Skill #5

Investments

"The world is all gates, all opportunities,
strings of tension waiting to be struck."
—Ralph Waldo Emerson

"It's very common for people to invest
in the stock market and forget about more
important investment opportunities
that make better returns."
—Ehab Atalla

"It doesn't matter if you are old or young, rich
or poor, educated or not, you must
invest in paper assets someday."
—Ehab Atalla

Section I:
Paper Assets

I am well known for simplifying complicated things. Even though the following three chapters are technical, please be patient and read them carefully, regardless of your educational background, because they contain important concepts you must know. ***I tried to make the technical aspects very simple to understand and interesting to learn.*** They will

add significant value to your business career and your life. So let's get started.

The stock market had just collapsed, and I was eager to invest. I saw that most companies' stock prices had dropped significantly. I spoke to my stockbroker to see what he thought about the economy.

"You need to invest in solid companies like Wal-Mart," he said. "Wal-Mart will survive any economic downturn. It will never collapse; the stock will never hit zero. You should definitely invest in these types of companies."

At that time, Wal-Mart stock was trading at $49.

I could have listened to my broker—but I didn't. Instead, I chose to buy Office Depot at $1.00 per share. I bought into several companies that had gone down significantly in value; companies that were stable but whose stock prices were pulled down by the economic collapse. This made sense to me, and I chose to do the opposite of what my broker told me. He told me to invest conservatively. I chose to invest in companies that had taken a beating.

When the economy started to recover, Office Depot went to $5, which is a 400% return. Wal-Mart, during that same period, went from $49 to $61 (a 24% gain by comparison). Good thing I didn't listen to my broker.

Stockbrokers are great resources, but they don't know everything. There is a difference between someone who buys and sells stocks for a commission (a stockbroker) and someone who buys and sells stocks as an investor. The person doing it for a commission is making money regardless of what happens to the stock price. The investor, on the other hand, is investing his hard-earned money hoping for a big reward. Keep this in mind whenever you consider the advice of a broker. ***It's best to learn from people who are putting their own money into the market***

and making big returns. Get advice from doers—not talkers.

I learned this lesson the hard way. I thought it would be wise to leverage someone to invest for me. I met another consultant—a PhD who handled other people's money. He was extremely intellectual and sounded confident in his services.

"Ehab, you can trust me as a consultant trader. I can make you very good returns on your money. I can free up your time so you can work on other projects. "

After talking with him about finance and economics, he convinced me to use his services. I thought that since he had a PhD, he knew investing strategies that I didn't know.

So the PhD told me to invest in one commodity that was going up at the time, from $31 to $37. The PhD bought it at the top of its climb at $37.

"Why did you buy it at $37?" I asked him.

"Because it's going up. There is an upward trend at the moment. We need to take advantage of it," he said.

Not only did he buy it at a high price, but he decided to do a stop loss. A stop loss is when you tell your broker or the online trading platform to sell a stock if it goes down to a certain price. The idea is to reduce your loss. He decided to sell at $34, creating an official loss on my account. If you don't sell your stock when it goes down, you only have a loss on paper. You have not officially made a loss because you still own the asset, and it has a possibility of going back up. If you sell the stock, then you have an official loss.

He sold the commodity at $34 through a stop loss command and then the price climbed back up to $36. At that point, I told him, "Thank you, but I won't be using your services anymore." The way I see it, he made me lose money. If someone is going to manage my money, they have to be better at it than me.

A while back, I had another broker tell me to buy Cisco. The price was going up from $16, to $17, to $19 at the time.

"This is the time to buy, Ehab."

"Why? You really think it's going to keep going up?"

"Yes. There is a strong upward trend. Don't miss out on it," he said.

"Yes, but it's likely to go back down as well. It has gone up significantly already. How do you know it will keep increasing?" I asked.

"That's the way it's going. I'll place the stock order for you. You don't have to worry about a thing."

So I bought Cisco at $19. Three days later, it went back to $16. Then he sold the stock. Again, I lost money because I listened to a broker and bought a stock as it was trending upward. I have since learned that if you're buying a stock simply because it's going up, you're taking a huge risk. It's common for many people to do this, and it's a losing strategy. ***Most of the gains on the stock have already occurred by the time you enter the market. It's like going to a party after all the drinks are gone. You're missing out on all the fun***.

> *In my opinion, most people get scared of the stock market at the wrong time and get the courage to invest at the wrong time. When they see stocks go down, they get scared to buy. When they see stocks go up, they get the courage to invest. I believe that you need to do the opposite in order to make a killing. Wait until stocks go down as much as possible, and then buy them. Then, when those stocks have risen considerably, sell them. Do the opposite of what most people are doing and you will usually find yourself making money.*

Making Big Returns is not as Hard as You Think

I wanted to manage my money and experience significant returns. Through my experience, I have realized that ***investing is one activity that I can't leverage***. I have not found anyone who will make me a minimum of 100% return in the financial sector.

I want to experience 100% returns. Why? Because if I make 100% on my money every year, I will take full advantage of compounding on my money. Remember the compounding example you learned in chapter three (the exponential equation)? If I invest $1,000,000 in the stock market and experience a 100% return, then that $1,000,000 becomes $2,000,000. The next year, the $2,000,000 becomes $4,000,000, then $8,000,000, and so on. After ten years of consistent 100% returns per year, that $1,000,000 can turn into over $1 billion. That is amazing! It demonstrates the power of the exponential formula at work, as I discussed previously.

People think that earning 100% per year in the stock market is hard. It's common for people to settle on normal returns and to take for granted opportunities available now at their fingertips. In this chapter, I want to explore with you what the global economy is offering, and how you, too, can make serious returns on your money by embracing a global perspective.

Investing in Paper Assets

Remember in chapter one I emphasized the importance of flowing with the wind and being flexible? By flowing with the wind, I don't mean copying what everyone else is doing. What I mean is be aware of the different cycles assets are going through, and invest in the right asset at the right time at the right price. But what are

the right assets to invest in? And at what time and price should you invest in them? That is what I am going to teach you.

You want to get in the game right before the storm to ride the bubble, and right after the storm to take advantage of the crash. If everyone you know is investing in a particular stock, then that probably means it's not a good time to invest in that stock. Everyone investing in that stock means the big players have already invested and that the price has already gone up very quickly. This will cause that stock to come tumbling down in the near future.

> *Before 2008, everyone was talking about real estate. Loans were being issued to everyone, even people who didn't qualify. Most people thought that real estate prices would continue to go up forever. When prices got too high and people couldn't afford their monthly payments, the real estate market came tumbling down. The people who listened to the crowd and entered the real estate storm late were slaughtered when the loans they took out were worth more than the real estate they had bought.*

Learn the Cycles

So, flowing with the wind means flowing with the cycle; it doesn't mean you should flow with what everyone else is doing. Everyone thought stocks were too risky to invest in right after the financial collapse. That's when I went in and bought companies very cheaply. I followed the advice, **"*Be greedy when people are afraid; be afraid when people are greedy.*"** I saw what everyone else was doing and did the exact opposite. I flowed with the cycle of the stock market, which after crashing, was destined to boom again—what goes up must go down, and what goes down must go up.

Sign Posts that Help You "Predict the Future"

When I invest in the stock market, I don't invest based on what's happening right now; I invest based on what I believe will happen in the future, and ***I will teach you how to read the financial future***. I pay attention to global business news, analyze it through an economic perspective, and make my predictions. ***I take advantage of the second event that is going to happen, not the first event that I see on the news***. For me, the first event is an economic sign. I use this sign to determine the second event that is going to happen. For example, let's say interest rates increase. That's the first event. The second event is an increase in the value of the dollar. I move according to this second sign (which I discuss in the upcoming pages). ***This is why understanding economics is so important***. If you understand how economic events connect to each other, you can make money from any event by understanding what that event will trigger in the economy.

You may think this is very complicated. Let me simplify it for you:

> *How does the "weatherman" predict the weather? He sees rain clouds through satellite imaging and uses other instruments to determine the direction of the wind. He can then predict, based on this information, whether or not it's going to rain in certain areas. He predicts what the weather is going to be. Likewise, I pay attention to signs in the economy to make predictions on what is going to happen.*
>
> *The signs I see determine whether I will invest in company stocks, commodities, foreign currencies, or real estate. The signs help me determine where money is going to be made in the financial sector.*

We are living in a world full of opportunity. This is especially true in the financial sector, where stocks, ETFs, foreign currencies, and commodities are being traded globally. As an American citizen, you can buy paper assets located in China, India, Europe, and South America. Why then, would you limit yourself to just trading American assets? As I mentioned in the introduction, success comes by exposing yourself to as many opportunities as possible. By looking at the entire global market, you're exposing yourself to global opportunities, not just opportunities in your country.

There are always problems somewhere in the world. If the American economy is strong, but a serious problem happens in Argentina, then I take advantage of the problem by investing in Argentina; I don't wait for the American economy to collapse. If the Argentinian economy improves and I make a return on my money, and a problem happens in a country in the Middle East, then I will move my money from Argentina to that country, and so on.

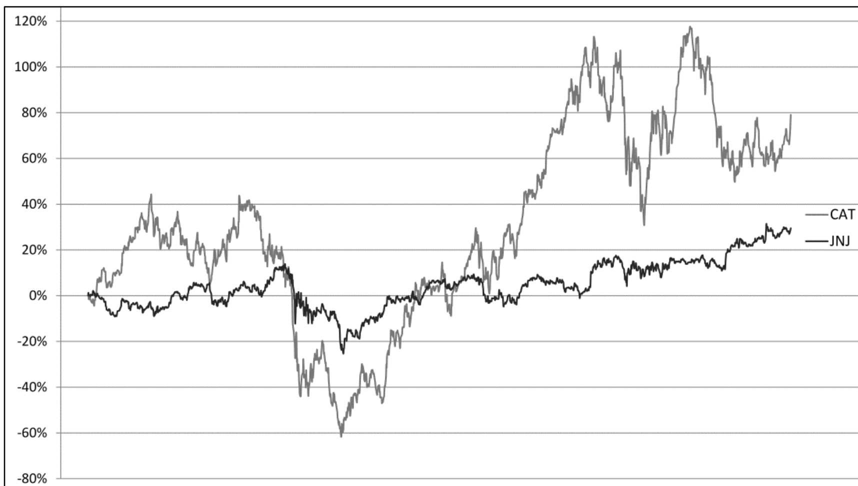
> ***To become a master at investing in the financial sector, you need to understand the global economy****. It's common for stock investing seminars and classes to focus only on American stocks. They will teach you everything from ratio analysis to using the latest tools and gadgets. They have you so focused on analyzing a few stocks and using a few tools that you're not able to see the big picture. I have been to several stock investing seminars myself, and I can't stand the limited point of view that they teach.*

Rather than just focus on a few stocks within a few industries, I consider many stocks, ETFs, commodities, IPOs, options, secondary offerings, mutual funds, and foreign currencies. Over the years, I have studied many different paper assets from around the world, and I have selected ones that are money makers. What does a money-making stock look like? Well, a money-making stock is not a stable stock. A stock that doesn't fluctuate a lot will not make you a lot of money. It's common sense when you think about how the big players make money. Money is made by stocks going up and

down. If there is no movement or very little movement, how do you expect to make money from that stock? That's why I completely disagree with people who say, "Don't invest in the stock market now. It's too volatile and risky," meaning it goes up and down too much and too often.

As you become familiar with different stocks and understand how the global economic game is being played, ***you will realize that the most money is made during times of volatility***.

Caterpillar (CAT) vs. Johnson & Johnson (JNJ)
Six-Year Returns (1/3/2007-1/3/2013)



An example of a stable stock is Johnson & Johnson. Johnson & Johnson makes household and health-related products. It's the company that makes Band Aids, Tylenol, Splenda, Visine, and Listerine. The company's stock over the past six years has been relatively stable, experiencing little growth and little decline. Compare Johnson & Johnson with Caterpillar. Caterpillar is a heavy machine manufacturer. They create tractors, bulldozers, and other equipment used for construction and development. As you can see from the graph, Caterpillar stock has been extremely volatile over

the last six years, increasing by over 400% from 2009 to 2011 (in 2009, Caterpillar went from a low of $23.23. to a high of $115.41). Caterpillar is an example of a stock that I like to invest in. During the economic downturn, I invested in Caterpillar and made a very decent return. It has become a stock I always keep an eye on because of its volatility. The more it goes up and down, the more I can potentially make. ***That's why I invest in volatile stocks more than stable stocks—they are a signpost for great returns***.

The Rubber Band Theory™

Imagine you are holding a rubber band in your hands. Now stretch that rubber band as much as you can and let go of one end. This is what I call the rubber band effect—the more you stretch it, the stronger it will whip back.

I created this theory after years of doing business and observing the markets. ***There are many examples in business and life that follow this rubber band theory***™, one of them being the stock market. When the price of a particular stock or paper asset quickly goes way below what it should be or goes way above what it should be, the adjustment that takes place is tremendous. It acts like a rubber band that has been stretched. The more these prices have been pulled up or down, the stronger and faster they will go back in the opposite direction. Often times, they go past what their original price was before they were pulled up or down.

> *In 2007, the Dow was close to 14,000. Then the economic collapse happened, and in early 2009 the Dow dropped to around 6,600. The Dow was pulled down far too much, causing the rubber band effect. Since 2009, the Dow has whipped back to an all-time high above 15,000. It went above the original high because of how much tension was caused by bringing the price so low.*

During the collapse, Bank of America went from around $37 to around $3. Because it was pulled down in price far below its true value, the price bounced back very quickly from around $3 to around $18.00. Its price went up by a factor of six times at one point (other stocks never experience an increase in price like this for decades). Bank of America's rubber band was grabbed and pulled much more than other stocks, meaning its price would rebound much faster than other companies.

Focus on investments that have stretched in price by a significant amount. The possibility of them going back to their original price is much greater than the likelihood of other stable, high-priced investments increasing in price.

I don't have to invest every day. I wait for the right moment –when I see a stock price stretching like a rubber band—which could be a year or so. I make sure to hunt the right stock at the right price. As the old saying goes, "Money is a hunter."

The Stock Resistance Point

Stock resistance points apply to all stocks, commodities, ETFs, etc. They are well known among investors, especially day traders. Many investors take advantage of these resistance points and I want you to take advantage of them as well.

Think of the resistance point as a ceiling that prevents the stock price from going up. If a stock increases in price, you will find that it will continue to increase to a certain amount and then it will go back down. It will keep doing this—going up and down— hitting a ceiling price that it seems to never be able to cross.

> *Imagine the stock as a hammer that's trying to blast through a ceiling (the price it can't go over). It hits the ceiling price and goes back down, hits it again and then goes back down. It keeps repeating this cycle until it makes a hole in the ceiling. That's when the price goes beyond the resistance point (break through the ceiling).*

For example, let's say a stock is priced at $22. The stock price moves from $22 to $23 to $23.5, then back to $23 and then to $22. It will keep repeating this cycle, meaning every time the stock goes up to $23.5, it immediately goes back down again. The $23.5 is the resistance point of the stock. It temporarily blocks the stock from reaching a higher price. After several time of hammering on the ceiling, the stock then blasts through this ceiling—this resistance point—and increases in price until it reaches a new resistance point. At this new point, the pattern repeats itself, and you will see the stock continue to touch the new resistance point and then go down again.

4. Sign Post: Observe Patterns and Make Connections

Over the years, I recognized the relationship between Caterpillar and the Dow Jones. The Dow Jones (officially called the Dow Jones Industrial Average) is an index that keeps track of America's 30 largest industrial companies. It's basically the average performance of these 30 stocks, giving investors a general sense of how these companies are performing. I took this general sense and applied it to Caterpillar. For example, I know when the Dow Jones is around 13,000+, Caterpillar is near its high. If the Dow Jones is around 10,000, Caterpillar is approaching its middle range. When the Dow Jones goes to 8,000, then more than likely, Caterpillar is reaching its low. ***This is one simple, basic pattern I have***

observed, and I use many other economic indicators to determine my investing strategy. I even consider the unique patterns of individual stocks. In the future, I plan to create a book that goes deeper into the topic of patterns and indicators, called *The Master of the Financial Sector*.

5. Sign Post: Keeping Track of Many Stocks is Very Simple

So how do I keep track of my favorite paper assets? It's surprisingly simple—I use my iPhone and iPad's stock app. On this app are all of my stocks, commodities, foreign currencies, and ETFs. I scroll down every day through the symbols and prices, and I am able to see their graphs, the amount of shares that were traded (called volume), and their daily and yearly highs and lows. With this information, I choose what I want to buy, sell, or hold. The app even includes relevant news on each stock, allowing me to be informed at any moment of key information I need to make decisions. After some time and practice, navigating these stocks doesn't take me more than 20 minutes per day. You can experience the same financial leverage by using my strategies and by becoming very familiar with the stocks you are trading. ***You must know these stocks like you know your best friends***.

> *I play with over 140 symbols. I know them like I know my best friends; I know their likes and dislikes. I know when they're happy and when they're upset.*
>
> *I have developed trust with these friends. I don't blindly make new friends and trust them right away. I am happy with my 140 symbols, and continue to make new friends slowly.*

I need to understand my new friends, get to know what they like and don't like, and how they behave, before I can trust them with my money.

In appendix IV, you will find the symbols that I actively trade throughout the year. Sometimes, I hold on to a stock for less than a week (stocks can go up significantly in one day). In other situations, I hold on to a stock for a long time. It all depends on what is happening and if there is a strong trend for that particular asset to keep going up.

I believe everyone should include paper assets in their wealth portfolio. ***Start by putting the symbols into your smartphone or computer (you can use Google Finance to watch all of these symbols for free), and make it a hobby to watch their movements***. If you make it a hobby to watch these symbols (and other symbols that you want to add, based on your research), you will become comfortable with them to the point that they become your friends. I recommend studying these symbols and observing their patterns for six months before you start investing. You also need to pay attention to the market at large. During this time, your brain will start seeing economic patterns, and you will know when to invest to maximize your returns. Please put the symbols into your computer or smartphone and begin to practice now.

6. Other Indicators

There are other economic and business indicators you should pay attention to:

A. Corporate Earnings

B. Analyst Opinions

C. Dividends

D. Corporate Announcements

E. Profit Ratios

Political News

Political news reveals important signs and trends that affect the economy. When I see these signs and trends, I can predict the stock market correctly; consequently, I can make great gains.

> *For example, let's say the news announces a war in the Middle East. Any war in the Middle East will cause oil prices to sky rocket. And a rise in oil prices will affect all parts of the economy. So any time you hear that a war happens in the Middle East, you know immediately to buy oil.*
>
> *Or let's say there is a new trade agreement between two different countries. Although this new agreement is political news, it will create new opportunities for importing and exporting in these countries.*

The old saying is true, "Politics and economics are two sides of the same coin." I encourage you to keep yourself up to date with all political news so you can take advantage of the opportunities they bring.

Different Types of Paper Assets

A. "Penny Stocks"—Big Risk, Big Reward

I am in love with penny stocks. People believe these stocks are very risky—and in many cases they are. These companies have a high possibility of going bankrupt. If this were to happen, their stock price would go to zero. Even with this possibility, I love them anyway. Why? Why do I choose to play with these stocks? Because of the massive gains I can get from them. Penny stocks are some of the most volatile and rewarding stocks to trade.

One of my favorite penny stocks is Pacific Ethanol—an energy company focused on bio fuels. Within five months, the stock price went from $.27 to $1.61. That's a 496% return on investment (since then, the stock has undergone a reverse stock split, so prices will look inflated if you research this). And this is not a yearly return—it only took five months!

> *I observed that this stock moves up and down in the same direction as oil prices. When oil prices go up, Pacific Ethanol goes up, and when oil prices go down, Pacific Ethanol goes down. Oil prices are my indicator, my sign post, and I take advantage of oil prices going up by investing in Pacific Ethanol.*

A penny stock going up $.40 (if the stock is trading at $1.) can make you a 40% return. A $.40 increase in a stable company, like Johnson & Johnson, is not a significant increase. So penny stocks

are more dynamic and volatile. If you master penny stocks, you're likely to make much higher returns than with regular stocks. ***However, if you don't know what you're doing, you can lose everything trying to trade them***.

If you dealt with stockbrokers in the past, you probably heard them say not to play with penny stocks. ***Most brokers aren't allowed to play with their client's money in penny stocks***.

B. Enough about Stocks—Think "Commodities"

If you know how the economic mechanism works, you can make great returns from commodities. ***That's why I started the chapter with some economic fundamentals***.

Commodities, in fact, are more predictable and safer to trade than stocks because they aren't subject to human error like companies are. When you buy a company's stock, you don't control how the company is managed. You're putting your investment in the hands of that company's management team. And believe it or not, management teams of even the world's largest companies make mistakes all the time. These people, as educated and smart as they are, aren't infallible, and their mistakes often cost companies millions (even billions) of dollars. This can even lead to a company going bankrupt and you losing everything. Compare this to commodities, which do not go bankrupt.

> *In 2012, JP Morgan's management made one wrong decision that cost the company $2 billion. JP Morgan's stock went from $44 to $32, which is a 27% loss, in less than a month's time. When the news first reported this mistake, I quickly sold my shares of JP Morgan. These types of mistakes don't happen with commodities.*

Commodities are simple—their value is determined by global supply and demand (such as global shortages and

surpluses) and the strength of the U.S. dollar. If the demand of a particular commodity (coffee, for instance) increases, its price will go up, and if the demand decreases, its price will go down. On the supply side, an increase in the supply of coffee will cause the price to go down, and a decrease in supply will cause the price to go up. The supply and demand of commodities like coffee are no longer determined just by America.

> *For example, suppose you want to trade precious metals like gold. The price is no longer determined by America's demand, but by the entire world's demand. Just because people in America are buying a lot of gold doesn't necessarily mean prices will go up drastically. It's possible that people in other countries are producing and selling a lot of gold, which will level out the price. Given this new global game being played, it's important to pay attention to all international factors when considering whether or not to invest in a commodity.* ***You also need to watch the monthly production and global inventory of commodities you are interested in trading***.
>
> *For example, do you know what causes oil prices to go up and down every day? One significant factor is the daily inventory of oil in America. If America has enough oil inventory, then prices go down. If America doesn't have enough, then prices go up.*
>
> *Globally, oil is affected by production. If Saudi Arabia announces that it will produce more oil per day, then the price of oil around the world will go down. If the country announces it will reduce oil production per day, then the price will go up.*

How to Trade Commodities

There are three main ways to trade commodities: ***physical holdings, futures contracts, and ETFs***. With physical holdings, you're actually buying the commodity in physical form, whether it be gold, coffee, oil, etc. With gold, for example, you can buy gold bullion, or gold bars and coins that are investment grade (99.99% gold). You can also buy commodity futures contracts, which is an agreement to buy or sell a specific amount of a commodity at a predetermined price and date. In this situation, you're betting that the future price of a commodity will go up or down, which is very risky. And lastly, you can buy commodity ETFs, which are funds that hold a particular commodity in physical form.

Out of these three ways of trading commodities, I prefer ETFs. I believe buying physical holdings is inefficient, both in terms of trading and storing. Suppose you wanted to sell your gold bullion because the price went really high. In order to sell, you need to go in person to a dealer, which can take a significant amount of time and includes higher transaction fees. By the time you're finished with the transaction, the price could drop significantly.

I don't like futures contracts either. In the past, I have had bad experiences with them, and don't like the fact that I am not in control of buying and selling the commodity. Futures contracts are based on what will happen in the future, not on what is happening right now. ***This delay exposes you to more risk because the economy can change drastically between now and when the contract is exercised***. Also, futures contracts are often times leveraged by as much as ten times, which makes them more risky. This is great if you're on the winning side of the contract, but devastating if you're on the losing side.

Are there people who make good money through futures contracts? Yes. As with day trading, if your goal is to laser focus on futures contracts and spend the majority of your time on them, you will likely become skilled at trading them. Personally, I like to have

a global perspective on opportunity and don't want to focus all of my energy on just one thing. That's why I like ETFs. I believe that ETFs make it easy to trade commodities, specifically ***ETFs that directly follow the movements of commodities***. This keeps things simple for me because I can trade based on actual prices of commodities given different events in the economy. If, on the other hand, an ETF doesn't match the same movement of the real commodity, then there is no way for me to strategically guess the movement of the ETF. If I can't make this guess based on my patterns and observations, then it becomes very dangerous. Investing at this point is no different than betting at a casino.

> *What I mean by movement is that a change in price, both up and down, of the commodity changes the price of the ETF in the same direction. So if you bought a gold or oil ETF and the price of that commodity increased, the price of the ETF would also increase.*
>
> *When it comes to ETFs, you need to do your research. Make sure that the ETF follows a particular commodity directly and that it has physical investments in the commodity you're trading (some ETFs don't). Some ETFs, like futures contracts, are leveraged, meaning a small movement in the commodity price causes a big movement in the ETFs price. Other ETFs move in the opposite direction of a commodity. These types of ETFs are very risky because they add more layers to the analysis you need to do.* ***I'd rather keep things simple and base my investments on economic principles***.

Different Types of Commodities

There are many types of commodities to trade. I like two main types. The first of these is natural resources and minerals; this includes gold, platinum, natural gas, and oil. One of my favorites is gold. I trade gold through the ETF GLD and IAU. There are many gold ETFs and each one is different. These ETFs move exactly the same way as the real product, so I actively trade them. I did this several times, profiting from the volatility of gold and other commodities.

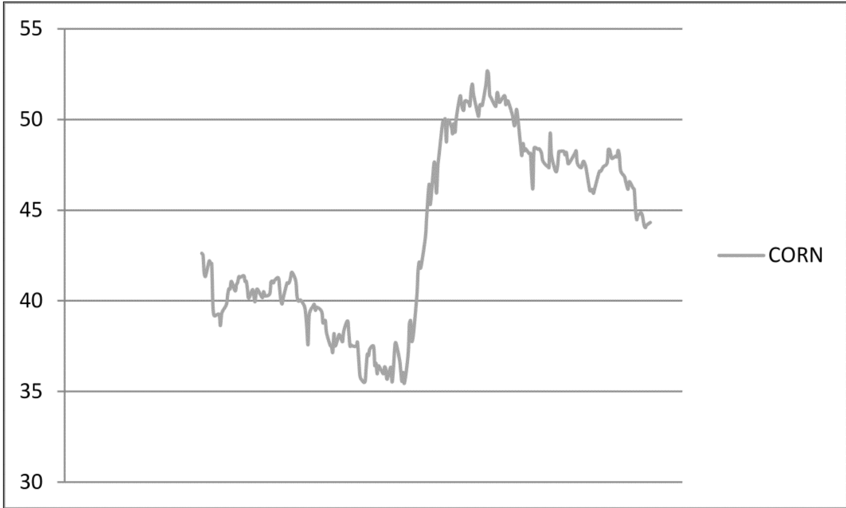
The second type of commodities is agricultural commodities. Examples of agricultural commodities include corn, wheat, coffee, sugar, cotton, etc. One of my favorite commodities is wheat. I made a connection to an ETF that fluctuates in the same way the commodity does, meaning it goes up when wheat goes up and down when wheat goes down. Over time, wheat typically fluctuates between $600 and $900 per bushel, and the wheat ETF fluctuates between $16 and $24. When the real product moves to $600, this ETF moves to around $17. When the real product goes to $800, this ETF moves to around $22. It's that simple.

Like stocks, there are techniques to choosing commodities, and I refuse to play with some of them. For example, I will trade sugar but not cotton. Cotton doesn't move very much. It's a relatively stable commodity, and as you learned earlier, it's difficult to make money from stable paper assets. On the other hand, sugar moves a lot. Natural gas moves a lot. These are the types of commodities I prefer.

I invest in corn using the ETF CORN (how appropriate a name, right?) Before summer, corn reached its typical yearly low. In general, when a commodity reaches its low, I invest in it, especially when the commodity is about to go through its peak seasonal demand. For example, summer is the driving season, so oil prices typically go up right before summer. As it turns out, not only did I invest in corn during its yearly low, but its supply was compromised

due to a massive drought in the United States. With the uncertainty of the corn harvest, prices skyrocketed.

CORN ETF
One Year Graph (2012)



I don't carry any regrets when I sell something a little too soon or buy something a little too late. As long as I am around the high and low, I consider my investment a success. It's common for people to think they have to sell exactly at the high and buy exactly at the low. A few times, I have been lucky to hit it right on the dot with buying and selling, but the truth is that it's impossible for anyone to do this every time. No one knows exactly how high or how low a paper asset will go. Don't beat yourself up thinking you have to trade it perfectly, or that you have to look at the market intensely all day, every day. Even if you use sophisticated software programs that detect the momentum of trades for paper assets, you still will not get it perfectly on the dot. You will get insignificantly closer to the high or to the low. Sometimes, being close is all you need to make serious money.

The last note I want to leave you with about commodities is that you can indirectly invest in them through stocks. For example, you can invest in oil by investing in oil companies, or you can invest in gold by investing in mining companies. ***At this level, the line between stock and commodity becomes blurred, showing how connected all assets are in the financial markets***. A company that makes its money from a commodity is dependent on that commodity's price for profitability, which is why the company stock will go up and down with the commodity price. If a commodity drops too low in value, it may not be worth being in that business. And, if a commodity increases in value dramatically, it may be worth getting into that business (there is now a big interest in mining, for example, due to the huge increase in gold prices since 2008).

C. Expand Your Reach by Investing in "Foreign Currencies"

Like commodities, there are several ways you can get into currency trading: you can buy the currencies physically (hold onto dollars, euros, yen, etc.), you can buy them through exchange brokers, and you can buy them through shares in ETFs.

With foreign exchanges, I trade through the ETFs for the same reasons I trade commodities through ETFs—it's easier and more efficient. I prefer the euro, Swiss franc, Japanese yen, and British pound sterling. These currencies are always going up and down in relation to the dollar, which allows you to take advantage of countries that are booming and busting. And like stocks, foreign currencies are going up and down more than ever before because of the global debt crisis. When Europe announces austerity measures, the euro tumbles and the Europeans buy into the Swiss franc as a safe haven. Then, as good news returns about German manufacturing or about a debt deal being made, the euro will swing

back up and the dollar will swing back down. ***Again, global events make all the difference.***

> *If you wanted to, you could trade up to 100 different types of currencies worldwide. You can buy any currency—from the Mexican and Argentinian pesos to the Indian rupee—all through ETFs. I, however, prefer the four I mentioned above because of their volatility and security, and they're easy to watch.*

By seeing the different markets and how they connect, I can make money in multiple ways and always be exposed to new opportunities.

D. Consider Companies from All Over the World

Along with foreign currencies, you're also able to invest in foreign companies. You can, for example, buy stock in Shell (the gas company). Shell is a Dutch company, and its stock is not traded on the New York Stock Exchange. It's traded on the Netherlands stock exchange. If you wanted to buy shares in Shell, you could do this in two ways. The first way is to go through a broker in the Netherlands. The second way is to go through the ADR, which is the section of the American stock market that allows you to trade foreign stocks inside the U.S. without switching your money to another currency. Which way do you think is better?

The answer—through the ADR. By going through the ADR, ***you're not exposing yourself to the risk of the foreign currency losing value***. If you bought from a broker in the Netherlands directly, you would first have to change your money to euros to buy shares of Shell. If the euro lost value, your investment in Shell would be comprised, even if Shell stock went up. That's

because when you sell the stock, you will first cash out in euros, and then transfer that value to dollars. Bottom line, use the ADR ***to buy foreign stock so you don't expose yourself to that risk***. If you want to trade foreign currencies, then trade them directly, don't mix them with stock investments. Keep apples with apples and oranges with oranges.

E. You Can Even Invest in Countries

There are ETFs that represent an entire country's economy. The ETF takes some shares of every major company from that country to represent the country's stock market in one index, called a "basket." Why are these ETFs so good? Because every day there are problems in the global economy. For example, suppose the president of Mexico is very sick. The Mexican ETF will likely go down. When it goes down, that's a good time to buy it. The second day, if the president becomes well, the market will go up again. The market these days is very volatile—any news, no matter how small, causes the market to fluctuate.

> *During the protests in Egypt, the ETF for Egypt dropped to around $9. When the protests stopped, the Egyptian stock market went back up, increasing the price of the ETF to around $14 (these prices have since been inflated on the exchange).*

This is how to increase opportunities you can take advantage of. The American stock market collapses every seven years or so. Don't wait seven years for opportunities. ***Look for other countries that are experiencing collapsed economies right now.***

> *As I mentioned in my book, The Secrets of Business, you have to be an observer. You have to observe and absorb what you see. The more you can observe and absorb what's*

around you, the more patterns you will see, the more connections you will make, and the more successful you will become—especially when it comes to investing in the financial sector.

New Times Means New Trading Strategies

You can't invest in stocks the way people did 20 years ago. There are just too many factors affecting the markets now. Believe me, I have tried long-term investing and have gotten slaughtered in the stock market.

It's common for people to buy stock and hold onto it for 20 years for their children. I am completely against this strategy. Why? Because there is no guarantee that the company is going to be around in 20 years (remember what happened to Nokia?). Also, any stock that goes up will likely go down before it goes to its second upswing. By buying and selling the same stock over the years, you will make much more money from that stock than just having it and keeping it for 20 years. ***Why not expose yourself to more opportunity by taking advantage of every up and down that occurs (don't leave something on the table when you can take it)?***

I am not saying that buying and holding for the long run is a bad strategy. There are many people who made their wealth this way in the past, and there are many people still doing it who make decent returns every year. However, this is not my strategy. My strategy is to buy stocks when they're undervalued and sell when they are overvalued as many times as the market allows me to. I am open to what the market brings me. If it's profitable for me to hold on to a stock, I hold on to it. If the market is signaling a downturn, it's time for me to sell. There is no need for me to fight what is going on. ***Rather than fight, I go with the flow, and take advantage of opportunities left and right***.

Major Factors that Determine Stock Prices

Over the years, I have observed several patterns that determine stock prices. These patterns work for me and allow me to experience profitable returns. Are these patterns correct 100% of the time, and should you regard these patterns as absolute truth? No. Like everything else in this book, see for yourself if what I am preaching produces results for you. Test my ideas out. That being said, I base my stock investments on three main factors:

1. ***The performance of the global economy and major indexes such as the Dow.***

2. ***The performance of the global industry of a particular stock.***

3. ***The performance of the individual stock itself, which includes its highs and lows over time, its current price, profit per share, quarterly earnings, and analysts' opinions (experts who discuss whether to buy, hold, or sell).***

> *If Ford and General Motors stocks go down in America, you won't necessarily see the rest of the stock market go down. However, you will notice that BMW, Mercedes, and Volvo stocks in Europe, and Toyota, Honda, and Kia stocks in Asia will do down. If you're aware of these trends, and the timing of these trends, you can take advantage of many opportunities because global stock markets open at different times. The stock market in Asia and Europe opens before the American stock market.*

For example, if Toyota stock goes up, that's my sign to invest in Ford. This is an example of a connection I pay attention to. If Toyota stock is strong, that brings confidence to the entire car industry, so worldwide, car company stocks will go up.

If you take a finance class at any major university, they will tell you to focus on ratios, such as the price-earnings ratio, and quarterly reports of companies. They are important, but I don't pay too much attention to these factors because it's often too late to act on them. For example, once a quarterly report is announced in the news, you will have no time to buy the stock and experience a gain. All the big players have already moved in on that opportunity.

Everyone in the finance industry knows what they teach in business school; so you won't be able to profit from that information*. You will be investing based on news or trends that everyone has already acted on, which means you are investing at the wrong time and at the wrong price. My information, on the other hand, is based on principles that many people don't know. This means that you have time to invest and profit before everyone else beats you to it.*