of customer markets, supplying commercial printer with printing papers and graphic pre-press, printing presses and post-press equipment; building services and away-from-home markets with facility supplies, and manufacturers with packaging supplies and equipment. xpedx is a wholesale distribution marketer in these customer and product segments in North America, operating 129 warehouse locations and 131 retail stores in the United States, Mexico and Canada.

### Forest Products

International Paper manages approximately 200,000 acres of forestlands in the United States. The Company focuses on operations maximizing the value from the sale of its remaining forestland and real estate properties.

### Specialty Businesses and Other

The Specialty Businesses and Other segment principally included the operating results of the Arizona Chemical business, as well as certain smaller businesses. The Arizona Chemical business was sold in February 2007.



Figure 8.14 International Paper Co. Year to Date Stock Prices

### **Best Buy Co., Inc (BBY)**

Best Buy Co., Inc. (Best Buy), incorporated in 1966, is a specialty retailer of consumer electronics, home office products, entertainment software, appliances and related services. The Company operates retail stores and Web sites under the brand names Best Buy (BestBuy.com, BestBuy.ca, BestBuy.com.cn, espanol.BestBuy.com and BestBuyMobile.com), The Carphone Warehouse (Carphone Warehouse.com), Five Star (Five-Star.cn), Future Shop (FutureShop.ca), Geek Squad (GeekSquad.com and GeekSquad.ca), Magnolia Audio Video (MagnoliaAV.com), Napster (Napster.com), Pacific Sales (PacificSales.com), The Phone House (PhoneHouse.com) and Speakeasy (Speakeasy.net). It operates through two business segments: Domestic and International. The Domestic segment consists of the store, call center and online operations in all states, districts and territories of the United States operating under the brand names Best Buy, Best Buy Mobile, Geek Squad, Magnolia Audio Video, Napster, Pacific Sales and Speakeasy. The International segment is comprised all Canada store, call center and online operations, under

the brand names Best Buy, Best Buy Mobile, Future Shop and Geek Squad. Its International segment offers products and services similar to that of its U.S. Best Buy stores. On June 28, 2008, the company acquired a 50% stake in Best Buy Europe. On October 25, 2008, the Company completed the acquisition of Napster, Inc.

As of February 28, 2009, the Company operated 1,023 U.S. Best Buy stores, 38 U.S. Best Buy Mobile stand-alone stores, 34 Pacific Sales stores, six Magnolia Audio Video stores, and six Geek Squad stand-alone stores, totaling approximately 40.9 million retail square feet. As of February 28, 2009, the Company operated 897 The Carphone Warehouse stores, 1,568 The Phone House stores, 58 Best Buy Canada stores, three Best Buy Mobile Canada stores, 139 Future Shop stores, five Best Buy China stores, 164 Five Star stores and one Best Buy Mexico store totaling approximately 13.3 million retail square feet.

#### Domestic Segment

U.S. Best Buy store operations are organized into eight territories. Each territory is divided into districts and is under the management of a retail field officer who oversees store performance through district managers. District managers monitor store operations and meet regularly with store managers to discuss merchandising, new product introductions, sales promotions, customer loyalty programs, employee satisfaction surveys and store operating performance. Advertising, merchandise purchasing and pricing, as well as inventory policies, are generally controlled centrally. U.S. Best Buy stores are generally open 80 hours per week, seven days a week, with extended holiday hours. U.S. Best Buy stores use an operating procedure called Standard Operating Platform (SOP). The SOP includes procedures for inventory management, transaction

processing, customer relations, store administration, product sales and services, and merchandise display.

U.S. Best Buy Mobile stand-alone stores are generally open 73 hours a week, seven days a week, with extended holiday hours. Pacific Sales stores are managed by a store manager who also sells appliances. Pacific Sales stores are generally open 40 hours per week, five days a week. Depending on an individual store's volume and product offerings, store staffing includes approximately nine noncommissioned sales personnel and approximately four sales support personnel. Corporate management for Pacific Sales stores generally controls advertising, merchandise purchasing and pricing, as well as inventory policies. Magnolia Audio Video stores are managed by a store manager and an audio/video sales manager. Magnolia Audio Video stores are generally open 72 hours per week, seven days a week.

U.S. Best Buy stores have offerings in six revenue categories: consumer electronics, home office, entertainment software, appliances, services and other. Consumer electronics consists of video and audio products. Video products include televisions, digital cameras and accessories, digital camcorders and accessories and digital versatile disc (DVD) players. Audio products include accessories, navigation products, home theater audio systems and components, and mobile electronics including car stereo and satellite radio products. The home office revenue category includes notebook and desktop computers, monitors, mobile phones, hard drives, networking equipments and accessories. The entertainment software revenue category includes video gaming hardware and software, DVD movies, compact discs (CDs), digital downloads and computer software. The appliances revenue category includes major appliances, as well as small electrics. The services revenue category consists primarily of service contracts; extended warranties; computer related services; product repair, and delivery and installation for home

theater, mobile audio and appliances. The other revenue category includes non-core offerings such as snacks and beverages. Pacific Sales stores have offerings in three revenue categories: appliances, consumer electronics and services. Consumer electronics consists of video and audio products. Video products include televisions, DVD players and accessories. Audio products include home theater audio systems and components, mobile electronics and accessories.

### International Segment

The Carphone Warehouse and The Phone House stores in Europe have offerings in two revenue categories: home office and services. Home office consists primarily of mobile phones and related accessories, as well as subscription service commissions. Services consist of device insurance operations, mobile and fixed-line telecommunication services, billing management services and Geek Squad repair services. Best Buy Canada and Future Shop stores have offerings in five revenue categories: consumer electronics, home office, entertainment software, services and other, and for Future Shop only, a sixth revenue category, appliances. Consumer electronics consists of video and audio products. Video products include televisions, digital cameras and accessories, DVD players, digital camcorders and accessories. Audio products include Moving Picture Experts Group layer-3 audio (MP3) players, home theater audio systems and components, navigation products, mobile electronics and accessories. The home office revenue category includes desktop and notebook computers and their respective accessories, monitors, hard drives, printers and mobile phones, and related accessories. The entertainment software revenue category includes video game hardware and software, DVDs, CDs and computer software. The appliances revenue category includes major appliances, as well as small electrics. The services revenue category includes service contracts, repair, delivery, computer services and home theater installation.

Best Buy China and Five Star stores have offerings in four revenue categories: appliances, consumer electronics, home office and services. The China stores do not carry entertainment software. Appliances include major appliances, air conditioners, small electrics and housewares. The consumer electronics revenue category consists of video and audio products, including televisions, digital cameras, MP3 players and accessories. The home office revenue category includes desktop and notebook computers, mobile phones, traditional telephones and accessories. The services revenue category includes computer support services. The Company's Best Buy Mexico store has offerings in six revenue categories: consumer electronics, home office, entertainment software, appliances, services and other.



Figure 8.15 Best Buy Company Year to Date Stock Prices

### **Target Corporation (TGT)**

Target Corporation (Target), incorporated in 1902, operates Target general merchandise stores with an assortment of general merchandise and food items, as well as SuperTarget stores with a line of food and general merchandise items. Target.com offers an assortment of general merchandise, including many items found in the Company's stores and a complementary assortment, such as extended sizes and colors, sold only online. The Company operates in two segments: Retail and Credit Card. The Retail Segment includes all of its merchandising operations, including its general merchandise and food discount stores in the United States and its integrated online business. The Credit Card Segment offers credit to qualified guests through its branded credit cards, the Target Visa and the Target Card (collectively, REDcards).

As of January 31, 2009, the Company operated 34 distribution centers. A significant portion of the Company's sales is from national brand merchandise. In addition, it sells merchandise under private-label brands, including, but not limited to, Archer Farms, Boots & Barkley, Choxie, Circo, Durabuilt, Embark, Garden Place, Gilligan & O'Malley, itso, Kaori, Market Pantry, Merona, Playwonder, Room Essentials, Sutton and Dodge, Target Brand, Target Home, Trutech, Vroom, Wine Cube and Xhilaration. The Company also sells merchandise through programs, such as ClearRx, GO International and Home Design Event. In addition, it sells merchandise under licensed brands, including, but not limited to, C9 by Champion, Chefmate, Cherokee, Converse One Star, Eddie Bauer, Fieldcrest, Genuine Kids by Osh Kosh, Kitchen Essentials by Calphalon, Liz Lange for Target, Michael Graves Design, Mossimo, Nick & Nora, Perfect Pieces by Victoria Hagan, Sean Conway, Simply Shabby Chic, Smith & Hawken, Sonia Kashuk, Thomas O'Brien, Waverly and Woolrich. The Company also generates revenue from in-store

amenities, such as Food Avenue, Target Clinic, Target Pharmacy and Target Photo, and from leased or licensed departments, such as Optical, Pizza Hut, Portrait Studio and Starbucks.



Figure 8.16 Target Corp Year to Date Stock Prices

**Wal-Mart Stores, Inc. (WMT)**

Wal-Mart Stores, Inc. (Walmart), incorporated in October 1969, serves customers and club members more than 200 million times per week at more than 8,000 retail units under 53 different banners in 15 countries. The Company operates in three business segments: Walmart U.S. and Sam's Club in the United States, and Walmart International in 14 countries and Puerto Rico. In January 2009, the Company acquired 57% of D&S S.A.

## Walmart U.S. Segment

The Walmart U.S. segment includes its discount stores, supercenters and Neighborhood Markets in the United States, as well as walmart.com. The Walmart U.S. segment operates retail stores in 50 states, with discount stores in 47 states, supercenters in 48 states and Neighborhood Markets in 16 states. The Company's discount stores range in size from 30,000 square feet to 219,000 square feet, with an average size of approximately 108,000 square feet. Supercenters range in size from 94,000 square feet to 260,000 square feet, with an average size of approximately 186,000 square feet. Neighborhood Markets range in size from 36,000 square feet to 62,000 square feet, with an average size of approximately 42,000 square feet. Customers can also purchase an assortment of merchandise and services online at [www.walmart.com](http://www.walmart.com).

Walmart U.S. does business in six merchandise units across several store formats, including discount stores, supercenters and Neighborhood Markets. Its grocery merchandise consists of a line of grocery items, including meat, produce, deli, bakery, dairy, frozen foods, floral and dry grocery, as well as consumables, such as health and beauty aids, household chemicals, paper goods and pet supplies. The entertainment merchandise consists of electronics, cameras and supplies, photo processing services, cellular phones, cellular service plan contracts and prepaid service and toys. Its hardlines merchandise includes fabrics and crafts, stationery and books, automotive accessories, hardware and paint, horticulture and accessories, sporting goods, outdoor entertaining and seasonal merchandise. Wal-Mart's apparel merchandise includes apparel for women, girls, men, boys and infants, shoes and jewelry. Its health and wellness includes pharmacy and optical services and home merchandise consists of home furnishings, housewares and small appliances.

The Walmart U.S. segment offers financial services and products, including money orders, wire transfers, check cashing and bill payment. The Company also markets lines of merchandise under its private-label store brands, including Great Value, Equate, Ol' Roy, Sam's Choice, Spring Valley, Parent's Choice, Everstart, Faded Glory, No Boundaries, George, Athletic Works, Secret Treasures, HomeTrends, Mainstays, Ozark Trail, White Stag and Canopy. Wal-Mart also markets lines of merchandise under licensed brands, some of which include General Electric, Disney, McDonald's, Better Homes & Gardens, OP, Starter, Danskin Now and Just My Size.

#### International Segment

The International segment consists of its wholly owned subsidiaries operating in Argentina, Brazil, Canada, Japan, Puerto Rico and the United Kingdom, its majority-owned subsidiaries operating in five countries in Central America, and in Chile and Mexico, the Company's joint ventures in India and China and its other controlled subsidiaries in China. During fiscal 2009, the Company disposed of Gazeley Limited (Gazeley), a property development subsidiary in the United Kingdom. Through these facilities, Wal-Mart processes and distributes imported and domestic products to the operating units of the International segment.



Figure 8.17 Wal-Mart Stores Inc. Year to Date Stock Prices

### 8.3 Initial Investments

To get a good feel for the Capital Growth Strategy I decided to pick several different stocks in varying markets and bases such that I could see how the strategy worked in different areas. These companies, the Textron Company, Spectra Energy Company, TEVA Pharmaceuticals Corporation, Southwest Airlines and General Electric should provide a sufficient challenge in which to explore Capital Growth Investing.

## 8.4 Simulation

### Week 1

This week involved observing stocks and analyzing how the market actually works. Within this week alone all of the stocks have gone down, as to be expected in such a strategy. The strategy for a capital growth is to be focused on waiting until the stocks have proceeded to rise. I will hold all stocks till I believe a major gain will come, I will continue to watch the market and invest into companies that show continual gain.

The following are the 3 month chart for each of the stocks, these graphs came from yahoo finance and they are the Textron Company, Spectra Energy Company, TEVA Pharmaceuticals Corporation, Southwest Airlines and General Electric, respectively.



Figure 8.18: TTX 3 Month Technical Chart

The TTX stock is on its way up and is observed to gain a lot more.



Figure 8.19: SE 3 Month Technical Chart

The SE stock seems to have a very unpredictable table, and will be hard to organize a greater gain outcome.



Figure 8.20: TEVA 3 Month Technical Chart

The TEVA stock is on a downward curve but it seems that in the future it will be having a great gain soon.



Figure 8.21: LUV 3 Month Technical Chart

The LUV stock is showing significant gain in the past months and is susceptible to a greater profit once invested.



Figure 8.22: GE 3 Month Technical Chart

The GE stock is on a steady incline, it will be a good investment.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
09/28/09	TXT	buy	\$18.34	1090.00	\$20000		\$80000	
09/28/09	SE	buy	\$19.07	1048.00	\$20000		\$60000	
09/28/09	TEVA	buy	\$50.97	392.00	\$20000		\$40000	
09/28/09	LUV	buy	\$9.65	2072.00	\$20000		\$20000	
09/28/09	GE	buy	\$16.37	1221.00	\$20000		\$0	

Table 8.1 Week 1 Order Records

Symbol	Shares	21-Sep	22-Sep	23-Sep	24-Sep	25-Sep
LUV	2072	9.77	9.5	9.68	9.49	9.66
TEVA	392	51.82	50.94	50.64	50.75	51
GE	1221	16.76	17.01	17	16.58	16.38
SE	1048	19.43	19.67	19.29	19.05	19.07
TXT	1090	19.25	19.37	19.2	18.34	17.88

Table 8.2 Week 1 Stock Prices

## Week 2

This week the stocks have continued to all go down. It is frustrating to watch such vital companies; the media has proven to be an unreliable tool, for the companies I have bought. I will search throughout the market for potential stock buying. My biggest loss so far is Textron. Southwest, General Electric, and Teva Pharmaceutical Industries Limited haven't gone down much so their stock will be kept for a couple more weeks with the hopes that they will rise.



Figure 8.23: TXT 5 day Technical Chart

This was a very interesting week for Textron; it seemed to be on an upward trend and then it took a drastic decline toward the end of the week.



Figure 8.24: SE 5 day Technical Chart

Spectra Energy is also on a steep decline and I believe if I were to sell this stock too soon I would be not going along with my Capital Growth strategy, and am reluctant to sell.



Figure 8.25: TEVA 5 day Technical Chart

Teva pharmaceutical was first showing a great incline and then progressed to a steady decline for the rest of the week.



Figure 8.26: LUV 5 day Technical Chart

The Southwest Airlines stock LUV was showing a steady pace until Thursday of October 1, when there was a drastic decline in the day leading to the end of the week.



Figure 8.27: GE 5 day Technical Chart

GE is showing drastic decline with no sense of prosper, till the very end of the week.

Symbol	Shares	28-Sep	29-Sep	30-Sep	1-Oct	2-Oct
LUV	2072	9.78	9.65	9.61	8.98	9.21
TEVA	392	51.57	51.16	50.56	49.31	50.09
GE	1221	16.76	16.71	16.42	15.97	15.36
SE	1048	19.15	19.14	18.94	18.6	18.42
TXT	1090	18.59	18.71	18.98	18.15	17.48

Table 8.3 Week 2 Stock Prices

### Week 3

This week was a huge turn around. All of the stocks went up. The Textron stock made its biggest gain, from 17.48 to 19.53; this stock in turn will be monitored for major declines and greater rises. I have been more susceptible as of late to take interest in cell phone/communication companies so therefore these companies are being researched. The rest of the stocks will be kept and will be monitored because a continual rise and not a fluke is the hope that I have as of now.



Figure 8.28: TXT 5 day Technical Chart

The stock of TXT was starting to have a great gain in the beginning of the week, but then went to a short decline. Soon enough the stock went through a significantly greater gain, but seemed it will decline again.



Figure 8.29: SE 5 day Technical Chart

Spectra Energy is also on a steep decline and I believe if I were to sell this stock too soon I would be not going along with my Capital Growth strategy, and am reluctant to sell.



Figure 8.30: TEVA 5 day Technical Chart

The stock of TEVA is showing great gain and is very promising.



Figure 8.31: LUV 5 day Technical Chart

The LUV stock in the beginning of the week was again steady, but then in an opposite turn the stock significantly progressed and gained the amount of profit that was once lost the week previous.



Figure 8.32: GE 5 day Technical Chart

An upward incline of GE's stock is imminent; the stock seems to be at a steady progression.

Symbol	Shares	5-Oct	6-Oct	7-Oct	8-Oct	9-Oct
LUV	2072	9.08	9.16	9.20	9.71	9.62
TEVA	392	50.42	50.94	50.87	51.35	51.51
GE	1221	15.83	16.08	16.16	16.22	16.16
SE	1048	18.89	19.15	19.21	19.50	19.75
TXT	1090	18.43	18.72	18.68	18.70	19.53

Table 8.4 Week 3 Stock Prices

#### Week 4

Week 4 showed another substantial gain for Spectra Energy and Textron with a slight slip of the rest, but most of the stocks stayed the same. Spectra Energy had a big gain in stocks that supports my idea of more people are investing in many kinds of sources for their energy needs. Textron is continuing to climb. The rest of the stocks have stayed roughly same and Southwest Airlines and General Electric stocks are looking to be sold. I don't want to sell any of my stocks as of right now, but when the time arises that I truly believe there is no more gain available they will be sold for profit and other companies will be looked into.



Figure 8.33: TXT 5 day Technical Chart

A slow and steady decline was unfortunate for this week's progression, but I am expecting this trend to become a lot steadier.



Figure 8.34: SE 5 day Technical Chart

The SE stock is on a great incline from October 2 to Friday of October 9. I am looking toward the later weeks to see the differences.



Figure 8.35: TEVA 5 day Technical Chart

TEVA was showing promising gain the week before, yet in the beginning of this week the stock was decreasing and then towards the very end it fell to its very low.



Figure 8.36: LUV 5 day Technical Chart

The Southwest Airlines stock in the beginning of the week showed increase in the middle, and then dropped suddenly at the very end.



Figure 8.37: GE 5 day Technical Chart

The beginning of the week showed that GE's stock was at a steady incline but on October 19, gave an unexpected decline

Symbol	Shares	12-Oct	13-Oct	14-Oct	15-Oct	16-Oct
LUV	2072	9.54	9.58	10.04	9.47	9.25
TEVA	392	51.39	51.19	51.41	50.65	50.30
GE	1221	16.33	16.39	16.84	16.79	16.08
SE	1048	19.93	19.76	20.10	20.53	20.33
TXT	1090	19.60	19.15	20.07	20.34	19.92

Table 8.5 Week 4 Stock Prices

## Week 5

Teva Pharmaceutical Industries Limited stock stayed the same, but I'm not ready to quit on it. Once again, Spectra Energy and Southwest Airlines have failed to make any gains and will most likely be sold at the end of Week 6.

Teva Pharmaceutical Industries Limited has been slowly declining but not drastically. I want to wait for a big change, now that I know the stability of each stock, I can determine what to keep and what to trade.

Symbol	Shares	19-Oct	20-Oct	21-Oct	22-Oct	23-Oct
LUV	2072	9.19	9.26	8.85	8.95	8.84
TEVA	392	50.55	51.27	50.91	50.62	50.30
GE	1221	15.84	15.58	15.53	15.34	15.20
SE	1048	20.42	20.30	20.20	20.35	20.00
TXT	1090	20.208	19.32	18.96	19.64	19.13

Table 8.6 Week 5 Stock Prices

Teva Pharmaceutical Industries Limited hasn't changed significantly and their stock will be sold. There were many significant changes this week, I am ready to sell. The stocks that I am selling go as follows, LUV, TEVA, and SE; I believe this is for the best.



Figure 8.38: TXT 5 day Technical Chart

The Textron stock was on a steady decline, but increased drastically towards the middle of the week, but showed another decline at the end.



Figure 8.39: SE 5 day Technical Chart

Spectra Energy was showing increased gain in the stock throughout the week, leading to a heightened sense of great gain throughout the next couple of weeks.



Figure 8.40: TEVA 5 day Technical Chart

The stock of TEVA in the beginning of the week showed its biggest gain in nearly 2 weeks, I am promising a great financial profit in the middle of the week, and towards the end I was left with what I started with in the beginning of the week.



Figure 8.41: LUV 5 day Technical Chart

The LUV stock was on a downward turn this week, in hopes of rising again in the later weeks, will be at no promise I will in turn sell.



Figure 8.42: GE 5 day Technical Chart

GE's stock was at a steady decline all week with no significant gain or loss.

In this last week of Southwest Airline, General Electric, Spectra Energy and Textron stocks, there have been major declines. In one week (23-Oct) Spectra Energy stock dropped dramatically and hasn't even gotten back to where it once started.

Symbol	Shares	26-Oct	27-Oct	28-Oct	29-Oct	30-Oct
LUV	2072	8.80	8.65	8.49	8.47	8.40
TEVA	392	49.97	49.78	49.29	50.80	50.48
GE	1221	15.01	14.93	14.42	14.87	14.26
SE	1048	19.69	19.49	19.00	19.57	19.12
TXT	1090	18.36	19.67	18.43	19.01	17.78

Table 8.7 Week 6 Stock Prices

## Week 7

At the beginning of week 7, all of the Southwest Airlines stock, Teva Pharmaceutical Industries Limited and Spectra Energy stock was sold. There was a net loss of \$1809.00 overall from this transaction.( Table 8.9 Week 7 Stock Prices)

The amount of cash made was then split and equal amounts of stock were bought to promote a more researched and devised understanding of the cell phone/communication interests that I have been researching for weeks now. The stocks that I have now are AT&T, Sprint, and MetroPCS. I stand to make a lot of money because of the industry by which they are in. At the end of week 7 I noticed big gains, especially from the Textron, and General Electric Company I invested into, I will continue to watch the natures of these two stocks.



Figure 8.43: TXT 5 day Technical Chart

This is the final week that I will be holding onto the stock, I have decided to sell Textron, because of the constant decline in the past couple of weeks.



Figure 8.44: SE 5 day Technical Chart

The steady decline of Spectra Energy is unfortunate, because of the weeks before the stock is ultimately, going to give greater gain late.



Figure 8.45: TEVA 5 day Technical Chart

The stock of TEVA is unpredictable it was showing great decline all week, and then on October 28, the stock made a great financial gain leading to a better outcome then the last couple of weeks have produced.



Figure 8.46: LUV 5 day Technical Chart

The stock of LUV was at a steady low showing, dropped slightly but ended with a low and once again steady graph.



Figure 8.47: GE 5 day Technical Chart

This week was interesting GE's stock was first up then on October 28 it went down, on October 29 it went up to its previous stock, then again on October 30, the stock went down, and stayed there till the end.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
11/2/09	SE	sell	\$19.17	1090.00	\$20895	\$895	\$20895	
11/2/09	LUV	sell	\$8.44	2072.00	\$17488	\$2512	\$38383	
11/2/09	TEVA	sell	\$50.53	392.00	\$19808	\$192	\$58191	\$1809
11/2/09	PCS	buy	\$6.30	3079	\$19397		\$38794	
11/2/09	S	buy	\$3.02	6423	\$19397		\$19397	
11/2/09	T	buy	\$25.90	749	\$19397		\$0	

Table 8.8 Week 7 Order Record

Symbol	Shares	2-Nov	3-Nov	4-Nov	5-Nov	6-Nov
T	749	25.59	25.36	25.53	25.94	25.93
PCS	3079	6.21	6.40	6.62	6.01	5.98
GE	1221	14.47	14.32	14.19	14.43	15.33
S	6423	2.87	2.94	2.91	2.83	2.85
TXT	1090	18.12	18.51	18.75	19.13	19.33

Table 8.9 Week 7 Stock Prices

## Week 8

For 1 month and 11 days General Electric has been an unpredictable investment. At \$16.37 from which I first invested into this company and the ending price of \$15.60 for which I sold the company for, it gave me a good analysis of how the stock market can rise and fall. The inactivity for the last week for this company led me to sell and take a loss.( Table 8.10 Week 8 Stock Trading) I decided to invest into SPDR Gold Shares with the money I lost from General Electric, providing that gold is a firm investment and in its prime, as of modern today, it is forever growing and only can be more valuable. I sold MetroPCS for a loss of \$1385, in my belief through the experience of watching the stock market that MetroPCS is a “no good,” investment. Therefore, I have decided to invest into iShares Silver Trust (ETF) with the money that I lost from MetroPCS in the belief that ETFs are a very promising and encouraging demand for which many are finding very promising. Lastly I decided to invest into Platinum Underwriters

Holdings, Ltd. Because I wanted to stay consistent with all the precious metals, in the belief that if silver or gold may not be in the highest demand as of this week, for some odd reason, platinum would take its place as sole benefactor. In conclusion I have sold to carry a loss of \$3280, and as of now, I am only investing \$98,469.50, because of losing \$1530.5 so far, but the future looks to promising gains.

The following are the 3 month chart for each of the stocks, these graphs came from Google finance and they are the AT&T Company, Sprint Corporation and MetroPCS, respectively.



Figure 8.48: T 3 Month Technical Chart

The AT&T stock is unpredictable but was heavily observed throughout the stock simulation, and therefore will be invested into



Figure 8.49: S 3 Month Technical Chart

According to my analysis of this graph I believe although Sprint is on a downward slope, it would be a great advantage to pick up such a promising company to find its growth in the future.



Figure 8.50: PCS 3 Month Technical Chart

The MetroPCS stock is on a more bottom curve as of late but is gaining much publicity with its recent 4G network; the collaboration of this important network will drive the stock to an all time high.

The following are the 3 month chart for each of the stocks, these graphs came from Google finance and they are the Platinum Underwriters Holdings, Ltd., iShares Silver Trust, and Gold Trust (ETF).



Figure 8.51: GLD 3 Month Technical Chart

Gold has been at its highest point in the stock market, since ever. I believe as the upward trend continues this stock will prove to be a vital investment for later profit.

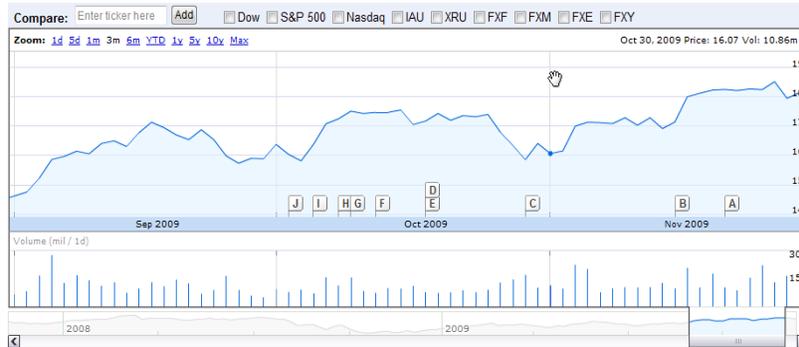


Figure 8.52: SLV 3 Month Technical Chart

Silver a primary component in the world's leading industries, is of substantial significance and proves throughout the 3 month observation as a great investment.



Figure 8.53: PTP 3 Month Technical Chart

The trend of the Platinum Underwriters Holdings, Ltd. is of useful commodity, although its fluctuation is great, the commodity of paper proves to be a good enough investment for the time being.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
11/9/09	GE	sell	\$15.60	1221	\$19047	\$952	\$19047	
11/10/09	PCS	sell	\$5.85	3079	\$18012	\$1385	\$37059	
11/13/09	T	sell	\$26.25	749	\$19661	\$264	\$56720	\$3280
11/13/09	GLD	buy	\$109.75	172	\$18906		\$37059	
11/13/09	SLV	buy	\$17.15	1102	\$18906		\$19047	
11/13/09	PTP	buy	\$36.10	523	\$18906		\$0	

Table 8.10 Week 8 Order Record

Symbol	Shares	9-Nov	10-Nov	11-Nov	12-Nov	13-Nov
PTP	523	36.15	36.52	36.55	36.08	36.10
SLV	1120	17.29	17.03	17.29	16.92	17.15
GLD	172	14.47	14.32	14.19	14.43	15.33
S	6423	2.87	2.94	2.91	2.83	2.85
TXT	1090	19.92	20.59	20.49	19.96	19.81

Table 8.11 Week 8 Stock Prices

## Week 9

In this week's performance Platinum Underwriters Holdings, Ltd. not much gain or loss happened. Throughout the week the Platinum Underwriters Holdings, Ltd. closed at \$35.87.( Table 8.12 Week 9 Stock Trading). This is dismal activity and I am expecting to sell this corporation. Gold Trust (ETF) was sold at \$111.74, which is a very promising gain from the original price bought at, \$109.75. *iShares* Silver Trust (ETF) was not as much gain as Gold Trust (ETF), but just as much of a gain from \$17.15 to \$17.93. With these corporations that I sold, the gain was of \$1020, and in total the money divided and bought more companies with was \$57738. I split this money up in three separate divisions and bought into paper companies that I believe will be of vital importance with the upcoming winter season in which much gift wrapping and

cards sent will be of record number. This justifies the companies of Neenah Paper, Inc. (NP), International Paper Company (IP), and Clearwater Paper Corp. (CLW)

The following are the 3 month chart for each of the stocks, these graphs came from Google finance and they are the International Paper Company (IP), Clearwater Paper Corp. (CLW), and Neenah Paper, Inc. (NP)



Figure 8.54: IP 3 Month Technical Chart

I decided to invest into the paper company of International, because of the holiday season coming up it would be a great investment.



Figure 8.55: CLW 3 Month Technical Chart

The stock of the Clearwater Paper Corporation is on an upward trend although its variations shows unstable readiness to buy, the progression is nevertheless profitable.



Figure 8.56: NP 3 Month Technical Chart

Toward the beginning of the month this stock seemed to prove to be not a potential buy, but as the months kept going forth I could see clearly that this would be a great investment, and to buy now while the trend is increasing.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
11/20/09	GLD	sell	\$111.74	172	\$19219	\$313	\$19219	
11/20/09	SLV	sell	\$17.93	1102	\$19759	\$853	\$38978	
11/20/09	PTP	sell	\$35.87	523	\$18760	\$146	\$57738	\$1020
11/20/09	IP	buy	\$24.50	786	\$19246		\$38978	
11/20/09	CLW	buy	\$48.11	400	\$19246		\$19219	
11/20/09	NP	buy	\$13.46	1430	\$19246		\$0	

Table 8.12 Week 9 Order Record

Symbol	Shares	16-Nov	17-Nov	18-Nov	19-Nov	20-Nov
PTP	523	36.22	36.32	36.37	36.08	36.17
SLV	1120	18.01	18.13	18.23	18.26	18.22
GLD	172	111.63	111.97	112.25	112.30	112.94
S	6423	2.87	2.94	2.91	2.83	2.85
TXT	1090	19.92	20.59	20.49	19.96	19.81

Table 8.13 Week 9 Stock Prices

### Week 10

I have decided in week 10 to demonstrate the definition of my investment strategy. The whole point of analyzing and drawing conclusions to my stock options, in this was International Paper Company (IP), and Clearwater Paper Corporation (CLW).( Table 8.14 Week 10 Stock Trading). Each drew significant gains, for Clearwater Paper Corporation I started at \$48.11 a stock and increased to a great sale at \$48.83, this led to a \$286 gain. For International Paper Company (IP), this stock was bought at \$24.50 a share, with incredible promise, the gain was to a substantial \$930. This company and corporation did not compare to the increase that Sprint was, I bought this stock at \$3.02 a share and I bought 6423 shares. When I sold this stock on November 26, 2009 I sold the stock at \$3.84 a share, this led to one of the biggest gains I have had for myself so far, which was \$5266. What a week, after selling these stocks I have made in total \$6482 that leads to just about \$64372 to invest with. With this money gained I have been much focused within the toy industry, seeing how it is Christmas season and Black Friday is at hand. So the stocks I have invested into are Best Buy Co., Inc.(BBY), Target Corporation (TGT), and Wal-Mart Corporation (WMT). All of which have an estimated amount of \$19246 within

each stock. These sub-divisions of the toy, media, and gadget industries are a great probable gain expected to come.

Date	Symbol	buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
11/26/09	S	sell	\$3.84	6423	\$24664	\$5266	\$24664	
11/26/09	CLW	sell	\$48.83	400	\$19532	\$286	\$44196	
11/26/09	IP	sell	\$25.67	786	\$20176	\$930	\$64372	
11/26/09	BBY	buy	\$43.28	496	\$21457		\$42915	
11/26/09	TGT	buy	\$47.83	449	\$21457		\$21458	
11/26/09	WMT	buy	\$54.96	390	\$21458		\$0	

Table 8.14 Week 10 Stock Trading

Symbol	Shares	23-Nov	24-Nov	25-Nov	26-Nov	27-Nov
IP	786	25.22	25.14	25.67	25.67	24.85
CLW	400	49.47	49.15	48.83	48.83	47.11
NP	1430	13.58	13.62	13.58	13.58	13.39
S	6423	3.90	3.75	3.84	3.84	3.75
TXT	1090	20.09	20.37	20.73	20.73	20.08

Table 8.15 Week 10 Stock Prices

## 8.5 Conclusion

Date	Symbol	buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
	<b>Week 1</b>							
09/28/09	TXT	buy	\$18.34	1090.00	\$20000		\$80000	
09/28/09	SE	buy	\$19.07	1048.00	\$20000		\$60000	
09/28/09	TEVA	buy	\$50.97	392.00	\$20000		\$40000	
09/28/09	LUV	buy	\$9.65	2072.00	\$20000		\$20000	
09/28/09	GE	buy	\$16.37	1221.00	\$20000		\$0	
	<b>Week 7</b>							
11/2/09	SE	sell	\$19.17	1048.00	\$20895	\$895	\$20895	

11/2/09	LUV	sell	\$8.44	2072.00	\$17488	\$2512	\$38383	
11/2/09	TEVA	sell	\$50.53	392.00	\$19808	\$192	\$58191	\$1809
11/2/09	PCS	buy	\$6.30	3079	\$19397		\$38794	
11/2/09	S	buy	\$3.02	6423	\$19397		\$19397	
11/2/09	T	buy	\$25.90	749	\$19397		\$0	
	<b>Week 8</b>							
11/9/09	GE	sell	\$15.60	1221	\$19047	\$952	\$19047	
11/10/09	PCS	sell	\$5.85	3079	\$18012	\$1385	\$37059	
11/13/09	T	sell	\$26.25	749	\$19661	\$264	\$56720	\$3280
11/13/09	GLD	buy	\$109.75	172	\$18906		\$37059	
11/13/09	SLV	buy	\$17.15	1102	\$18906		\$19047	
11/13/09	PTP	buy	\$36.10	523	\$18906		\$0	
	<b>Week 9</b>							
11/20/09	GLD	sell	\$111.74	172	\$19219	\$313	\$19219	
11/20/09	SLV	sell	\$17.93	1102	\$19759	\$853	\$38978	
11/20/09	PTP	sell	\$35.87	523	\$18760	\$146	\$57738	\$1020
11/20/09	IP	buy	\$24.50	786	\$19246		\$38978	
11/20/09	CLW	buy	\$48.11	400	\$19246		\$19219	
11/20/09	NP	buy	\$13.46	1430	\$19246		\$0	
	<b>Week 10</b>							
11/26/09	S	sell	\$3.84	6423	\$24664	\$5266	\$24664	
11/26/09	CLW	sell	\$48.83	400	\$19532	\$286	\$44196	
11/26/09	IP	sell	\$25.67	786	\$20176	\$930	\$64372	\$6482
11/26/09	BBY	buy	\$43.28	496	\$21457		\$42915	
11/26/09	TGT	buy	\$47.83	449	\$21457		\$21458	
11/26/09	WMT	buy	\$54.96	390	\$21458		\$0	

Table 8.16 Results

The end of my simulation lead to a great overall profit, throughout all of the industries worked on the hardest of them all I must say was the Paper industry. It has lead to much uncomfortable fluctuation. Also the Airline Company of Southwest has lead to a very doubtful investment in the future.

Overall I have made just over \$116,000 at the end of this simulation, creating a much needed break from investing into companies.

Capital was enticing especially when the industry came to paper because there isn't much news that comes out about paper daily as do other industries like the tele-communication industries of Sprint, Verizon, and MetroPCS. However when something big did happen in the paper company

there was a direct correlation to the stocks. When the Clearwater Paper Corporation released that it would be gaining profit for 2010 there was a dramatic increase in the stock. Another report that was released by Textron Corporation stating that they will renew its membership to the United Healthcare, this news report has made the stock rise over the past few weeks.

So when there was news in the Paper Companies it helped my simulation enormously, however more often than not there weren't any news reports about the companies that I had invested in. If I were to do another simulation using news trading, I would use an industry that has more news in it like the oil industry or health care industry.

In conclusion my simulation made a profit in the end so I was pleased with my results and I am glad that I did this simulation. Hopefully in the future this simulation will help me out if I decide to invest money in the stock market. Although it we were using money that was not real it was still upsetting when my stocks fell or didn't ever rise. I believe it was important to understand that patience and time is extremely valuable, and if the time was given, then my profit would be greatly increased.

## Chapter 9

### Intuition Rapid Buy/Sell Investment

by: William Callaway

This is a study of how intuition based trading works in the stock market and what adaptations can be made to maximize profit. As the study was conducted with the focus on intuition based selling, it is clear as time progresses what changes are made to maximize profit. Slowly there is a change from safely riding the stock market to more a risky approach that yielded much higher profits. This riskier approach incorporates fast trading and proves to be quite successful.

#### **9.1 Using The Intuition Rapid Buy/Sell Investment Strategy**

The strategy used is intuition based investing. Each company was picked because after reviewing each one's background, it has been calculated that their stocks are going to rise throughout the period of investing. The plan is on buying immediately and selling as soon as any of the stocks dropping instead of rising.

As of week 9, the strategy has adapted in order to maximize profit. Now there is not only a focus on intuition based investing based on their backgrounds, but there is an element of fast trading. This method was incorporated because after doing research and watching stocks jump quickly then level off, it is clear that by riding these small jumps with larger amounts of money will lead to large profits. For example, each week the stocks are followed very closely and as soon as a stock starts to dip, it is sold and new stock that is on the rise is quickly invested in. This style of investing brings quick profit and has been quite successful so far.

With the project coming to a close, the stocks are looking to be sold with maximum profit. The focus on fast trading was used up until this point. The focus has shifted from investing and analyzing to investing for profit to finally extracting investments for profit.

## **9.2 Companies**

### **Google**

This company was invested in because it is a small company that expanded quickly and seems to still be. Google will continue to climb the ladder in the stock market. Google is currently and has been for a while the #1 visited site in the world and is the most used search engine throughout the internet. Google has been delving into promising areas such as cell phones and they are soon to be making a large deal with another successful company, Verizon.

It is predicted that Google's stock will continue to rise throughout the entire time that it is followed. As seen on Figure 9.1, Google's stock has been rising for some time and it seems that it will continue to rise.



Figure 9.1 One Year Stock Value

### Honda

This company was invested in because it is a motor vehicle company that is adapting to the oil crisis and current consumer demands very well. They have the right business tactics for today's automotive market. They have been releasing very successful models and they seem to be continuously making improvements and expanding their market dynamics.

It is predicted that Honda will continue to ride the hybrid and high miles per gallon focus that they have taken and with this approach to the automotive industry, they are bound for further success. As seen in Figure 9.2, their stocks have been gradually rising and they also seem to be a promising prospect. I am going to invest in this company and ride the value increase until it starts to dwindle.



Figure 9.2 One Year Stock Value

**Exxon Mobil Corporation**

This company was invested in because it is a major oil company that has been steadily rising in stocks since the Exxon Valdez incident. They will continue to rise right until the oil industry dries up. They have a large control on oil flow through North America and with United States being one of the most demanding oil sources in the world, they are bound to have a large demand. This will allow them to stay in a comfortable financial standing.

It is predicted that Exxon will continue to do well because this world runs on oil and they can control their prices as they need. As seen in Figure 9.3, they dipped a lot and then they started to climb again and I believe that they will bring themselves out and start rising again.



Figure 9.3 One Year Stock Value

### *Northrop Grumman*

This company was invested in because it is a major US government defense contract company that is doing well because the government has and always has been investing lots of money in weapons and defense research. With a government sponsorship, this company is bound to make breakthroughs in research and development and with this, increase in company wealth.

It is predicted that this company will continue to do well because it has the funding of the US government. Examining Figure 9.4 shows that they had a large dip in March but they have been rising since then and after a quick dip again, they seem to be rising.



Figure 9.4 One Year Stock Value

### Verizon Communications

This company was invested in because it is a communications company that is capitalizing heavily on the blooming cell phone and wireless technology industry. Verizon is one of the leading communications companies in the world and with the cell phone and internet market exponentially expanding; the company is headed for further success.

It is predicted that this company will continue to do well because of the world's dependence on wireless communication and technology. Verizon has had a view dips but with upcoming promising products coming out (Figure 2.5), I believe their stock will rise quickly and be very profitable.



Figure 9.5 One Year Stock Value

### **Energy Conversion Devices**

This company was invested in because after some research, it was revealed that Energy Conversion Devices had a breakthrough with solar roof shingles. With this news it was anticipated that their stock was going to go up. Also, the main focus of ECD is products centered on alternative energy generation (primarily solar). These types of companies have been and will continue to do well with the current energy situation and economic times.

It is predicted that this company will do well and continue to rise because of its company's directions and products. Although as seen in Figure 2.6, Energy Conversion stock has been going down for a while but I believe that they will be making quick jumps of the course of the study with their new product releases and I plan to ride these quick rises as a part of fast trading.



Figure 9.6 One Year Stock Value

### *Coca-Cola Enterprises*

This company was invested in because it is a strong company with a lot of presence in North America and has been doing well. For the past few weeks it has been rising and seems to continue to rise.

It is predicted that this company will continue to do well and is a solid company to invest in. As seen in Figure 2.7, CCE's stock has been nothing but rising since March and I feel like after leveling off in May, they will be making quick jumps for the rest of the year and I plan to use this in my fast trading method.



Figure 9.7 One Year Stock Value

### Hewlett-Packard

Hewlett-Packard (HP) is a major computer and electronics company that has been doing well and is predicted to continue to rise. With the recent release of their new mini netbooks and laptops, their stocks have steadily risen. More promising aspects of HP are that they have made recent deals with Verizon concerning their netbooks and this has boosted stock value.

As seen in Figure 2.8, I believe that they will start rising more and do especially well come end of the year. They have been steadily rising since March and I believe they will jump repeatedly during the course of the study.



Figure 9.8 One Year Stock Value

### *Genco Shipping & Trading Limited*

Genco's main focus is transporting iron ore, grain, steel products, and coal through worldwide shipping routes. They have a total of 32 ships and 29 of these are on time Figureer contracts. They have been rising steadily over recent weeks and are expected to do well. They have numerous companies invested in them as Figureers so their business is relatively stable.

This stock is quite tricky and a bit risky based on their past records. There are a lot of jumps and dips and it seems slightly hard to predict but I think I can determine a pattern and ride the jumps as I incorporate my fast trading method.



Figure 9.9 One Year Stock Value

**Alexander & Baldwin Inc.**

Alexander & Baldwin has a large area of transportation and it has been doing well recently. It also focuses on real estate and agribusiness. The transportation business is mainly run by its wholly owned subsidiary, Matson Navigation Company, inc. Its property development and agribusiness are conducted by A&B and certain other subsidiaries of A&B.

It seems that ALEX has been jumping up and down since March but in general has increased its stock value. I am going to attempt to ride these jumps. They seem to have longer and larger rises than most companies so when the stock starts to rise I will invest and ride it.



Figure 9.10 One Year Stock Value

### **9.3 Initial Investments**

These stocks were invested in based on previous trends and popular predictions. I entered into the stock market with \$100,000 and divided it into 5 different companies at \$20,000 each. After investing in 5 companies I had only \$386.69 left, as seen in Table 9.3. For the first few weeks, I will focus on simply following the stocks and analyzing how they work. After beginning to understand the trends and how everything works, I will start trading and trying to make profit. I will especially focus on improving the intuition method by involving fast trading.

Date	Symbol	Buy/Sell	Price	Share	Net Costs / Proceed	Profit / Loss	Total Cash	Total Profit
09/21/09	GOOG	Buy	\$497.00	40	\$19,880.00	Loss	\$80,120.00	N/A
09/21/09	HMC	Buy	\$30.78	645	\$19,853.10	Loss	\$60,266.90	N/A
09/21/09	XOM	Buy	\$69.57	290	\$20,179.30	Loss	\$40,091.60	N/A
09/21/09	NOC	Buy	\$51.28	393	\$20,153.04	Loss	\$19,938.56	N/A
09/21/09	VZ	Buy	\$29.49	663	\$19,551.87	Loss	\$386.69	N/A

Table 9.1 Week 1 Order Records

## **9.4 Simulations**

### **Week 1**

The first week has involved watching the stocks and analyzing how the system works. Unfortunately, all of the stocks have gone down except for Verizon (Table 9.3). The strategy after this week is going to be focused on waiting until the stocks have gotten back up to where they were bought, then looking to sell. Once sold for a minimal profit (unless losses have to be cut and it must be accepted that they are on a downward curve), stock in companies more on the rise will be bought. With a current balance of only \$386.69, profit must be made and losses minimalized. This strategy should prove successful but if it isn't, then a new strategy must be quickly adopted, or at least this strategy needs modifications.

Symbol	Shares	21-Sep	22-Sep	23-Sep	24-Sep	25-Sep
GOOG	40	497	499.15	498.1	498.56	492.51
HMC	645	30.78	30.88	30.58	30.96	30.68
XOM	290	69.57	69.83	69	68.93	68.73
NOC	393	51.28	51.36	51.55	51.03	51.01
VZ	663	29.49	29.51	29.88	30.15	29.94

Table 9.2 Week 1 Stock Prices

## Week 2

This week the stocks have continued to go down except for Verizon. Verizon stock will be kept and more businesses in the cell phone/communications industry will be examined for potential stock buying. Google has gone down the most and selling of Google stock will be looked into this upcoming week. Honda, Exxon, and Northrop haven't gone down much so their stock will be kept for a couple more weeks with the hopes that they will rise (Table 9.3). This is all quite surprising seeing as Google was assumed to be a sure bet being the #1 visited site in the world but this drop in stock could be attributed to the recent possible cancellation of a major deal with Google and the innovative Google Books.

Symbol	Shares	28-Sep	29-Sep	30-Sep	1-Oct	2-Oct
GOOG	40	497.96	497.58	499.46	487.13	489.87
HMC	645	30.42	30.03	30.31	30.16	29.45
XOM	290	69.59	69.07	68.61	67.27	66.53
NOC	393	51.80	52.56	51.75	50.08	50.17
VZ	663	30.35	30.16	30.30	30.01	29.98

Table 9.3 Week 2 Stocks Prices

### Week 3

This week was a turn of events. All of the stocks went up except for Verizon which stayed about the same (Table 9.4). Verizon stock will be monitored for changes and cell phone/communication companies are being researched. The rest of the stocks will stay and will be monitored for hopes of a continuing rise. With this recent development, trading can be put off until the stocks rise enough to make the profit worthwhile. This is indicating that the prices should be very closely monitored and as soon as there are signs of dropping in price after the break even point, then stock must be immediately sold. This might be the modifications that this strategy needs: careful hour by hour monitoring in order to maximize profit.

Symbol	Shares	5-Oct	6-Oct	7-Oct	8-Oct	9-Oct
GOOG	40	488.86	498.74	517.54	514.36	519.86
HMC	645	29.11	29.64	29.62	30.19	30.75
XOM	290	67.63	68.63	68.67	69.05	69.18
NOC	393	50.47	50.92	50.41	50.57	51.2
VZ	663	29.96	30.17	29.37	29.16	29.13

Table 9.4 Week 3 Stocks Prices

## Week 4

Google showed another substantial gain but most of the stocks stayed the same. Google had a huge jump in stocks from starting the week off at a stock price of 524.4 per stock and ending Friday with a stock price of 549.85 (Table 9.5). Exxon made a small jump, but it is still continuing to climb. The rest of the stocks have stayed roughly same and Verizon and Northrop stocks are looking to be sold. Verizon has also been surprising. It started off being the only company that made any money and then simply leveled off slowly. Northrop is looking to have been a mistake from the beginning. Once most of the stocks have reached more of a status quo level, they will be sold for profit and other companies will be looked into.

Symbol	Shares	12-Oct	13-Oct	14-Oct	15-Oct	16-Oct
GOOG	40	524.4	526.11	539.32	529.91	549.85
HMC	645	30.97	31.23	31.11	31.28	30.36
XOM	290	70.13	70.26	71.84	72.94	73.12
NOC	393	51.08	50.88	51.15	50.79	50.80
VZ	663	29.00	29.02	28.94	29.015	28.9

Table 9.5 Week 4 Stocks Prices

## Week 5

Once again, Google stock went up and it is showing no signs of stopping (Table 9.6). Once again Northrop and Verizon have failed to make any notable changes and will most likely be sold at the end of Week 6 unless they make positive changes. Exxon and Honda have been slowly rising but not significantly. Although Exxon and Honda haven't been making significant jumps, their stocks are pretty consistent and have for the most part been above my starting point. Their stocks will be closely monitored for any changes and if it starts to drop, it will be sold immediately, otherwise it will be kept.

Symbol	Shares	19-Oct	20-Oct	21-Oct	22-Oct	23-Oct
GOOG	40	552.09	551.72	551.10	554.09	553.69
HMC	645	30.79	30.51	30.21	31.01	30.48
XOM	290	73.62	73.02	73.31	74.44	73.57
NOC	393	51.19	49.79	49.59	49.99	49.66
VZ	663	28.96	28.80	29.03	29.02	28.85

Table 9.6 Week 5 Stocks Prices

## Week 6

In this last week of Verizon and Northrop stocks, there have been no surprises except for Google. In one day (30-Oct) Google stock dropped dramatically but they are still quite above where it started (Table 9.7). Verizon and Northrop haven't changed significantly and their stock will be sold at the end of the week. There were no other significant changes this week and all plans for selling and trading will commence this weekend.

Symbol	Shares	26-Oct	27-Oct	28-Oct	29-Oct	30-Oct
GOOG	40	554.21	548.29	539.35	550.88	539.85
HMC	645	31.03	32.55	31.80	32.36	30.98
XOM	290	73.23	74.91	73.84	73.96	71.62
NOC	393	50.67	50.90	50.39	50.58	50.11
VZ	663	28.68	29.20	29.95	30.04	29.64

Table 9.7 Week 6 Stocks Prices

## Week 7

At the beginning of week 7, all of Verizon stock and Northrop stock was sold. There was a net loss of \$442.03 overall from this transaction (Table 9.8). The amount of cash made was then split and equal amounts of stock were bought from Energy Conversion Devices and Coca-Cola Enterprises. Since this stock was bought, a profit of \$1959.21 has been made from these two companies alone. The other companies have continued to rise and gain as well with a total profit currently at \$5294.11. The excess \$386.69 was stored away and taken off total cash (Table 9.8). This is an attempt to equalize the amount lost from the Verizon and Northrop transactions. With the profit made so far from ENER and CCE, the losses have been balanced.

Date	Symbol	Buy/Sell	Price	Share	Net Costs/Proceed	Profit/Loss	Total Cash	Total Profit
2-Nov	VZ	Sell	29.79	663	+19750.77	Loss - \$249.23	19750.77	N/A
2-Nov	NOC	Sell	50.4	393	+19807.2	Loss - \$192.8	39557.97	N/A
2-Nov	ENER	Buy	10.49	1885	-19778.98	N/A	19778.98	N/A
2-Nov	CCE	Buy	19.21	1029	-19778.98	N/A	0	N/A

Table 9.8: Week 7 Order Records

Symbols	Shares	2-Nov	3-Nov	4-Nov	5-Nov	6-Nov
GOOG	40	533.10	537.30	540.33	547.572	551.13
HMC	645	31.16	31.14	31.47	31.32	31.18
XOM	290	72.15	71.74	71.30	72.50	72.50
ENER	1885	10.561	11.74	11.21	11.42	11.45
CCE	1029	18.94	18.99	19.08	19.72	19.72

Table 9.9: Week 7 Stock Prices

## Week 8

At the beginning of week 8, all of Energy Conversion stock was sold. They had gone up dramatically the week before and had started to level and the stock was sold at a high point instead of waiting for it to level off or go down. This stock will be monitored closely in case it begins to rise again. There was a net profit off of the ENER transaction of +\$1672.34 (Table 9.11). A couple days later, all of Exxon stock was finally sold for a gain of +\$1299.20 (Table 9.11). Exxon had been wavering but slowly rising, although it had begun to level off, so it was sold at a high point. The next day all of the Coca-Cola stock was sold at a high point. The same thing that had happened to ENER had happened to Coca-Cola; there was a quick rise then it began to level off and the stock was sold before it leveled off or dropped. The money made from

these transactions will be set aside and only \$20,000 will be used for each new stock. Three new stocks will be invested in at the beginning of week 9 after more stocks have been researched.

Symbols	Shares	9-Nov	10-Nov	11-Nov	12-Nov	13-Nov
GOOG	40	561.85	566.76	570.78	567.68	572.33
HMC	645	32.1	31.81	32.19	32	32.19
XOM	290	72.74	72.61	73.41	N/A	N/A
CCE	1029	20.11	19.99	20.29	20.46	N/A

Table 9.10 Week 8 Stocks Prices

Date	Symbol	Buy/ Sell	Price	Share	Net Costs/ Proceed	Profit /Loss	Total Cash	Total Profit
9-Nov	ENER	Sell	11.38	1885	21451.3	Gain + \$1672.32	21451.3	N/A
11-Nov	XOM	Sell	73.41	290	21288.9	Gain + \$1299.2	42740	N/A
12-Nov	CCE	Sell	20.46	1029	21053.34	Gain + \$1274.36	63793.34	N/A

Table 9.11 Week 8 Order Records

## **Week 9**

This week, new stocks were invested in. Hewlett-Packard is one of the new investments. \$60,000 worth of HP stock at 49.91 per stock was invested in at the beginning of the week and it has been climbing up (Table 9.12). Mid-way through the week the stock began to drop so all of the stock was sold at 51.32 per stock (Table 9.12). Another stock that was invested in was Genco Shipping & Trading Limited. The stock started to rise but mid-way through the week it leveled off and there were indications that the stock might start dropping so the \$60,000 worth of stock bought at 26.12 was sold at 29.14 per stock (Table 9.12). With shipping doing well, Alexander & Baldwin, Inc was invested in the day after Genco was sold. Alexander & Baldwin stock has done okay, with an increase in per stock price of over a \$1 in one day. At this point, it is safe to say that the strategy of fast selling and buying with a focus on closely following stock prices has been incorporated into the business strategy. Whenever stocks are invested in increments of \$20,000 are used in order to keep the profit safe outside of the market. By investing so much per stock (\$60,000 instead of \$20,000), there is a higher risk because losses can be large, but this also means profits can be large. The only way for this adaptation to work is to have confidence in the companies you are rapidly investing in.

Symbols	Shares	16-Nov	17-Nov	18-Nov	19-Nov	20-Nov
GOOG	40	576.28	577.49	576.65	572.99	569.95
HMC	645	32.52	32.26	31.77	30.46	30.52
HPQ	1202	50.81	51.32	N/A	N/A	N/A
GNK	2297	N/A	26.12	29.14	N/A	N/A
ALEX	2031	N/A	N/A	N/A	29.53	30.22

Table 9.12 Week 9 Stock Prices

Date	Symbol	Buy/Sell	Price	Share	Net Costs/Proceeds	Profit/Loss	Total Cash	Total Profit
16-Nov	HP	Buy	49.91	1202	-\$59,991.82	Loss	\$3,801.52	N/A
16-Nov	HP	Sell	51.32	1202	\$61,686.64	Profit-\$1694.82	\$65,488.16	N/A
17-Nov	GNK	Buy	26.12	2297	-\$59,997.64	Loss	\$5,490.52	N/A
18-Nov	GNK	Sell	29.14	2297	\$66,934.58	Profit-\$6936.94	\$72,429.10	N/A
18-Nov	ALEX	Buy	29.53	2031	-\$59,979.43	Loss	\$12,449.67	N/A

Table 9.13 Week 9 Order Records

## Week 10

Midway through this week, Honda stock was sold because it finally jumped above where it was bought. After watching Honda stock fluctuate over and below the starting point for the past 10 weeks without significant change, Honda stock was sold at 31.75 per stock after buying it for 30.78 (Table 9.14). This led to a profit of only \$629.65 (Table 9.15), while the more innovative but risky strategy of large and rapid investing that has been incorporated is proving much more

profitable. In light of this, the money from Honda stock will be reallocated into Google stock next week since Google has gained a total of nearly \$100 per stock in the past couple months (Table 9.14 & Table 9.1). Currently the only stock is with Google and after checking previous years' stock, it seems the days before Black Friday are unwise to invest in because they always drop. After Friday, more stocks will be invested in.

Symbols	Shares	23-Nov	24-Nov	25-Nov	26-Nov	27-Nov
GOOG	40-->74	582.28	582.95	589.55	N/A	579.76
HMC	645	30.69	30.32	31.75	N/A	N/A
ALEX	2031	30.79	30.48	30.82	N/A	N/A

Table 9.14 Week 10 Stock Prices

Date	Symbol	Buy/Sell	Price	Share	Net Costs/Proceeds	Profit/Loss	Total Cash	Total Profit
25-Nov	ALEX	Sell	30.82	2031	\$62,599.42	Profit-\$2619.99	\$75,049.09	N/A
25-Nov	HMC	Sell	31.75	645	\$20,478.75	Profit-\$629.65	\$95,653.84	N/A

Table 9.15 Week 10 Order Records

## Week 11

With this week being the final of the study, stocks were focused on being retrieved for profit rather than investing. Seeing as Google had jumped the leveled off for a few days was a good enough sign to sell stock. With a profit of \$3,724.80 and being the most consistent stock through the study, Google stock was finally sold on 3-Dec (Table 9.16). Starting off with a stock value of

\$497 and ending with \$590.12, it might have been smart to simply invest all of the money in Google from the start (Table 9.1 & Table 9.16). But with the change and adaptation of strategy, a total profit of \$19,257.80 was attained over the course of 11 weeks (Table 9.17). No other stocks were looked into because the risk was not worth the profit in this case and all cash was kept.

Symbols	Shares	30-Nov	1-Dec	2-Dec	3-Dec	4-Dec
GOOG	40	583.09	582.95	589.95	590.12	N/A

Table 9.16 Stocks

Date	Symbol	Buy/Sell	Price	Share	Net Costs/Proceeds	Profit/Loss	Total Cash	Total Profit
3-Dec	GOOG	Sell	590.12	40	\$23,604.80	Profit-\$3724.80	\$119,257.80	\$19,257.80

Table 9.17 Transaction

## **9.5 Conclusion**

This study started off with \$100,000 to invest in the stock market. After 11 weeks of trading and investing, the total cash was \$119,257.80 (Table 9.17). Clearly the method used was successful. Interestingly, the method wasn't effective until certain adaptations and measurements were taken to maximize profit.

The investment strategy started off simply as intuition based investing. Numerous companies in numerous fields were examined and analyzed in order to determine which companies were

bound for success. There was a focus on not investing in companies in the exact same field unless the whole field was booming. After several weeks of watching the stocks slowly climb or simply hover between promising and negative profit numbers, all with minimal results, an adaptation to strategy was made.

This new strategy involved extremely close monitoring of the stock prices of each company. Stocks were bought one day, then after monitoring them rise a few points and level off they were sold. This worked well because there was a lot of money put into each company instead of the flat \$20,000. At one point the amount in one company was as high as \$60,000 (Table 9.15). By incorporating this fast buying and selling, profits of a couple thousand were made weekly. This was a large change because previously only a couple thousand was made over the course of the entire study.

This caused a number of things to happen. One, the number of companies invested in dropped. This was because of two reasons: there was more money invested in each company instead of a flat rate spread out through 5 companies; too many companies was hard to keep track of at such a close rate.

Secondly, profit was increased dramatically. Although the companies invested in only climbed a few points between transactions, by investing larger amounts of money, there were larger changes in the value of the stock. This is based on the ratio between the amount invested and the stock value. When there is less money invested, there will be less of a return when the stock increases. But when there is more money invested, there will be a larger return. This leads to the next change.

By increasing the amount of money invested, the risk also increased dramatically. Each company was invested in based on their actions to the public and what popular opinion of the stock was. If a company released information on a brand new product with high expectations, stock was quickly invested in that company. This new product release would cause a slight quick jump in stock value and the strategy adapted was to ride this jump in stock value then sell when it leveled off and quick invest in another company. It is important to have the companies picked out at least a day before investing in them. This allows for less of a downtime.

There are a few cons of this adapted strategy. One major one is that it is very tedious to monitor stock so closely for long amounts of time. The most effective way to do so is to have a laptop that can be checked periodically throughout the day or a cell phone/PDA device that keeps you updated on stock prices. Another major con is the risks involved with invested large sums of money quickly. Although the profit can be high, it is a two sided sword. Losses can be large as well as profit in this case but hopefully by researching and keeping a head up with your companies and stocks, losses can be avoided.

At the final week of the study, Black Friday had just occurred the week and stocks had just been sold. With the market slightly unpredictable after Black Friday, stocks were not invested and remaining stocks were sold for profit. The study ended at an awkward time in the stock market, right after Black Friday and right before the stock boom from Christmas sales.

After examining the numbers behind the study, it is clear that the fast trading method is the right adaptation to intuition based selling. After 6 weeks of unadapted intuition based selling, there was a loss of roughly \$500 (Table 9.8). After simply 1 week of incorporating fast trading, there was a profit of over \$4,000 (Table 9.9). Over the next few weeks, this trend continued and nearly

\$20,000 in profit was made. This proves that by incorporating fast trading into an intuition based trading strategy, one can maximize profits.

In conclusion, the strategy initially used is more of a safe man's method. Large amounts of money can be invested in surefire stocks and those longer rises can be ridden, for slower but safer profit. The fast trading approach that was adopted mid-way is focused on riding quick rises and jumps in stocks. This approach is slightly more risky, but with proper analysis, research, and effort, profit can be dramatically higher.

## Chapter 10

### Comparison and Analysis

by: Brandon Rubadou

Each of the six different methods of investment produced profitable portfolio returns. Their end balances were \$169,570.58, \$109,640.46, \$108,473.66, \$147,000, \$116,000, \$119,257.80 respectively. This resulted in a return on investment of 69.5% for Livermore's Strategy, 9% for The Countertrend Strategy, 8% for the Intuition based Strategy, 47% for the Memory of Price Strategy, 16% for the Capital Growth Strategy, and 19% for the other Intuition based strategy. These returns are very significant for a portfolio over a short period of time considering the extreme returns in the several of the strategies. In no other median would a person be able to invest so much money and create such extreme returns, in such a short period of time. However this style of investing comes with great risks, requiring vast amounts of knowledge and research before any action was undertaken. Just considering profits it would seem that Livermore's Principles for investing produced the most significant gains. But many of the gains were based solely on the extreme change in one stocks value which had not been foreseen before investments were made.

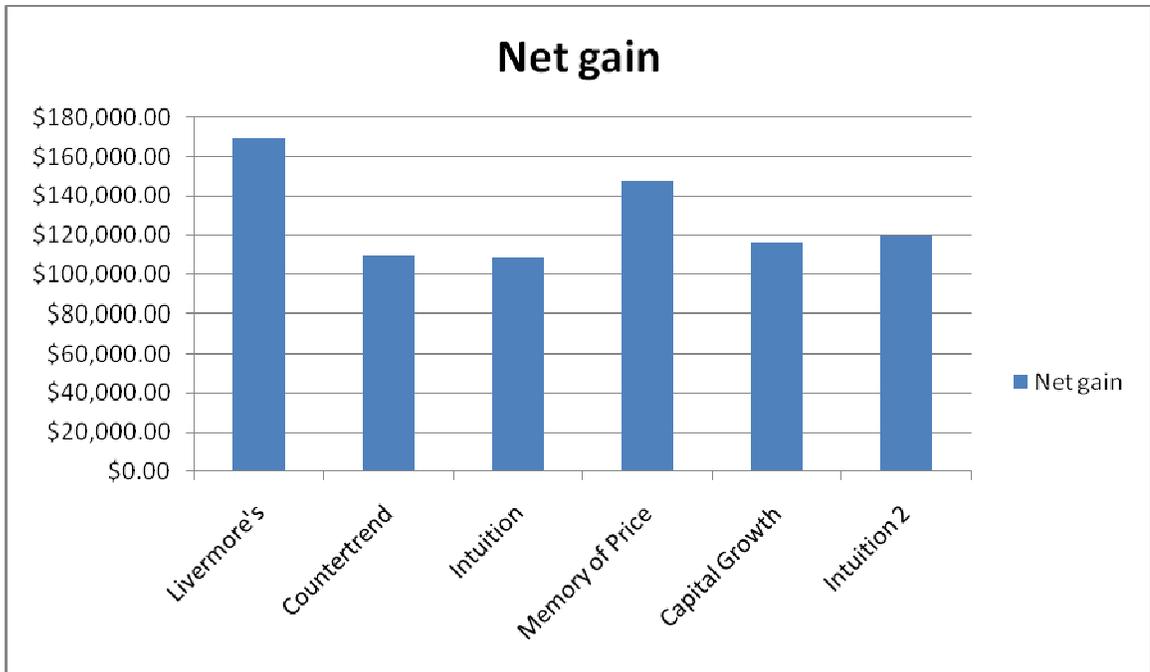


Figure 10.1 Net Gain

In our stock market simulation, Livermore's Principal for Investing was clearly superior.

# Chapter 11

## Conclusion

by: Daniel Metcalf

By the end of the ten weeks of investing we came to discover that our stock market simulation was a success considering that every type of investing made significant profit for its employer. The time period of investment was very brief considering that normal market investments are long term with stocks usually being held on to for months. Using what we learned all of us should now be able to go forward and in later life employ everything we have learned from this simulation and we will all hopefully do as well as we did in this brief time. Considering today's banking atmosphere investing in the stock market is a much better alternative to normal banking options. However there is also a bigger risk involved in the stock market because the market is extremely volatile, a stock's value could significantly drop as is sometimes seen and we observed over the course of our simulation.

From our results we came to the conclusion that Livermore's Principal in conjunction with the top-down strategy was the most effective technique when investing in a small period of time. It is extremely possible that given more time the other techniques could have possibly made profits similar to that of Brandon's strategy. Given ideal market conditions all the methods have the potential to being extremely effective in raising capital. The investment period and market conditions make it possible for anything to happen leaving much room for future research into these strategies' long term performance.

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