

ASX Investor Hour



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Presenter: Alan Hull, Alanhull.com
Topic: Right tactics at the right time.
Date: 19 July 2011
Location: Sydney Investor Hour

Real wealth is created by using...
the right tactics at the right time



by Alan Hull

***Find out why an
unprofitable Mining
Company increases more
than tenfold in value
whilst a highly profitable
Consumer Services
Company halves in value
at the same time.***

This is not specific investment advice

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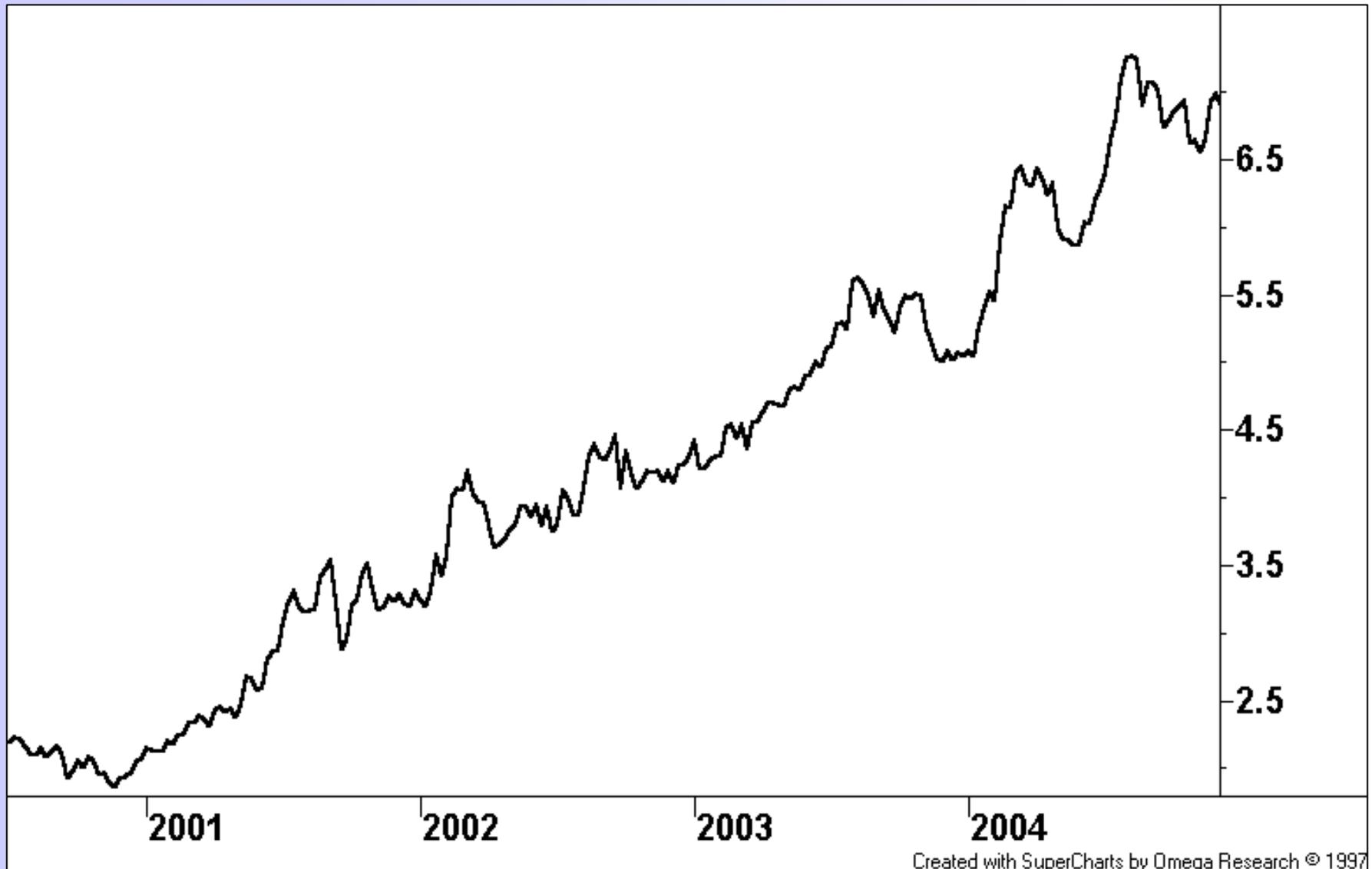
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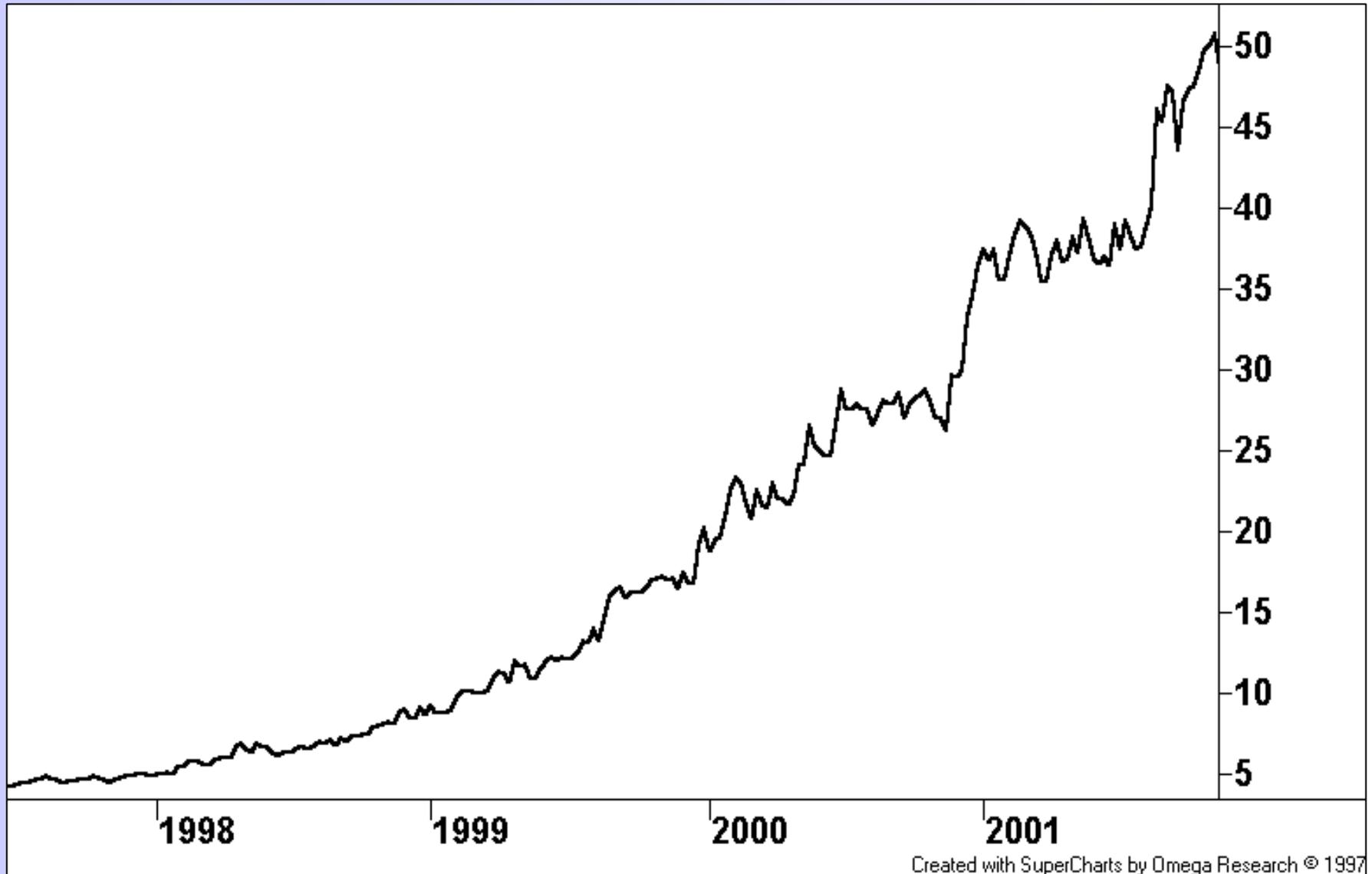
Origin Energy, a great growth stock



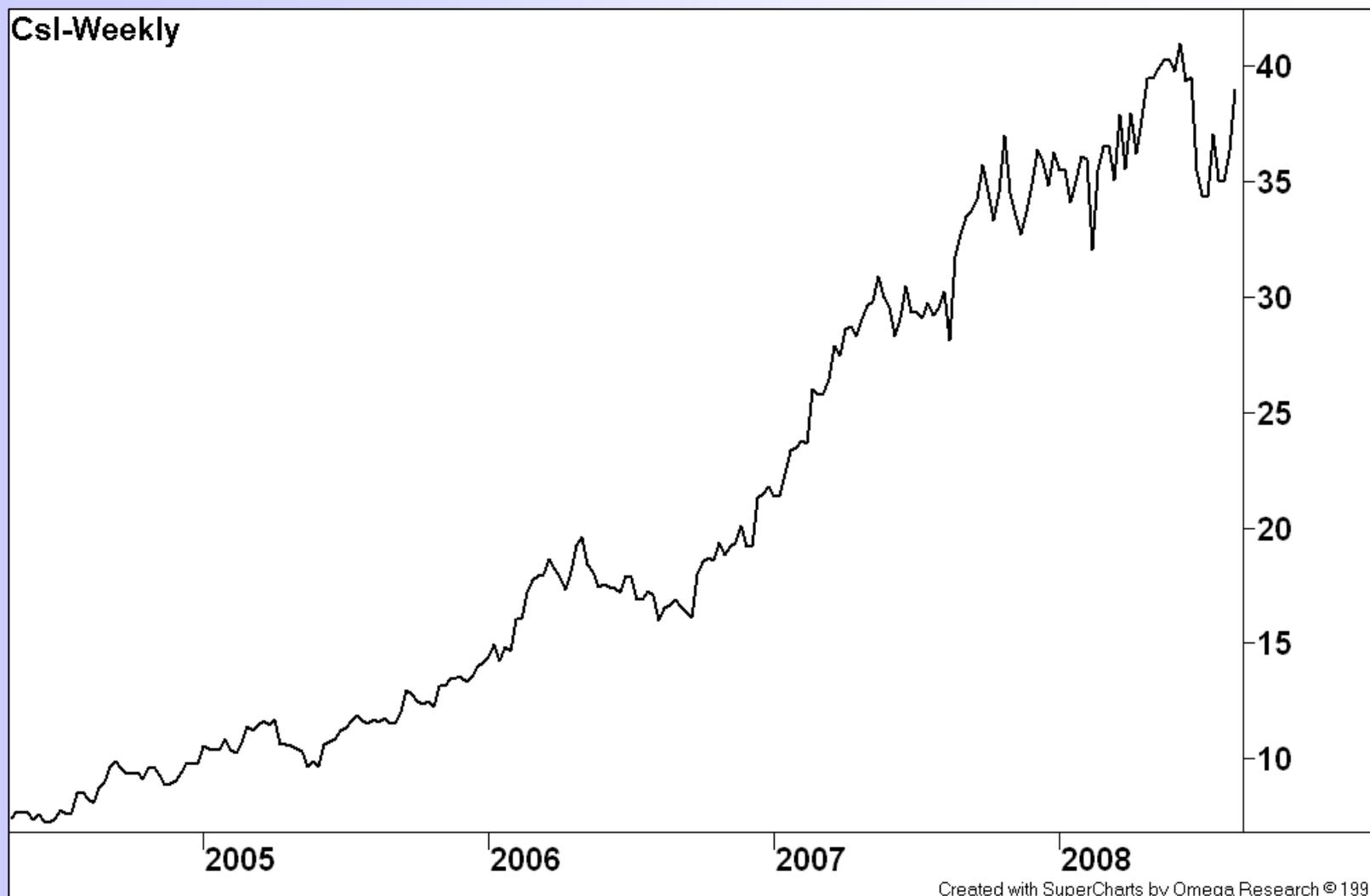
Boral, another great growth stock



Cochlear rose tenfold inside 5 years



But this talk isn't about growth stocks



It's about when to trade in growth stocks

This talk isn't about income stocks...

The following table was generated using StockDoctor's search function, StockFilter, with the following set of parameters. (www.stockdoctor.com.au)

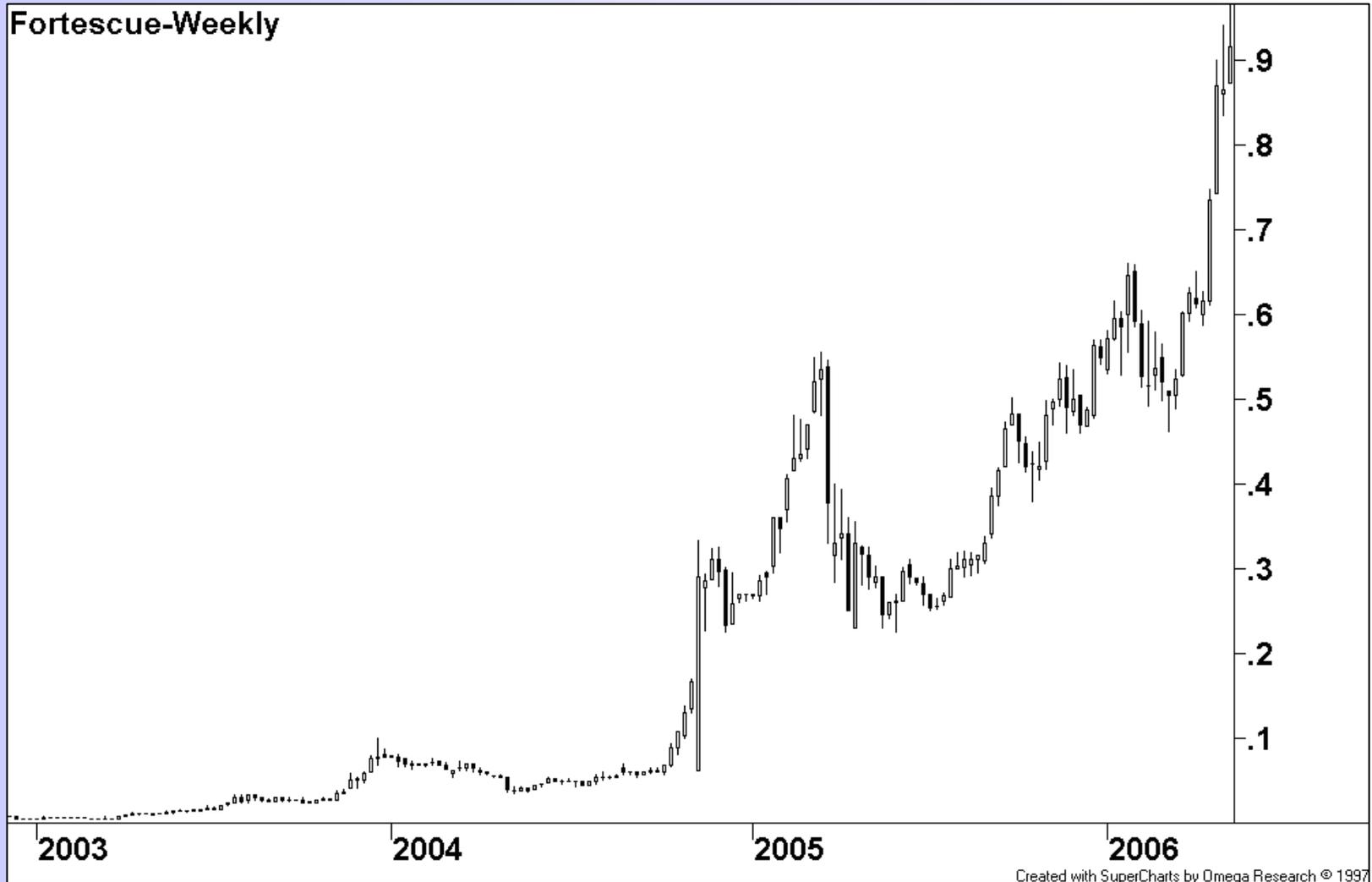
Dividend yield greater than the official RBA cash rate target (www.rba.gov.au)
Fundamentally sound...Companies must currently be StockDoctor Star Stocks
The P/E ratio must be less than 15 and the P/A ratio must be less than 5

<i>Company Name</i>	<i>Code</i>	<i>P/A Ratio</i>	<i>P/E Ratio</i>	<i>Dividend yield%</i>
AlintaGas	ALN	2.52	12.39	5.45
AV Jennings Homes	AVJ	1.24	6.97	10.00
Blackmores Laboratories	BKL	4.92	13.77	5.28
Brazin	BRZ	3.47	10.55	6.40
Bristile	BRS	2.28	10.57	5.73
Casinos Austria Int.	CAI	2.79	6.93	5.77
Centennial Coal Company	CEY	1.39	7.85	6.21
Crane Group	CRG	1.51	12.08	6.11
FKP Limited	FKP	0.82	8.41	7.87
Joe White Maltings	WJM	1.45	5.79	7.69
PaperlinX	PPX	1.61	13.09	5.40
Stockland Trust Group	SGP	1.36	14.45	6.67

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It's about when to acquire income stocks

It's about why Fortescue Metals...



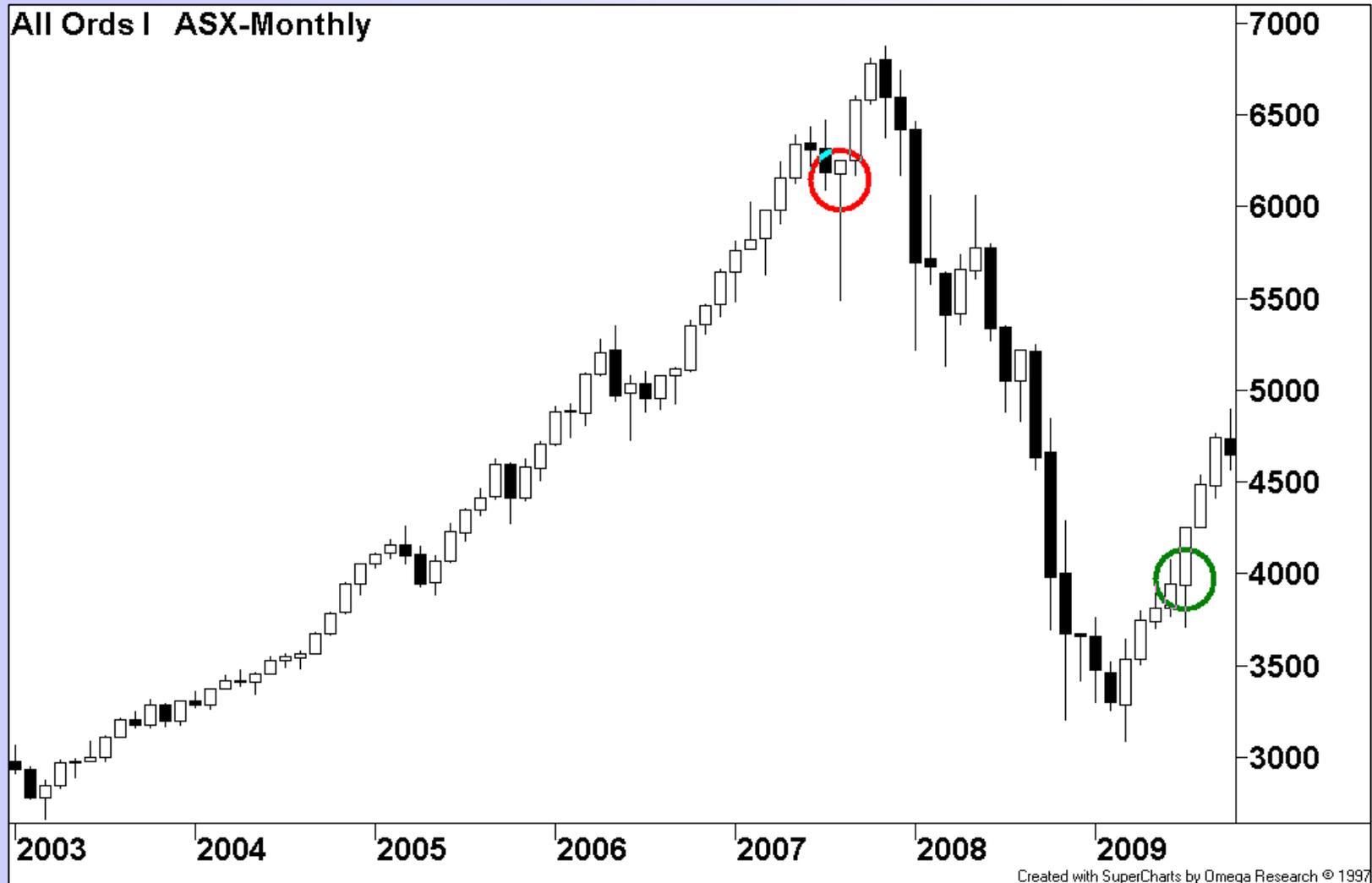
...share price went up tenfold...

...while Flight Centre's share price more



...than halved between 2003 and 2006

It's about when to buy shares & when...



..to sell shares - it's about market timing

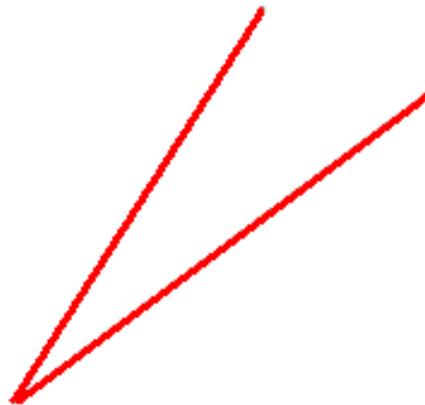
It all starts with understanding Financial

The Behavioural Spectrum

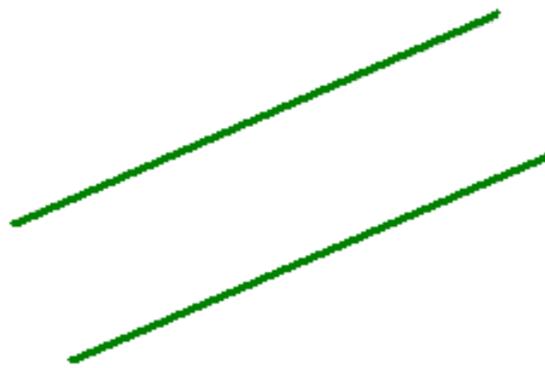
Chaos

Rational

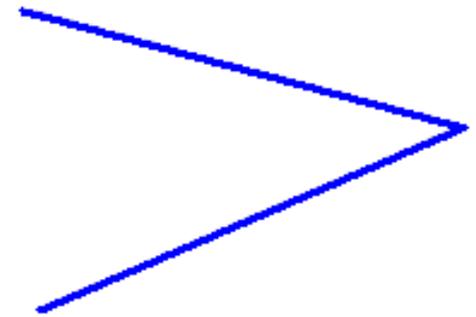
Stillness



Speed/Resistance
Fan



Channel



Triangle

Markets as Complex Adaptive Systems

Bull runs occur at the chaotic end of...



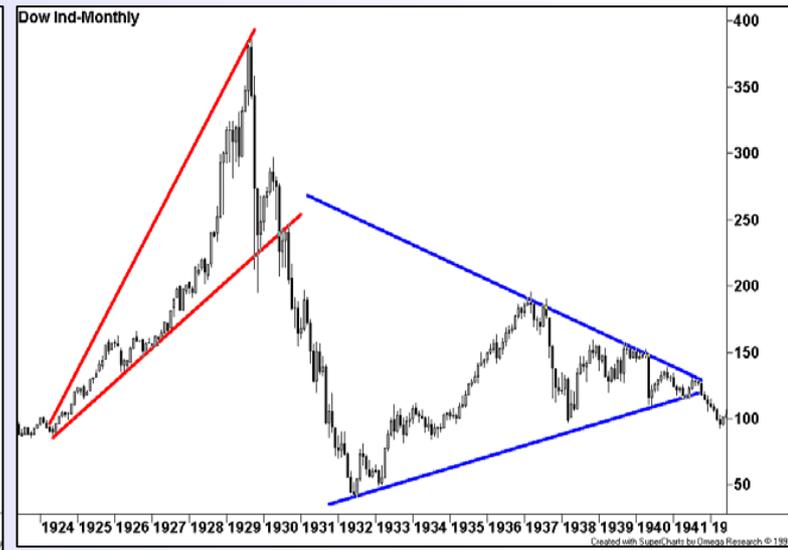
the spectrum - and are sentiment driven

After bull runs, markets swing to the...



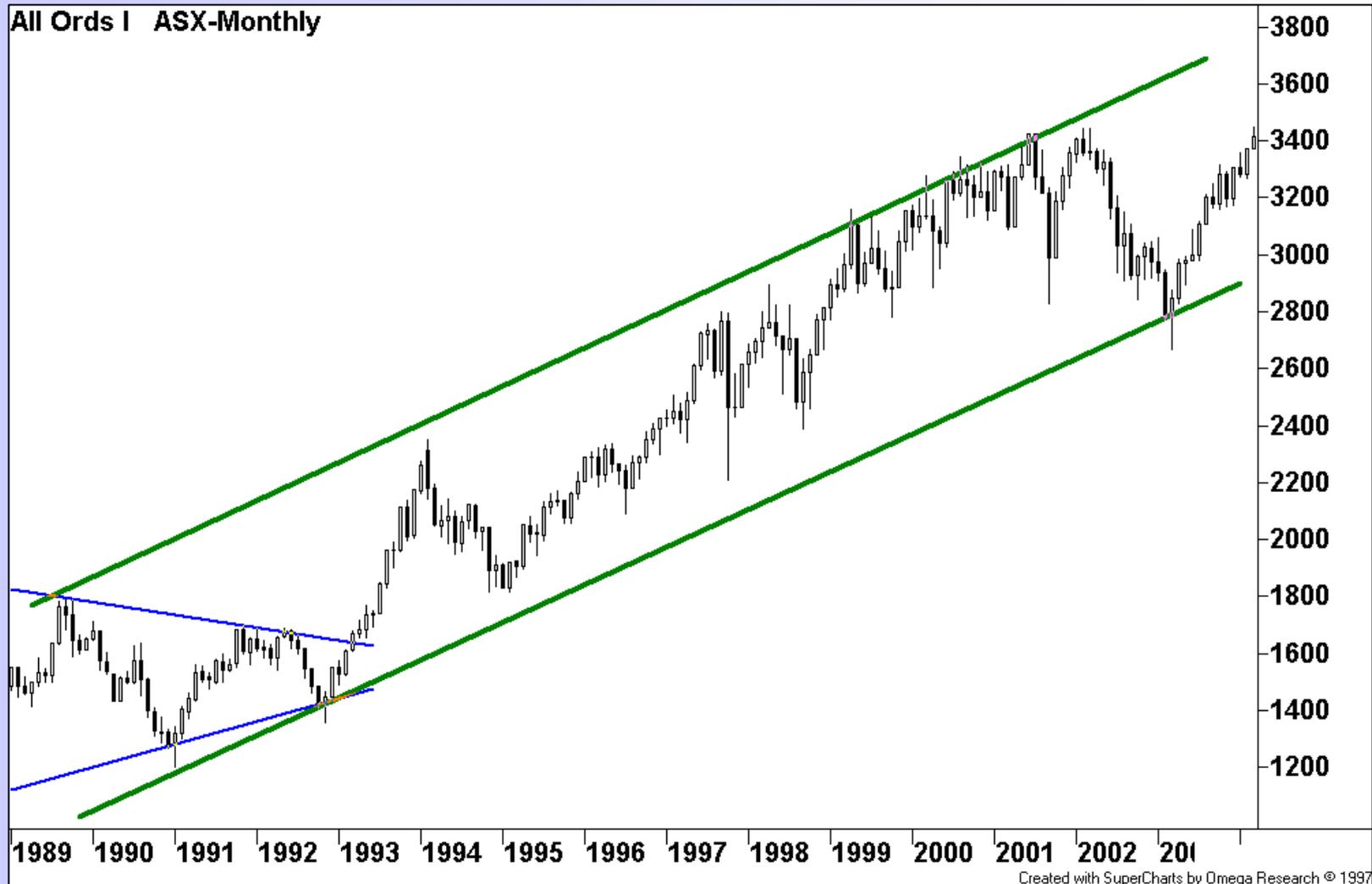
...other extreme - also sentiment driven

This phenomenon is quite common...



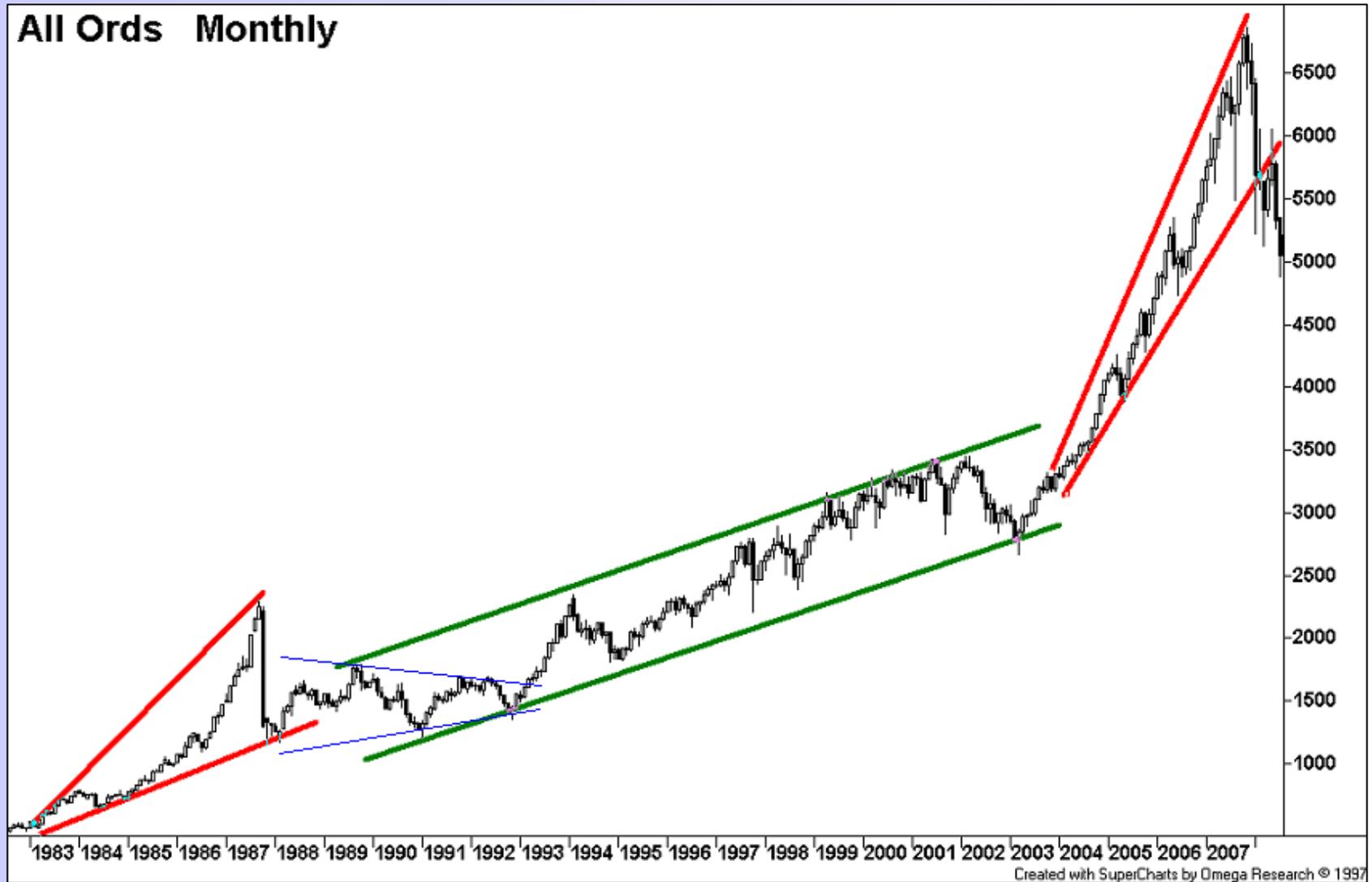
...and is seen across different markets

But after a while, markets become...



...rational again - fundamentally driven

Of course the rational state is the most...



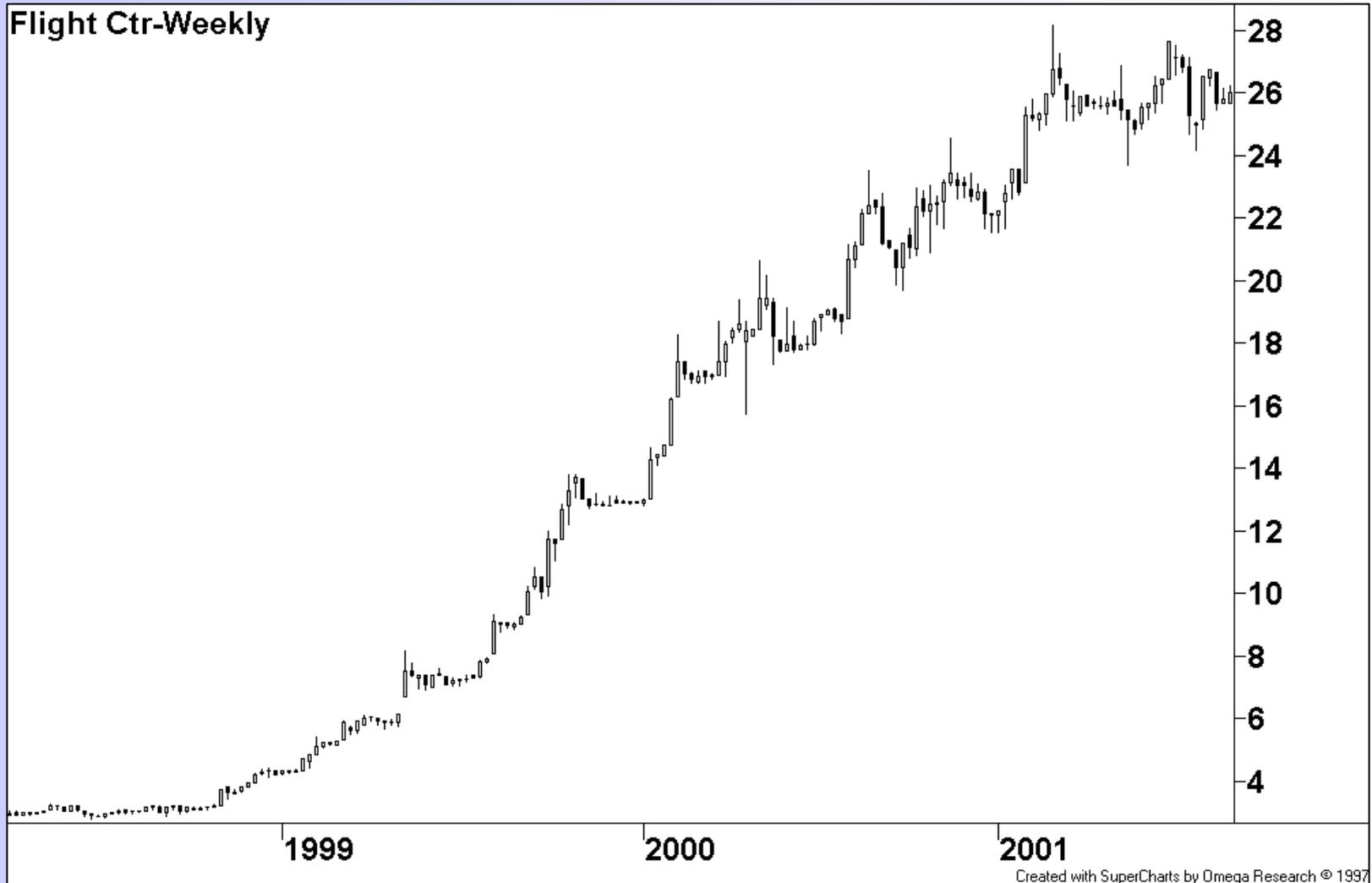
sustainable - and then the cycle repeats

Hence, we know not to rely heavily on...



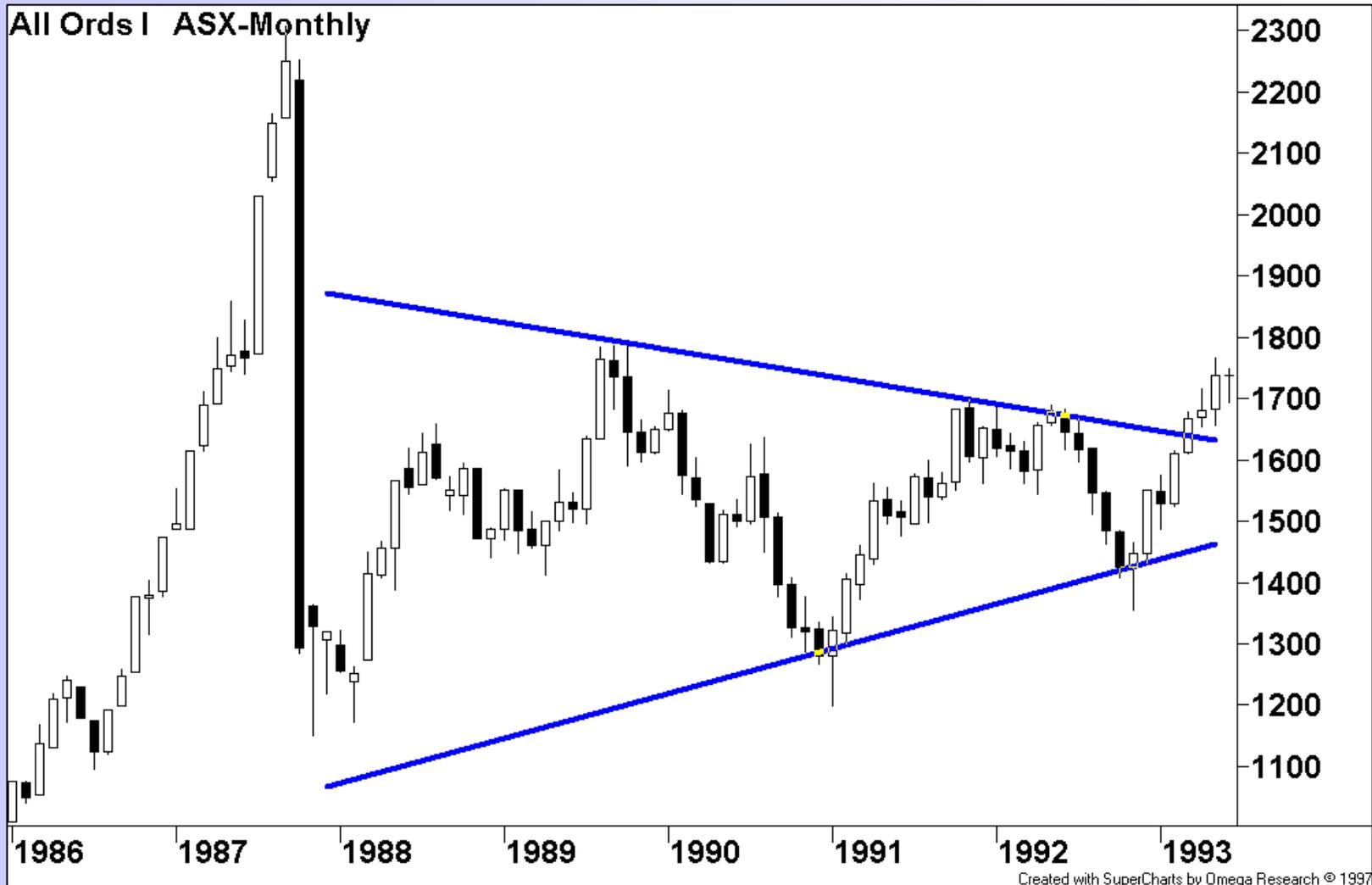
fundamental analysis at times like this

But during a rational period...



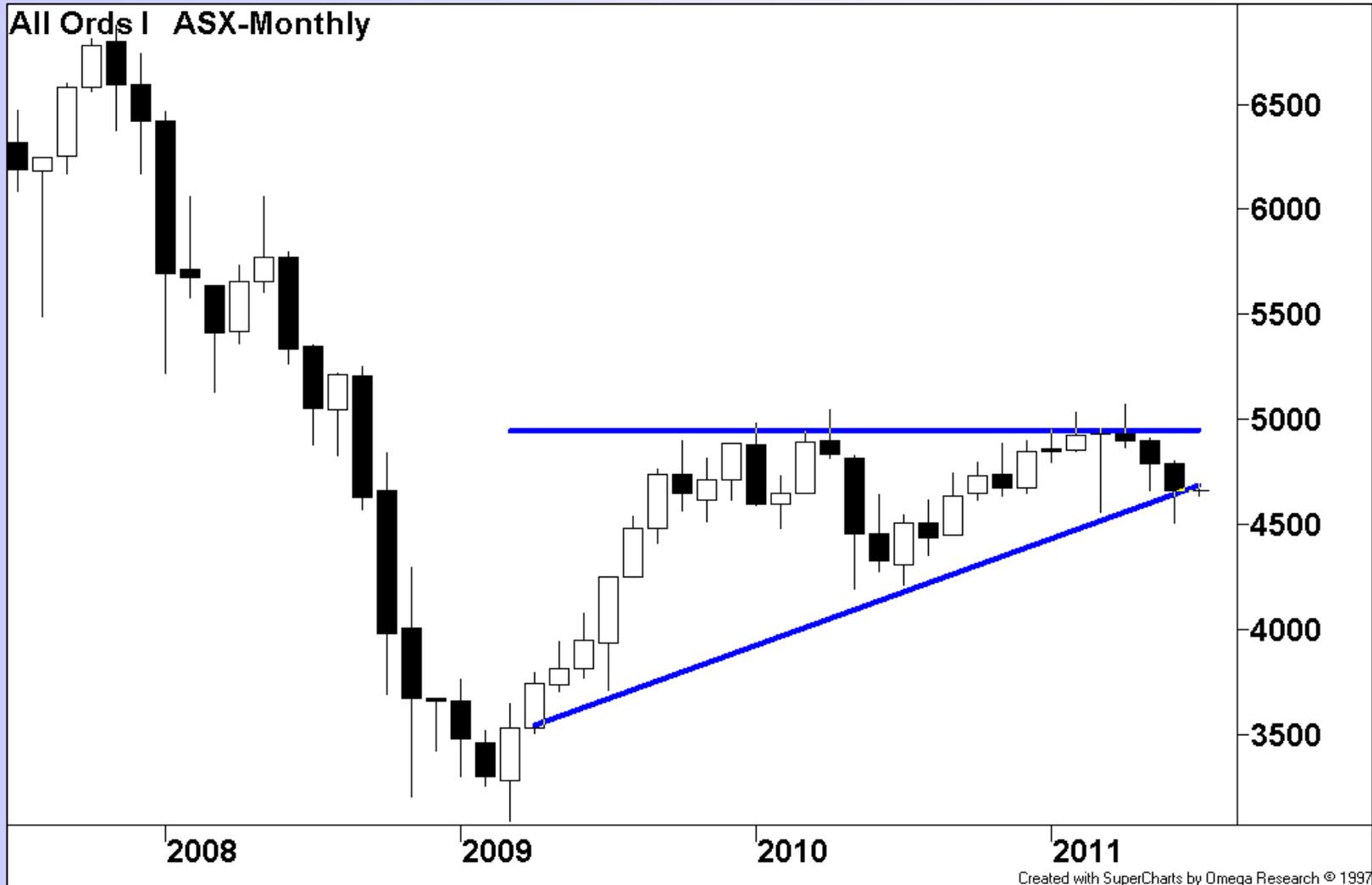
Fundamental Analysis comes to the fore

Now let's go back to the consolidation...



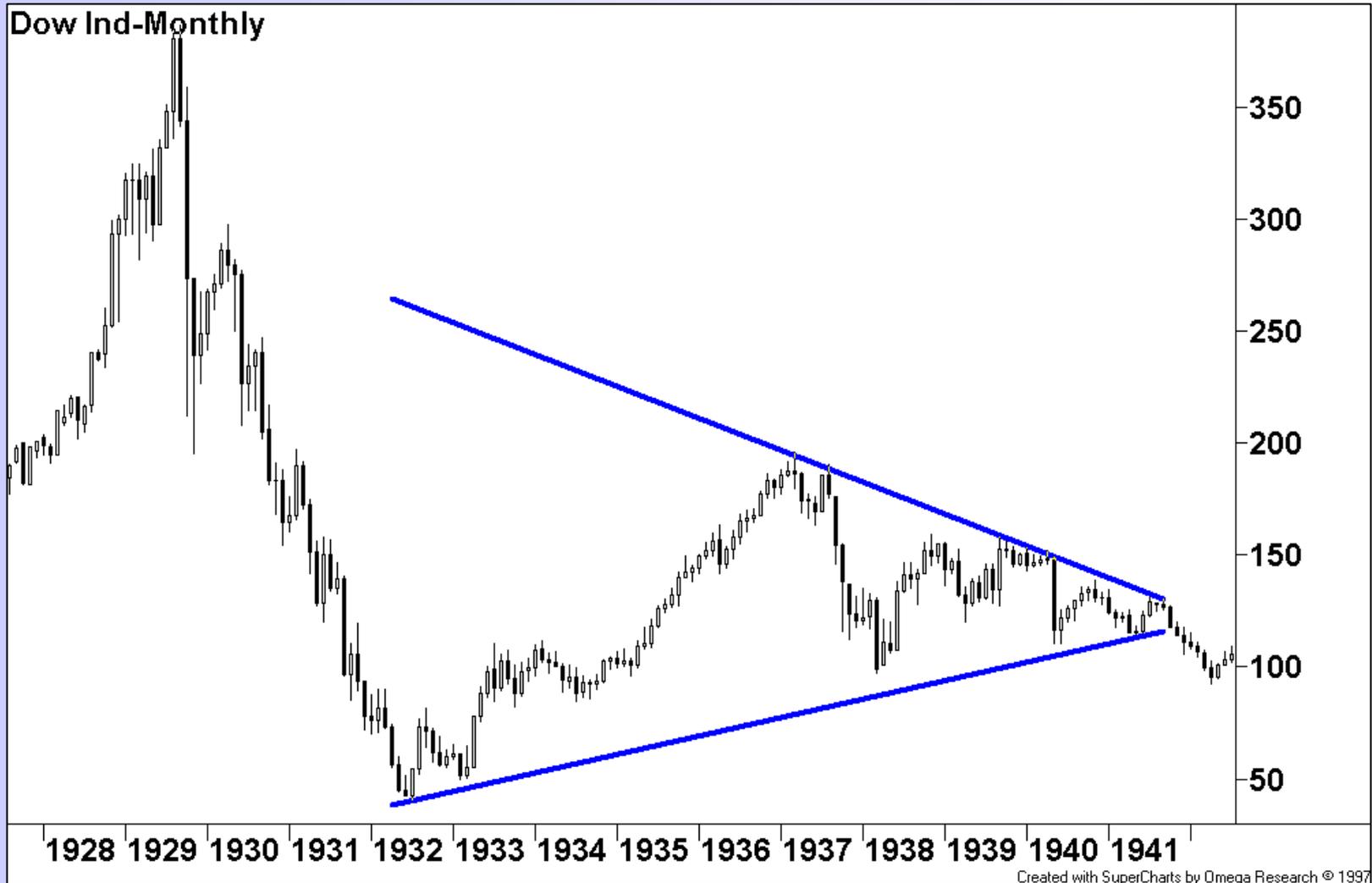
phases...you may remember post-1987

And there's a very good chance you're...



...familiar with the current consolidation

But you definitely won't remember...



...this consolidation period, post-1929

And, as usual, the U.S. market formed



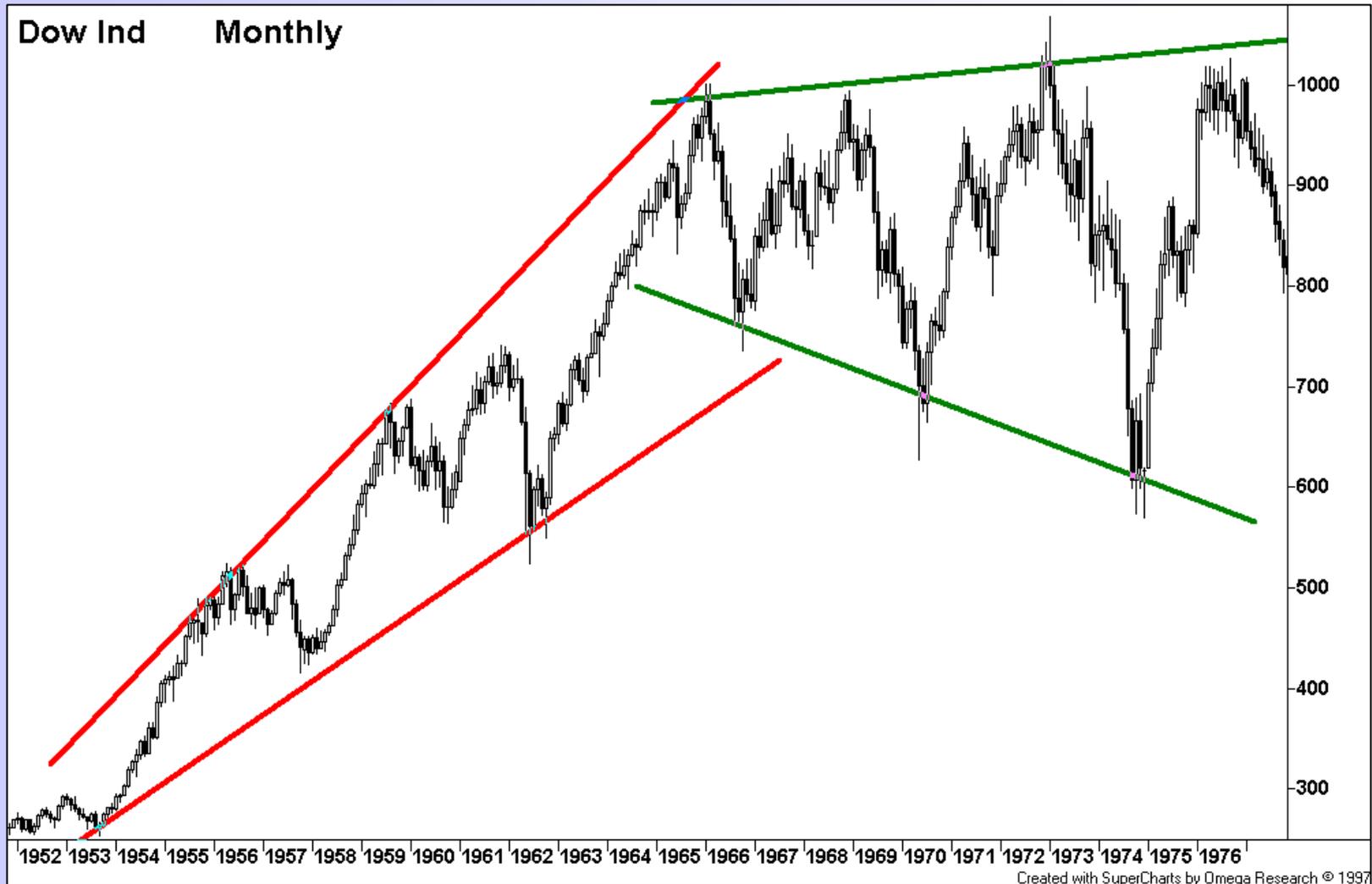
...a channel before taking off again

And just like the All Ords, the whole...



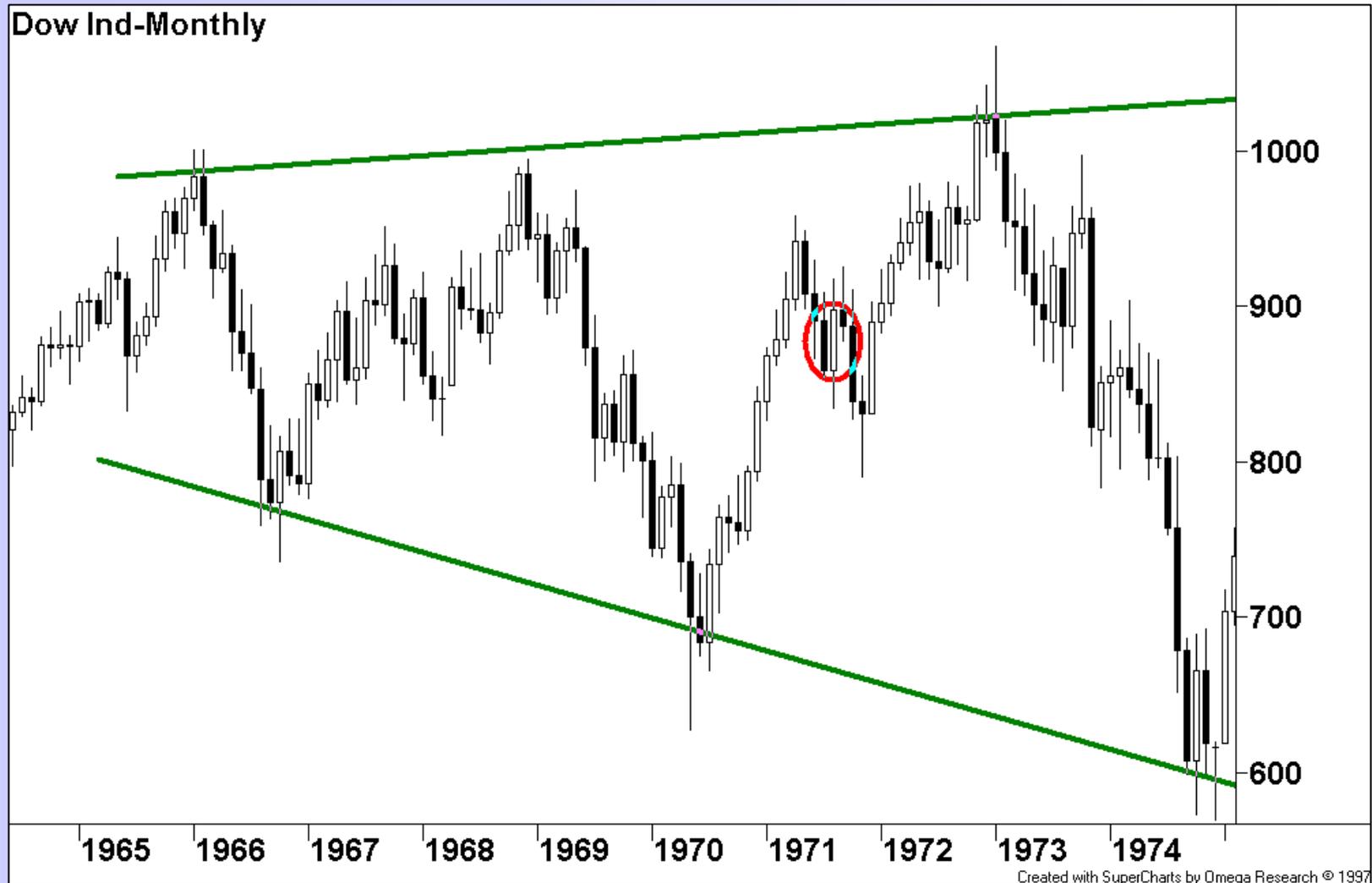
...pattern repeats itself - but with a twist

The next correction is a widening...



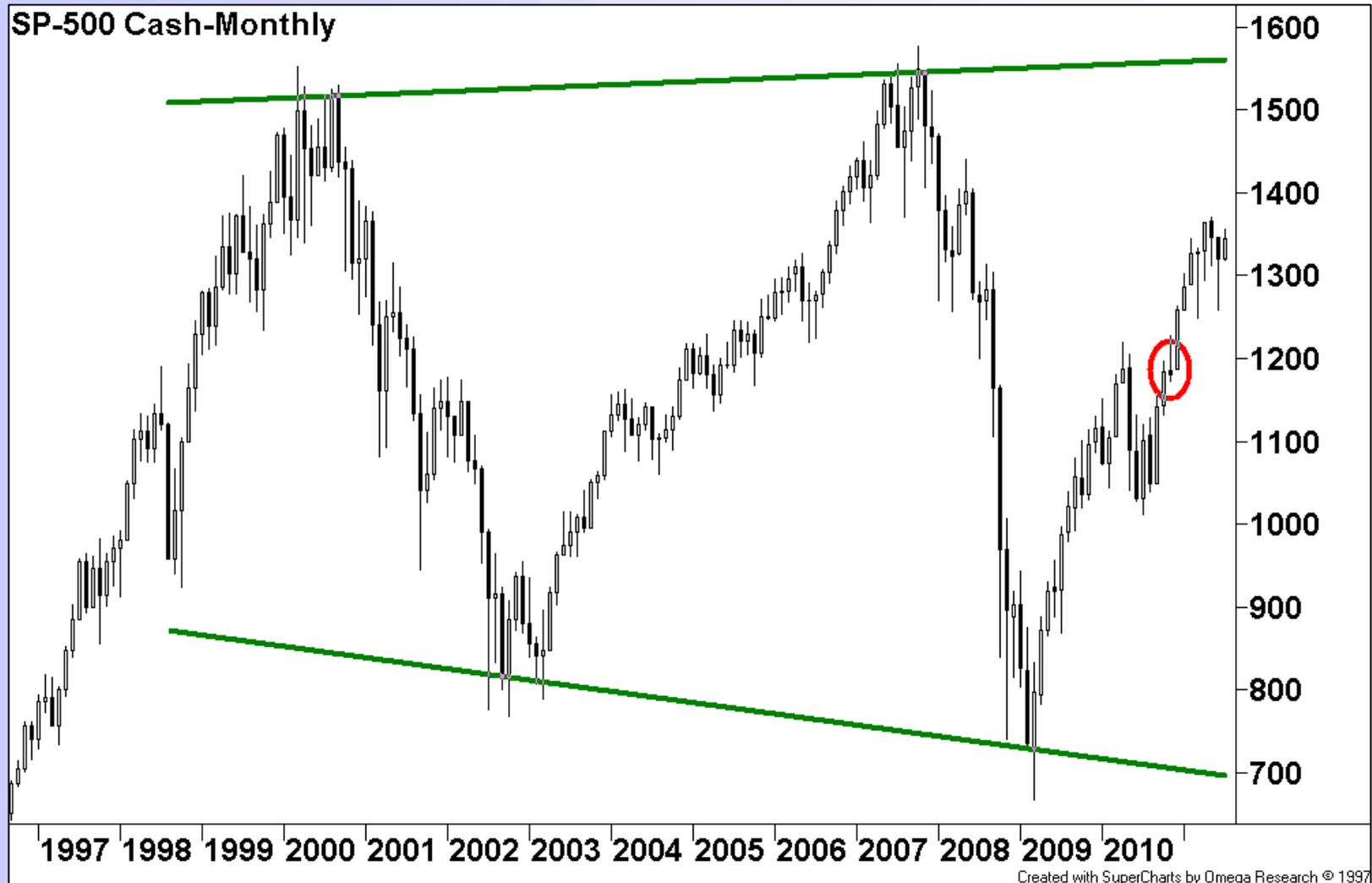
...pattern - enter *Keynesian Economics*

Treasury under a Nixon administration



...announced a major stimulus package

Thus what we're seeing today closely...



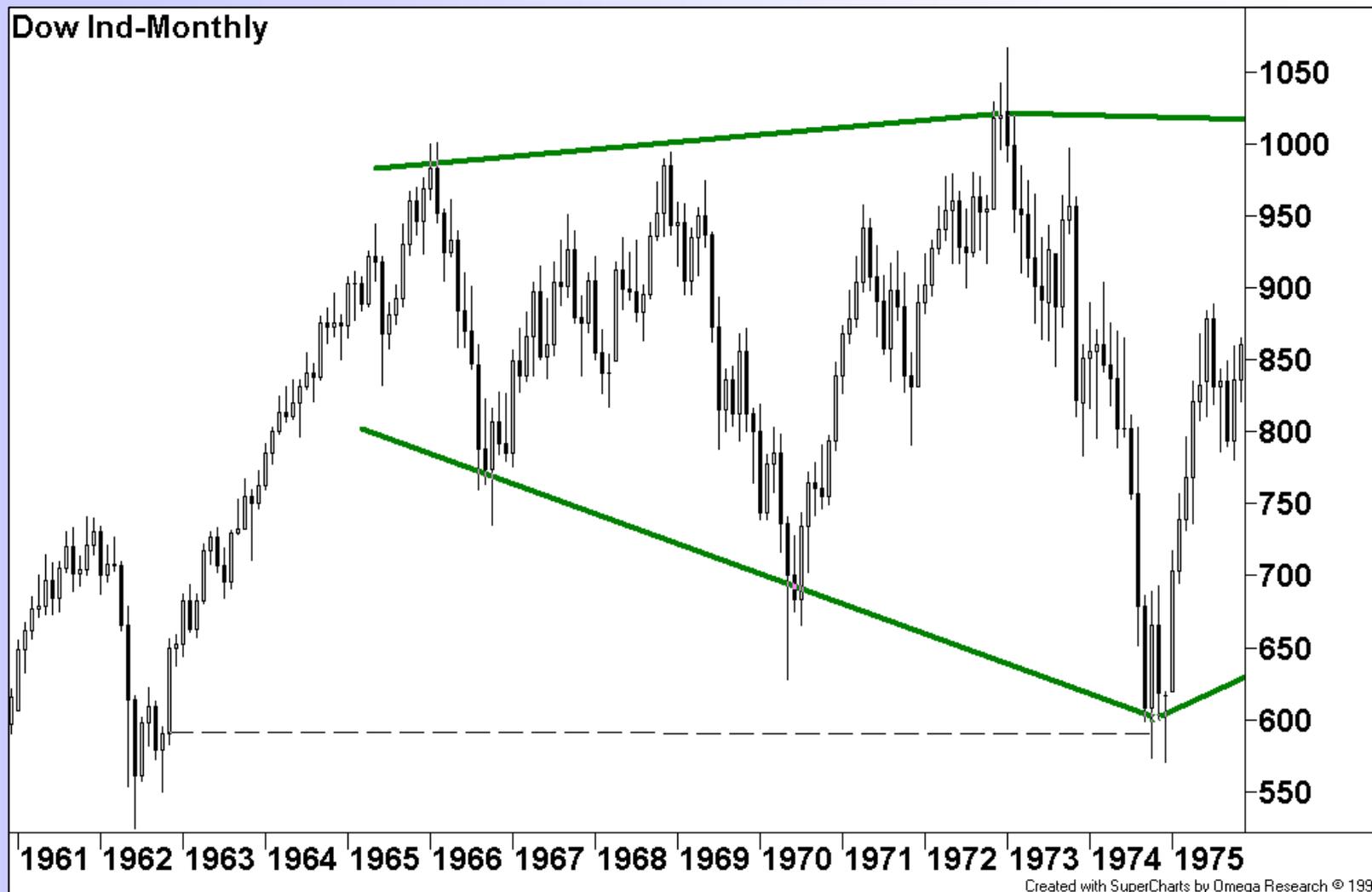
...parallels what occurred in the 1970s

Back to the 1970s and a bulge has...



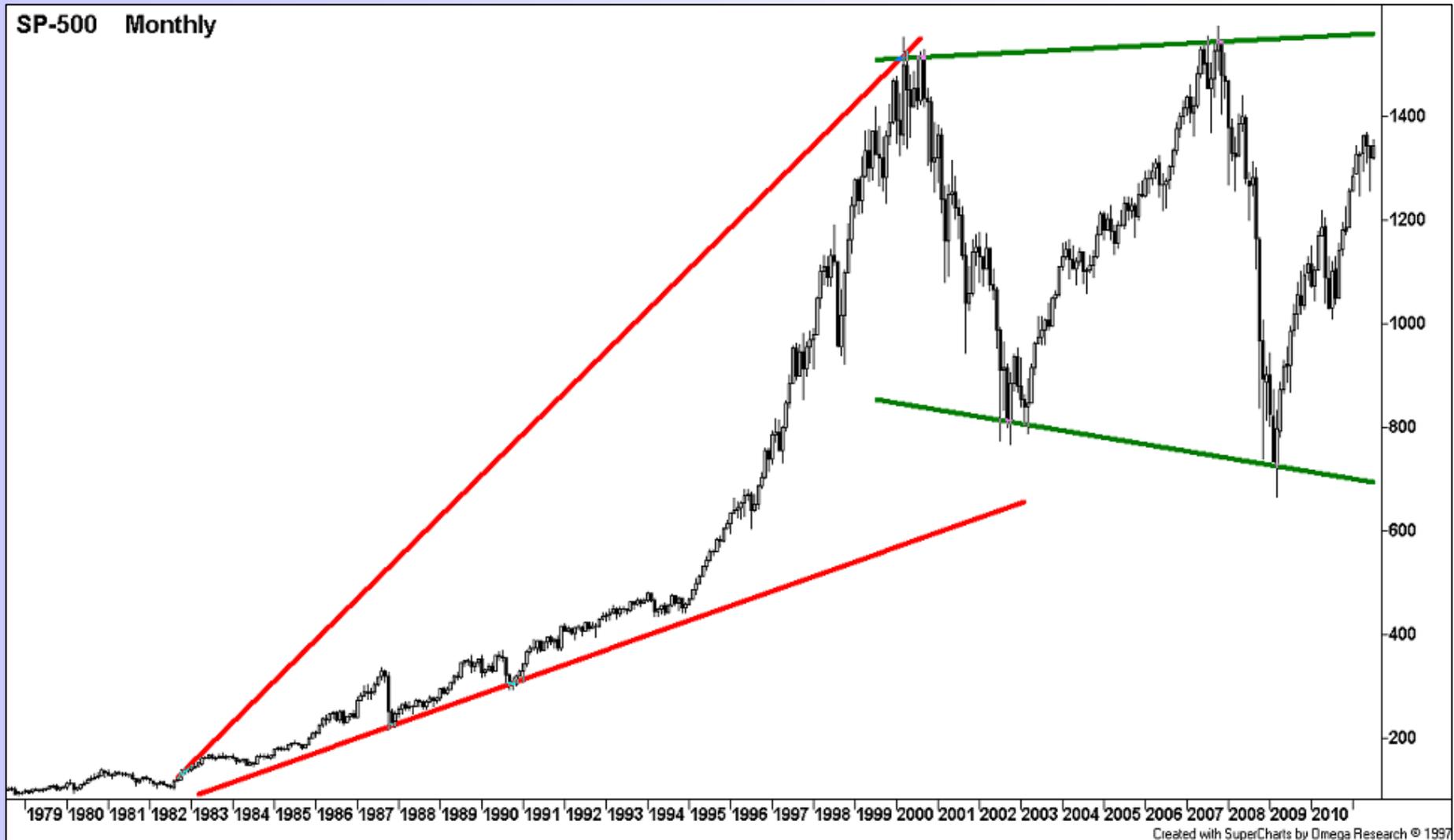
...replaced the consolidation pattern

The trade off is a wild ride with the Dow



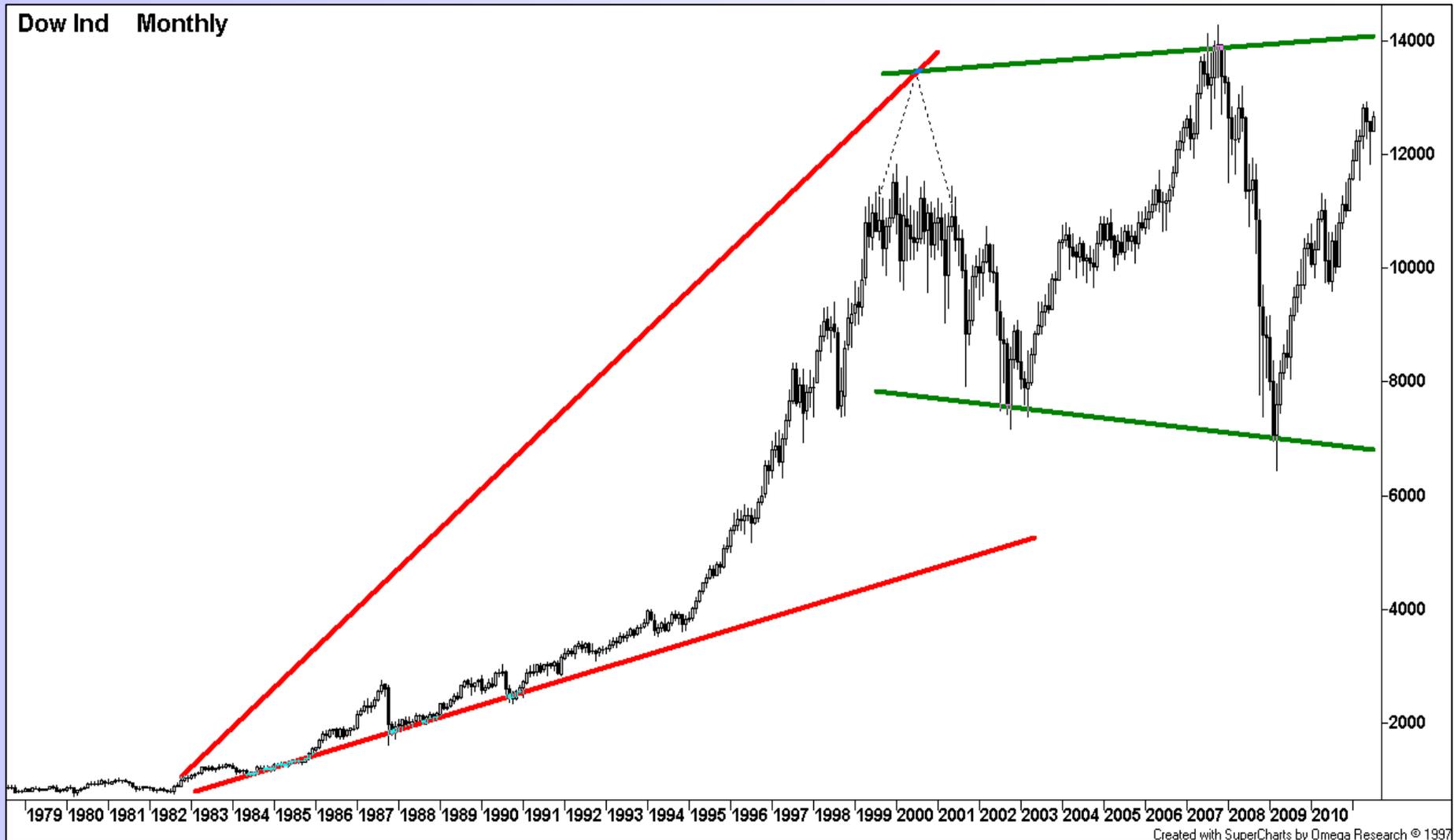
...revisiting levels from the early 1960s

Moving forward to the present and...



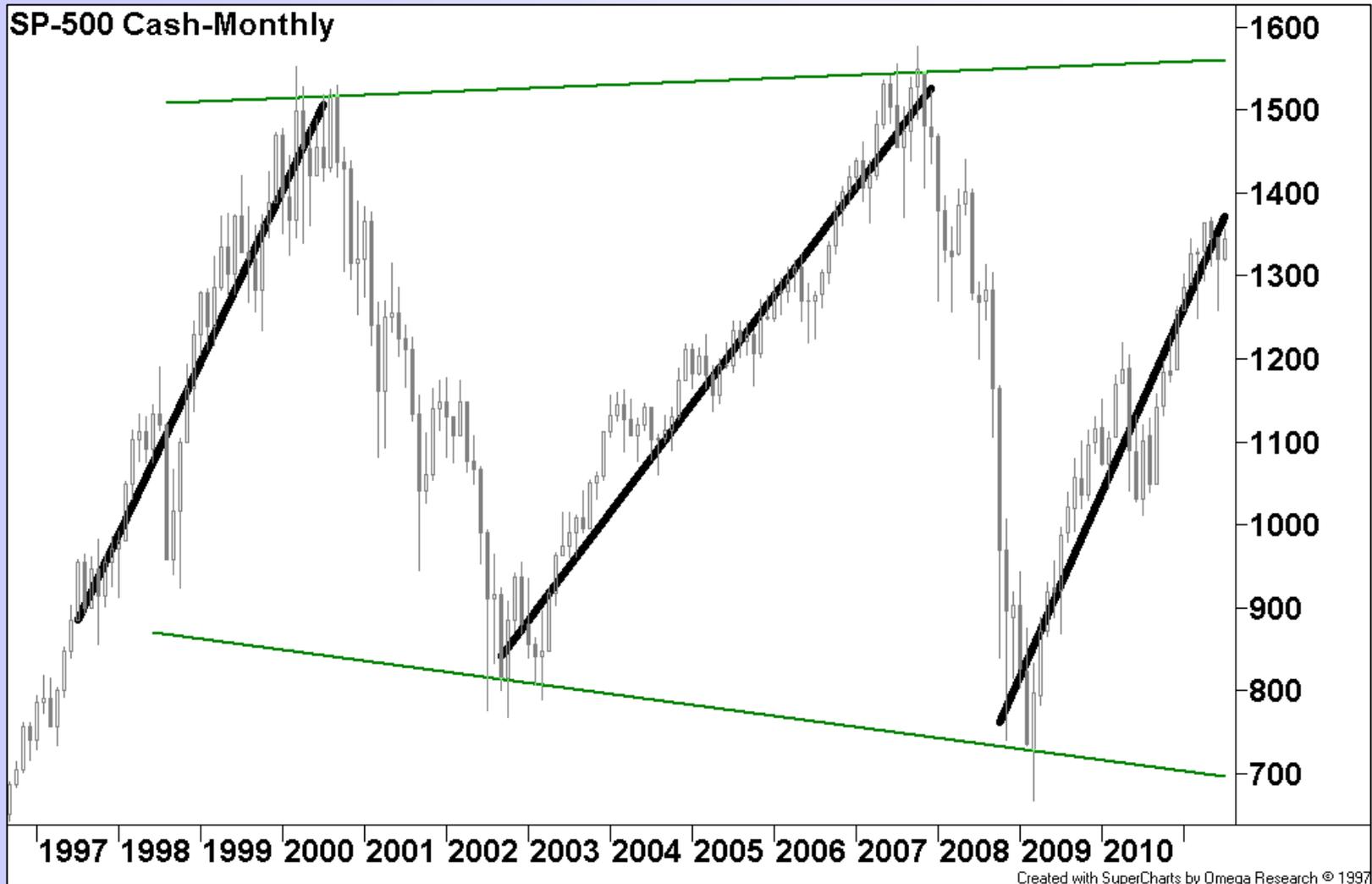
...we have a small technical problem

The Dow Jones Industrial Average...



...has a bit missing - the Tech Boom

So we need to switch to the SP-500...



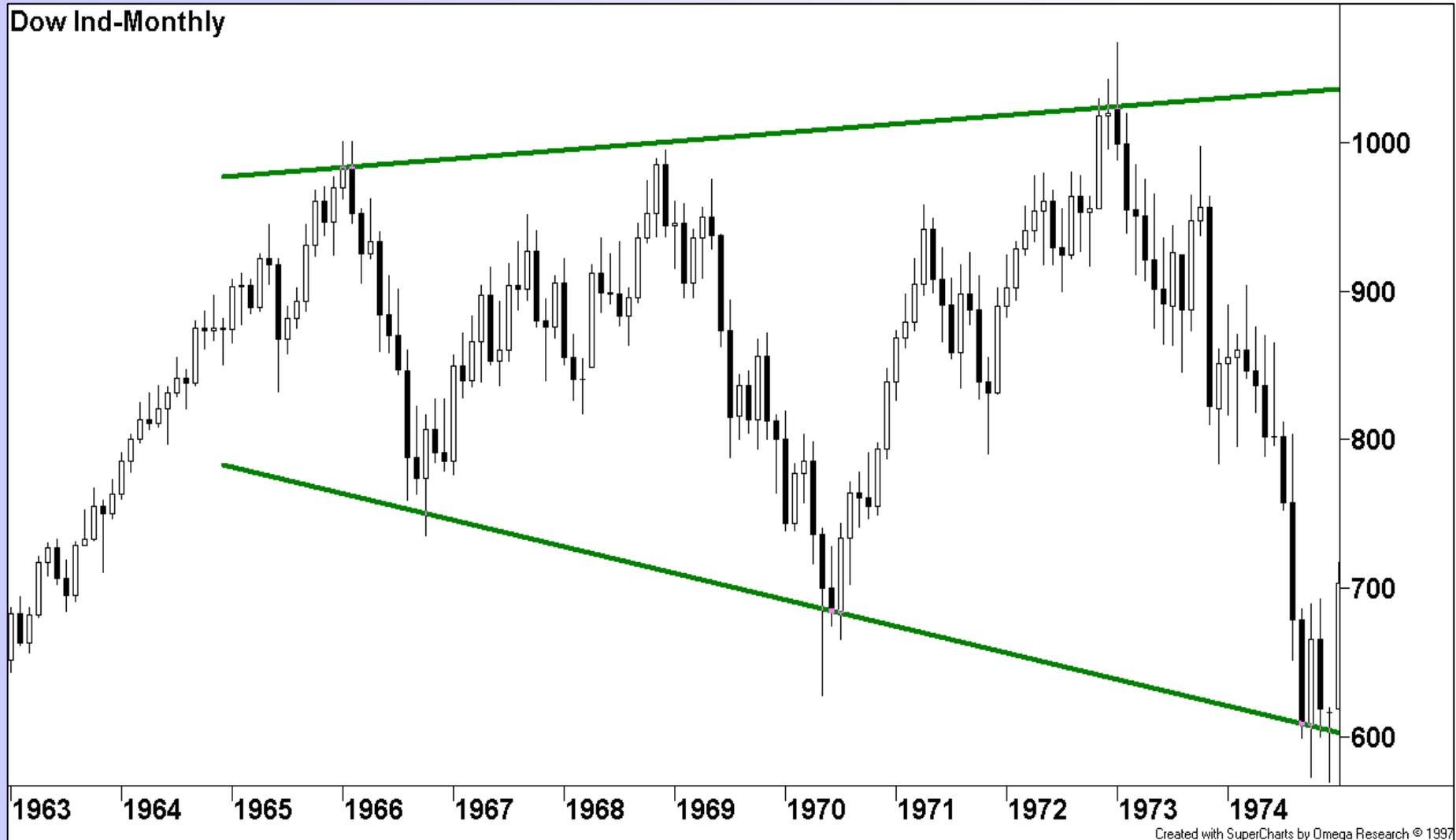
...which is enjoying an amazing bull run

This fundamental/technical disconnect..



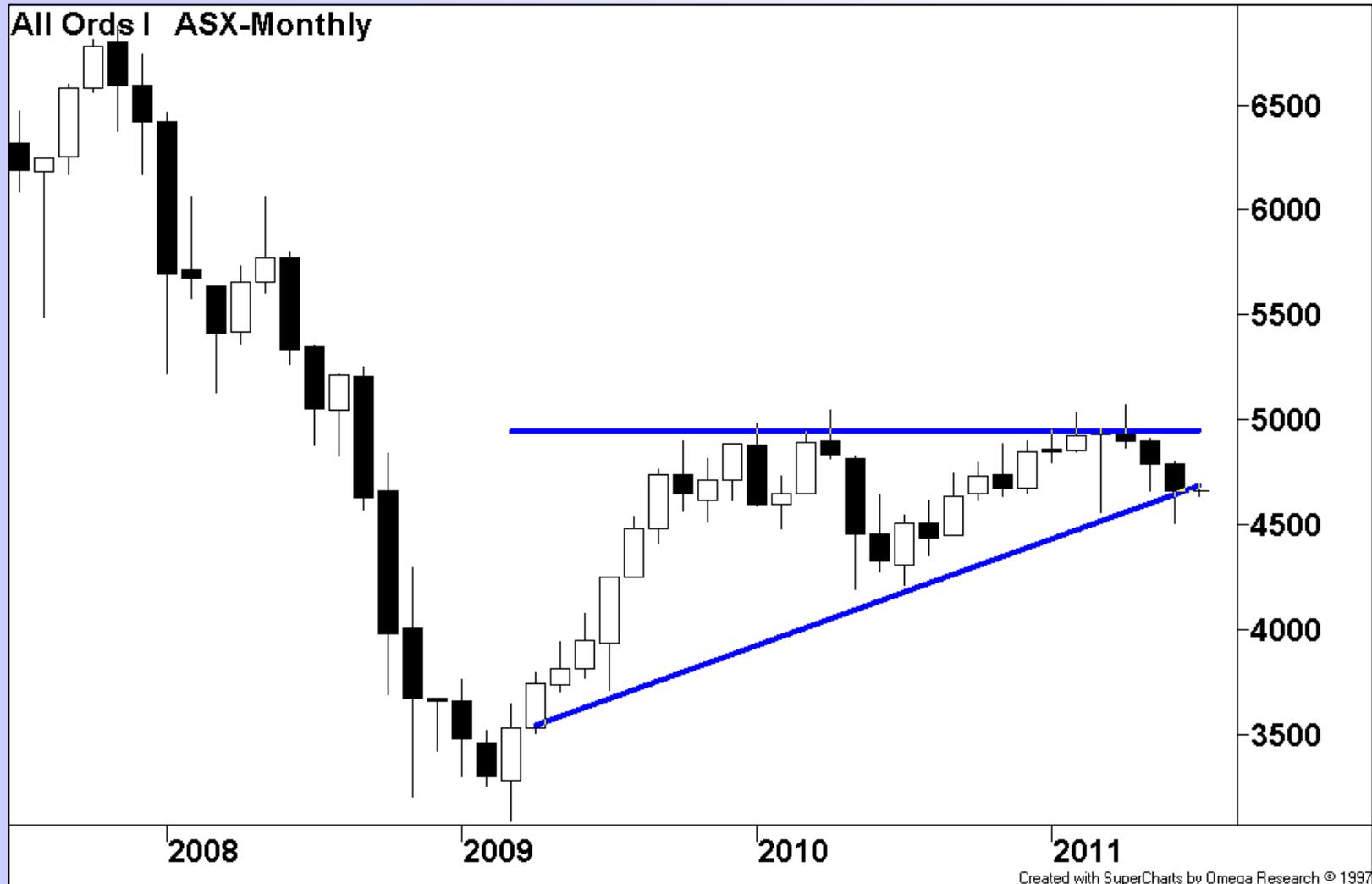
suggests the corrective phase isn't over

And a repeat of the early 1970s...



...isn't entirely out of the question

So how does this impact our market?



We're a melting pot of the U.S. & China

Hence the All Ords is a bullish version



...of the Shanghai Composite index

So we're just waiting on China...



...to break out - hopefully upwards

What we don't want to see is...



...China break out to the downside

And don't think it can't happen as no...



...amount of stimulus could save Japan

But all things being equal our future...



...probably looks something like this

We are faced with two equally likely...



possibilities - what do we do now?

Assuming the U.S. and China rally...



...so we rally as well - what do we do?

Or they don't both rally and...



...we head south - what do we do?

If the market does run and gets to the...



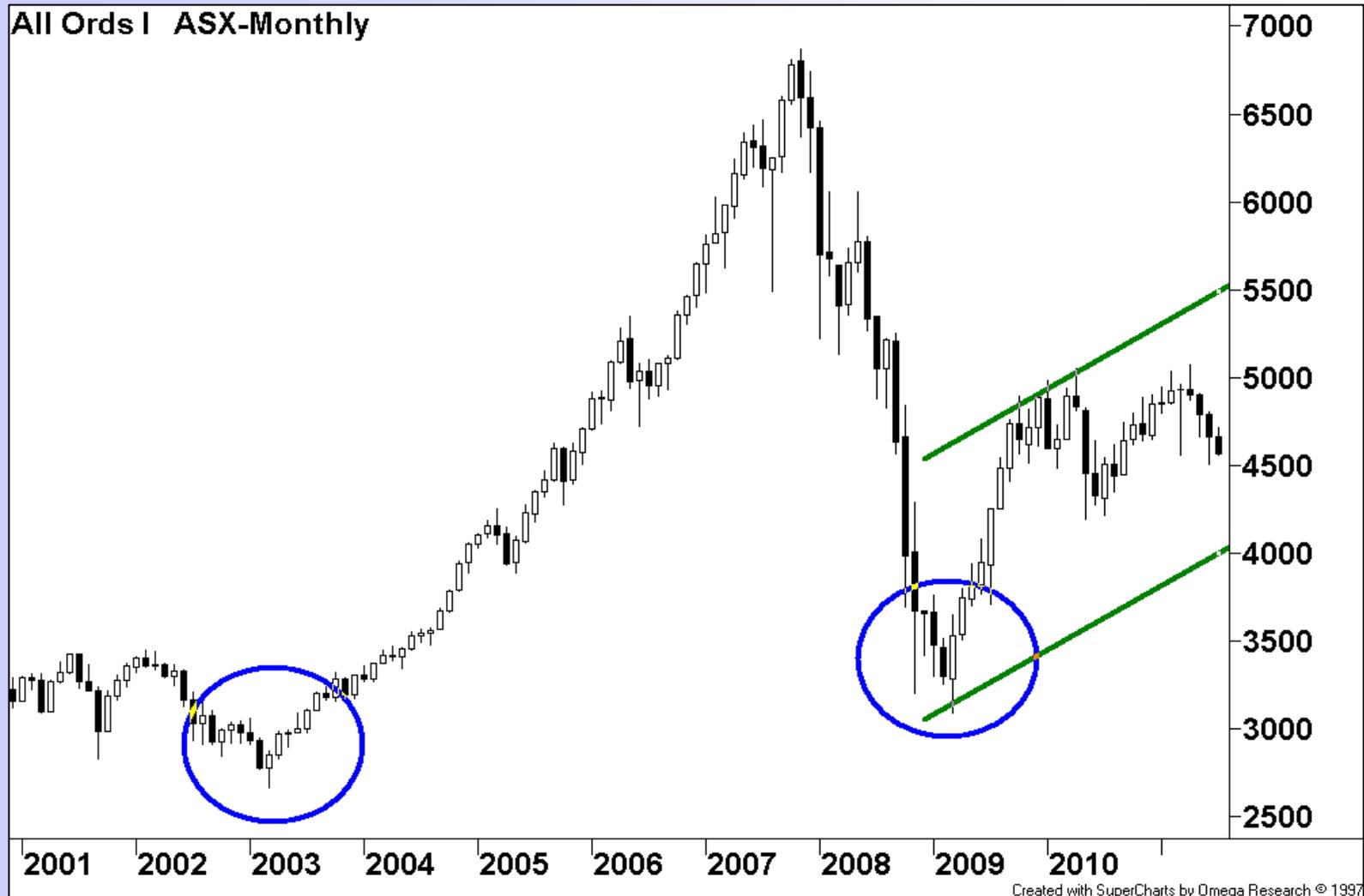
...top of the channel - what do we do?

Or the market breaks down and...



...bottoms out - what do we do?

Opportunities to buy income stocks...



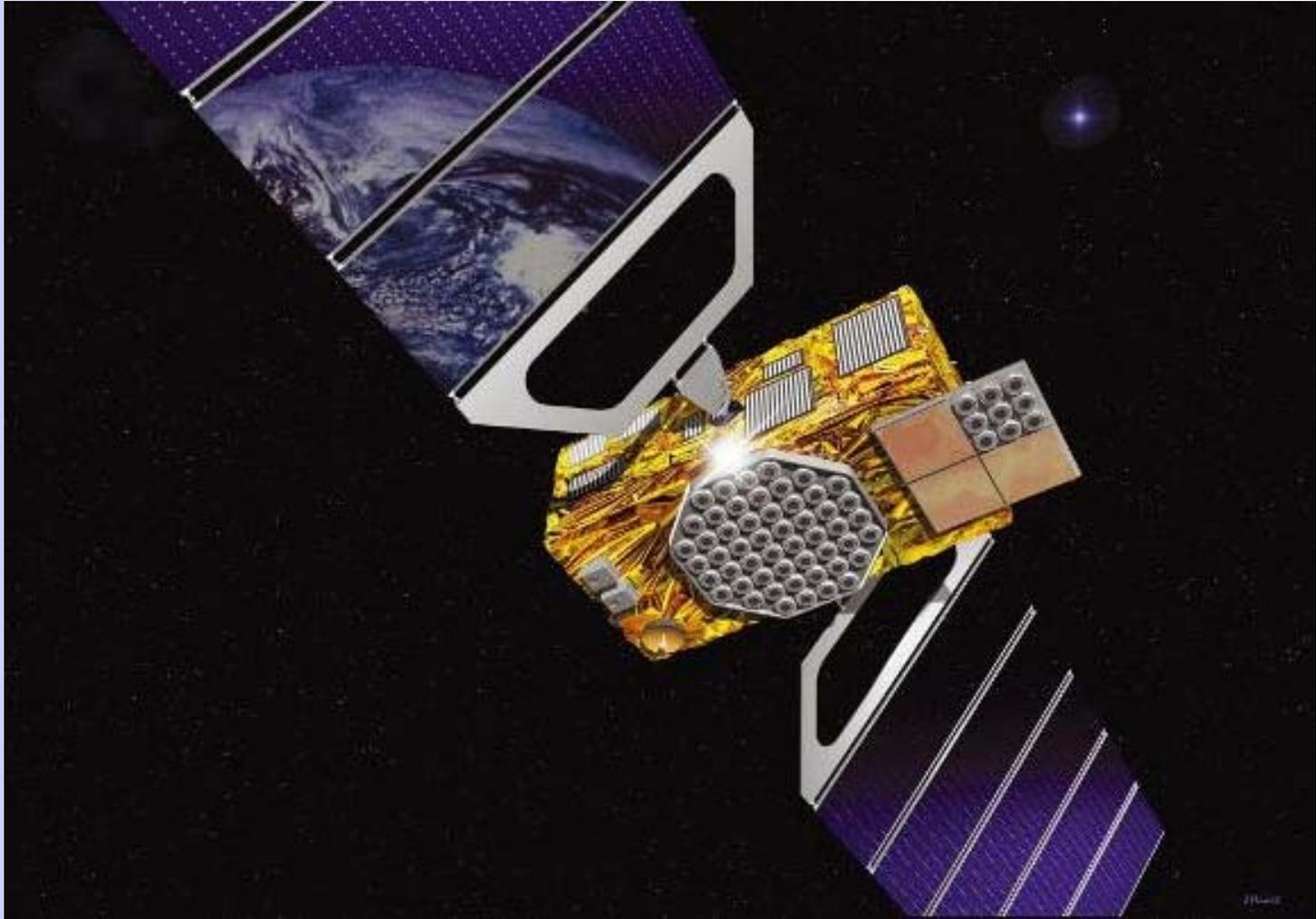
are rare and should be fully exploited

Maybe you're using Managed Funds...



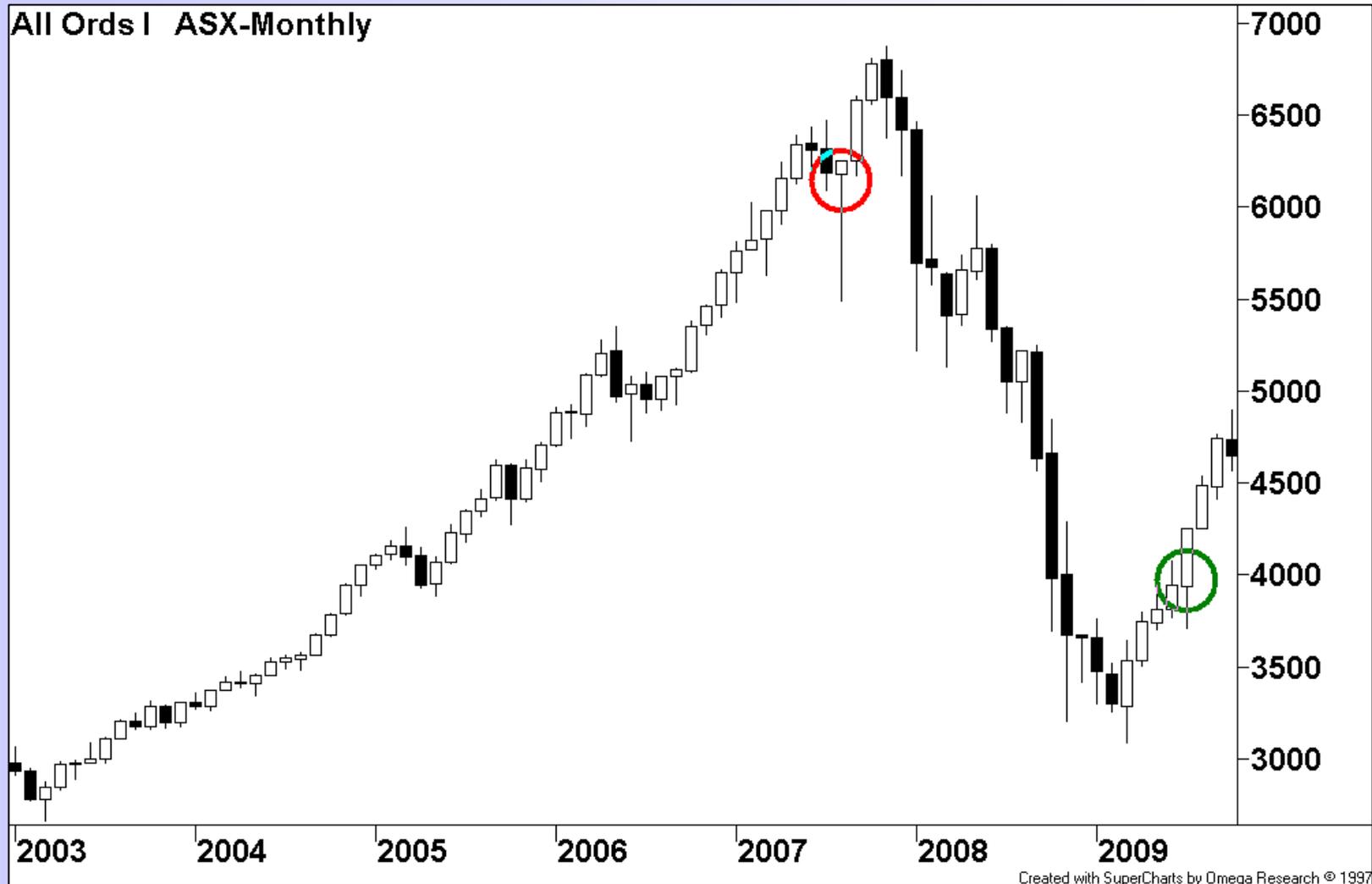
...rather than direct share ownership

This market understanding provides...



...satellite navigation for all investors

It is the successful marriage of...



...fundamental and technical analysis

Showing us what are the right...



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...tactics to use at the right time