

Contents at a Glance

<i>Introduction</i>	1
<i>Part I: The Financial Pages</i>	9
Chapter 1: Introducing the Financial Pages	11
Chapter 2: Looking at How the Financial Pages Work	21
Chapter 3: Relating the Financial Pages to the Stock Market	37
Chapter 4: Using the Pages to Your Advantage	61
<i>Part II: Using The Financial Pages to Make Basic Investments</i>	77
Chapter 5: Investing in Shares	79
Chapter 6: Investing in Bonds	107
Chapter 7: Investing in Cash Investments	129
<i>Part III: Delving Deeper into the Financial Pages</i>	141
Chapter 8: Sharpening Your Understanding	143
Chapter 9: Watching Out for the Pitfalls	173
Chapter 10: Monitoring the Market's Psychology Using Charts	187
<i>Part IV: Using the Pages for More Advanced Investments</i>	197
Chapter 11: Going International	199
Chapter 12: Delving into Derivatives	209
Chapter 13: Making Money from Commodities	219
Chapter 14: Investing in Funds and Trusts	243
Chapter 15: Discovering Hedge Funds, Bonds, and ETFs	255
<i>Part V: Other Places to Go for Financial Information</i>	267
Chapter 16: Using the Alternatives	269
Chapter 17: Understanding Company Accounts	291

<i>Part VI: The Part of Tens</i>	307
Chapter 18: Ten Things to Know About a Share.....	309
Chapter 19: Ten Ways to Make Your Asset Allocation Fit.....	315
Chapter 20: Ten Warning Signs that a Company May Be on the Ropes	323
Chapter 21: Ten Red-Hot Clues to an Opportunity.....	331
<i>Appendix: Glossary</i>	341
<i>Index</i>	355

<http://www.pbookshop.com>

Table of Contents

<i>Introduction</i>	1
About This Book	2
More Than Just Numbers	3
Finding the Right Strategy for You	3
Conventions Used in This Book	4
What You're Not to Read	4
Foolish Assumptions	4
How This Book Is Organised	5
Part I: The Financial Pages	5
Part II: Using the Financial Pages to Make Basic Investments	5
Part III: Delving Deeper into the Financial Pages	5
Part IV: Using the Pages for More Advanced Investments	6
Part V: Other Places to Go for Financial Information	6
Part VI: The Part of Tens	7
Glossary	7
Icons Used in This Book	7
Where to Go from Here	8
<i>Part 1: The Financial Pages</i>	9
Chapter 1: Introducing the Financial Pages	11
Getting into the Swim of It	11
Looking at the Key Players	13
Yesterday's genteel society	14
Today's drones and superheroes	14
Investigating investors	16
Considering companies	16
Finding out about financial institutions	18
Seeking Foreign Information	19
Chapter 2: Looking at How the Financial Pages Work	21
Getting the Most out of the Statistics	22
Share prices in close detail	22
The daily price movement	24
Perusing profits	25
Puzzling out the price/earnings ratio	27
Considering company size (market capitalisation)	29
Dividends	31
Looking Beyond the Numbers	33
What the Numbers Don't Say	33
Reading between the lines	35



Chapter 3: Relating the Financial Pages to the Stock Market 37

Revealing What the Stock Market Is and What It Does 38
 Considering the international angle 40
 Figuring out FTSE 40
Understanding What Shares Are 41
 Grasping the basics on shares 41
 Getting a share of the profit 42
 Investigating other types of share 42
Looking at How the Pages Report on the Stock Market 43
Understanding Market Sectors 45
 Recognising the difference between growth
 industries and mature sectors 46
 Choosing the middle ground 47
Understanding Stock Market Indices 48
 Seeing how indices can move shares 49
 Getting into the FTSE-100 index 49
 Finding indices 50
Looking at Market Realities 51
 Understanding how macro factors move markets 51
 Avoiding the madness of crowds 54
 Understanding how the standard business cycle works 56
Interpreting Important Stock Market Buzzwords 58
 Sentiment 59
 Momentum 59
 Liquidity 59
 High beta 60
 Points 60

Chapter 4: Using the Pages to Your Advantage 61

Choosing Your Basic Strategy 61
 Are you a bull or a bear? 62
 Common investing approaches 64
Choosing Between Investment Channels 74
 Direct ownership 74
 Nominee accounts 75
 Trusts 76

***Part II: Using The Financial Pages
to Make Basic Investments..... 77***

Chapter 5: Investing in Shares 79

Different Shares for Different People 80
 Following tortoises and hares 81
 Focusing on your own risk tolerance 84

Using the Information in the Financial Pages.....	85
Reading the information correctly	86
Using the information to make decisions	87
Selling, and why it's harder than buying	88
Taking a closer look at price/earnings ratios.....	89
Valuing a company that doesn't have any earnings.....	94
Understanding market capitalisation	95
Delving into dividends	98
Understanding debt ratios.....	101
Getting more information about debt	104
Comparing Stocks with Cash	105

Chapter 6: Investing in Bonds107

Getting Comfortable with Bonds	108
Understanding the upside-down logic of bonds	109
Knowing what makes a bond price move.....	111
Browsing benchmarks.....	113
Buying bonds.....	113
Government Bonds.....	114
Looking at government bonds	114
Understanding bond rating systems	115
What you find in the papers – and why	116
Getting down to business with some quotations	117
Looking at the international scene.....	119
Corporate Bonds	121
Junk Bonds: A High-Risk Alternative.....	124
Why they call these bonds junk.....	125
'Sub-investment grade' paper	126

Chapter 7: Investing in Cash Investments129

Everybody Needs Some Cash	129
The Tax Issue	130
Talking About Time	132
Running fast to stay ahead of inflation.....	133
Getting Price Information	135
Knowing Your APRs from your AERs.....	137
Working out the APR	137
Working out the AER.....	138
Dodging Sneaky Bank Tricks	138

Part III: Delving Deeper into the Financial Pages 141**Chapter 8: Sharpening Your Understanding143**

Understanding Statutory Announcements.....	143
When does a company have to make a regulatory announcement?.....	144
When a company hits the skids.....	147
‘Responding to press comment’: Emergency announcements, updates, and what to do about them.....	149
Changes to controlling shareholdings.....	152
The takeover rules.....	152
How the Media Is Regulated.....	154
Valuing a Company Correctly.....	156
Putting a price on a company with no profits.....	157
Appraising goodwill, patents, and other intangibles.....	160
Weighing up takeover potential.....	162
A Closer Look at Fixed Asset Valuations.....	165
Considering depreciation.....	165
Valuing property.....	165
A property sector whose value simply disappears.....	168
Checking Future Pension Liabilities.....	169

Chapter 9: Watching Out for the Pitfalls173

Avoiding Common Mistakes.....	173
Price falls on ex dividend dates.....	174
Scrip issues and consolidations.....	177
Collapsing valuations: Falling knives and the dead cat bounce.....	179
Free float and golden shares: How they affect volatility.....	180
EETDA.....	181
Spotting a Company’s Hidden Debts.....	183
Shorting – and Why It So often Ends in Tears.....	184
‘Bear raids’: Ganging up on the victim.....	185
Getting information about shorting volumes.....	185

Chapter 10: Monitoring the Market’s Psychology Using Charts . . .187

Understanding What Charts Can Tell You and What They Can’t.....	187
Driving on emotions.....	188
Viewing charts realistically.....	189
Looking for Patterns.....	190
Double tops.....	190
Head and shoulders.....	191
Rising floors, support levels, and resistance levels.....	192
Triangles.....	193
The Elliott Wave theory.....	194
Using Charts to Check Your Decisions.....	194

**Part IV: Using the Pages for More
Advanced Investments 197**

Chapter 11: Going International 199

Why You Need Foreign Shares in Your Portfolio	200
Riding the Macro Waves	201
Investing in Emerging Markets.....	202
Finding Information on International Investments.....	202
Using comparison charts	203
Locating information on individual companies	204
Overlooking structural differences.....	205
Understanding Currency Risks and Using Them to Your Advantage	206

Chapter 12: Delving into Derivatives 209

Finding Out about Futures.....	210
The perils of leverage.....	211
Hedging with futures contracts	213
Companies that hedge their own prices!	215
Why you don't find many futures prices in the papers	215
Weighing Up Warrants.....	216
Casting an Eye Over Options	217

Chapter 13: Making Money from Commodities 219

Introducing Commodities.....	219
Understanding the long-term argument for minerals	221
Getting started on commodity investing	223
Finding price information	224
Investing in Oil.....	228
Getting started	229
Finding price information	230
Can anyone forecast the oil price?	231
Drillers, explorers, and producers	233
Investing in Food Commodities	233
The DJ-AIG commodity indices	234
Finding price information	235
Investing in Gold and Other Precious Metals	235
Finding price information	236
Choosing gold certificates and Exchange Traded Funds.....	237
Investing in silver, platinum, palladium, and the rest.....	238
Discovering gold collectable coins.....	240
Finding prices information	241
Investing in Less Glamorous Commodities	241
Uranium.....	242
Finding price information	242

Chapter 14: Investing in Funds and Trusts 243

Employing a Professional Pilot	243
Utilising expert knowledge	244
Considering the autopilot advantage	244
Sourcing Information	245
TIDMs, SEDOLs, and ISINs	245
Where's your manager gone?	246
Unit Trusts.....	248
Understanding unit trusts.....	249
Finding unit prices	250
Choosing between a business sector and a geographical sector	250
Introducing UCITS and OEICs.....	251
Investment Trusts	252
Understanding discounts and premiums	252
Finding information on the 'invisible' investment category	253
Realising why investment trusts are volatile	254

Chapter 15: Discovering Hedge Funds, Bonds, and ETFs 255

Assessing Hedge Funds.....	256
Understanding why hedge funds are different.....	256
Considering whether hedge funds are becoming respectable at last.....	258
Gauging Guaranteed Income Bonds	259
Understanding how 'structured products' work	259
Locking up your money for a fixed period	260
Taking those marketing claims with a pinch of salt	260
Avoiding precipice bonds	262
Exchange-Traded Funds	264
Understanding how ETFs work	264
Finding out what's available in the UK.....	266
Buying foreign-listed ETFs	266

Part V: Other Places to Go for Financial Information... 267**Chapter 16: Using the Alternatives 269**

Online Resources.....	270
'Official' websites	270
'Unofficial' Websites	272
Discussion Forums, and Why You Need Them.....	279
Blogs	281
Investment Magazines.....	282
Discovering the charm of a monthly read	283
Valuing independent reportage	284
The Foreign Press.....	284

Reports, Tipsheets, and Newsletters 286
 Analysing brokers' analyst reports 287
 Assessing tipsheets and newsletters 289

Chapter 17: Understanding Company Accounts 291

Introducing Company Accounts 291
 Getting hold of the accounts 292
 Working out how much you really need to know 293
 Reading a Profit and Loss Account 295
 Understanding the Balance Sheet 297
 Interpreting the Cash Flow Statement 300
 Understanding What Can Go Wrong 303
 Looking at Five-year Summaries 303

Part VI: The Part of Tens 307

Chapter 18: Ten Things to Know About a Share 309

Knowing What the Share Price Has Done
 During the Last Five Years 309
 Knowing the Company's Stock Market Size 310
 Knowing the Price/Earnings Ratio 310
 Looking at the Dividend, and Deciding Whether
 Current Profits Can Cover It 311
 Finding Out When the Next Dividend Payment Is Due 311
 Reading the Profit and Loss Statement 312
 Looking at the Balance Sheet 312
 Knowing What Other Debts the Company Has 313
 Looking at the Directors' Statements 314
 Checking the Buzz on Online Forums 314

Chapter 19: Ten Ways to Make Your Asset Allocation Fit 315

Assessing Your Life Situation 315
 Adjusting the Balance 316
 Considering Whose Money You're Managing 317
 Deciding Between Capital Gains and Income for Tax Purposes 317
 Deciding How Long You Can Afford to Lock in
 Your Money if Everything Goes Wrong 318
 Figuring Out Your Attitude to Debt 318
 Asking Whether You Enjoy the Investment Game for Its Own Sake 320
 Figuring Out Whether You're a Herd Follower or a Maverick 320
 Making Sure You Know How Important This Money Is to You 321
 Asking Whether You Can Get Over a Mistake 322

Chapter 20: Ten Warning Signs that a Company May Be on the Ropes	323
Profits Are Stagnant or Falling	324
The Dividend Cover Is Looking Stretched.....	324
The Share Price Is Below Its 200-day Moving Average	325
Directors Are Selling Their Shares	325
The Sector Is Troubled, with No Obvious Upturn in Sight.....	326
The Company Depends Heavily on a Client Who's in Trouble.....	327
A Merger Approach Looks like Falling Through.....	327
New Reporting Regulations Have Exposed a Pensions 'Black Hole'	328
A Recent Merger Doesn't Seem to Have Produced any Useful Synergies.....	329
The Auditors Have Qualified the Company's Accounts	330
Chapter 21: Ten Red-Hot Clues to an Opportunity	331
The Price/Earnings Ratio Is Below the Sector Average, but Rising	332
Like-For-Like Sales Are Up Strongly	332
Brokers' Recommendations Improve	333
The Company Is about to Be Promoted into the FTSE-100	334
The Economic Cycle Is Moving to Favour Companies like Your Target.....	335
The Underlying Macro-environment Is Improving	336
The Share Price Has Been Unfairly Devastated	336
Predators Are Circling the Company	337
The Company Has Announced a Technical Breakthrough	338
The Company Earns Its Money in a Currency that's Set to Strengthen.....	338
Appendix: Glossary	341
Index	355