Newsletter

Don’t get set back by making these mistakes

Making mistakes in the sharemarket is inevitable, both in the Game and in the real market. There are some common investor pitfalls that are essential for you to know, because they can be easily avoided to ensure you get better results in the Game and when you start investing live. So let’s dive into them!

1. **Purchasing small lots in multiple companies…**You need to be aware that every time you place an order it is going to cost you $20 and every time you sell it is going to cost you $20.

   Let’s take a look at the difference between buying 5 companies compared to buying 15 companies using $50,000. If you purchased 5 companies at approximately $12,500 each, that is $125 in brokerage when you buy… and another $125 if you sell. (If the value of the trade is over $10,000 then brokerage will be 0.2% of the trade value.)

   Whereas if you purchase 15 companies investing around $3,000 in each, this equals to $300 dollars in brokerage and another $300 when you sell. It makes it so much harder to make up the brokerage difference before you are into profit.

2. **Not checking your order.** This seems pretty basic, however, it is a common mistake. Always make sure you double check your order before submitting.

3. **Checking your portfolio every 5 minutes…**and not sticking to your plan. This is especially relevant, if you have decided to buy and hold. In this market, it is wise to have a falling sell in place, which removes the need to constantly review your portfolio. You may find the only thing that looking constantly at your portfolio does, is tempt you to sell in panic rather than stick to your plan. If you have selected a solid company, yes it will have its ups and downs, this is normal, however, stand by your decision and stick to your plan.

4. **Failing to use a falling sell** (stop loss) Not using a stop loss may lead you into panic and making the wrong decisions as mentioned above. Before you buy, it is wise to consider, how low are you prepared for the stock to fall before stepping out and from there create your falling sell. Using a falling sell removes the emotion out of the decision.

   In using a falling sell, also make sure it isn’t too close to your buying price otherwise you may find yourself being stopped out constantly. Or that your trigger and limit are not too close. If they are, the falling sell may jump below your set trigger and limit price and you are still in the market. For more on how to use a falling sell go here.

5. **Think the limit order is a stop loss…**It is important to understand that the limit order in the Game is not a stop loss feature.

   If you set your limit to sell your shares at $2.20 they will sell for $2.20 or more. (If you sell them for more - this means that you actually made more money which is good.) If the market price is below that price then your order will not be executed.

   Also we get players wondering wonder why their buy order hasn’t gone through, often this is because their limit order to buy or sell is too far away from the current market price. If you set a limit to buy your shares at $2.20 - you will buy them for $2.20 or less.

If your limit order to buy is set at $2.00 - you will need to wait until the market hits this price before your order is processed.

The helpful thing about a limit order, is that you can look at yesterday's prices, decide what you are prepared to buy or sell your shares at, put your order in and walk away, knowing that your order will not end up buying at a higher price or selling at a lower price than you wanted.

6. **Placing an order at 4pm for the next day…**Be aware that normal trading hours are between 10am and 4pm. However, orders may still be processed between 4pm and 4.12 pm as there is a final closing period over this time.

   If you are looking to place an order for the next day, it would be best to do this after 4.12 pm.

Hope that helps,
The Games team

Stock Doctor Game webinars

Webinar 1 Recording
Stock Doctor Game On webinar
Webinar recording

Webinar 2 Recording
Smarter Game strategies with Stock Doctor
Webinar recording

Webinar 3 - 21 March at 12.30pm (Sydney time)
Reporting season update – the good, the bad and the ugly
Sign up to this webinar

Webinar 4 - 11 April at 12.30 pm (Sydney time)
Six secrets of successful sharemarket investing
Sign up to this webinar

lincoln
Stock Doctor

Five frenemies to learn from during the Game

We've compiled a list of five common mistakes that may become your frenemies during the Game.

This list is not designed to stop you from making errors, but to help you identify those priceless learning moments now (in a 'safe environment'), rather than in the future when you are trading with your hard-earned cash.

1. **The stray cat**. The most common error investors make is not sticking to their strategy with absolute discipline. Typically, it is not the strategy itself that leads to long-term success, but the ability to stick with

it. Moving away from a clearly defined plan will lead to non-rational decision making and ultimately, underperformance.

2. **The lazybones.** Many investors spend considerable time building a strategy, but then very little on refining it from lessons learned during the Game. Just because a strategy is in place doesn't mean it won't need attention as the Game progresses, insights are gained, and your skills increase.

3. **The panic merchant.** You may have picked a great business to add to your portfolio but, for whatever reason, the price goes down. Don't panic. If it is still a great business, then hold onto it. Many investors see a better performing stock, so they sell a current holding and jump onto another. They're then left disheartened when the one they sold goes up in price, while their newly purchased stock goes down. Just like driving in traffic, your best bet is to stick to the lane that gets you to your destination, rather than risk weaving through traffic.

4. **The dawdler.** Having a defined exit strategy is important so you know when to bank profits or cut your losses. If you find yourself asking, "What should I do now?", it is likely to be too late. Make sure you have your exit strategy defined before you buy a stock, so when the time comes, you don't need to over-think it. In such a short-term game, a stop loss can be prudent, particularly if you are invested in a high-risk business.

5. **The lone wolf.** Investors often get too hung up on the performance of a single stock. Whereas their focus should be on the collective return of all. Not all stocks you buy will go up. It is impossible to achieve that objective. But it is possible to correctly select 6-7 out of 10 performing stocks. The laggards may one day help you when the others take a breath.

Game weekly update