



The Visual Investor

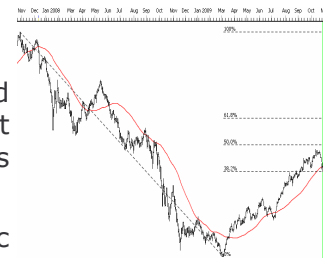
Roller Coaster Ride!

Well last month's comments regarding a run at the 5000 point level failed to materialize. After a shaky start, the market continued the run up and it looked like the break was on, until the 15th October and then the wheels fell off!

The schizophrenic reactions of the US market helped stoke dramatic volatility on world markets. With US jobs data indicating a slow recovery early in the month, and the announcement of a technical end to the recessionary streak there at the end of October, investors were left wondering what was going on.

Encouraging economic data on the performance of the Australian economy, saw the Federal Government adjusting budget forecasts to the better. This fuelled predictions of another rate hike in early November, a subsequent rise in the Aussie dollar, and parity with the US dollar sooner rather than later—we shall see. However, the good economic news had little impact on market sentiment here, with investors reacting to big losses on offshore markets and in commodity prices.

The big fall came on October 29th with the market falling 2.4%. The falls were across the board with the financials suffering particularly badly. This pull back was accompanied by higher than average market volume which showed that it was serious, and had investors wondering if a repeat of last October's disaster was on the cards—deja vu all over again!



Which way now?



MARKET VIEW

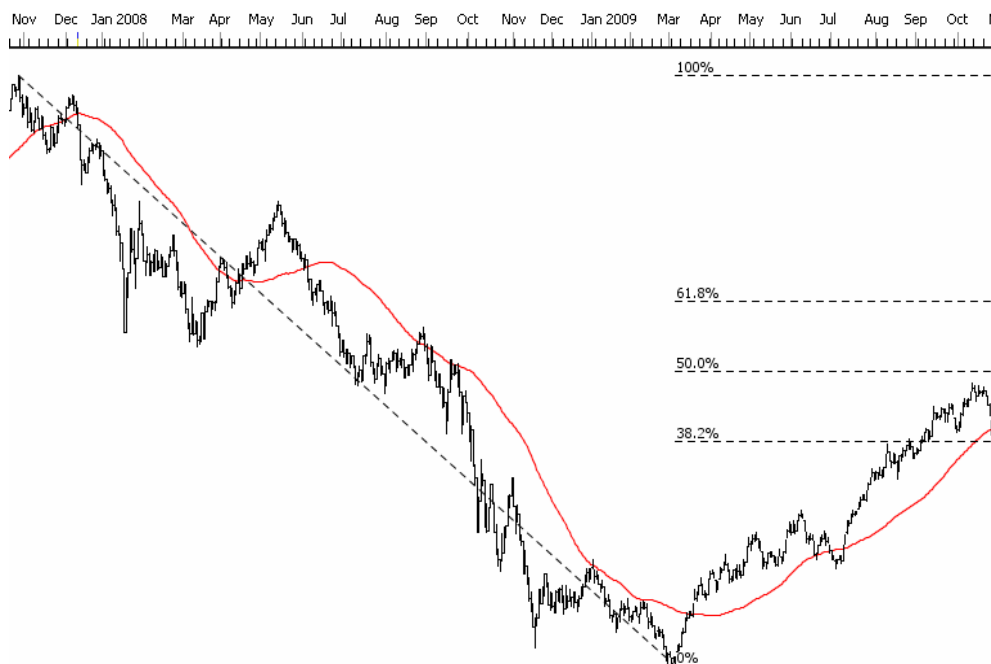
Frank Watkins **To Stop or Not!**

The last week has been a pretty bumpy ride! From the 15th October peak the All Ords gave up a little over 5 percent by the end of the month. On the 29th Oct the market fell 112 points, rallied 71 on the 30th and dropped 100 on the first trading day of November. As I mentioned in the Friday Broadcast a lot of stops were triggered on the 29th, then muttered curses were heard as the market rallied the next day, then audible sighs of relief sounded the next day as many traders felt they had "done the right thing" using stops. During volatile recovery markets there is always the debate as to whether to use stops and whether they "work" or not. All the statistics and books point to the fact that the correct use of stops leads to higher profitability. (I guess the issue is "What is the correct use of stops")

For the person who was stopped out the issue now is when do I get back in, how do I re-enter and what stocks do I buy. As far as I am concerned you get back in when you have a buy signal. Trading like this does lead to frustration if you are using tight stops and are continually being stopped out. You start to watch brokerage and wonder if it is all worth while.

Meanwhile, some have chosen not to use stops. I find this staggering as these are the people who lost about fifty percent of their capital last year. However the market has rewarded their lack of a plan by staging a recovery. Obviously memories are short! This group of people have yet to realize that doing nothing is the most dangerous course of action. Lets look at my favourite bank. The all time peak for the CBA was \$62.16 on Nov 1st 2007. The most recent peak was \$56.24 on 23rd Oct 2009 and the current close is \$50.91. The CBA is still 18% below the all time high two years later and since the recent peak has given up more than nine percent. BHP is still 26% from its all time high, WBC is also 18% from its' peak. These are great companies and they have recovered well, but where would you be if you had stopped out of CBA when it fell through the \$50.00 level then bought back at around the \$32.00 after the first H,H,H,L. This was the tactic used by Pro Trader with the managed funds. Apart from the lost funds, there is the lost opportunity, the only gain is the grey hair and the ulcers.

Broking Issues



Remember your risk level in any trade is the amount of money you are willing to spend to find out if you are right or wrong.

Index Performance for September		
XAO	-89	-1.9%
XJO	-95	-2.0%
XPJ	-87	-9.0%
XMJ	+56	+0.5%
XIJ	-15	-2.3%
XHJ	-361	-4.1%
XNJ	-55	-1.4%

The All Ordinaries closed out October at 4646, with the assault on the 5000 level postponed for another day.

It was a mixed bag on the markets with locals Harvey Norman reporting a 4.3% increase in earnings, while Sydney Airports announced a 3.5% lift. In the US Apple, Amazon and Yahoo had healthy profit increases with Yahoo posting a massive 244% net profit increase. Microsoft however, had an 18% drop in income.

The long awaited Myer share offer finally happened, with strong interest from brokers and institutions. We had to wait until the end of the month to find out that the float price was finally set at \$4.10.

It beggars belief that investors were asked to subscribe to an offer which was a moveable feast in terms of the number of shares on issue and the amount to be raised!

The prospectus informed investors that there would be between 479.3 and 499.5 million shares issued, and that the "Indicative Price Range" would be between \$3.90 and \$4.90. Then (and this raised our collective eyebrows), the prospective investor was told that the final price would be above, below or within the Indicative Price Range! A bit of wriggle room there don't you think? What happened to full disclosure in a prospectus and why are the regulators allowing investors to be treated in this way?

As we predicted last month, October was volatile and tight stops were needed. Hopefully November will see the 5000 level finally breached.

Does your broker offer conditional orders to help you optimise your entries and exits?

**No ... then isn't time you got another broker?
Phone Pro Trader Securities on 1800 123 015**

Company Profile

Definition

Current Yield

A stock's dividend divided by its stock price. For example, if a stock has an annual dividend of \$1 and a stock price of \$10, then its current yield is \$1 divided by \$10 or 10 percent.

GICS Industry Group Codes

1010	Energy
1510	Materials
2010	Capital Goods
2020	Commercial Services & Supplies
2030	Transportation
2510	Automobile & Components
2520	Consumer Durables & Apparel
2530	Hotels Restaurants & Leisure
2540	Media
2550	Retailing
3010	Food & Drug Retailing
3020	Food Beverage & Tobacco
3030	Household & Personal Products
3510	Healthcare Equipment & Services
3520	Pharmaceuticals & Biotechnology
4010	Banks
4020	Diversified Financials
4030	Insurance
4040	Real Estate
4510	Software & Services
4520	Technology Hardware & Equipment
5010	Telecommunications Services
5510	Utilities

ConnectEast (CEU)



ConnectEast (CEU) is a single-purpose entity dedicated to the delivery of the EastLink tollway in Melbourne. It is responsible for the financing, design, construction, maintenance and operation of the project.

In an initial public offer, ConnectEast raised A\$1.1 billion and listed on the ASX in November 2004.

The EastLink tollway connects the Eastern Freeway in Melbourne's east to the Frankston Freeway in the south and opened in June 2008.

The group recently completed a \$421 million capital raising and intends to pre-pay debt.

Technically, the chart is showing a good consolidation pattern with resistance around the \$0.42 level. There has been a good pick up in volume activity in the last couple of months.

An entry on a break of the 42 cent resistance with an initial stop loss at 36 cents would be advisable.

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Technical Issues

Building Custom Scans

The Pro Trader Custom Scan Builder allows you to create your own scans combining technical indicators and events. The combinations in the Builder will find stocks that meet **ALL** of the combined criteria eg above a 30-day MA, **AND** showing a volume increase for 3 days, **AND** 2 days from a MACD crossover. In this example only stocks fitting all three criteria will be found.

ProTrader Proprietary Custom Scan Builder

PROTRADER CUSTOM SCAN BUILDER

INDICATORS

MA WMA XMA Above Below Crossed

ROC period Overbought Oversold

RSI period Overbought Oversold

STOC period Overbought Oversold

Bollinger Band of period Top Break Bottom Break

EVENTS

- period Breakout

Increasing Volume for day(s).

TCI Up Trend Down Trend Horizontal Period

MACD days from a crossover

OBV % above the level of day(s) ago

Volume more than above highest vol. of the previous day(s).

FILTERS

Select a price range in dollars: from to

Ignore results that traded less than in the last week.

Ignore results that have less than days of data.

Also search Warrants & Options.

SCAN TYPE

Daily Data Weekly Data Monthly Data

Scan Subset Watchlist Results Index

Open Save Scan Cancel

A feature of the Builder is the ability to save your custom selections. Clicking on 'Save' will prompt for a name for your custom scan, and the scan configuration is saved to a file. In the future, should you wish to reconfigure to your custom scan, just open the saved scan file, and the scanner will automatically reset to match your original selections, ticking boxes and filling values as required.

The normal filters and scan types such as subset scanning are also available to incorporate into your custom scans.

Financial Planning

Lessons from the Global Financial Crisis (GFC)

In August 2009, John Laker, Chairman of the Australian Prudential & Regulatory Authority (APRA) delivered the opening remarks at the Australian Economic Forum in Sydney. The central issue of his address was the key lessons to be learned from the Global Financial Crisis:

- **Risks can materialise very rapidly and substantially**
Be alert to the early signs of danger – don't put your head in the sand
- **Risks need to be clearly identified and well understood**
If you can't understand the risks involved, then avoid it
- **Agency risk has been more pervasive than may have appeared**
This means watch out for conflicts of interest and high commissions.
- **The importance of good governance cannot be understated**
This means what are the risks and do some "what if".
What would be the worst case scenario?

WARNING: The above is a guide only. You should consider speaking to a registered tax agent about your personal circumstances or visit the Australian Tax Office web site for additional information.

GENERAL ADVICE WARNING

The information contained in this publication may be regarded as general advice only. That is, your personal objectives, needs or financial situations were not taken into account when preparing this publication.

You should consider the appropriateness of any general advice we have given you, having regard to your own objectives, financial situation and needs before acting on it.

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