



Combining Fundamental & Technical Analysis

Disclaimer

This presentation is provided by Hubb (Australia) Pty Ltd (Hubb). Hubb is an Authorised Representative of Investment Educators Australia Pty Ltd the holder of an Australian Financial Services Licence (No 241060) and this information is provided in accordance with the conditions of that licence.

In providing this presentation Hubb has not taken into account the investment objective, financial situation and specific needs of any particular person.

Before making an investment decision on any basis, the prospective investor needs to consider, with or without the assistance of a securities advisor, whether the decision is appropriate in light of the particular investment needs, objective and financial circumstances of the investor or prospective investor.

Agenda

- Stock selection (Fundamental Analysis)
- Timing (Technical Analysis)
- Putting it together
- Case Studies

Fundamental vs Technical

Fundamental Analysis

- Financial information
- Ratios
- Earnings
- Cause

Technical Analysis

- Price and volume
- Charts
- Trends
- Effect

Stock selection using FA

Value:

PEG ratio

Risk:

Debt to Equity ratio

Performance:

Return on Equity ratio

PEG ratio

$$\text{PEG} = \frac{\text{P/E ratio}}{\text{Forecast EPS growth rate}}$$

- Fair value is when PEG = 1
- PEG less than 1 is cheap
- PEG more than 1 is expensive
- Average = 1.7

Source: ValueGain as at 2/2/07

Stock selection using FA

Value:

PEG ratio

Risk:

Debt to Equity ratio

Performance:

Return on Equity ratio

Debt to equity ratio

$$D/E = \frac{\text{Interest bearing debt}}{\text{Equity}}$$

- Too high = risk
- Too low = missed opportunities
- Average = 35%

Source: ValueGain as at 2/2/07

Stock selection using FA

Value:

PEG ratio

Risk:

Debt to Equity ratio

Performance:

Return on Equity ratio

Return on equity ratio

$$\text{ROE} = \frac{\text{Net income}}{\text{Equity}}$$

- Higher the better
- Look at 3-5 years of performance
- Financial heartbeat of a company

Source: ValueGain as at 2/2/07

Stock selection using fundamentals

- PEG less than 1.5
- Debt to equity less than 50%
- Return on equity greater than 20%

Timing using TA

└ Bollinger Bands

- Relative Strength Index
- Volume

Bollinger Bands

- Moving averages with two bands
- Upper and lower bands
- Works on standard deviation which measures volatility
- Top line – overbought
- Bottom line - oversold

Bollinger Bands

- Top line – overbought
- Bottom line - oversold



Bollinger Band squeezes

- When Bollinger Bands are close
- Shows that volume is low
- Calm before the storm
- May indicate that the stock will breakout
- Next step is to determine breakout direction

Bollinger Band squeezes

- May indicate that the stock will breakout
- Next step is to determine breakout direction



Timing using TA

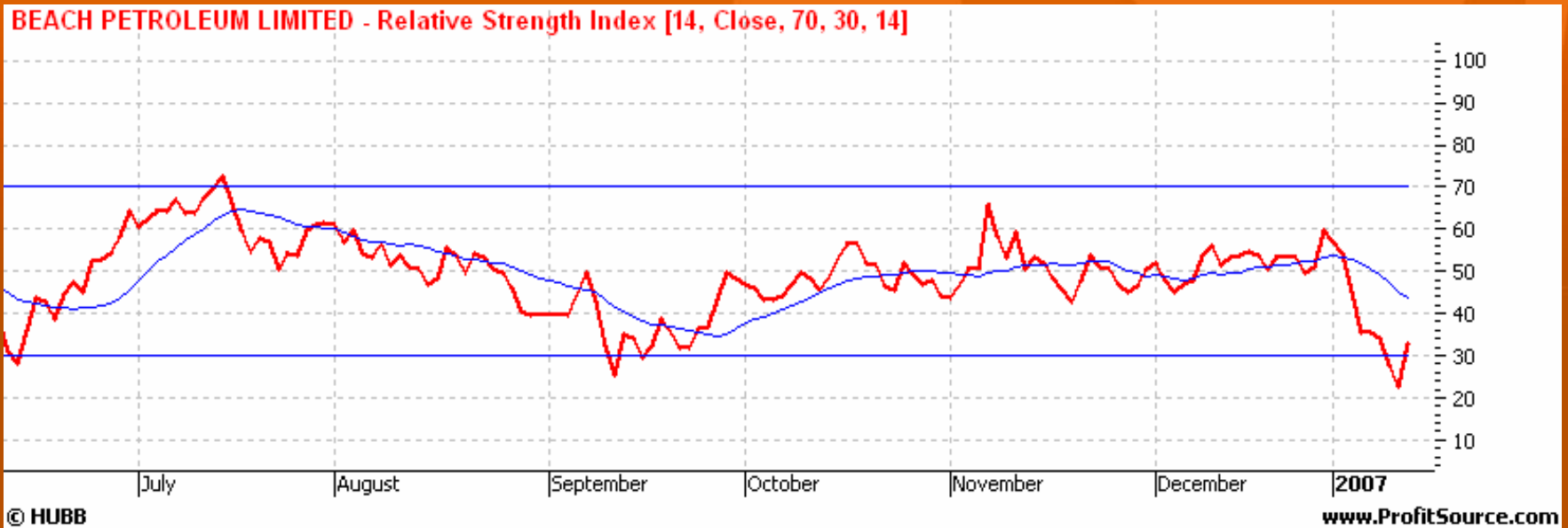
- Bollinger Bands

└ Relative Strength Index

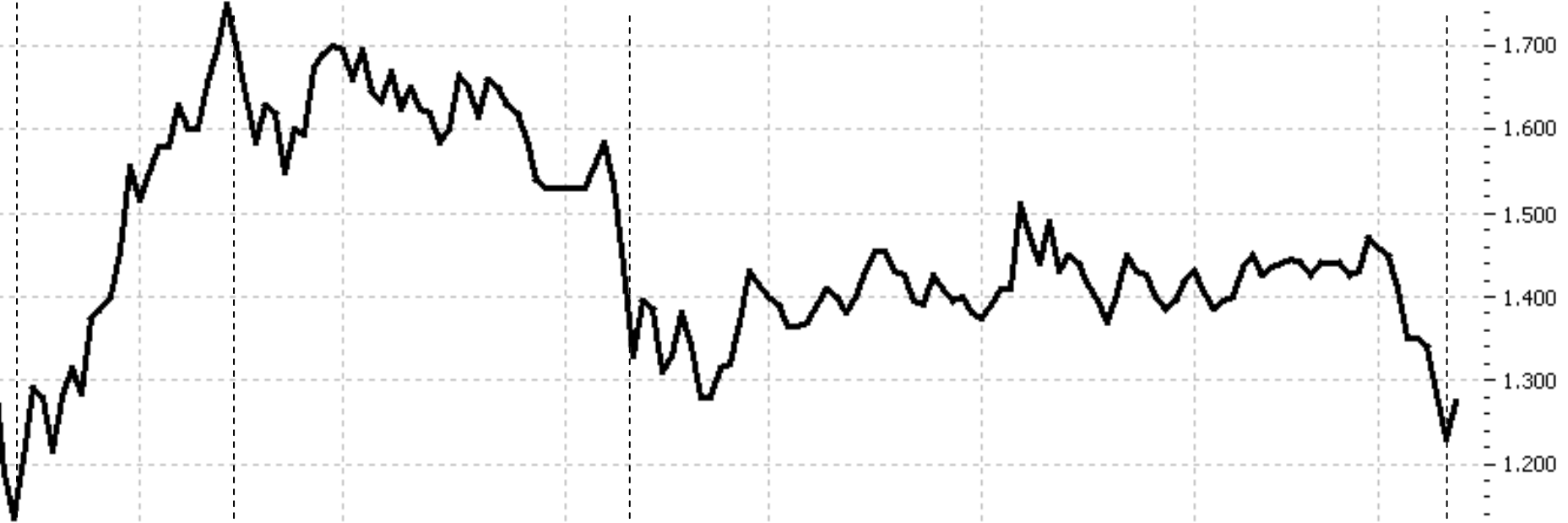
- Volume

Relative Strength Index

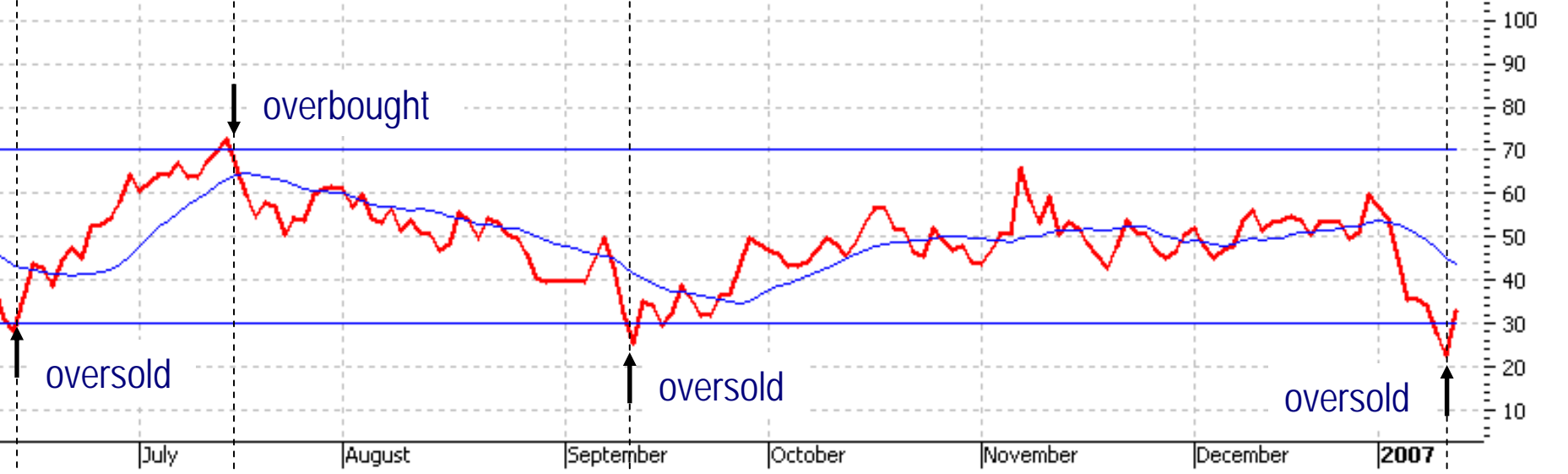
- Oversold & overbought conditions
- Over-sold under 30
- Over-bought over 70



BEACH PETROLEUM LIMITED - Daily Line Chart [Close]



BEACH PETROLEUM LIMITED - Relative Strength Index [14, Close, 70, 30, 14]



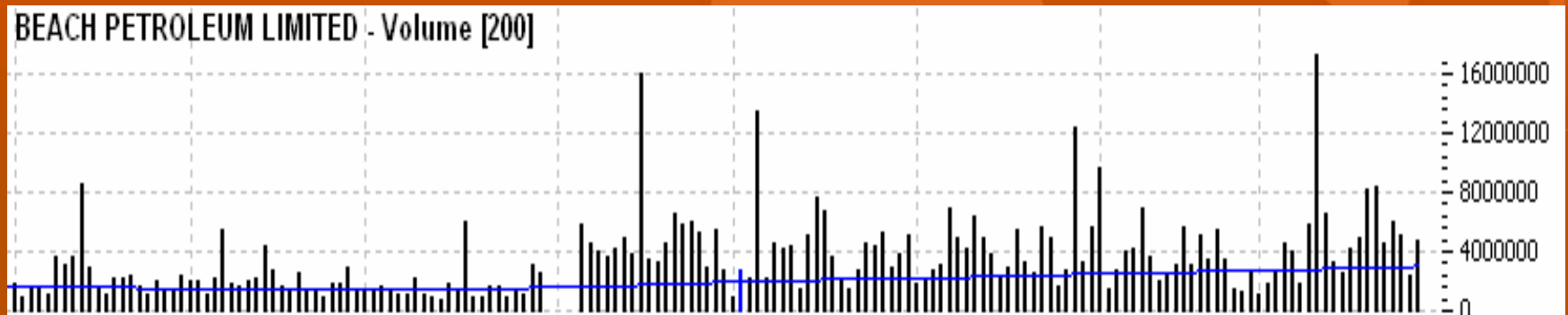
Timing using TA

- Bollinger Bands
- Relative Strength Index

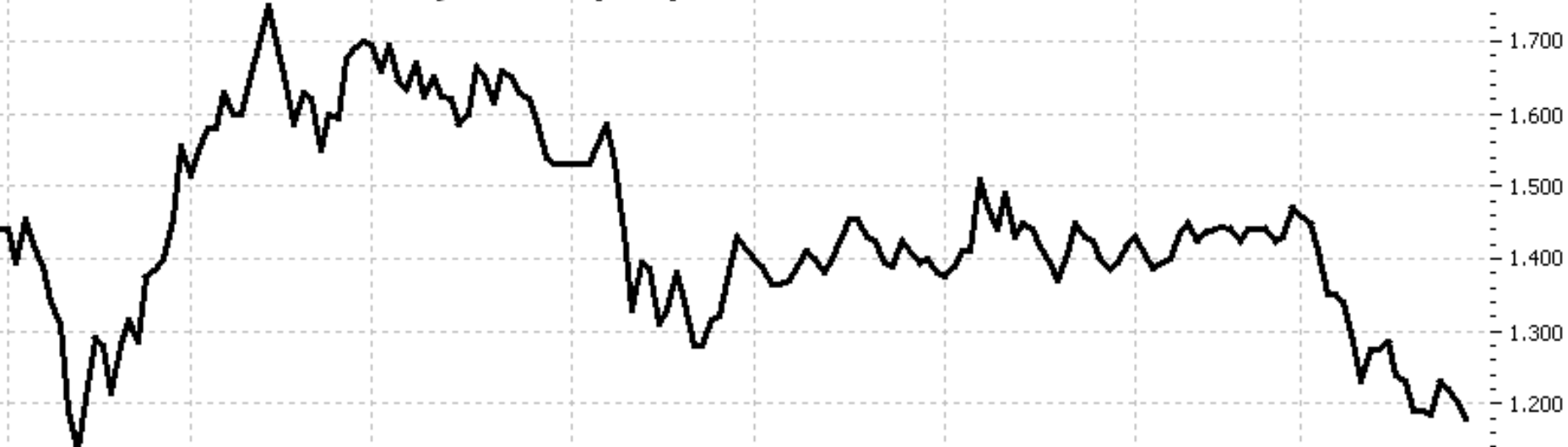
┌ Volume

Volume

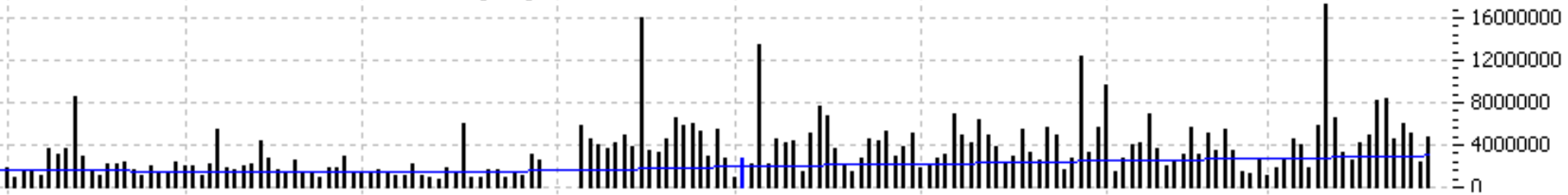
- Use as confirmation
- Increasing volume = confirmation
- Higher the volume = stronger the move
- Indicates strength of move



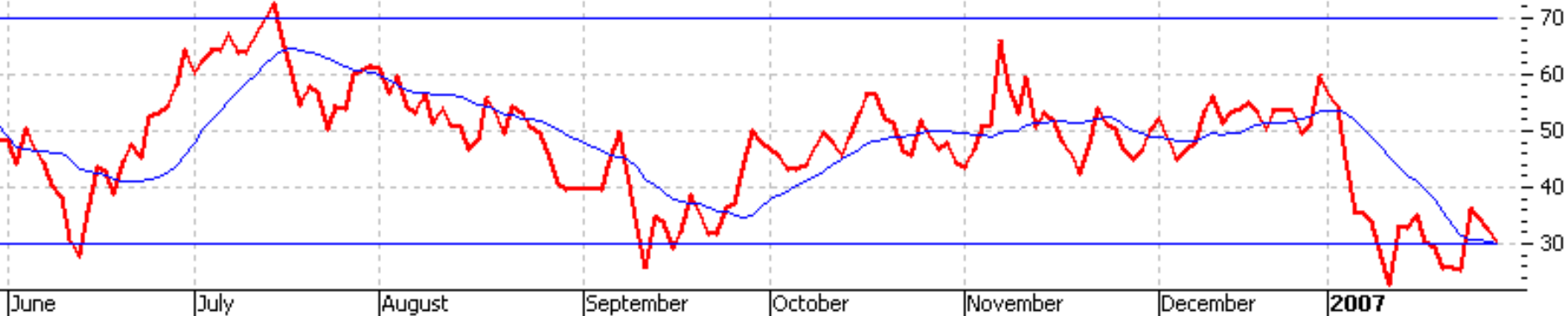
BEACH PETROLEUM LIMITED - Daily Line Chart [Close]



BEACH PETROLEUM LIMITED - Volume [200]



BEACH PETROLEUM LIMITED - Relative Strength Index [14, Close, 70, 30, 14]



Putting it together

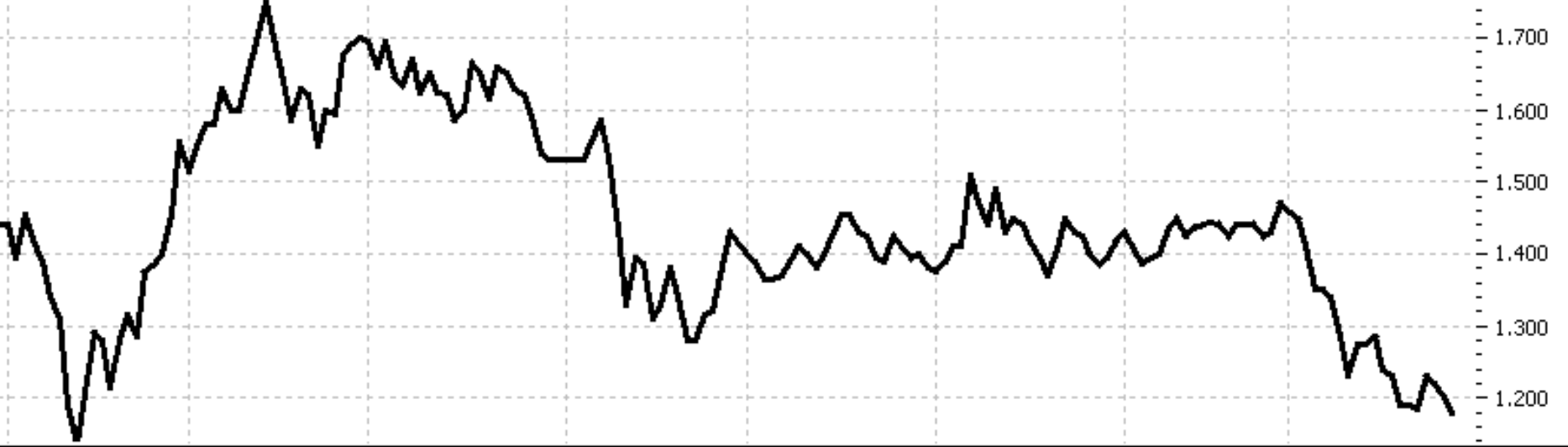
- Fundamentals
 - PEG less than 1.5
 - ROE greater than 20
 - D/E less than 50
- Technicals
 - Bollinger bands
 - RSI
 - Volume

Results

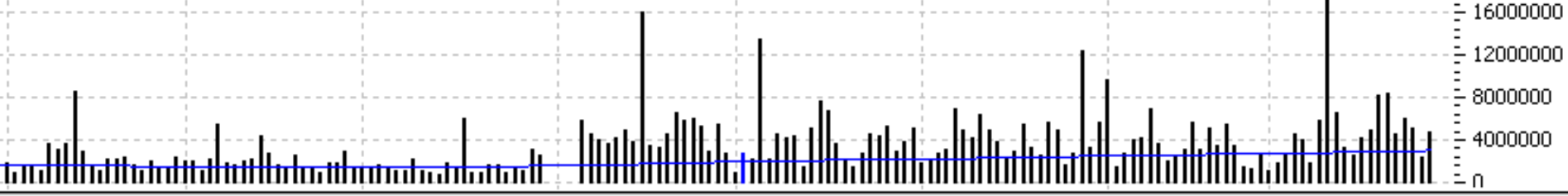
AWC Alumina	BBG Billabong	LEI Leighton Holdings	SEK Seek
AQP Acquarius Platinum	IRE Iress	OSH Oil Search	WPL Woodside Petroleum
BPT Beach Petroleum	JBM Jubilee Mines	RIO Rio Tinto	WOR WorleyParsons
BHP BHP Billiton	KZL Kagara Zinc	ROC Roc Oil	ZFX Zinifex

Source: Scanned on ProfitSource as at 6/2/07

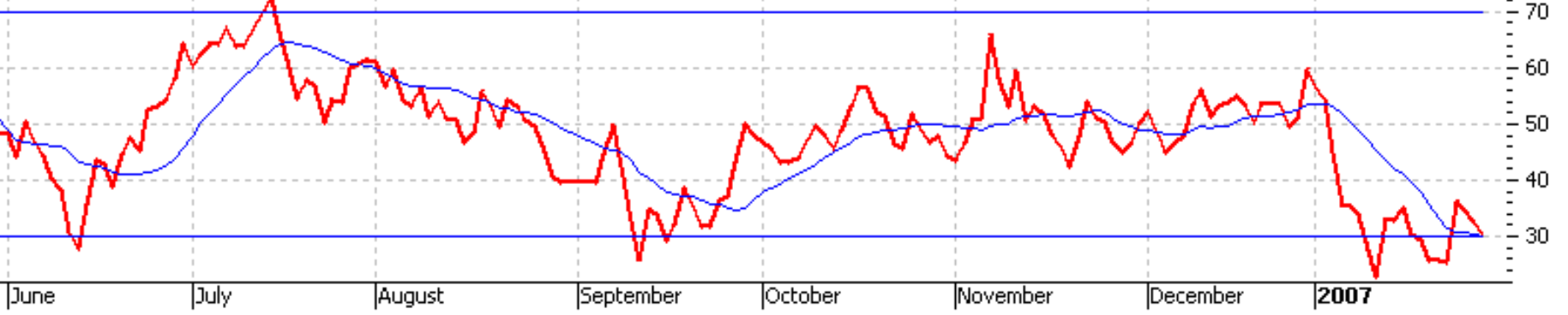
BEACH PETROLEUM LIMITED - Daily Line Chart [Close]



BEACH PETROLEUM LIMITED - Volume [200]



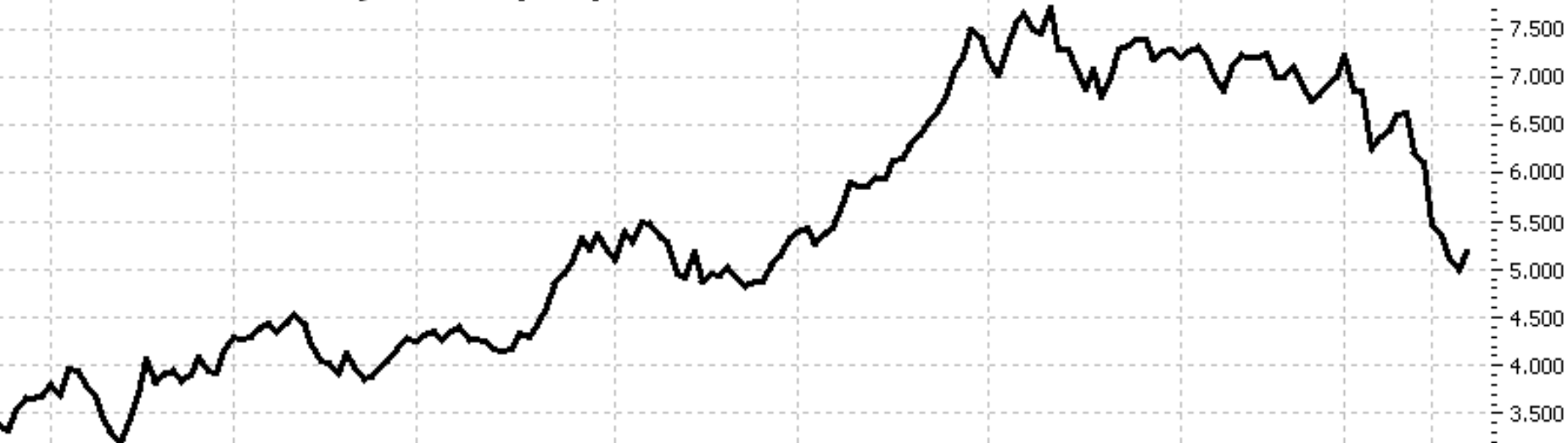
BEACH PETROLEUM LIMITED - Relative Strength Index [14, Close, 70, 30, 14]



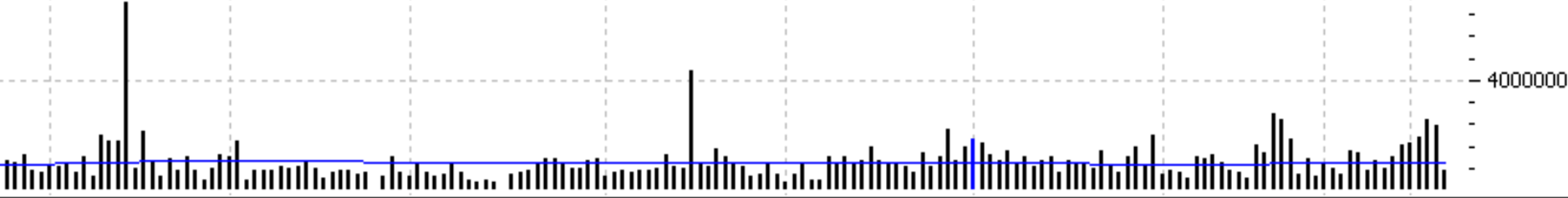
© HUBB

www.ProfitSource.com

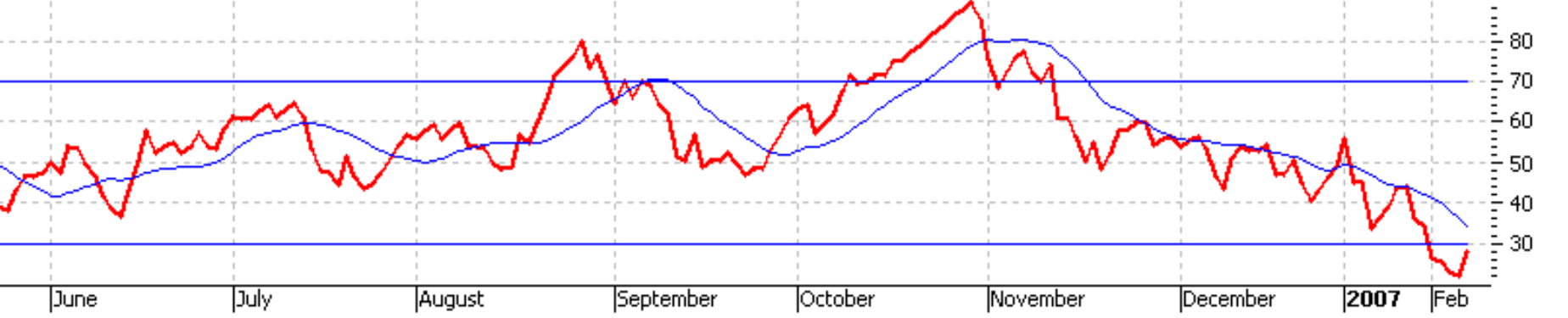
KAGARA ZINC LIMITED - Daily Line Chart [Close]



KAGARA ZINC LIMITED - Volume [200]



KAGARA ZINC LIMITED - Relative Strength Index [14, Close, 70, 30, 14]



© HUBB

www.ProfitSource.com





Combining Fundamental & Technical Analysis