



**Your Free Wrap today is an
Extract from Edition 545 of Jim Berg's Mentoring- style
'Investing & Online Trading' Report**

Why NOT to Blindly Follow "Experts' Picks" - 4 Key Steps By Jim Berg and John Atkinson

Each week, in our [Investing and Online Trading Report](#), we provide an exercise for Members to carry out, called 'How to Filter Experts Picks' in which we write;

"The beginning of each calendar year brings out numerous share 'lists'. Brokers, newsletters and magazines each publish lists of companies that have the "...potential to produce excellent returns over the next 12 months..."

In this section, 'How to filter a List of Experts Picks' - we show how to determine which shares - as recommended by 'experts' - pass Jim's rules. Jim provides a tutorial each week for you to complete, with the results of his own analysis the following week...."

The most important aim of this exercise is for you to learn how to take any list of stocks from any so called 'expert' or 'hot tip' and be able to filter them to determine which (if any) of those shares:

- 1) Are in a **rising trend** - and to set aside the rest for now, then to see which of those rising shares
- 2) Pass Jim's structured and proven rules with 'Weight-of-Evidence' - so you will know which of those shares to buy right now

and to put the remaining rising stocks on a watch list to check if any pass in the next few weeks

Today we will look at one such 'Experts' list as a real life example of why it is so vital to carry out this exercise on all watch lists which come your way, so that you can help put the odds of success in your favour.

This is rather than simply buying a stock because it is recommended on an 'Experts List' - and end up buying into (and even worse holding) a falling trend and risk losing large chunks of your capital as a result.

On Page 22 of [this week's Edition 545](#), Philip van Doorn writes;

"...If you had followed the advice of Wall Street analysts in January (2015) and bought their favourite 10 stocks at that time, you would have gotten creamed....."

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" First, a painful look back

Back in January, we listed the 10 stocks with the highest implied upside potential among S&P 500 (SPX) companies with majority "buy" or equivalent ratings.

Here's how that list has performed since we pulled it on Jan. 5:

Company	Ticker	Industry	Total return - Jan. 5, 2015 through Dec. 18, 2015	Total return - 2014
Freeport-McMoRan Inc.	FCX	Precious Metals	-71%	-36%
Nabors Industries Ltd.	NBR	Contract Drilling	-33%	-23%
QEP Resources Inc.	QEP	Oil and Gas Production	-37%	-34%
Range Resources Corp.	RRC	Oil and Gas Production	-59%	-36%
EQT Corp.	EQT	Oil and Gas Production	-33%	-16%
Noble Energy Inc.	NBL	Oil and Gas Production	-26%	-30%
Wynn Resorts Ltd.	WYNN	Casinos/ Gaming	-55%	-21%
Newfield Exploration Co.	NFX	Oil and Gas Production	27%	10%
Williams Cos. Inc.	WMB	Oil and Gas Pipelines	-47%	21%
Quanta Services Inc.	PWR	Engineering and Construction	-28%	-10%

Source: FactSet

"...One winner in 10 picks is a terrible record. Analysts may have been slow to believe that the 47% plunge in crude prices during the second half of 2014 was more than a typical market disruption...."

Yes we agree 1 winner in 10 picks is a terrible record.

Even worse, is that if an investor, with no education from Jim, had blindly believed these Wall Street analysts' recommendations and had bought and held equal sized positions in these 10 so called 'expert' picks for 2015, then on average he / she would have lost **36.2%** of their funds invested over the year!

The Table above shows:

- ✚ 9 of the 10 picks gave losses of **-26%** to **-71%**!
- ✚ Of those nine, 8 had already lost **-10%** to **-36%** in 2014

In contrast, if the same 'Buy and Hold' investor had used Jim's 'Weight-of-Evidence' approach to filter this 'Expert's Pick's List back in January 2015, he/she would have:

- ✚ Seen that **all 10 of them** were in **falling trends** at the end of 2014, so would have
- ✚ **Culled out every stock** from that list

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The following charts show 2 examples from that 2015 "Experts Picks" List:

Example 1: Freeport – McMoRan (FCX) was in a **falling trend** at the end of 2014. The closing price was below a falling moving average and was making pivot point lower highs and lower lows.



FCX Weekly Chart

Subsequent price action shows a continuation of the downtrend.



FCX Weekly Chart

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Example 2: Wynn Resorts (WYNN) was in a **falling trend** at the end of 2014. The closing price was below a falling moving average and was making pivot point lower highs and lower lows.



WYNN Weekly Chart

Subsequent price action shows a continuation of the downtrend.



WYNN Weekly Chart

This article shows the importance of **NOT** blindly following "Experts' Picks".

To do so, in this case, would have meant a 'Buy and Hold' Investor would have lost **36.2%** of their funds during 2015.

In comparison, an investor/trader using Jim Berg's common sense 'Weight-of-Evidence' approach would have followed these **4 key steps** to help put the odds of success in their favour:

- 1) Found that each of the 'Experts Picks' was in a **falling trend** at the end of 2014, so
- 2) Culled each of the 10 stocks listed and
- 3) Would **NOT** have been interested until any of them had turned back into confirmed **rising trends**
- 4) Protected their capital until better opportunities presented themselves

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