



The Visual Investor

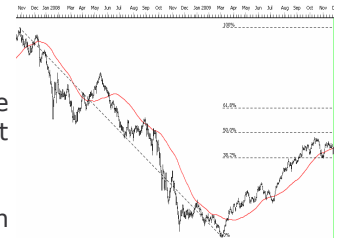
Dubai Debacle

Well the schizoid behaviour continued unabated again in November with the global markets see-sawing on every bit of economic data coming principally out of the US.

However, the biggest fly in the ointment was saved until last with the revelation that Dubai's big spending spree had come to a screaming halt, and the Emirate was in deep doggie dooda with debt. Who would have thought that Dubai's economic miracle was all bought with a credit card!

The ensuing panic on our market was soothed away with statements from our big four that they had little or no exposure to a possible debt default by Dubai, and of course our banks wouldn't tell a lie would they?

The RBA was still talking tough on interest rates, with the prospect of an overheating economy on the horizon caused by low interest rates. We hate to be the bearers of bad news for Mr. Stevens, but it appears that monetary policy in Australia has been hijacked by the big banks and the RBA's supposedly stimulating largesse has not actually been passed on to the long suffering Australian public. Perhaps the RBA's monthly meeting should be replaced by a meeting of the big four to decide what they are going to charge us!



The jury is still out

MARKET VIEW

Frank Watkins



The All Ordinaries gained 98 points during November. The rally this calendar year so far is close to 25%. Unfortunately the only figure coming from "The Industry" is that the market is up more than 50% from the lows. The reality check for most people is their actual account balance. The All Ordinaries is still down 30% from the highs of November 2007.

Last month I wrote a bit about stops. Following a workshop in Perth I think this area needs a bit more discussion. A quick show of hands indicated that probably only 40% of the audience used stops. The use of stops is obviously a personal issue but allow me to

make the following points.

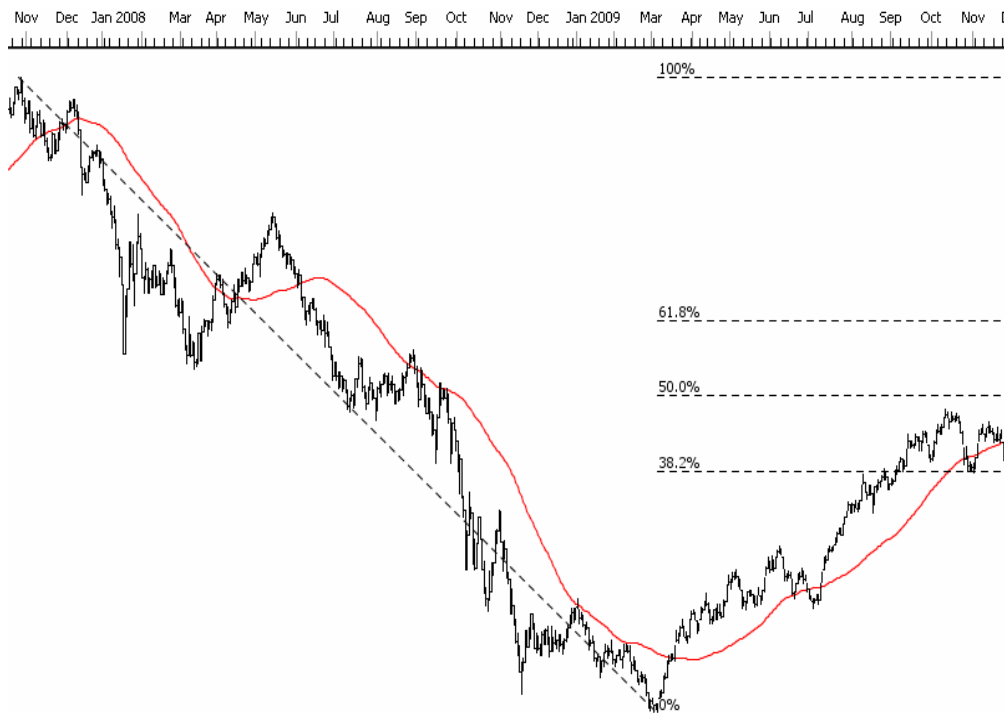
- 1) If you are not using stops you are gambling—fact! Think about it.
- 2) In the broking room we often see stops appear to be placed on a whim and we often suggest better levels.
- 3) On most occasions I feel that the stop loss is not the real issue, it is the fact that people do not have a re-entry rule
- 4) Hindsight is a beautiful thing—people tend to focus on the stocks that rebound after being stopped out rather than considering the stocks that continue to fall.
- 5) It appears that the most frustrating thing is the intraday plunge that wipes out the stops then rebounds on the same day. For the last 3 years I have been suggesting either the DMA as a trailing stop or waiting for the closing price then selling at the open the next day.

From my perspective I have seen the trading activity of thousands of traders/investors over a couple of decades and can make the following observations. (anecdotal, not scientific)

- 1) Using stops in a bull market keeps you out of the odd non-performing stock and allows you to outperform the Index.
- 2) The use of stops has literally saved 100's of percent during the bad times. (1987, 1990, 1997, 2000 Telco crash, 9/11 and 2008)
- 3) It is the current jumpy market where stops become the most frustrating and the time when people give up using them.

At the end of the day it is all about perception. It is your plan, your money and you need to do what you are comfortable with. Talking about perception it is interesting how "The Industry" always talks long-term.....unless it suits them to talk about the rally of the last six months and how well they have performed during that rally. We have a member who has funds with us as well as a managed fund. From last August we have delivered a 3% return and the managed fund is down 12%. Despite this 15% difference we have been taken to task because the managed fund has outperformed us during the last rally. As I said, it's all about perception.

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 November		
XAO	+98	+2.1%
XJO	+90	+1.9%
XPJ	+12	+1.4%
XMJ	+1194	+10.8%
XIJ	+7	+1.1%
XHJ	+19	+0.2%
XNJ	-38	-1.0%

The All Ordinaries closed out November at 4715 for a gain of 2.1%.

The 5000 level was never threatened and the index actually touched the 38.2% retracement level while breaching the 60-day moving average. For a while it looked grim, but there was a bit of recovery later in the month, with a late hiccup seeing the average breached again.

The performance of the Myer IPO was disappointing with the stock closing the month at \$3.70 down from the float price of \$4.10 per share.

The US market finished October with the biggest one-day fall in 6 months with the S&P 500 plunging 2.8% on poor economic data. The knock on effect saw our market drop over 100 points mid way through the month's first session, but rallying slightly to finish 71 points down on the first day of trading.

It was fairly volatile for the rest of the month, with the bombshell of impending debt problems and restructuring in Dubai hitting on the 27th.

The ensuing panic saw our market fall 99 points, breaching the 60-day average, only to bounce right back the next day finishing up 118 point over the previous day's close. News came from our banks that there was little or no exposure to the Dubai debacle so everyone realized there was no need to panic after all.. we shall see!

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Company Profile

Definition

Net Tangible Assets NTA

Total assets excluding intangible assets (except goodwill) less total liabilities.

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

OM Holdings Limited



OM Holdings Limited (OMH) is an independent, internationally diversified minerals group with its primary focus on creating a fully integrated manganese business.

Its international operations currently comprise a successful Singapore based metals marketing business supported by a manganese mine in Australia and a ferro alloy processing facility in China.

Its Australian asset is the 100% owned Bootu Creek Manganese Project in the Northern Territory and has been producing since 2006.

Technically the stock price is consolidating in a triangle shaped pattern with a resistance level about \$1.975. Volume levels have remained steady over the past 5–6 months with OBV relatively flat to slightly rising. An entry on a break around \$1.98 with an initial stop loss order at about \$1.78 would be advised.

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Technical Issues

Volatility Stop Toolbox

Volatility Stop Toolbox

Entry Conditions

Entry Date: 16/03/2009

Entry Price: \$31.00 or use the *Select* price of Entry Date

Breakeven Level: \$31.20 Calculate

Initial Stop Level: 2 ATR(s) below entry price

Trailing Stop Parameters

Trailing Stop Trigger Level at Entry Price plus 2 ATR(s) or use Breakeven Level

Trailing Stop Value: low high closing price minus 3.5 ATR(s)

Stoploss triggered by a trade close below the trailing stop

Profit Stop Parameters

Set Profit Stop

Profit Stop Trigger Level at 6 ATR(s) above entry price

Profit Stop Value: low high closing price minus 3 ATR(s)

Supplementary Profit Stop Parameters

1 at 8 ATR(s) above Entry Price tighten stop level to 2.5 ATR(s)

2 at 10 ATR(s) above Entry Price tighten stop level to 2 ATR(s)

3 at 12 ATR(s) above Entry Price tighten stop level to 1.5 ATR(s)

Cancel Apply

In recent months we have been working on a new feature for your software. The Volatility Stop Toolbox will allow you to build a trailing stop loss strategy implementing an Average True Range (ATR) based volatility stop indicator.

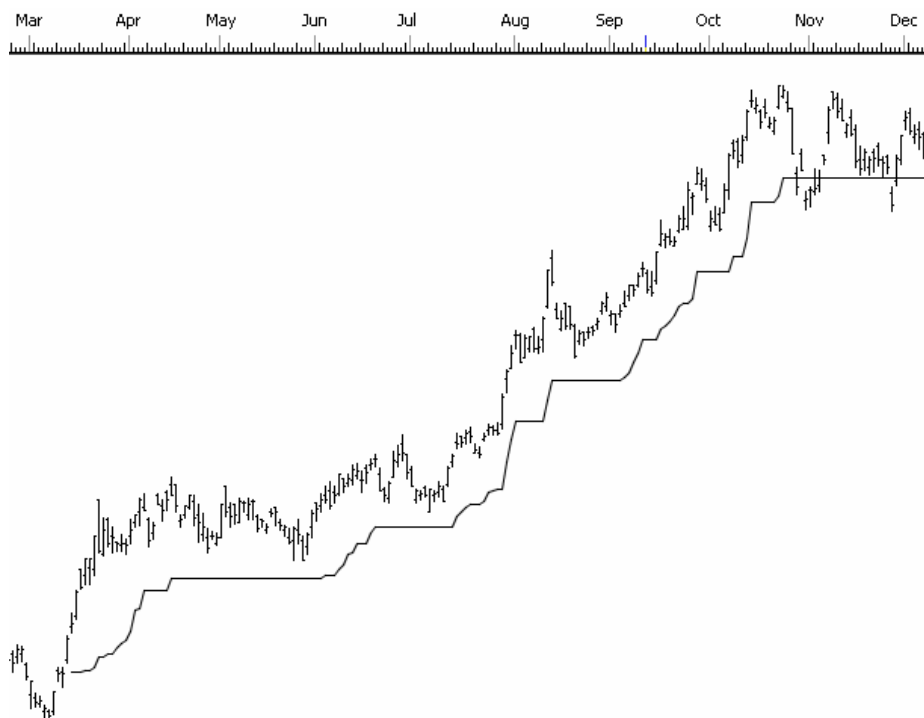
As may be seen in the picture, the toolbox is highly configurable allowing the creation of stop levels that are triggered by up to 5 different price levels.

The strategy sets an initial stop loss level on entry. The trailing stop loss is triggered at a level above the entry price and trails the price level moving upwards as the price increases but moving sideways if the price decreases. It never lowers a stop level.

Further levels may be set to tighten the stop loss level as more profit enters the trade, ensuring that more profits can be locked in.

The picture below shows a trailing volatility stop set on CBA in March 2009. As can be seen, the initial stop level remains constant until the price starts to move upwards beyond the entry price. When the price falls the trailing stop remains at a

constant level until the upward price movement is resumed. Eventually the stop loss is triggered by a close below the trailing stop loss level.



We had planned to release this new feature before Christmas but we have encountered some issues with some versions of the new Windows 7 operating system and are delaying the release until we are sure that they have been resolved.



This will be the last edition of the newsletter until February 2010. We hope you have found some value from this new initiative. We have enjoyed putting it all together, and we sincerely hope that you have enjoyed reading it.

We have several new developments on the drawing board at the moment for our software, education and advice services that should prove exciting early in 2010, stay tuned for developments!

Thank you all for your support throughout the year and we look forward to moving on to bigger and better things in the New Year.

The Management and Staff of
Pro Trader would like to wish
you and yours a Merry Christmas
and a Happy, Peaceful and
Prosperous 2010

GENERAL ADVICE WARNING

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