



If You're in the Market You Need  
**ShareTradingEducation.com**



## ***"It's Not a Loss if You Don't Sell"...Painful?"*** **By Jim Berg and John Atkinson**

In September and early October 2018, we cautioned Members of our weekly hands-on 'Investing & Online Trading Report' of the potential for a "...rapid sell-off" during October.

Subsequently, there have been significant falls in markets around the world.

In your Wrap two weeks ago, we looked at '[Bear Market – or just a correction?](#)' and

- Wrote " *It is too early to tell, but being cautious has been a very good strategy*" and:
- Outlined our plans which we had advised our Members at that time before we added any new positions to:
  - Our '[Super 10 ETF Portfolio](#)' Signals for global markets
  - Jim Berg's Australian [Investing and Trading Signals](#) Services and the
  - USA & Australian notional portfolios in our '[Investing & Online Trading Report](#)'

We also wrote; " The increase in volatility would be uncomfortable for most investors. This week, there were interesting comments/advice from several analysts:

- i) "Buy the dips"
- ii) "This time is different"
- iii) "It's not a loss if you don't sell"

It doesn't make any sense to not use stops. Where do you put your stops if you buy a falling market (dips)?

In both the 2000 (tech wreck) and the 2008 Global Financial Crisis (GFC) many analysts said '*this time is different*'.

'*It's not a loss if you don't sell*' clearly means there is no intention to use stops.

This advice in 2008 resulted in holding while markets fell over 50% and - in Australia they have yet to regain the 2007 peak (now over 10 years ago)...."-.

Since then, more analysts have advised their clients "***It is not a loss if you don't sell***".

Let's have a look at how this could impact your portfolio and state of mind. Behavioral Finance studies confirm that:

- The pain we feel from losses dwarfs the pleasure we feel from gains.
- Losses hit us harder. There is a greater emotional impact associated with a loss than with an equivalent gain
- A loss tends to create a greater feeling of pain as compared to the joy created by an equivalent gain
- Investors also tend to hold on to losing stocks for too long. Investors tend to be willing to assume a higher level of risk on the chance that they could avoid the negative utility of a potential loss (just like the participants in the study).
- In reality, though, many losing stocks never recover, and those investors end up incurring greater and greater losses as a result. (To learn more, read [The Art Of Selling A Losing Position.](#))

**Customer Caution Notice** Jim Berg and John Atkinson are Authorised Representatives (AR Nos. 322724 and 1251439) and ShareTradingEducation.com Pty Ltd is a Corporate Authorized Representative (CAR No. 322726) of Longhou Capital Markets Pty Ltd, Australian Financial Services Licence AFSL 292464. Information provided in this document is of a General nature only. Examples from the Australian and USA markets are provided to demonstrate that Jim Berg's principles may be used globally. This educational material is from an Australian source and complies with Australian law and not necessarily any other (local) law. Refer also to the Customer Caution Notice at the back of this document and our [Terms and Conditions](#)



### It's official – losing money hurts!

Neuroscience can explain what's happening here. Camelia Kuhnen and Brian Knutson, two researchers at Stanford University, wired people up to fMRI scanners and asked them to make some investment decisions.

They found that when people thought about profits, there was high activity in the [nucleus accumbens](#), part of the brain associated with pleasure and reward. But when people considered the possibility of loss, a different part was stimulated – the [anterior insular](#), which is associated with pain and disgust.

They inferred that "*risk seeking choices and risk averse choices may be driven by two distinct neural circuits*". In other words, losses are not simply profits with a negative sign, as accountants and economists say. The brain processes them differently. It's no wonder, then, that we behave differently when faced with losses than profits.

So an investor who follows this advice does not use stops and does not sell. The analysts expect clients to wear the pain of a falling share price. And we know the pain can be quite significant.

The type of investors who would follow this advice are often long term holders of conservative blue chip safe companies like banks –e.g. mom and pop buy and hold investors looking for a little growth and reliable dividends.

**Commonwealth Bank (CBA)** below is an example of the kind of 'pain' that a 'Buy and Hold' strategy can inflict on Investors when markets fall.

Using Jim Berg's common sense 'Weight-of-Evidence' approach, the last weekly exit signal for **CBA** occurred after it triggered a **Trailing Stop Exit** in **late May 2017** at \$80.90\*.

Since then, the **Bank Industry Group** has been in a **falling trend** by Jim's definitions.

Just this one factor *alone* means that there has NOT been another Entry Signal into **CBA** during the 1.5 years between May 2017 and November 2018 to date, using Jim's proven Rules for Trading and Investing\*.



**Commonwealth Bank (CBA) Weekly Chart**

\* The past performance of STE products is not and should not be taken as an indication of future performance. Caution should be exercised in assessing past performance. STE's service, like all other financial services, is subject to market forces and unpredictable events that may adversely affect its future performance.

Full details of all of Jim Berg's Investing & Trading Rules are presented to [Report Members](#).

**Customer Caution Notice** Jim Berg and John Atkinson are Authorised Representatives (AR Nos. 322724 and 1251439) and ShareTradingEducation.com Pty Ltd is a Corporate Authorized Representative (CAR No. 322726) of Longhou Capital Markets Pty Ltd, Australian Financial Services Licence AFSL 292464. Information provided in this document is of a General nature only. Examples from the Australian and USA markets are provided to demonstrate that Jim Berg's principles may be used globally. This educational material is from an Australian source and complies with Australian law and not necessarily any other (local) law. Refer also to the Customer Caution Notice at the back of this document and our [Terms and Conditions](#)

The chart below shows subsequent price action since Jim's May 2017 Exit Signal\*:

Commonwealth Bank (**CBA**) closed on Friday 16<sup>th</sup> November 2018 at \$68.90. I.e. this is a fall of **- 14.8 %** and **- 25.7 %** peak to trough.

In the **Global Financial Crisis** (GFC) **CBA** fell **- 61.3 %** peak to trough and it took 5 years to fully recover to that peak - a lot of emotional '*pain*' and a lot of time to wear it.

If it were to occur, a bear market would likely increase the current pain level.....

Currently, in our mentoring-style '[Investing & Online Trading Report](#)':

1. We feature our new hands-on '*Game-Changer - Now It's Your Turn*' *Tutorials* to help our Members best understand Jim's Rules and to develop their skills
2. Jim Berg checks the '*big picture*' of the overall trend conditions in the Australian and USA markets closely each week, ***especially at this time.***
3. We will also monitor the Australian bank companies and the Industry Group and alert our cashed-up subscribers to a change in trend.



**Commonwealth Bank (CBA) Weekly Chart**

\* The past performance of STE products is not and should not be taken as an indication of future performance. Caution should be exercised in assessing past performance. STE's service, like all other financial services, is subject to market forces and unpredictable events that may adversely affect its future performance.

Full details of all of Jim Berg's Investing & Trading Rules are presented to [Report Members](#)

## To Continue Reading:

1. Order [this week's Single Edition](#) of the '*Investing & Online Trading Report*' incl. Jim Berg's and others views on today's markets - for only \$9.97 now, or
2. [Become a Member now](#) (with no lock-in contract) and instantly download your **Trading Plan Guide Bonus** Welcome package (over \$200 value)



**Customer Caution Notice** Jim Berg and John Atkinson are Authorised Representatives (AR Nos. 322724 and 1251439) and ShareTradingEducation.com Pty Ltd is a Corporate Authorized Representative (CAR No. 322726) of Longhou Capital Markets Pty Ltd, Australian Financial Services Licence AFSL 292464. Information provided in this document is of a General nature only. Examples from the Australian and USA markets are provided to demonstrate that Jim Berg's principles may be used globally. This educational material is from an Australian source and complies with Australian law and not necessarily any other (local) law. Refer also to the Customer Caution Notice at the back of this document and our [Terms and Conditions](#)

## Have You Watched Your Free Webinar Yet?



### **'Which Shares & ETFs to Buy? When to Buy & Sell?'**

Watch this new webinar  
- **BEFORE you risk another dollar in the market....**

Simply click on this link to [Start Your Free Webinar Now ==>](#)

**General Advice Warning:** This document is a tool to assist you in your personal judgment. It is not designed to replace your Licensed Financial Consultant or your Stockbroker. In preparing this document, Jim Berg and John Atkinson as Authorised Representatives (AR Nos. 322724 and 1251439) and ShareTradingEducation.com ("STE"), as Corporate Authorised Representative (CAR No. 322726) of Longhou Capital Markets Pty Ltd ("LCM") Australian Financial Services Licence AFSL 292464, have not taken into account the investment objectives, financial situation and particular needs of any particular investor, because readers come from diverse backgrounds, with diverse objectives and financial situations.

Because of that, the customer should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs; and, if the advice relates to the acquisition, or possible acquisition of a particular financial product, the customer should obtain a Product Disclosure Statement or offer document relating to the product and consider the Statement before making a decision about whether to acquire the product.

Examples from the Australian and USA markets are provided to demonstrate that Jim Berg's principles may be used globally. This educational material is from an Australian source and complies with Australian law and not necessarily any other (local) law.

As this information is of a general nature only, you should seek advice from your broker or other investment advisors as appropriate before taking any action. In particular, this may include consultation with your Taxation Advisor regarding any possible taxation implications from selling stocks, shares, Exchange Traded Funds (ETFs) or other instruments. (ShareTradingEducation.com P/L is not a registered tax agent and any reference to tax is incidental and must be confirmed with a registered tax agent). The decision to trade and the method of trading is for the reader to decide.

STE and/or LCM and its officers, employees, agents, associates and alliance partners ("Associates") may have or may obtain an interest in the securities referred to in this letter and will receive commissions, brokerage and other fees from dealing in the securities or advising in respect of the proposed listing of the securities. LCM and/or STE believe that the information contained in this letter was accurate at the time it was compiled.

**Performance Caution:** **Direct investing in the stock market can result in financial loss.** The past performance of STE products is not and should not be taken as an indication of future performance. Caution should be exercised in assessing past performance. STE's service, like all other financial services, is subject to market forces and unpredictable events that may adversely affect its future performance.

Jim Berg, John Atkinson and STE believe that the information contained in this document was accurate at the time it was compiled. However, results reflect absolute trading stop loss discipline. Any projections made in this document are estimates only and no representation is being made that any account will or is likely to achieve profits or losses similar to those shown. Stock tips, buy or sell recommendations are not provided in this document.

All case study trades are notional examples using reasonably attainable entry and exit points. Results reflect absolute trading stop loss discipline. Unlike an actual performance record, simulated results do not represent actual trading. Also, since the trades have not actually been executed, the results may have over or under compensated for impact, if any, of certain market factors, such as lack of liquidity

**Copyright:** The information contained in this document is copyright © 2018 and for the sole use of trial and prepaid readers. It cannot be circulated to other readers without the permission of the ShareTradingEducation.com. Contributed material reflects the personal opinion of the authors and is not necessarily those of the publisher. Articles accurately reflect the personal views of the authors. Sharetradingeducation.com is an independent financial education organization and research is supported by subscription fees and affiliate rebates.

**OFFICES:** Copacabana, NSW 2251, Australia and Dromana, Victoria 3936, Australia.

**Disclosure of Interest:** LCM/STE and their associates and authors of the *Investing & Online Trading Report*© team may hold shares in the companies featured in this Report. **Further Conditions** are specified in the [Terms and-Conditions](#) at [www.sharetradingeducation.com](http://www.sharetradingeducation.com).