


# Brainy's 10 Key Lessons from the GFC

*\* Global Financial Crisis*

## Brainy's 10 Key Lessons from the GFC\*

May 2009



*"The share market can seem mystical and almost like black magic; but with the right support and assistance, it just seems like magic."*

**Robert Brain**

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10 Key LessonsWelcome & Housekeeping

### Welcome

1. After today, if you like this seminar, please tell your friends.
2. If you don't like it, please let me know so I can improve it (happy to receive feedback).
3. Evaluation / survey form at end for "feedback".

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10 Key LessonsWelcome & Housekeeping

### Housekeeping

1. Registration — done 
2. Hand out notes
3. Rest breaks, and "facilities"
4. Refreshments (tea, coffee, biscuits).



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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons**      **Welcome & Housekeeping**

### About the presenter

1. Engineering degree
2. 30+ years – professional experience
3. Trainer / presenter / conference facilitator
4. Share Market – 8+ years
5. Technical Analyst (ATAA member)
6. Providing tuition and support to traders and investors
7. Do not hold AFS license!

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**10 Key Lessons**      **Welcome & Housekeeping**

### Important Notice

1. This presentation does not include any advice.
2. For proper advice, your personal financial situation needs to be considered.
3. This presentation is pure education, only for your general awareness.
4. There are no recommendations to take any action, or to invest any money in any way.
5. Always consult a properly licensed advisor before making investment decisions.

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**10 Key Lessons**      **Welcome & Housekeeping**

### Important Notice



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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons**      **INTRODUCTION**

## 10 Key Lessons from the GFC

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**10 Key Lessons**      **INTRODUCTION**

### Seminar Introduction

A lot of people have been suffering, and there is more to come :-{

- Property values have fallen.
- Superannuation investments have fallen in value.
- Unemployment has increased.
- More retrenchments.
- Some investments have lost as much as 90% or more of their value.
- Some investments have been liquidated completely.
- Inappropriate lending - margin loans, etc.
- Issues with over-borrowing that has been encouraged by some lenders.
- Some questionable advice from some experts.

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**10 Key Lessons**      **INTRODUCTION**

### Seminar Introduction

**BUT!...**  
A lot of people saw this coming!!  
How did they know?

Follow the slides in your hand-out notes, and write comments as you go.

Ask questions as we go.  
Levels of experience?

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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons**      **INTRODUCTION**

## Recent History

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**10 Key Lessons**      **INTRODUCTION**

### Recent history — 1986 to 2009

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**10 Key Lessons**      **INTRODUCTION**

### Ups and Downs — 1988 to 1993

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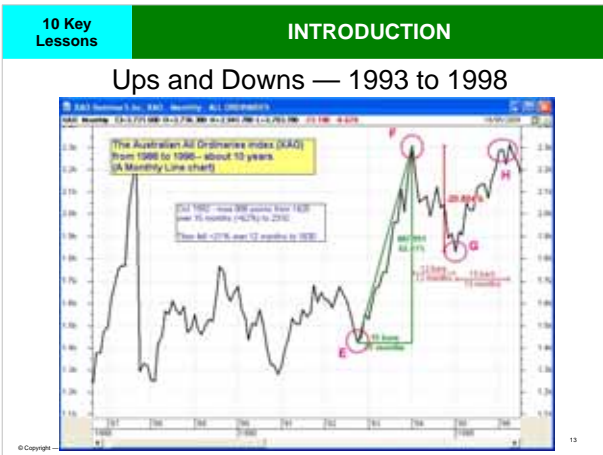
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# Brainy's 10 Key Lessons from the GFC




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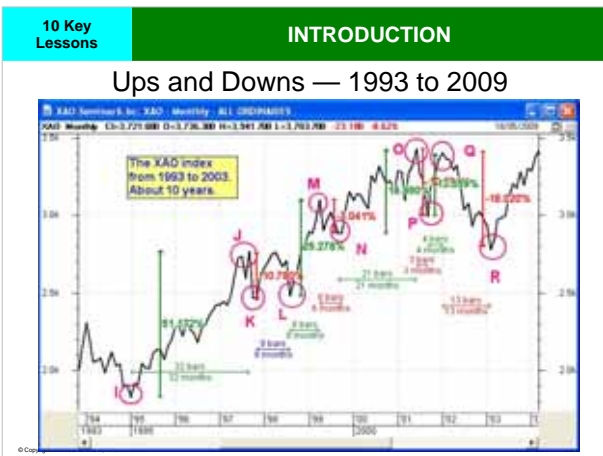
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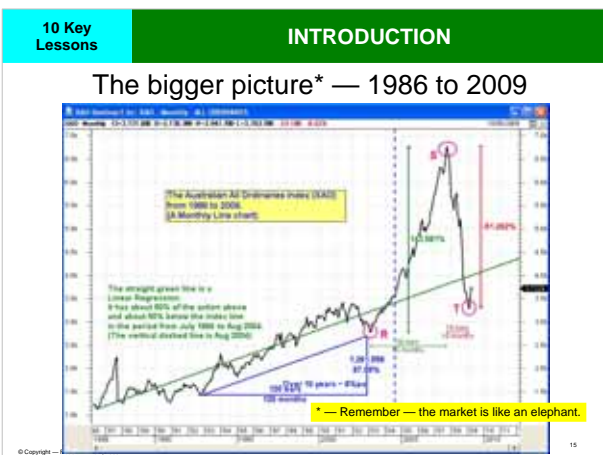
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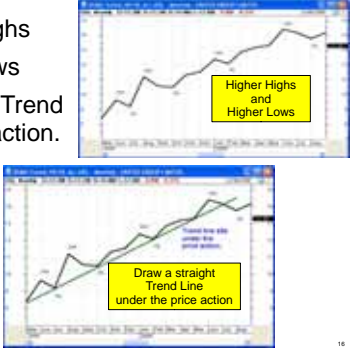
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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons**      **INTRODUCTION**

Principles — The trend is your friend

- HH = Higher Highs
- HL = Higher Lows
- Place a straight Trend Line under the action.
- “The trend is your friend”.



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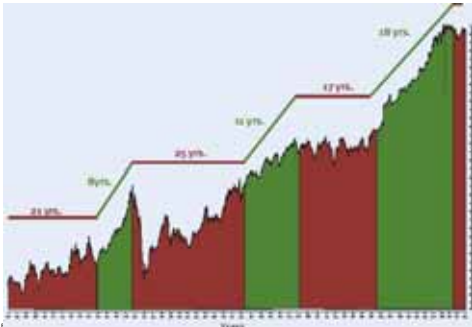
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**10 Key Lessons**      **INTRODUCTION**

Principles — The market rises (over time)  
The Dow Jones since 1900



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**10 Key Lessons**      **INTRODUCTION**

Principles — The market rises (over time)

Market returns from June 1970



[http://www.vanguard.com.au/personal\\_investors/knowledge-centre/indexing/interactive-index-chart.cfm](http://www.vanguard.com.au/personal_investors/knowledge-centre/indexing/interactive-index-chart.cfm)      18

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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons**      **INTRODUCTION**

The 10 Key Lessons...

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**10 Key Lessons**      **#1 — Property values, rise & fall**

Lesson #1

Property values;  
they rise...  
and they fall

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**10 Key Lessons**      **#1 — Property values, rise & fall**

- Cycles of 17 to 21 years (about 18 on average)
- Phil Anderson (Economic Indicator Services) <http://www.businesscycles.biz/>
- The Savings and Loan debacle (late 1980s)
- The recent CDO debacle (Collateralised Debt Obligations)
- Clever manipulation of the law and regs by unscrupulous people.

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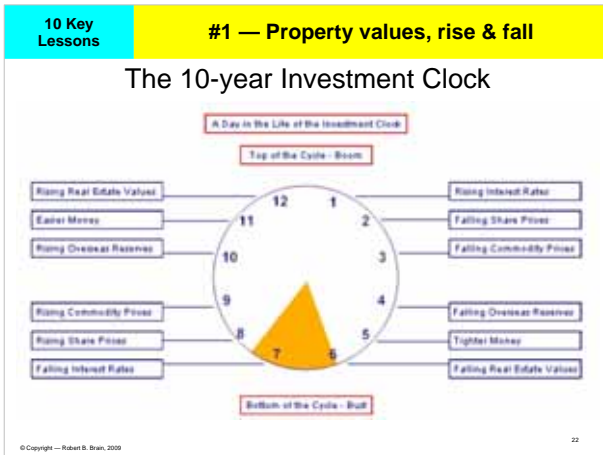
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# Brainy's 10 Key Lessons from the GFC




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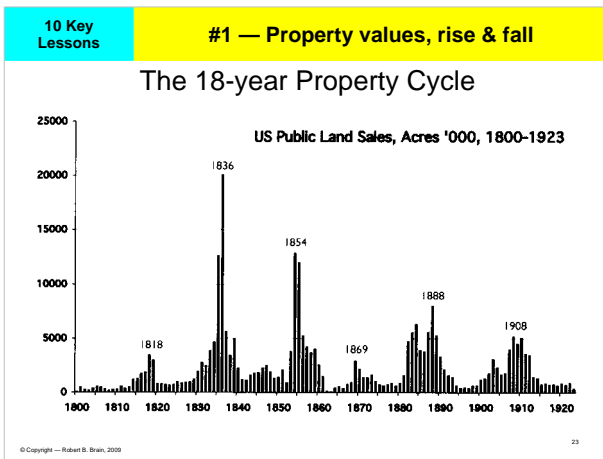
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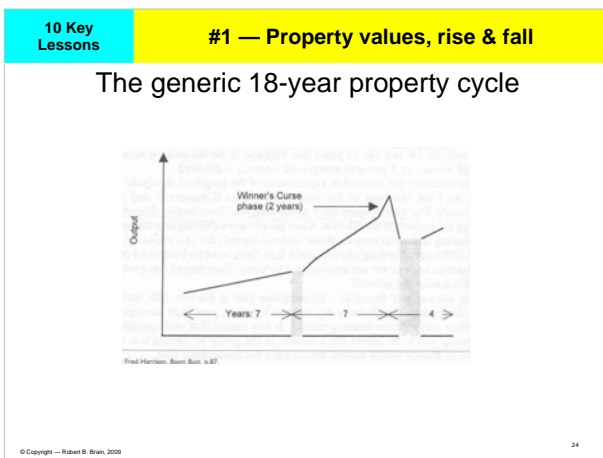
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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons**      **#1 — Property values, rise & fall**

The 24-hour Real Estate Clock

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**10 Key Lessons**      **#1 — Property values, rise & fall**

Property Prices

*The lesson:*

Be wary of over-priced property.

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**10 Key Lessons**      **#2 — Stock Market Corrections**

Lesson #2

Market Corrections  
How often?  
How long?

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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons**      **#2 — Stock Market Corrections**

### Bull and Bear Market cycles

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**10 Key Lessons**      **#2 — Stock Market Corrections**

### Stan Weinstein's Stage Analysis

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**10 Key Lessons**      **#2 — Stock Market Corrections**

### Stock market corrections

*The lesson:*

Be ready to move investments.

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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons** #3 — Bear markets

## Lesson #3

### Markets do fall (a long way)

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**10 Key Lessons** #3 — Bear markets

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**10 Key Lessons** #3 — Bear markets

### Australian Bear Market Durations

Start Date	End Date	Duration (days)	Return %
Jan 1970	Nov 1971	686	-39.0
Jan 1973	Sep 1974	620	-59.2
Nov 1980	Jul 1982	598	-40.6
Aug 1989	Jan 1991	505	-32.4
Jun 2001	Mar 2003	622	-22.0

Source — UBS

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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons** #3 — Bear markets

Stock market corrections



*The lesson:*

Watch out for the bears.  
Be prepared to protect your investments.

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**10 Key Lessons** #4 — Financial advisors

Lesson #4

Financial advisors,  
brokers & bankers

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**10 Key Lessons** #4 — Financial advisors

Might not be right all the time

- 100% accuracy?
- “Your investments are safe for the long haul...”
- “...don't worry, they will recover (eventually)”
- What about the “experts” and “advisors” who created and contributed to the melt-down in 2008-09?

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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons**      **#4 — Financial advisors**

“Advisors”

*The lesson:*

Don't believe absolutely everything that you hear.

Healthy scepticism is healthy.

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**10 Key Lessons**      **#5 — Timing the market**

Lesson #5

Timing the market  
It can be done

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**10 Key Lessons**      **#5 — Timing the market**

“Timing”? or “Time in”?

What do you think?

- Is it possible to “time” the market?
  
- Colin Nicholson...
- Frank Watkins...

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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons** #5 — Timing the market

## Timing the market

*The lesson:*

Many people successfully “time the market”.

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**10 Key Lessons** #6 — Investments — Safe?

## Lesson #6

### Investments Capital protection? Blue Chip?

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**10 Key Lessons** #6 — Investments — Safe?

## Capital protection

Are your investments safe?

- Your superannuation
- Capital-protection products and schemes
- ALPS, etc.
- Beware the “knock-out” events.

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# Brainy's 10 Key Lessons from the GFC

10 Key Lessons #6 — Investments — Safe?

## Investments — safe?

*The lesson:*

Sometimes things are not as they seem.  
It is important to read the fine print.

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10 Key Lessons #7 — Leverage

## Lesson #7

### Leveraged instruments CFDs, etc.

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10 Key Lessons #7 — Leverage

## Derivatives, CFDs

- Can be safe; can be very dangerous!
- It is possible to lose a lot more than the initial deposit.
- Under the right circumstances, and in the right hands, can be powerful.

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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons** #7 — Leverage

## Derivatives, CFDs

*The lesson:*

If you don't understand the rules of the game, then don't play the game.

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**10 Key Lessons** #8 — Margin Lending

## Lesson #8

### Margin Lending

### Can it be safe?

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**10 Key Lessons** #8 — Margin Lending

### Can it be safe?

- Recent history?
- Directors' borrowings for own shares
- LVR — Loan to Valuation Ratio
- ABS, AFG

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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons** #8 — Margin Lending

*The lesson:*

...might work in a bull market;  
but beware...

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**10 Key Lessons** #9 — Investments fall 90%?

Lesson #9

Can investments really  
fall as much as 90%?

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**10 Key Lessons** #9 — Investments fall 90%?

Can they fall 90%?

- The short answer is yes!
- Take a look at the following...

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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons** #9 — Investments fall 90%?

## Going...Going...Gone

- TIM (Timbercorp) — 97%; May 2009
- GTP (Great Southern P) — 96%; May 2009
- ABS (A.B.C.Learning) — 92%;  
Aug 08 — trading halt and suspension
- AFG (Allco Finance) — 99%;  
Nov 08 Trading halt and voluntary administration
- BNB (Babcock & Brown) — 99%;  
Jan 09 suspended; Mar 09 voluntary administration
- CDR (Commander Comms)  
Aug 08 trading halt and voluntary administration
- NLX (Nylex) — 97%; Feb 09 Trading halt and administration

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**10 Key Lessons** #9 — Investments fall 90%?

## Fall > 60%

- AAX (Ausenco) — 89%
- ABP (Abacus Prop) — 91%
- ALZ (Australand) — 91%
- ANZ — 62%
- APN News Media — 83%
- AWC (Alumina) — 84%
- AXA — 65%
- BBG (Billabong) — 62%
- BJT (Babcock and Brown Japan) — 90%
- BKN (Bradken) 93%
- BSL (Blue Scope) — 78%
- CEY (Centennial Coal) — 71%
- CGF (Challenger Fin) — 84%
- CTX (Caltex) — 72%
- FLT (Flight Centre) — 88%
- FXJ (Fairfax Media) — 82%
- HIL (Hills Indust.) — 79%
- HVN (Harvey Norm) — 72%
- LEI (Leighton) — 71%
- ABC (Adel Brighton) — 62%
- AGO (Atlas Iron) — 88%

\* — Blue Chip stocks

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**10 Key Lessons** #9 — Investments fall 90%?

## Fall between 50% and 60%

- ASX — 58%
- AWE (Australian Worldwide Exploration) — 57%
- \* BHP — 55%
- CAB (Cabcharge) — 54%
- \* CBA — 58%
- CPA (Commonwealth Property) — 56%
- CRG (Crane Group) — 58%
- DJS (David Jones) — 57%
- JBH (JB-HiFi) — 52%
- NAB — 59%
- PRY (Primary Health) — 58%
- \* QBE — 50%

\* — Blue Chip stocks

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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons** #9 — Investments fall 90%?

## Fall < 50%

- AMC (Amarco) — 48%
- ANN (Ansell) — 42%
- COH (Cochlear) — 40%
- HSP (Healthscope) — 30%
- \* TLS (Telstra) — 34%
- \* WOW (Woolworths) — 31%

\* — Blue Chip stocks

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**10 Key Lessons** #9 — Investments fall 90%?

## Blue chip stocks?

"Blue Chip" definition:  
*Shares, usually highly valued, in a major company known for its ability to make profits in good times or in bad, and with reduced risk of default.*

(from [www.asx.com.au](http://www.asx.com.au) )

Can they fall this much as well?

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**10 Key Lessons** #9 — Investments fall 90%?

*The lesson:*

Take care with your investments (even Blue Chip stocks), and sell the bad performers.

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# Brainy's 10 Key Lessons from the GFC

10 Key Lessons #10 — "Buy and Hold"

## Lesson #10

### The Buy and Hold strategy is dead

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10 Key Lessons #10 — "Buy and Hold"

### The set-and-forget approach

- Also: *Buy, Hold and Pray.*
- Tends to work in a bull market.
- Many people have used this approach along with a margin loan, and pre-paid 12 months of interest expense.
- Can this approach ride out the downs of the market?

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10 Key Lessons #10 — "Buy and Hold"

*The lesson:*

There are times when the shares in some companies should be converted to cold hard cash.

Actively monitor your portfolio.

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# Brainy's 10 Key Lessons from the GFC

10 Key Lessons Technical Analysis

## Technical Analysis ?

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10 Key Lessons Technical Analysis

## What is it?

*The study of share price charts using various analysis techniques to form a view as to likely future price action.*

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10 Key Lessons Technical Analysis

## Share price charts

- Line charts are common
- In the media (TV, newspapers)
- But, don't show range of prices in each period
- Help to identify trends.

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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons**      **Technical Analysis**

## Trends and Trend Lines

Would you have been tempted to buy this stock? why?



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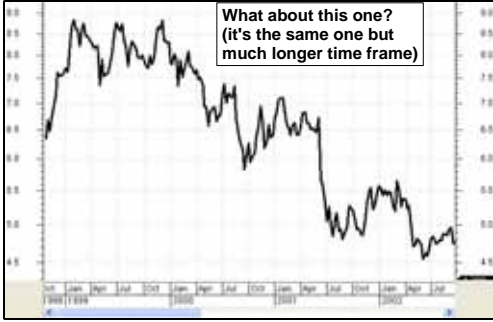
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**10 Key Lessons**      **Technical Analysis**

## Trends and Trend Lines

What about this one? (it's the same one but much longer time frame)



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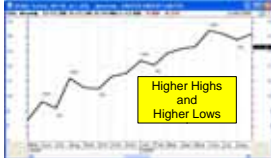
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**10 Key Lessons**      **Technical Analysis**

## Trends and Trend Lines

- HH = Higher Highs
- HL = Higher Lows
- Place a straight Trend Line under the action.
- "The trend is your friend".



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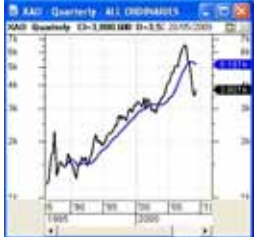
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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons** **Technical Analysis**

## The Moving Average (MA)

- Is common on charts in the media.
- AFR shows 60 day MA
- This chart shows 14 period SMA



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**10 Key Lessons** **Technical Analysis**

## Candlestick basics

Shows:

- Open
- High
- Low
- Close
- White candle — opens low, closes high
- Black candle — opens high, closes low



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**10 Key Lessons** **Technical Analysis**

## Support and Resistance

- A very basic and important tool for interpreting price charts – used by many professional traders
- Generally a horizontal line (can be a “zone”)
- Support – above which the price moves up and down, bouncing up off the line (like a floor)
- Resistance – below which the price moves up to the line and retreats below it again (ceiling)
- Indicates emotion and psychology in the market.

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# Brainy's 10 Key Lessons from the GFC

10 Key Lessons      Technical Analysis

## Support and Resistance

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10 Key Lessons      Technical Analysis

## Technical Analysis — Summary

- Huge topic
- The basic concepts are simple and very useful
- The average investor could benefit from even a small understanding.

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10 Key Lessons      Before trading...!

## Stop!

Before you start trading...

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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons** **Before trading...!**

### Some key tips

- Stop loss positions
- Trading Plan
- Trading Strategy / Strategies
- Trading Journal and Diary
- Money Management strategy
- Can you cope with the emotion?

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**10 Key Lessons** **What Next?**

### Take no action?

### What to do next?

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**10 Key Lessons** **What Next?**

### Some choices:

- (a) Take no action.
- (b) Learn more...how it operates
- (c) Learn more...why it behaves
- (d) Start monitoring the market periodically
- (e) Leave super as it is? or consider re-weighting
- (f) Take a more active role with investing.

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# Brainy's 10 Key Lessons from the GFC

<b>10 Key Lessons</b>	<b>What Next?</b>
<b>Possible action points</b>	
<ul style="list-style-type: none"><li>(a) Learn more about the market...</li><li>(b) Learn how to identify trends...</li><li>(c) Learn how to interpret price charts...</li><li>(d) Learn more about candlesticks and patterns</li><li>(e) Learn more about Trading Plans and Trading Strategies</li><li>(f) Are you suitable to be a "trader"? (even an end-of-week trader)</li></ul>	
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<b>10 Key Lessons</b>	<b>What Next?</b>
<b>More information and help</b>	
<ul style="list-style-type: none"><li>(a) ATAA (Australian Technical Analysts Assoc.) <a href="http://www.ataa.com.au">www.ataa.com.au</a></li><li>(b) Specialist books: Educated Investor bookshop (ask for Robert's discount)</li><li>(c) Seminars and workshops and Brainy's eNewsletters and Tip Sheets and resources on the web: <a href="http://www.robertbrain.com">www.robertbrain.com</a></li><li>(d) Other trainers, educators and service providers.</li></ul>	
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<b>10 Key Lessons</b>	<b>Summary &amp; Wrap up</b>
<b>In closing</b>	
<ul style="list-style-type: none"><li>• We have looked at some background behind the Global Financial Crisis (GFC).</li><li>• The 10 Key Lessons from the GFC.</li><li>• We are now wiser about investing going forward.</li></ul>	
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# Brainy's 10 Key Lessons from the GFC

**10 Key Lessons** | **Summary & Wrap up**

## Book specials

Title	Today's price	Tick	p+p	Total
The Secret Life of Real Estate	\$67.00		\$6.50	\$73.50
Exploding the Myths	\$30.00		\$3.50	\$33.50
Secrets for Profiting in Bull and Bear Markets	\$32.00		\$3.50	\$35.50
TOTAL:				\$

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**10 Key Lessons** | **Summary & Wrap up**

## Any Questions?

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**\* Global Financial Crisis**

## THE END

Please complete the **Seminar Evaluation** sheet.

This is the end of the formal proceedings.

If you enjoyed this, please tell someone.  
If not, then please tell us.

Thank everybody for attending.

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# Brainy's 10 Key Lessons from the GFC



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