The Insider Trader
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Markets at a glance

Trendspotter Signals (click on links to obtain up to-date signal)

Dow Jones (DJ)

S&P 500 (SP)

FTSE 100 (X)

DAX (DY)

£/US$ (BP)

US Dollar Index (DX)

Crude Oil (CL)

Gold (GC)

Coffee (KC)

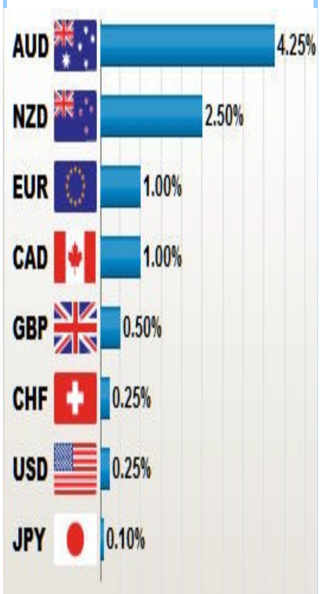
Orange Juice (OJ)

Sugar (SB)

Wheat

Cotton

Rough Rice



Do You Make these Mistakes when Trading and Investing?

Those of you who have studied advertising or copywriting will know that this headline is a play on the classic Maxwell Sackheim's headline "Do you make these mistakes in English?" which was one of the most successful adverts of all time and this headline ran for forty years!

Whilst many of you know me from the trading and investing business you may not be aware that my marketing skills are equally as well known and I have sold well north of a billion dollars' worth of products and services over the years predominately via direct mail and advertising, one of my skills has been to take old adverts and techniques then scrub them up and bring them up to date. The truth is that little has changed in marketing and advertising, yes the internet is a new delivery method but the skills of advertising and copywriting have not changed.

When I see you in May I will go through for the first time ever some of these skills and how you can make a lot of money from them. The overall standard of advertising in my view is atrocious both online and print, with the exception of a hand full of companies such as Apple (and they seem to be doing OK!) most companies are wasting billions on bad advertising and marketing, of course this opens up a big opportunity.

So let's bring this back to trading and investing, the internet has made the whole process of investing a lot simpler but it has not necessarily made it easier for investors to make money, my own view is that investors are worse today than they were 50 years ago. All things considered investing online has probably brought you as many negatives as it has made investing easier.

Mobile internet and investing on the move is another double edged sword that most should avoid.

Do You Make These Mistakes in English?

Sherwin Cody's remarkable invention has enabled more than 100,000 people to correct their mistakes in English. Only 15 minutes a day required to improve your speech and writing.

SHERWIN CODY

Over Trading

Everything from shares, bonds, currencies, commodities, can be bought and sold at the click of a mouse. Commissions are near zero and markets are open near 24 hours a day, yet "just because you can does not mean you should" – I have had fourteen years (fifteen if I was to close my books for 2012 right now) of back to back profitable returns in financial markets, not a bad record that puts me in the top 1% of the investing world but these returns have not come from day trading or trading "pips", it's not come from buying the bottoms or selling the tops or watching screens all day, no, no, no its come from far less exciting methods like riding tends for weeks, months and years.

I cannot tell you how many day traders I have seen come and go over the last 26 years, how many of them have blown up spectacularly, have had their houses repossessed and have ruined their health and relationships. Without exception every one of them got into trouble by over trading and overleveraging, don't make the same mistake. This also applies to the so called professionals and smart hedge funds that have done a good job in destroying wealth for clients that would have been much better of buying a low cost Vanguard ETF and tracking the market.

Checking your portfolio all the time

I see that IG Index has recently upgraded its platform again, I would guess that this has cost at least a few million pounds and they are licensing quality data from Thomson Reuters offering many bells and whistles, but for who's benefit – yours?, I certainly do not think so.

I deal with over 10 banks and brokers for my investing. One of the companies I have used for over 17 years is Charles Schwab, when I started it was telephone only. Today they have some great platforms like Streetsmart pro - yet I don't use them, I use the basic no thrills site. Call me a caveman but I prefer to have the simplest way to make my investments. No I don't want to be sent a text message or an email every time my IBM shares move $1 or be told that it's been upgraded or downgraded by some 25 year old analyst that has never owned a stock in his life!

It is tempting to want to know what your investments are doing all the time but it is unlikely to improve your investment returns. In fact studies have shown that the returns of investors actually go down the more often they look at their portfolios. This is mainly because the daily movement of your portfolio is mainly noise as it cannot be linked to any specific information.

Market commentators always seemed to have a ready answer as to why the markets are higher or lower, and their answers are always convincing as you cannot go on TV and say "I don't know!" The only problem is they are as clueless as we are as to the cause of the movements. The difference is that they sound convincing and give a reason that seems plausible, after all they are actors. **Nobody gets a job at a business TV channel because they are good or know much about investing in markets, most of the time they are reading it off an auto cue – script - they are hired on the way they look and present.**

Many older female presenters are laid off and replaced by younger more pleasing to the eye models. I am not here to pass judgement, CNBC is a very profitable business and as a GE shareholder (GE owns NBC/CNBC) all I am concerned about is that they sell advertising and sponsorship but understand that that business TV offers little more than background noise and are for entertainment.

So how often should you check your portfolio?

Personally once a day is plenty; either first thing in the morning or at the end of the day, many investments just once week – your time is better spent doing other things and researching new ideas rather than just checking your balances all day. If you think back to where you have made the most money in your investing career I doubt it was a day trade, in fact for many I would guess the biggest profit you have made is the equity in your property, and did you check that every day?

A final note on over checking your prices, the great Nicholas Darvas (How I made 2 million in the Stockmarket) made more money when he was working on old stock prices and having Barrons sent by post around the world than he did when he returned back to New York.

Selling your winners and holding your losers

This mistake is probably as old as investing itself but in spite of the so called advantages offered by online investing it hasn't gone away. If I wrote this in 50 years' time I doubt that anything would be different, after all Jesse Livermore was saying the same 100 years ago. My first experiences of this was as a junior broker when clients would always want to close out winning share trades quickly yet losing trades would then become "long term investments" – so the results were that their portfolios would be full of junk companies, had they done the reverse then they would have had very healthy companies.

This is all down to psychology and wanting to be right, no one likes to admit that they are wrong yet in trading being wrong is just part of the business, just like a goalkeeper knows he will let goals in, yet the team can still when. A professional poker player will fold most of his/her hands, yet can still make money.

Having an entry and exit system makes life a lot easier, learning to manage your emotions is also helpful and never over investing in any one idea however sure you are or makes such you live to fight another day. In trading we are dealing with unknowns, the CEO may die in a plane crash, the companies cruise ship may sink, the hot new product may turn out to be a disaster and many other factors that are out of your control, however, one thing that is known and that you can control is your risk, if you buy $1000 of XYZ and that company goes broke, then you know what your risk is.

Of course I could go on but I would say there are three main factors that cause most investors to lose money or not match an index fund return. In my May seminar I will be going into this in more depth, not just into trading techniques but into your psychology and that of the markets and I have two world renowned guests who will be joining me to teach you some life changing techniques.

Car Parts and Servicing (US)

If you have been following the new 52 week highs then these names will not come as a surprise and you are likely to already own them, they are **Autozone (NYSE:AZO) Genuine Parts Company (NYSE: GPC) Advance Auto Parts (NYSE:APP) O'Reilly Automotive (ORLY)** to name a few. All the charts look the same and are in strong up trends.

So why the massive gains in this area?

The US has around 240 million cars/ light vehicles and less new cars are being sold. In a recent USA Today article they highlighted that the average age of the cars and trucks on U.S. roads hit a record 10.8 years as of July 1, 2011, as worries about job security kept many people from buying new vehicles.

So if cars are getting older then they need more repairs and parts, but as many are trying to save money they will turn to DIY or lower cost auto centres than the high cost full service dealers, hence it's a field day for these companies.

We also have a fairly fragmented market and we could see some mergers and takeovers, Pep Boys (NYSE:PBY) was recently taken private by Gores Group. Autozone is a good candidate for a takeover, yes it's up 120% since 2010 but the P/E is still 17 and remains reasonable. AutoZone's largest owner, Edward Lampert (through ESL Investments, which also is the largest owner of the beleaguered retailer Sears Holdings) has almost cut his stake by half in recent months not out of choice but out of having to sell his winners to prop up the losing investments so it could be fairly easy to launch a buyout now but that's a bonus.

Shorter term we may see a pullback in all these stocks but the strong uptrend remains and over the next 12 to 18 months I still see higher prices. Next earnings are due 28th February for AZO which should show the business is firing on all cylinders.

Live Seminar 25th & 26th May 20102—London

I am delighted to announce that I will be holding a live seminar in London on the above dates, its the first live date in over 2 years and likely to me my last for some time. Tickets are expected to go on sale early March and going on past events and the interest I have already received the day will sell out within 72 hours. I will be joined by some world class guests and its the first time that they have spoken at any of my events. I will let you know who they are towards the start of March. Trust me you are not going to want to miss this 2 day event, I will be going over subjects that I have never covered before both for trading and for making money from business both online and offline. Look forward to seeing you then.

Risk Warning
All trading and investing involves risk and you should only invest what risk capital that you can afford to lose. These trading ideas are based on buying Exchange Traded Funds or shares outright, should you decide to spread bet then other risks will be present. Only speculate with money you can afford to lose. Spread betting may not be suitable for all readers, therefore ensure you fully understand the risks involved. Past performance is not necessarily a guide to future performance. Ultimately all investment decisions are made by you. Insider Trader does not advise when to open or close a transaction. If you choose to open a transaction it is based on your own judgement and research and at your own risk. It is the responsibility of visitors to this Site to ascertain the terms of and comply with any local law or regulation to which they are subject.