

**Stock Market Trading Analysis and Simulation**

An Interactive Qualifying Project Report:

Submitted to the Faculty

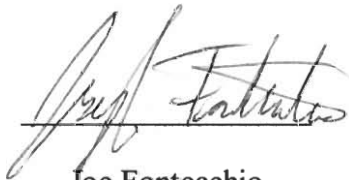
of the

Worcester Polytechnic Institute

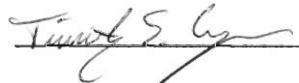
in partial fulfillment of the requirements for

the Degree of Bachelor of Science

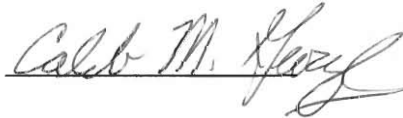
by



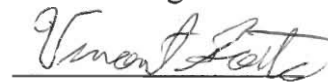
Joe Fontecchio




Tim Gagnon



Caleb George



Vinny Scotto



Kyle Shepherd

Date: February 21, 2004

Approved:



Professor Dalin Tang, Advisor

## **Abstract**

In this project we explored the stock market through a 10 week simulation of stock trading. During this period we used various trading methods and traded in three categories of the market: low risk stocks, high risk stocks, and rapid trading stocks. A better understanding about how to invest and trade successfully in the stock market was obtained.

## Table of Contents

<b>Abstract</b> .....	2
<b>Chapter 1 Introduction</b> .....	5
1.1 History of Stock Market.....	5
1.2 The Different Markets.....	8
1.3 Expert Opinion on Investing (CAN SLIM System).....	8
1.4 The SEC.....	12
<b>Chapter 2 Low Risk Stock Trading</b> .....	15
2.1 Introduction.....	15
2.2 Stocks Chosen.....	15
2.2a Home Depot.....	16
2.2b Lowe's.....	18
2.2c Verizon.....	19
2.2d AT&T Wireless.....	20
2.2e Best Buy.....	21
2.2f Sony Electronic Corporation.....	21
2.2g First Energy Corporation.....	22
2.2h CVS.....	23
2.3 Simulation Results.....	24
2.3a Home Depot.....	24
2.3b Lowe's.....	30
2.3c Verizon.....	37
2.3d AT&T Wireless.....	41
2.3e Best Buy.....	44
2.3f Sony Electronic Corporation.....	49
2.3g First Energy Corporation.....	52
2.3h CVS.....	55
2.4 Conclusion.....	58
<b>Chapter 3 High Risk Stock Trading</b> .....	59
3.1 High Risk Stock Trading.....	59
3.2 Dangers of High Risk Stock Trading.....	63
3.3 Trading Simulation Introduction.....	65
3.4 Orchid Biosciences.....	66
3.4a October Weekly Report.....	67
3.4b November Weekly Report.....	68
3.4c December Weekly Report.....	69
3.5 Sirius.....	71
3.5a October Weekly Report.....	72
3.5b November Weekly Report.....	73
3.5c December Weekly Report.....	74
3.6 ON Semiconductor.....	76
3.6a October Weekly Report.....	77
3.6b November Weekly Report.....	78
3.6c December Weekly Report.....	79
3.7 CMGI.....	80

3.7a October Weekly Report.....	81
3.7b November Weekly Report.....	82
3.7c December Weekly Report.....	83
3.8 Ivanhoe.....	85
3.8a October Weekly Report.....	86
3.8b November Weekly Report.....	87
3.8c December Weekly Report.....	88
3.9 Acclaim Entertainment.....	89
3.9a October Weekly Report.....	90
3.9b November Weekly Report.....	92
3.9c December Weekly Report.....	93
3.10 Applied Digital Solutions.....	94
3.10a October Weekly Report.....	95
3.10b November Weekly Report.....	96
3.10c December Weekly Report.....	97
3.11 Stock Performance by Month.....	99
3.12 Conclusion.....	100
<b>Chapter 4 Rapid Stock Trading.....</b>	<b>101</b>
4.1 Rapid Stock Trading.....	101
4.2 Rapid Stock Trading Tips and Dangers.....	103
4.3 Stocks Chosen.....	107
4.3a Apple Computers.....	108
4.3b Burlington Coat Factory.....	109
4.3c Digi International.....	110
4.3d El Paso Corporation.....	111
4.3e General Motors.....	112
4.3f Kraft Foods Inc.....	113
4.3g Satcon Technologies.....	114
4.4 Simulation Results.....	115
4.4a Week 1.....	115
4.4b Week 2.....	117
4.4c Week 3.....	120
4.4d Week 4.....	124
4.4e Week 5.....	126
4.4f Week 6.....	129
4.5 Conclusion.....	131
<b>Overall Conclusion.....</b>	<b>137</b>
<b>References.....</b>	<b>138</b>

## **Chapter 1 Introduction**

### **1.1 History of the Stock Market**

There are many reasons why we chose to do this IQP on stock simulation. The first reason we decided to do this IQP is that we have always been fascinated with the way that the stock market worked and operated. It seems like it is such a vast and complicated world. We decided it would be fascinating to try and get an understanding of what it really means to be in the market. Millions of dollars are being traded every day in the stock market. America itself is totally dependent on the stock market. In fact, the actions of the stock market directly correlate with the state of the American economy. When the stock market crashed in the 1930's America went spiraling into the great depression. Many people thought that America would never recover. People lost their jobs, companies went bankrupt, and banks lost all their money.

The stock market doesn't always reflect the American economy in a negative way though. In the mid 1990's the American economy was doing better than ever, and so was the stock market. The stock market was making everybody rich. Every day the market would reach a new high in points. Not only were individual people getting rich but companies were flourishing too. Unemployment rates were at an all time low and America's economy was the strongest it has been in a long time. However one must be careful, the stock market is not good all the time, it has its cycles.

In the late 1990's into 2000's the stock market took a turn downward. Many people were still riding high from the recent success that the market was experiencing. As the market fell, a lot of people's money went along with it. So many of the quick start

up companies that flourished in the early 90's were going bankrupt and out of business. Unemployment rates rose with every year and the economy slipped into a recession.

Currently the stock market is showing signs of turning around. Stocks are starting to rise again. And, if you look closely the American economy is not too far behind the stock market climb. As you can see the relationship with the economy and the stock market intrigued us to further examine the stock market.

Another reason that we decided to use this IQP, is to get a better understanding on how to invest our own personal money. Investing your money is something everyone needs to do in life. Just putting your money in a bank does not provide you with much interest on your money. The stock market is a very complicated place, and if you don't know how to invest, you will most likely lose all of your money. But, if you know different strategies and know what to look for in the stock market, the market could be an excellent way to invest your money. A savvy investor can turn their small savings into a large amount. You just have to know what direction the stock market is going in, what strategy for investing suits you the best, and, like anything in life, you need practice and experience with investing your money into the stock market. This IQP will give us all the different tools we need to help learn these things. We will be looking at three different types of investment strategies and why these strategies work or didn't work for us. We will also be comparing our results of our stocks that we will be trading with the rest of the market to see if there is a parallel effect between these two. Our goal after this IQP is to have a greater understanding of how the stock market works, and how to become a smart investor in the stock market.

Thought this paper we will be analyzing many different ways of investing in the stock market trying to figure out different ways to invest in the stock market. In this first chapter we will be looking at a brief overview of the stock market itself. In addition to taking a look at the market, we will show how one expert demonstrates his strategies for investing in the stock market.

In the second chapter of this IQP we will be examining the aspect of low risk stock trading. Low risk stock trading is the trading of stocks over a long period of time without too many trades or transactions taking place. Low risk trading also means only investing in large very successful companies that do not have a great risk of their stock dropping a great deal.

The third chapter will contain the aspect of high risk stock trading. High risk stock trading involves investing in companies that are not yet established and are very young in their development. Since the stock price for these companies are usually so cheap they are often referred to as penny stocks. The reason why this is high risk stock trading is because often these stocks are very unpredictable. They have a very good chance of going under quickly.

Another way of stock trading that we will be looking at is rapid stock trading in the fourth chapter. Rapid stock trading is when someone buys a stock and then quickly sells it to make a quick profit on that stock. This is most commonly referred to as day trading for the reason that a person will make many different transactions over the course of one day.

The final chapter will be the conclusion of our IQP. We will give a brief overview on how we achieved our goals and what we learned from this IQP. We will

also be examining on how we did investment wise, what gains and losses we made and where our success was.

## **1.2 The Different Markets**

The stock market is broken down into three different main markets. These three are the NASDAQ, NYSE and the AMEX. The NASDAQ stands for National Association of Securities Dealers Automatic Quotation System. The NASDAQ is an electronic quotation system that provides price quotations to market participants about the more actively traded common stock issues in the OTC market. About 4000 common stock issues are included in the NASDAQ system.

NYSE stands for New York Stock Exchange. The NYSE also goes by the nicknames The Big Board or the Exchange. It is the oldest exchange in the United States, founded in 1792, and the largest. It is located on Wall Street in New York City. More than 2,000 common and preferred stocks are traded in the NYSE.

The AMEX stands for the American stock exchange. The AMEX has the third highest volume of trading in the U.S. The bulk of trading on AMEX consists of index options (computer technology index, institutional index, major market index) and shares of small to medium-sized companies are predominant.

## **1.3 Expert Opinion on Investing (CAN SLIM System)**

Since we are looking at various different investing strategies for investing in the stock market, we felt it would be a good idea to get some insight on how experts invest in the market. After looking at various different expert opinions, we found one that seemed to make the most sense for a beginning investor. The book How to Make Money in Stocks A Winning System in Good Times or Bad, by William O'Neil is a great in depth



book on how to make money in stocks. O'Neil takes you through his unique system on how to make money in the stock market whether there is a bull market, when the market is surging upwards, or a bear market, when the market is falling. This book is not only good types for the amateur investor but also provides knowledge for investing to even the most experienced trader. The way that O'Neil does this is by telling how to use his unique CAN SLIM system and by showing you what tools to use and study to make his system work.

The CAN SLIM system is a great way to make money in stocks whether you are investing small or large. CAN SLIM is an acronym for several keys for success for making money in stocks. He goes through each letter of the acronym and tells you what each letter means and how you should use it. The C stands for Current quarterly earning per share. What O'Neil suggests you should do is examine the companies you plan on investing money into current earning per share or EPS. Then you should take that companies EPS and compare it to the prior years EPS in the same quarter. The reason he suggests you compare the current EPS to the prior years EPS in the same quarter is that some times a company's EPS will go up depending on what season it is. For these reasons one must make sure that the comparisons of EPS are based on the same time of year. Also, O'Neil suggests that you should only invest in companies with an increased EPS of at least 25% to 50%.

The A stands for Annual earnings increase. What O'Neil means by this is that you should only invest in companies with prior success and have shown that they have been increasing their earnings over the years. Again he suggests a minimum of 25% increase in annual earnings over the prior year. But, don't just look at the prior year, look

at a three year annual statement and look for that minimum 25% increase over each year. He also explains how P/E ratios (Price/Earning) are highly overrated and you should not pick stocks based solely on their P/E ratio, instead focus more on the company's earnings. Low P/E ratios may show a bargain stock to some people, but, in most cases it shows a bad performer. You have to pay more for quality.

The N stands for New products New Management and New Highs. In this point in the system, the author highlights how you should always be on the look out for news ground breaking products that could change the way we live and invest in those company's making these products. Also, with these companies developing new products, often these companies will reach a new high point in the market, this often is the best time to buy the company's stock because the company will usually sky rocket from there. However, when a price looks like a great bargain and the price is low, the stock will most likely continue to fall.

Now we can examine the S which stands for Supply and demand. What O'Neil means by supply and demand is that you should usually invest in a company that already has a lot of shares invested in it. The more shares that a company is trading means the more people trust that company. A couple of keys to look for are companies where management owns a great deal of a company's stock. The reason for this is that it shows that managers will have more interest in the company and will run it better and more successfully. Also, look for company's buying back their own stock from the stock market because it means the company expects success for itself. In the same way, you should stay away from companies that are selling their own stock because this could mean that there is trouble in the company.

Next we have the L which stands for Leader or Laggard. A leader stock is a stock that is the top company in its industry, and a laggard is an inferior company in its specific industry. Usually laggard stocks are cheaper than leader stocks but that does not make them a better bargain. The laggard stock will never do as well as the leader stock; again you have to pay more for quality. The best way to examine if a stock is a laggard or a leader is by looking at a stock's relative price strength rating, or RS, which measures the price performance of the stock compared to its competitors. It is based on a scale from 1 to 99 with 99 being the best. A RS rating of 99 means that a stock outperformed other companies in its field by 99%.

Next is the I which means Institutional sponsorship. This step is most closely compared to the S in the CAN SLIM system. Institutional sponsorship is when a stock is owned by large institutions such as insurance companies, mutual funds, banks, large investment companies, etc. The more institutional sponsorships a company has, the more successful it usually is. You should avoid stocks that don't have at least a few institutional sponsors. However, don't just base your decision on whether to invest in a company based on just how many institutional sponsors it has, use the other steps of the system to go along with this.

The last step in the system is the M, which stands for Market direction. This section is all about identifying when bull and bear markets are going to take place. You want to invest in the early stages of a bull market and sell when a bear market is about to occur. He gives you different keys to look for to help you identify what direction the market is heading in. When a bull market is ending, the market goes down, even though

there is more trading volume than ever before. When a bear market is ending, the market goes up on heavier volume than ever before.

After O'Neil explains the CAN SLIM system in great simple detail he goes on to explain what tools you should use to help your investing skills, when to buy, when to sell, and how to analyze charts. He expresses that reading charts well will separate the top investors from the average ones. Throughout the book he shows many chart examples explaining what you should look for in a stock in a clear and simple manner that is easy to understand. He shows you different patterns in stock charts to tell you when to buy and sell, when a stock has peaked and when the stock has been down and reached its pivot point and is about to boom.

A main point that O'Neil tries to drive home throughout the book is sell quickly if you experience a loss. Many people get stubborn when they experience a loss and don't sell, hoping their stock will rebound. In most cases, the stock will just continue to plummet and you will fall out of control into debt. Learn to swallow your pride and cut losses before they get to great. If you are disciplined and always cut your losses quickly, even if you are wrong 7 out of 10 times you will still be a winner in the stock market.

#### **1.4 The SEC**

There are many different stock brokerage companies. However these companies must be maintained and regulated to ensure the safety of the investor. The organization that does this is the Securities and Exchange Commission, better known as the SEC. It is the SEC's job to regulate and monitor companies to make sure the public isn't cheated. The SEC has gained significant importance lately because of all of the corporate scandals that have occurred recently with companies like Enron and Tyco. I did some research on

how some people feel the SEC is currently doing. Here is a quote, by Jim Jubak from MSN, “The SEC is growing too soft on companies that break the rules. We all know for whom the SEC is *supposed* to work.” The agency’s job, in the words of the SEC’s own Web site, is to enforce securities laws, to promote market stability, and, “most importantly, to protect investors.”<sup>1</sup>

The reality is very different. The agency has been co-opted by the financial industry it is supposed to oversee. Its regulations have become minimum standards that act to serve as the lowest common standards for the financial industry. The SEC has, in fact, has taken a major part in protecting the profits of mutual funds and Wall Street traders and market makers.

One example of what the SEC does is how Morgan Stanley just paid a \$50 million fine to settle charges that it failed to disclose incentives its brokers received to push specific mutual funds.<sup>2</sup> Brokers received extra commissions when they sold shares from one of 16 outside fund companies that had paid Morgan Stanley substantial fees for preferred marketing. This practice is called directed brokerage in the mutual fund industry. They also received extra commissions if they sold Class B shares of Morgan Stanley’s own mutual funds, since these funds carried higher back-end sales charges than Class A shares. The point of the incentives was to encourage brokers to sell funds that brought in more revenue to the company, even if they weren’t especially well suited to the investor or even if they cost that investor more money.

Many people feel that this is too soft of an action by the SEC. The SEC can not allow these major investment companies to get away with cheating the public by just

---

<sup>1</sup> Jubak, Jim

<sup>2</sup> Jubak, Jim

paying fines. Even a fine to the amount of \$50 million is not a lot of money to these companies who make much more than that in a year. In fact, over the last 12 months, Morgan Stanley had \$33.4 billion in revenue and \$3.6 billion in income.<sup>3</sup> The SEC needs to act tougher against these companies instead of just a slap on the wrist. The people need to be protected by the large investment banks, and the only way to do this is if the SEC really decides to get tough with these investment banks.

---

<sup>3</sup> Jubak, Jim

## **Chapter 2 Low Risk Stock Trading**

### **2.1 Introduction**

When making a stock decision, whether you are a long time investor or just a beginner you must be able to understand critical information about the company you are going to invest in. It is very important to do research on the companies no matter what type of trading you are personally doing. Long term trading is the simplest types of trading that an investor can do. It only involves research of very successful companies and investing your money into them and watching your money grow over a long period of time. Long term investors are individuals that prefer a smaller return on investment in exchange for less risk.

Long term stocks are usually those that are evaluated as a low risk investment. A low risk investment would mean that the stock doesn't fluctuate frequently and the stock is always growing. Most low risk stocks are companies that have been around for a long period of time and have been successful. There is an index created in the NYSE called the S&P 500. This index puts all low risk and very successful companies into a category. When investing over a long period of time it is also best to choose a company that you believe is the leader of that industry.

### **2.2 Stocks Chosen**

When doing my long term investment trading I ended up purchasing stock in eight different companies. I invested into companies that were leaders of their industry. All of the companies I invested into had been doing successful prior to my purchase. All the stocks purchased had a very low risk involved.

## 2.2a Home Depot



*Figure 2.1 One Year Home Depot*

Home Depot is considered the worlds largest home improvement retail store and as of late one of the United States largest retail stores period. It was founded in June of 1979 and currently there are 1,500 retail stores in operation across North America. The store itself caters to the people like the do-it-yourselfers, but the store also caters to professional customers who work in the industry. Home Depot is most noted for having over millions of products found “under one roof”.



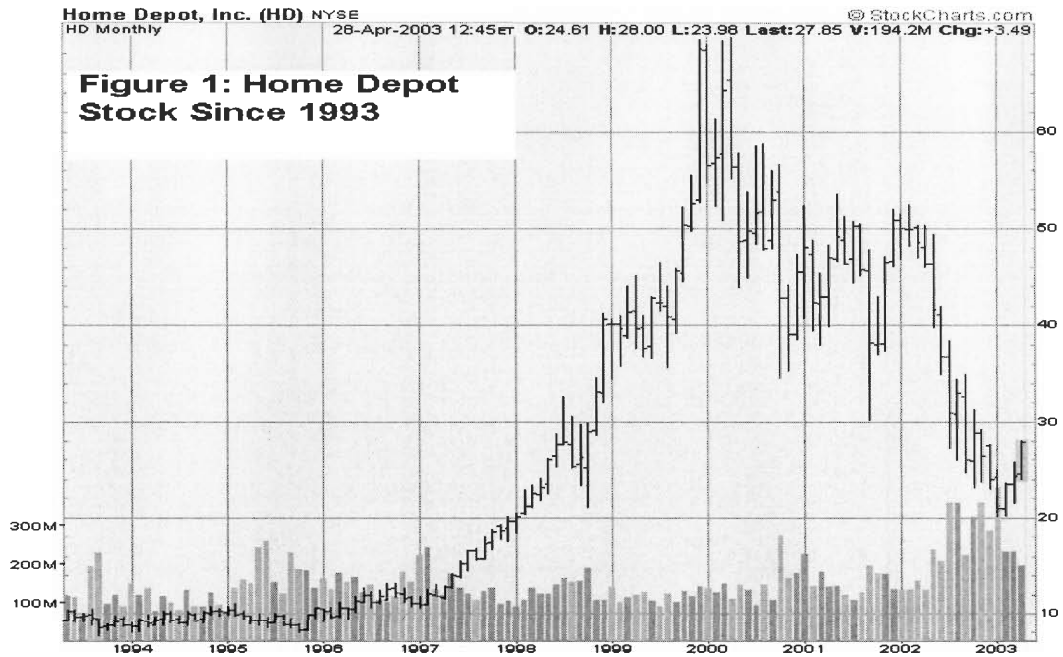
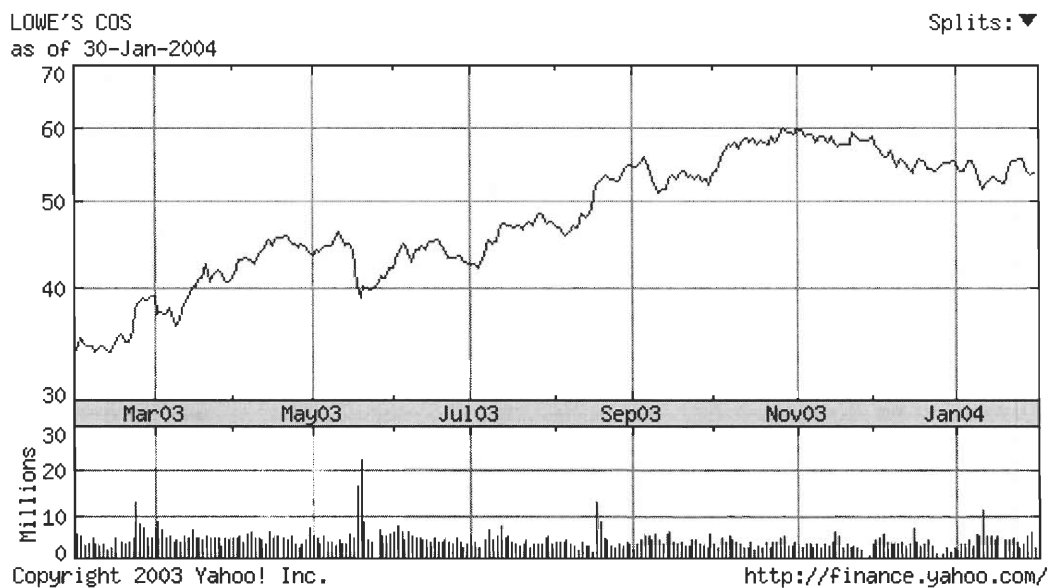


Fig. 2.2 Home Depot Stock Price Since 1993

In the past year Home Depot has an increased profit. After following the stock prior to purchase and doing some research on the stock I decided it would be a good investment. The only thing that vexed me when purchasing the stock was that prior to this past year Home Depot had lost much revenue due to the opening of a new home improvement retail chain, Lowe. It is clear to see that in the last 10 years Home Depot had been progressing at a relatively slow pace. The company saw sharp increases in 2000 due to an increasingly good economy.<sup>4</sup> As the end of 2000 approached we see that as the economy began to fall into some sort of recession, Home Depot also begin to follow the oncoming bear market. Over time Home Depot has established itself as a very successful and reliable company.

<sup>4</sup> <http://www.wsm.com/apps/charts/?s=HD&data=G>

## 2.2b Lowe's

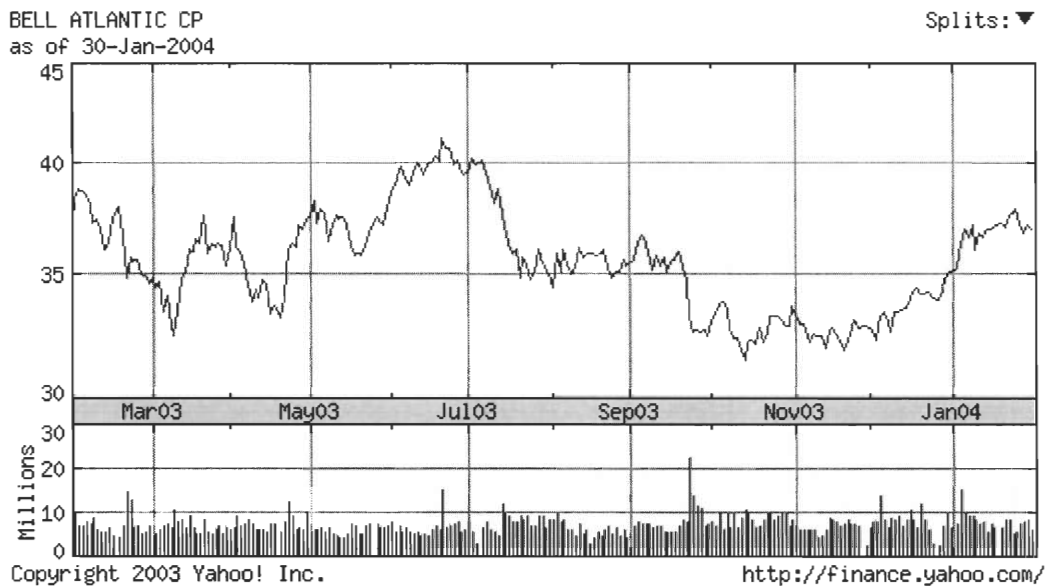


*Figure 2.3 One Year Lowe's*

Lowe's Company Inc. is also a retailer in the home improvement industry. The company is a \$26 billion dollar retailer of home improvement products. Lowe's was founded on October 10, 1961 and it has been trading on the NYSE ever since. The company caters to the do-it-yourselfers and many commercial business customers. The company currently has 875 stores in operation in 45 states of the United States. Lowe's is the world's second largest home improvement retailers second to Home Depot. Both companies have been very successful and have been growing at a very rapid pace.

In the past year Lowe's also has been doing reasonably well. It has gradually increased over the past year and it seems to be of very little risk. I invested in Lowe for the long term opportunity to gain money. I also invested into Lowe's because I wanted to see how well both companies did comparatively. They can be considered benchmarks to each other and that will aid in my analysis of them.

## 2.2c Verizon



*Figure 2.4 One Year Verizon*

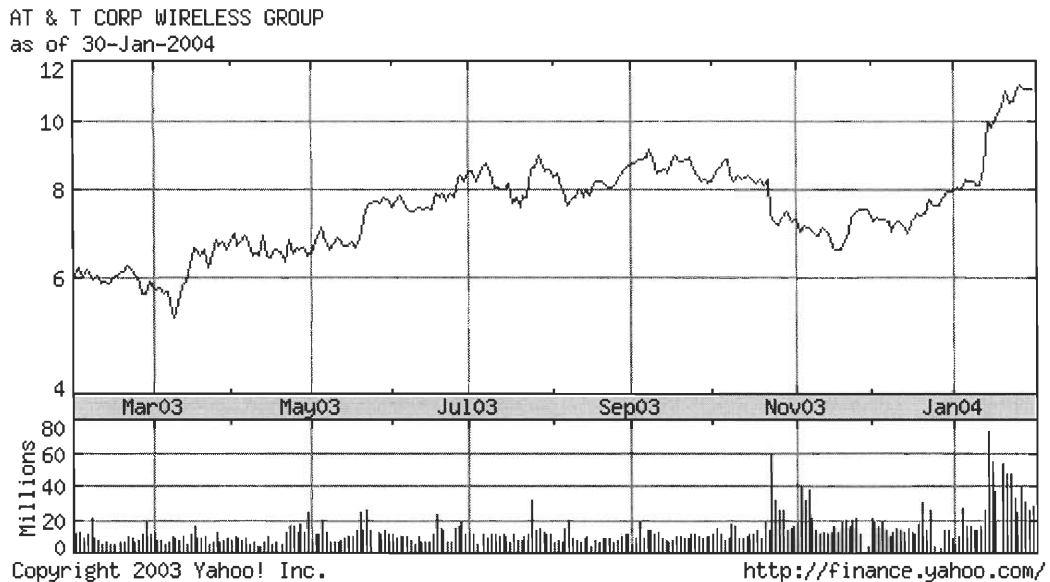
Verizon Communications Inc. was formed in June 2000 through the merger of Bell Atlantic Corp. and GTE Corp. Verizon began trading on the New York Stock exchange under its ticker symbol “VZ.” It can currently be found in the S&P 500 as a high tech stock. Verizon is one of the largest providers of local and wireless telecommunications in the United States. The store itself caters to bringing the benefits of wireline and wireless communication to everybody. The company motto is, “We make the right promises to our customers and we keep our promises.”<sup>5</sup>

Over the past year Verizon hasn’t been as successful as one would hope when investing into the company. This is true for most companies as of late. The economy has seen some sort of depression especially concerning stock prices. As it may seem though I believe Verizon has been demonstrating a turn around and has been expanding

<sup>5</sup> The Verizon Promise, [http://investor.verizon.com/profile/verizon\\_promise.html](http://investor.verizon.com/profile/verizon_promise.html)

their corporation. The stock has a very low risk rating and is a company that can be invested in over a long period of time.

### 2.2d AT&T Wireless



*Figure 2.5 One Year AT&T Wireless*

AT&T Wireless operates as a wireless telecommunications provider in the United States providing wireless voice and data services over two networks. The first network uses time division multiple access and the second uses signal transmission technology known as global system for mobile. AT&T Wireless was formed when it split from AT&T on July 9, 2001 and become the largest seller dedicated solely to wireless communication. The company offers many cost-effective wireless communications such as voice, data, internet and text services.

## 2.2e Best Buy

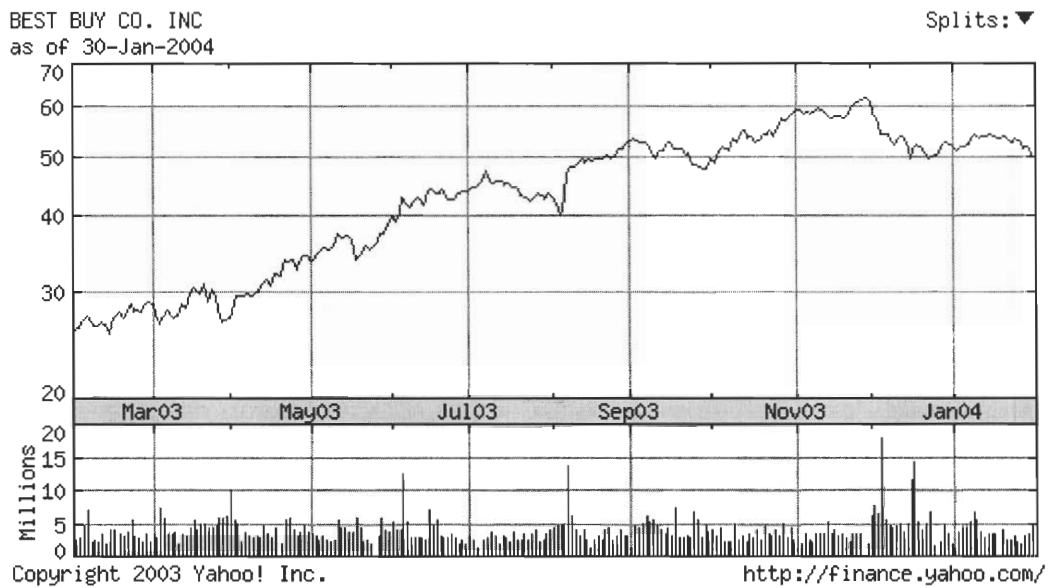


Figure 2.6 One Year Best Buy

Best Buy is a specialty retailer of consumer electronics, home office equipment and entertainment software and applications.

## 2.2f Sony Electronic Corp.

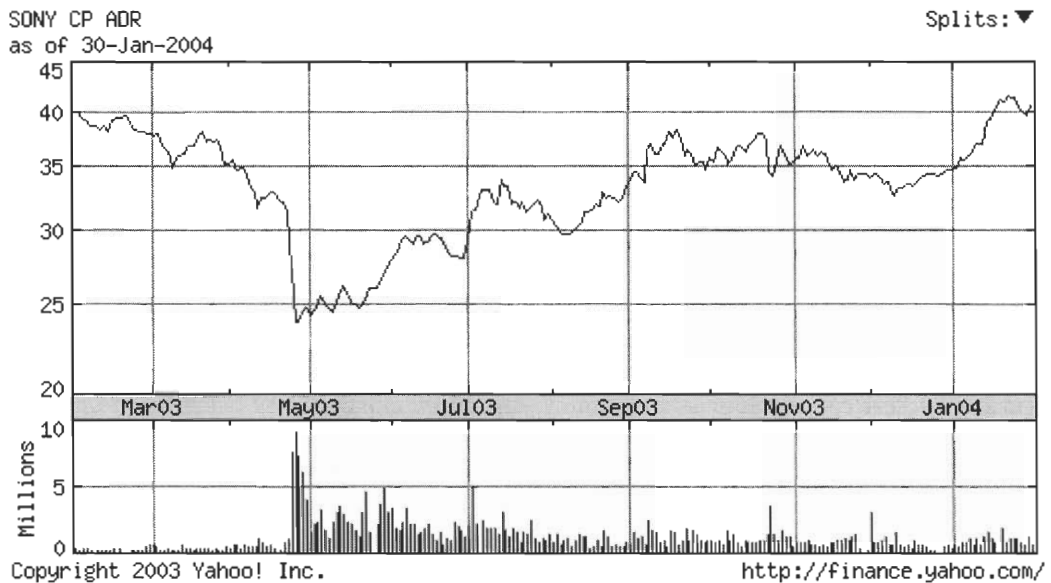
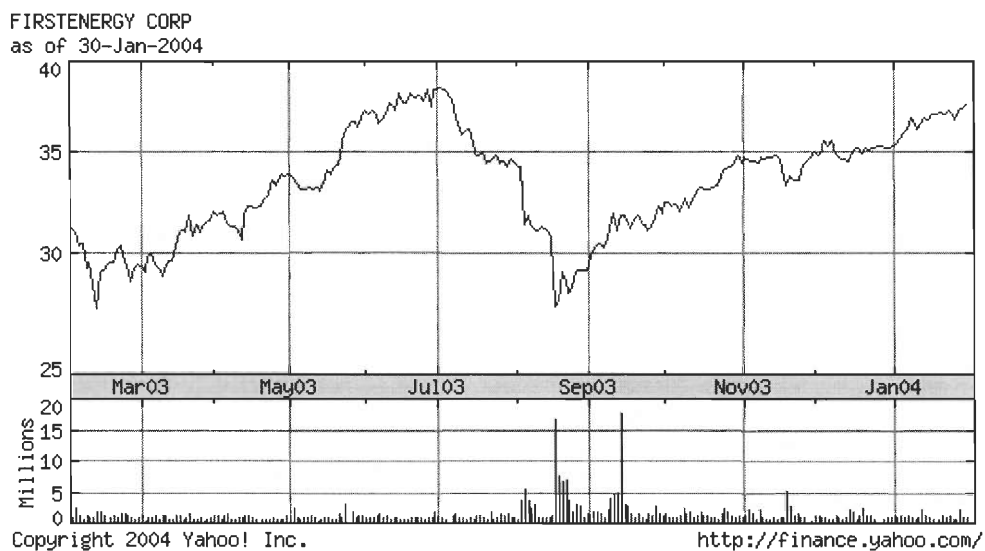


Figure 2.6 One Year Sony Electronic Corp.

Sony Corporation of America is based in New York City and is a subsidiary for Sony Corporation based in Tokyo, Japan. Sony Corporation is a leading manufacturer of electronics, such as audio, video, communications and other information technology. Sony's U.S. businesses include Sony Electronics Inc., Sony Pictures Entertainment, Sony Music Entertainment Inc., and Sony Computer Entertainment America Inc.

### **2.2g First Energy Corp.**



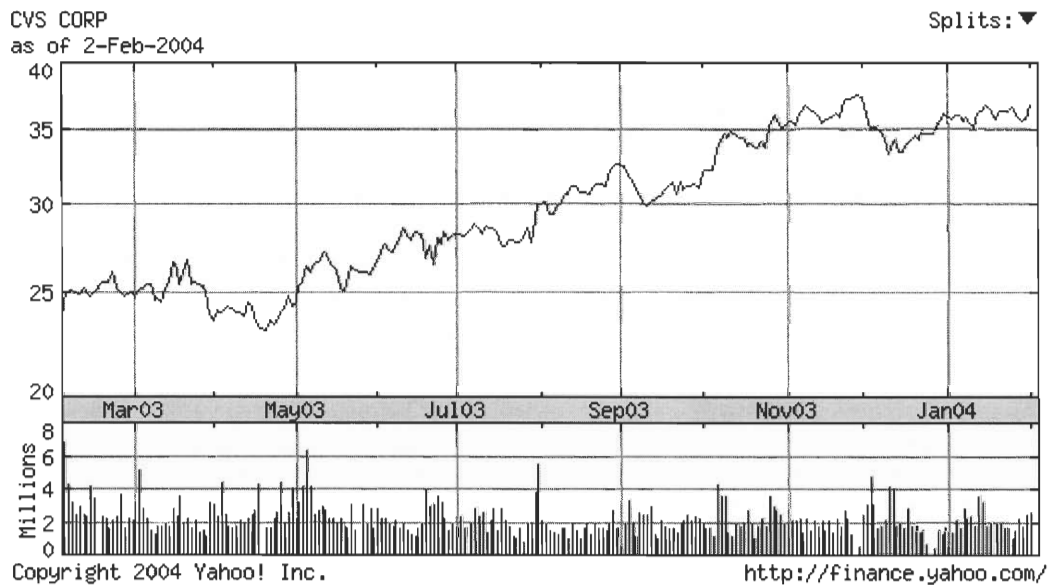
*Figure 2.7 One Year First Energy Corp.*

First Energy Corp. is an electric holding utilities company that has subsidiaries in Ohio Edison Company, The Cleveland Electric Illuminating Company, Pennsylvania Power Company, The Toledo Edison Company, American Transmission Systems, Incorporated, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company. First Energy's revenues are collected through its electric service provided by its operating subsidiaries. The company's mission statement is that it will provide competitively priced, high quality products and value added services. First Energy Corp. supplies energy sales and services, energy delivery, power

and gas supply, and regulated and non-regulated supplemental services related to their business.

First Energy has currently been the leading regional retail energy and related services supplier. First Energy has been the preferred choice for total customer solutions the shareholders'. First Energy is a healthy choice for long-term growth and investment value. First Energy's motto is that it is a company that is driven by the skills, diversity, flexibility and character of its employees.

### 2.2h CVS



*Figure 2.8 One Year CVS*

CVS or Consumer Value Stores first opened in 1963 in Lowell, Massachusetts. The first store sold health and beauty supplies. By 1967 CVS began operation of its first stores with pharmacy departments. Today there are more than 4,100 stores in operation, 9 distribution centers, regional offices, PharmaCare headquarters, and the Store Support Center. The CVS Corporation sells prescription drugs, over the counter medications,

general merchandise products, film, greeting cards, beauty products and convenience foods.

## **2.3 Simulation Results**

Long term trading is a very slow process. When you follow the stocks that I traded you can see that many companies have their ups and downs. The best way to stay successful is to be confident in the stock you own because you are in it for the long run. I didn't follow the standard long term trading format mainly because our time allotted for simulation was too short. I traded more often than I should have and it caused losses.

I started trading on September 22, 2003. I followed my stocks for thirteen weeks and stopped trading on December 17, 2003. All stocks were followed daily and recorded in an excel spread sheet. Here is a week by week synopsis of how the simulation went.

### **2.3a Home Depot**

#### **Week 1**

The first week of trading starting September 22, 2003 I purchased 3817.96 shares at the price of \$32.74 of Home Depot. The week went smoothly and Home Depot showed slow growth. As seen in the week Home Depot had lost some revenue. The price of the stock had dropped only .76 points, not nearly enough to sell. This company is very reliable and I only see an increase in the near future.



Date		Open	Close
September 22, 2003		32.86	32.74
September 23, 2003		33.10	33.0
September 24, 2003		33.0	32.40
September 25, 2003		32.38	32.15
September 26, 2003		32.10	31.98

*Figure 2.9 Week One Home Depot*

Week 2

Date		Open	Close
September 29, 2003		31.88	32.15
September 30, 2003		32.15	31.85
October 1, 2003		32.12	32.90
October 2, 2003		33.07	33.25
October 3, 2003		33.69	33.63

*Figure 2.11 Week Two Home Depot*

Week 3

Date		Open	Close
October 6, 2003		33.62	34.02
October 7, 2003		33.65	34.47
October 8, 2003		34.47	34.39
October 9, 2003		34.91	35.12
October 10, 2003		35.02	34.92

*Figure 2.12 Week Three Home Depot*

Week 4

Date		Open	Close
October 13, 2003		35.10	35.50
October 14, 2003		35.50	35.33
October 15, 2003		35.83	36.29
October 16, 2003		36.29	36.31
October 17, 2003		36.42	36.15

*Figure 2.13 Week Four Home Depot*

Week 5

Date		Open	Close
October 20, 2003		36.28	36.10
October 21, 2003		36.11	36.15
October 22, 2003		36.15	36.06
October 23, 2003		35.85	35.84
October 24, 2003		35.50	35.60

*Figure 2.14 Fifth Week Home Depot*

Week 6

Date		Open	Close
October 27, 2003		35.74	36.00
October 28, 2003		36.38	37.50
October 29, 2003		37.22	37.23
October 30, 2003		37.52	37.06
October 31, 2003		37.40	37.07

*Figure 2.15 Sixth Week Home Depot*

Week 7

Date		Open	Close
November 3, 2003		37.43	37.52
November 4, 2003		37.45	37.27
November 5, 2003		37.15	37.10
November 6, 2003		36.80	37.32
November 7, 2003		37.39	37.37

*Figure 2.16 Seventh Week Home Depot*

Week 8

Date		Open	Close
November 10, 2003		37.37	37.06
November 11, 2003		37.06	36.93
November 12, 2003		36.90	36.94
November 13, 2003		36.94	36.32
November 14, 2003		36.32	36.19

*Figure 2.17 Eighth Week Home Depot*

Week 9

Date		Open	Close
November 17, 2003		35.22	35.47
November 18, 2003		36.60	34.95
November 19, 2003		35.07	35.46
November 20, 2003		35.33	35.31
November 21, 2003		35.55	35.66

*Figure 2.18 Ninth Week Home Depot*

Week 10

Date		Open	Close
November 24, 2003		35.80	36.48
November 25, 2003		36.48	36.62
November 26, 2003		36.62	36.55
November 28, 2003		36.72	36.76

*Figure 2.19 Tenth Week Home Depot*

Week 11

Date		Open	Close
December 1, 2003		36.88	36.77
December 2, 2003		36.40	35.87
December 3, 2003		35.95	35.53
December 4, 2003		35.50	34.86
December 5, 2003		34.53	34.72

*Figure 2.20 Eleventh Week Home Depot*

Week 12

Date		Open	Close
December 8, 2003		34.48	34.70
December 9, 2003		34.85	34.04
December 10, 2003		34.06	33.08
December 11, 2003		33.50	34.53
December 12, 2003		34.75	34.65

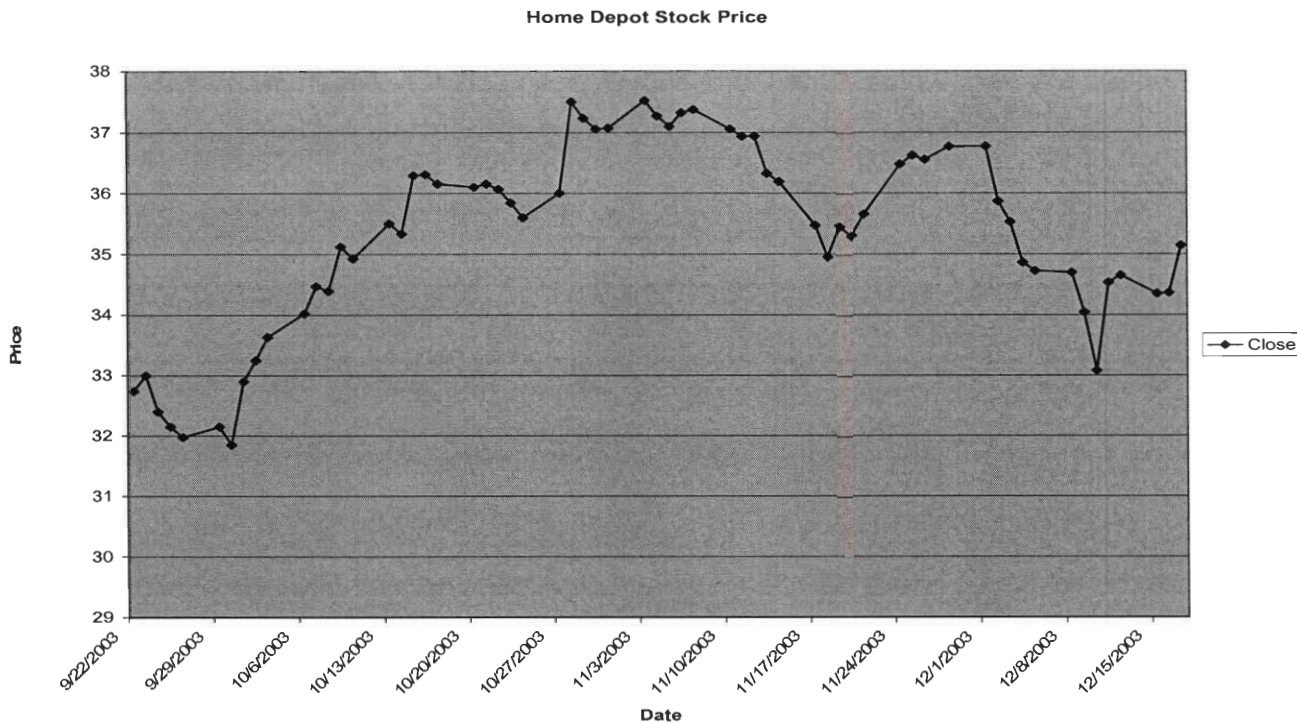
*Figure 2.21 Twelfth Week Home Depot*

Week 13

Date		Open	Close
December 15, 2003		35.44	34.35
December 16, 2003		34.20	34.36
December 17, 2003		34.10	35.14

*Figure 2.22 Thirteenth Week Home Depot*

## Conclusion



*Figure 2.23 Week One Through Thirteen Graph Home Depot*

I kept my stock in Home Depot throughout the simulation. Throughout the thirteen week time frame the stock rose at a steady rate. Home Depot reached its peak half way through the simulation at 37.52 dollars per share on November 3, 2003. The company finished the simulation on December 17, 2003 at 35.14 dollars per share. I gained 2.4 dollars per share on my original investment which gave me an additional revenue of 9163.104 dollars.

### **2.3b Lowe's**

#### Week 1

The first week of our simulation I also purchased Lowe's. I purchased 2353.61 shares at 53.11. The first week of Lowe's seemed very uneventful and the stock dropped .47 points.

Date		Open	Close
September 22, 2003		53.30	53.11
September 23, 2003		53.92	53.45
September 24, 2003		53.70	52.88
September 25, 2003		53.00	53.41
September 26, 2003		53.41	52.64

*Figure 2.24 First Week Lowe's*

Week 2

Date		Open	Close
September 29, 2003		52.69	52.74
September 30, 2003		52.64	51.90
October 1, 2003		52.05	53.67
October 2, 2003		53.42	54.00
October 3, 2003		54.00	55.49

*Figure 2.25 Second Week Lowe's*

Week 3

Date		Open	Close
October 6, 2003		55.65	56.79
October 7, 2003		56.79	57.50
October 8, 2003		57.40	57.26
October 9, 2003		57.26	57.76
October 10, 2003		57.70	56.94

*Figure 2.26 Third Week Lowe's*

Week 4

Date		Open	Close
October 13, 2003		57.30	58.04
October 14, 2003		58.04	58.50
October 15, 2003		58.47	57.92
October 16, 2003		57.92	58.48
October 17, 2003		58.54	57.45

*Figure 2.27 Fourth Week Lowe's*



Week 5

Date		Open	Close
October 20, 2003		57.70	58.29
October 21, 2003		58.29	57.79
October 22, 2003		57.79	57.56
October 23, 2003		57.46	58.65
October 24, 2003		58.40	57.85

*Figure 2.28 Fifth Week Lowe's*

Week 6

Date		Open	Close
October 27, 2003		58.25	58.70
October 28, 2003		58.90	59.95
October 29, 2003		59.91	59.30
October 30, 2003		59.70	59.45
October 31, 2003		59.59	58.93

*Figure 2.29 Sixth Week Lowe's*

Week 7

Date		Open	Close
November 3, 2003		59.20	60.05
November 4, 2003		59.80	59.64
November 5, 2003		59.64	58.80
November 6, 2003		58.55	59.17
November 7, 2003		59.60	59.00

*Figure 2.30 Seventh Week Lowe's*

Week 8

Date		Open	Close
November 10, 2003		59.00	57.99
November 11, 2003		57.99	58.65
November 12, 2003		58.65	58.72
November 13, 2003		58.72	57.95
November 14, 2003		57.95	58.63

*Figure 2.31 Eighth Week Lowe's*

Week 9

Date		Open	Close
November 17, 2003		58.36	57.91
November 18, 2003		57.91	57.17
November 19, 2003		57.40	57.55
November 20, 2003		57.75	57.61
November 21, 2003		58.00	57.51

*Figure 2.32 Ninth Week Lowe's*

Week 10

Date		Open	Close
November 24, 2003		58.00	59.23
November 25, 2003		58.85	58.70
November 26, 2003		58.82	58.13
November 28, 2003		58.13	58.30

*Figure 2.33 Tenth Week Lowe's*

Week 11

Date		Open	Close
December 1, 2003		58.36	58.62
December 2, 2003		58.25	57.55
December 3, 2003		57.75	57.10
December 4, 2003		57.02	56.08
December 5, 2003		55.35	55.87

*Figure 2.34 Eleventh Week Lowe's*

Week 12

Date		Open	Close
December 8, 2003		56.35	56.79
December 9, 2003		57.00	55.88
December 10, 2003		55.55	54.46
December 11, 2003		54.54	55.63
December 12, 2003		55.78	55.05

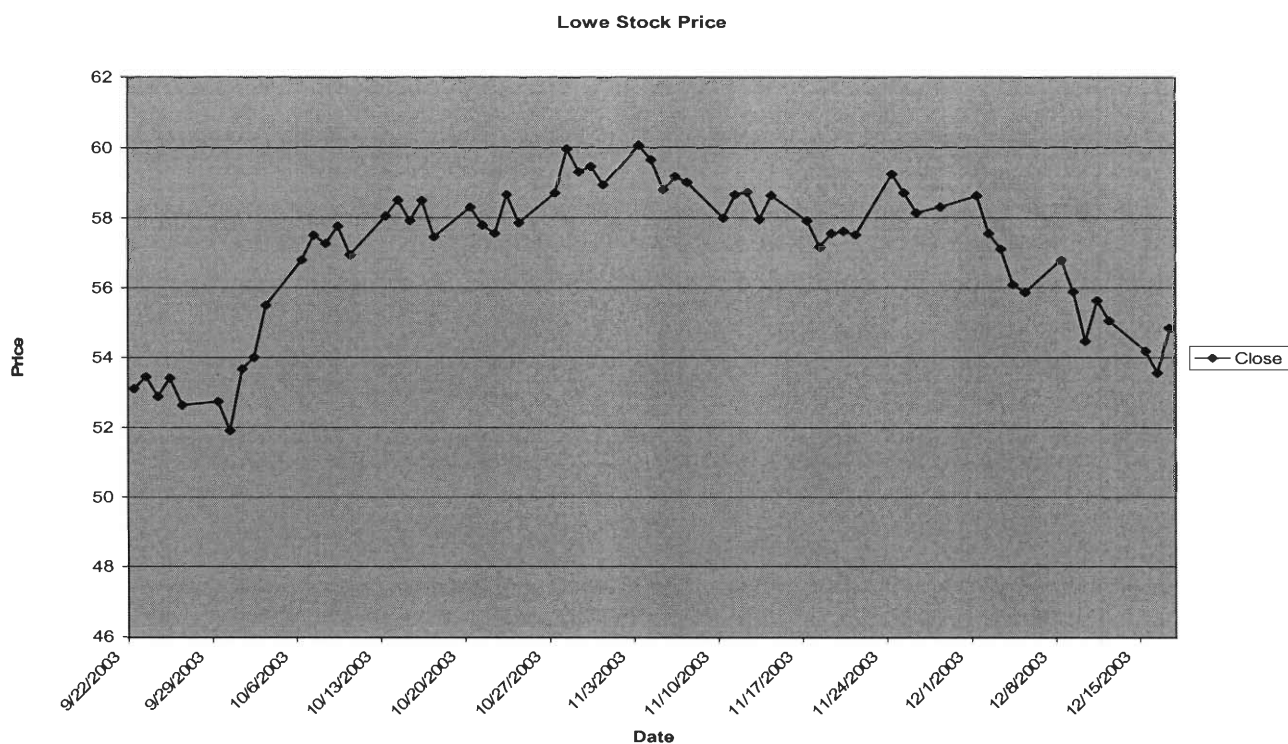
*Figure 2.35 Twelfth Week Lowe's*

Week 13

Date		Open	Close
December 15, 2003		56.30	54.18
December 16, 2003		54.35	53.56
December 17, 2003		53.05	54.84

*Figure 2.35 Thirteenth Week Lowe's*

## Conclusion



*Figure 2.36 Week One Through Thirteen Graph*

Lowes is the one other company that I kept invested in throughout the thirteen week simulation period. Lowes showed a rainbow like pattern throughout the period. The stock slowly grew at a steady pace to 60.05 on November 3, 2003. After this point the stock slowly began to decrease up until the last day of trading where it closed at 54.84 on December 17, 2003.

### 2.3c Verizon

#### Week 1

Verizon was purchased initially on September 22, 2003. I purchased 3601.27 shares at a price of 34.71 dollars a share. Verizon did terrible the first week of trading and dropped a ridiculous 2.12 points. This doesn't sit well and I'm hoping the company will see a turn around next week or I will be forced to sell.

Date		Open	Close
September 22, 2003		35.00	34.71
September 23, 2003		33.15	33.13
September 24, 2003		33.10	32.60
September 25, 2003		32.50	32.65
September 26, 2003		33.17	32.59

*Figure 2.37 First Week Verizon*

Week 2

Date		Open	Close
September 29, 2003		32.45	32.68
September 30, 2003		32.52	32.44
October 1, 2003		32.56	32.98
October 2, 2003		32.85	33.28
October 3, 2003		34.25	33.74

*Figure 2.38 Second Week Verizon*

Week 3

Date		Open	Close
October 6, 2003		33.70	33.80
October 7, 2003		33.30	33.50
October 8, 2003		33.15	32.68
October 9, 2003		32.60	32.36
October 10, 2003		32.16	32.35

*Figure 2.39 Third Week Verizon*

Week 4

Date		Open	Close
October 13, 2003		32.25	31.88
October 14, 2003		31.55	31.50
October 15, 2003		31.80	32.17
October 16, 2003		31.65	32.22
October 17, 2003		32.21	32.12

*Figure 2.40 Fourth Week Verizon*

Week 5

Date		Open	Close
October 20, 2003		32.28	32.71
October 21, 2003		32.76	32.16
October 22, 2003		32.16	32.47
October 23, 2003		32.27	33.24
October 24, 2003		33.02	33.24

*Figure 2.41 Fifth Week Verizon*

Week 6

Date		Open	Close
October 27, 2003		33.24	33.23
October 28, 2003		33.20	33.08
October 29, 2003		33.00	32.81
October 30, 2003		32.81	32.80
October 31, 2003		33.00	33.60

*Figure 2.42 Sixth Week Verizon*

Week 7

Date		Open	Close
November 3, 2003		33.70	33.22
November 4, 2003		33.15	32.89
November 5, 2003		32.61	32.89
November 6, 2003		32.45	32.45
November 7, 2003		32.40	32.17

*Figure 2.43 Seventh Week Verizon*

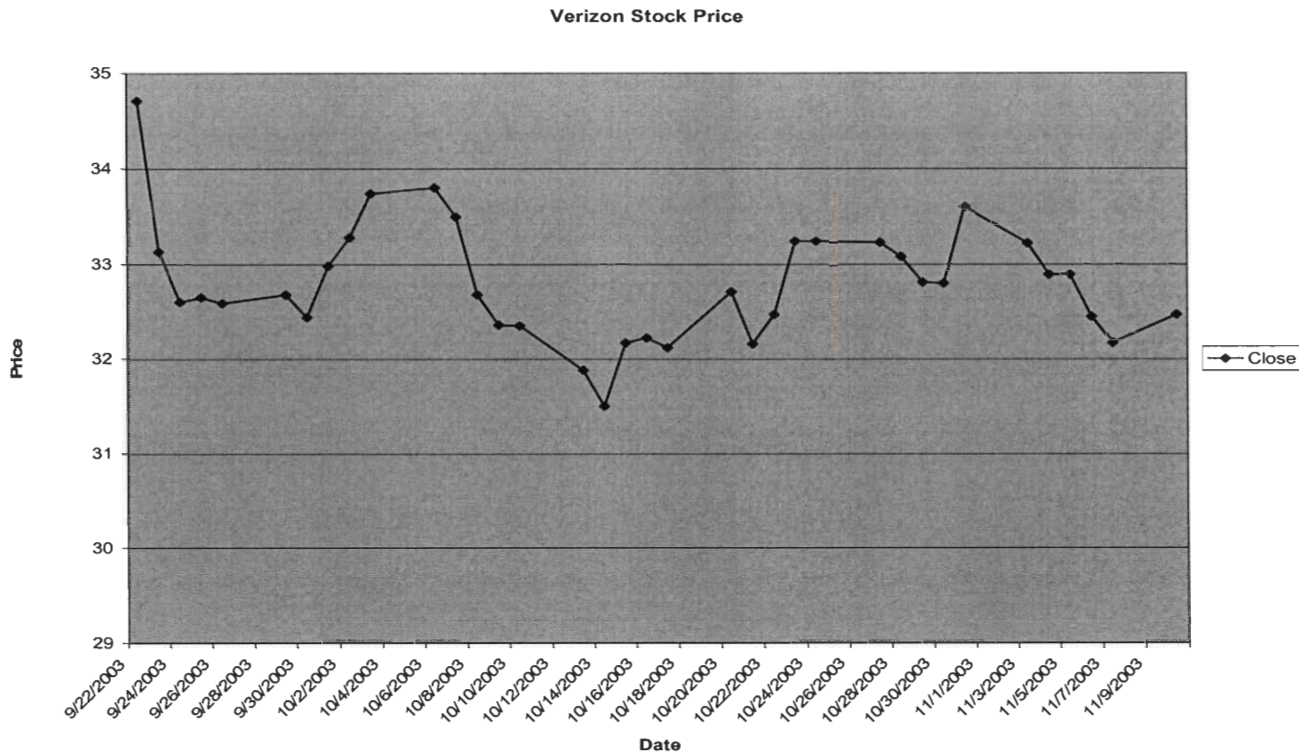
Week 8

Date		Open	Close
November 10, 2003		32.16	32.47

*Figure 2.44 Eighth Week Verizon*



## Conclusion



*Figure 2.45 Week One Through Week Eight Chart*

This past week I decided to sell my Verizon stock. Previously I wanted to see if the stock was going to make a significant improvement and if it did I would hold onto it. Verizon has not made any improvement over the past few days. I decided to sell Verizon on November 10, 2003 at a closing price of 32.47. I believe this decrease has occurred because of the early retirement of Chairman Charles Lee, which occurred on November 6, 2003, six months earlier than expected.<sup>6</sup> This change in management could scare consumer confidence in the company, causing the stock price to drop as seen.

### 2.3d AT&T Wireless

#### Week 1

<sup>6</sup> Reuters, *Verizon Chairman to Retire*, November 6, 2003, Copyright 2003 Yahoo, [http://biz.yahoo.com/rb/031106/telecoms\\_verizon\\_1.html](http://biz.yahoo.com/rb/031106/telecoms_verizon_1.html)

AT&T was the last stock I invested in on the first week. I purchased 14140.27 shares at 8.84 dollars per share. The company seemed to be a very solid company and after quite a bit of research I decided this would be a good company to have. The first week started to go smoothly, but it took a turn for the worst and I lost .59 points.

Date		Open	Close
September 22, 2003		8.65	8.84
September 23, 2003		8.87	8.88
September 24, 2003		8.89	8.58
September 25, 2003		8.55	8.41
September 26, 2003		8.37	8.25

*Figure 2.46 First Week AT&T Wireless*

Week 2

Date		Open	Close
September 29, 2003		8.30	8.27
September 30, 2003		8.27	8.18
October 1, 2003		8.15	8.21
October 2, 2003		8.28	8.49
October 3, 2003		8.69	8.62

*Figure 2.47 Second Week AT&T Wireless*

Week 3

Date		Open	Close
October 6, 2003		8.65	8.75
October 7, 2003		8.71	8.82
October 8, 2003		8.74	8.39
October 9, 2003		8.49	8.25
October 10, 2003		8.28	8.41

*Figure 2.48 Third Week AT&T Wireless*

Week 4

Date		Open	Close
October 13, 2003		8.40	8.30
October 14, 2003		8.30	8.32
October 15, 2003		8.39	8.40
October 16, 2003		8.40	8.27
October 17, 2003		8.30	8.19

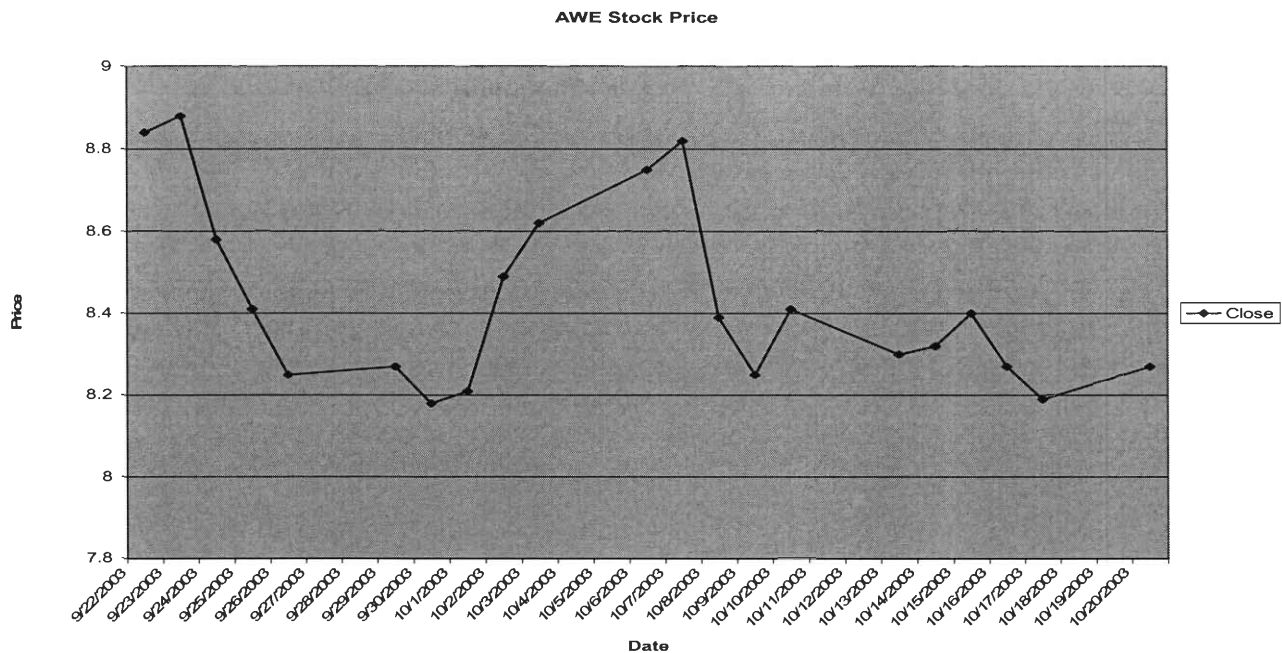
*Figure 2.49 Fourth Week AT&T Wireless*

Week 5

Date		Open	Close
October 20, 2003		8.13	8.27

*Figure 2.50 Fifth Week AT&T Wireless*

## Conclusion



*Figure 2.51 Week One Through Week Five AT&T Chart*

Over the past few weeks I have been trading some stocks due to their performances. As of October 20, 2003 I decided to sell all 14140.27 shares of AT&T Wireless. Throughout the past few weeks that I have been following the stock it has only been losing value. On October 20, 2003 AT&T Wireless saw a monthly all time low and that is when I decided it was time to invest into another company. AWE had been seeing weak revenue from wireless services. The wireless company is recovering from a slowdown in customer growth. Therefore, I took the money from the AT&T Wireless stocks and invested the money into two other company's.

### 2.3e Best Buy

#### Week 5

In selling AWE I have 114960.3951 dollars and I invested half of that amount into Best Buy. I invested 57480.19755 into Best Buy purchasing, 1084.531 shares at 53

dollars a share. As of late Best Buy has been performing very well, now at stock price of 57.92 dollars. Best Buy has recently been promoting sales by advertising with McDonalds in the monopoly game. The game allows purchasers of McDonald's food a chance to win prizes at Best Buy. The advertisement seems to be a success because as of late Best Buy has been performing very well.

Date		Open	Close
October 20, 2003		53.00	52.80
October 21, 2003		53.00	54.08
October 22, 2003		53.60	54.11
October 23, 2003		54.05	54.81
October 24, 2003		54.30	53.64

*Figure 2.54 Fifth Week Best Buy*

Week 6

Date		Open	Close
October 27, 2003		54.04	55.19
October 28, 2003		55.19	57.34
October 29, 2003		56.82	57.07
October 30, 2003		57.51	57.92
October 31, 2003		57.92	58.31

*Figure 2.55 Sixth Week Best Buy*

Week 7

Date		Open	Close
November 3, 2003		58.52	59.38
November 4, 2003		59.38	59.41
November 5, 2003		59.41	58.34
November 6, 2003		57.50	58.77
November 7, 2003		58.95	58.14

*Figure 2.56 Seventh Week Best Buy*

Week 8

Date		Open	Close
November 10, 2003		58.90	58.78
November 11, 2003		58.83	59.50
November 12, 2003		59.30	59.25
November 13, 2003		59.25	58.26
November 14, 2003		58.55	57.38

*Figure 2.57 Eighth Week Best Buy*

Week 9

Date		Open	Close
November 17, 2003		57.38	57.40
November 18, 2003		57.65	57.80
November 19, 2003		57.77	58.04
November 20, 2003		57.80	57.54
November 21, 2003		57.62	58.24

*Figure 2.58 Ninth Week Best Buy*

Week 10

Date		Open	Close
November 24, 2003		58.64	59.69
November 25, 2003		59.70	60.36
November 26, 2003		60.50	61.10
November 28, 2003		61.10	62.00

*Figure 2.59 Tenth Week Best Buy*

Week 11

Date		Open	Close
December 1, 2003		62.50	60.87
December 2, 2003		60.45	58.52
December 3, 2003		58.15	57.42
December 4, 2003		55.50	54.15
December 5, 2003		53.25	54.09

*Figure 2.60 Eleventh Week Best Buy*

Week 12

Date		Open	Close
December 8, 2003		54.09	54.24
December 9, 2003		54.40	52.82
December 10, 2003		52.82	51.98
December 11, 2003		52.18	53.35
December 12, 2003		53.77	53.59

*Figure 2.61 Twelfth Week Best Buy*

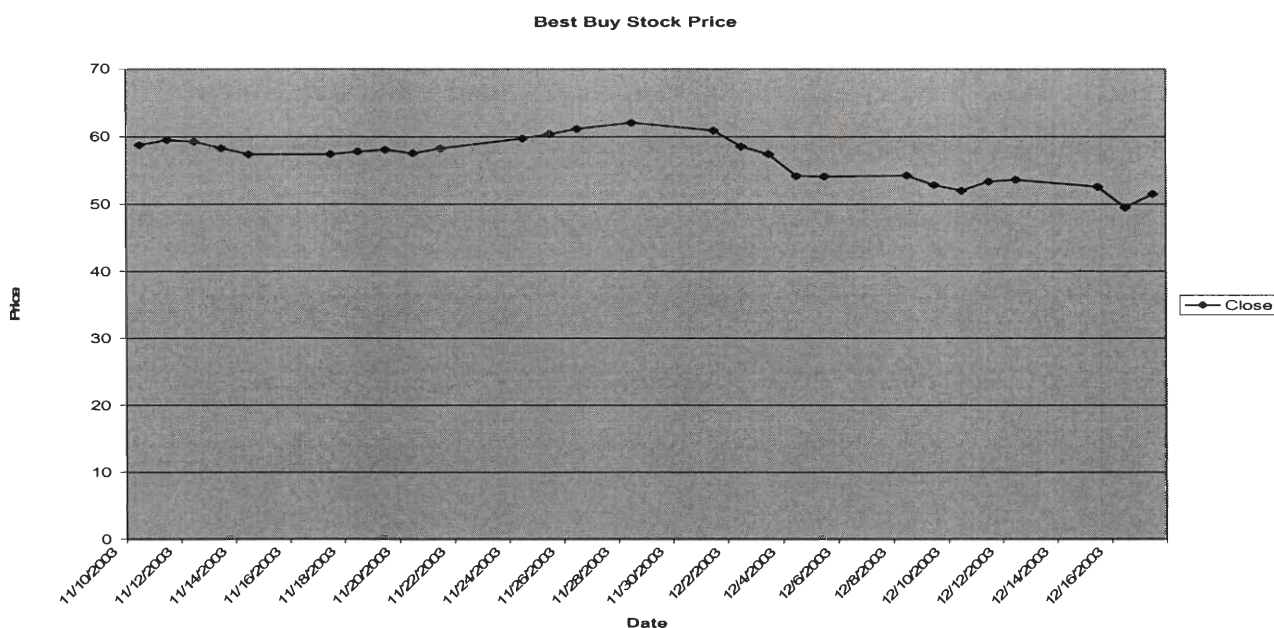
Week 13

Date		Open	Close
December 15, 2003		55.10	52.57
December 16, 2003		52.05	49.52
December 17, 2003		49.20	51.50

*Figure 2.62 Thirteenth Week Best Buy*



## Conclusion



*Figure 2.63 Week Three Through Week Thirteen Best Buy Chart*

During the period I invested in Best Buy there were very small gains. I ended up losing money on this investment and I was personally not impressed with the company's performance and policy throughout the weeks traded. One major event that caused Best Buy's stock to decrease was the unexpected charge the company took in the third quarter to cover the costs of writing off technology assets.<sup>7</sup>

### **2.3f Sony Electronic Corp.**

#### Week 5

With the other half of AWE's sale of 57480.19755 dollars I invested into Sony. I purchased 1528.7287 shares at 37.60 dollars a share. The first week Sony Corp. hasn't been performing as expected. The company is down 2.4 dollars, but that is a very small margin and I'm sticking with the investment hoping that there will be some kind of turn around.

<sup>7</sup> Spitz, Jenny, "Best Buy sells off on charge," CBSMarketWatch.com, Copyright December 4, 2003

Date		Open	Close
October 20, 2003		37.60	37.85
October 21, 2003		37.90	37.96
October 22, 2003		37.20	37.15
October 23, 2003		34.75	34.49
October 24, 2003		34.70	34.29

*Figure 2.64 Fifth Week Sony Electronic Corp.*

Week 6

Date		Open	Close
October 27, 2003		35.06	35.43
October 28, 2003		35.60	36.74
October 29, 2003		36.70	35.92
October 30, 2003		36.20	35.20
October 31, 2003		35.00	35.20

*Figure 2.65 Sixth Week Sony Electronic Corp.*

Week 7

Date		Open	Close
November 3, 2003		35.70	35.50
November 4, 2003		35.82	35.70
November 5, 2003		36.55	36.77
November 6, 2003		35.90	35.92
November 7, 2003		36.15	36.16

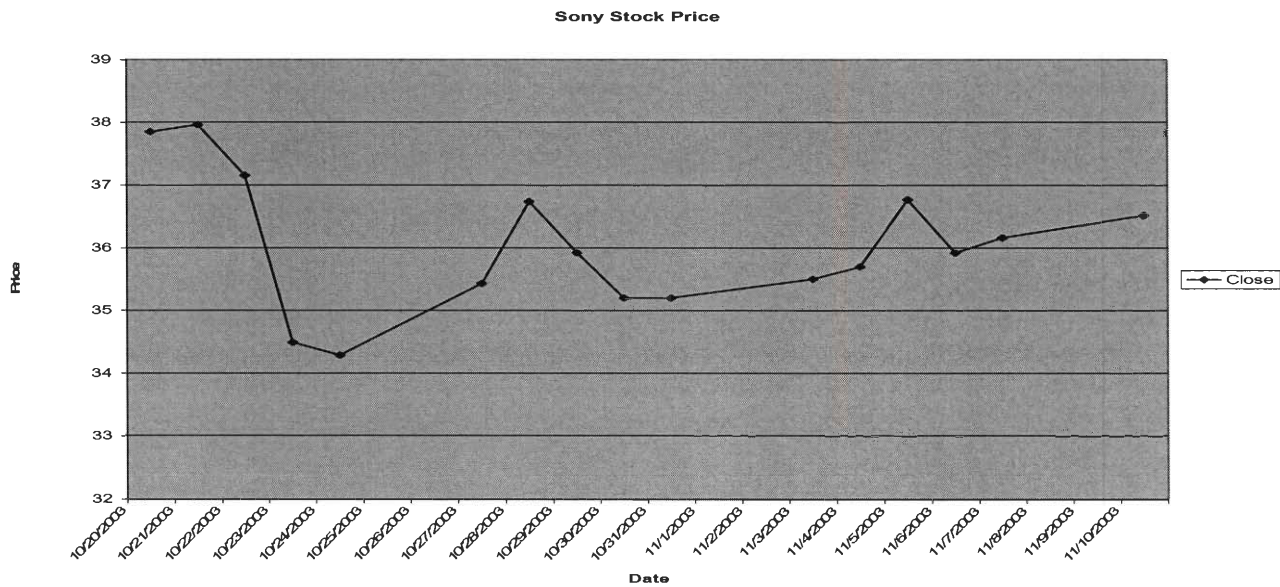
*Figure 2.66 Seventh Week Sony Electronic Corp.*

Week 8

Date		Open	Close
November 10, 2003		36.69	36.52

*Figure 2.67 Eighth Week Sony Electronic Corp.*

Conclusion



*Figure 2.68 Week Five Through Week Eight Sony Corp. Chart*

I decided to sell Sony because the company never seemed to improve over the course of the past few weeks. I'm getting diminishing returns and it would be best if I invested into another company. The graph above shows over the past few weeks how poorly the company has been doing. So on November 12, 2003 I sold Sony for 36.35. I lost 1.33 dollars per share on my original investment of 37.85.

**2.3g First Energy Corp.**

Week 8

I invested the 116933.2369 dollars from the sale of Verizon stock into 3371.77 units of First Energy Corp. (FE) at 34.68 dollars per share. I decided to purchase FE because historically it is a very financially sound company. FE gives out very high cash dividends and as an investor I like the idea of getting a check for cash. This is the other main reason I decided to invest in First Energy Corp.

Date		Open	Close
November 10, 2003		34.45	34.68
November 11, 2003		34.60	34.64
November 12, 2003		34.64	34.67
November 13, 2003		34.67	34.65
November 14, 2003		34.65	34.75

*Figure 2.69 Eighth Week First Energy Corp.*

Week 9

Date		Open	Close
November 17, 2003		34.75	34.61
November 18, 2003		34.61	33.99
November 19, 2003		33.90	33.29
November 20, 2003		33.00	33.71
November 21, 2003		33.75	33.50

*Figure 2.70 Ninth Week First Energy Corp.*

Week 10

Date		Open	Close
November 24, 2003		33.45	33.50
November 25, 2003		33.57	33.54
November 26, 2003		33.68	34.30
November 28, 2003		34.30	34.65

*Figure 2.71 Tenth Week First Energy Corp.*

Week 11

Date		Open	Close
December 1, 2003		34.72	34.95
December 2, 2003		34.95	34.80
December 3, 2003		34.60	34.93
December 4, 2003		34.85	35.61
December 5, 2003		35.32	35.28

*Figure 2.72 Eleventh Week First Energy Corp.*

Week 12

Date		Open	Close
December 8, 2003		35.20	35.63
December 9, 2003		35.63	34.88
December 10, 2003		34.88	34.79
December 11, 2003		34.90	34.60
December 12, 2003		34.75	34.60

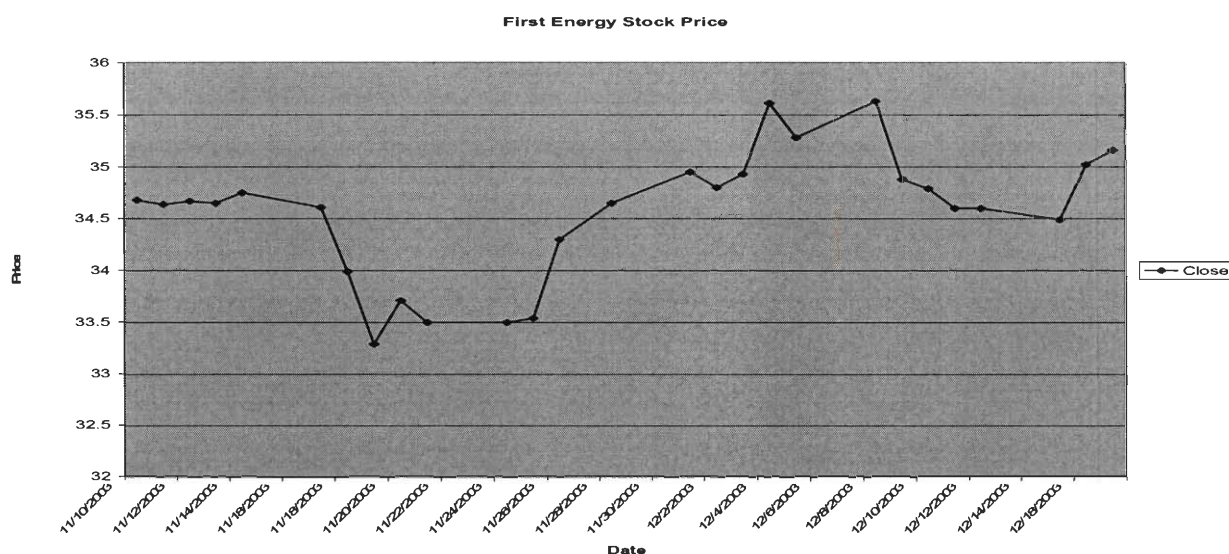
*Figure 2.73 Twelfth Week First Energy Corp.*

Week 13

Date		Open	Close
December 15, 2003		34.67	34.49
December 16, 2003		34.05	35.02
December 17, 2003		34.80	35.16

*Figure 2.74 Thirteenth Week First Energy Corp.*

## Conclusion



*Figure 2.75 Week Eight Through Week Thirteen*

First Energy Corp. did as I expected. At first the company made me very nervous with its drastic drop in price on November 19, 2003. I read up on the company and the company was recently getting blamed at that point for a blackout that occurred in August. They believe that the blackout could have been prevented and some legal measures are being taken into investigating the company.<sup>8</sup> This could be partial blame for the drop in price. The company did rebound although and finished at 35.16 which was .48 cents higher than the original investment which gave me a revenue of 1618.45 dollars.

### 2.3h CVS

#### Week 8

With the sale of Sony I invested all of the revenue into CVS. I purchased 1529.99 shares at 36.32. CVS seemed to show a drop in value the first week, but I am confident that it will increase over time due to the strength of the company.

<sup>8</sup> Gregory, Robb, "First Energy Blamed in Blackout Report," CBS Marketwatch.com, November 19, 2003.

Date		Open	Close
November 12, 2003		36.35	36.32
November 13, 2003		36.30	36.00
November 14, 2003		35.98	35.42

*Figure 2.76 Eighth Week CVS*

Week 9

Date		Open	Close
November 17, 2003		35.40	35.59
November 18, 2003		36.00	35.75
November 19, 2003		35.74	35.80
November 20, 2003		35.70	36.17
November 21, 2003		36.50	35.87

*Figure 2.76 Ninth Week CVS*

Week 10

Date		Open	Close
November 24, 2003		35.95	37.02
November 25, 2003		37.10	37.16
November 26, 2003		37.27	37.19
November 28, 2003		37.19	37.46

*Figure 2.77 Week CVS*



Week 11

Date		Open	Close
December 1, 2003		37.47	37.29
December 2, 2003		36.50	35.98
December 3, 2003		35.97	34.90
December 4, 2003		34.74	35.04
December 5, 2003		35.04	35.04

*Figure 2.78 Eleventh Week CVS*

Week 12

Date		Open	Close
December 8, 2003		35.04	34.96
December 9, 2003		34.96	34.20
December 10, 2003		34.20	33.33
December 11, 2003		33.43	34.08
December 12, 2003		34.22	34.26

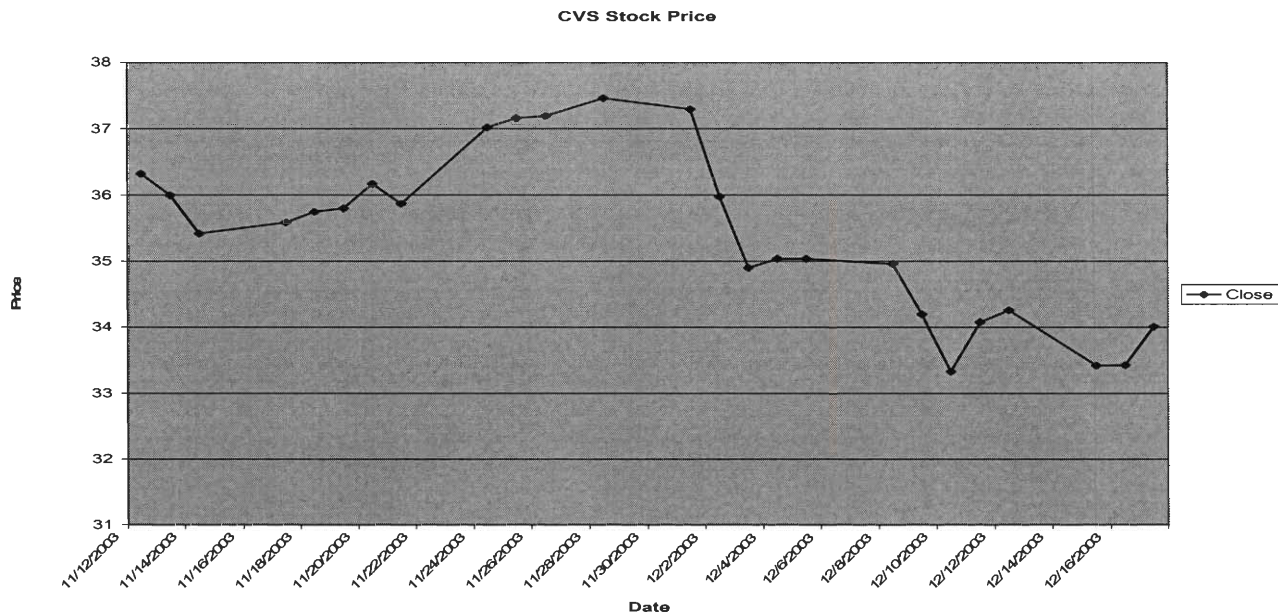
*Figure 2.79 Twelfth Week CVS*

Week 13

Date		Open	Close
December 15, 2003		34.70	33.42
December 16, 2003		33.30	33.43
December 17, 2003		33.38	34.01

*Figure 2.80 Thirteenth Week CVS*

## Conclusion



*Figure 2.81 Week Eight Through Thirteen CVS Chart*

### 2.4 Conclusion

Over the trading period I had some success in companies, but overall I didn't do as well as I had hoped. I ended the simulation with \$489674.8264. From my original investment I have lost \$10325.1736. Looking back on the ways I've traded there have been many instances where stocks have gone up after the sale. I should have waited on each stock till it at least broke even to sell. I should have held onto the stocks for a longer period of time because that is the best way to increase profits.

## **Chapter 3 High Risk Stock Trading**

The focus of this chapter is to explore the world of high-risk stock trading, namely penny stock trading. This section begins with an introduction to what constitutes a high-risk stock and gets into a detailed description of what a penny stock is defined as. Tips on how to make successful trading decisions and investments as well as some of the dangers involved when trading in this market are also discussed. Entering the actual simulation portion of the chapter, a brief overview and introduction of each company traded in the duration of the project, as well as week to week tabulation of simulation results for each company are provided.

### **3.1 High Risk Stock Trading**

A high-risk stock investment is one in which there is great chance for success, but more commonly failure. Often dealing with young, new companies that are creating or redefining emerging industries, there is little established history and no financial stability to rely on. Investments are made “on a hunch” or in good faith of future rewards. There are many ways of investing in high-risk stocks, the more common one that I have chosen to research and experiment with for this project is penny stock trading.

The term penny stock is one that is used to loosely describe the lower end of the securities market. The stocks included are generally low priced and owned by small companies, however there is no one, solid, industry wide definition of a penny stock. Most are based on three separate characteristics within the market.

One of these characteristics is the price per share of the company’s stock. By definition provided by the Securities Exchange Commission, a penny stock is any stock

whose price per share is traded at less than \$5.00. The \$5.00 limit was adopted by the commission, due to the difficulty of manipulating higher priced stocks, the fact that this was also the threshold for the uniform ULOR/SCOR, and the belief that small business could continue to raise capital without harming the liquidity of its shares. This however can fluctuate from market to market and person to person.

Another characteristic that provides a definition is the market that the stock is traded on. As a general rule, any stock to be traded on a small market such as the OTC BB, OTC, Pink Sheets, or CDNX, is regarded as a penny stock. In actuality, you can find stocks that trade for less than \$5.00 and even some that sell for just pennies on all the major market indexes such as the NYSE, NASDAQ, DOW, and S&P500 today. When trading, the level of risk increases as you trade on a smaller market. For more stability and safety with your investments, it is wise to invest in those companies that trade on a major market. If however you are feeling risky and wish to trade on a smaller market, it is a good idea to trade on the OTC BB. Companies that trade within this market are required to remain current in their filings with the SEC. Once they fall delinquent on this requirement they are removed from the market. The Pink Sheets are your last option. This market has been dubbed “the Wild West of markets” because of its lack of requirements to be traded on. There is no minimum of standards so the term buyer beware should be used to its fullest extent.

Lastly, market capitalization is used to define a penny stock. Market cap is the value of each share of stock multiplied times the number of outstanding shares. In short, it provides an understanding of the total worth of the company issuing the stock. Under federal securities law, a stock is considered a penny stock when the issuer has a market

capitalization of less than \$5 million. Like in the other two definitions, this value can change dramatically depending on market and person.

Any one or combination of these definitions could be used to define a penny stock. For the purposes of this project, I decided to stick with the definition provided by the SEC and use a stock that trades for less than \$5.00 as a penny stock.

After deciding on a definition to use, it is now important to realize that there are a number of different categories of penny stocks that should be known. Each category offers something new, but each is proven to supply a number of stocks that will prove to be successful investments.

The first of these groups are recovery stocks. Stocks that fall within this category were once fast moving and economically successful trading, but have recently fallen. They have seen better days, but are a great opportunity for an investor. The potential is there, the company has already proved it can be successful, but the question is whether or not it can pull from its recent slump. The next group is cyclical stocks. These are stocks whose values change in unison with the business cycle. The work some companies engage in are seasonal or more likely then not effected by the economy and this is reflected in its share price. For example, a skiing company would do its best business in the winter months when conditions are favorable for snow, causing its price per share to reflect the good business. As the weather changes and conditions become no existent for snow, business is vastly reduced and the price per share will also drop in response. According to the experts, the most reliable of these stocks is house building and other related business. When the economy is strong, it has been consistent that these activities boom and money can be made through careful investment.

Biotechnology companies are yet another category to look towards when planning to invest in penny stock companies. The possibilities are endless with the variation of products being developed by these companies. However, investment in a young biotechnology company is extremely risky due to the fact that less than 10% of products reach clinical development. There are ways to increase the odds of success. When investing in such a company, look for development of several products and possibilities of a partnership with an already stable and proven pharmaceutical company.

The last group is composed of internet companies. Probably containing the greatest risk of all, these companies possess few or no tangible assets and are prone to instability, rising and falling rapidly in a short period of time. There is great possibility for large quick gains, but more likely substantial losses. When looking to invest in such a company, it is important to do research. First check the legitimacy of the company and whether it has a future with its offerings. Look for revenue and evaluate the price/sales ratio that will provide a basis for the investment decision.

When investing in such a high-risk venture such as penny stocks, it is imperative to have some sort of knowledge of the company to be invested in. Research all aspects for yourself, do not simply rely on tip sheets and information from a third party about the deal of the century. Investigate the company and its past, noting previous successes, failures, or legal troubles. Assess its future and the leadership that is in place. Note any product developments and look for any news of anticipated releases or test results. Another good tip when investing is to diversify. Do not put all your money in one area of the market, as conditions of the time will influence each market sector differently. With

holdings in many different types of products, the chance of some success will only increase.

### **3.2 Dangers of High Risk Investments**

High-risk stock trading isn't called high-risk for nothing. When you invest in these types of stocks there are many dangers to look out for. Working with such young companies with little background information and history, combined with the lax requirements of the markets on which they trade, there is plenty of room for fraudulent scams to steal your money. These scams, which can occur in any number of ways, have only been fueled by the widespread use of the Internet.

The "pump and dump" of a company's stocks, building up of a company's price per share then selling it in mass quantities when interest is high, has grown in frequency recently mainly due to the Internet. The Internet has allowed organizations to broadcast company and stock information at minimum cost to a large worldwide audience. Individual investors as well as firms have been arrested for these types of scams in which the perpetrators post messages on bulletin boards, issue false press releases, create newsletters, and build web sites to hype or de-hype stocks. The analyst report is another item that can be manipulated to influence reaction to a stock. In order to pull these schemes off, those involved need stock. This usually occurs in one of two ways. One is to find a so-called shell company that is already trading publicly, but has little or no operating history, few assets, and very little chance of financial success. Sometimes the shell is merged with a privately held company. The other way to get stocks is to use exemptions from federal registration requirements. The individuals trade in areas of the market where publicly provided information is limited and few brokers control the

market. The perpetrators provide exaggerated or even completely made up information to investors. With people now willing to invest in these unbelievable opportunities, the brokers begin their deceit and fraud through tactics such as, "bait and switch", unauthorized trading, "no net sales" policies, churning, excessive charging, undisclosed markups and issuing arbitrary stock quotations. The value of these stocks continue to rise until there are no more investors who will buy, and then the bottom falls out and the price plummets, leaving individual investors to sit on inflated stocks. A single investor or group on the Internet can also carry out this same process. In this instance, the perpetrators will begin to buy small quantities of a near low priced stock with few outstanding shares over a period of days or even weeks. This way the price does not rise dramatically from its lows. Once they have the number of shares desired, they begin to broadcast information about their company and stock over the Internet, making the information available to a vast number of potential investors within minutes. Having already placed sell orders at some price higher than what they spent on the stocks, the perpetrators watch as others begin to buy the stock at the elevated cost. There are numerous other scams occurring including taking documented press releases and altering the stock symbol with that of a shell company so that whoever reads that report will invest in the fraudulent company rather than the one intended by the article and claiming the products of other companies to increase sales of another's stock.

With all of these detrimental activities, the ideas of extensive research discussed previously are validated. A risk is already being taken investing in unknown or emerging companies, do not compound these risks by not researching the companies issuing the stocks and falling prey to perpetrators.



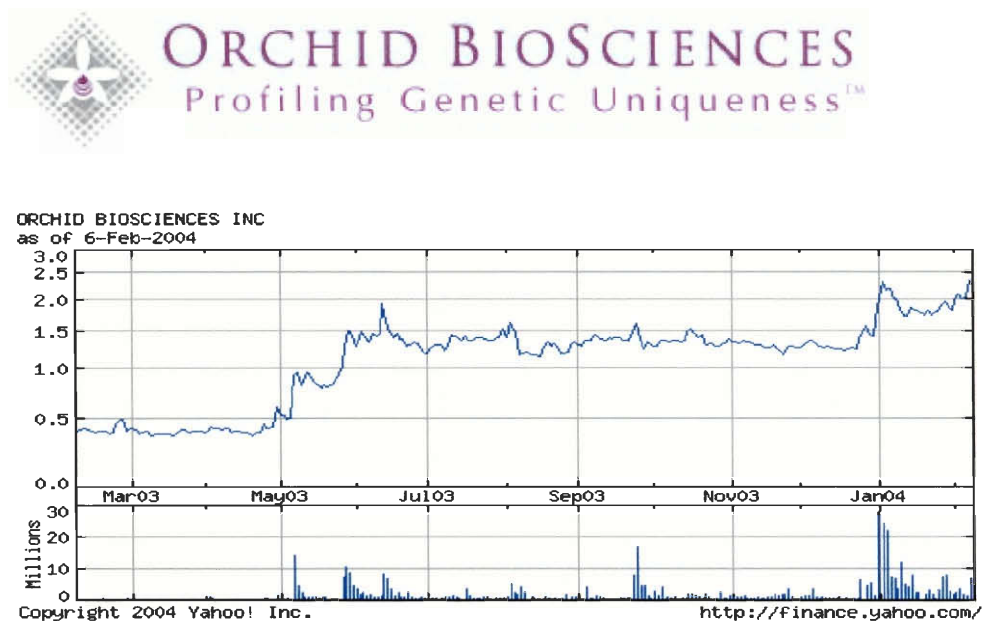
### **3.3 Trading Simulation Introduction**

For the trading portion of this project, I felt it best not to rely simply on one particular method of penny stock trading strategy, but instead put to use the research done and techniques learned in order to independently work out a method for successful trading. However, when a plan was devised, it was completely followed through with for all trades for the duration of the project. This multi-strategy plan basically begins by researching the company of interest. Looking back on the stock's performance for the previous month of trading, I was able to gain an understanding of the trends of the company and whether it showed promise or simply would be a waste of money. Another good source of company information to take note of at this preliminary stage is the market cap, or the value of each share of a stock, times the total number of shares outstanding. This provides you with an estimated value or worth of the company. The more the company is worth, the stronger it is and less likely to all of a sudden fold on your investment.

After using this information to choose initial investments, a new set of rules had to be established as guidelines for the stock trading throughout the project. Again, using a combination of strategies, I was able to come up with a method that stuck strictly with proven methods and practices, but also allowed for individual freedom for buying and selling of stocks. At the start of each trading week, I looked back at the stock's performance for the previous two weeks. This provided a pattern as to the direction of the stock's value. I also researched any news stories as to possible new products, expansions, or legal troubles to get a jump on possible gains or losses. Using this information, I set a price such that when the stock hit this set value I would buy. At this point, I would watch

and record the progress of the stocks. I did not set a specific value at which I would sell, but instead used the knowledge I gained from my research of penny stock trading to make my own decisions as to when to sell. I felt that this would be the ideal way to show the knowledge I gained while working on this project, rather than simply using a predetermined method or formula given by experts.

### **3.4 Orchid Biosciences**



*Fig.3.1 Orchid Trading History*

Orchid Biosciences Inc. of Princeton, New Jersey is a leading provider of identity genomics services for both forensic and paternity DNA testing markets. Spanning this vast field, Orchid Biosciences realigned its businesses into separate units for market purposes in early 2002. These business units include: Orchid Identity Genomics, which provides DNA testing for paternity and forensics testing, Orchid GeneShield, which develops programs for the acceleration of the implementation of personalized medicines, Orchid Diagnostics, which develops products and services to facilitate genetic testing,

and Orchid Life Sciences, which develops and markets products, services and technologies for single nucleotide polymorphism genotyping and genetic diversity analyses. Recently this past January, Orchid Diagnostics was sold to Tepnel Life Sciences PLC.

Orchid Biosciences is listed within the Healthcare sector and Biotechnology and Drugs industry. For the nine months ended 9/30/03, revenues decreased 1% to \$36.9 million and net loss from continuing operations available to common fell 65% to \$15 million. I chose this stock because of the fact that it the stock had risen to a respectable trading level and had shown no serious losses in the previous couple of months prior to simulation. Also, the fact that this sector and industry are ideal for this type of trading helped in the decision. It also helped me to create a diverse portfolio.

### **3.4a October Weekly Results**

#### **WEEK ONE : 10/1 – 10/3**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 100,000.00	
10/1/2003	1.27	78740	x	\$ 99,999.80	\$ 0.20	
10/3/2003	1.36	x	15000	\$ 20,400.00	\$ 20,400.20	63740

*Fig. 3.2 October Week One Simulation: This week began by investing \$100,000. This bought 78740 shares in the company. 15,000 shares were sold this week.*

#### **WEEK TWO : 10/6 – 10/10**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 20,400.20	
10/6/2003	1.36	x	8000	\$ 10,880.00	\$ 31,280.20	
10/7/2003	1.35	x	5000	\$ 6,750.00	\$ 38,030.20	
10/8/2003	1.33	13000	x	\$ 17,290.00	\$ 20,740.20	
10/9/2003	1.36	x	8000	\$ 10,880.00	\$ 31,620.20	
10/10/2003	1.35	x	6000	\$ 8,100.00	\$ 39,720.20	49740

*Fig. 3.3 October Week Two Simulation: 27,000 shares were sold this week and 13,000 shares were bought.*

**WEEK THREE : 10/13 - 10/17**

Date	Value	Bought	Sold	Amount	Balance
					\$ 39,720.20
10/14/2003	1.35	x	2000	\$ 2,700.00	\$ 42,420.20
10/15/2003	1.48	x	15000	\$ 22,200.00	\$ 64,620.20
10/16/2003	1.52	x	20000	\$ 30,400.00	\$ 95,020.20
10/17/2003	1.45	x	8000	\$ 11,600.00	\$ 106,620.20

4740

*Fig.3.4 October Week Three Simulation: With a raise in stock price, no additional stocks were purchased and 45,000 shares were sold.*

**WEEK FOUR : 10/20 - 10/24**

Date	Value	Bought	Sold	Amount	Balance
					\$ 106,620.20
10/20/2003	1.40	3000	x	\$ 4,200.00	\$ 102,420.20
10/21/2003	1.43	x	5000	\$ 7,150.00	\$ 109,570.20
10/23/2003	1.30	3000	x	\$ 3,900.00	\$ 105,670.20

5740

*Fig.3.5 October Week Four Simulation: With a dip in the price, 6,000 shares were purchased and 5,000 shares were sold.*

**WEEK FIVE : 10/27 - 10/31**

Date	Value	Bought	Sold	Amount	Balance
					\$ 105,670.20
10/27/2003	1.28	10000	x	\$ 12,800.00	\$ 92,870.20
10/30/2003	1.32	x	2000	\$ 2,640.00	\$ 95,510.20
10/31/2003	1.38	x	10000	\$ 13,800.00	\$ 109,310.20

3740

*Fig.3.6 October Week Five Simulation: After another loss, 10,000 shares were purchased and after a good rise, 12,000 shares were sold.*

**3.4b November Weekly Results****WEEK ONE : 11/3 – 11/7**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 109,310.20	
11/3/2003	1.33	3000	x	\$ 3,990.00	\$ 105,320.20	
11/5/2003	1.32	5000	x	\$ 6,600.00	\$ 98,720.20	
11/6/2003	1.36	x	7000	\$ 9,520.00	\$ 108,240.20	

4740

*Fig.3.7 November Week One Simulation: This week 8,000 shares were purchased while 7,000 shares were sold.*

**WEEK TWO : 11/10 - 11/14**

Date	Value	Bought	Sold	Amount	Balance
					\$ 108,240.20
11/11/2003	1.31	2000	x	\$ 2,620.00	\$ 105,620.20
11/12/2003	1.30	4000	x	\$ 5,200.00	\$ 100,420.20
11/14/2003	1.28	5000	x	\$ 6,400.00	\$ 94,020.20

15740

*Fig.3.8 November Week Two Simulation: After continuing price drops, 11,000 shares were purchased while no shares were sold.*

**WEEK THREE : 11/17 - 11/21**

Date	Value	Bought	Sold	Amount	Balance
11/17/2003	1.25	6000	x	\$ 7,500.00	\$ 86,520.20
11/19/2003	1.30	x	9000	\$ 11,700.00	\$ 98,220.20
11/21/2003	1.20	3000	x	\$ 3,600.00	\$ 94,620.20

15740

*Fig.3.9 November Week Three Simulation: This week 9,000 shares were sold, and at the first sign of a price increase, 9,000 shares sold.*

**WEEK FOUR : 11/24 - 11/28**

Date	Value	Bought	Sold	Amount	Balance
					\$ 94,620.20
11/24/2003	1.17	10000	x	\$ 11,700.00	\$ 82,920.20
11/25/2003	1.25	x	5000	\$ 6,250.00	\$ 89,170.20
11/26/2003	1.27	x	8000	\$ 10,160.00	\$ 99,330.20
11/28/2003	1.25	x	3000	\$ 3,750.00	\$ 103,080.20

9740

*Fig.3.10 November Week Four Simulation: After another drop, 10,000 shares were bought and after an increase 16,000 shares sold.*

**3.4c December Weekly Results**

**WEEK ONE : 12/1 – 12/5**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 103,080.20	
12/2/2003	1.29	x	4000	\$ 5,160.00	\$ 108,240.20	
12/3/2003	1.33	x	4000	\$ 5,320.00	\$ 113,560.20	
12/4/2003	1.36	x	1700	\$ 2,312.00	\$ 115,872.20	
12/5/2003	1.31	8000	x	\$ 10,480.00	\$ 105,392.20	8040

8040

*Fig.3.11 December Week One Simulation: After an increase in price, 25,000 shares were sold and an additional 8,000 shares were bought.*

**WEEK TWO : 12/8 – 12/12**

Date	Value	Bought	Sold	Amount	Balance
					\$ 105,392.20
12/8/2003	1.28	8000	x	\$ 10,240.00	\$ 95,152.20
12/10/2003	1.25	4000	x	\$ 5,000.00	\$ 90,152.20
12/11/2003	1.28	x	6000	\$ 7,680.00	\$ 97,832.20

14040

*Fig.3.12 December Week Two Simulation: This week 12,000 shares were bought and 6,000 shares were sold.*

**WEEK THREE : 12/15 - 12/19**

Date	Value	Bought	Sold	Amount	Balance
					\$ 97,832.20
12/15/2003	1.23	7000	x	\$ 8,610.00	\$ 89,222.20
12/17/2003	1.24	x	6000	\$ 7,440.00	\$ 96,662.20
12/18/2003	1.22	8000	x	\$ 9,760.00	\$ 86,902.20
12/19/2003	1.23	4000	x	\$ 4,920.00	\$ 81,982.20

27040

*Fig.3.13 December Week Three Simulation: After another fall, 29,000 shares were bought and 6,000 shares were sold.*

**WEEK FOUR : 12/22 - 12/26**

Date	Value	Bought	Sold	Amount	Balance
					\$ 81,982.20
12/22/2003	1.26	x	10000	\$ 12,600.00	\$ 94,582.20
12/23/2003	1.23	8000	x	\$ 9,840.00	\$ 84,742.20
12/24/2003	1.37	x	12000	\$ 16,440.00	\$ 101,182.20
12/26/2003	1.56	x	13000	\$ 20,280.00	\$ 121,462.20

40

*Fig.3.14 December Week Four Simulation: With some large gains, 8,000 shares were bought, while 35,000 shares were sold.*

**WEEK FIVE : 12/29 - 12/31**

Date	Value	Bought	Sold	Amount	Balance
					\$ 121,462.20
12/29/2003	1.43	4000	x	\$ 5,720.00	\$ 115,742.20
12/30/2003	1.42	5000	x	\$ 7,100.00	\$ 108,642.20
12/31/2003	1.85	x	9040	\$ 16,724.00	\$ 125,366.20

0

*Fig.3.15 December Week Five Simulation: Closing out the trading, all shares were sold for a final balance of \$125,366.20. Marking an overall profit of \$25,366.20.*

### 3.5 Sirius



*Fig.3.16 Sirius Trading History*

Sirius Satellite Radio Inc. of New York, New York is a satellite radio service that broadcasts audio throughout the United States with its three orbiting satellites. Sirius offers over 60 streams of commercial free music spanning every genre imaginable in addition to more than 40 streams of news, sports, weather, comedy, interviews, and many more. This type of service is not available on conventional radio systems, making Sirius a unique market within the United States. As one of only two companies issued a license to operate a national satellite radio system by the FCC, Sirius provides a service unmatched. As of December 31, 2002, the company had 29,947 subscribers, which is expected to continue to rise.

Sirius Satellite Radio is listed within the Service sector and Broadcasting and Cable TV industry. For the nine months ended 9/30/03, revenues totaled \$7.9 million, up from \$120 thousand. Net loss applicable to Common fell 50% to \$166.6 million. I chose

this stock because of the fact that it the stock had been on a steady rise and shown no serious losses in the previous couple of months prior to simulation. Also, the fact that this company provided a service that is relatively new and groundbreaking helped in the decision. It also helped me to create a diverse portfolio.

### **3.5a October Weekly Results**

#### **WEEK ONE : 10/1 - 10/3**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 100,000.00	
10/1/2003	1.85	54054	x	\$ 99,999.90	\$ 0.10	
10/2/2003	1.90	x	10000	\$ 19,000.00	\$ 19,000.10	
10/3/2003	1.87	10000	x	\$ 18,700.00	\$ 300.10	54054

*Fig.3.17 October Week One Simulation: This week began by investing \$100,000. This bought 54054 shares in the company. 10,000 shares were sold and another 10,000 shares were bought this week.*

#### **WEEK TWO : 10/6 - 10/10**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 300.10	
10/8/2003	1.95	x	12000	\$ 23,400.00	\$ 23,700.10	
10/10/2003	2.07	x	12000	\$ 24,840.00	\$ 48,540.10	30054

*Fig.3.18 October Week Two Simulation: After a decent increase, 24,000 shares were sold and none were bought.*

#### **WEEK THREE : 10/13 - 10/17**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 48,540.10	
10/13/2003	2.28	x	10000	\$ 22,800.00	\$ 71,340.10	
10/14/2003	2.33	x	12000	\$ 27,960.00	\$ 99,300.10	
10/15/2003	2.19	20000	x	\$ 43,800.00	\$ 55,500.10	
10/16/2003	2.37	x	8000	\$ 18,960.00	\$ 74,460.10	
10/17/2003	2.41	x	3000	\$ 7,230.00	\$ 81,690.10	17054

*Fig.3.19 October Week Three Simulation: Prices continue to soar, 20,000 shares were bought while 33,000 shares were sold.*



**WEEK FOUR : 10/20 - 10/24**

Date	Value	Bought	Sold	Amount	Balance
					\$ 81,690.10
10/20/2003	2.51	x	3000	\$ 7,530.00	\$ 89,220.10
10/21/2003	2.56	x	4000	\$ 10,240.00	\$ 99,460.10
10/22/2003	2.62	x	10000	\$ 26,200.00	\$ 125,660.10
10/23/2003	2.50	5000	x	\$ 12,500.00	\$ 113,160.10
10/24/2003	2.38	10000	x	\$ 23,800.00	\$ 89,360.10

15054

*Fig.3.20 October Week Four Simulation: The increases continue, 15,000 shares were bought and 17,000 shares were sold.*

**WEEK FIVE : 10/27 - 10/31**

Date	Value	Bought	Sold	Amount	Balance
					\$ 89,360.10
10/27/2003	2.44	x	5000	\$ 12,200.00	\$ 101,560.10
10/28/2003	2.27	10000	x	\$ 22,700.00	\$ 78,860.10
10/31/2003	2.35	x	5000	\$ 11,750.00	\$ 90,610.10

15054

*Fig.3.21 October Week Five Simulation: This week 10,000 shares were bought while another 10,000 were sold.*

**3.5b November Weekly Results****WEEK ONE : 11/3 - 11/7**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 90,610.10	
11/3/2003	2.37	x	5000	\$ 11,850.00	\$ 102,460.10	
11/5/2003	2.26	8000	x	\$ 18,080.00	\$ 84,380.10	
11/7/2003	2.38	x	9000	\$ 21,420.00	\$ 105,800.10	

9054

*Fig.3.22 November Week One Simulation: This week 8,000 shares were bought and 14,000 shares were sold.*

**WEEK TWO : 11/10 - 11/14**

Date	Value	Bought	Sold	Amount	Balance
					\$ 105,800.10
11/10/2003	2.21	6000	x	\$ 13,260.00	\$ 92,540.10
11/11/2003	2.14	10000	x	\$ 21,400.00	\$ 71,140.10
11/13/2003	2.24	x	8000	\$ 17,920.00	\$ 89,060.10

17054

*Fig.3.23 November Week Two Simulation: After a price drop, 16,000 shares were bought while 8,000 shares were sold.*

**WEEK THREE : 11/17 - 11/21**

Date	Value	Bought	Sold	Amount	Balance
					\$ 89,060.10
11/17/2003	2.15	8000	x	\$ 17,200.00	\$ 71,860.10
11/18/2003	2.23	x	10000	\$ 22,300.00	\$ 94,160.10
11/21/2003	1.99	10000	x	\$ 19,900.00	\$ 74,260.10

25054

*Fig.3.24 November Week Three Simulation: This week 18,000 shares were bought while 10,000 shares were sold.*

**WEEK FOUR : 11/24 - 11/28**

Date	Value	Bought	Sold	Amount	Balance
					\$ 74,260.10
11/24/2003	1.91	5000	x	\$ 9,550.00	\$ 64,710.10
11/26/2003	1.98	x	5000	\$ 9,900.00	\$ 74,610.10
11/28/2003	2.08	x	9000	\$ 18,720.00	\$ 93,330.10

16054

*Fig.3.25 November Week Four Simulation: This week 5,000 shares were bought and 14,000 shares sold.*

**3.5c December Weekly Results****WEEK ONE : 12/1 - 12/5**

Date	Value	Bought	Sold	Amount	Balance
					\$ 93,330.10
12/1/2003	2.20	x	12000	\$ 26,400.00	\$ 119,730.10
12/2/2003	2.18	x	3050	\$ 6,649.00	\$ 126,379.10
12/3/2003	2.11	10000	x	\$ 21,100.00	\$ 105,279.10
12/4/2003	2.15	x	5000	\$ 10,750.00	\$ 116,029.10
12/5/2003	2.12	8000	x	\$ 16,960.00	\$ 99,069.10

Shares

14004

*Fig.3.26 December Week One Simulation: After an increase, 18,000 shares were bought and 20,050 shares were sold.*

**WEEK TWO : 12/8 - 12/12**

Date	Value	Bought	Sold	Amount	Balance
					\$ 99,069.10
12/8/2003	2.13	6000	x	\$ 12,780.00	\$ 86,289.10
12/9/2003	2.16	x	7000	\$ 15,120.00	\$ 101,409.10
12/10/2003	2.12	9000	x	\$ 19,080.00	\$ 82,329.10
12/11/2003	2.17	x	6000	\$ 13,020.00	\$ 95,349.10
12/12/2003	2.19	x	6000	\$ 13,140.00	\$ 108,489.10

10004

*Fig.3.27 December Week Two Simulation: With a stable week, 15,000 shares were bought and 19,000 shares were sold.*

**WEEK THREE : 12/15 - 12/19**

Date	Value	Bought	Sold	Amount	Balance
					\$ 108,489.10
12/15/2003	2.24	x	8000	\$ 17,920.00	\$ 126,409.10
12/16/2003	2.27	x	2000	\$ 4,540.00	\$ 130,949.10
12/17/2003	2.15	10000	x	\$ 21,500.00	\$ 109,449.10
12/18/2003	2.18	8000	x	\$ 17,440.00	\$ 92,009.10
12/19/2003	2.21	x	8000	\$ 17,680.00	\$ 109,689.10

20004

*Fig.3.28 December Week Three Simulation: This week 18,000 shares were bought and 18,000 shares were sold.*

**WEEK FOUR : 12/22 - 12/26**

Date	Value	Bought	Sold	Amount	Balance
					\$ 109,689.10
12/22/2003	2.19	6000	x	\$ 13,140.00	\$ 96,549.10
12/24/2003	2.40	x	10000	\$ 24,000.00	\$ 120,549.10
12/26/2003	2.35	x	6000	\$ 14,100.00	\$ 134,649.10

10004

*Fig.3.29 December Week Four Simulation: With a rise in the price, 6,000 shares were bought followed by the sale of 16,000 shares.*

**WEEK FIVE : 12/29 - 12/31**

Date	Value	Bought	Sold	Amount	Balance
					\$ 134,649.10
12/29/2003	2.58	x	8000	\$ 20,640.00	\$ 155,289.10
12/30/2003	3.05	x	2004	\$ 6,112.20	\$ 161,401.30

0

*Fig.3.30 December Week Five Simulation: Closing out the trading, all shares were sold for a final balance of \$161,401.30. Marking an overall profit of \$61,401.30.*

### 3.6 ON Semiconductor



*Fig.3.31 ON Semiconductor Trading History*

ON Semiconductor Corp. of Phoenix, Arizona is a leading global supplier of advanced semiconductors that incorporates design needs of sophisticated electronic systems and products. The company's standard semiconductor parts are the base and are found within nearly all of the electronic devices on the market. The main goal and focus for the company is the design and manufacture of products that deliver power management effectively, efficiently, and reliably. To this date, ON Semiconductors has amassed a portfolio of almost 15,000 separate products that cover the eight general function categories of clock management, discrete, high performance logic, integrated functions, interface and special, power management, signal conditioning, and standard logic.

ON Semiconductor Corp. is listed within the Technology sector and Semiconductor industry. For the nine months ended 10/3/03, revenues fell 4% to \$790.5 million. Net loss applicable to Common rose 1% to \$109.5 million. I chose this stock

because of the fact that it the stock had been on a steady rise and shown no serious losses in the previous couple of months prior to simulation. Also, the fact that this company is in a technology sector and semiconductor industry, which is ideal for this type of trading, helped in the decision. It also helped me to create a diverse portfolio.

### **3.6a October Weekly Results**

#### **WEEK ONE : 10/1 - 10/3**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 100,000.00	
10/1/2003	4.28	23364	x	\$ 99,997.92	\$ 0.08	
10/3/2003	4.37	x	8000	\$ 34,960.00	\$ 34,960.08	15364

*Fig.3.32 October Week One Simulation: This week began by investing \$100,000. This bought 23364 shares in the company. 8,000 shares were sold this first week.*

#### **WEEK TWO : 10/6 - 10/10**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 34,960.08	
10/6/2003	4.26	5000	x	\$ 21,300.00	\$ 13,660.08	
10/7/2003	4.25	3000	x	\$ 12,750.00	\$ 910.08	
10/8/2003	4.30	x	4000	\$ 17,200.00	\$ 18,110.08	
10/9/2003	4.47	x	6000	\$ 26,820.00	\$ 44,930.08	
10/10/2003	4.50	x	8000	\$ 36,000.00	\$ 80,930.08	5364

*Fig.3.33 October Week Two Simulation: This week 8,000 shares were bought and 18,000 shares were sold after a gain.*

#### **WEEK THREE : 10/13 - 10/17**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 80,930.08	
10/13/2003	4.60	x	5000	\$ 23,000.00	\$ 103,930.08	
10/14/2003	4.49	10000	x	\$ 44,900.00	\$ 59,030.08	
10/15/2003	4.59	x	3000	\$ 13,770.00	\$ 72,800.08	
10/16/2003	4.60	x	5000	\$ 23,000.00	\$ 95,800.08	
10/17/2003	4.53	8000	x	\$ 36,240.00	\$ 59,560.08	10364

*Fig.3.34 October Week Three Simulation: This week 18,000 shares were bought and 13,000 shares were sold.*

**WEEK FOUR : 10/20 - 10/24**

Date	Value	Bought	Sold	Amount	Balance
					\$ 59,560.08
10/20/2003	4.60	x	6000	\$ 27,600.00	\$ 87,160.08
10/22/2003	4.49	5000	x	\$ 22,450.00	\$ 64,710.08
10/23/2003	4.30	5000	x	\$ 21,500.00	\$ 43,210.08
10/24/2003	4.19	8000	x	\$ 33,520.00	\$ 9,690.08

22364

*Fig.3.35 October Week Four Simulation: After a decline, 18,000 shares were bought and only 6,000 shares were sold.*

**WEEK FIVE : 10/27 - 10/31**

Date	Value	Bought	Sold	Amount	Balance
					\$ 9,690.08
10/27/2003	4.40	x	7000	\$ 30,800.00	\$ 40,490.08
10/28/2003	4.75	x	9000	\$ 42,750.00	\$ 83,240.08
10/29/2003	4.96	x	6300	\$ 31,248.00	\$ 114,488.08
10/30/2003	4.44	9000	x	\$ 39,960.00	\$ 74,528.08
10/31/2003	4.30	10000	x	\$ 43,000.00	\$ 31,528.08

19064

*Fig.3.36 October Week Five Simulation: This week 19,000 shares were bought and 22,300 shares were sold after an increase.*

**3.6b November Weekly Results****WEEK ONE : 11/3 - 11/7**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 31,528.08	
11/3/2003	4.38	x	7000	\$ 30,660.00	\$ 62,188.08	
11/4/2003	4.30	10000	x	\$ 43,000.00	\$ 19,188.08	
11/6/2003	4.43	x	3000	\$ 13,290.00	\$ 32,478.08	
11/7/2003	4.59	x	6000	\$ 27,540.00	\$ 60,018.08	

13064

*Fig.3.37 November Week One Simulation: This week 10,000 shares were bought while 16,000 shares were sold.*

**WEEK TWO : 11/10 - 11/14**

Date	Value	Bought	Sold	Amount	Balance
					\$ 60,018.08
11/10/2003	4.61	x	8000	\$ 36,880.00	\$ 96,898.08
11/11/2003	4.51	8000	x	\$ 36,080.00	\$ 60,818.08
11/12/2003	4.71	x	6000	\$ 28,260.00	\$ 89,078.08
11/13/2003	4.83	x	6000	\$ 28,980.00	\$ 118,058.08
11/14/2003	5.11	x	1000	\$ 5,110.00	\$ 123,168.08

64

*Fig.3.38 November Week Two Simulation: After an increase, 8,000 shares were bought and 21,000 shares were sold.*

**WEEK THREE : 11/17 - 11/21**

Date	Value	Bought	Sold	Amount	Balance
					\$ 123,168.08
11/17/2003	4.93	9000	x	\$ 44,370.00	\$ 78,798.08
11/18/2003	5.23	x	7000	\$ 36,610.00	\$ 115,408.08
11/19/2003	4.97	8000	x	\$ 39,760.00	\$ 75,648.08
11/21/2003	5.20	x	5000	\$ 26,000.00	\$ 101,648.08

5064

*Fig.3.39 November Week Three Simulation: After fluctuating around the \$5 mark, 17,000 shares were bought and 12,000 shares sold.*

**WEEK FOUR : 11/24 - 11/28**

Date	Value	Bought	Sold	Amount	Balance
					\$ 101,648.08
11/24/2003	5.49	x	5000	\$ 27,450.00	\$ 129,098.08

64

*Fig.3.40 November Week Four Simulation: With the price above \$5, under the rules of penny stock trading, no additional shares were purchased this week. However, 5,000 shares were sold.*

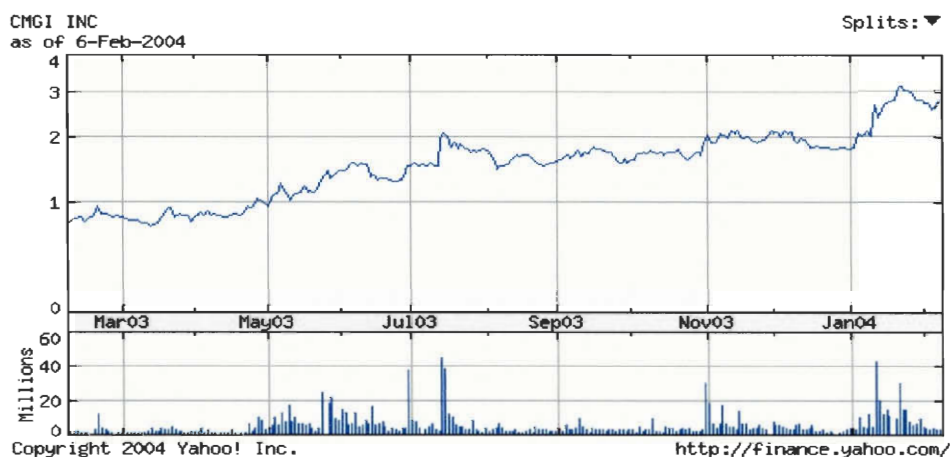
**3.6c December Weekly Results**

**WEEK ONE : 12/1 - 12/5**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 129,098.08	
12/3/2003	7.00	x	64	\$ 448.00	\$ 129,546.08	0

*Fig.3.41 December Week One Simulation: With the stock never returning to a trading value less than the \$5 dollar boundary, the only trade in the month of December was the selling of the last 64 shares. Closing out the trading, all shares were sold for a final balance of \$129,546.08. Marking an overall profit of \$29,546.08.*

### 3.7 CMGI



*Fig.3.42 CMGI Trading History*

CMGI Inc. of Charlestown, Massachusetts with its majority owned subsidiary, SalesLink Corporation and its fully owned subsidiary, SL Supply Chain Services International Corporation, provides technology and e-commerce solutions to aid and facilitate the marketing, selling and distribution of a business's goods and services. Applying technology to administer inventory and supply chain management, CMGI is able to deliver goods from manufacturer to customer across the entire e-business world. The company also boasts a venture capital arm comprised of venture capital funds used to invest in other technology companies, diversifying its approach and field.

CMGI Inc. is listed within the Financial sector and Miscellaneous Financial Services industry. For the three months ended 10/31/03, revenues fell 16% to \$94.9 million. Net income from continuing operations totaled \$30.4 million vs. a loss of \$46.7 million. I chose this stock because of the fact that over the past few months it had shown



a steady incline as well as the fact that the company had once been a company of great status, but had fallen on some hard times. These sorts of companies have the ability to rise again and are favored for this type of trading strategy. Also, being from the financial sector, it helped me create a diverse portfolio.

### **3.7a October Weekly Results**

#### **WEEK ONE : 10/1 - 10/3**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 100,000.00	
10/1/2003	1.60	62500	x	\$ 100,000.00	\$ -	
10/3/2003	1.70	x	12000	\$ 20,400.00	\$ 20,400.00	50500

*Fig.3.43 October Week One Simulation: This week began by investing \$100,000. This bought 62,500 shares in the company. 12,000 shares were sold this first week.*

#### **WEEK TWO : 10/6 - 10/10**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 20,400.00	
10/6/2003	1.69	x	7000	\$ 11,830.00	\$ 32,230.00	
10/7/2003	1.73	x	10000	\$ 17,300.00	\$ 49,530.00	
10/8/2003	1.69	5000	x	\$ 8,450.00	\$ 41,080.00	
10/9/2003	1.75	x	13000	\$ 22,750.00	\$ 63,830.00	
10/10/2003	1.73	x	10000	\$ 17,300.00	\$ 81,130.00	15500

*Fig.3.44 October Week Two Simulation: This week 5,000 shares were bought and 40,000 shares were sold.*

#### **WEEK THREE : 10/13 - 10/17**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 81,130.00	
10/14/2003	1.73	x	8000	\$ 13,840.00	\$ 94,970.00	
10/15/2003	1.67	12000	x	\$ 20,040.00	\$ 74,930.00	
10/16/2003	1.74	x	8000	\$ 13,920.00	\$ 88,850.00	
10/17/2003	1.72	x	3000	\$ 5,160.00	\$ 94,010.00	8500

*Fig.3.45 October Week Three Simulation: Keeping stable, 12,000 shares were bought and 19,000 shares were sold.*

**WEEK FOUR : 10/20 - 10/24**

Date	Value	Bought	Sold	Amount	Balance	
					\$ 94,010.00	
10/20/2003	1.73	x	3000	\$ 5,190.00	\$ 99,200.00	
10/21/2003	1.77	x	5000	\$ 8,850.00	\$ 108,050.00	
10/23/2003	1.65	10000	x	\$ 16,500.00	\$ 91,550.00	
10/24/2003	1.59	25000	x	\$ 39,750.00	\$ 51,800.00	35500

*Fig.3.46 October Week Four Simulation: With a slip this week, 35,000 shares were bought and 8,000 shares were sold.*

**WEEK FIVE : 10/27 - 10/31**

Date	Value	Bought	Sold	Amount	Balance	
					\$ 51,800.00	
10/28/2003	1.69	x	5000	\$ 8,450.00	\$ 60,250.00	
10/29/2003	1.73	x	6000	\$ 10,380.00	\$ 70,630.00	
10/30/2003	1.67	8000	x	\$ 13,360.00	\$ 57,270.00	
10/31/2003	1.88	x	15000	\$ 28,200.00	\$ 85,470.00	17500

*Fig.3.47 October Week Four Simulation: After some gains, 8,000 shares were bought and 26,000 shares were sold.*

**3.7b November Weekly Results**

**WEEK ONE : 11/3 - 11/7**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 85,470.00	
11/3/2003	2.04	x	15000	\$ 30,600.00	\$ 116,070.00	
11/4/2003	1.90	10000	x	\$ 19,000.00	\$ 97,070.00	
11/5/2003	1.89	14000	x	\$ 26,460.00	\$ 70,610.00	
11/6/2003	1.97	x	9000	\$ 17,730.00	\$ 88,340.00	
11/7/2003	2.07	x	12000	\$ 24,840.00	\$ 113,180.00	5500

*Fig.3.48 November Week One Simulation: With a fluctuation, 24,000 shares were bought and 36,000 shares were sold.*

**WEEK TWO : 11/10 - 11/14**

Date	Value	Bought	Sold	Amount	Balance	
					\$ 113,180.00	
11/10/2003	2.03	x	5000	\$ 10,150.00	\$ 123,330.00	
11/11/2003	1.98	12000	x	\$ 23,760.00	\$ 99,570.00	
11/12/2003	2.11	x	10000	\$ 21,100.00	\$ 120,670.00	
11/14/2003	2.12	x	2400	\$ 5,088.00	\$ 125,758.00	100

*Fig.3.49 November Week Two Simulation: After some gains, 12,000 shares were bought and 17,400 shares were sold.*

**WEEK THREE : 11/17 - 11/21**

Date	Value	Bought	Sold	Amount	Balance
					\$ 125,758.00
11/17/2003	2.02	5000	x	\$ 10,100.00	\$ 115,658.00
11/18/2003	1.97	10000	x	\$ 19,700.00	\$ 95,958.00
11/19/2003	2.02	x	8000	\$ 16,160.00	\$ 112,118.00
11/20/2003	1.96	10000	x	\$ 19,600.00	\$ 92,518.00
11/21/2003	1.93	12000	x	\$ 23,160.00	\$ 69,358.00

29100

*Fig.3.50 November Week Two Simulation: After a price decrease, 37,000 shares were bought and 8,000 shares were sold.*

**WEEK FOUR : 11/24 - 11/28**

Date	Value	Bought	Sold	Amount	Balance
					\$ 69,358.00
11/24/2003	1.88	10000	x	\$ 18,800.00	\$ 50,558.00
11/25/2003	1.93	x	8000	\$ 15,440.00	\$ 65,998.00
11/26/2003	1.95	x	10000	\$ 19,500.00	\$ 85,498.00
11/28/2003	2.12	x	15000	\$ 31,800.00	\$ 117,298.00

6100

*Fig.3.51 November Week Four Simulation: With some increase, 10,000 shares were bought and 33,000 shares were sold.*

**3.7c December Weekly Results****WEEK ONE : 12/1 - 12/5**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 117,298.00	
12/1/2003	2.07	x	3000	\$ 6,210.00	\$ 123,508.00	
12/2/2003	2.08	x	2000	\$ 4,160.00	\$ 127,668.00	
12/4/2003	2.12	x	1000	\$ 2,120.00	\$ 129,788.00	
12/5/2003	2.06	4000	x	\$ 8,240.00	\$ 121,548.00	4100

*Fig.3.52 December Week One Simulation: With continued success, 4,000 shares were bought and 6,000 shares were sold.*

**WEEK TWO : 12/8 - 12/12**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 121,548.00	
12/8/2003	2.08	x	3500	\$ 7,280.00	\$ 128,828.00	
12/9/2003	1.95	8000	x	\$ 15,600.00	\$ 113,228.00	
12/10/2003	1.89	10000	x	\$ 18,900.00	\$ 94,328.00	
12/11/2003	1.99	x	4000	\$ 7,960.00	\$ 102,288.00	
12/12/2003	1.94	5000	x	\$ 9,700.00	\$ 92,588.00	19600

*Fig.3.53 December Week Two Simulation: With a loss, 23,000 shares were bought and 7,500 shares sold.*

**WEEK THREE : 12/15 - 12/19**

Date	Value	Bought	Sold	Amount	Balance
					\$ 92,588.00
12/15/2003	1.86	x	4000	\$ 7,440.00	\$ 100,028.00
12/16/2003	1.80	5000	x	\$ 9,000.00	\$ 91,028.00
12/18/2003	1.83	x	8000	\$ 14,640.00	\$ 105,668.00

*Fig.3.54 December Week Three Simulation: With continued decline, 5,000 shares were bought and 12,000 shares were sold.*

**WEEK FOUR : 12/22 - 12/26**

Date	Value	Bought	Sold	Amount	Balance
					\$ 105,668.00
12/22/2003	1.82	x	5000	\$ 9,100.00	\$ 114,768.00
12/23/2003	1.82	x	6000	\$ 10,920.00	\$ 125,688.00
12/24/2003	1.79	6000	x	\$ 10,740.00	\$ 114,948.00
12/26/2003	1.78	4000	x	\$ 7,120.00	\$ 107,828.00

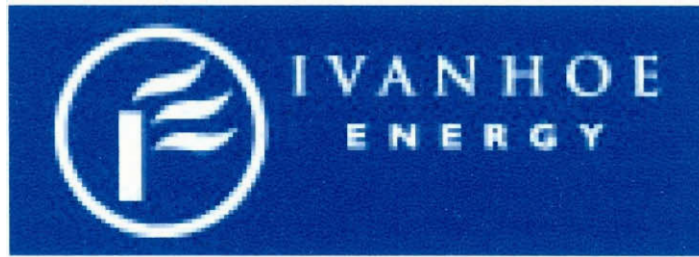
*Fig.3.55 December Week Four Simulation: With no recovery, 10,000 shares were bought and 11,000 shares were sold.*

**WEEK FIVE : 12/29 - 12/31**

Date	Value	Bought	Sold	Amount	Balance
					\$ 107,828.00
12/29/2003	1.82	x	6000	\$ 10,920.00	\$ 118,748.00
12/30/2003	1.81	x	4000	\$ 7,240.00	\$ 125,988.00
12/31/2003	1.78	x	1600	\$ 2,848.00	\$ 128,836.00

*Fig.3.56 December Week Five Simulation: Closing out the trading, all shares were sold for a final balance of \$128,836.00. Marking an overall profit of \$28,836.00.*

### 3.8 Ivanhoe Energy



*Fig.3.57 Ivanhoe Energy Trading History*

Ivanhoe Energy Inc. of Vancouver, British Columbia, Canada is an internationally engaged energy company that focuses on gas-to-liquids projects, recovery, exploration, and production. Ivanhoe has its focus on three important business plans: Production of cleaner burning fuels from natural gas using proven gas-to-liquids technology, natural gas and oil exploration and production in the United States, and natural gas and enhanced recovery developments on a production-sharing basis with national energy companies. With explorations, alliances, and properties in China, Ivanhoe is increasing its ventures throughout the world.

Ivanhoe Energy Inc. is listed within the Energy sector and Oil and Gas Operations industry. For the nine months ended 9/30/03, revenues rose 21% to \$7.3M. Net loss according to U.S. GAAP fell 45% to \$3.8 million. I chose this stock because of the fact

that over the past few months it had shown a steady incline as well as the fact the company had begun a greater expansion in it's China exploration. News was good about the future of this company. Also, being from an energy sector, the company helped me create a diverse portfolio.

### **3.8a October Weekly Results**

#### **WEEK ONE : 10/1 - 10/3**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 100,000.00	
10/1/2003	2.72	36764	x	\$ 99,998.08	\$ 0.92	
10/3/2003	2.82	x	8000	\$ 22,560.00	\$ 22,560.92	28764

*Fig.3.58 October Week One Simulation: This week began by investing \$100,000. This bought 36,764 shares in the company. 8,000 shares were sold this first week.*

#### **WEEK TWO : 10/6 - 10/10**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 22,560.92	
10/6/2003	2.84	x	8000	\$ 22,720.00	\$ 45,280.92	
10/7/2003	2.82	12000	x	\$ 33,840.00	\$ 11,440.92	
10/8/2003	3.09	x	10000	\$ 30,900.00	\$ 42,340.92	
10/9/2003	3.36	x	10000	\$ 33,600.00	\$ 75,940.92	
10/10/2003	3.99	x	12700	\$ 50,673.00	\$ 126,613.92	64

*Fig.3.59 October Week Two Simulation: After a significant increase, 12,000 shares were bought and 42,700 shares were sold.*

#### **WEEK THREE : 10/13 - 10/17**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 126,613.92	
10/13/2003	3.90	8000	x	\$ 31,200.00	\$ 95,413.92	
10/14/2003	3.91	3000	x	\$ 11,730.00	\$ 83,683.92	
10/15/2003	4.08	x	8000	\$ 32,640.00	\$ 116,323.92	
10/16/2003	3.88	4000	x	\$ 15,520.00	\$ 100,803.92	
10/17/2003	3.80	6000	x	\$ 22,800.00	\$ 78,003.92	13064

*Fig.3.60 October Week Three Simulation: This week 21,000 shares were bought and 8,000 shares were sold.*

**WEEK FOUR : 10/20 - 10/24**

Date	Value	Bought	Sold	Amount	Balance
					\$ 78,003.92
10/21/2003	3.28	10000	x	\$ 32,800.00	\$ 45,203.92
10/22/2003	3.31	8000	x	\$ 26,480.00	\$ 18,723.92
10/23/2003	3.38	x	7000	\$ 23,660.00	\$ 42,383.92
10/24/2003	3.83	x	12000	\$ 45,960.00	\$ 88,343.92

12064

*Fig.3.61 October Week Four Simulation: After a decline, 18,000 shares were bought and 19,000 shares were sold.*

**WEEK FIVE : 10/27 - 10/31**

Date	Value	Bought	Sold	Amount	Balance
					\$ 88,343.92
10/27/2003	4.29	x	8000	\$ 34,320.00	\$ 122,663.92
10/28/2003	4.58	x	4000	\$ 18,320.00	\$ 140,983.92
10/30/2003	4.30	10000	x	\$ 43,000.00	\$ 97,983.92
10/31/2003	4.51	x	8000	\$ 36,080.00	\$ 134,063.92

2064

*Fig.3.62 October Week Five Simulation: With another large rise, 10,000 shares were bought and 20,000 shares were sold.*

**3.8b November Weekly Results****WEEK ONE : 11/3 - 11/7**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 134,063.92	
11/3/2003	5.26	x	2050	\$ 10,783.00	\$ 144,846.92	14

*Fig.3.63 November Week One Simulation: After the stock rose above \$5, no shares were bought and 2050 shares were sold.*

**WEEK TWO : 11/10 - 11/14**

*Fig.3.64 November Week Two Simulation: After the stock value rose above \$5 and only 14 shares were owned, no transactions occurred in Week 2.*

**WEEK THREE : 11/17 - 11/21**

Date	Value	Bought	Sold	Amount	Balance
					\$ 144,846.92
11/19/2003	4.38	12000	x	\$ 52,560.00	\$ 92,286.92
11/20/2003	4.66	x	8000	\$ 37,280.00	\$ 129,566.92
11/21/2003	4.30	8000	x	\$ 34,400.00	\$ 95,166.92

2014

*Fig.3.65 November Week Three Simulation: After returning to a price less than \$5, 20,000 shares were bought and 8,000 shares were sold.*

**WEEK FOUR : 11/24 - 11/28**

Date	Value	Bought	Sold	Amount	Balance
					\$ 95,166.92
11/24/2003	4.32	2000	x	\$ 8,640.00	\$ 103,806.92
11/25/2003	4.42	x	4000	\$ 17,680.00	\$ 121,486.92
11/26/2003	4.33	5000	x	\$ 21,650.00	\$ 99,836.92
11/28/2003	4.35	x	2000	\$ 8,700.00	\$ 108,536.92

3014

*Fig.3.66 November Week Four Simulation: This week 7,000 shares were bought and 6,000 shares were sold.*

**3.8c December Weekly Results****WEEK ONE : 12/1 - 12/5**

Date	Value	Bought	Sold	Amount	Balance
					\$ 108,536.92
12/1/2003	4.13	x	3000	\$ 12,390.00	\$ 120,926.92
12/2/2003	3.91	4000	x	\$ 15,640.00	\$ 105,286.92
12/3/2003	3.45	6000	x	\$ 20,700.00	\$ 84,586.92
12/4/2003	3.60	x	6000	\$ 21,600.00	\$ 106,186.92
12/5/2003	3.44	6000	x	\$ 20,640.00	\$ 85,546.92

Shares

10014

*Fig.3.67 December Week One Simulation: After continued decline, 16,000 shares were bought and 9,000 shares sold.*

**WEEK TWO : 12/8 - 12/12**

Date	Value	Bought	Sold	Amount	Balance
					\$ 85,546.92
12/8/2003	3.13	8000	x	\$ 25,040.00	\$ 60,506.92
12/9/2003	2.82	10000	x	\$ 28,200.00	\$ 32,306.92
12/10/2003	3.63	x	9000	\$ 32,670.00	\$ 64,976.92
12/11/2003	3.87	x	10000	\$ 38,700.00	\$ 103,676.92
12/12/2003	3.87	x	5000	\$ 19,350.00	\$ 123,026.92

4014

*Fig.3.68 December Week Two Simulation: After decline then recovery, 18,000 shares were bought and 24,000 shares were sold.*

**WEEK THREE : 12/15 - 12/19**

Date	Value	Bought	Sold	Amount	Balance
					\$ 123,026.92
12/15/2003	3.77	6000	x	\$ 22,620.00	\$ 100,406.92
12/16/2003	3.84	x	8000	\$ 30,720.00	\$ 131,126.92
12/17/2003	3.78	6000	x	\$ 22,680.00	\$ 108,446.92
12/18/2003	3.85	x	5000	\$ 19,250.00	\$ 127,696.92
12/19/2003	4.25	x	3000	\$ 12,750.00	\$ 140,446.92

14

*Fig.3.69 December Week Three Simulation: This week 12,000 shares were bought and 16,000 shares were sold.*



**WEEK FOUR : 12/22 - 12/26**

Date	Value	Bought	Sold	Amount	Balance
					\$ 140,446.92
12/23/2003	4.02	3000	x	\$ 12,060.00	\$ 128,386.92
12/24/2003	3.95	5000	x	\$ 19,750.00	\$ 108,636.92
12/26/2003	4.02	x	5000	\$ 20,100.00	\$ 128,736.92

3014

*Fig. 3.70 December Week Four Simulation: This week 8,000 shares were bought and 5,000 shares were sold.*

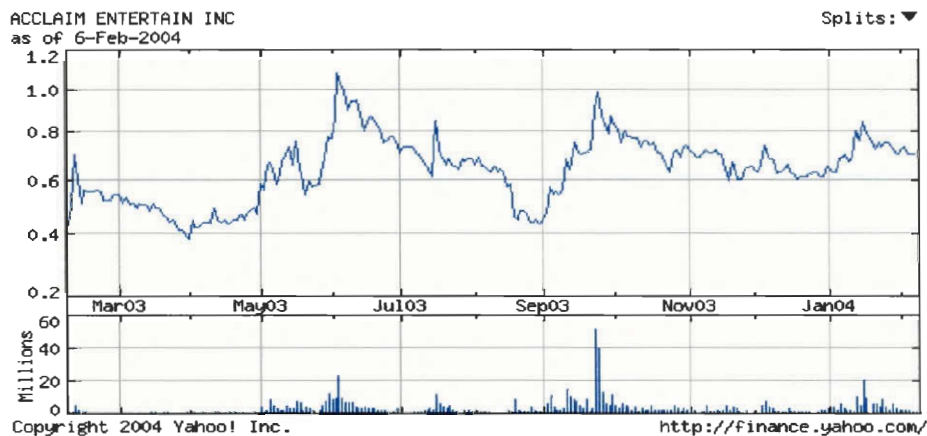
**WEEK FIVE : 12/29 - 12/31**

Date	Value	Bought	Sold	Amount	Balance
					\$ 128,736.92
12/29/2003	3.90	5000	x	\$ 19,500.00	\$ 109,236.92
12/30/2003	3.83	3000	x	\$ 11,490.00	\$ 97,746.92
12/31/2003	3.74	x	11014	\$ 41,192.36	<b>\$ 138,939.28</b>

0

*Fig. 3.71 December Week Five Simulation: Closing out the trading, all shares were sold for a final balance of \$138,939.28. Marking an overall profit of \$38,939.28.*

**3.9 Acclaim Entertainment**



*Fig. 3.72 Acclaim Entertainment Trading History*

Acclaim Entertainment Inc. of Glen Cove, New York is an entertainment company that develops, publishes, markets, and distributes interactive entertainment software for numerous hardware such as Sony's PlayStation 2, Microsoft's Xbox,

Nintendo's GameCube and Game Boy Advance and, personal computer systems. The company develops software internally, through its six software development studios located in the United States and the United Kingdom as well as engaging third parties to create software for the company. Acclaim distributes its products directly to retailers and other outlets through its subsidiaries in North America, the United Kingdom, Germany, France, Japan, Spain, and Australia. The company utilizes a brand structure and markets its products under four distinct key brands: Acclaim, AKA Acclaim, Acclaim Sports and Club Acclaim.

Acclaim Entertainment Inc. is listed within the Technology sector and Software and Programming industry. For the comparable six months ended 9/28/03, revenues fell 36% to \$74.4 million. Net loss fell 14% to \$22.1 million. Looking at the performance chart, it is easy to see that the stock is rather volatile, fluctuating in price. I felt this to be a good opportunity to trade a somewhat risky stock at a relatively low trading price. The technology sector also adds to the diversity of my portfolio.

### **3.9a October Weekly results**

**WEEK ONE : 10/1 - 10/3**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 100,000.00	
10/1/2003	0.83	120481	X	\$ 99,999.23	\$ 0.77	120481

*Fig.3.73 October Week One Simulation: This week began by investing \$100,000. This bought 120,481 shares in the company. No additional trading of shares took place this week.*

**WEEK TWO : 10/6 - 10/10**

Date	Value	Bought	Sold	Amount	Balance
					\$ 0.77
10/6/2003	0.80	x	40000	\$ 32,000.00	\$ 32,000.77
10/8/2003	0.78	x	10000	\$ 7,800.00	\$ 39,800.77
10/9/2003	0.77	x	8000	\$ 6,160.00	\$ 45,960.77

62481

*Fig.3.74 October Week Two Simulation: After some decline, no shares were bought and 58,000 shares were sold.*

**WEEK THREE : 10/13 - 10/17**

Date	Value	Bought	Sold	Amount	Balance
					\$ 45,960.77
10/13/2003	0.73	12000	x	\$ 8,760.00	\$ 37,200.77
10/14/2003	0.76	x	10000	\$ 7,600.00	\$ 44,800.77
10/15/2003	0.76	x	8000	\$ 6,080.00	\$ 50,880.77
10/16/2003	0.74	8000	x	\$ 5,920.00	\$ 44,960.77

64481

*Fig.3.75 October Week Three Simulation: After continued decline, 20,000 shares were bought and 18,000 shares were sold.*

**WEEK FOUR : 10/20 - 10/24**

Date	Value	Bought	Sold	Amount	Balance
					\$ 44,960.77
10/20/2003	0.71	9000	x	\$ 6,390.00	\$ 38,570.77
10/22/2003	0.69	6000	x	\$ 4,140.00	\$ 34,430.77
10/24/2003	0.63	15000	x	\$ 9,450.00	\$ 24,980.77

94481

*Fig.3.76 October Week Four Simulation: Falling further in value, 30,000 shares were bought and no shares were sold.*

**WEEK FIVE : 10/27 - 10/31**

Date	Value	Bought	Sold	Amount	Balance
					\$ 24,980.77
10/27/2003	0.71	x	10000	\$ 7,100.00	\$ 32,080.77
10/28/2003	0.72	x	10000	\$ 7,200.00	\$ 39,280.77
10/29/2003	0.69	9000	x	\$ 6,210.00	\$ 33,070.77
10/30/2003	0.72	x	12000	\$ 8,640.00	\$ 41,710.77
10/31/2003	0.74	x	25000	\$ 18,500.00	\$ 60,210.77

46481

*Fig.3.77 October Week Five Simulation: After some gains for the first time since its purchase, 9,000 shares were bought and 57,000 shares were sold.*

### **3.9b November Weekly Results**

#### **WEEK ONE : 11/3 - 11/7**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 60,210.77	
11/3/2003	0.72	x	10000	\$ 7,200.00	\$ 67,410.77	
11/4/2003	0.71	x	8000	\$ 5,680.00	\$ 73,090.77	
11/5/2003	0.69	12000	x	\$ 8,280.00	\$ 64,810.77	
11/7/2003	0.70	x	8000	\$ 5,600.00	\$ 70,410.77	32481

*Fig.3.78 November Week One Simulation: This week 12,000 shares were bought and 26,000 shares were sold.*

#### **WEEK TWO : 11/10 - 11/14**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 70,410.77	
11/10/2003	0.72	x	10000	\$ 7,200.00	\$ 77,610.77	
11/11/2003	0.71	x	8000	\$ 5,680.00	\$ 83,290.77	
11/13/2003	0.72	x	10000	\$ 7,200.00	\$ 90,490.77	
11/14/2003	0.70	x	4000	\$ 2,800.00	\$ 93,290.77	481

*Fig.3.79 November Week Two Simulation: Staying consistent, no shares were bought and 32,000 shares were sold.*

#### **WEEK THREE : 11/17 - 11/21**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 93,290.77	
11/18/2003	0.64	12000	x	\$ 7,680.00	\$ 85,610.77	
11/19/2003	0.59	20000	x	\$ 11,800.00	\$ 73,810.77	
11/20/2003	0.67	x	15000	\$ 10,050.00	\$ 83,860.77	
11/21/2003	0.63	12000	x	\$ 7,560.00	\$ 76,300.77	29481

*Fig.3.80 November Week Three Simulation: Falling in value, 44,000 shares were bought and 15,000 shares were sold.*

#### **WEEK FOUR : 11/24 - 11/28**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 76,300.77	
11/24/2003	0.60	15000	x	\$ 9,000.00	\$ 67,300.77	
11/26/2003	0.64	x	12000	\$ 7,680.00	\$ 74,980.77	
11/28/2003	0.65	x	15000	\$ 9,750.00	\$ 84,730.77	17481

*Fig.3.81 November Week Four Simulation: This week 15,000 shares were bought and 27,000 shares were sold.*

### 3.9c December Weekly Results

#### WEEK ONE : 12/1 - 12/5

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 84,730.77	
12/1/2003	0.64	x	10000	\$ 6,400.00	\$ 91,130.77	
12/2/2003	0.63	14000	x	\$ 8,820.00	\$ 82,310.77	
12/3/2003	0.66	x	10000	\$ 6,600.00	\$ 88,910.77	
12/4/2003	0.74	x	11000	\$ 8,140.00	\$ 97,050.77	
12/5/2003	0.69	10000	x	\$ 6,900.00	\$ 90,150.77	10481

*Fig.3.82 December Week One Simulation: After some gains, 24,000 shares were bought and 31,000 shares were sold.*

#### WEEK TWO : 12/8 - 12/12

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 90,150.77	
12/8/2003	0.68	8000	x	\$ 5,440.00	\$ 84,710.77	
12/10/2003	0.62	14000	x	\$ 8,680.00	\$ 76,030.77	
12/11/2003	0.63	12000	x	\$ 7,560.00	\$ 68,470.77	
12/12/2003	0.64	x	10000	\$ 6,400.00	\$ 74,870.77	34481

*Fig.3.83 December Week Two Simulation: Dropping again, 34,000 shares were bought and 10,000 shares were sold.*

#### WEEK THREE : 12/15 - 12/19

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 74,870.77	
12/15/2003	0.66	x	12000	\$ 7,920.00	\$ 82,790.77	
12/16/2003	0.63	8000	x	\$ 5,040.00	\$ 77,750.77	
12/17/2003	0.62	9000	x	\$ 5,580.00	\$ 72,170.77	
12/18/2003	0.60	12000	x	\$ 7,200.00	\$ 64,970.77	51481

*Fig.3.84 December Week Three Simulation: Continuing the decline, 29,000 shares were bought and 12,000 shares were sold.*

#### WEEK FOUR : 12/22 - 12/26

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 64,970.77	
12/23/2003	0.61	x	10000	\$ 6,100.00	\$ 71,070.77	
12/24/2003	0.62	x	12000	\$ 7,440.00	\$ 78,510.77	
12/26/2003	0.63	x	16000	\$ 10,080.00	\$ 88,590.77	13481

*Fig.3.85 December Week Four Simulation: This week no shares were bought and 38,000 shares sold.*

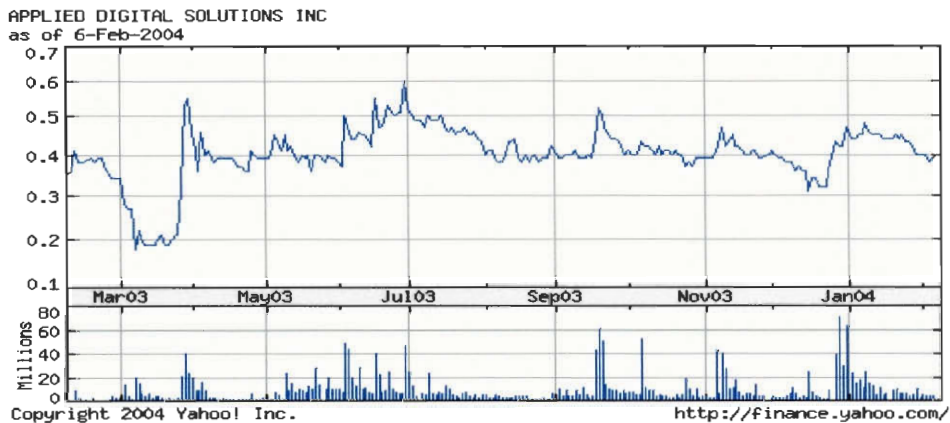
**WEEK FIVE : 12/29 - 12/31**

Date	Value	Bought	Sold	Amount	Balance
					\$ 88,590.77
12/29/2003	0.61	x	5000	\$ 3,050.00	\$ 91,640.77
12/30/2003	0.61	x	7000	\$ 4,270.00	\$ 95,910.77
12/31/2003	0.65	x	1481	\$ 962.65	<b>\$ 96,873.42</b>

0

*Fig.3.86 December Week Five Simulation: Closing out the trading, all shares were sold for a final balance of \$96,873.42. Marking an overall loss of \$3,126.58.*

**3.10 Applied Digital Solutions**



*Fig.3.87 Applied Digital Solutions Trading History*

Applied Digital Solutions Inc. of Palm Beach, Florida is an advanced technology security based development company. The major focuses on life-enhancing, personal safeguard technologies, early-warning alert systems, miniaturized power sources, security-monitoring systems, and the data management services needed to support these technologies. Operating in three business segments, Advanced Technology, Digital Angel Corporation and SysComm International, Applied Digital Solutions is in development stages for four significant products. These products include Digital Angel used for monitoring and tracking people and objects, Thermo Life, a thermoelectric generator; VeriChip, an implantable radio frequency verification device that can be used for

security, financial, personal identification/safety and other applications, and Bio-Thermo, a temperature-sensing implantable microchip for use in pets, livestock and other animals.

Applied Digital Solutions Inc. is located within the Technology sector and Communications Equipment industry. For the nine months ended 9/30/03, revenues fell 11% to \$69.8 million. Net income from continued operations totaled \$28.8 million vs. a net loss of \$50 million. I chose this stock because of the fact that it the stock had shown no serious losses in the previous couple of months prior to simulation and the relatively low trading price could allow for some larger trading volume for the simulation. The technology sector the company trades in also adds diversity to the portfolio.

### **3.10a October Weekly Results**

#### **WEEK ONE : 10/1 - 10/3**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 100,000.00	
10/1/2003	0.41	243902	x	\$ 99,999.82	\$ 0.18	243902

*Fig.3.88 October Week One Simulation: This week began by investing \$100,000. This bought 243,902 shares in the company. No additional trading of shares took place this week.*

#### **WEEK TWO : 10/6 - 10/10**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 0.18	
10/6/2003	0.41	x	25000	\$ 10,250.00	\$ 10,250.18	
10/7/2003	0.43	x	80000	\$ 34,400.00	\$ 44,650.18	
10/8/2003	0.42	x	60000	\$ 25,200.00	\$ 69,850.18	
10/9/2003	0.42	x	60000	\$ 25,200.00	\$ 95,050.18	
10/10/2003	0.41	50000	x	\$ 20,500.00	\$ 74,550.18	68902

*Fig.3.89 October Week Two Simulation: After some increase, 50,000 shares were bought and 225,000 shares were sold.*

**WEEK THREE : 10/13 - 10/17**

Date	Value	Bought	Sold	Amount	Balance
					\$ 74,550.18
10/13/2003	0.40	40000	x	\$ 16,000.00	\$ 58,550.18
10/14/2003	0.42	x	60000	\$ 25,200.00	\$ 83,750.18
10/15/2003	0.40	40000	x	\$ 16,000.00	\$ 67,750.18
10/17/2003	0.41	x	20000	\$ 8,200.00	\$ 75,950.18

68902

*Fig.3.90 October Week Three Simulation: This week 80,000 shares were bought and 80,000 shares were sold.*

**WEEK FOUR : 10/20 - 10/24**

Date	Value	Bought	Sold	Amount	Balance
					\$ 75,950.18
10/20/2003	0.40	30000	x	\$ 12,000.00	\$ 63,950.18
10/21/2003	0.41	x	40000	\$ 16,400.00	\$ 80,350.18
10/24/2003	0.37	40000	x	\$ 14,800.00	\$ 65,550.18

98902

*Fig.3.91 October Week Two Simulation: After a drop, 70,000 shares were bought and 40,000 shares were sold.*

**WEEK FIVE : 10/27 - 10/31**

Date	Value	Bought	Sold	Amount	Balance
					\$ 65,550.18
10/27/2003	0.38	20000	x	\$ 7,600.00	\$ 57,950.18
10/28/2003	0.37	30000	x	\$ 11,100.00	\$ 46,850.18
10/29/2003	0.39	x	50000	\$ 19,500.00	\$ 66,350.18
10/31/2003	0.39	x	40000	\$ 15,600.00	\$ 81,950.18

58902

*Fig.3.92 October Week Five Simulation: This week 50,000 shares were bought and 90,000 shares were sold.*

**3.10b November Weekly Results**

**WEEK ONE : 11/3 - 11/7**

Date	Value	Bought	Sold	Amount	Balance
					\$ 81,950.18
11/5/2003	0.39	x	10000	\$ 3,900.00	\$ 85,850.18
11/6/2003	0.41	x	15000	\$ 6,150.00	\$ 92,000.18
11/7/2003	0.42	x	18000	\$ 7,560.00	\$ 99,560.18

Shares

15902

*Fig.3.93 November Week One Simulation: After a gain, no shares were bought and 43,000 shares were sold.*



**WEEK TWO : 11/10 - 11/14**

Date	Value	Bought	Sold	Amount	Balance
					\$ 99,560.18
11/10/2003	0.47	x	15000	\$ 7,050.00	\$ 106,610.18
11/11/2003	0.42	30000	x	\$ 12,600.00	\$ 94,010.18
11/12/2003	0.43	10000	x	\$ 4,300.00	\$ 89,710.18
11/13/2003	0.45	x	25000	\$ 11,250.00	\$ 100,960.18
11/14/2003	0.42	20000	x	\$ 8,400.00	\$ 92,560.18

35902

*Fig.3.94 November Week Two Simulation: With an increase in value, 60,000 shares were bought and 40,000 shares were sold.*

**WEEK THREE : 11/17 - 11/21**

Date	Value	Bought	Sold	Amount	Balance
					\$ 92,560.18
11/17/2003	0.42	10000	x	\$ 4,200.00	\$ 88,360.18
11/18/2003	0.41	12000	x	\$ 4,920.00	\$ 83,440.18
11/19/2003	0.40	14000	x	\$ 5,600.00	\$ 77,840.18
11/21/2003	0.41	x	15000	\$ 6,150.00	\$ 83,990.18

56902

*Fig.3.95 November Week Three Simulation: After another decline, 36,000 shares were bought and 15,000 shares were sold.*

**WEEK FOUR : 11/24 - 11/28**

Date	Value	Bought	Sold	Amount	Balance
					\$ 83,990.18
11/24/2003	0.41	x	20000	\$ 8,200.00	\$ 92,190.18
11/25/2003	0.39	18000	x	\$ 7,020.00	\$ 85,170.18
11/28/2003	0.40	x	14000	\$ 5,600.00	\$ 90,770.18

40902

*Fig.3.96 November Week Four Simulation: Staying constant, 18,000 shares were bought and 34,000 shares were sold.*

**3.10c December Weekly Results****WEEK ONE : 12/1 - 12/5**

Date	Value	Bought	Sold	Amount	Balance	Shares
					\$ 90,770.18	
12/1/2003	0.41	x	15000	\$ 6,150.00	\$ 96,920.18	
12/2/2003	0.40	x	10000	\$ 4,000.00	\$ 100,920.18	
12/3/2003	0.39	15000	x	\$ 5,850.00	\$ 95,070.18	
12/5/2003	0.38	20000	x	\$ 7,600.00	\$ 87,470.18	

50902

*Fig.3.97 December Week One Simulation: This week 35,000 shares were bought and 25,000 shares were sold.*

**WEEK TWO : 12/8 - 12/12**

Date	Value	Bought	Sold	Amount	Balance
					\$ 87,470.18
12/9/2003	0.38	x	15000	\$ 5,700.00	\$ 93,170.18
12/10/2003	0.36	30000	x	\$ 10,800.00	\$ 82,370.18
12/11/2003	0.37	x	20000	\$ 7,400.00	\$ 89,770.18
12/12/2003	0.36	20000	x	\$ 7,200.00	\$ 82,570.18

65902

*Fig.3.98 December Week Two Simulation: After some loss, 50,000 shares were bought and 35,000 shares were sold.*

**WEEK THREE : 12/15 - 12/19**

Date	Value	Bought	Sold	Amount	Balance
					\$ 82,570.18
12/16/2003	0.31	30000	x	\$ 9,300.00	\$ 73,270.18
12/17/2003	0.34	x	20000	\$ 6,800.00	\$ 80,070.18
12/18/2003	0.34	x	20000	\$ 6,800.00	\$ 86,870.18
12/19/2003	0.32	15000	x	\$ 4,800.00	\$ 82,070.18

65902

*Fig.3.99 December Week Three Simulation: After continued decline, 45,000 shares were bought and 40,000 were sold.*

**WEEK FOUR : 12/22 - 12/26**

Date	Value	Bought	Sold	Amount	Balance
					\$ 82,070.18
12/22/2003	0.32	15000	x	\$ 4,800.00	\$ 77,270.18
12/23/2003	0.32	x	10000	\$ 3,200.00	\$ 80,470.18
12/24/2003	0.36	x	20000	\$ 7,200.00	\$ 87,670.18
12/26/2003	0.43	x	30000	\$ 12,900.00	\$ 100,570.18

20902

*Fig.3.100 December Week Four Simulation: After steady growth, 15,000 shares were bought and 60,000 shares were sold.*

**WEEK FIVE : 12/29 - 12/31**

Date	Value	Bought	Sold	Amount	Balance
					\$ 100,570.18
12/29/2003	0.42	x	10000	\$ 4,200.00	\$ 104,770.18
12/30/2003	0.42	x	10000	\$ 4,200.00	\$ 108,970.18
12/31/2003	0.47	x	902	\$ 423.94	\$ 109,394.12

0

*Fig.3.101 December Week Five Simulation: Closing out the trading, all shares were sold for a final balance of \$109,394.12. Marking an overall profit of \$9,394.12.*

### 3.11 Stock Performance By Month

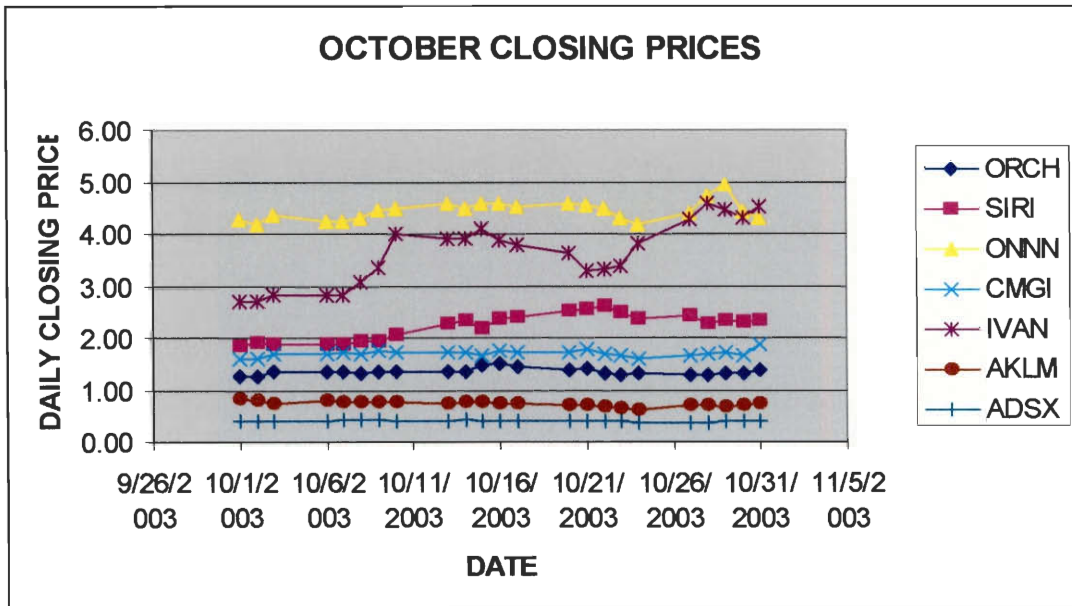


Fig. 3.102 Graphical Representation of Company's October Daily Closing Price

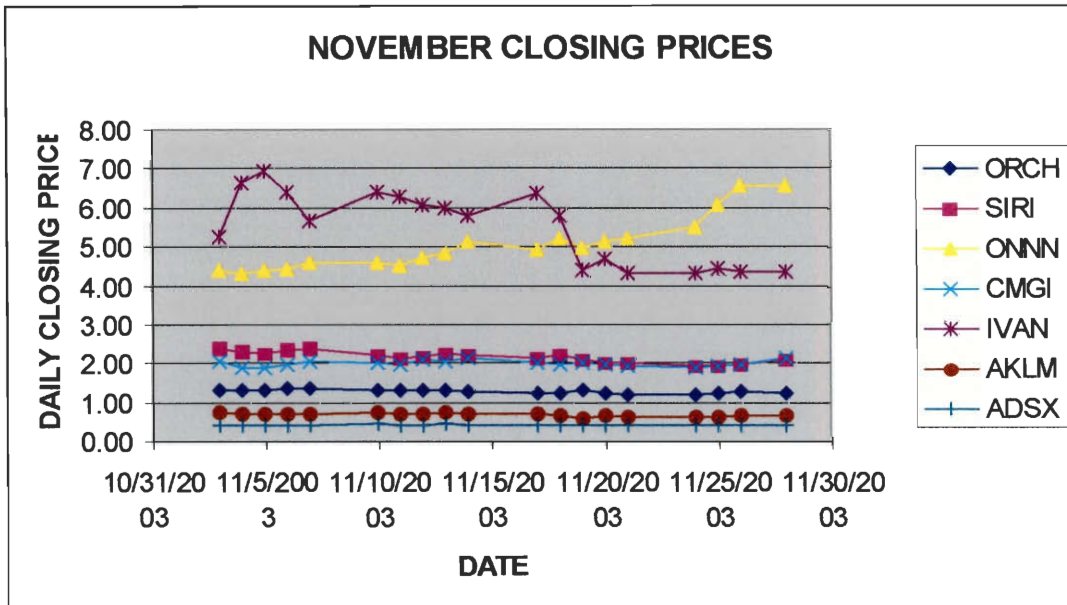


Fig. 3.103 Graphical Representation of Company's November Daily Closing Price



Fig. 3.104 Graphical Representation of Company's December Daily Closing Price

### 3.12 Conclusion

In conclusion, this project was interesting as well as challenging. The research completed provided some great starting points for an attempt at stock trading and allowed for the formulation of an individual strategy based on previous performance and instinct. Overall, this project was a success considering the fact that after an initial investment of \$700,000, a total profit of \$109,356.40. This success is marked by the performances of the companies and their stocks, the increase of the market as a whole, and of course there is some luck involved. Greater success may have resulted by higher trading volume, but failure and financial losses may have also resulted.

## **Chapter 4 Rapid Stock Trading**

In this chapter we will be discussing the various types of rapid stock trading, explaining the risks and advantages associated with each. There is a section devoted to trading tips and dangers containing helpful information you should keep in mind when trading. A short description of the companies' stocks we traded with is included as well. The main section of this chapter contains all off our trading data as well as brief summaries of how the trading went for each week.

### **4.1 Rapid Trading Description:**

Rapid trading can be broken up into many different types of trading most depending on the length of time between buying and selling the shares. There is scalp trading, day trading, overnight trading and swing trading, each separated according to the time between buying and selling your shares. Each type of trading has its pros and cons so it is important about each to help you decide that type that fits your style of trading the best.

Scalp trading is where you buy and sell a stock very quickly, usually aiming for an increase of only a fraction of a point over only a few minutes time frame. When using scalp trading, usually one buys a large amount of lower cost stocks (usually referred to as liquid stocks). This type of trading is probably the riskiest type, since you both gain and lose a lot of money even with very small changes in the market. Since fractions of a second can make the difference between gaining or losing, this type of trading is usually avoided by your average trader, as most people would find it overly stressing, and the chances of losing big, fast drives many people away.

Another type of rapid trading would be the more well-known day trading. This type of trading involves buying and selling a stock within the same trading session, usually anywhere from 15 minutes to a few hours later. Like scalp-trading, day trading can be very risky, as some unexpected news could easily send what was a promising prospect plummeting, and taking your money with it. Day trading, along with scalp trading, can create a high-stress environment that many people do not wish to take part in.

A third type of rapid trading is referred to as overnight trading. As the name implies, these are stocks that are usually bought before the market closes, hoping to see a carry over from good day performance through the night, with good opening performance the next day. Overnight trades can also start out as day trades that had a steady increase that warranted the extra delay in selling. The problem with overnight trading is that you can't react quickly to bad news, you are stuck waiting until the market officially opens the next day, leaving you almost helpless if such a situation were to arise.

The final type of rapid trading is called swing trading. These are stocks that are usually kept for two to five days, hoping to ride small daily increases in a particular stock. Day trades can also turn into swing trades if the potential for longer growth is high. Since you are watching the stock for a much longer time than day-trading or scalp-trading, you will be less concerned about the minute by minute changes and more about a stock's momentum. For instance, if a stock is steadily increasing, then suddenly drops a small amount, chances are it will gain back the loss in a short time. Small losses are not as important, as there is plenty of time for the stock to improve.

For our actual trading, we focused on scalp trading and day trading, as all of trades were opened and closed within the same day, some lasting only a few minutes, others lasting hours. Since we were just using a method called paper trading (where you just simulate trading, instead of using actual money), it allowed us to take more risks with our buying and selling than someone usually would when trading.

#### **4.2 Rapid Trading Tips and Dangers:**

After reading through some trading guides on the internet and after doing some paper trading ourselves, we have come up with a fairly large list of helpful hints and common pitfalls that people face when dealing with day trading. Of course, this is not an exhaustive list, but it will still give you a basic idea as to the mindset and strategy you should try to follow when trading.

- A. If a stock you have bought sees a fairly large increase, say over \$1.00 per share for example, a good move would be to sell some of your shares to lock in the profit and keep the rest riding the market to see if you can gain any more out of the stock. A large increase like this usually means the stock is having a strong day, and hopefully will continue to increase. By selling, say, half of your shares, you make money right now, and even if the stock drops, you should still be able to sell for a profit. If you decide to sell all your shares at once, and then the stock has another big increase, you'll kick yourself for not staying with it longer. However, if you keep all your shares, you might see all of your gains turn to very little, or even worse a loss. By selling some of your shares you ease the side of your mind that wants to cash in immediately, as well as satisfying the side of you that is hoping to squeeze out just a little more.

- B. One of the problems that come up are whether to sell a stock that has dropped a fair amount, or keep it, hoping to see a rebound later on. A good idea to help deal with this situation is to choose a reasonable loss value that you will not exceed, called a stop value. By choosing to not lose more than 10% of the original stocks value, for instance, you can avoid losing big by keeping your losses as small as possible. One way to think of it is that you want your losses to always to less than your gains, but if you ride out losses too long, it can be hard to come back from one or more bad losses. Selling early may increase the number of times you lose money on a trade, but hopefully you will be losing less money overall as you minimize your losses.
- C. When buying a stock, make sure you have a specific stop in mind. Using stops is useless if you do not plan on using them ahead of time, as you will probably end up being indecisive and changing what you would consider an acceptable lose.
- D. After choosing a stop value, do not let yourself change that value. There is no reason to use a stop if you are just going to end up changing your mind later. Using stops effectively can be a huge step towards limiting your losses when trading.
- E. Another tip that is similar to number 1 is to never let a decent gain turn into a loss. Either by selling all your shares or even only a fraction. Try to resist the urge to let the stock sit on a gain, hoping for just a little more. Sure, you may have missed out on a big increase that came after you sold all your shares, but



missing out on a big gain is much better than losing money because you waited too long to sell.

- F. If a stock opens at a much higher price than it closed at, the tendency is for the stock to fall down to a more reasonable level during the day. Thus you should avoid buying stocks in this situation, since they are usually more unstable and chances are you will just end up losing money.
- G. One thing people may not realize is that you do not have to trade large volumes of shares in order to make money on the stock market. Sure, you may see larger gains when you are doing well, but you will also see larger losses when things are not going the way you had hoped. The idea when playing the stock market is to make money over the long run, not just go for a few big scores, because you might end up wiping out your gains with many losses. Another thing about trading is that the more shares you buy, the more you tend to worry about what is happening to those shares. If you buy many thousand shares, you might have a large amount of your life savings riding on the rise and fall of only a few points in the market. This may give you tunnel vision and make you more susceptible to making rash and unintelligence decisions with your trading. By trading with fewer stocks, you can feel more relaxed and allow yourself to think more clearly, especially when you are not doing so well. You may be able to take a smaller loss easier, rather than having so much riding on your shares that you feel you need always having a gain and end up losing a lot more.
- H. Do not make trades just for the sake of making a trade. Only make a move after you have fully researched the stock, its past performance, and you are

comfortable with your chances of it performing well. When making trades on a whim, you are making a uninformed guess at what might happen and chances are, you are going to lose more often than you are going to gain. One of the few things about the stock market that you can control is how much time you spend doing research and preparing for trades.

- I. Always remember to learn from your losses. Try to not let your pride get the best of you. You have to know when to accept your losses and be able to look back and realize what you might have done wrong that you can avoid the next time around. Losing money is just a way of life when trading; no one gains makes a profit on every trade they make. You have to realize this going in, else you may end up missing opportunities because you were still worrying about your previous mistakes.
- J. As much as you losing can affect your trading, so can winning. You can not let profits go to your head and cause you to make greedy decisions. You should try to enter each trade with a clean slate, as this will allow you to look without the depressing thoughts of past failures or the ego-built feelings of your previous profits.
- K. Judging the markets reaction to certain news can be invaluable when trading. A certain news story or even speculation could affect the market in a number ways. Thus, listening to what is going on outside of the market itself, can give you great insight as to what might happen inside of it.

### **4.3 Stocks Chosen**

Basically when we chose our stocks, we wanted diversity. So we chose expensive stocks, ones which had high prices and inexpensive stocks, ones which had low prices. This way we could compare whether it was better to buy many small stocks and wait for them to change, or buy few large stocks and wait for them to change. We also looked for diversity in the companies we chose; we wanted many companies from many different markets, like technology, power, automobiles, food, clothing and apparel, etc. We also went back and viewed the past history of the company. We reviewed their past opening and closing numbers. We reviewed how well the company's earnings have been and if there have been any significant headlines about the company. Basically we reviewed and monitored every detail of each company so that we could choose a well diversified portfolio and decide what the best way was to go about Rapid Stock Trading.

### 4.3a Apple Computer Inc. (AAPL)

1 Infinite Loop  
Cupertino, CA 95014  
Phone: (408) 996-1010  
Fax: (408) 996-0275  
Email: [investor\\_relations@apple.com](mailto:investor_relations@apple.com)  
Web Site: <http://www.apple.com/>



*Figure 4.1 Apple Computer trading history*

Apple Computer Inc. designs, produces and markets both personal computers and applications involved with personal computers. Apple focuses primarily on sales of computers to educational facilities, consumers, and business companies. Apple's primary products include the Macintosh desktop and notebook PCs, devices designed to supplement desktop and notebook PCs, products involved with networking and connectivity, along with many kinds of third-party hardware products. Apple also produces software products and computer technologies which include Mac OS X operating systems; professional application software; consumer-, education- and business-oriented application software; Internet products and technologies, and wireless connectivity and networking products. Apple Computer also controls many of its own retail stores and as of September 30, 2003, Apple opened sixty five retail stores in the

United States. Its retail stores not only carry their own products but many third party hardware and software products as well. Apple Computer is a member of the S&P 500 and the NASDAQ 100.

#### **4.3b Burlington Coat Factory (BCF)**

1830 Route 130 North  
Burlington, NJ 08016  
Phone: (609) 387-7800  
Fax: (609) 387-7071  
Email: [customer.relations@coat.com](mailto:customer.relations@coat.com)  
Web Site: <http://www.coat.com/>



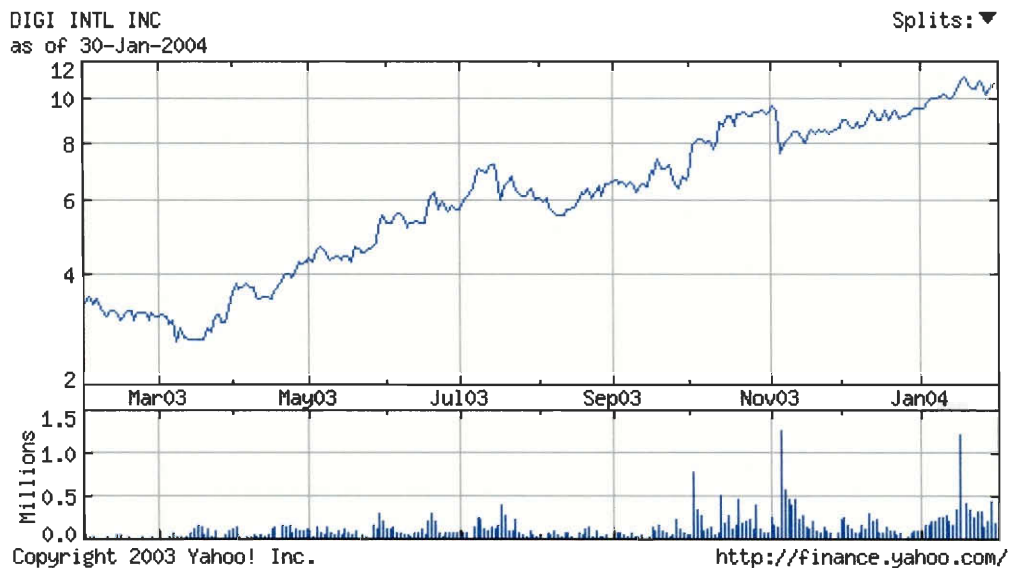
*Figure 4.2 Burlington Coat Factory trading history*

Burlington Coat Factory Warehouse Corporation operates its business through its Burlington Coat Factory chain of stores, which consists of 307 department stores around New England. These stores market and offer to consumers of all ages and genders a variety of middle to high priced brand named merchandise. These products include but are not limited to accessories like watches and jewelry, coats, perfumes, and a complete line of men's women's and children's clothing, and many other affordable items. Many of these department stores are not limited to clothing and apparel but also offer a wide line

of home furnishings and linen departments. This corporation also operates other department stores such as Cohoes Fashions which offers similar merchandise but in the higher price range, Luxury Linens which offers bath and body items, gifts and many other accessories and operates in the middle to higher price range, and MJM Designer Shoes which offers to consumers moderately priced footwear and high fashion shoes. Burlington Coat Factory is a member of the S&P 600 SmallCap.

#### **4.3c Digi International Inc. (DGII)**

11001 Bren Road East  
 Minnetonka, MN 55343  
 Phone: (952) 912-3444  
 Fax: (952) 912-4991  
 Email: [ir@dgii.com](mailto:ir@dgii.com)  
 Web Site: <http://www.digi.com/>



*Figure 4.3 Digi International trading history*

Digi international focuses its business on the design and worldwide distribution of connecting devices to networks from multi-port serial control to universal serial bus (USB) connectivity and to embedded networking. With the acquisition of NetSilicon in September 2002 Digi was able to enter the solution-on-chip and integrated networking

software market. This greatly increased Digi capabilities and opened them up to new revenue. Digi products are compatible with all sorts of personal computer platforms including, IBM, Compaq, Hewlett-Packard and Sun Microsystems, as well as many of the most popular operating systems, such as Windows, Linux and UNIX. Digi's primary markets for these products are industrial automation, medical, hospitality, network cameras, information displays, and office networking. Digi International's is a member of the S&P 600 SmallCap.

#### **4.3d El Paso Corporation (EP)**

El Paso Building, 1001 Louisiana Street  
 Houston, TX 77002  
 Phone: (713) 420-2600  
 Fax: (713) 420-4417  
 Email: [bruce.connery@elpaso.com](mailto:bruce.connery@elpaso.com)  
 Web Site: <http://www.elpaso.com/>



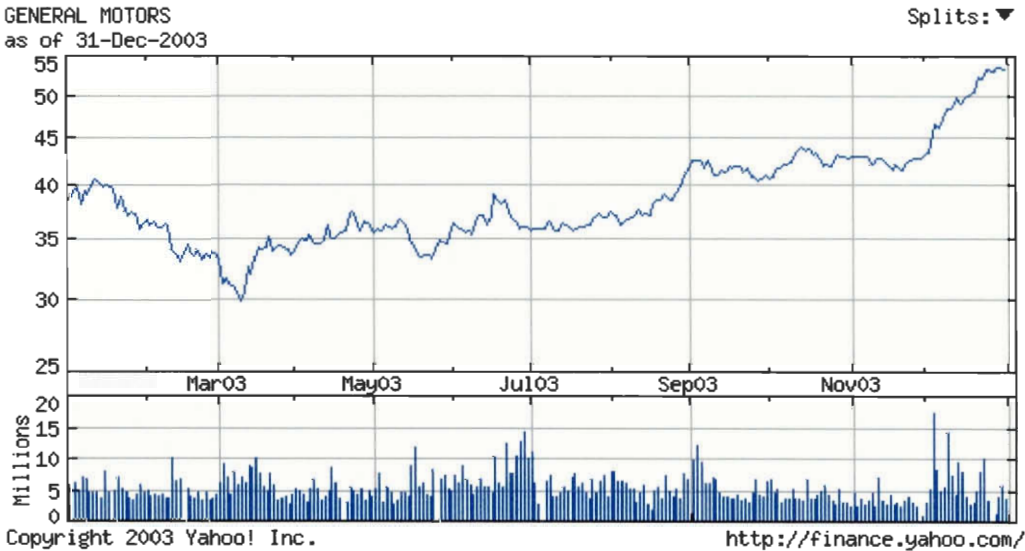
*Figure 4.4 El Paso Corporation trading history*

El Paso is an energy company who operates through out the world and whose ventures vary from natural gas production and collection to the generation of power. El Paso runs its business through four separate parts: production, filed services, merchant

energy, and pipelines. Each different part of El Paso strives to provide a variety of products and services. Also, El Paso leases a vast amount of land domestically, approximately four million net acres in 16 different states. El Paso is also focused on selling off its businesses which are capital intensive, like energy trading, petroleum markets, and liquefied natural gas operations. El Paso Corporation is a member of the S&P 500.

**4.3e General Motors Corporation (GM)**

300 Renaissance Center  
Detroit, MI 48265  
Phone: (313) 556-5000  
Fax: (313) 556-5108  
Web Site: <http://www.gm.com/>



*Figure 4.5 General Motors trading history*

General Motors is focused on automotive related business, which includes the designing, marketing and creation of vehicles and any other aspect that includes automobiles. General Motors also provides communication services and financing and insurance operations. The communication services include items like digital entertainment and satellite based business networks. The company is primarily based in



the United States, but its business does extend to other areas of the world, such as Europe and Asia. General Motors is a member of the S&P 500 and the DOW Industrials.

#### **4.3f Kraft Foods Inc. (KFT)**

Three Lakes Drive  
Northfield, IL 60093  
Phone: (847) 646-2000  
Fax: (847) 646-6005  
Email: [ir@kraft.com](mailto:ir@kraft.com)  
Web Site: <http://www.kraft.com/>

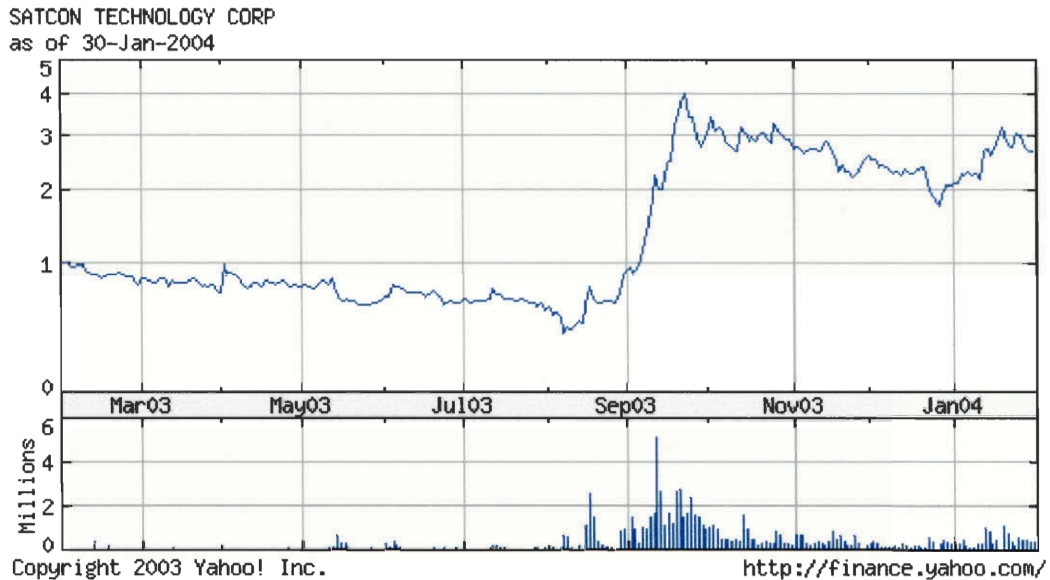


*Figure 4.6 Kraft Foods trading history*

Kraft Foods focuses on packaged food products like cheese, beverages, and other convenient grocery products. Kraft also has a world wide market which operates through two divisions, Kraft Foods North America Inc. which focuses in the United States and manages itself by product category and Kraft Foods International which manages itself by geographic region. Both divisions provide similar food and beverage products. Kraft Foods does not have an index membership.

### 4.3g Satcon Technology Corporation (SATC)

161 First Street  
Cambridge, MA 02142  
Phone: (617) 661-0540  
Fax: (617) 661-3373  
Email: [investor.relations@satcon.com](mailto:investor.relations@satcon.com)  
Web Site: <http://www.satcon.com/>



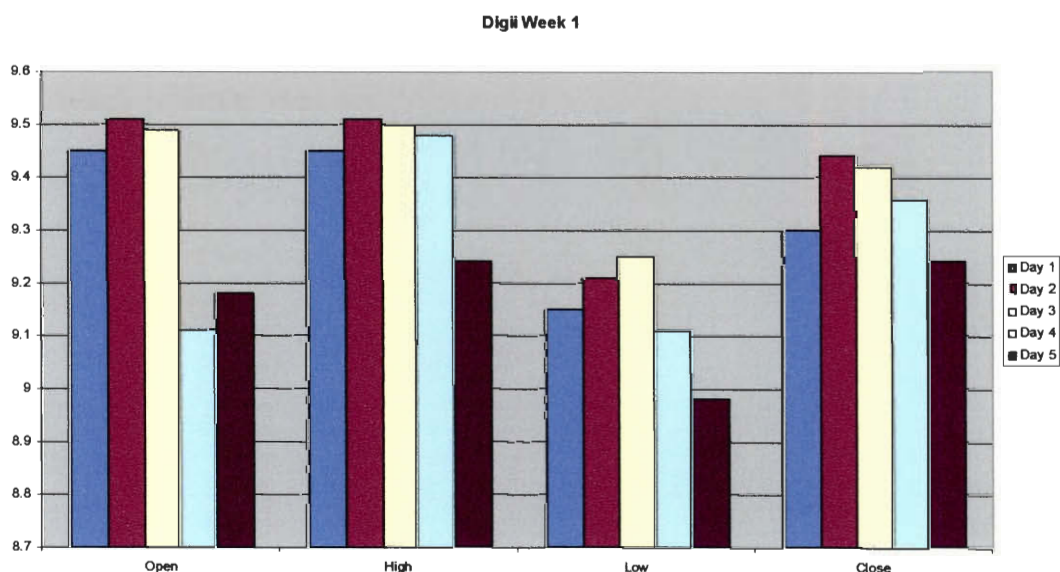
*Figure 4.7 Satcon Technology trading history*

Satcon Technology focuses its business market on the design and development of high power electronics and other high performance electrical machines designed for specific purposes. Their products are mainly designed for power control, which means storing and managing electricity. SatCon conducts business with the United States Government and military and many private businesses. SatCon has three major divisions, Power Systems which engineers power systems, Electronics which design and produce electronics and Applied Technology which conducts research and development with third party companies. SatCon focuses its businesses in the United States. SatCon does not have an index membership.

## 4.4 Simulation Results

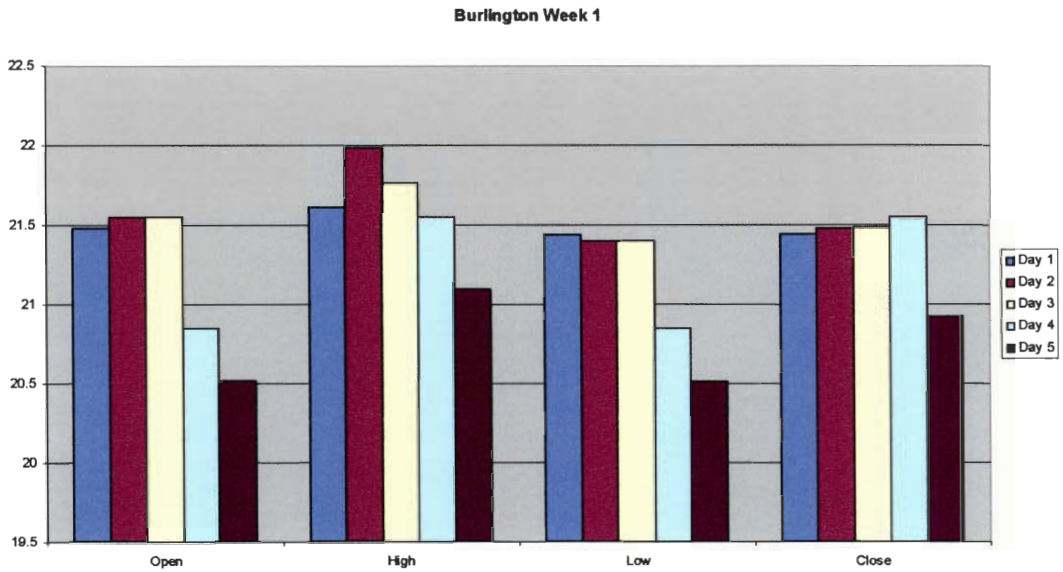
Rapid stock trading comes with its ups and downs, some days we made an amazing profit and other days we lost money on every transaction, the following is a week to week break down of how each of our stocks did. But first we must mention that each week we did not trade every single stock, instead we watched all of them day by day and only traded when that particular stock seemed like it would yield money, and we watched their business headlines and traded accordingly. We began this simulation period with a budget of \$350,000 and set out to make as much money as possible and learn as much as possible as we simulated the stock market.

### 4.4a Week 1



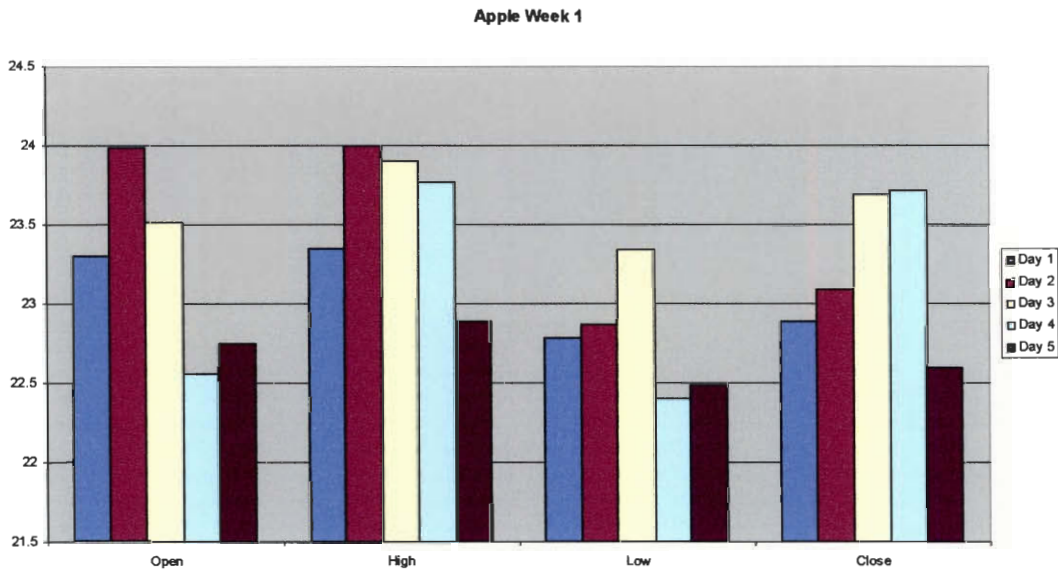
*Figure 4.8 Digi trading week 1*

We bought 1,000 shares of Digii and then sold them for a profit of \$140.



*Figure 4.9 Burlington Coat Factory trading week 1*

We bought 1,000 shares of Burlington Coat Factory and made a profit of \$130.

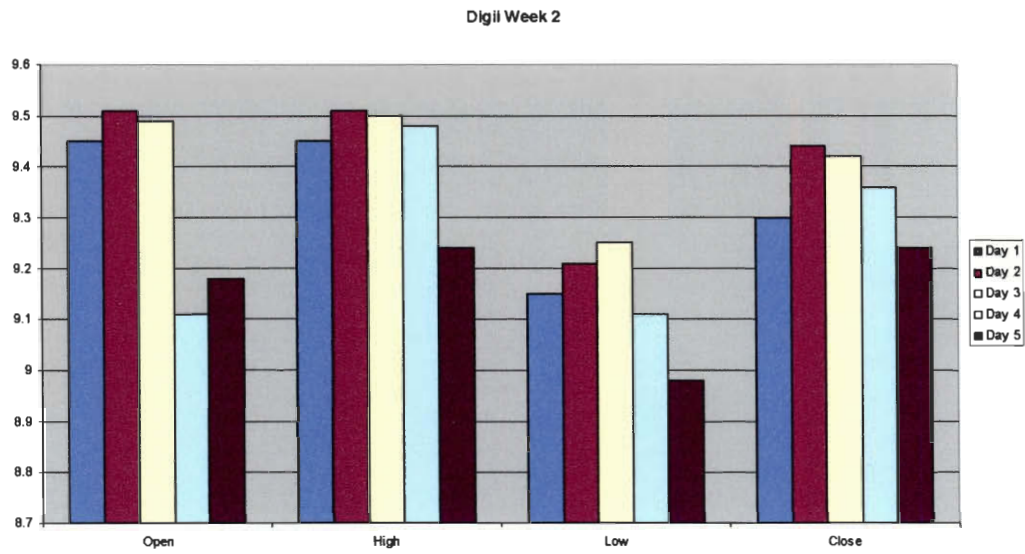


*Figure 4.10 Apple Computers trading week 1*

We purchased 1,000 shares of Apple but only made a profit of \$70.

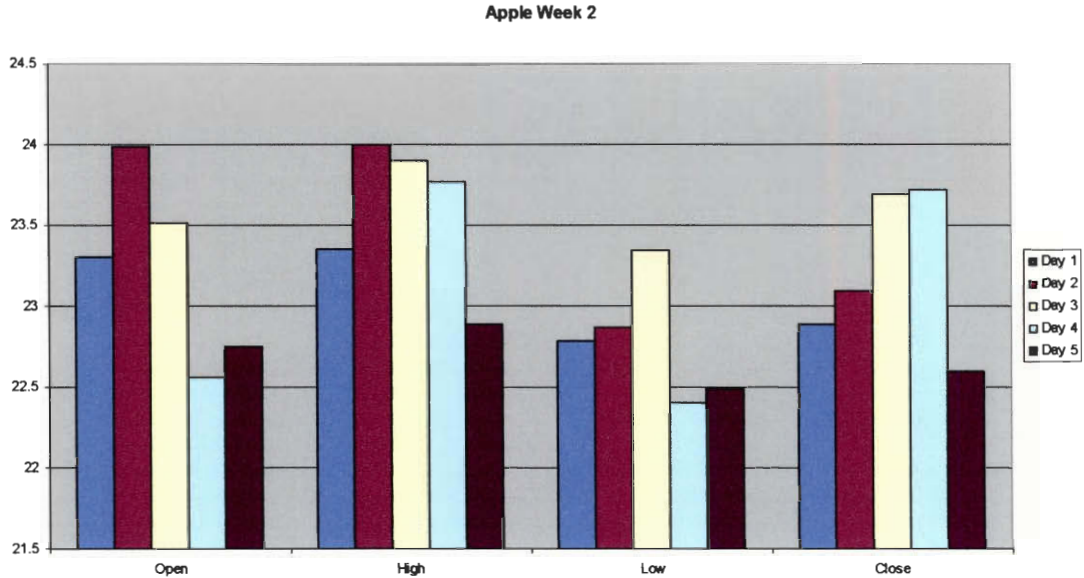
Overall, week 1 provided us a total profit of \$340 and we used this first week as a learning experience.

## 4.4b Week 2



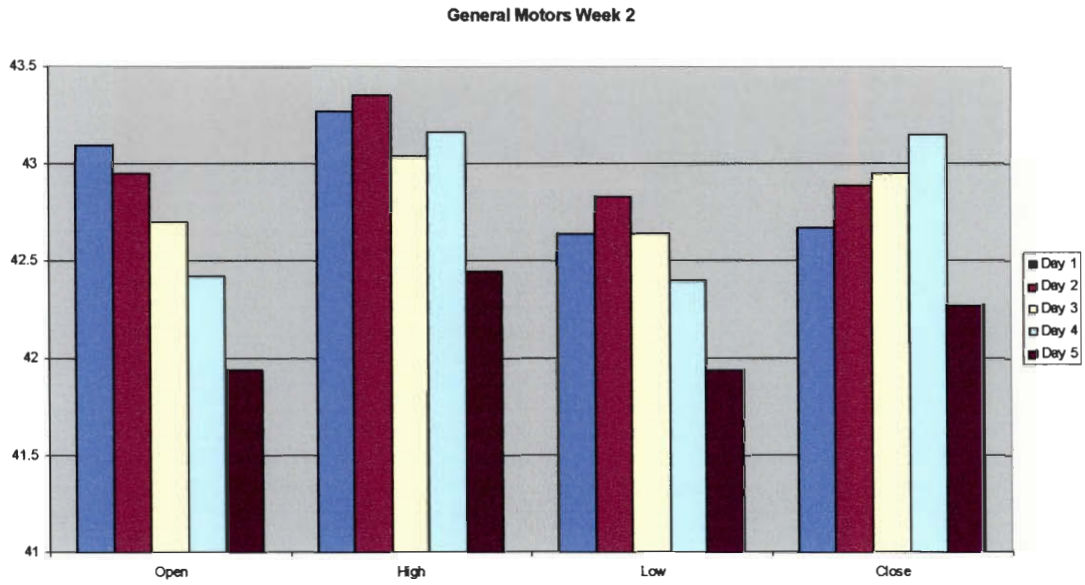
*Figure 4.11 Digi International trading week 2*

We purchased 5,000 shares of Digi and made a profit of \$310.



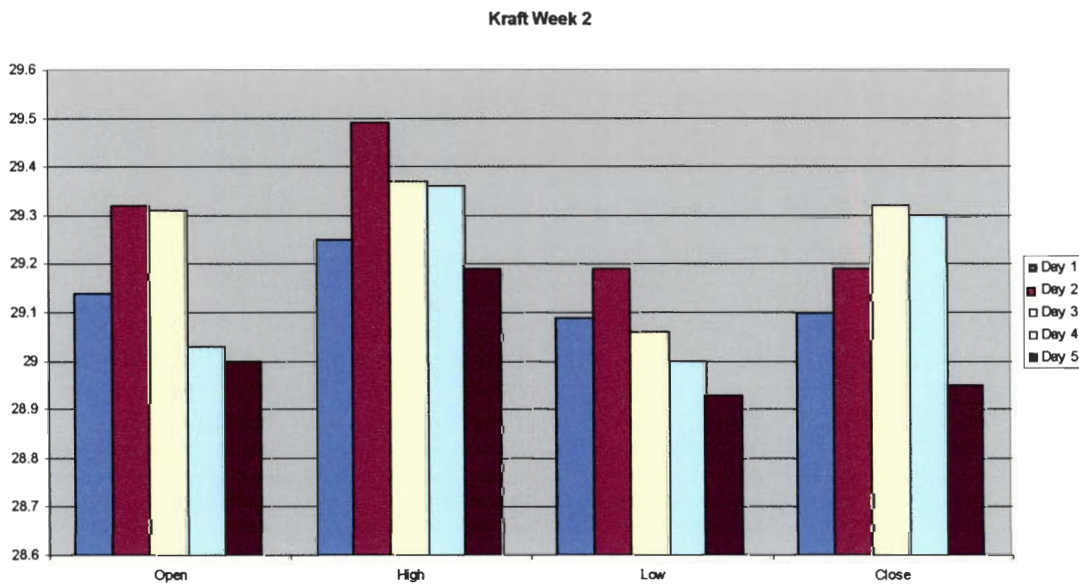
*Figure 4.12 Apple Computers trading week 2*

We bought 5000 shares of Apple and made a profit of \$250.



*Figure 4.13 General Motors Trading week 2*

We bought 7500 shares of General Motors and made a profit of \$725.



*Figure 4.14 Kraft Foods trading week 2*

We bought 2500 shares of Kraft Foods and made a profit of \$620

El Paso Week 2

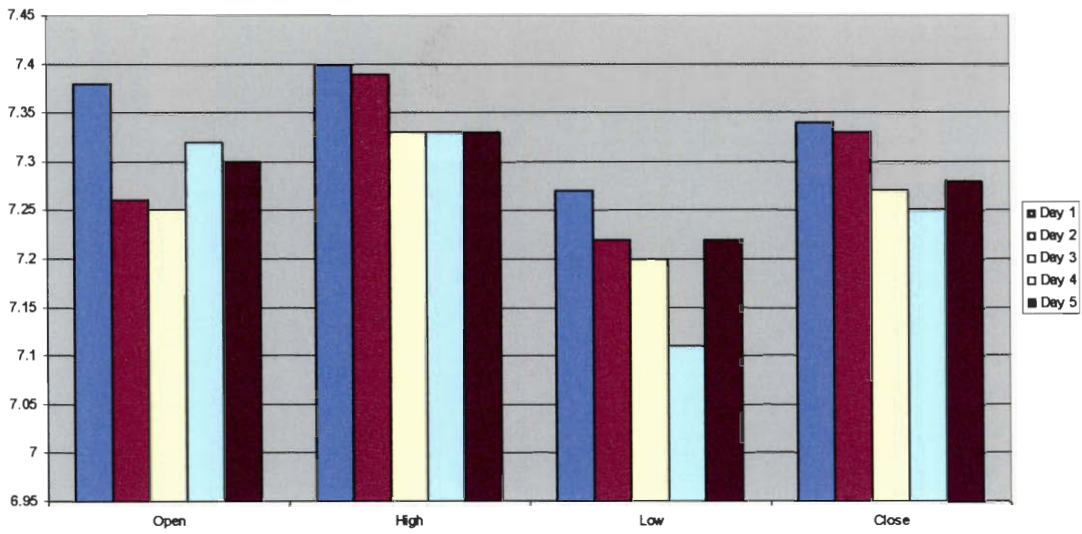


Figure 4.15 El Paso Corporation trading week 2

We bought 7500 shares of El Paso and then sold them for a profit of \$250.

Satcon Week 2

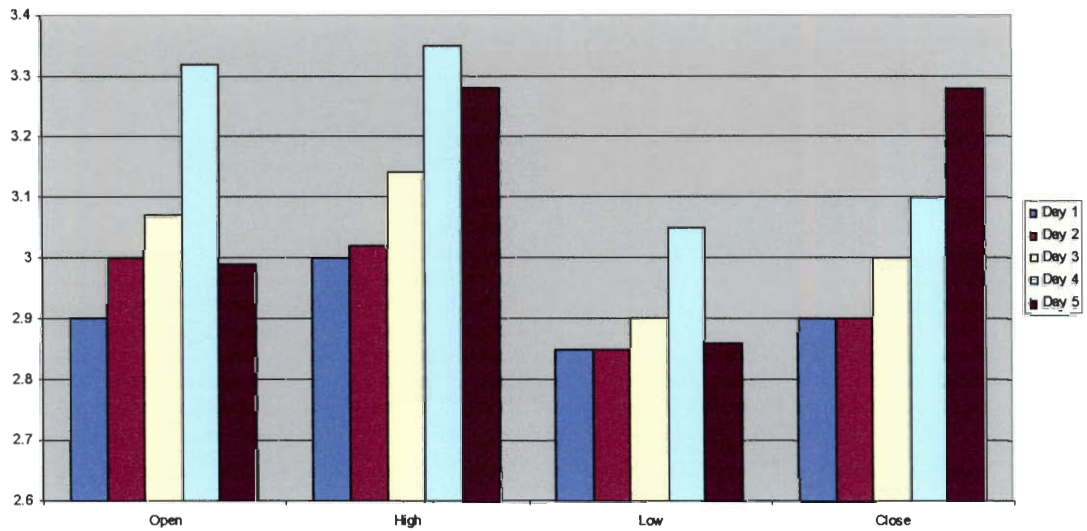
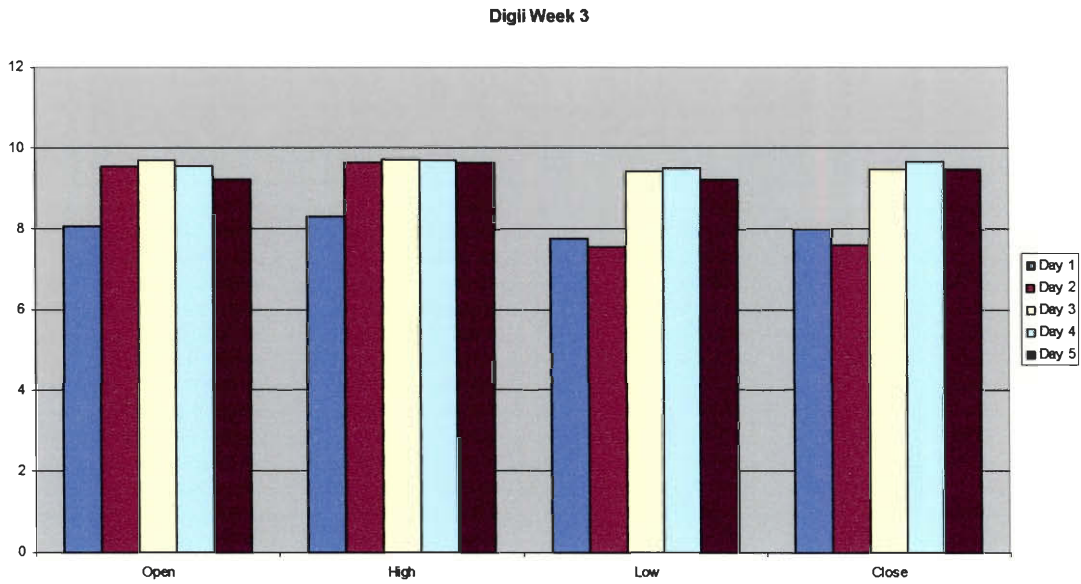


Figure 4.16 Satcon Technologys trading week 2

We bought 12,000 shares of Satcon Technology and made a profit of \$720.

Overall Week 2 came out to a total profit of \$2,875, which shows that we learned from week one and applied that knowledge to earn more money.

### 4.4c Week 3



*Figure 4.17 Digi International trading week 3*

We bought 10,000 shares of Digii and sold them for a profit of \$1,550.



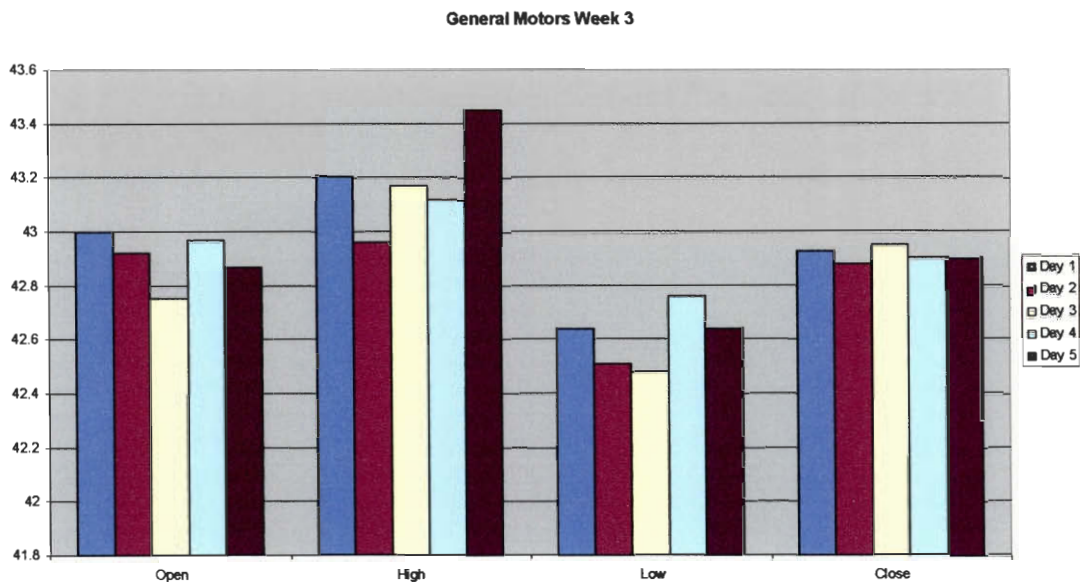


Figure 4.18 General Motors trading week 3

We bought 7,000 shares of General Motors and sold them for a profit of \$2,100.

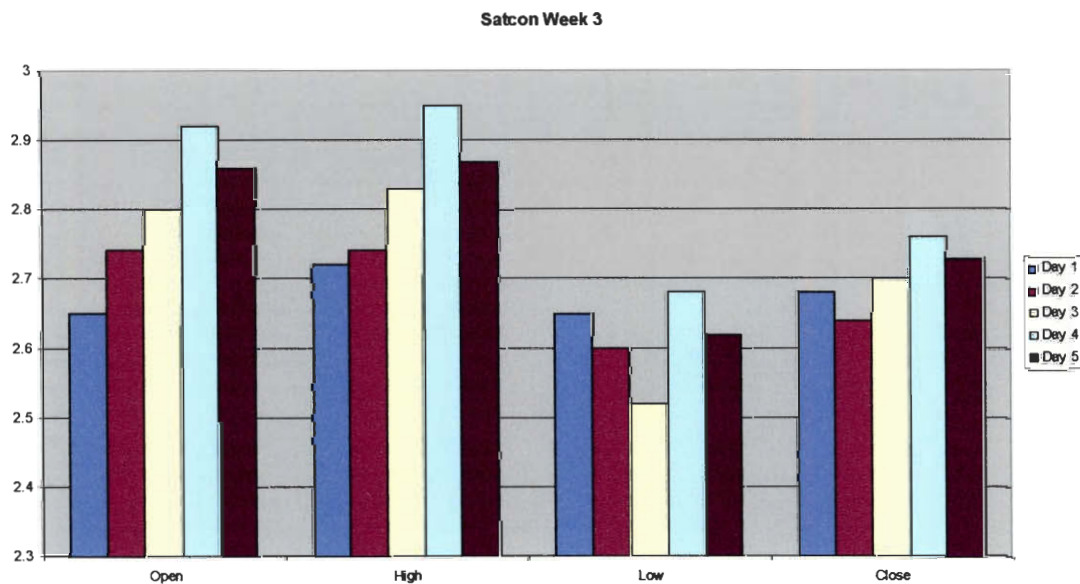


Figure 4.19 Satcon Technology trading for week 3

We bought 55,000 shares of Satcon Technology and sold them for a profit of \$3,250.

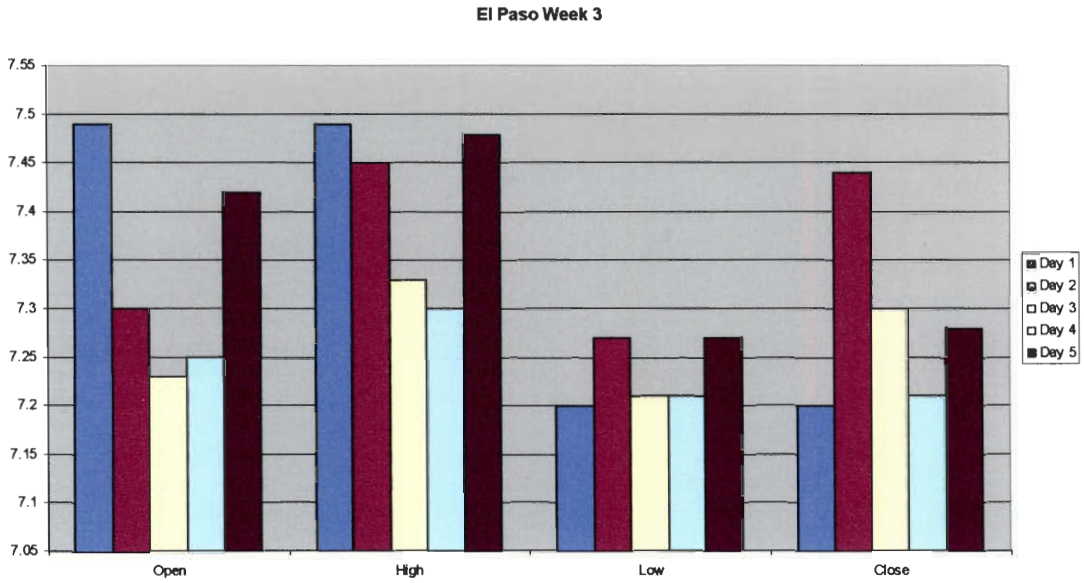


Figure 4.20 El Paso Corporation trading for week 3

We bought 20,000 shares of El Paso and then sold them for a profit of \$1,000.

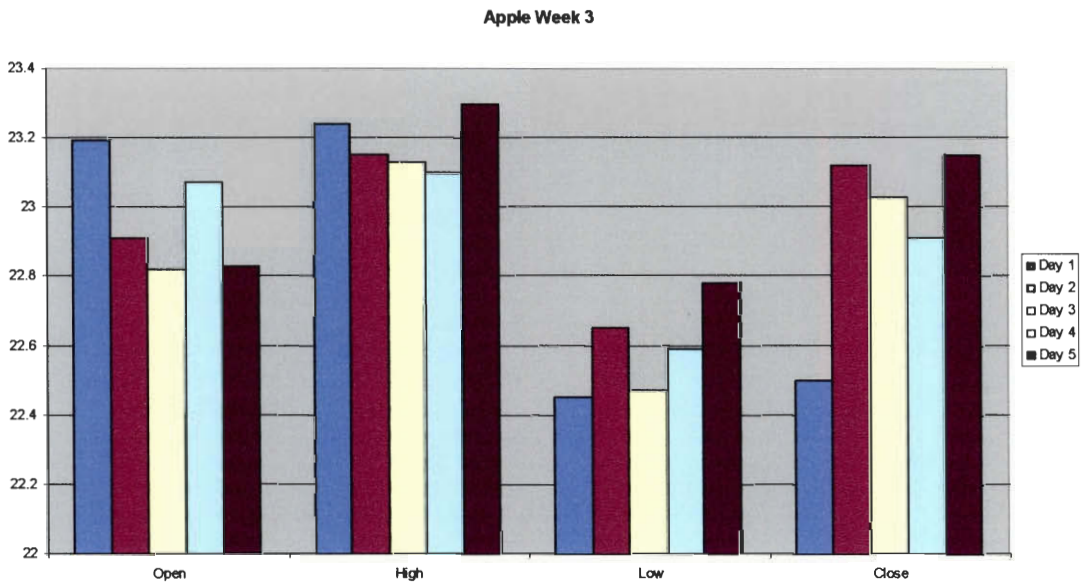
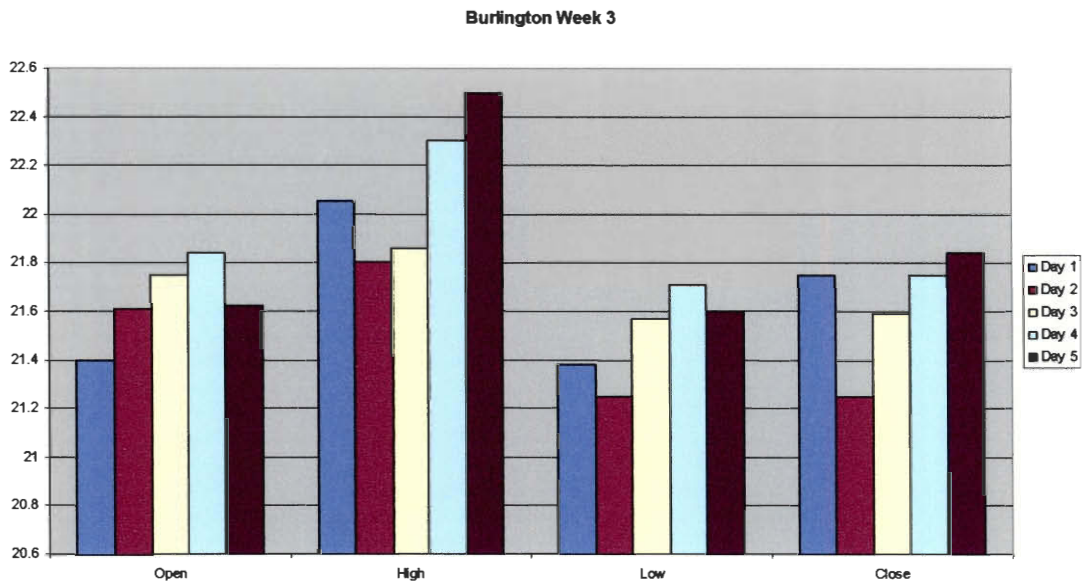


Figure 4.21 Apple Computers trading for week 3

We purchased 13,000 shares of Apple Computer and then sold them for a profit of \$800.

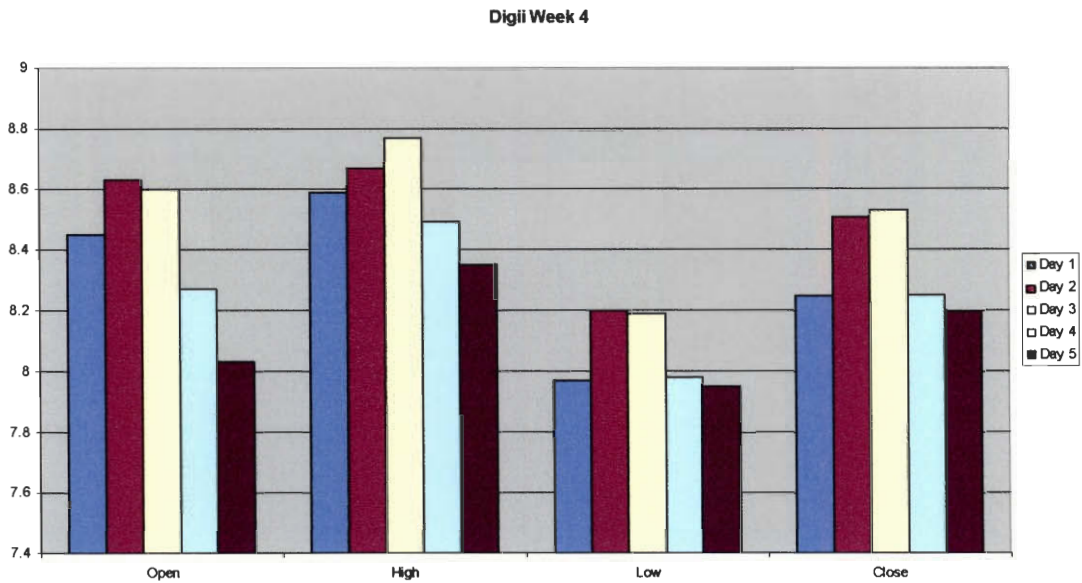


*Figure 4.22 Burlington Coat Factory trading for week 3*

We bought 10,000 shares of Burlington Coat Factory and then sold them for a profit of \$800.

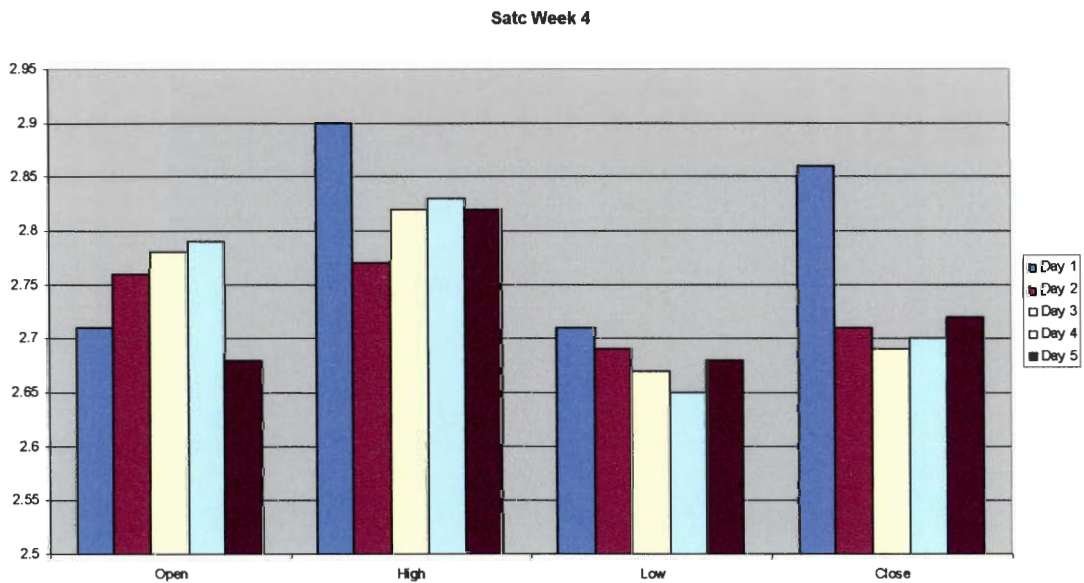
Week 3 yielded a total profit of \$9,500. Which is again much more than the week before and as of right now everything is going quite well. We are applying the experience we gain from previous weeks and gaining more profit.

### 4.4d Week 4



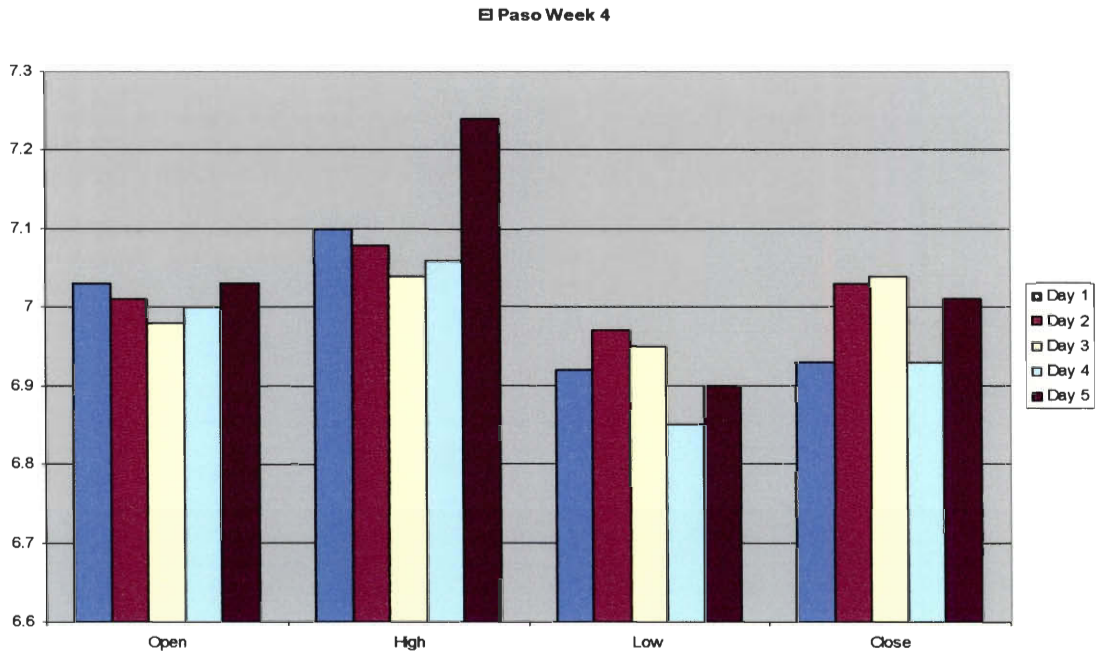
*Figure 4.23 Digii International trading for week 4*

We bought 15,000 shares of Digii in week 4 and then sold them for a profit of \$2,300.



*Figure 4.24 Satcon Technology trading for week 4*

We purchased 10,000 shares of and then sold them for a profit of \$1000.

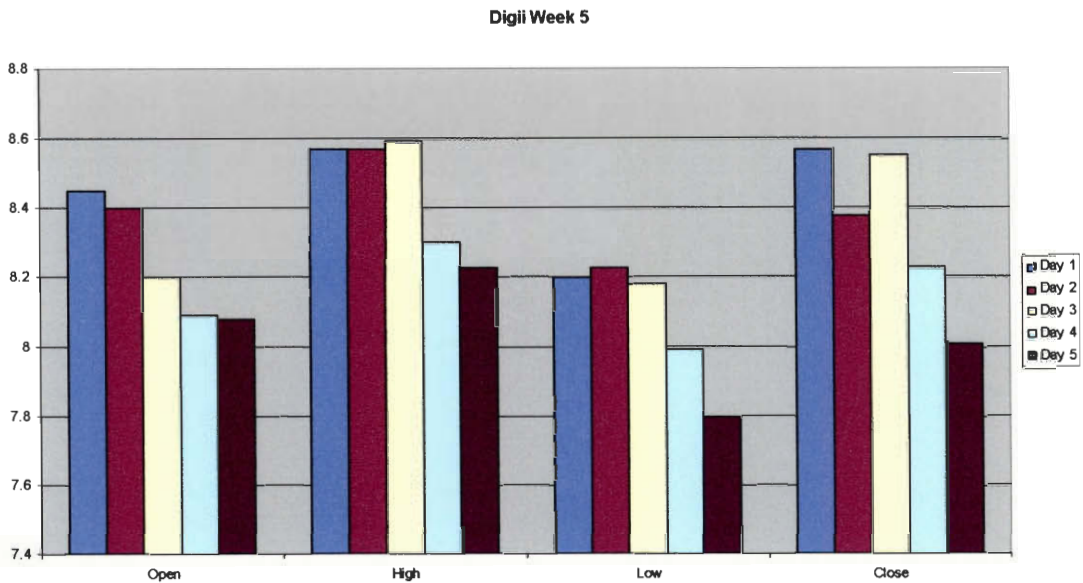


*Figure 4.25 El Paso Corporation trading for week 4*

We bought 20,000 shares of El Paso and then sold them for a profit of \$1,800.

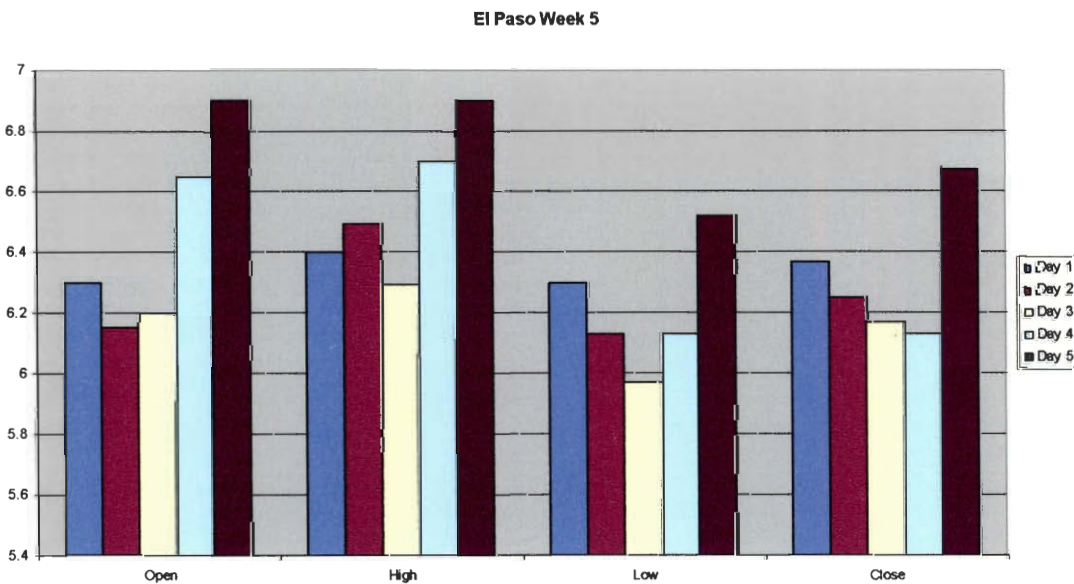
Overall, Week 4 gave us a profit of \$5,100 which isn't as much as the previous week, but we lost some money because of bad decisions.

## 4.4e Week 5



*Figure 4.26 Digii International trading for week 5*

We bought 10,000 shares of Digii and then sold them for a profit of \$1,500.



*Figure 4.27 El Paso Corporation trading for week 5*

During the course of the week we bought 65,000 shares of El Paso and then sold them at certain times to provide a profit of \$300.

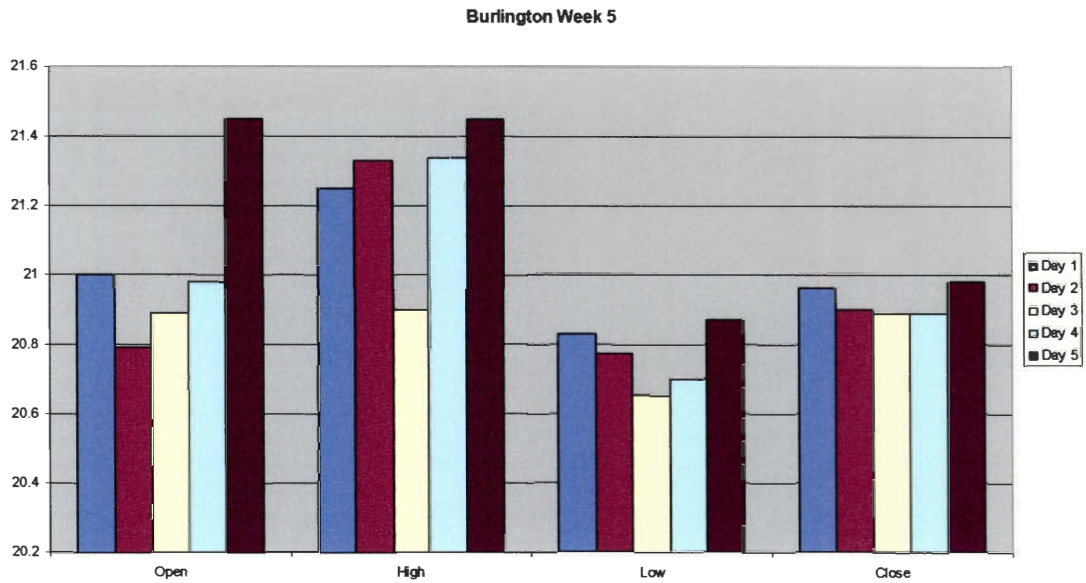


Figure 4.28 Burlington Coat Factory trading for week 5

We bought 7,000 shares of Burlington Coat Factory and then sold them for a profit of \$2,800.

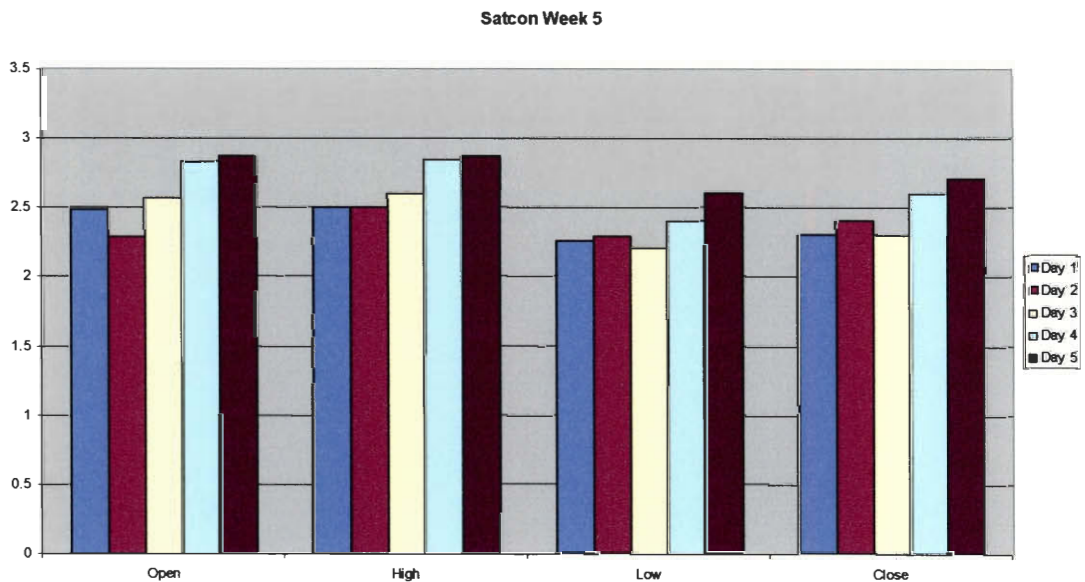
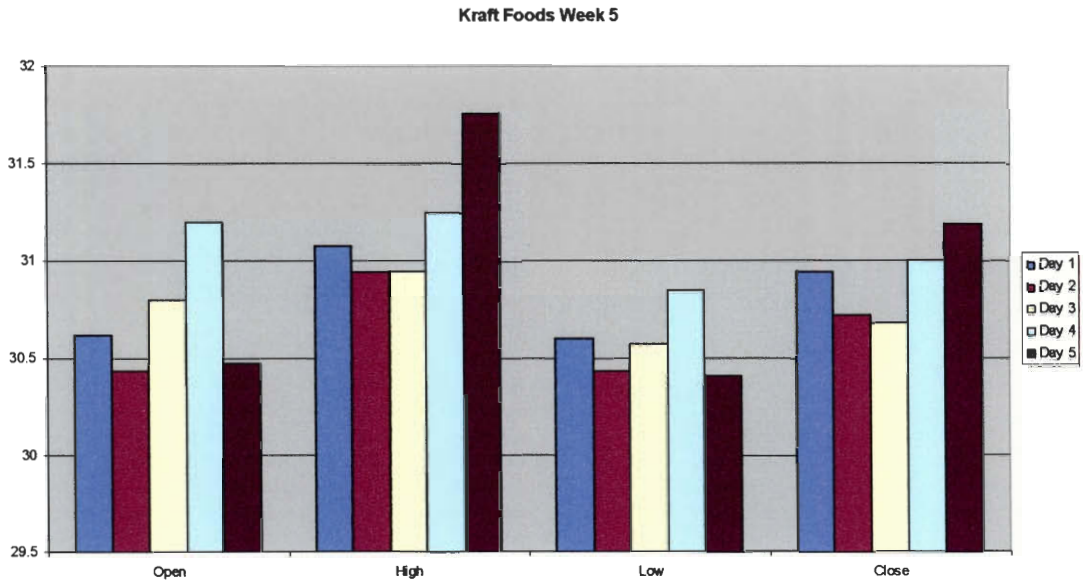


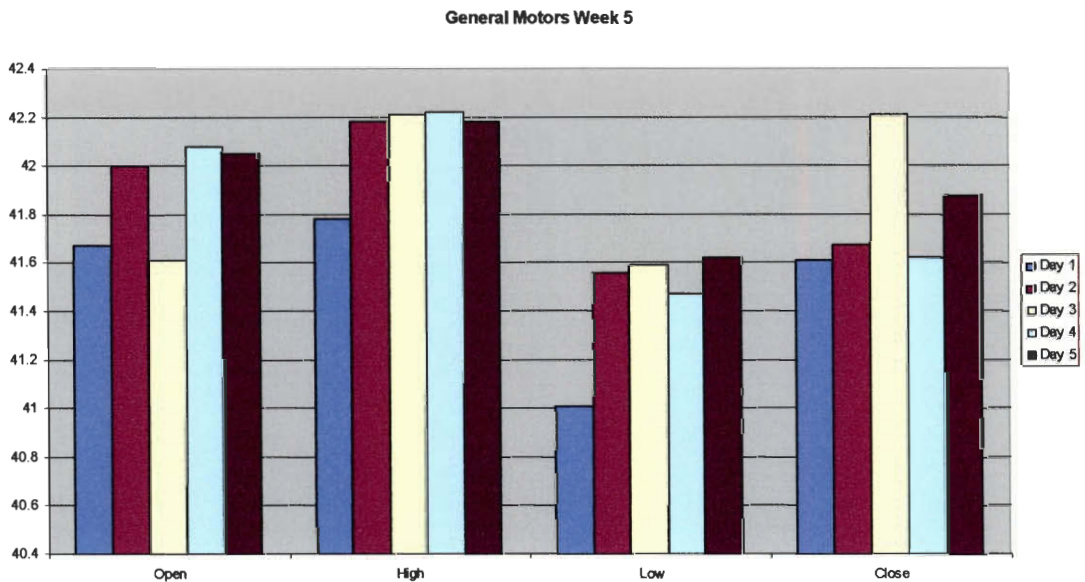
Figure 4.29 SatconTechnology trading for week 5

During the course of the week we bought 100,000 shares of Satcon Technology and then sold them of when we felt it was right for a profit of \$5,500.



*Figure 4.30 Kraft Foods trading for week 5*

We bought 10,000 shares of Kraft Foods and then sold them for a profit of \$1,600.



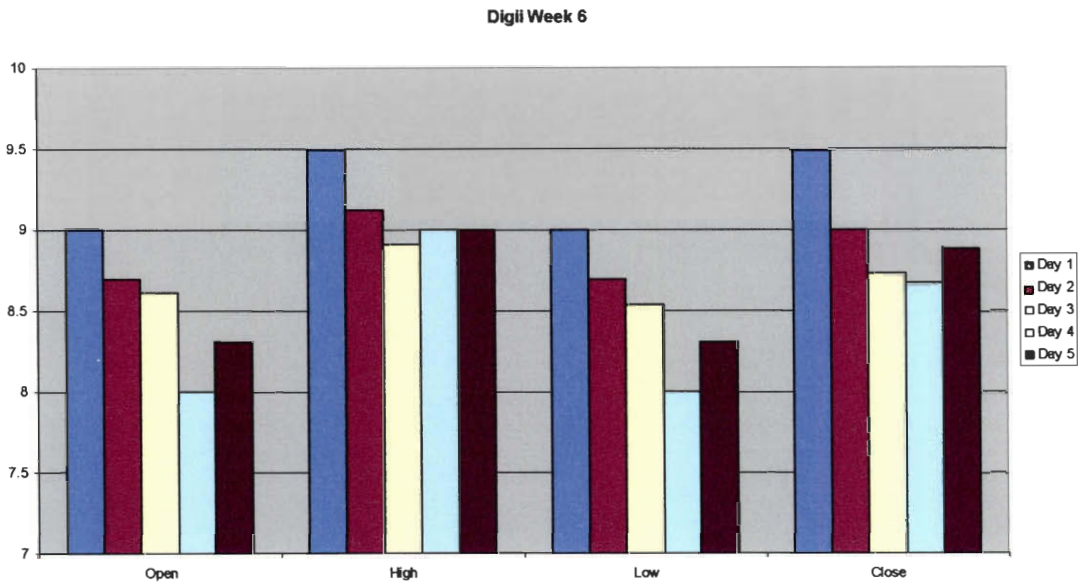
*Figure 4.31 General Motors trading for week 5*

Over the course of the week we bought 15,000 shares of General Motors and the sold them for a profit of \$2,600.

Overall week 5 yielded a profit of \$14,300, which is quite an increase compared to previous weeks.

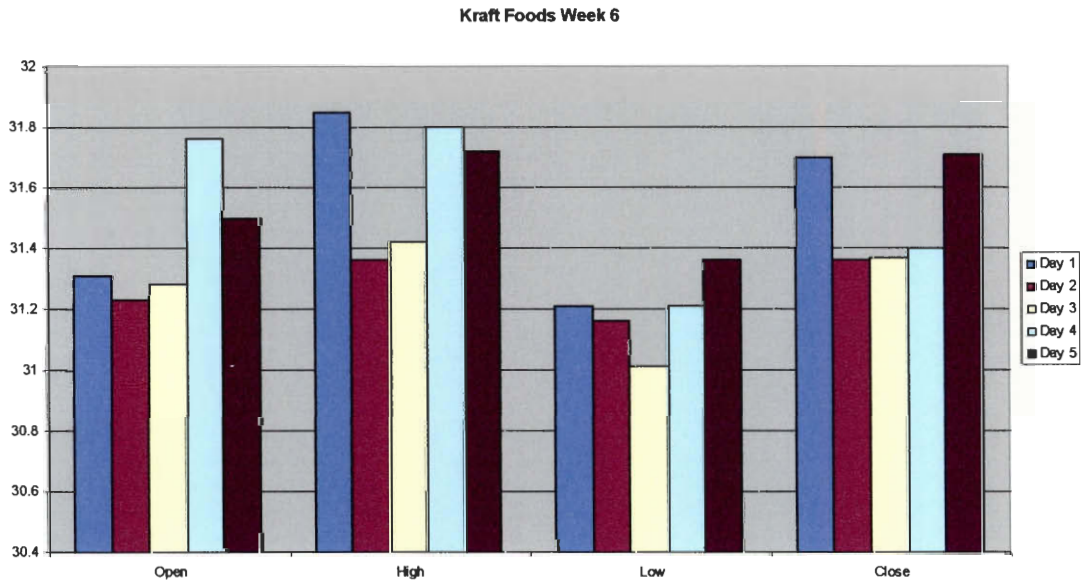


#### 4.4f Week 6



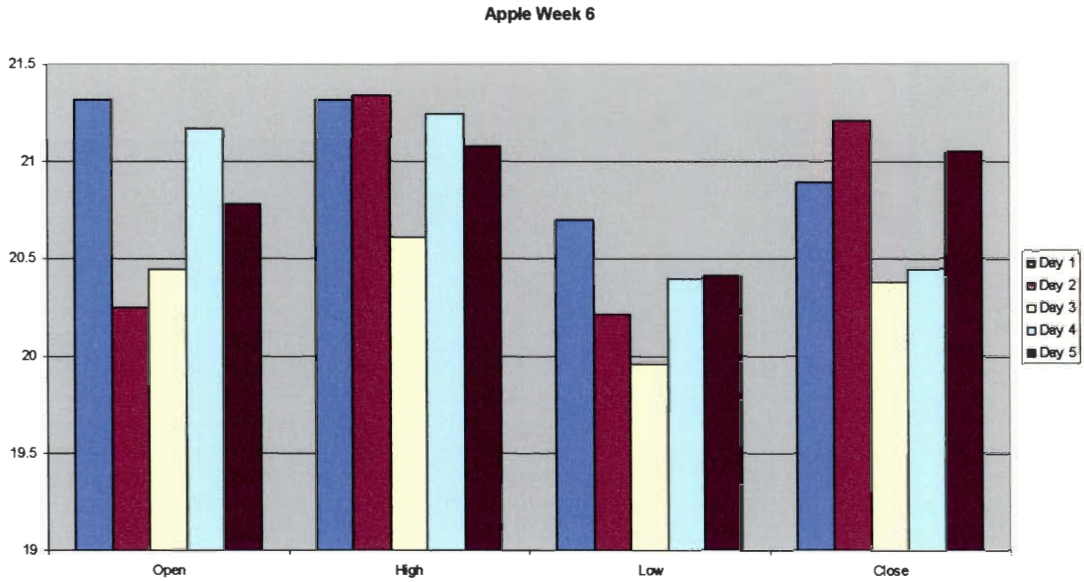
*Figure 4.32 Digi International trading for week 6*

Over the course of the week we purchased 20,000 shares of Digi and then sold them for a profit of \$6,000.



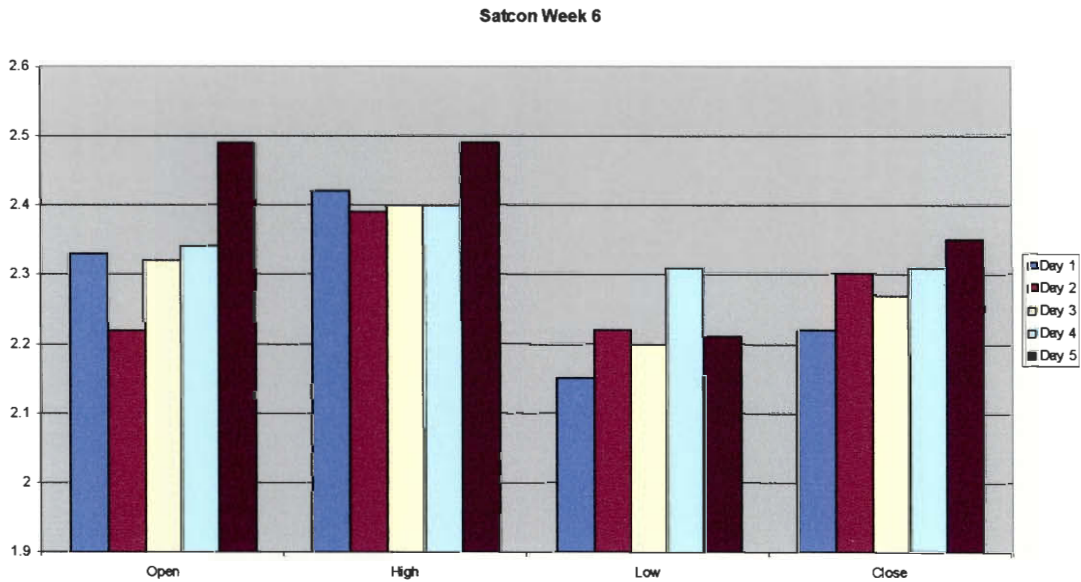
*Figure 4.33 Kraft Foods trading for week 6*

We purchased 10,000 shares of Kraft Foods which we then sold for a profit of \$1,200.



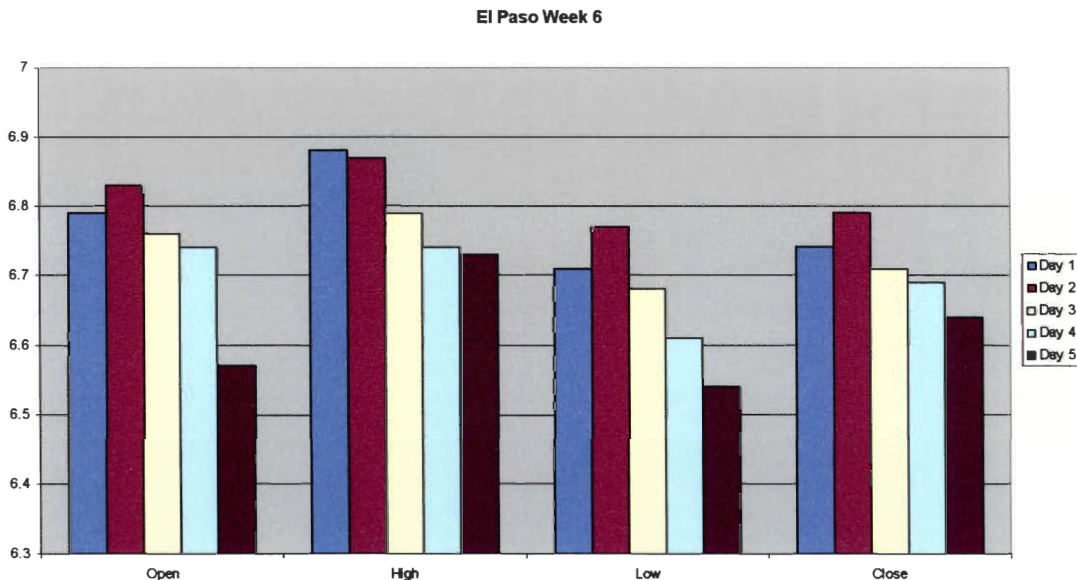
*Figure 4.34 Apple Computers trading for week 6*

Over the course of the week we purchased 22,000 shares of Apple Computers and then sold them for a profit of \$3,150.



*Figure 4.35 Satcon Technology trading for week 6*

Over the course of the week we bought and sold 70,000 shares of Satcon Technology and made a profit of \$3,590.



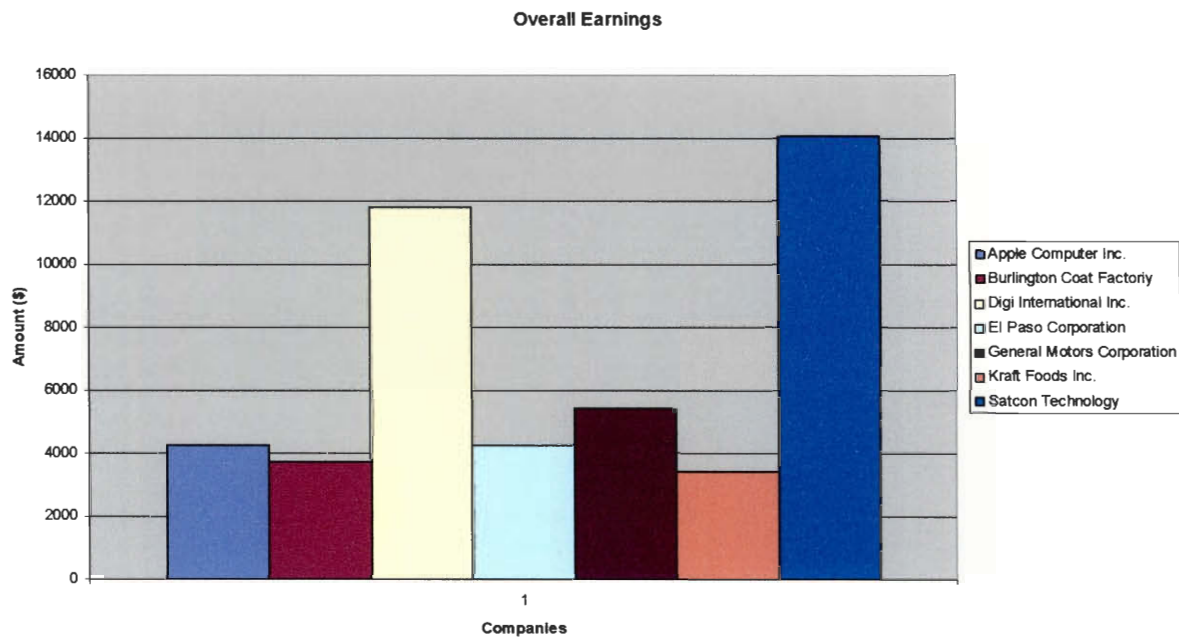
*Figure 4.36 El Paso Corporation trading for week 6*

We bought 15,000 shares of El Paso Corporation and then sold them for a profit of \$900.

Overall for week 6 we made a profit of \$14,840, which is another great week, and a good way to end our simulation phase.

#### **4.5 Conclusion**

In conclusion, Rapid Stock Trading worked out quite well. In the beginning we started out with \$350,000 and ended with \$396,955, which works out to a 13.4% increase and a total profit of \$46,955. This number is not as large as we had hoped, but given the fact that we began this project with little to no knowledge of the stock market and learned from experimentation, we feel that we made a good amount of money. Every stock provided a positive net profit, even if week to week they lost some money. This can be seen by the following chart.



*Figure 4.37 Overall Earnings for simulation*

The following graphs are each stock we traded showing how much we made and didn't make week too week. The purpose of these figures is too demonstrate how the market moves up and down and you don't make money every day or every week, you just need to get lucky and find the right time to buy and sell.

Apple Computer Inc.

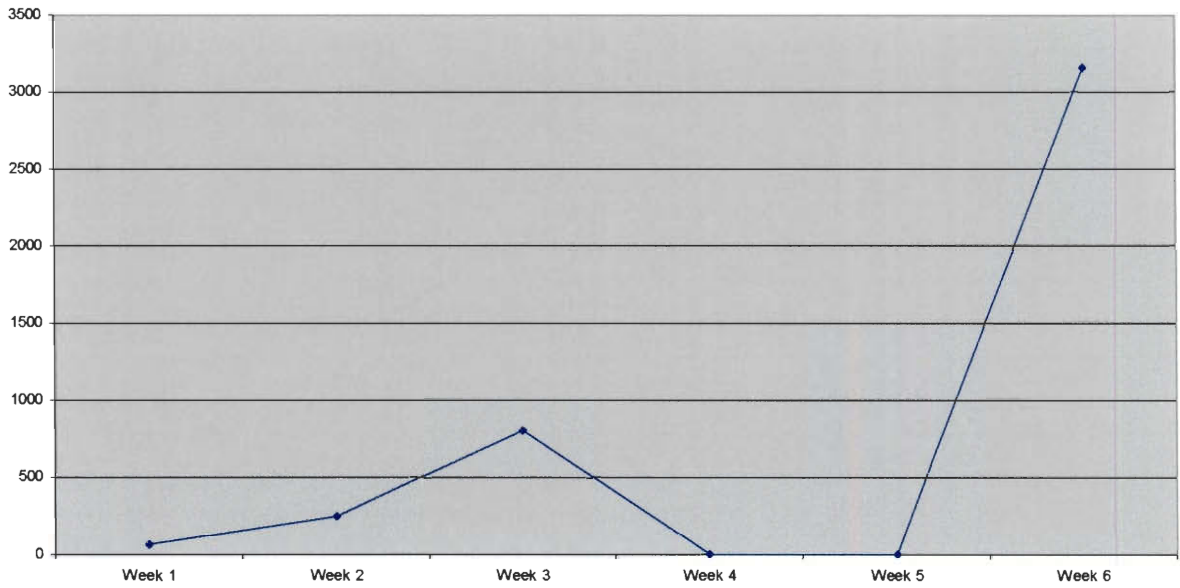


Figure 4.38 Apple Computer week to week earnings

Burlington Coat Factory

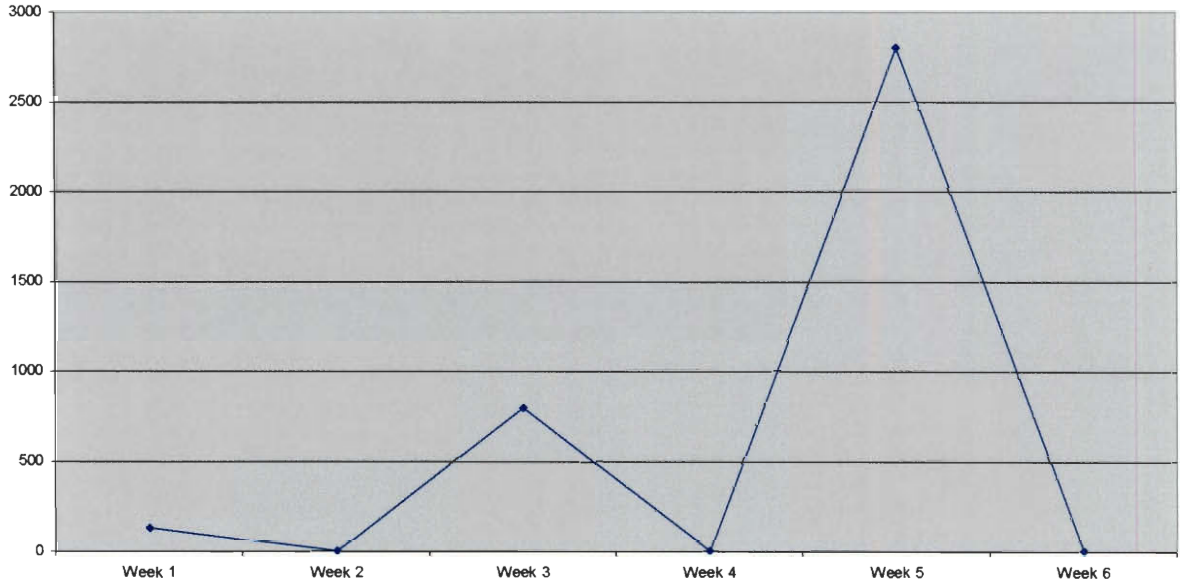


Figure 4.39 Burlington Coat Factory week to week earnings

Digi International Inc.

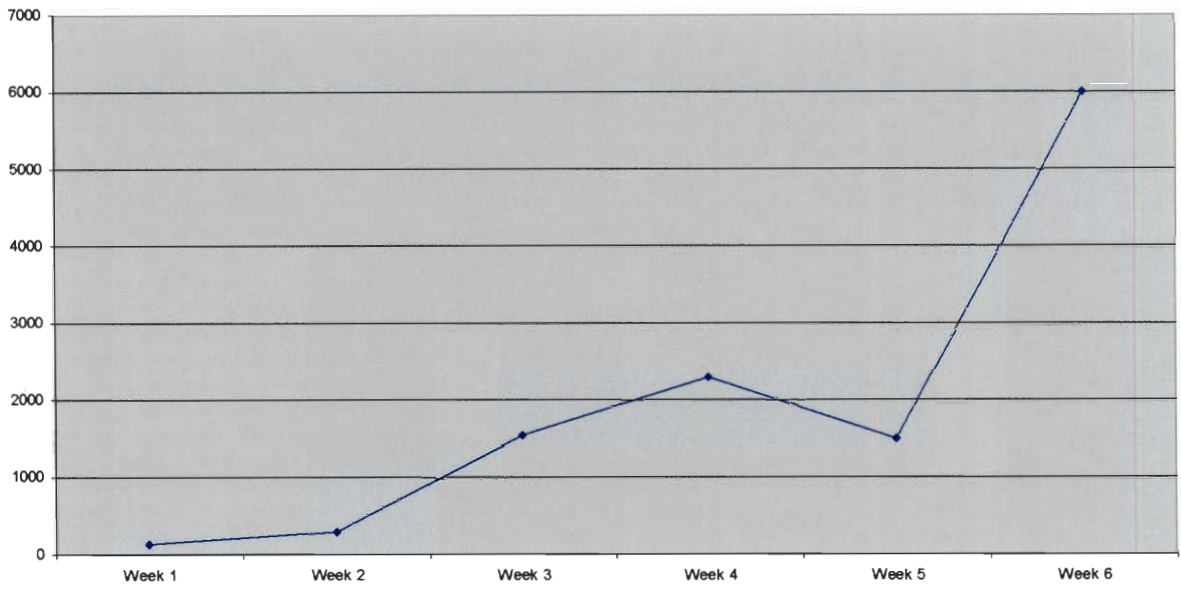


Figure 4.40 Digi International Week to Week earnings

El Paso Corporation

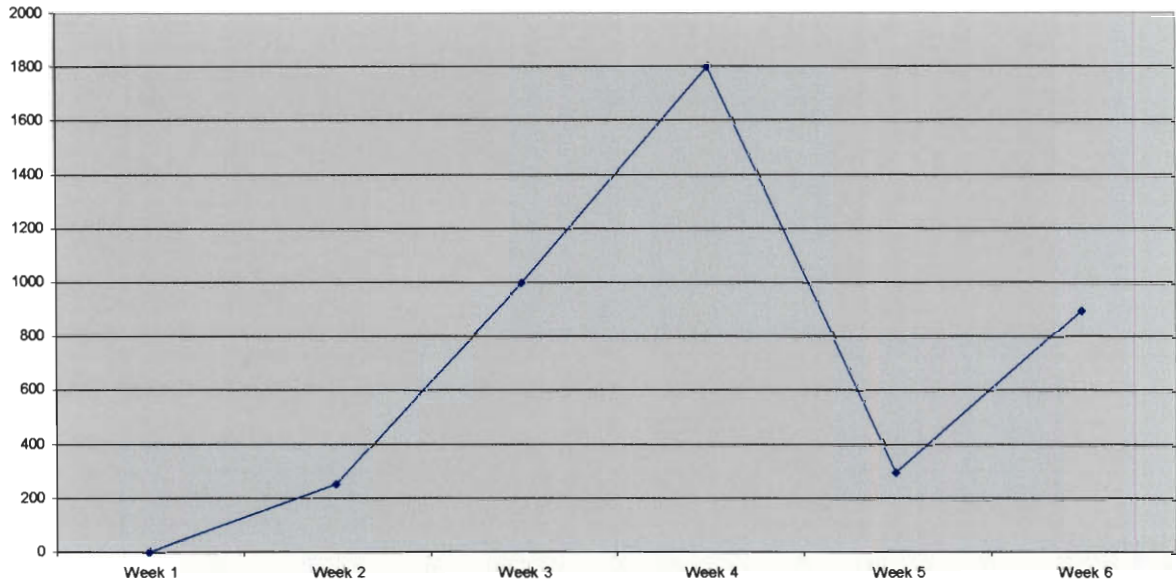


Figure 4.41 El Paso Corporation week to week earnings

General Motors Corporation

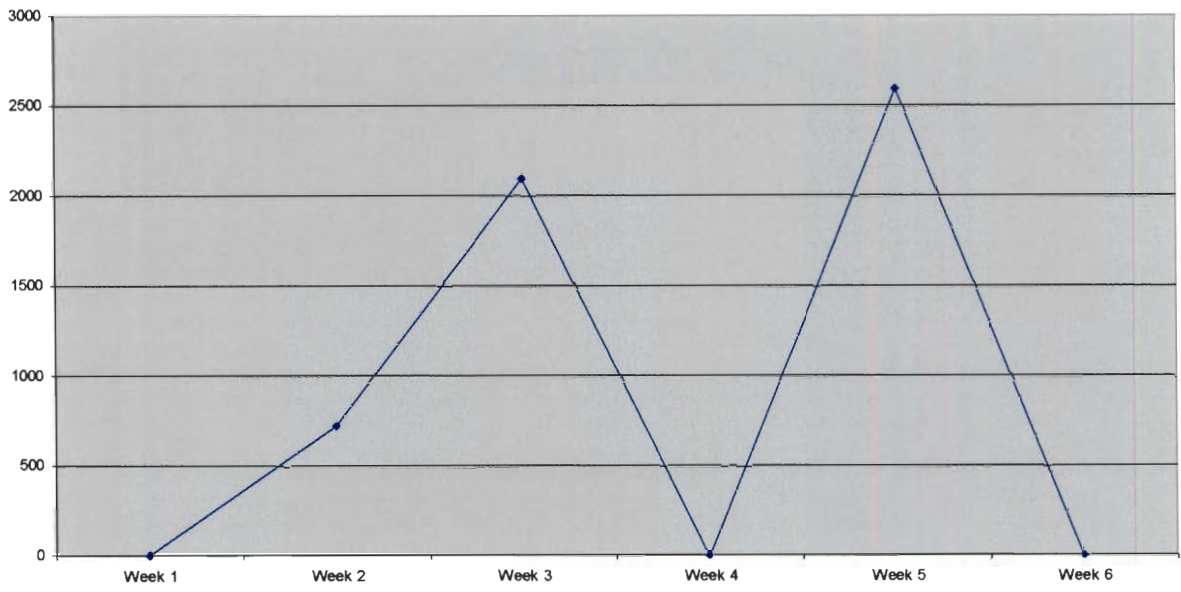


Figure 4.42 General Motors week to week earnings

Kraft Foods Inc.

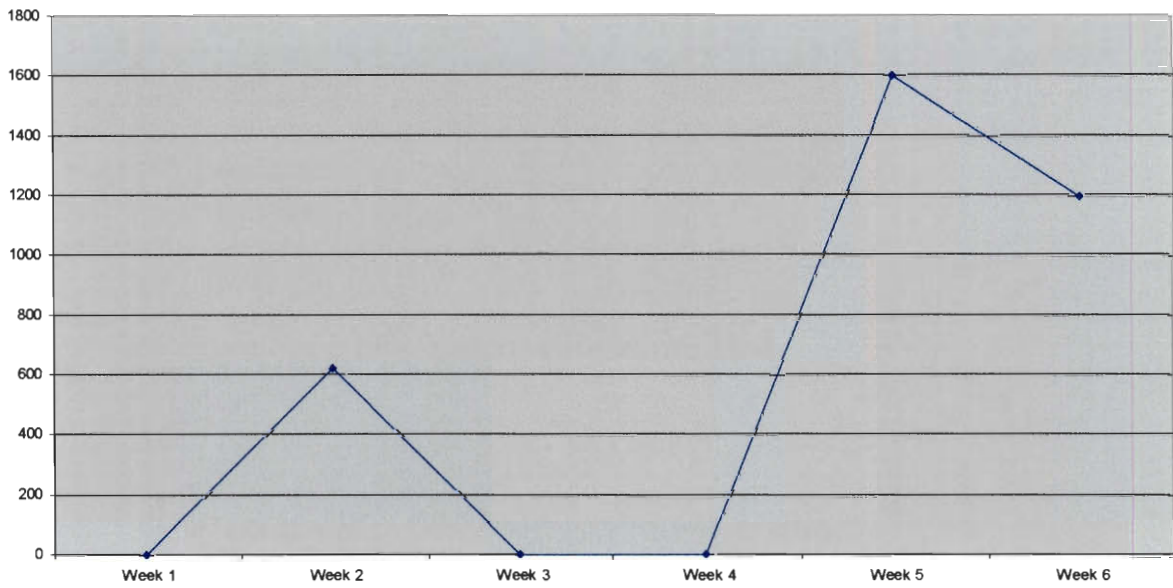
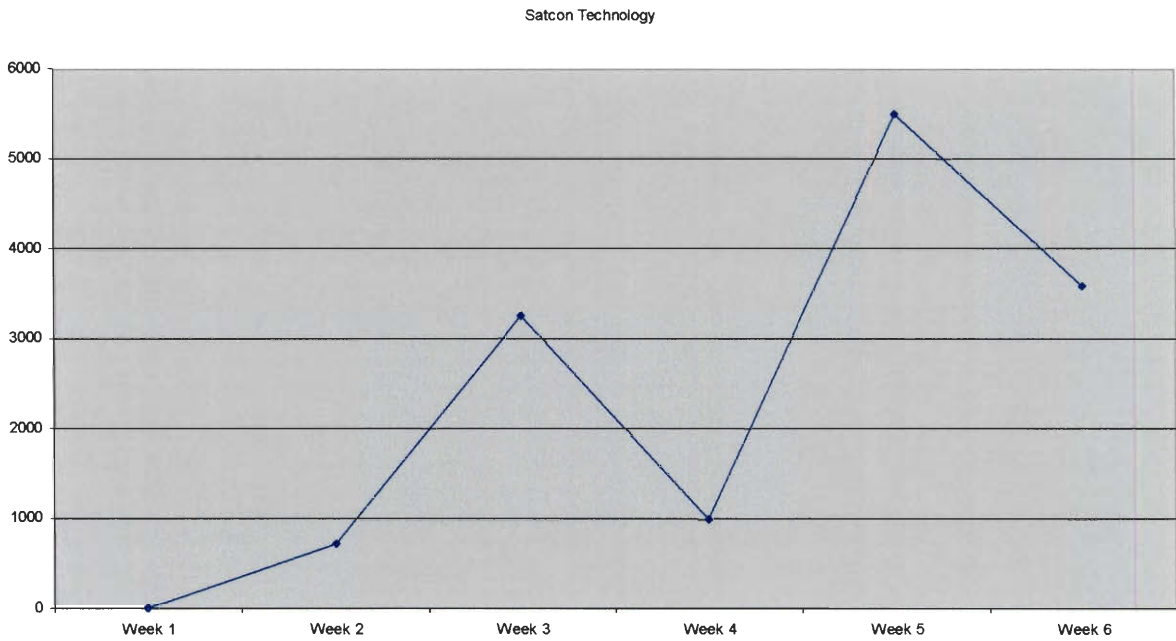


Figure 4.43 Kraft Foods week to week earnings



*Figure 4.44 Satcon Technology week to week earnings*

Satcon Technologies and Digii International provided us with the greatest profit, while all the others brought in around the same amount. We had hoped to conclude whether or not it was a better strategy to buy many cheap stocks, or few large stocks, but both types of stocks brought in about the same amount of money. This strategy is not an easy way to make money, since you need to watch the market pretty much all of the time, but if you get lucky and watch your companies closely, you can make a large profit.



## **Overall Conclusion**

With the proper research and constant watch on the stock market, a person could have a lot of success with investing in the stock market. With the strategy of high risk trading is where we made our biggest profit. With an initial investment of \$700,000 we turned that amount into a profit of \$109,356.40. This is a very substantial gain based on any means. Our next most successful investment strategy was rapid stock trading. With this type of trading we originally invested an amount of \$350,000. At the end of our simulation we finished with \$396,955, which translates into a profit of \$46,955, another substantial gain. However, we did not experience a gain in every method of trading. We did experience a small loss with the method of long term trading. We started with an initial investment of \$500,000 and finished with \$489,674.83, a loss of \$10,325.17. This loss does not mean failure though. A person can not be successful 100% of the time no matter how in depth and extensive their research is. Overall, we invested a total of \$1,550,000 and ended up with a total of \$1,695,986.23, a total gain of \$145,986.23, this total also equals a 9.42% gain on our investment.

After the completion of our simulation we have completed the goal of understanding the market. We now have a better concept of different strategies that are out there and how to use and implement these strategies. Also, we have shown that there is more than way to invest in the stock market and be successful.

## **References:**

### *All Chapters:*

- <http://www.yahoo.com/>
- <http://www.cbsmarketwatch.com/>

### *Chapter 1:*

- O'Neil, William How to Make Money in Stocks A Winning System in Good Times or Bad, McGraw-Hill Companies, June 2002
- Jubak, Jim Today, scandal is business as usual, <http://moneycentral.msn.com/content/P66203.asp>, 11/27/03

### *Chapter 2:*

- <http://www.wsrn.com/>
- <http://www.verizon.com/>
- <http://www.bestbuy.com/>
- <http://www.homedepot.com/>
- <http://www.lowes.com/>
- <http://www.cvs.com/>
- <http://www.firstenergycorp.com/>
- Thomson Analytics, <http://banker.analytics.thomsonib.com/ta/tadashboard.aspx>

### *Chapter 3:*

- <http://www.fool.com/>
- <http://www.peterleeds.com/>
- <http://pennystocks.com/>
- <http://www.investopedia.com> [www.cnn.com](http://www.cnn.com)
- <http://www.orchid.com/>
- <http://www.siriusradio.com/>
- <http://www.onsemi.com/>
- <http://www.cmgi.com/>
- <http://www.ivanhoe-energy.com>
- <http://www.acclaim.com/>
- <http://www.adxs.com/>

### *Chapter 4:*

- <http://www.pristine.com/tradestypes.htm>
- <http://www.pristine.com/aeduc/cardinal.htm>
- [http://www.rookiedaytrader.com/classic\\_rules.htm](http://www.rookiedaytrader.com/classic_rules.htm)