
“The major reason for setting a goal is for what it makes of you to accomplish it. What it makes of you will always be the far greater value than what you get.”

Jim Rohn (1930-2009)

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<th>Author</th>
<th>Page</th>
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Introduction to Edition 403
By John Atkinson

1. The Value in You

Our thanks to Scott A. who sent us this inspirational message this week:

A well-known speaker started off his seminar by holding up a $20 bill. In the room of 200, he asked. "Who would like this $20 bill?"

Hands started going up. He said, "I am going to give this $20 to one of you - but first, let me do this."

He proceeded to crumple the 20 dollar note up. He then asked. "Who still wants it?" Still the hands were up in the air.

"Well," he replied, "what if I do this?" He dropped it on the ground and started to grind it into the floor with his shoe. He picked it up, now crumpled and dirty. "Now, who still wants it?"

Still the hands went into the air.

"My friends, you have all learned a very valuable lesson. No matter what I did to the money, you still wanted it because it did not decrease in value. It was still worth $20.

Many times in our lives, we are dropped, crumpled, and ground into the dirt by the decisions we make and the circumstances that come our way. We feel as though we are worthless; but no matter what happened or what will happen, you will never lose your value.

Dirty or clean, crumpled or finely creased, you are still priceless to those who love you. The worth of our lives comes, not in what we do or who we know, but by ...WHO WE ARE.

You are special - don't ever forget it."

2. Boot Camp: New Development Today

Our biggest event in 2013 is Jim Berg's Boot Camp on the Gold Coast next month, his first in 2 years.

We have been asked; “Can Boot Camp and associated travel expenses can be claimed as allowable tax deductions for 2012-2013?”

This may often be the case, although it is important that you discuss your own individual situation with a licensed tax agent to make sure.

To help in this regard, today we have introduced our new interest-free 3 easy payments for Boot Camp which will:

i) Will allow you to spread your budget over 3 months

ii) By ordering during April, all of your instalments will occur during 2012-2013 financial year

As a Newsletter Member, you also qualify for a 38% savings. Graduates of Jim’s Home Study Course, JB Combo, 1 day workshops and previous Boot Camps save 50%; and partners / family members save 70%.

All of Jim’s 7 previous Boot Camps have sold out before the events and with only 5 weeks left to go, seats are now being snapped up, so don't miss out.

For more info on how you could benefit from Jim Berg’s 2013 Boot Camp, Click Here Now >>
13 April 2013  Edition 403  3

Portfolio Review Since September 2012
By Jim Berg and John Atkinson

1. Introduction

Each week, in this Newsletter we feature our 'Short Term Notional Trading Portfolio', in which Jim Berg provides a 'live' portfolio - to demonstrate (in real time) how he uses his common sense approach and JB Volatility Indicators to decide:

✓ WHICH stocks/shares to buy
✓ WHEN to buy
✓ How to manage his open positions, i.e.:
  o How and when to HOLD and, very importantly,
  o When to SELL

Our aim is to show how to:

◆ Achieve notional profits of 10% to 15% in about 2 to 4 weeks
◆ Keep notional losses below 10% and preferably below 5%
◆ Accomplish a Win-Loss success rate of over 50% and preferably above 65%

We do not include any new notional trades which have already gained more than 4% by the time the Newsletter is first published after an entry signal is given.

2. Recap

In Edition 397, we showed the entry and exit details for all the closed notional trades from when Jim Berg re-opened this Newsletter’s notional portfolio in September 2012 through to 2 March and summarised the results as follows:

Table 1

<table>
<thead>
<tr>
<th>NEWSLETTER PERFORMANCE SUMMARY: 7/9/12 to 2/3/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of winning notional trades since Sept 2012</td>
</tr>
<tr>
<td>No. of losing notional trades</td>
</tr>
<tr>
<td>Total Trades</td>
</tr>
<tr>
<td>Overall Success Rate (Win-Loss Ratio)</td>
</tr>
<tr>
<td>Average Profit per $12.5k notional trade</td>
</tr>
<tr>
<td>Average Loss per $12.5k notional trade</td>
</tr>
<tr>
<td>Profit-Loss Ratio</td>
</tr>
<tr>
<td>Average Duration (weeks)</td>
</tr>
<tr>
<td>Total notional profits</td>
</tr>
<tr>
<td>Total notional losses</td>
</tr>
<tr>
<td>Overall net notional Profits after losses</td>
</tr>
</tbody>
</table>

In Edition 398, we explained the rationale behind why we use $12,500 as the notional position size for this Newsletter's short term trading notional Portfolio and showed how Readers can adapt this in practice – using the projected trade losses calculated from the proposed Entry and Initial Stop loss prices.

We also showed that since September, the average number of positions opened at any time was only 4.6. This means that an average of only $57,500 of the $100k notional portfolio was invested at any time - and over the 5.8 months since September, an average of $42,500 of this Newsletter's short term trading portfolio were in cash.
Notwithstanding this, Table 1 above shows that the total net notional profits after losses were $18,55k, i.e. **18.55%** of the total $100k, or **32.3%** of the $57,500 average notional funds in the market during those 5.8 months.

In Edition 399 we looked in detail at 2 Key Performance Indicators (KPI):

1. Win – Loss Ratio (“Success Rate”) and  
2. Profit - Loss Ratio

and showed that for the 19 closed notional trades by the end of February 2013:

- **Total profitable trades:** 15  
- **Total losing trades:** 4

This provides a Win-Loss ratio of 15:4, i.e. **3.75:1**

This equates to 3.75 profitable trades to every losing trade (compared with Jim’s recommended target of at least 2:1). Alternatively, the results to date show a Success Rate of 15 in 19 i.e. **78.9%**.

The Win-Loss Ratio is the number of profitable trades compared with losing trades.

The Profit-Loss Ratio is where we calculate the amount we ‘win’ on average compared with how much we ‘lose’.

Jim regular reaffirms that a System with a success rate of 50:50 (half winners and half losers) and a Profit - Loss Ratio of 2:1 has the potential to make a lot of money, if it trades frequently.

Table 1 above shows the average:

- **Profit per winning notional $12.5k trade = +$1,420.87 (or +11.4%)**
- **Loss per losing notional $12.5k trade = -$691.13 (or - 5.5%)**

I.e. a Profit Loss Ratio of **2.06:1**. This is in line with Jim’s recommended target 2:1 Profit-Loss Ratio, as discussed above.

In Edition 399, we also looked at the size of all the individual profits and losses to ensure the success of Jim Berg’s common sense ‘Weight-of-Evidence’ System and the Rules developed for this Newsletter’s notional short term trading Portfolio had not been skewed by any particular large profit or loss.

In Edition 401 we explained the background behind the concept of Dr Van K Tharp’s ‘Expectancy’ which comprises:

1. **Reliability** – or what percentage of trades you make money  
2. **Relative size** of your profits compared with your losses  
3. **Your cost** of making a trade  
4. **How often** you get the opportunity to trade  

Using Van’s excellent snow fight metaphor, we illustrated the importance of these 4 variables, together with two more - which are part of money management:

1. **The size** of your trading capital  
2. **Your position/parcel** sizing model

In last week’s Edition 402 we examined ‘Expectancy’ further and provided Dr Tharp’s calculations on how to use it. We showed that for the 19 ‘closed’ notional trades since September 2012:

\[
\text{Expectancy} = (78.9\% \times \$0.11) - (21.1\% \times \$0.06) = \$0.074
\]

This means that so far, for every notional dollar we were to invest in the market under our Short Term Trading Rules, we could expect to earn 7.4c (i.e. 7.4%) overall after losses and brokerage.
Expectancy measures the net growth on every dollar invested after losses and costs, not on the initial portfolio value. In his book, ‘Trade Your Way to Financial Freedom’, Dr Van K Tharp says that an expectancy of above 50c for every dollar traded is a good system but you can be happy with a much lower expectancy if you get enough opportunity.

3. Frequency

Currently our Expectancy shows that for every notional dollar we were to invest in the market, we could expect to earn 7.4c overall after losses and brokerage, after closing the trades.

Now the frequency of trading also affects the overall annual outcome. The more frequently you positively turn over your portfolio, the more you can multiply your results, provided that you’re acting on valid entry and exit signals and not overtrading unnecessarily.

For example, if the results shown in recent weeks represented a full year’s trades then that would mean an overall 7.4% Expectancy on every dollar invested in a portfolio for the year.

On the other extreme, if it were to represent a day trader’s results for one day then his/her system would be making 7.4% net per day for every dollar invested...... If this hypothetical ‘super-trader’ could maintain that rate and turn over their whole portfolio at that rate for a whole year they would be more than delighted!

So it’s important that we now look at our Frequency of our notional trades to check our performance further.

Table 2

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Entry Date</th>
<th>Entry Price $</th>
<th>Exit Date</th>
<th>Exit Price $</th>
<th>Duration (weeks)</th>
<th>Gross% Profit/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>IIN</td>
<td>7/09/2012</td>
<td>$3.55</td>
<td>3/10/2012</td>
<td>$3.32</td>
<td>3.7</td>
<td>10.42%</td>
</tr>
<tr>
<td>WRT</td>
<td>7/09/2012</td>
<td>$2.98</td>
<td>20/11/2012</td>
<td>$3.02</td>
<td>10.6</td>
<td>1.34%</td>
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<tr>
<td>WBRC</td>
<td>18/09/2012</td>
<td>$24.30</td>
<td>26/10/2012</td>
<td>$25.25</td>
<td>5.4</td>
<td>3.91%</td>
</tr>
<tr>
<td>NUF</td>
<td>28/09/2012</td>
<td>$5.96</td>
<td>30/10/2012</td>
<td>$5.65</td>
<td>4.6</td>
<td>-5.20%</td>
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<td>RHC</td>
<td>1/10/2012</td>
<td>$23.85</td>
<td>25/10/2012</td>
<td>$23.40</td>
<td>3.4</td>
<td>-1.89%</td>
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<td>CTX</td>
<td>1/11/2012</td>
<td>$17.12</td>
<td>14/12/2012</td>
<td>$19.69</td>
<td>6.1</td>
<td>15.01%</td>
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<td>RRL</td>
<td>2/11/2012</td>
<td>$5.50</td>
<td>30/11/2012</td>
<td>$5.18</td>
<td>4.0</td>
<td>-5.82%</td>
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<td>RHC</td>
<td>8/11/2012</td>
<td>$24.00</td>
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<td>$26.40</td>
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<td>TTS</td>
<td>29/11/2012</td>
<td>$2.80</td>
<td>3/01/2013</td>
<td>$3.08</td>
<td>6.0</td>
<td>10.00%</td>
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<td>WBC</td>
<td>29/11/2012</td>
<td>$25.02</td>
<td>29/01/2013</td>
<td>$27.87</td>
<td>8.7</td>
<td>11.39%</td>
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<tr>
<td>MTRU</td>
<td>29/11/2012</td>
<td>$3.68</td>
<td>13/12/2012</td>
<td>$4.15</td>
<td>2.0</td>
<td>12.77%</td>
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<tr>
<td>TPM</td>
<td>4/12/2012</td>
<td>$2.35</td>
<td>21/01/2013</td>
<td>$2.71</td>
<td>6.9</td>
<td>15.32%</td>
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<tr>
<td>SFR</td>
<td>7/12/2012</td>
<td>$8.06</td>
<td>3/01/2013</td>
<td>$3.87</td>
<td>3.9</td>
<td>10.05%</td>
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<td>WEB</td>
<td>11/12/2012</td>
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<td>27/12/2012</td>
<td>$4.43</td>
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<td>2/01/2013</td>
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<td>29/01/2013</td>
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<td>15.57%</td>
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<tr>
<td>FKL</td>
<td>3/01/2013</td>
<td>$3.75</td>
<td>30/01/2013</td>
<td>$4.17</td>
<td>3.9</td>
<td>11.20%</td>
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<tr>
<td>IVC</td>
<td>14/01/2013</td>
<td>$8.82</td>
<td>20/02/2013</td>
<td>$10.15</td>
<td>5.8</td>
<td>15.08%</td>
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* Excl transaction costs or dividend incomes

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</table>

In this current study, our selection of 19 notional trades from this Newsletter’s notional portfolio occurred over the 6 months between September 2012 and the end of February 2013.
Table 2 above shows that for the 19 notional short term trades so far, the duration of each trade varied from 2 to 10.6 weeks, with an overall average of 4.8 weeks i.e. about a month.

(Very interestingly, a similar study in Edition 44 of April 2006, also of 19 notional trades - between July 2005 and March 2006 - showed an overall Success rate of 74% and an expectancy of 8.3c in about a month.)

Hypothetically speaking then - If we were to maintain this average duration and were fully ‘invested’ with 8 notional positions in the market every week for a whole year then we would effectively turn over the portfolio TWELVE times in the year.

Look at it another way, every dollar in the portfolio would have the power of a twelve dollar note over the course of a year i.e. we would effectively be managing to make our initial $100k notional portfolio do the work of $1.2 Million.

As Louise Bedford says in her excellent book ‘Trading Secrets’:

“....This shows the inherent advantage of maintaining a medium term perspective, rather than a longer term perspective. The more frequently your trading system produces effective buy and sell signals, the more often you can turn over your available equity.

Your average hold-time will enable you to factor in how often you turn over your available equity within the course of one year, so you can calculate these figures on your own performance in the markets.”

Louise Bedford, Trading Secrets

For example, for a $100K portfolio, based on $12,500 per notional trade x 19 trades, we would have turned over about $237.5k - even though we started with $100k.

If we continue to work with our example of turning the whole portfolio over twelve times in a year, then if each dollar continues to produce an overall Expectancy of 7.4c for every dollar invested (after losses), then this would equate to 12 x $100k x 7.4c = $88,800 i.e. almost 90% growth in a year on our notional portfolio

Most traders and investors would be pleased with such a performance! In reality, we also need to factor in the importance of how many times during the year that the notional portfolio is fully invested.

If it’s only, say, 50% of the time, then we need to multiply the result above by 50% i.e. our annual targeted growth would be 50% x 88.8% pa = 44.4% pa - this would still be a significant result.

We are not saying that this is the growth we are aiming to achieve in the short term notional portfolio in this newsletter. Its prime purpose is to provide education, not be a ‘tipping sheet’.

There are also times when the portfolio is closed when markets fall (, e.g. January 2008 to June 2009). At such times, it is safer to be in cash and not trade, in which Frequency drops to nil.

We again stress the disclaimers at the back of this newsletter and on our site, including - "Historical results are no guarantee of future returns. Results reflect absolute trading stop loss discipline. .....No representation is being made that any account will or is likely to achieve profits or losses similar to those shown.”

Next week we will look at the Power of Compounding.
Short -Term Trading Portfolio Update
By Jim Berg and John Atkinson

Introduction
Please refer to the latest update of the PDF 'Newsletter Introduction, Your Member Benefits & Discounts' in the Members Library for the background to this notional short term trading portfolio, including the Trading Rules developed for this Newsletter to demonstrate the signals to time entries and exits. More details are explained in our 'Trading Plan Guide'. You will find both these documents in the 'New Members Resources' section, in the right hand margin of the Members Library - after you have logged in at www.ShareTradingEducation.com to download your latest Newsletter Edition. As a Newsletter Member, you may also email queries to us at Info@ShareTradingEducation.com. We do not include any new notional trades which have already gained more than 4% by the time the Newsletter is first published after an entry signal is given.

Summary Update

<table>
<thead>
<tr>
<th>Notional Trade Ticker Code</th>
<th>‘Entry’ Notes in Edition</th>
<th>‘Entry’ date</th>
<th>‘Entry’ price</th>
<th>Friday’s closing price</th>
<th>Gross open notional ‘profit’</th>
<th>Stop</th>
<th>Comments</th>
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<tbody>
<tr>
<td>TCL</td>
<td>393</td>
<td>31/01</td>
<td>$6.16</td>
<td>$6.50</td>
<td>+ 5.5 %</td>
<td>$6.34</td>
<td>Open</td>
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<tr>
<td>AAD</td>
<td>397</td>
<td>25/02</td>
<td>$1.52</td>
<td>$1.455</td>
<td>- 4.3 %</td>
<td>$1.42</td>
<td>Open</td>
</tr>
</tbody>
</table>

For protection (and potential profits):
Purchased ASX200 September 4800 put option at 97 points (97 X $10 = $970) on March 8th (See Ed398).

Please note:
1) The above table shows the notional trades closed this week or currently ‘open’ in the notional Short Term Trading Portfolio. The gross open profits do not include dividends, brokerage or other net notional profits or losses from previous ‘closed’ trades. The latter will be reported progressively from time to time.
2) These notional trades are for educational purposes only and are not buy or sell recommendations.

Disclosure: Members of the ‘Investing & Online Trading Newsletter’© team may have open positions in some of the notional trades mentioned in the newsletter portfolio.

Notional Trade: 2013

Transurban Group (TCL)
Industry Group – Transportation  Capitalisation – Large Cap
Date ‘Purchased’: 31/01/2013 (Newsletter Ed 393) ‘Purchase’ Price: $6.16
Current Price (12/04/13): $6.50 (+ 5.5 %)

Entry Analysis:
Rising weekly (share) chart. RSI (7) ‘Alert’ and Blue Bar Volatility entry signal on January 30th. Enter on the following days open, no higher than the high of the signal day, no greater than 10% from exit price.

Action: 16 Day rule. Holding position with Trailing Stop at $6.34.

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Notional Trade: 2013

Ardent Leisure (AAD)
Industry Group – Consumer Services
Capitalisation – Small Cap
Date 'Purchased': 25/02/2013 (Newsletter Ed 397)
'Purchase' Price: $1.52
Current Price (12/04/13): $1.455 ( - 4.3 %)

Entry Analysis:
Rising weekly (share) chart. RSI (7) 'Alert' and Blue Bar Volatility entry signal on February 22nd.

Enter on the following days open, no higher than the high of the signal day, no greater than 10% from exit price ($1.52).

Action: 16 day rule. Holding position with Trailing Stop at $1.42.
Recent RSI Alerts – ASX300

By Jim Berg

RSI is a leading indicator. That means it may suggest that the market is oversold or overbought and that the market could be at a bottom or top. However, entering the market when only the RSI is signalling an oversold/overbought condition is premature.

The following ASX300 list is also provided in MS Notepad format in the Members Library page, just below where you download this Edition. In the ‘New Members’ Resources’ in the right column of the Members Library you will find our ‘Watch List Instructions’ on how to upload Jim’s Watch List files to JB Premium Charts, MetaStock and to other charting programs.

Disclaimer: The lists below are provided for educational purposes only and do not contain buy or sell recommendations. It is just a list of companies which can be monitored for potential Blue Bar Volatility entry signals in rising trends (and potential Red Bar Volatility shorting signals in falling trends - for experienced traders only.)

ASX300: RISING TREND

The following is a selection of Australian companies in the ASX300, in a weekly Rising Trend, that have had an RSI 'Alert' signal (< 31) in the previous 10 trading days and pass his Rising Trend Rules and 'Recent JB Alert' Rule: *

<table>
<thead>
<tr>
<th>Security Name</th>
<th>Symbol</th>
<th>Security Name</th>
<th>Symbol</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACRUX LIMITED ORDINARY</td>
<td>ACR</td>
<td>MERMAID MARINE ORDINARY</td>
<td>MRM</td>
</tr>
<tr>
<td>ADELAIDE BRIGHTON ORDINARY</td>
<td>ABC</td>
<td>METCASH LIMITED ORDINARY</td>
<td>MTS</td>
</tr>
<tr>
<td>AGL ENERGY LIMITED ORDINARY</td>
<td>AGK</td>
<td>NAVITAS LIMITED ORDINARY</td>
<td>NVT</td>
</tr>
<tr>
<td>AURIZON HOLDINGS LTD ORDINARY</td>
<td>AZJ</td>
<td>OIL SEARCH LTD ORDINARY</td>
<td>OSH</td>
</tr>
<tr>
<td>BASE RES LIMITED ORDINARY</td>
<td>BSE</td>
<td>PERPETUAL LIMITED ORDINARY</td>
<td>PPT</td>
</tr>
<tr>
<td>COCA-COLA AMATIL ORDINARY</td>
<td>CCL</td>
<td>ROC OIL COMPANY ORDINARY</td>
<td>ROC</td>
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<tr>
<td>COMMONWEALTH BANK. ORDINARY</td>
<td>CBA</td>
<td>SANTOS LTD ORDINARY</td>
<td>STO</td>
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<tr>
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<td>CPU</td>
<td>SENEX ENERGY LIMITED ORDINARY</td>
<td>SXE</td>
</tr>
<tr>
<td>DAVID JONES LIMITED ORDINARY</td>
<td>DJS</td>
<td>SEVEN GROUP HOLDINGS ORDINARY</td>
<td>SVW</td>
</tr>
<tr>
<td>DOWNER EDI LIMITED ORDINARY</td>
<td>DOW</td>
<td>SEVEN WEST MEDIA LTD ORDINARY</td>
<td>SWM</td>
</tr>
<tr>
<td>FLEXGROUP LIMITED ORDINARY</td>
<td>FXL</td>
<td>SONIC HEALTHCARE ORDINARY</td>
<td>SHL</td>
</tr>
<tr>
<td>FORGE GROUP LIMITED ORDINARY</td>
<td>FGE</td>
<td>STHN CROSS MEDIA ORDINARY</td>
<td>SXL</td>
</tr>
<tr>
<td>GRAINCORP LIMITED A CLASS ORDINARY</td>
<td>GNC</td>
<td>SUNDANCE ENERGY ORDINARY</td>
<td>SEA</td>
</tr>
<tr>
<td>HARVEY NORMAN ORDINARY</td>
<td>HVN</td>
<td>SUPER RET REP LTD ORDINARY</td>
<td>SUL</td>
</tr>
<tr>
<td>HENDERSON GROUP CDI 1:1</td>
<td>HGG</td>
<td>THE REJECT SHOP ORDINARY</td>
<td>TRS</td>
</tr>
<tr>
<td>HORIZON OIL LIMITED ORDINARY</td>
<td>HZN</td>
<td>THORN GROUP LIMITED ORDINARY</td>
<td>TGA</td>
</tr>
<tr>
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<td>WEB</td>
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<tr>
<td>LINC ENERGY LTD ORDINARY</td>
<td>LNC</td>
<td>WESTFIELD RETAIL TST UNIT STAPLED</td>
<td>WRT</td>
</tr>
<tr>
<td>MACA LIMITED ORDINARY</td>
<td>MLD</td>
<td>WOODSIDE PETROLEUM ORDINARY</td>
<td>WPL</td>
</tr>
</tbody>
</table>

(* Note: These shares do not necessarily pass Jim Berg’s Fundamental Analysis Rules).
How to Filter a List of “Experts’ Picks for 2013”
By Jim Berg and John Atkinson

1. Introduction

Our aim is to help you get started in the market safely and wisely - or to improve your trading and investing skills. This Newsletter teaches Jim Berg’s common sense approach, developed over 30 years of trading and investing, 18 years of which were as a professional broker. While we show ‘RSI Alerts’ and other examples of stocks in USA and Australia, Jim’s principles may also be quickly adapted for use in many other markets around the world.

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 watch lists’ - 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. Jim shows how he tests each ‘Expert Pick’ with his own strict ‘Weight-of-Evidence’ Rules. Please refer to the PDF ‘Newsletter Introduction, Your Member Benefits & Discounts’ in the ‘New Members Resources’ section, in the right hand margin of the Members Library for more background to this series of articles.

Today, we continue with the next 3 shares from our latest list ‘Experts’ Picks’ list. Disclaimer: As always, the companies featured in this newsletter are presented for educational purposes only. They are not buy or sell recommendations.

2. Latest List: Expert’s Picks

Several of Australia’s top analysts recently selected fourteen companies they believe will ‘outperform’. The next three are:

1. SMS Management (SMX)
2. Wesfarmers (WES)
3. Insurance Australia (IAG)

SMS Management (SMX) is in a rising trend. The closing price is below the moving average but all three criteria must be reversed to signal a change in trend.

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SMS Management (SMX) daily chart has an RSI ‘Alert’ signal.

Wesfarmers (WES) is in a rising trend. The closing price is above a rising moving average and making pivot point higher highs and higher lows.

Wesfarmers (WES) daily chart last had an RSI ‘Alert’ and Blue Bar Volatility entry signal in November.
Insurance Australia (IAG) is in a rising trend. The closing price is above a rising moving average and making pivot point higher highs and higher lows.

![IAG Weekly Chart](chart)

Insurance Australia (IAG) daily chart last had an RSI 'Alert' and Blue Bar Volatility entry signal in November.

{All charts above drawn using our JB Premium Charts /data package.}

3. Pulling It All Together

We use Jim’s 'Weight-of-Evidence’ stock selection tool to help us summarize our observations in this newsletter.

You can download it with our compliments from the ‘New Members Resources’ section, in the right hand margin of the Members Library.

Table 1: Filtering Using 'Weight-of-Evidence’

<table>
<thead>
<tr>
<th>Expert's Picks @ 05/04/13</th>
<th>RISING TREND CRITERIA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>34 Week Moving Average Rising or Previously Rising &amp; Now Horizontal?</td>
</tr>
<tr>
<td>Name</td>
<td>Pass JB’s Fundamental Criteria?</td>
</tr>
<tr>
<td>SMS Management</td>
<td>Experts</td>
</tr>
<tr>
<td>Wesfarmers</td>
<td>Experts</td>
</tr>
<tr>
<td>Insurance Australia</td>
<td>Experts</td>
</tr>
</tbody>
</table>

Each of the companies analysed this week are in a rising trend with one having a recent # RSI ‘Alert’ signal.

(# Within previous two weeks.)
4. This Week’s Tutorial: ‘Expert’s Picks’

Several of Australia’s top analysts recently selected fourteen companies they believe will ‘outperform’.

The last two are:

**Ramsay Health Care (RHC)**

**Woolworths (WOW)**

We encourage you to set aside a few minutes to complete today’s tutorial, as follows:

- Download Jim Berg’s ‘Stock Selection Tool’ from the Members Area
- Rename the file (e.g. to ‘Expert Picks’), then change the column headings to reflect your own rules, or borrow Jim’s rules as listed
- Enter the **two companies** mentioned above, one per row

Systematically and progressively enter **Y** for **Yes** or **N (No)** for each of these 2 companies and the respective rules – to identify those shares which pass all the tabulated criteria, **as at Friday April 12th, 2013**.

Feel free to amend the template to replace Jim’s rules with your own. This tutorial is an educational exercise, **not advice**.

Next week, Jim will show the summary of his own ‘Weight-of-Evidence’ analysis of these shares.

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**Solving Your Trading Problems:**

*by Jim Berg and John Atkinson*

16 Day Rules, Second Computer, USA Indices

In this section, ‘Solving Your Trading Problems’, we publish some of the questions we’ve received and our answers, for the benefit of all Members. The trading strategies covered in our resources, Jim’s seminars and **weekend Boot Camp** are educational. There are hundreds of different ways to successfully trade the markets. Jim believes every trader/investor who follows his methods has changed the system to suit their own time frame, personality and trading philosophy. The following are responses to some recent questions on the software and strategies discussed in this newsletter:

**Q1:** *Jim, in your short term trading portfolio in Ed402, according to the 16 day rule, the stop for TCL should be the low of entry day (31/1/2013), i.e. $6.09. Is that right?*

**JB/JA:** Using Jim’s Volatility Indicators, the Trading Plan is that we usually expect that a share in a rising trend will:

i) Fall during a correction/pull-back within that trend

ii) Reduce in volatility

iii) Give an RSI Alert and a Blue Bar entry signal in a low volatility environment

iv) Then after we have taken a position, resume its uptrend, with a subsequent increase in volatility, often within 1-2 weeks

The 16 day Rules were introduced to the Newsletter Portfolio a few years ago to cover those situations where the share consolidates/goes sideways for a few weeks after a position is taken.
They are shown in the summary Table of Trading Rules on Page 6 of the PDF called ‘Newsletter Introduction, Your Member Benefits & Discounts’ (in the ‘New Members Resources’ section of the Members Library), as follows:

**16 trading days from the entry:**

a) If the closing price is **above** the entry price
   - Exit on a close below the low of the entry day (adjusted stop).

b) If the closing price is **below** the entry price - Exit below the trailing stop
   (2 consecutive closes)

*In this case with TCL:* After 16 days, the close was below the entry, so Jim switched to the Trailing Stop

**Q2:** "My laptop died last night and it is going to take a few days before I can get it looked at next week. Can I install the Software and data feeds on to my daughter’s laptop for the interim? If so how do I go about getting it set up again??

**JA:** Your subscription to **JB Premium Charts** / Data covers 2 computers, so go to:

i) [http://www.premiumdata.net/support/downloads-howto.php](http://www.premiumdata.net/support/downloads-howto.php) for instructions then to

ii) [http://www.premiumdata.net/support/downloads.php](http://www.premiumdata.net/support/downloads.php) to re-download installers/data

**Q3:** "In Ed402 Jim showed he uses S&P500 Housing/ Banks & DJ Transportation as part of his Indices to determine the strength of the market. How do I open these up in a book using JB Premium Charts?

**JB:** First, please note that these USA Indices are only available to those traders who elect to receive the JB Premium Data feed for USA.

The steps to create a Book showing these Indices are as follows:

Open a book, such as **World Indices** & select **Edit.** Select **Scan, Physical Folder & Continue.**
Select **US, Indices, Dow Jones Averages & OK.**

Select **Names** (rather than **Symbols**), Highlight **Dow Jones Transportation Average**, select **ADD & Done.**
Select **Scan** again and scroll down to **PHLX**, highlight and select **OK**.

Highlight **KBW Bank Index** & **PHLX Housing Sector Index**. Select **ADD & Done**.

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Superannuation Updates
Zdenko Simonic, CEO of SuperEasy

SuperEasy Pty Ltd (ABN 48 092 141 083) was established in March 2000 to provide a comprehensive non-advisory administration solution for Self Managed Superannuation Funds, popularly called DIY Superannuation. The SuperEasy® team enables clients to obtain comprehensive information about the product, enable on line processing of the setup and administration of the funds.

SuperEasy has contributed valuable articles to this Newsletter since we launched in 2005. The following updates were sent to Clients of SuperEasy on 8 April 2013 as part their ‘Super Mail’ Newsletter. These extracts are reprinted here with the permission of and our thanks to Zdenko Simonic.

1. Government reforms relevant to superannuation ahead of the May budget
   - From July 1 2014, earnings on superannuation pensions and annuities of more than $100,000 annually will be taxed at 15 per cent, instead of being tax-free.
   - Superannuation earnings below $100,000 a year will remain tax-free and this threshold will be indexed to the Consumer Price Index.
   - The change will not apply at the accumulation stage.
   - The Government estimates around 16,000 people will be affected by this reform, which will save around $350 million over the four-year forward estimates period.
   - From 1 July 2013, people aged 60 and over will see increased concessional caps from $25,000 to $35,000.
   - Excess concessional contributions will be taxed at the individual's marginal rate, plus an interest charge.
   - Individuals are taxed on excess concessional contributions in the same way as if they had received that money as salary or wages.
   - The Government will establish a Council of Superannuation Custodians.

2. Do you have a bank account you haven't used for three years?
   Armed with the new legislation from 31 May 2013, the government will be able to take funds from bank accounts that have been idle for three years. This means that bank accounts which haven't been accessed in past three years by either depositing or withdrawing funds, will be transferred to the Australian Securities and Investment Commission (ASIC). The types of bank accounts include personal, business or superannuation (pension).

   The new legislation will also apply to the lost superannuation benefits.

   Clients with such “inactive” accounts are advised to withdraw or deposit at least $1 to stop repossession of the funds. The money can be reclaimed from ASIC but the process can take months.

   The previous legislation allowed bank accounts to be inactive for to 7 years.

3. Our New Service: SMSF Optimiser
   Call us today to road test your fund – we will give you a peace of mind for FREE!

   N.B. Optimisation of your SMSF can sometimes simply mean reducing your compliance costs i.e. the fee you are paying to your accountant.

   If you need assistance with the annual administration of your SMSF, SuperEasy can help by offering comprehensive compliance support at highly competitive prices.

   SuperEasy’s fixed fee of $1295 (GST incl.) includes financial statements, tax return, audit and lodgement with the ATO, and is based on 15 Australian investments in your SMSF portfolio (Click Here).

   You are welcome to call SuperEasy for assistance on 1300 554 333.

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Update & Caution
By Jim Berg:

1) USA

The S&P500 is in a rising trend and, along with the Dow Jones Industrials, established a new high this week.

The NASDAQ100 Index has been a leader, outperforming the other two indices since the rising trend signal in 2009. It failed to trade at new highs this week and is showing divergence from the high of September 2012.
The **Dow Transportation Index** performance, in relation to the **Dow Jones Industrials**, is used by ‘Dow Theorists’ to gauge the strength of equities. It failed to make new highs this week.

The U.S. **Banking** and **Housing Indices** are important gauges of economic health and both failed to make new highs this week.
2) Germany

Many analysts believe the German DAX Index has been leading the U.S. markets since mid-year 2012. It failed to make a new high this week.

![DAX Index Weekly Chart](image1)

3) China

The Shanghai Index, below, is in a rising trend but the key reversal seven weeks ago and the current closes below the moving average are not good signs.

![Shanghai Weekly Chart](image2)

Many analysts believe Australian equities are now more influenced by China, our major trading partner, than the U.S. With this new correlation, it is unlikely that our market is going very far without confirmation from the Shanghai Index.

**Conclusion:** Nothing startling in the charts. No panic. Just a few potential warning signals and worth watching over the next few weeks.
4) Australia
The ASX200 (XJO), below, is in a rising trend but failed to make a new high the last two weeks.

USA Friday Market Update
By MarketWatch

Disclaimer: The opinions and views on events, market direction and price targets provided by others in this newsletter are not necessarily shared by ShareTradingEducation.com.

Wallace Witkowski is a MarketWatch news editor in San Francisco. Laura Mandaro is MarketWatch's Markets editor, based in San Francisco. On Friday 12 April, Wallace and Laura wrote:

‘U.S. stocks on Friday pared sharp losses following weak March retail sales and consumer sentiment data, but the rebound wasn't enough to extend the week’s winning streak by another day.

The Dow Jones Industrial Average (DJIA) slipped 0.08 point to close at 14,865.06, breaking a three-day streak of all-time closing highs, with 17 out of 30 components trading lower. Earlier, the Index touched an intraday low of 14,790.57.

The S&P 500 (SPX) lost 4.52 points, or 0.3%, to close at 1,588.85, snapping a two-day streak of record closing highs, with energy and materials stocks weighing most on the index.

Earlier, the S&P 500 touched an intraday low of 1,579.97.

Consumer-driven stocks, utilities, and telecoms were positive on the day, backing the year’s trend where defensive sectors have outperformed cyclical stocks.

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The Nasdaq Composite (COMP) slid 5.21 points, or 0.2%, to close at 3,294.95, after trading as low as 3,271.02 on the session.

On the other hand, all three gained on the week with the Dow industrials up 2.1%, the S&P 500 rising 2.3%, and the Nasdaq advancing 2.8%.

Stocks came under pressure following the release of consumer data. March retail sales fell 0.4%, against expectations sales would decline just 0.1% and following a 1.1% surge in February.

Even as stocks rallied more than 12% this year, a lingering concern has been consumer spending, which risks faltering in the wake of higher payroll taxes and unpaid furloughs for government workers.

Also, consumer sentiment dropped to its lowest reading in nine months as the University of Michigan-Thomson Reuters gauge dropped to a preliminary April reading of 72.3, well below the expected 79.3, compared with March’s 78.6.

Until now, investors have been dazzled by record levels in the Dow industrials and S&P 500, but weaker economic data may be taking some of the luster off the rally.

“Earlier it was the ISM and nonfarm payrolls, this morning is was retail sales, now it’s consumer sentiment,” said Dan Greenhaus, chief global strategist at BTIG LLC in New York, in emailed comments. “U.S. investors have utterly ignored these developments, at least with respect to the headline S&P 500. But the evidence continues to mount that all the optimism regarding the economy, the consumer and investments may be a bit premature.”

Then again, investor attitudes now are more geared to shaking off bad news, unlike 2008 and 2009 when investors were seeing the bad in even good news, said John Canally, investment strategist and economist for LPL Financial.

“Now, it’s almost the exact opposite,” Canally said, likening today’s paring of losses to last Friday’s when March added fewer jobs than expected.

Also early Friday, the Labor Department said producer prices for March fell a sharper-than-expected 0.6% in March after seasonal adjustments, with energy prices dropping 3.4%.

Stock futures Friday had been heading lower before the open after Dow-component J.P. Morgan Chase & Co. (JPM) quarterly results beat Wall Street estimates but not by enough for investors. Shares fell 0.5%.

Index futures had moderated some losses after Boston Fed President Eric Rosengren — a big proponent of the Fed’s bond-buying program and a voting member with the Federal Open Market Committee — made the case for not hitting the brakes on the central bank’s current policy.

In a speech at a Boston Fed economics conference, Rosengren said “we are well above our unemployment target and well below our inflation target, so highly accommodative policy is both appropriate and necessary.”

For each two advancing stock on the New York Stock Exchange, three declined, with volume topping 700 million shares. On the Nasdaq, it was about the same, with volume just over 390 million. Composite volume topped 3.2 billion shares for the NYSE, and 1.4 billion shares for the Nasdaq at the close…

Global market sentiment was also dented on reports that Cyprus was seeking more money from the European Union. That was denied by the country’s finance ministry, reports said.

Gold futures (GCM3) sank more than 4% to a low not seen since July 2011, while crude oil futures fell 2%. Europe stocks (XX:SXXP) also fell 0.9%.

South Korea stocks fell after a U.S. intelligence assessment said North Korea may have for the first time developed a nuclear device small enough to mount on a ballistic missile. Tokyo stocks retreated after Bank of Japan Gov. Haruhiko Kuroda said the central bank’s inflation target is “flexible”. That means the central bank could adjust policy or delay hitting the target depending on how other indicators behave.'

>>>>

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Guppy View of the Market
By Daryl Guppy

Each week we include a segment copied, with his permission and our sincere thanks, from Daryl Guppy’s ‘Tutorials in Applied Technical Analysis’ available at www.guppytraders.com. Daryl’s selection is based on his outlook for the current and coming market.

Daryl says: “Each week we make a choice about the material we include and the subjects we cover. The selection is based on our outlook for the current and coming market. Our objective is to illustrate effective trading strategies that readers can apply to current market conditions.

We do not identify recommended individual stocks. We identify opportunities and appropriate trading methods for them. Our outlook is not a forecast. It is a probability framework. Use it as just one part of the other information you are reading about the market. Our summary outlook will be included each week.

Disclaimer: The following Price targets and opinions (based on Thursday’s close) are those of Daryl Guppy’s and are not necessarily shared by ShareTradingEducation.com

1. CNBC Notes: A Yen for Parity Plus
By Daryl Guppy

The dollar yen has spent several weeks consolidating near the $0.95 level. The breakout above $0.95 has an upside target near $1.02. Speaking on Squawk Box on December 21 as the Dollar Yen moved above $0.84 we set the upside resistance target near $0.95. In notes at the end of February we set the upside target near $1.02. The resistance behavior near $0.95 is significant because in the future this provides a floor for any market retreat.

This rapid rise from $0.79 to $0.95 had the short traders twitching their trigger fingers. They ended up shooting themselves in the foot. The rise was very rapid, but it was not unexpected from the technical chart perspective. The dollar yen breakout above $0.79 in October 2012 was part of a long term fan reversal pattern.

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This pattern started with the peak price of $1.10 in August 2008. We have spent five years with the yen well below parity, but this is not the usual condition for the yen. A return to parity or above is the long term position of the yen from 1996 to 2008.

Resistance near $0.95 is well established. It acted as a support level in March and August 2009. It acted as a resistance level in April 2010. This has been a major feature of the market post-Global Financial Crisis. Now this has been broken this suggests it will become a strong support level in 2013. When it was acting as a resistance level it meant the dollar yen took several weeks of consolidation near this resistance prior to developing a breakout.

The current breakout has two upside targets. The first target is near $1.01. This was a major support leveling December 1999 and again in November 2004. However it offered no support in April 2008. This suggests that it will offer limited resistance for a breakout above $0.95.

The most powerful support resistance level is near $1.02. This acted as support in June 1997, January 1999 and again in September 2005. It acted as a resistance level in January 2004 and June 2008. It was the peak high used for the start of the long term fan trend reversal pattern in August 2008.

Parity is a strong probability, but it’s only part of the story. When we step back and look at a monthly chart we see two features. First, as noted, is that the yen has spent a long time historically above parity. Second is that any breakout above $1.02 has an upside target near $1.11. It’s a long stretch to set this as a target, but any sustained breakout above $1.02 has $1.11 as the next target. This acted as resistance in 1994, 2000 and 2004. It acted as support in 1997, 1998 and 2006.

**TRADING METHODS**

**PRICE PROJECTION**

This technique measures previous price action and projects future targets. It is most effective when used in conjunction with chart patterns which have a high probability of developing in a consistent way. Generally the base of the chosen pattern is measured. This measurement is used to set a target based on the level of the subsequent price breakout.

On bar charts the vertical price scale is used for all projections. With point and figures charts a P&F count is used. This may use the vertical or horizontal scale. The classic count approach cannot be used because modern computer generated P&F charts do not have the internal square box consistency required. Instead we can use the computer abilities to modify the count approach. We first find the congestion area. This is defined by a vertical wall of price movements, either side of which the price breaks the congestion pattern. The width of this congestion area is then projected upwards, or downwards, from the base of the current up leg. This establishes a target for the price move. Where this coincides with a support or resistance area, the projection is surprisingly accurate.

2. **Newsletter Outlook: Support Holds**

*By Daryl Guppy*

The heading is the exact reverse of last week.

The downtrend looked well established last week but it has been invalidated by a strong rally from the lower edge of the long term GMMA.

The move above 4950 has confirmed the rally strength. Additionally a weak RSI divergence has been developed. It’s weak because the downtrend line on the XJO chart is well defined, but it’s a double bottom on the RSI chart.

It looks like we have been saved from a technical correction.

The underlying uptrend is also weakening as shown by the narrowing of the spread in the long term GMMA. The long term GMMA is moving sideways with some compression. The key confirmation of a trend change is when the short term GMMA moves below the lower edge of the long term GMMA. This did not happen. The rebound is not on the back of a strong up trend, so caution is required as the market moves towards 5100.
The danger in this index remains the downside bearish pressure. The problem with the fast rise starting in November is that no significant consolidation areas developed.

This means there are no firm support areas to slow any fall in the market. The rebound has not come from any well-defined support level and this makes it suspicious.

There is a weak support level near 4700. This is a minor consolidation and it has no historical significant on the chart. The strongest historical support level is near 4560.

We use the S&P ASX 200, or XJO, in these notes because this is the benchmark index followed by fund managers and institutions. The All Ordinaries is a popular headline figure, but it is the XJO that underpins professional assessment of the market. Our outlook is not a forecast. It is a probability framework. Use it as just one part of the other information you are reading about the market.
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✓ WHEN to Buy and, most importantly
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