

Musings from a Game player

I first learned about the ASX Sharemarket Game when I was doing personal market research on the ASX website. I immediately thought this Game would be a great opportunity to apply my research and theoretical knowledge of markets without taking any real risk.

The most refreshing aspect of the ASX SMG experience is taking the theory I have learnt in my QUT Bachelor of Business, and applying it in the real world, where I have complete freedom in both the structure of my portfolio and the trading strategy I employ.

The Game has given me tangible insight into how market dynamics apply in real-world situations, and how events of uncertainty and risk impact markets.

While watching my portfolio during the Syrian crisis in April, I was able to gauge what information the market was pricing and where this information was being priced in. Having a stake in the market really forces you to watch the financial and economic landscapes. As events unfold, I am able to reconcile how I think markets will react with how they actually react, providing a great learning experience.

The ability to make limit or market orders is a detail I really enjoy, as it forces me to think about positioning as well as the risks and benefits associated with executing orders in different ways

My Strategy

I have always been told that trading in financial markets is not a spectator's sport. From my experience in the Game, I couldn't agree more.

In building my strategy, I had to answer a fundamental question; where is the world going over the next five months and how does this affect the Australian economy?

I looked towards the three most important economic regions to answer this: United States of America, China, and Europe. My research combined the fundamental outlook with market sentiment and I came to the conclusion that most of the world's major central banks were tightening monetary policy. Economic reasoning suggests that this would have a negative short-term implication for markets around the world.

My bearish view was confirmed by my technical analysis, where I identified that the major equity markets were in a topping process. From this point, I decided that I would build a defensive portfolio, allowing me to narrow my asset selection pool down to a few non-cyclical sectors.

My selection process involved a sector outlook and technical analysis with a market cap screen, ruling out small cap penny stocks under \$1 per share. Once I had decided on the companies that would be in my starting portfolio, I have monitored my portfolio and only make changes if the chosen companies deviate from my projections using technical analysis software.

Thus far, I have stuck with my original strategy and I have not needed to make any changes to my portfolio. I have found myself amongst the top 100 players* and am happy with my results so far. If I could change anything about my strategy for next time, I would like to incorporate forward-looking fundamental data modelling. While this is more difficult to master and time consuming to apply, I believe it would greatly aid my decision-making process while learning a new skill.

How is your Game plan going? Let us know at share.game@asx.com.au



* 27 April



Webinar 1 Recording

Stock Doctor Game On webinar

Webinar recording

Webinar 2 Recording

Smarter Game strategies with Stock Doctor

Webinar recording

Webinar 3 Recording

Reporting season update – the good, the bad and the ugly

Webinar Recording

Webinar 4 Recording

Six secrets of successful sharemarket investing

Webinar Recording



Financial knowledge is power

The revelations of misconduct during the Royal Commission have been a reality check for many in the financial services industry. While substantial steps have been made over the past decade to strengthen the basic tenement of representing the client's best interests, the highlighted examples and subsequent fumbling from the heads of these institutions show that mixing people and money management, will be a constant work hazard.

While no doubt the subsequent recommendations will be an improvement to current standards, this will not be as significant a shake-up as with the introduction of Future of Financial Advice (FoFA) in 2013. This Act saw the introduction of new standards of client care, the elimination of commissions on financial products and now some years on, sees the Treasury focused on removing insurance commissions.

One uncomfortable question that remains unasked and should be is; at what point does the responsibility fall on the client to take ownership of their financial decisions. Improving financial literacy amongst Australians at all stages of their life, from youth through to retirement, has long been a stated aim of earlier governments. The latest strategy can be found at www.financialliteracy.gov.au, with ASIC managing its own consumer targeted website www.moneysmart.gov.au covering the various facets of managing one's finances.

However, like trying to take a glass of water from a fire hydrant, the amount of information can overwhelm. It requires considerable time and effort to understand and receive the full benefit. So where can investors get help with building their financial literacy? There are alternatives for investors beyond their financial planner where they can receive a more balanced view on a range of investment topics.

Not-for-profit organisations such as the Australian Shareholders Association

www.australianshareholders.com.au has a strong advocacy and education mandate with groups run by volunteers to discuss all matters related to investing. They have a range of education resources and run regular seminars at reasonable prices with market experts providing guidance and information. Their annual conference is in Sydney on 21-22 May and will be two action packed days of education to turbocharge your knowledge.

Investor groups are less structured, but often less intimidating than formal organisations. Investor groups can

be an excellent way to whet the appetite, share knowledge and information with peers possessing the common goal of becoming better investors. Lincoln Indicators proudly supports the 'Women and Shares investing group' in Melbourne www.meetup.com/Women-and-Shares-investing-group, a meetup group of 500 members who want to learn, share and discuss the Australian share market and investing strategies.

Third-party research providers are for those ready to step up to making informed decisions using a structured approach to investment selection and rejection. With a wide variety of providers out there, investors need to select a proven provider they can trust and provides them with a wide range of ancillary benefits such as ongoing education and support. This allows investors to manage their portfolio both efficiently and effectively, aligned to their end objective and within their accepted tolerance to risk.

Without confidence and trust, there would be no investment in the market. Ask yourself: why would you put your money into a business that you couldn't trust to play fairly? Or, that you had no confidence they were operating within the law, exposing itself to penalties that could cost your company significantly or even send it to the wall?

Sharemarket Game players can access a FREE 30-day Stock Doctor trial, courtesy of Lincoln Indicators. Stock Doctor is designed to help Australians invest in the share market with confidence, control and peace of mind.

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Game update

