

An Interactive Qualifying Project Report:
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Abstract

The project was conducted by a two-member group to better their understanding of the stock market and gain real world trading experience. After research of the stock market and trading strategies was conducted, two common strategies were chosen to focus the simulation on. Then, six companies in the oil industry were selected to do a real time simulation. Using two very different trading techniques gave the group valuable perspective on the stock market as a whole.

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1. Introduction

The purpose of this IQP is to acquire an understanding of the stock market and how to utilize it. It is also important to know the proper terminology of stocks and how to trade them. To have the ability to know how the stock market works is important in being able to invest a select amount of earned income. To accomplish these tasks, the history of the stock market will be researched to get a background understanding of it all and how to use certain techniques to increase wealth. We will each pick two methods of trading for in-depth study and then apply our understanding of those methods to a simulation trading period of five weeks. In order to be able to conclude weather our newly acquired trading skills are affective, there will be two groups of stock investments monitored. The first investment group will chose one type of trading method and investment in six oil companies with a percentage of the total budget invested in each of the six companies. The second investment group will chose another type of trading method and investment in the same six oil companies, but investment percentages will vary between groups. These two groups will observe the market and trade appropriately by using the trading skills learned in the preliminary research. The results, along with week to week progress, will be recorded and organized with graphical support and descriptions. By executing this simulation, all goals and aspirations will be completed in the fundamentals and understanding of the stock market.

This chapter will explain the parameters, scope and goals of the report. It will explain what we are planning to do and how we are going to do it. Also, we give a brief introduction of

the stock market's history. The history gives a perspective on how the stock market has been entwined in the World economy since its origin. This project is based on the oil industry in the stock market, so there is an explanation of the history of the oil industry. Oil is the basis of the energy market and much of the economy as a whole is based on oil prices. Also, oil companies are doing surprisingly well compared to other industries, considering the poor state of the economy we are currently in. Finally is an introduction to the companies we have selected. We have chosen six leading and interesting companies in the industry today. Three of them are major drilling, refining and distribution companies, and the other three are oil service companies that supply the bigger companies with a wide array of equipment.

1.1 Stock Market History

The stock market is a public market for the trading of company stock for a certain price. The total value of the world stock market is estimated to be slightly over \$35 trillion at the end of October of 2008. Right now, the New York Stock Exchange handles billions of dollars in trades every day. If you go back about 200 years, the "stock market" consisted of men trading silver for paper claiming they had shares in cargo that was being delivered by ships every day. During the American Revolution, bonds were popular in the market. A bond is a piece of paper that is bought at a set price with the assumption that after a set amount of time, the piece of paper will be worth more. The government sold their bonds to support the military forces in time of war. Banks also needed to raise money, so they sold pieces of the company to whoever would buy it at the time. This concept is essentially the basis of the modern day stock market.

The birth of the New York Stock Exchange (NYSE) wasn't until 1792, when twenty-four men got together and decided to sign an agreement. They all agreed to sell shares among themselves and then charge people to buy and sell. Around this time Wall Street was the most popular location for these stock market trades. And once the Industrial Revolution came around, Wall Street expanded. People were making a profit and everyone wanted a piece of the excitement. The stocks that didn't make it to Wall Street were sold outside on the side of the road. This trading was turned into the American Stock Exchange (AMEX). In our modern day, these two once separate markets have been combined by the NASDAQ (National Association of Securities Dealers Automated Quotations).

To explain how the Stock Market works, just a simple comparison is necessary. If a company has a new idea that is expected to double their revenue, the public is able to buy shares of the company so they can also profit from this new idea. A share is like a receipt confirming ownership of a very small percentage of a certain company. In order to buy an amount of shares, the first step is talking with a broker. A broker is like a cashier in a store. The broker will provide information like how much a single share is of the company and what is affordable to any specific buyer. This information is not free though. For every share the broker sells, they also get commission on that share provided by the buyer. The information gathered by the broker then sends the order to someone working at the New York Stock Exchange called a floor broker. A floor broker then buys the specified amount of stock and sends the information back to the broker. The buyer never receives a paper, but records are kept at the brokerage house. If the buyer decides to sell the investment, the broker sells the shares, takes their brokerage fee, and delivers the rest of the money back to the buyer. If everything goes right, the buyer should get back more money than they invested in the beginning. This is the most basic concept of the

stock market. In today's market, there are many different trading techniques and different types of stocks available for public trading. There are also a lot more laws and guidelines set forth by the government, regarding the public trading of stocks. Even the way the data is collected and stored has evolved since the beginning from the simplest forms of recordkeeping, to everything automated and stored on computers.

Today's advanced technology allows the public to buy and sell their own shares in the market. The importance of having a general concept of the stock market is more important now, than ever before because it is now possible for buyers to invest in stocks from within their own homes.

1.2 History of Oil Industry

Energy is one of the most largely debated topics in the world today. New energy and technology companies arise everyday to try to meet the world's demands. At the heart of the energy debate is one of man's oldest fuel sources, oil. Mankind has known about oil for as long as history of the species. Ancient man used oil to keep campfires lit. Oil was a mystery to ancient man. It was found when the oil reservoirs were pushed up from under the ground by tectonic plates and pooled on the surface, like shallow ponds. At times, in the Middle East, these ponds of crude oil would catch fire and burn for long periods of time. Ancient man, and the Middle East being the rise of civilizations, began to worship these "eternal fires". Oil became the fuel behind the earliest religions.

While oil's uses have been known about for thousands of years, its means of production has only recently been discovered. Ancient man would know where oil would seep up from the ground, and use that for fuel to light fires and make torches. In the 1850's Americans used whale

oil as their primary source. Whale oil was used for some more unconventional means as today's oil. It was hailed as a pesticide, hair oil, and even as medication. The demand for oil, though, decimated the whales and made prices go so high, whaling became increasingly unprofitable ¹.

Crude oil was then found in America in the ground, and wells started to spring up in the South and out West. By the 1930's, Texas was littered with oil wells. Around the same time, Americans bought a plot of land in Saudi Arabia and struck a huge well of oil. The British then moved into Iran and started looking for oil, until 1951 when Iran nationalized its oil production. The American government made every incentive possible for new companies to arise and seek new oil wells. Western countries held the power in the oil markets, until leaders from the Middle East and South America got together to form the Organization of the Petroleum Exporting Countries. OPEC shifted price control to those countries where the oil was found and left Western based companies producing the oil at their command.

Even with these OPEC restrictions, oil is extremely profitable. With this large profit is a large amount of risk and controversy. Since oil is so essential to modern life governments have made policies to ensure their needs are met. The involvement of politics brings controversy to the oil field, with many politicians having a business background in the oil field. This can lead to bad publicity for some companies and the political figure at hand. Along with the risks involved in politics, there is the basic risk of producing a volatile substance such as oil. Oil spills are a major danger to the environment can put an oil company in a nightmare of bad press. Recently, a

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1. The Investment U E-Letter. "History of Oil." *Investment U - Investment Advice and Investment Research with a Contrarian Point of View*. 11 Aug. 2004. Web. 9 Sept. 2010.
<<http://www.investmentu.com/2004/August/20040811.html>>.

huge disaster in the Gulf of Mexico left nine oilrig workers dead and millions of gallons of oil in the ocean after the rig exploded and caught fire. Even with this disaster happening so recently, there is still plenty of opportunity for the companies involved to rebound, because of the business they are in².

Since then, companies around the world have flourished for drilling and producing oil. Oil is the basis of modern energy and other products, from gasoline that powers cars to plastics. Diesel fuel is responsible for powering our trucks that bring us food and other goods. The oil industry makes the modern world function, even with all risks involved, there is huge potential for reward.

2. "Petroleum." *LSA @ CU Boulder*. Web. 13 Sept. 2010.
<<http://lsa.colorado.edu/summarystreet/texts/petroleum.htm>>.

2. Strategies

There are many ways to monitor stocks and trade your shares. There is no one correct way to do it and often an effective trader uses multiple strategies at the same time. This chapter will explain some of the most popular ways to be successful in the stock market. For this simulation we will each pick one method of trading and will primarily rely on those strategies and try to make a profit.

2.1 Fundamental Analysis

Fundamental analysis of a company in the market involves seeing a company at its most basic level by knowing everything there is to know about the company. Some factors that are important in the evaluation process are financial status, health, and status in the market. Other factors include the projected value of the company, a company's competitiveness towards its competitors, how well the company is managed, the state of the economy, profits, and production.

2.2 Technical Analysis

Taking a technical approach to investing means one looks extremely carefully at a company's financial statistics from present day to years ago. It is based on mathematical factors, like P/E ratio and Beta values along with many other statistics. These are further expanded into complex formulas that are compared to the industry as a whole and the entire market's movements. Technical analysis is the basis of finding trends and swings in the market and a skilled analyst can identify and predict these movements.

2.3 Common Techniques

The following sections go into detail about different trading types and describe what they are all about. Each type of trading method involves different techniques and strategies that are explained for each of these seven trading methods. Out of the following seven trading types, one will be chosen by each group member to demonstrate their effectiveness in a simulated investment situation.

2.3.1 Day Trading

Day trading is an extremely risky version of trading. Day traders typically hold a stock for no longer than a few minutes. They hope to ride small, sporadic rises in the market by investing large sums of money for short periods of time. Typically a trader will not even hold on to his stocks over night because it is unknown what the value of the stock will be after the opening bell. Day trading is the closest to pure gambling as any other investment strategy. The general rule for day traders is they only put in as much money as they are willing to lose at any given point. So, as is true for most investing, the risk is tremendously high, but the reward is just as great³.

2.3.2 Trend Following

The trend following investment strategy is a way of analyzing the amount of risk involved in dealing with the particular trend being followed. It is a method of figuring out what to invest in, depending on stock health and the value of a share. This concept is known as the initial risk rule. Trend following is a system that you need to be 100% committed to. If the

3. "Day Trading: Your Dollars at Risk." *U.S. Securities and Exchange Commission (Home Page)*. Web. 13 Sept. 2010. <<http://www.sec.gov/investor/pubs/daytips.htm>>.

market begins to change, this trading method will only work if there are no alterations to the guidelines. The most important aspect to get right in trading is the amount to be traded for the trend that is being followed. For instance, if the market is unstable and there appear to be many shifts in the prices, it would appear to be an appropriate time to make a profit. On the other hand, it would be just as easy to lose money and is mostly safer to make smaller trades in this market. There are some important factors to consider in order to get the most out of the method; when the best time is to start to trade, how much money to invest, the best way to trade if the stock drops, and when to sell for a profit if the stock rises. This trading method is solid and reliable way of trading and a sure way to make a profit as long as the rules are followed.

2.3.3 Position Trading

Position Trading is simply the exact opposite of Day Trading. The Position Trader finds a company and analyzes its weekly and monthly charts to determine the long-term value of the stock. The position is held that the stock is a good investment and the daily fluctuations of the market have no real effect on the value. Only a compilation of that data over a period of time to show and upward or downward trend means something to the position trader⁴.

2.3.4 Swing Trading

Swing trading is when bonds, stocks, commodities, and more are repeatedly bought or sold at high or low peaks of the market. This trading method is usually practiced longer than a day, but shorter than what is required for trend following (2.3.2). Swing trading has a set of rules that help eliminate emotional biases, subjectivity, and labor intensive analysis. These rules can

4. "Position Trader Definition." *Investopedia.com - Your Source For Investing Education*. Web. 13 Sept. 2010. <<http://www.investopedia.com/terms/p/positiontrader.asp>>.

be used to predict market patterns by using trading algorithms. A simple method of swing trading involves the evaluation of three moving averages of closing prices. If the three averages are aligned in an upward direction, it is traded long term. If the three averages are aligned downward, it is traded short term. The hardest thing for a swing trader is deciding when to buy or sell. It is a good thing that swing traders don't need to be precise in their timing to buy or sell in order to be profitable. As long as there's a little consistent earnings mixed with money management, the outcome can be significant. The biggest risk is not every algorithm will work every time.

2.3.5 Short Term Trading

Short-term trading can last as quick as a few minutes or as long as many days. This type of trading requires a certain skill set involving the in depth understanding of the risks and rewards of every trade that is made, being able to recognize and profit from short-term opportunities, and must be able to handle and control any unpredictable occurrences. There are some fundamentals that are very important for successful and profitable short-term trading. The first step is to know how to find profitable situations and avoid dangerous circumstances. One big problem is that by the time you hear on the news of a good situation, it's too late and it has already begun to affect the market. There are three steps that will help to find healthy stocks. Watch the moving averages, understand the overall cycles or patterns of the market, and get a sense of the market trends. With these three guidelines, it will be possible to spots potential healthy trades to invest in. One of the most important factors of successful trading is being able to control your risk and understand how to obtain the best return. To do this involves sell stops and buy stops for protection from market reversals. A sell stop is an order to sell a stock once it reaches a predefined set price. A buy stop is when the stock rises to a certain point and turns into

a buy order. The concept of this strategy is the capability to manage possible losses so that the gains will be significantly higher than any unfortunate losses. Lastly, it is important to recognize the buy and sell indicators like relative strength index (RSI) and the stochastic oscillator. The RSI compares the strengths and weaknesses of a stock. If the RSI reads a 70, the stock is healthy. If the RSI reads 30, the stock is oversold and a non-profit situation. The stochastic oscillator is used to determine if a stock is expensive or a deal based on the stocks previous history of its closing price over time. A reading of 80 represents the stock being overbought and expensive. A reading of 20 means the stock is oversold and inexpensive. Any investor utilizing short-term trading must understand and apply these rules and skills if there is any chance for a profitable return and control of losses.

2.3.6 Long Term Trading

Long Term Investing is the buying of stocks and observing them over a longer period of time. This time period can be six months to a year, or somewhere between five and ten years. It is one of the most risky strategies, but more likely to produce the aspired positive return. Time can be this type of investor's best friend or it can be its worst enemy. It can either be that waiting the perfect amount of time to sell right before a price drop and profiting, or waiting just a little too long and losing a good amount of money. It is important for this type of trader to understand that the health of the stock cannot be determined in a day to day basis, but over a longer time period. If the stock has been on a steady declining slope for longer than a year, it is an unhealthy stock and needs to be sold. If the stock is on a steady incline, it is going to be a very profitable situation for investors. And more frequently than not, the stock will fluctuate up and down throughout the investment period. Optimally, as the market fluctuates, the stock is gradually increasing and investors are profiting.

2.3.7 News Following

Knowing how to trade via news is a great asset to an investor, and it is a style of itself. Using the news as your primary tool for investing provides one access to a wealth of information that passes by other investors. A day trader only looks at the stock price minute to minute and the position trader only looks at the long term. A news based trader can make many moves from day to day or week to week depending on what articles are written and the content press releases. A company that is repeatedly criticized in the New York Times or on CNN will probably have a falling stock value due to a negative image, and the reverse is also common. A press release by a medical company can greatly increase their stock value if they have a useful product, and a news trader looks for these opportunities⁵.

2.4 Companies Selected

The simulation requires the investment in the six oil companies listed below. These companies are six of the more commonly known oil and energy providers. Some of these companies have experienced devastating oil spills in the transportation of the product and are working on recovering from such losses. Once each applied trading method has been in effect, it is expected that there will be considerable profits at the end of this simulation.

5. Lein, Kathy. "Trading On News Releases." *Investopedia.com - Your Source For Investing*

Education. Web. 2 Sept. 2010.

<<http://www.investopedia.com/articles/forex/05/TradingOnNews.asp>>.

Exxon Mobil

John D. Rockefeller founded Standard Oil in 1870 and since then created a series of mergers to eventually make the company ExxonMobil. It is the largest publicly traded oil drilling and distribution company in the market. It has had steady business and solid market percentage throughout its long history⁶.

Recently it has suffered one of the largest environmental disasters in United States history. The Exxon-Valdez ran aground off the shore of Prince Edward Island in Alaska and caused millions worth of damage. Since then, though, the company has made a huge rebound and has lost what was a stigma about them to return to be one of the biggest companies in the industry.

ExxonMobil has recently produced a below average P/E ratio, which could show the stock are undervalued. Their growth is overall average for the industry, but they show above average returns. Price per Cash Flow for last quarter is 6.89, which is above average, and has been since last year. They have low debt as of now and average to above average operating profits. This stock seems fairly stable and lower risk for the industry standards.

British Petroleum

In 1900 William Knox D'Arcy founded BP after a prospecting trip to Iran. BP became very profitable, even after Iran nationalized its oil wells, because they had expanded into over 70 different countries. By the 1980's BP was acquiring many smaller drilling and service

6. *ExxonMobil*. Web. 8 Oct. 2010

companies. In 1998 BP and Amoco made the world's largest industrial merger when BP took over the company.

In the summer of 2010, BP suffered a large explosion on one of its drilling rigs in the Gulf of Mexico. In that explosion 11 of BP employees lost their lives. That explosion also caused the well to break and spill millions of gallons of oil into the Gulf, which is now the largest environmental disaster in the US. Since then, there has been a restructuring of BP's executives and a huge cleanup effort in the Gulf⁷.

BP's recent statistics are far below industry averages because of the recent catastrophe. Their PE ratio for the last quarter and year is negative. The Price per Cash Flow ratio for the quarter is -1.9, but for the last 12 months it is 10.35, which is far above their competitors. They were showing very good growth and profit until their accident. They have a good amount of debt but far above average operating profits. This stock is a risk because of the debt they hold, but it is a good investment because it has the ability to make huge gains at a low starting price.

Halliburton

Halliburton is one of the premiere oil industry service companies. It has been able to stand since its inception by Erle P. Halliburton in 1919. Halliburton offers services like drill bits and other equipment, chemical testing along with expert cementing and production enhancement products to make drilling more efficient. Halliburton was in the headlines earlier this century with the Vice President of the United States, Dick Cheney, being the former president of Halliburton. Recently Halliburton has been credited for sealing the leaking oil well in the Gulf.

7. *BP Global | BP*. Web. 8 Oct. 2010. <<http://www.bp.com/>>.

Halliburton has extremely consistent numbers over the years. They have remained slightly above industry average and have not encountered any dip that is out of the ordinary for the industry or the market in general. Their returns on investments, though, are much higher than its competitors, which is unusual to see in the market now. This is a solid, long term investment consideration⁸.

Baker Hughes

Baker Hughes is a service company that has grown since the merger of Baker International and Hughes Tool Company in 1987. In 1907 Reuben C. Baker modernized cable drilling using new techniques and equipment he designed himself. Since then Baker has been on of the best testing and prospecting companies in the business. In 1909 Howard R. Hughes made the first roller cutter bit which revolutionized rotary drilling. Hughes Tool Co has went on to be a leader in developing new drilling equipment.

Since the merger, Baker Hughes has been a leader in drilling and production support. They support by evaluating drilling sites, supplying fluids and products to aid in drilling and are foremost geomechanics experts to recover and monitor oil reservoirs. Recently, Baker Hughes is responsible for plugging the leak in the oil well in the Gulf by pumping heavy mud into the well and equalizing the pressure for Halliburton to cement over it. (bakerhughes.com)

Baker Hughes has been somewhat inconsistent in the market lately, but still shows solid promise for growth. Their P/E for the last quarter is almost thirty points above the industry

8. Solutions for Today's Energy Challenges - Halliburton. Web. 8 Oct. 2010.
<<http://www.halliburton.com/>>.

average at 40.85. Their Price to cash ratio is also much higher than the average. Baker Hughes is at 11.4 and the average is -3.65. Their past EPS growth is somewhat low, but the projected growth is significantly higher. This company seems to be at a good point to begin investing because of their projected growth rates and that the company is starting a new trend upwards.

Transocean Company

Transocean is the largest contractor in the world for drilling offshore oil and gas wells. Its drilling capabilities exceed depths of about 10,000 feet. As of 2010, the company owned or operated a total of 139 mobile offshore drilling units. The company's operations are set up in two segments: contract drilling services and all other procedures.

Transocean has over 25,000 employees worldwide and is based out of Switzerland. Offices can be found in about 20 different countries and it specializes in deepwater drilling. The company's slogan is, "We're never out of our depth".

In terms of its stock, it's broken down into almost 319 million shares, a beta of 0.84, and a P/E of 6.16. Its market cap is approximately 17.5 billion, with a volume of 4.1 million and an average of 8.6 million⁹.

Royal Dutch Shell Company

Royal Dutch Shell, commonly known as Shell, is a worldwide independent oil and gas company that is based out of the United Kingdom. It is the largest energy company in the world. Shell is involved in the worldwide aspect of the production of oil and gas and also takes an interest in other energy-related businesses.

9. *Transocean :: Home*. Web. 8 Oct. 2010. <<http://www.deepwater.com/>>.

The Company operates in three divisions: Upstream, Downstream, and Corporate. Its upstream business locates and extracts crude oil and natural gas, usually working with other oil companies. Shell's downstream division turns crude oil into different refined products. These products are distributed all over the world for household, manufacturing, and transport use. The corporate division covers the non-operating activities supporting Shell¹⁰.

2.5 Trading Methods Selected

Out of the types of trading methods that were researched and described before this section, each of the two group members needed to pick one method of trading and apply it to a simulation process of the stock market. John Ferro decided to display his knowledge and understanding of the swing trading method. Ryan Miller decided to apply the news trading method to this simulation.

10. *The Shell Global Homepage - Global*. Web. 8 Oct. 2010. <<http://www.shell.com/>>.

3. Swing Trading (Ferro)

This chapter will provide a detailed description of what swing trading is along with certain techniques that swing traders use. Once a basic knowledge of this method of trading is explained, the initial investments will be clearly displayed. This information will include the name of the stocks, the amount of money invested in each, the amount of shares that money will purchase, and the price of each share at the time. The opening and closing values of the stocks each week is organized. An important aspect of swing trading is the moving averages which are displayed below for each week and includes starting and finishing values. Lastly, the charts of each stock, each week are documented along with the weekly trades made followed by a conclusion of trading efficiency.

3.1 Using Swing Trading

The swing trading method is all based off of moving averages. The moving average line is simply the average price of a stock over time. Moving averages help define any trends and also help display and trend changes in the market. The two moving averages that will be observed are the 10 period simple moving average (SMA) and the 30 period exponential moving average (EMA). The optimal conditions for a profitable stock regarding SMA and EMA are as follows. One, the SMA must be above the EMA. Two, there must be a good amount of space between the two averages. Three, the moving averages both must be sloping up. It is better to focus on long positions when the SMA is above the EMA. It is better to focus on short term positions when the EMA is above the SMA. The third and most important moving average that will be observed is the 200 period SMA. There is supporting evidence that it is more profitable to focus on long positions above this line and short position below this line. Using this method

of following moving averages and swing trading, it will be possible to ultimately end up with a substantial profit.

3.2 Companies Selected

The six companies that were selected to invest in are listed below. Each company has their own unique characteristic that makes it a potential profit opportunity. Each one is listed below along with a brief, defining aspect of the companies.

- Royal Dutch Shell (RDS)
 - Royal Dutch Shell is a worldwide independent oil and gas company. It is the largest energy company in the world and deals with worldwide production of oil and gas.
- Exxon Mobil (XOM)
 - The Exxon suffered a huge loss a while ago. Since then, the company has been working hard to recover and has done so to a great extent.
- British Petroleum / BP Incorporated (BP)
 - BP suffered an accident in the Gulf and has been struggling to clean up the oil spill. They are restructuring their company and working on getting back on track.
- Transocean (RIG)
 - Transocean is the largest contractor in the world for drilling offshore oil and gas wells. Its drilling capabilities exceed depths of about 10,000 feet. As of 2010, the company owned or operated a total of 139 mobile offshore drilling units.

- Halliburton (HAL)
 - Halliburton offers services like drilling equipment, chemical testing, expert cementing and production enhancement products to make drilling more efficient. Halliburton has been credited for sealing the leaking oil well in the Gulf.
- Baker Houghs Incorporated (BHI)
 - Baker has been one of the best testing and prospecting companies in the business. Hughes revolutionized rotary drilling by inventing the first roller cutter bit. Hughes Tool Co has gone on to be a leader in developing new drilling equipment.

3.3 Choosing the First Stocks

On September 13, 2010, I bought shares in each of the six oil companies with a \$500,000 budget. With a little money left outside the market, I used the rest of the budget to distribute within the oil companies and the trading simulation began.

September 13, 2010

Opening 9-13								
Date	Symbol	Buy / Sell	Price	Shares	Net Cost / Proceeds	Profit / Loss	Total Cash	Total Profit
13-Sep							500,000	
13-Sep	BP	Buy	38.33	2048	78509.84		421,490	
13-Sep	XOM	Buy	61.09	1272	77716.48		343,774	
13-Sep	RDS	Buy	56.24	1888	106191.12		237,583	
13-Sep	RIG	Buy	59.95	986	59120.7		178,462	
13-Sep	HAL	Buy	31.2	2528	78883.6		99,578	
13-Sep	BHI	Buy	40.02	2015	80650.3		18,928	

Table 3. 1: Initial Stock Investment

3.4 Simulation

The following data contains detailed information on the trading activity that took place throughout the duration of the simulation. The budget was distributed among the companies and untouched for the first week. After every week, there is a simple summary table exemplifying what the trades for the week added up to. By the end of the four week simulation, a lot of trading activity took place and is summarized by the tables at the end of the chapter.

Week 1

This is the first week of trading where after the initial investment, I didn't make any trades. The purpose of this was to establish a certain status in the market. My objective after this point was to make the most amount of money possible in the three weeks to come by using swing trading.

Opening 9-13								
Date	Symbol	Buy / Sell	Price	Shares	Net Cost / Proceeds	Profit / Loss	Total Cash	Total Profit
13-Sep							500,000	
13-Sep	BP	Buy	38.33	2048	78509.84		421,490	
13-Sep	XOM	Buy	61.09	1272	77716.48		343,774	
13-Sep	RDS	Buy	56.24	1888	106191.12		237,583	
13-Sep	RIG	Buy	59.95	986	59120.7		178,462	
13-Sep	HAL	Buy	31.2	2528	78883.6		99,578	
13-Sep	BHI	Buy	40.02	2015	80650.3		18,928	
Closing 9-17								
Date	Symbol	Buy / Sell	Price	Shares	Net Cost / Proceeds	Profit / Loss	Total Cash	Total Profit
17-Sep								
17-Sep	BP		38.03	2048	77895.44		18,928	
17-Sep	XOM		60.78	1272	77322.16		18,928	
17-Sep	RDS		56.82	1888	107286.16		18,928	
17-Sep	RIG		60.16	986	59327.76		18,928	
17-Sep	HAL		30.96	2528	78276.88		18,928	
17-Sep	BHI		39.88	2015	80368.2		18,928	

Table 3. 2: Opening / Closing Stocks for Week One

Summary of Week 1: (There were no trades made for the first week in order to establish a short trading history for the six investments.)

Week 2

To make money this week, my objective is to sell at a high peak point of the week and buy back at a point where the stock's pattern is at a downward slope. The table below shows that I made 1524 trades at a supposed high peak point and then 1543 shares were bought back with the money acquired from selling the stock earlier. I had a small amount of money left over.

BP (Week 2)

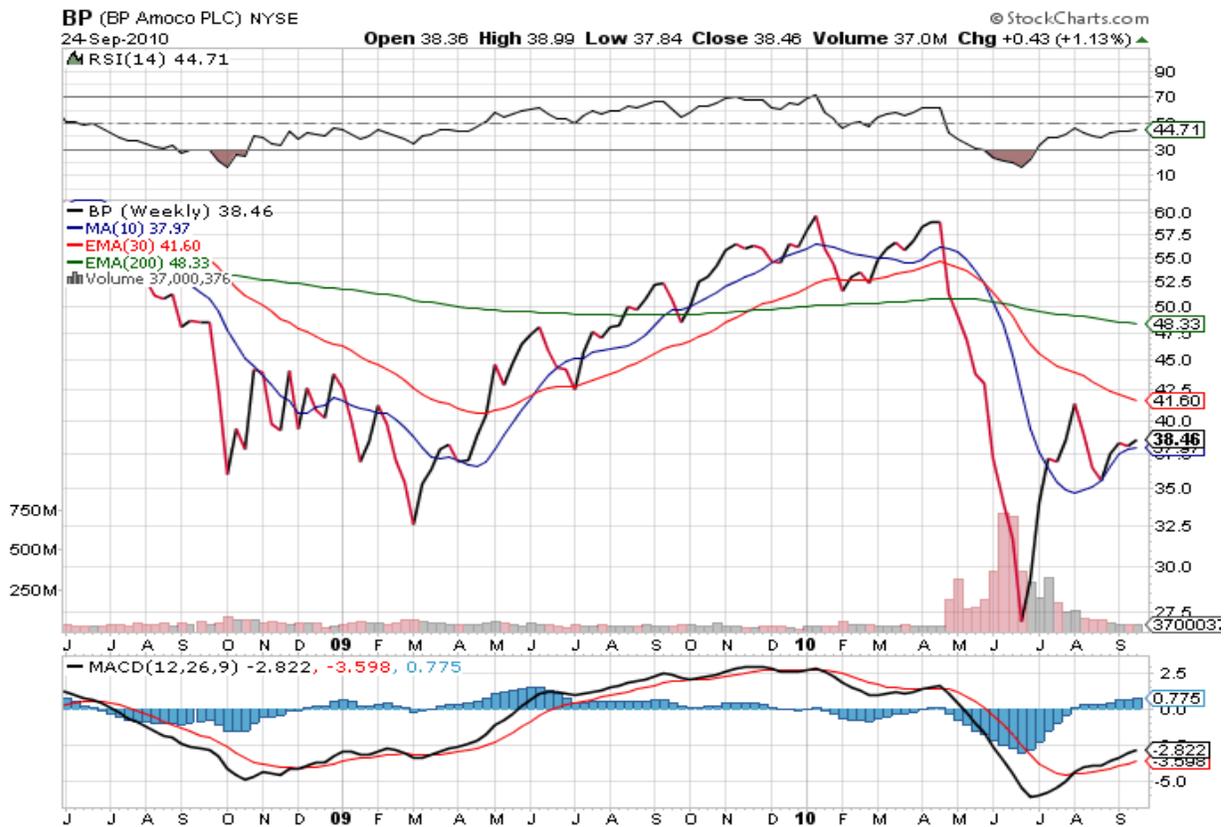


Figure 3. 1: Stock Pattern for BP Week 2

BP (Week 2)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
09/21/10	BP	11:50 a.m.	Sell	\$38.72	1524	\$59,009.28	Profit	(\$9,009.28)
09/23/10	BP	10:55 a.m.	Buy	\$38.23	1543	\$58,988.89		Left Over (\$20.39)
Total Shares				\$38.41	2067			\$79,393.47

Table 3. 3: Buy and Sell for BP Week 2

XOM (Week 2)

For the second week, in Exxon Mobil, I sold 636 shares at a set price which optimally should be at a peak high. Then the next day, I bought back the stock for 638 shares. It was possible for me to buy back two more shares with the money from selling the day before.

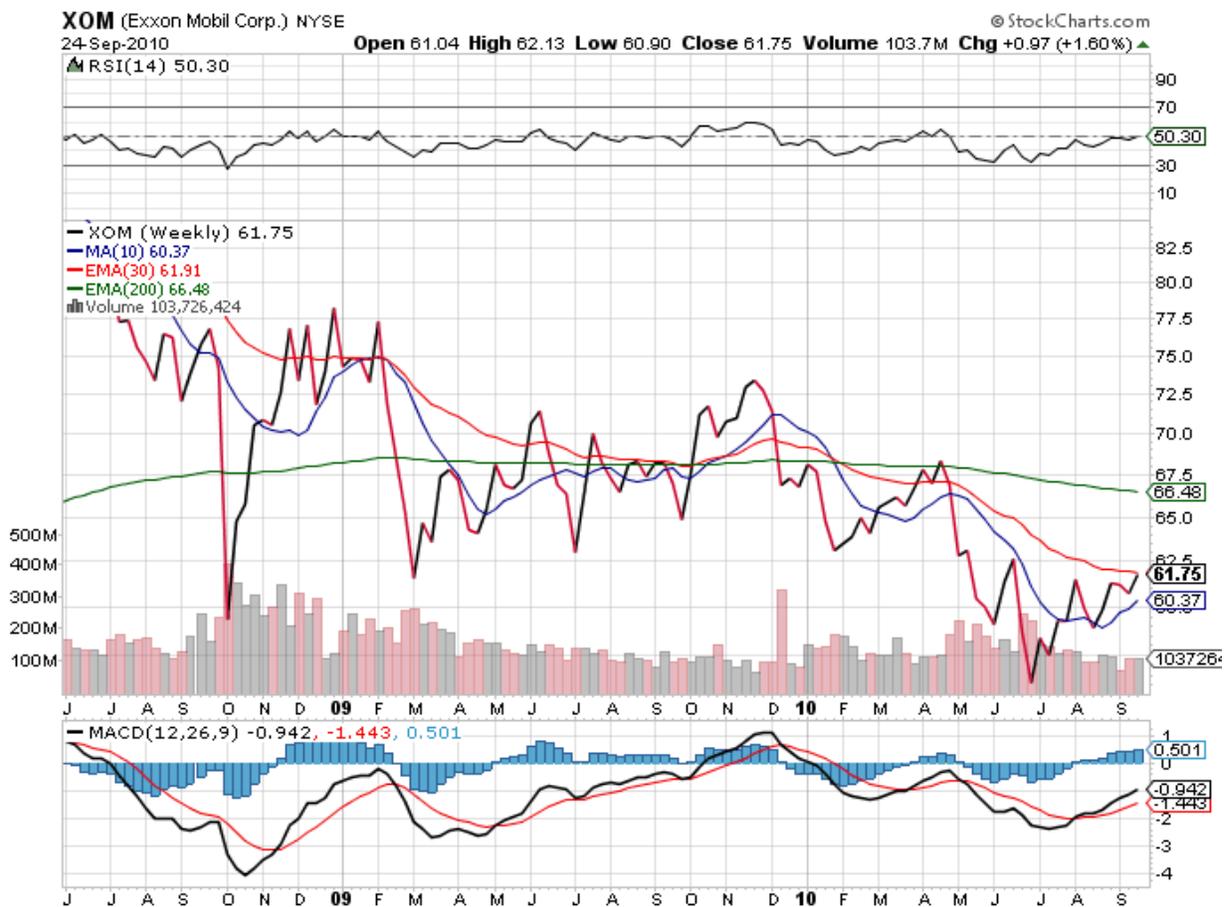


Figure 3. 2: Stock Pattern for XOM Week 2

XOM (Week 2)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
09/22/10	XOM	11:05 a.m.	Sell	\$61.56	636	\$39,152.16	Profit	(\$298.92)
09/23/10	XOM	11:00 a.m.	Buy	\$61.36	638	\$39,147.68		Left Over (\$5)
Total Shares				\$61.72	1274			\$78,631.28

Table 3. 4: Buy and Sell for XOM Week 2

RDS (Week 2)

For the Royal Dutch Shell, I sold 944 shares on the 21st of September. The trade timing was dependent on the antics described in swing trading. My observations of the moving averages and the prediction pattern and analysis were all factors that contributed to the decisions of when to buy and sell this stock.

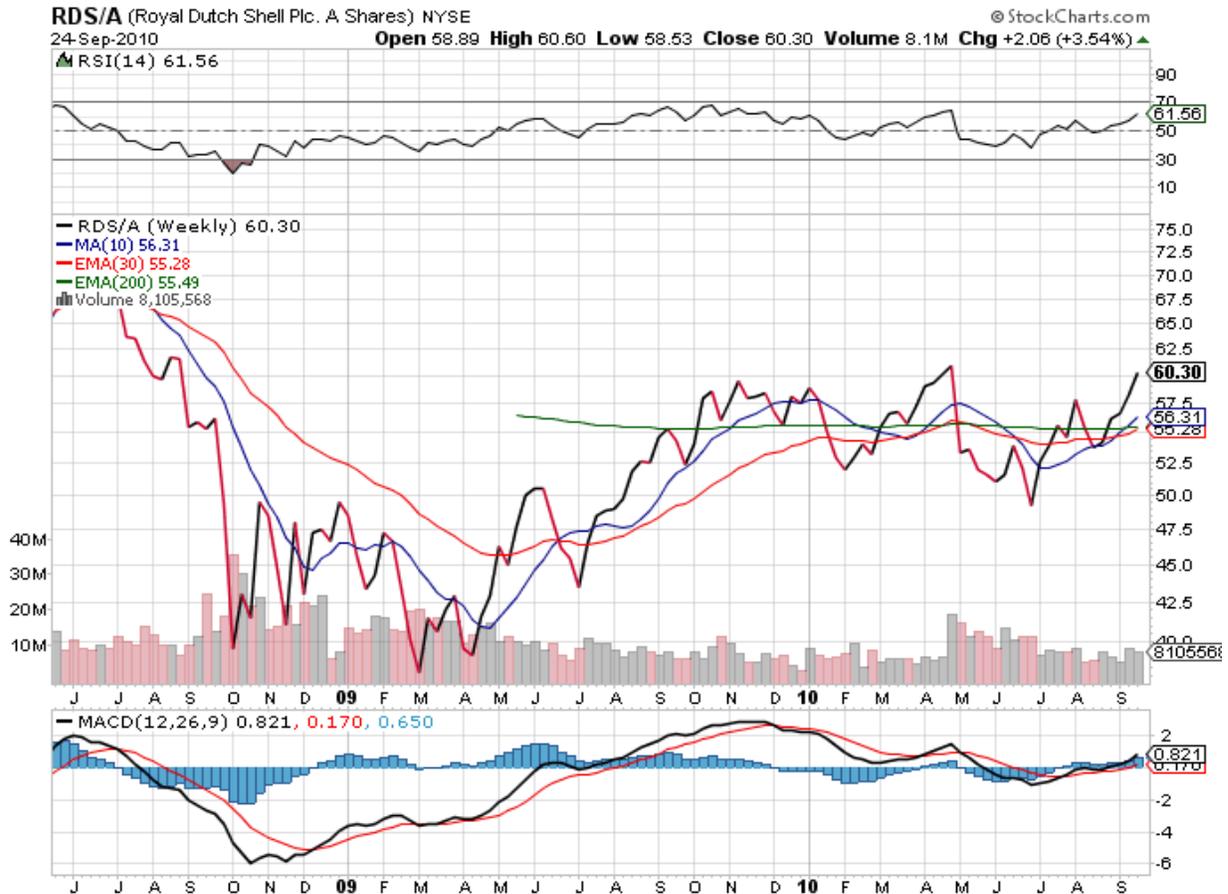


Figure 3. 3: Stock Pattern for RDS Week 2

RDS (Week 2)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
09/21/10	RDS	11:30 a.m.	Sell	\$59.22	944	\$55,903.68	Profit	(\$5,903.68)
09/23/10	RDS	10:45 a.m.	Buy	\$58.82	950	\$55,879.00		Left Over (\$24.68)
Total Shares				\$60.28	1894			\$114,170.32

Table 3. 5: Buy and Sell for RDS Week 2

RIG (Week 2)

I traded Transocean Inc. on the 21st of September for 493 shares. I then bought it back the next day for 5 more shares. It was possible for me to buy back more shares than when it was sold because the timing of the purchase is placed when the stock has decreased enough that the price per share is cheaper. In turn, more shares were available for me to buy back.



Figure 3. 4: Stock Pattern for RIG Week 2

RIG (Week 2)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
09/21/10	RIG	11:35 a.m.	Sell	\$60.15	493	\$29,653.95	Profit	(\$4,653.95)
09/22/10	RIG	2:10 p.m.	Buy	\$59.50	498	\$29,631.00		Left Over (\$22.95)
Total Shares				\$60.07	991			\$59,529.37

Table 3. 6: Buy and Sell for RIG Week 2

HAL (Week 2)

I sold 1791 shares on September 21st for \$31.66 for a return sum of \$56,703.06. Two days later, I bought the stock back for a total of 1817 shares with \$30.83 remaining.



Figure 3. 5: Stock Pattern for HAL Week 2

HAL (Week 2)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
09/21/10	HAL	12:35 p.m.	Sell	\$31.66	1791	\$56,703.06	Profit	(\$6,703.06)
09/23/10	HAL	10:00 a.m.	Buy	\$31.19	1817	\$56,672.23		Left Over (\$30.83)
Total Shares				\$30.96	2608			\$80,743.68

Table 3. 7: Buy and Sell for HAL Week 2

BHI (Week 2)

I sold Baker Houghs stock for \$40.43 a share and 1007 shares were sold. I bought back the stock two days later for 6 cents less. This made it possible for me to buy back 1008 shares and I end up with 2016 shares invested in this stock.

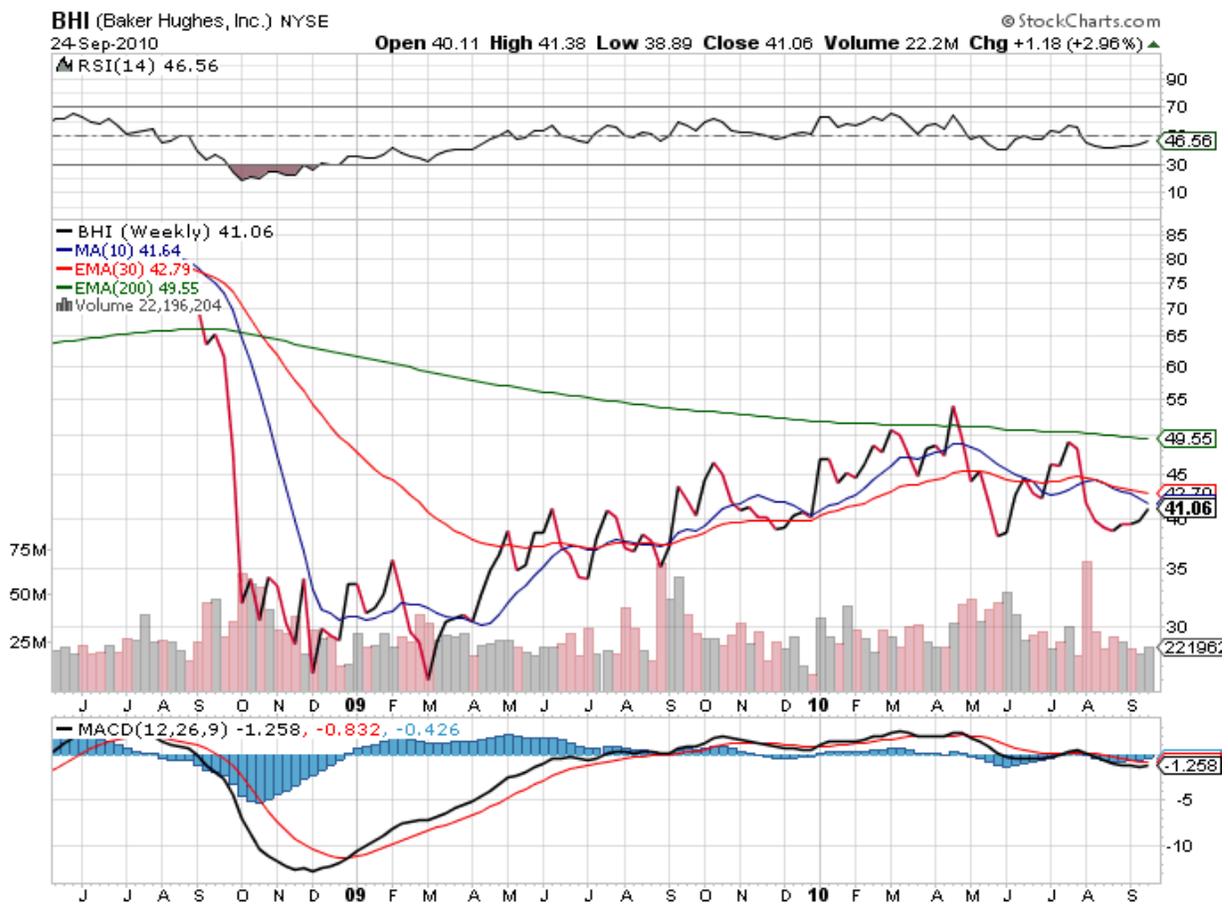


Figure 3. 6: Stock Pattern for BHI Week 2

BHI (Week 2)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
09/22/10	BHI	11:05 a.m.	Sell	\$40.43	1007	\$40,713.01	Profit	(\$3,213.01)
09/24/10	BHI	10:00 a.m.	Buy	\$40.37	1008	\$40,692.96		Left Over (\$20.05)
Total Shares				\$40.94	2016			\$82,535.04

Table 3. 8: Buy and Sell for BHI Week 2

Trading Stories for Week 2

The majority of the six stocks took a loss in the beginning of the week. As the week progressed, the stock slowly, but surely climbed back up to end the week with a higher worth than it started as. Trading was based on the trading method of swing trading. The technique for swing trading required me to sell shares when the moving averages represented loss, and buy shares when the moving averages represented gain.

Summary of Week 2

Opening 9-20								
Date	Symbol	Buy / Sell	Price	Shares	Net Cost / Proceeds	Profit / Loss	Total Cash	Total Profit
20-Sep								
20-Sep	BP		38.41	2048	78673.68		18,928	
20-Sep	XOM		61.72	1272	78517.84		18,928	
20-Sep	RDS		60.28	1888	113818.64		18,928	
20-Sep	RIG		60.07	986	59239.02		18,928	
20-Sep	HAL		32.66	2528	82574.48		18,928	
20-Sep	BHI		40.94	2015	82504.1		18,928	
Date	Symbol	Buy / Sell	Price	Shares	Net Cost / Proceeds	Profit / Loss	Total Cash	Total Profit
21-Sep	BP	Sell	38.72	1524	59019.28	604.36	77,947	604.36
21-Sep	RDS	Sell	59.22	944	55913.68	2823.12	74,854	3427.48
21-Sep	RIG	Sell	60.15	493	29653.95	98.6	48,619	3526.08
21-Sep	HAL	Sell	31.66	1791	56713.06	833.86	75,701	4359.94
22-Sep	XOM	Sell	61.56	636	39162.16	308.92	58,111	4668.86
22-Sep	RIG	Buy	59.5	498	29631		18,988	
22-Sep	BHI	Sell	40.43	1007	40723.01	422.87	59,742	5091.73
23-Sep	BP	Buy	38.23	1543	58998.89		18,948	
23-Sep	XOM	Buy	61.38	638	39170.44		18,940	
23-Sep	RDS	Buy	58.82	950	55889		18,965	
23-Sep	HAL	Buy	31.19	1817	56682.23		19,019	
24-Sep	BHI	Buy	40.37	1008	40702.96		19,039	
Closing 9-24								
Date	Symbol	Buy / Sell	Price	Shares	Net Cost / Proceeds	Profit / Loss	Total Cash	Total Profit
24-Sep								
24-Sep	BP		38.41	2067	79403.47		19,039	
24-Sep	XOM		61.72	1274	78641.28		19,039	
24-Sep	RDS		60.28	1894	114180.32		19,039	
24-Sep	RIG		60.07	991	59539.37		19,039	
24-Sep	HAL		30.96	2608	80753.68		19,039	
24-Sep	BHI		40.96	2016	82585.36		19,039	

Table 3. 9: Summary of Trading for Week 2

Week 3

BP (Week 3)

To make money this week, my objective is to sell at a high peak point of the week leading to me buying back stock at a lower point where the stock's pattern is at a downward slope. The table below shows that I traded 1534 shares that were sold at an expected peak point. Then I bought back 1542 shares with the money from when I sold it.



Figure 3. 7: Stock Pattern for BP Week 3

BP (Week 3)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
09/27/10	BP	1:30 p.m.	Sell	\$38.50	1534	\$59,059.00	Profit	(\$157.26)
09/28/10	BP	12:10 p.m.	Buy	\$38.30	1542	\$59,058.60		Left Over (\$0.40)
Total Shares				\$41.89	2075			\$86,963.64

Table 3. 10: Buy and Sell for BP Week 3

XOM (Week 3)

For the third week, in Exxon Mobil, I sold 637 shares at a price which should be at a peak high in order for the swing trading method to be effective. Then the next day, I bought the stock back for 641 shares.

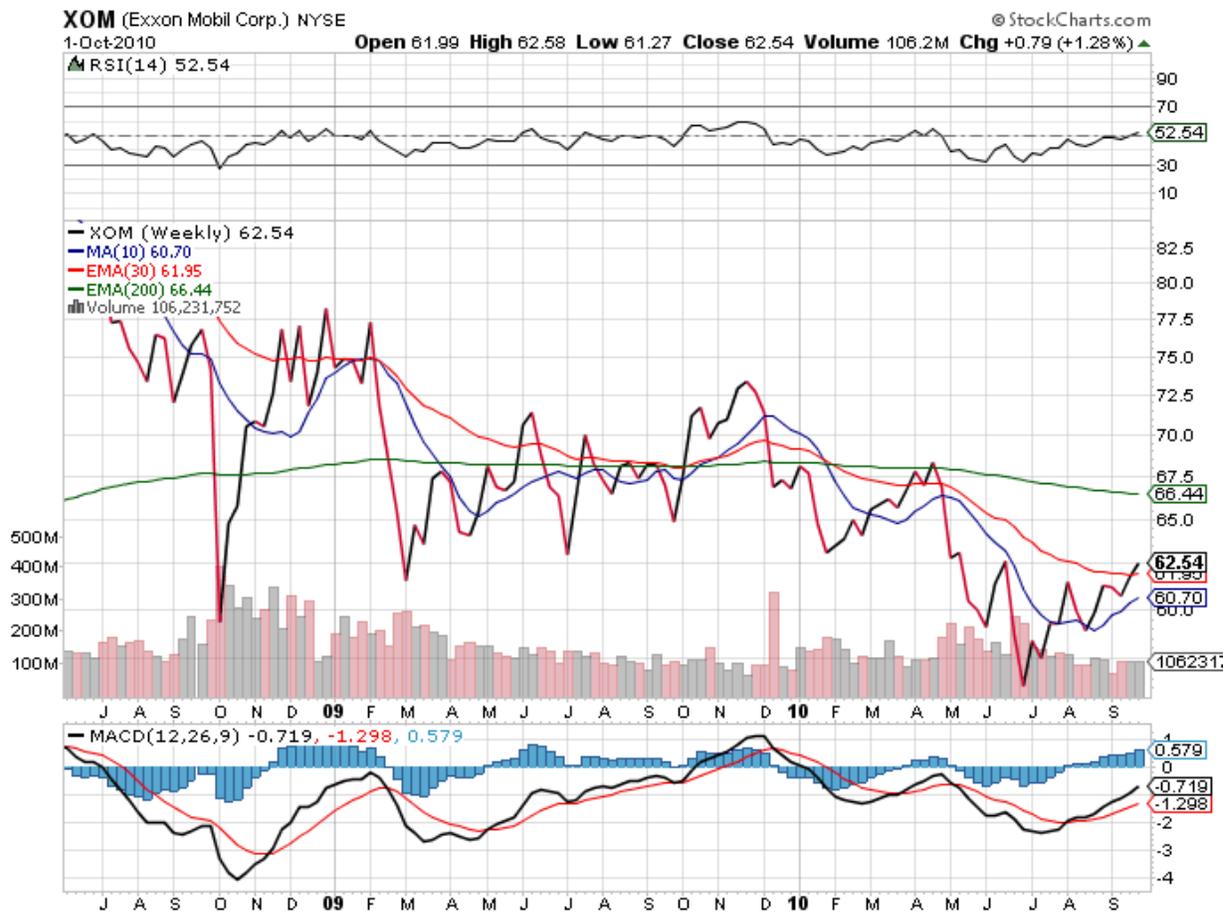


Figure 3. 8: Stock Pattern for XOM Week 3

XOM (Week 3)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
09/28/10	XOM	3:05 p.m.	Sell	\$61.79	637	\$39,360.23	Profit	(\$44.59)
09/29/10	XOM	3:45 p.m.	Buy	\$61.36	641	\$39,331.76		Left Over (\$28.47)
Total Shares				\$62.51	1278			\$79,887.78

Table 3. 11: Buy and Sell for XOM Week 3

RDS (Week 3)

The Royal Dutch Shell sold 947 shares on the 28th of September for \$60.23 per share. I got a cash back sum of \$57,037.81 from this trade. The stock was bought back at \$60.18 for the same amount of shares.

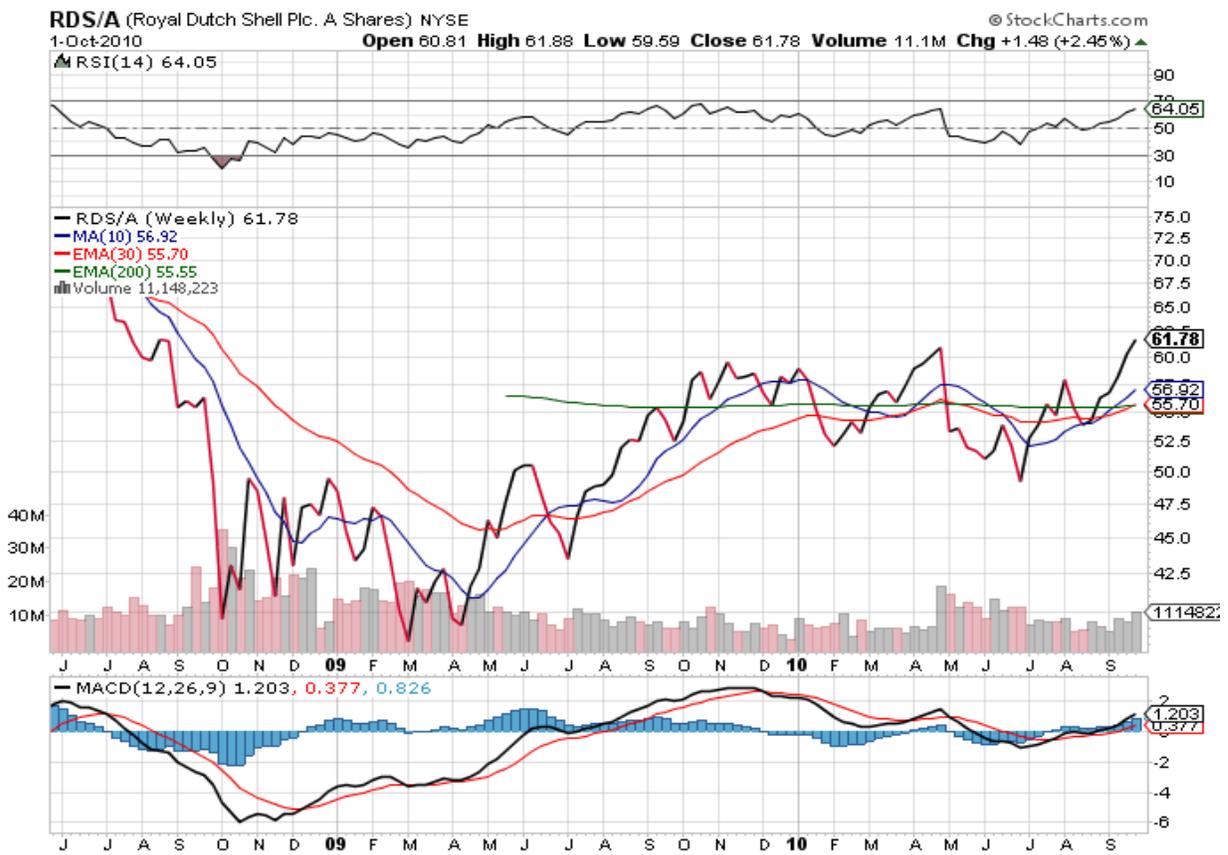


Figure 3. 9: Stock Pattern for RDS Week 3

RDS (Week 3)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
09/28/10	RDS	3:05 p.m.	Sell	\$60.23	947	\$57,037.81	Loss	(- \$47.35)
09/30/10	RDS	12:05 p.m.	Buy	\$60.18	947	\$56,990.46		Left Over (\$47.35)
Total Shares				\$61.70	1894			\$116,859.80

Table 3. 12: Buy and Sell for RDS Week 3

RIG (Week 3)

I traded Transocean Inc. on the 28th of September for 496 shares at \$63.62 each. I bought it back the next day for 4 less shares. The reason less shares were bought back this week was the price of the stock was \$64.39 at buy back. This price is 77 cents more than when it was sold. The outcome is still a profit for me because the stock has risen for the week so the value increase in the stock covered my loss in the purchase on the 29th of September.



Figure 3. 10: Stock Pattern for RIG Week 3

RIG (Week 3)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
09/28/10	RIG	12:55 p.m.	Sell	\$63.62	496	\$31,555.52	Profit	(\$1,790.83)
09/29/10	RIG	10:05 a.m.	Buy	\$64.39	490	\$31,551.10		Left Over (\$4.42)
Total Shares				\$64.35	985			\$63,449.10

Table 3. 13: Buy and Sell for RIG Week 3

HAL (Week 3)

I had 1804 shares sold on September 27th for \$32.59 for a total sum of \$58,792.36. The next day, I bought the stock back for a total of 1823 shares with \$18.84 remaining.

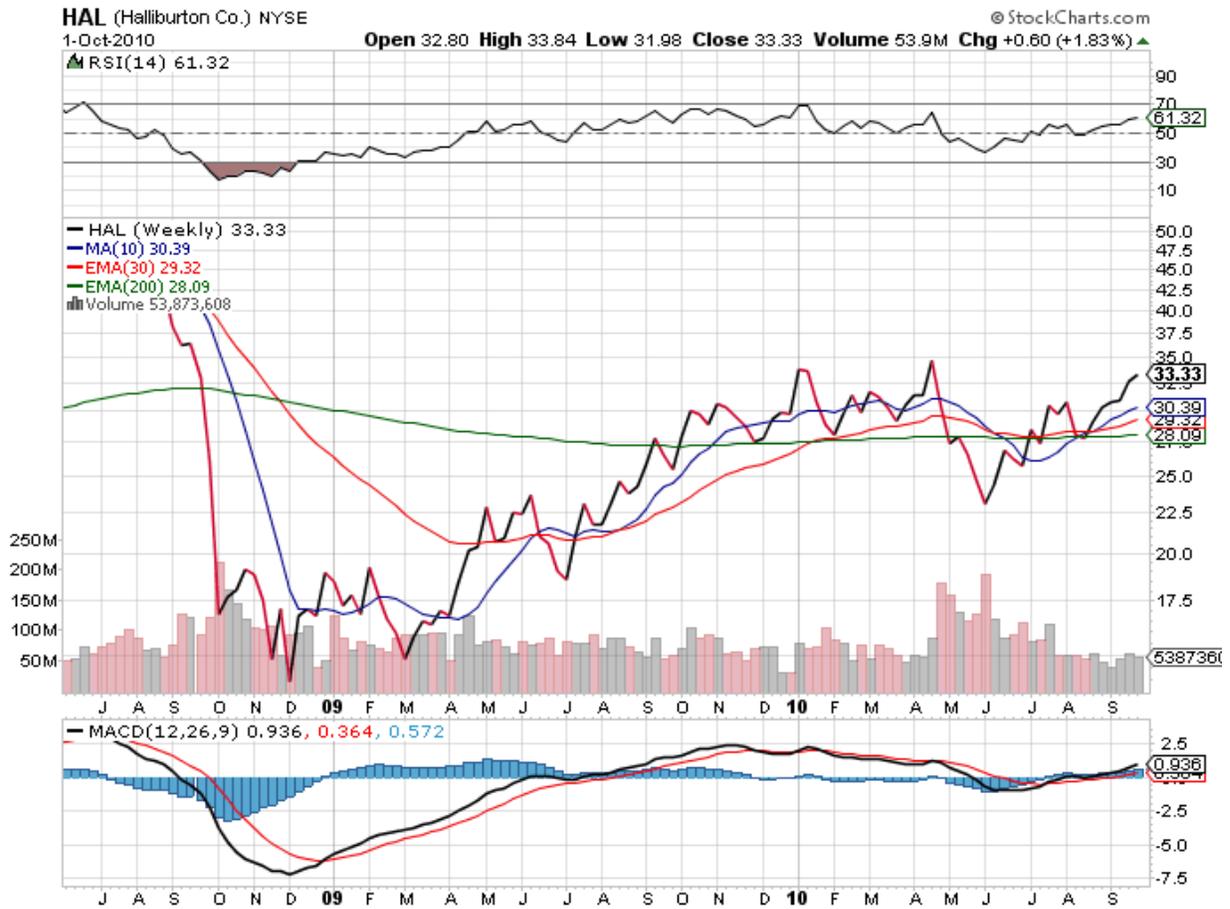


Figure 3. 11: Stock Pattern for HAL Week 3

HAL (Week 3)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
09/27/10	HAL	11:00 a.m.	Sell	\$32.59	1804	\$58,792.36	Profit	(\$2,940.52)
09/28/10	HAL	11:00 a.m.	Buy	\$32.24	1823	\$58,773.52		Left Over (\$18.84)
Total Shares				\$33.34	2573			\$87,584.18

Table 3. 14: Buy and Sell for HAL Week 3

BHI (Week 3)

I sold Baker Houghs stock for \$40.83 a share and 1008 shares were sold. I then bought it back the day after for 20 cents less. This made it possible for me to buy back 1012 shares and I end up with 2020 total shares invested in this stock.



Figure 3. 12: Stock Pattern for BHI Week 3

BHI (Week 3)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
09/27/10	BHI	12:00 p.m.	Sell	\$40.83	1008	\$41,156.64	Loss	(\$110.88)
09/28/10	BHI	1:30 p.m.	Buy	\$40.63	1012	\$41,117.56		Left Over (\$39.08)
Total Shares				\$43.44	2020			\$87,748.80

Table 3. 15: Buy and Sell for BHI Week 3

Trading Stories for Week 3

The six stocks showed promising increase this week. With sporadic dips in each stock throughout the week, it was possible to buy and sell shares to produce a profit. This week took minimal losses and the stocks are collectively on a steady incline. A substantial profit in this simulation is more than likely.

Summary of Week 3

Opening 9-27								
Date	Symbol	Buy / Sell	Price	Shares	Net Cost / Proceeds	Profit / Loss	Total Cash	Total Profit
27-Sep								
27-Sep	BP		38.41	2067	79403.47		19,039	
27-Sep	XOM		61.72	1274	78641.28		19,039	
27-Sep	RDS		60.28	1894	114180.32		19,039	
27-Sep	RIG		60.07	991	59539.37		19,039	
27-Sep	HAL		30.96	2554	79081.84		19,039	
27-Sep	BHI		40.96	2016	82585.36		19,039	
Date	Symbol	Buy / Sell	Price	Shares	Net Cost / Proceeds	Profit / Loss	Total Cash	Total Profit
27-Sep	BP	Sell	38.5	1534	59069	424.18	78,108	5515.91
27-Sep	HAL	Sell	32.59	1804	58802.36	2535.6	77,922	8051.51
27-Sep	BHI	Sell	40.83	1008	41166.64	473.68	119,088	8525.19
28-Sep	BP	Buy	38.3	1542	59068.6		19,039	
28-Sep	XOM	Sell	61.79	637	39370.23	271.17	58,409	8796.36
28-Sep	RDS	Sell	60.23	947	57047.81	1345.27	76,115	10141.63
28-Sep	RIG	Sell	63.62	496	31565.52	2053.52	50,680	12195.15
28-Sep	HAL	Buy	32.24	1824	58815.76		19,106	
28-Sep	BHI	Buy	40.63	1012	41127.56		77,961	
29-Sep	XOM	Buy	61.36	641	39341.76		19,067	
29-Sep	RIG	Buy	64.39	490	31561.1		19,119	
30-Sep	RDS	Buy	60.18	947	57000.46		19,115	
Closing 10-1								
Date	Symbol	Buy / Sell	Price	Shares	Net Cost / Proceeds	Profit / Loss	Total Cash	Total Profit
1-Oct								
1-Oct	BP		41.89	2075	87030.75		19,115	
1-Oct	XOM		62.51	1278	79996.78		19,115	
1-Oct	RDS		61.7	1894	116968.8		19,115	
1-Oct	RIG		64.35	985	63493.75		19,115	
1-Oct	HAL		33.34	2573	85892.82		19,115	
1-Oct	BHI		43.44	2020	87857.8		19,115	

Table 3. 16: Summary of Trading for Week 3

Week 4

BP (Week 4)

To make money this week, my objective is to sell at a point of the week where the stock is high and buy back at a point where the stock's pattern is lower. The table below shows that I sold 1545 trades at a peak point and 1554 shares were bought back four days later with the money from selling the stock earlier.



Figure 3. 13: Stock Pattern for BP Week 4

BP (Week 4)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
10/04/10	BP	11:00 a.m.	Sell	\$40.99	1545	\$63329.55	Loss	(\$-1390.50)
10/08/10	BP	3:45 p.m.	Buy	\$40.74	1554	\$63309.96		Left Over (\$19.59)
Total Shares				\$41.92	2085			\$87,403.20

Table 3. 17: Buy and Sell for BP Week 4

XOM (Week 4)

For the second week, in Exxon Mobil, I sold 1058 shares at a peak high in the current pattern observed. Then the next day, I purchased the stock for 1046 shares. I ended up buying it back at a higher price. This situation left me with a loss in profit but I was once again covered by the overall value of the stock.

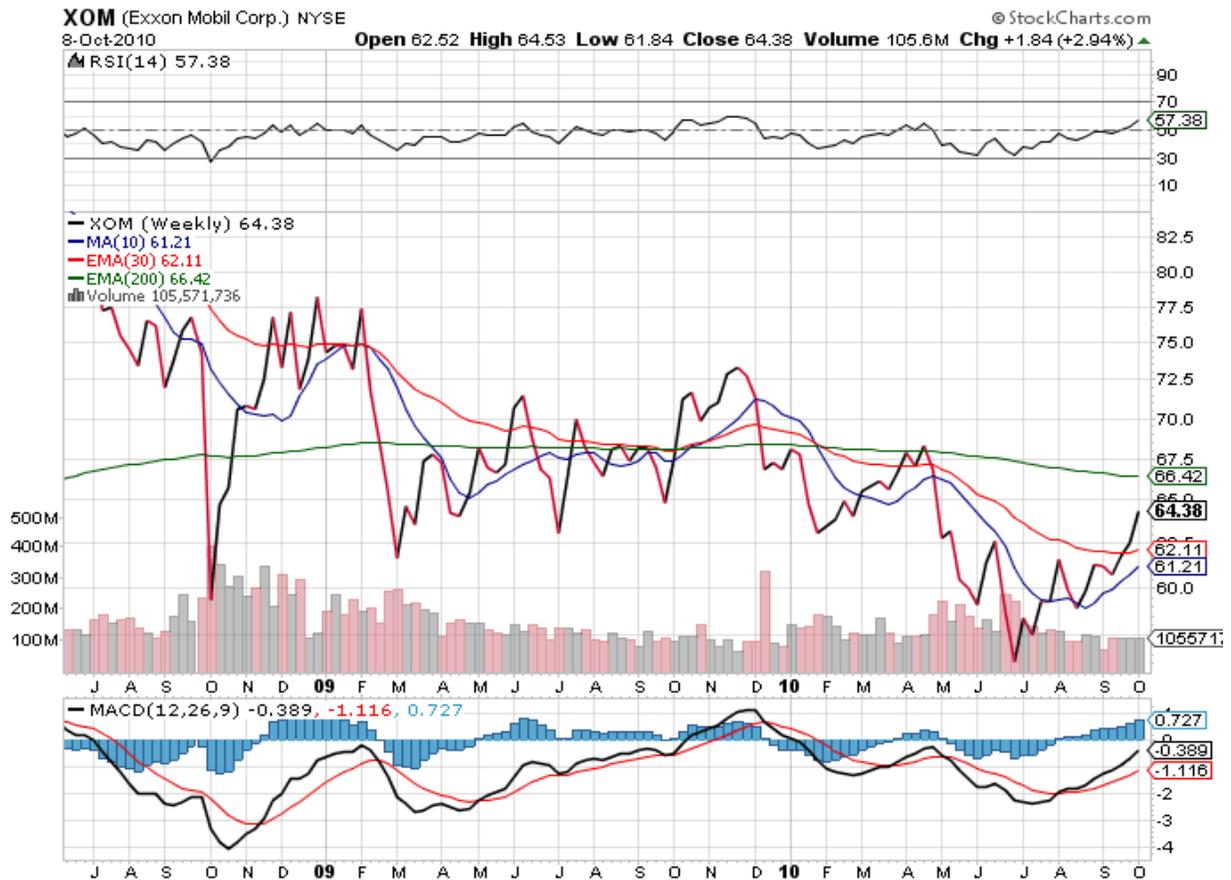


Figure 3. 14: Stock Pattern for XOM Week 4

XOM (Week 4)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
10/04/10	XOM	12:30 a.m.	Sell	\$62.03	1058	\$65,627.74	Loss	(\$507)
10/05/10	XOM	10:15 a.m.	Buy	\$62.72	1046	\$65,605.12		Left Over (\$22.62)
Total Shares				\$64.41	1266			\$81,543.06

Table 3. 18: Buy and Sell for XOM Week 4

RDS (Week 4)

I sold 850 shares of Royal Dutch Shell on the 4th of October for \$60.75. On the same day, I predicted that this was the optimal day for both selling and buying the stock for this company to produce the maximum possible profit. So, also on the 4th, I bought 851 shares for \$60.66. This ended up being 9 cents cheaper, making it possible for me to only purchase one more share than when the shares were sold.

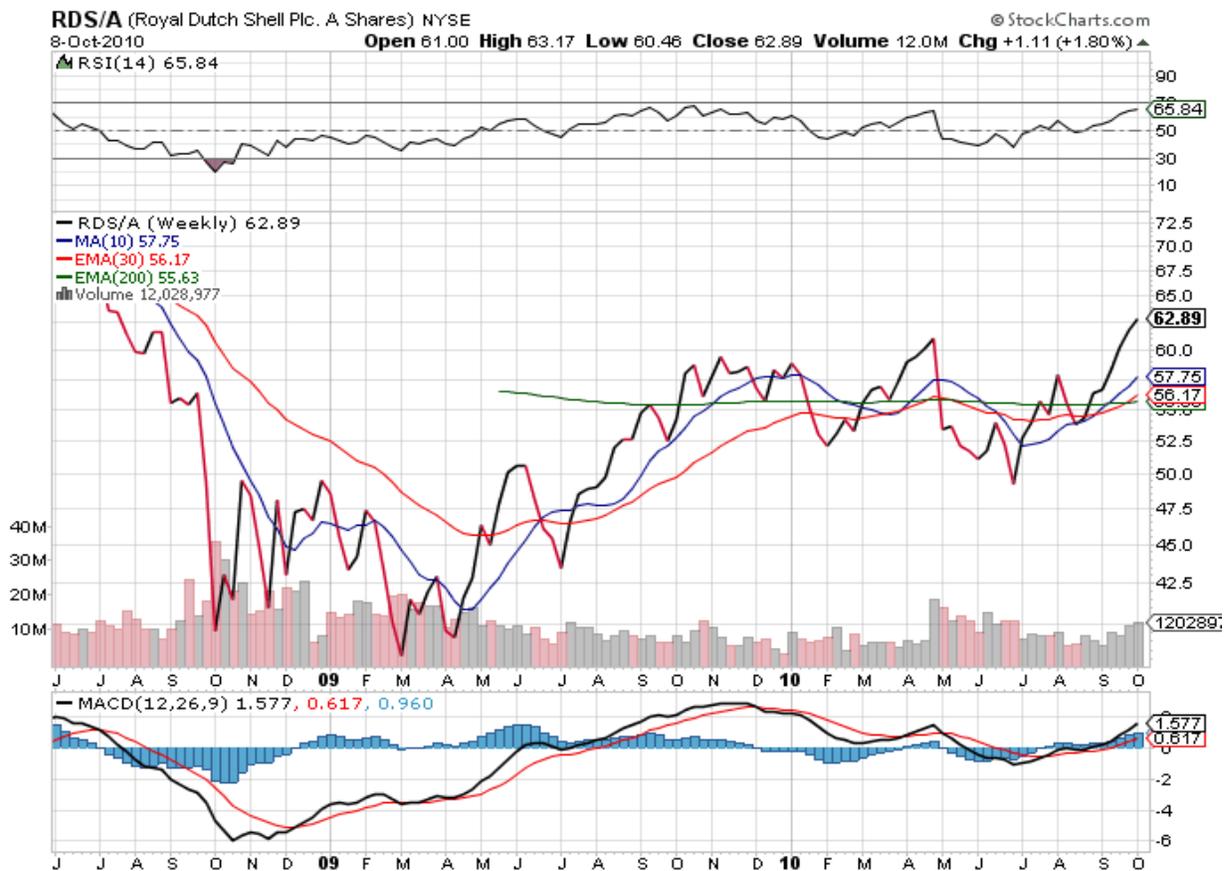


Figure 3. 15: Stock Pattern for RDS Week 4

RDS (Week 4)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
10/04/10	RDS	11:50 p.m.	Sell	\$60.75	850	\$51,637.50	Profit	(\$807.50)
10/04/10	RDS	3:15 p.m.	Buy	\$60.66	851	\$51,621.66		Left Over (\$15.84)
Total Shares				\$62.90	1895			\$119,195.50

Table 3. 19: Buy and Sell for RDS Week 4

RIG (Week 4)

For this company, I traded Transocean Inc. on the 4th of October for 715 shares. I bought it back the next day along with 3 more shares. The price at which I sold the shares was \$ 62.69 and the price at purchasing was \$62.35. The 34 cent difference made it possible for me to buy back three more shares than before this week's trades.



Figure 3. 16: Stock Pattern for RIG Week 4

RIG (Week 4)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
10/04/10	RIG	10:50 a.m.	Sell	\$62.69	715	\$44,823.35	Profit	(\$1,186.90)
10/04/10	RIG	2:40 p.m.	Buy	\$62.35	718	\$44,767.30		Left Over (\$56.05)
Total Shares				\$63.01	989			\$62,316.89

Table 3. 20: Buy and Sell for RIG Week 4

HAL (Week 4)

There were 1450 shares that I sold on October 7th for \$33.74 for a return sum of \$48,923.00. On the same day, I bought the stock for a total of 1462 shares with \$4.48 remaining.



Figure 3. 17: Stock Pattern for HAL Week 4

HAL (Week 4)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
10/07/10	HAL	10:10 p.m.	Sell	\$33.74	1450	\$48,923.00	Profit	(\$580.00)
10/07/10	HAL	2:05 p.m.	Buy	\$33.46	1462	\$48,918.52		Left Over (\$4.48)
Total Shares				\$34.75	2639			\$91,705.25

Table 3. 21: Buy and Sell for HAL Week 4

BHI (Week 4)

I sold Baker Houghs stock for 1535 shares that cost \$43.94 per share. I bought it back hours later for 34 cents less. Because of this, I could buy back 1546 shares and end up with 2031 shares invested in this stock.

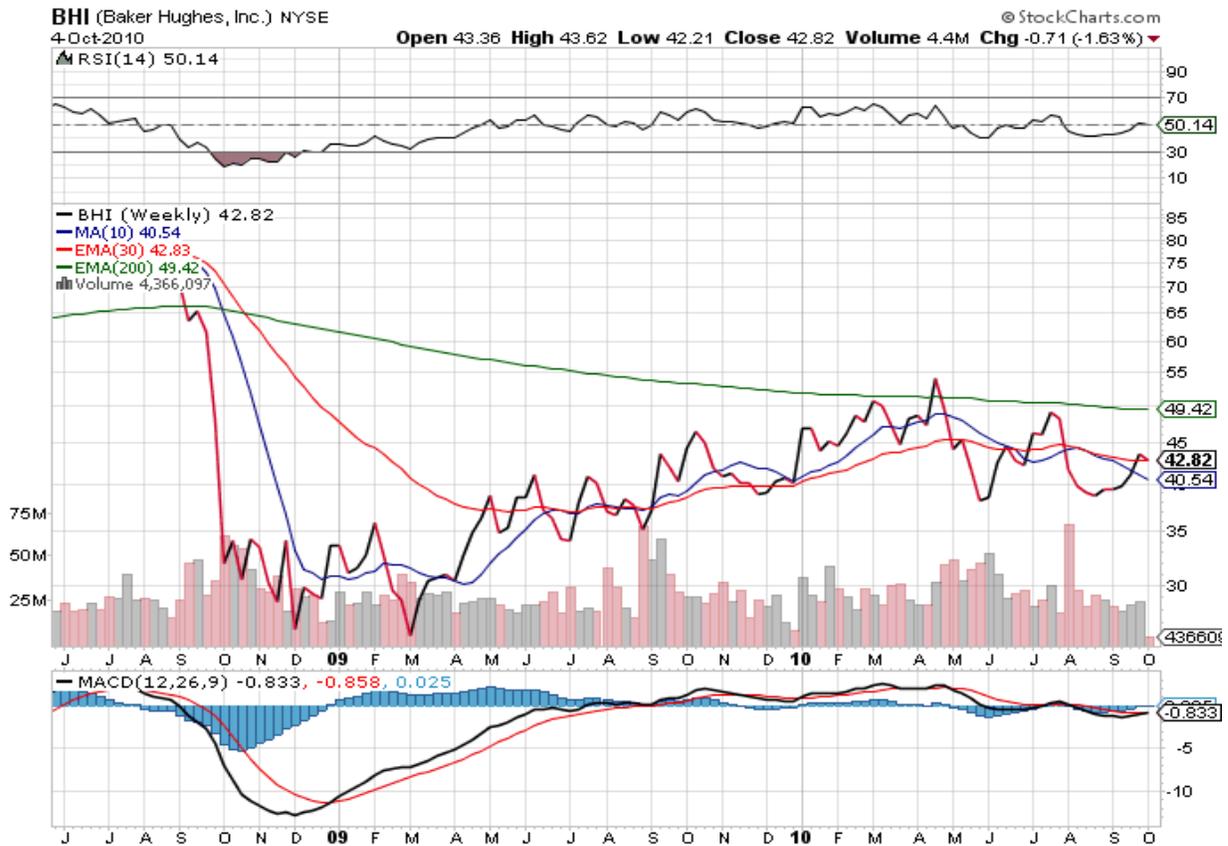


Figure 3. 18: Stock Pattern for BHI Week 4

BHI (Week 4)

Date	Symbol	Time of Sale	Buy/Sell	Price Per Share	Shares	Net Worth	Profit/Loss	Full Loss/Profit
10/07/10	BHI	10:15 a.m.	Sell	\$43.94	1535	\$67,447.90	Profit	(\$767.50)
10/07/10	BHI	1:55 p.m.	Buy	\$43.60	1546	\$67,405.60		Left Over (\$42.30)
Total Shares				\$44.62	2031			\$90,623.22

Table 3. 22: Buy and Sell for BHI Week 4

Trading Stories for Week 4

The outcome of this week was profitable, but took a loss on RIG of \$1205.50. Comparing that, to the total amount invested in the stock, it is a recoverable loss and I ended up making the money back by the end of the week. All six stocks ended higher than they started out in the beginning of the week. Although this made it difficult to buy and sell without taking a loss, this last week of trading ended with the selling of all stock investments and produced a significant profit.

Summary Week 4

Closing 10-1								
Date	Symbol	Buy / Sell	Price	Shares	Net Cost / Proceeds	Profit / Loss	Total Cash	Total Profit
1-Oct								
1-Oct	BP		41.89	2075	87030.75			
1-Oct	XOM		62.51	1278	79996.78			
1-Oct	RDS		61.7	1894	116968.8			
1-Oct	RIG		64.35	985	63493.75			
1-Oct	HAL		33.34	2574	85926.16			
1-Oct	BHI		43.44	2020	87857.8			
Opening 10-4								
Date	Symbol	Buy / Sell	Price	Shares	Net Cost / Proceeds	Profit / Loss	Total Cash	Total Profit
4-Oct								
4-Oct	BP		41.89	2075	87030.75			
4-Oct	XOM		62.51	1278	79996.78			
4-Oct	RDS		61.7	1894	116968.8			
4-Oct	RIG		64.35	985	63493.75			
4-Oct	HAL		33.34	2574	85926.16			
4-Oct	BHI		43.44	2020	87857.8			
Date	Symbol	Buy / Sell	Price	Shares	Net Cost / Proceeds	Profit / Loss	Total Cash	Total Profit
4-Oct	BP	Sell	40.99	1545	63339.55	4166.05	141,300	16361.2
4-Oct	XOM	Sell	62.03	1058	65637.74	718.86	143,618	17080.06
4-Oct	RDS	Sell	60.75	850	51647.5	494.5	129,650	17574.56
4-Oct	RDS	Buy	60.66	851	51631.66		78,019	
4-Oct	RIG	Sell	62.69	715	44833.35	-1205.5	122,852	16369.06
4-Oct	RIG	Buy	62.35	718	44777.3		78,075	
5-Oct	XOM	Buy	62.72	1046	65615.12		78,003	
7-Oct	HAL	Sell	33.74	1450	48933	2185	127,008	18554.06
7-Oct	HAL	Buy	33.46	1462	48928.52		78,079	
7-Oct	BHI	Sell	43.94	1535	67457.9	5090.85	145,537	23644.91
7-Oct	BHI	Buy	43.6	1546	67415.6		78,122	
8-Oct	BP	Buy	40.74	1554	63319.96		77,980	

Table 3. 23: Summary of Trading for Week 4

3.5 Results

Week 1

Week 1 stock market value continues as follows. RDS went up in stock value along with RIG. The rest of the companies, including XOM, BP, HAL, and BHI, all went down in value by the end of the first week.

Opening -- Closing Stocks for Week 1

Company	Symbol	Price Per Share Opening Week 1	Price Per Share Closing Week 1
Royal Dutch Shell	RDS	56.24	56.82
Exxon Mobil	XOM	61.09	60.78
British Petroleum	BP	38.33	38.03
Transocean	RIG	59.95	60.16
Halliburton	HAL	31.20	30.96
Baker Houghs Incorporated	BHI	40.02	39.88

Table 3. 24: Opening / Closing Stocks for Week 1

As the company's stocks went up or down, so did the moving averages for those stocks. Most commonly than not, if the stock of the company went up, the moving averages will do the same. But sometimes, within the three moving averages, one might do the opposite of the rest of the trends. Transocean is an example of this situation. Its stock for week 1 went up along with the 10 period simple moving average and the 30 period exponential moving average. But the 200 period exponential moving average went down for the week.

Opening -- Closing Moving Averages (SMA / EMA) Week 1

Company	Symbol	10 Period SMA	30 Period EMA	200 Period EMA
Royal Dutch Shell	RDS	57.54 -- 58.26 (UP)	57.58 -- 58.26 (UP)	57.58 -- 58.36 (UP)
Exxon Mobil	XOM	60.86 -- 60.77 (DOWN)	61.30 -- 60.81 (DOWN)	61.31 -- 60.87 (DOWN)
British Petroleum	BP	38.25 -- 38.00 (DOWN)	38.35 -- 37.98 (DOWN)	38.35 -- 38.08 (DOWN)
Transocean	RIG	59.52 -- 60.22 (UP)	59.98 -- 60.20 (UP)	59.99 -- 59.87 (DOWN)
Halliburton	HAL	31.38 -- 30.87 (DOWN)	31.24 -- 30.84 (DOWN)	31.24 -- 30.91 (DOWN)
Baker Houghs Incorporated	BHI	39.87 -- 39.82 (DOWN)	39.97 -- 39.80 (DOWN)	39.97 -- 39.97 (SAME)

Table 3. 25: Opening / Closing Moving Averages for Week 1

Week 2

Week 2 stock market value is as follows. RDS went up in stock value along with XOM, BP, HAL, and BHI. The only company that went down in value in the second week of trading is Transocean Inc.

Opening -- Closing Stocks for Week 2

Company	Symbol	Price Per Share Opening Week 2	Price Per Share Closing Week 2
Royal Dutch Shell	RDS	56.82	60.28
Exxon Mobil	XOM	60.78	61.72
British Petroleum	BP	38.03	38.41
Transocean	RIG	60.16	60.07
Halliburton	HAL	30.96	32.66
Baker Houghs Incorporated	BHI	39.88	40.94

Table 3. 26: Opening / Closing Stocks for Week 2

As all the companies' stocks went up except for Tansocean, so did the moving averages for each company. This week all the moving averages corresponded with the company's stock value, going up or down as the stock did.

Opening -- Closing Moving Averages (SMA / EMA) Week 2

Company	Symbol	10 Period SMA	30 Period EMA	200 Period EMA
Royal Dutch Shell	RDS	58.98 – 60.31 (UP)	58.79 – 60.32 (UP)	58.79 – 59.82 (UP)
Exxon Mobil	XOM	61.12 – 61.83 (UP)	61.06 – 61.89 (UP)	61.06 – 61.67 (UP)
British Petroleum	BP	38.24 – 38.46 (UP)	38.27 – 38.45 (UP)	38.27 – 38.34 (UP)
Transocean	RIG	60.05 – 60.03 (DOWN)	60.42 – 60.00 (DOWN)	60.42 – 59.90 (DOWN)
Halliburton	HAL	30.88 – 32.74 (UP)	30.88 – 32.76 (UP)	30.89 – 32.26 (UP)
Baker Houghs Incorporated	BHI	39.99 – 41.06 (UP)	40.07 – 41.11 (UP)	40.09 – 40.43 (UP)

Table 3. 27: Opening / Closing Moving Averages for Week 2

Week 3

Week 3 stock market value is as follows. Royal Dutch Shell, Exxon Mobil, British Petroleum, Transocean, Halliburton, and Baker Houghs all went up in value in the stock market according to the opening and closing price per shares.

Opening -- Closing Stocks for Week 3

Company	Symbol	Price Per Share Opening Week 3	Price Per Share Closing Week 3
Royal Dutch Shell	RDS	60.28	61.70
Exxon Mobil	XOM	61.72	62.51
British Petroleum	BP	38.41	41.89
Transocean	RIG	60.07	64.35
Halliburton	HAL	32.66	33.34
Baker Houghs Incorporated	BHI	40.94	43.44

Table 3. 28: Opening / Closing Stocks for Week 3

Similar to the stock market all increasing in value, so did each moving average for each of the six companies. Some companies, like BP, went up more than \$2.00 in value.

Opening -- Closing Moving Averages (SMA / EMA) Week 3

Company	Symbol	10 Period SMA	30 Period EMA	200 Period EMA
Royal Dutch Shell	RDS	60.45 – 61.73 (UP)	60.71 – 61.73 (UP)	60.71 – 61.18 (UP)
Exxon Mobil	XOM	61.94 – 62.50 (UP)	61.90 – 62.44 (UP)	61.90 – 62.10 (UP)
British Petroleum	BP	38.34 – 41.91 (UP)	38.36 – 41.91 (UP)	38.36 – 41.11 (UP)
Transocean	RIG	62.12 – 64.47 (UP)	61.22 – 64.45 (UP)	61.16 – 64.41 (UP)
Halliburton	HAL	32.80 – 33.41 (UP)	32.87 – 33.41 (UP)	32.87 – 33.22 (UP)
Baker Houghs Incorporated	BHI	41.36 – 43.52 (UP)	41.23 – 43.50 (UP)	41.23 – 42.80 (UP)

Table 3. 29: Opening / Closing Moving Averages for Week 3

Week 4

The last week of the simulation, week 4, stock market values are as follows. RDS, XOM, BP, HAL, and BHI all rose in stock value. BP counts as an increase, but in actuality, only went up 3 cents. The only company stock that didn't go up this week is Transocean.

Opening -- Closing Stocks for Week 4

Company	Symbol	Price Per Share Opening Week 4	Price Per Share Closing Week 4
Royal Dutch Shell	RDS	61.70	62.90
Exxon Mobil	XOM	62.51	64.41
British Petroleum	BP	41.89	41.92
Transocean	RIG	64.35	63.01
Halliburton	HAL	33.34	34.74
Baker Houghs Incorporated	BHI	43.44	44.62

Table 3. 30: Opening / Closing Stocks for Week 4

All the moving averages increased this week except for Transocean. All the moving averages for this week corresponded with the stock values of each company. Even though the stock might have been higher at certain points throughout the week, the stocks ended as displayed below.

Opening -- Closing Moving Averages (SMA / EMA) Week 4

Company	Symbol	10 Period SMA	30 Period EMA	200 Period EMA
Royal Dutch Shell	RDS	61.06 – 62.88 (UP)	61.00 – 62.81 (UP)	61.00 – 62.59 (UP)
Exxon Mobil	XOM	62.52 – 64.46 (UP)	62.62 – 64.38 (UP)	62.62 – 63.90 (UP)
British Petroleum	BP	41.43 – 41.92 (UP)	41.47 – 41.78 (UP)	41.47 – 41.60 (UP)
Transocean	RIG	63.83 – 63.08 (DOWN)	64.18 – 63.12 (DOWN)	64.18 – 62.94 (DOWN)
Halliburton	HAL	33.29 – 34.74 (UP)	33.41 – 34.71 (UP)	33.41 – 34.19 (UP)
Baker Houghs Incorporated	BHI	43.23 – 44.62 (UP)	43.47 – 44.61 (UP)	43.48 – 44.17 (UP)

Table 3. 31: Opening / Closing Moving Averages for Week 4

Total Progress

The total outcome of the stock market during this simulation is displayed below, comparing the price per share on the opening of week one and the price per share at the closing of week four. In addition to those statistics, the difference in the stock values are depicted in the last column of this table along with whether the overall stock went up or down in this simulation.

Opening – Closing Stocks for Total Simulation

Company	Symbol	Opening Week 1	Closing Week 4	Stock Up / Down
Royal Dutch Shell	RDS	56.24	62.90	UP 6.66
Exxon Mobil	XOM	61.09	64.41	UP 3.32
British Petroleum	BP	38.33	41.92	UP 3.59
Transocean	RIG	59.95	63.01	UP 3.06
Halliburton	HAL	31.20	34.74	UP 3.54
Baker Houghs Incorporated	BHI	40.02	44.62	UP 4.60

Table 3. 32: Opening / Closing Stocks for Total Simulation

Total Profit

This table displays the starting price per share and the closing price per share for this entire simulation in one column. The next column shows the starting and closing number of shares invested for each company. And the last column has the starting lump sum invested in each company compared to the ending lump sum invested. To display the outcome, at the bottom of this table displays the sum of cash after all the investments are liquidated and sold, adding up to \$532,787.00. Next is the sum of the cash that wasn't invested in the market, totaling to \$19,139.00. The sum of these two values is the total cash back after the simulation, adding up to \$551,926.00, creating a total profit of \$51,926.00 since the beginning of this trial.

Opening – Closing Moving Averages, Number of Shares, & Net Worth

Company	Symbo l	Price (Start – Finish)	Shares (Start – Finish)	Net Worth (Start – Finish)
Royal Dutch Shell	RDS	\$56.24 – \$62.90	2048 – 2085	\$106,191.12 – \$119,195.50
Exxon Mobil	XOM	\$61.09 – \$64.41	1272 – 1266	\$77,716.48 – \$81,543.06
British Petroleum	BP	\$38.33 – \$41.92	1888 – 1895	\$78,509.84 – \$87,403.20
Transocean	RIG	\$59.95 – \$63.01	986 – 989	\$59,120.70 – \$62,316.89
Halliburton	HAL	\$31.20 – \$34.75	2528 – 2639	\$78,883.60 – \$91,705.25
Baker Houghs Incorporated	BHI	\$40.02 – \$44.62	2015 – 2031	\$80,650.30 – \$90,623.22
Total Cash Return		Cash Back on Sales: \$532,787.00	Cash not invested: \$19,139.00	Total End Cash: <u>\$551,926.00</u>

Table 3. 33: Opening / Closing Moving Averages, Number of Shares, & Net Worth

3.6 Conclusion on Swing Trading

The method of trading I used for this four week simulation was swing trading. A swing trader bases their attention on the quality of the moving averages throughout the investment time. It is important for a swing trader to focus on price trends and patterns in the stock behavior. This type of trader looks for stocks that have potential to rise in a short period of time. An upward trend in stock is optimal investment circumstances. The stocks are traded daily and kept no longer than a few weeks.

In this simulation, I followed the techniques and strategies of a swing trader mixed with my own instincts and intuition. I began by investing in six oil companies and bought and sold within the boundaries of those companies. We chose these oil companies because the oil and energy business is a huge and rising industry and could be very profitable. I selected the companies as follows: BP Company (BP), Exxon (XOM), Halliburton (HAL), Baker Houghs (BHI), Transocean (RIG), and Shell (RDS). Six companies were selected so that I would be able to easily follow and trade their stocks.

During the four week simulation, I observed all aspects of the stocks that a swing trader would find significant by following the graphs and figures. I observed each stock's status, each day and decided whether or not to sell or buy to produce maximum profit depending on the stock's moving averages and other technical aspects and trends. Within each week, for each company, I would sell and buy shares once. I started with \$500,000 and after displaying and practicing swing trade methods, I ended with a total profit of \$51,926.00. When combining the initial amount of money invested and the profit earned, I made a total \$551,926.00. This amount of profit can be considered a great success for a swing trader.

The whole simulation is summarized simply by the profit made each week. There was no profit made the first week. The first profit earned was in the second week. The greatest overall profit is during the last week.



Figure 3. 19: Weekly Profit Intervals

We started our investment trial with \$500,000. After the first week, there were no trades, so there were no profits. After the first week, the first profit is seen by the end of the second week. By the end of the simulation, there was a 10.39 percent increase in net worth.

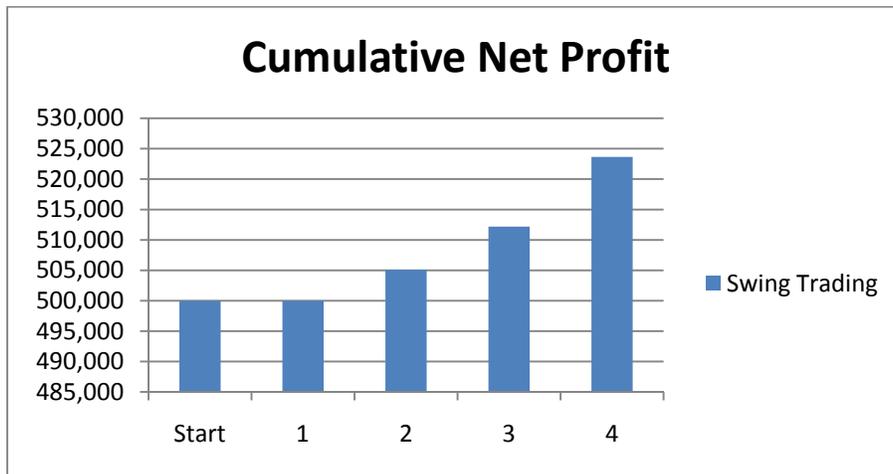


Figure 3. 20: Cumulative Net Profit

In the entirety of the simulation, you can see a gradual profit for most of the time period, then a massive profit at the end of the simulation on the final day. The table below represents the cumulative profit over the four weeks of investing. The ending profit includes the worth of all the investments sold and the contingency fund that was not invested at the time.

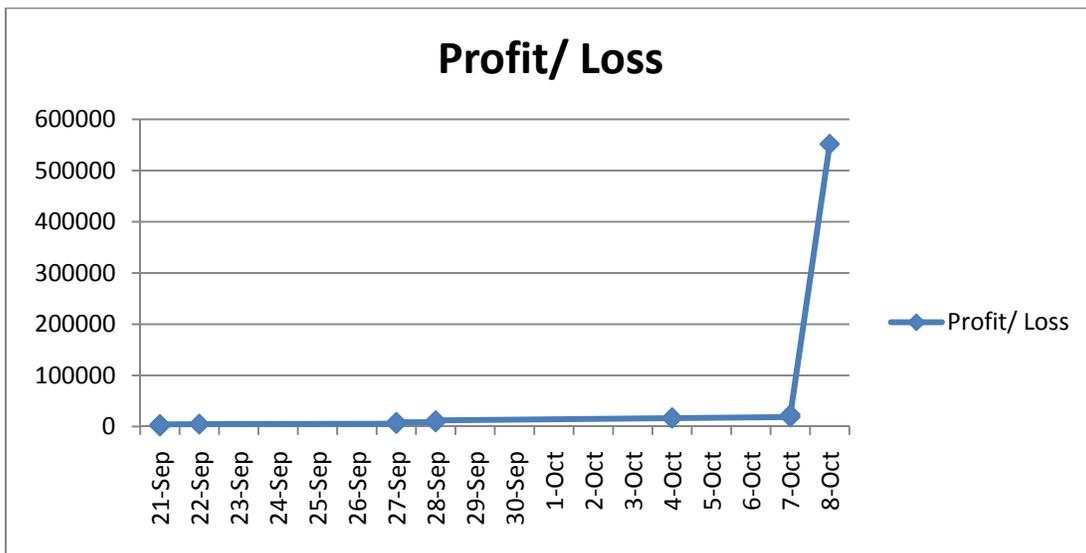


Figure 3. 21: Total Profit/Loss

4. News Following (Miller)

This chapter will outline how to use news trading. It is a viable trading strategy that has some complexities to it. News trading is an important aspect to trading because it takes into account a bigger picture of the industry and market as a whole. Also in this chapter is how I choose my first stocks. The first stocks are critical in spreading out my investment over multiple companies in the oil industry. From there is a four week trading simulation where I use real world press releases and stock prices to simulate how I would buy and sell my shares in the market. Finally is my conclusion on how effective news trading is.

4.1 Using News Trading

Press releases from companies are how the public and the company's shareholders know what is going on in the inner workings of the company. Through press releases and news articles, a company gives information about how business is being run inside their company, which could have huge consequences. If a company is releasing news of a new product due to be produced in the coming weeks that will revolutionize their industry, an investor would notice this and try to buy this stock before the product is released and the stock climbs. On the other hand, if an investor hears this same story and the company's product does not live up to the press hype, then the stock would plummet and the investor could potentially lose a good sum of money. To be an effect trader by using the News Following method, one has to consider press releases and articles from multiple sources to have a well rounded opinion on whether the stock price will climb or fall.

The oil industry is in the center of many economic discussions. The recent disaster in the Gulf has forced mainly three companies to the forefront. BP, who owned the well that leaked

into the Gulf; Transocean, who built and owns the rig that exploded when the well backed up; and finally Halliburton, who was responsible for the concrete and cement work on the well to make sure it would not back up. The press has covered this story since the start and these companies, especially BP, are in the headlines very often. This negative press has brought the stock prices down, but that does not mean that BP or the others will not come back from this, which could lead to a good profit for someone willing to take the risk.

The negative press in the Gulf can lead to gains for companies in the same industry but avoided the catastrophe, or even offered services to aid in fixing the leak. ExxonMobil is a leading pumping and distribution company and was in a similar situation as BP a number of years ago, when their tanker ship the *Exxon Valdez* collided with an iceberg and spilt oil all in the Prince William sound. ExxonMobil recovered quickly despite the bad press from the accident and made some significant profit since. Another large drilling and distributor who has avoided any huge disaster is Royal Dutch Shell, who also shares a large part of the market with BP and ExxonMobil. Baker Hughes is an oil service company like Halliburton and Transocean. They were involved in the initial capping of the leaking well. Baker Hughes is a good comparison because it is a company that shares the market and tried to help with plugging the well, with little public press to it, though.

4.2 Companies Selected

The following is a brief introduction to the companies I am following. They each have a unique history to the oil industry that has affected their standing today. All the companies are closely connected to the news and media and are very susceptible to a positive or negative public image. The companies selected offer diversity in the oil industry that will help give me a well rounded view of the industry in the market.

- BP has been in the news more than any other oil company lately due to the catastrophe in the Gulf of Mexico. It has greatly impacted more than just the oil industry, it has affected the fishing industry in the area, so subsequently the commercial restaurant business there and across the country. These huge impacts have given BP great qualifications to be monitored by news trading.
- ExxonMobil has experienced a disastrous oil spill a number of years ago and has rebounded from that quite well. I want to use this company for news trading because it had the same bad press that BP is having now and has regained its status as a leader in the oil industry.
- Royal Dutch Shell has not had a major disaster in the US, so it is a good comparison to the other two. I have chosen to follow the B stock, though, because it should be a more volatile stock, and allow me to make more trades in a short amount of time. (shell.com)
- Halliburton is a leader in the oil services industry, specifically in the cementing services area. Halliburton was directly involved in the oil rig disaster in the Gulf. They were an integral part in drilling and building the well and lately have been involved in claims from BP about their work on the well that was leaking. They will now be trying to

maintain their reputation and integrity so there should be many news stories regarding their standing on the Gulf.

- Transocean was also directly involved in the Gulf of Mexico disaster. They built and own the well that BP used to drill for the oil. BP has included them in their claims along with Halliburton to escape all of the blame for the leaking oil well. They have a long road to recover from the disaster and it will be interesting to see their recovery. (transocean.com)
- Baker Hughes Inc. also had a hand in the Gulf oil leak, but in a positive. They helped initially plug the well, then saw it sealed permanently. This is a very good comparison to the other companies because their stock should not have been too poorly affected by the disaster.

4.3 Choosing the First Stocks

There is a lot of turmoil in the oil industry. It is a tough product to find, acquire and refine. With the recent accident, BP stock prices are much lower than normal, but have already seen some recovery and stability. BP released information suggesting Transocean, who built the drilling rig that exploded, and Halliburton, who cemented the well during drilling, are to receive blame as much as they have for the explosion and leak¹¹. Taking this into account I have decided to invest my \$500,000 as follows:

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
Week 1 Opening							500000	
13-Sep	BP	Buy	38.33	1956	74983.48		425016.52	
13-Sep	XOM	Buy	61.09	818	49981.62		375034.9	
13-Sep	RDS-B	Buy	56.24	889	50007.36		325027.54	
13-Sep	RIG	Buy	59.95	834	50008.3		275019.24	
13-Sep	HAL	Buy	31.2	3605	112486		162533.24	
13-Sep	BHI	Buy	40.02	2811	112506.22		50027.02	

Table 4. 1: Initial Stocks

I have left \$50,027.02 to use for further investment, along with cash taken out from selling stocks. I have also used a fee of \$10 per transaction to simulate putting my trades through a broker. From now on I will monitor these companies' websites and various news organizations to determine when and where I should invest my money. I have left a large amount of cash

11. "BP Releases Report on Causes of Gulf of Mexico Tragedy | Press Release | BP." *BP Global* | BP.

8 Sept. 2010. Web. 12 Sept. 2010.

<<http://www.bp.com/genericarticle.do?categoryId=2012968&contentId=7064893>>.

leftover so I can make large transactions to exaggerate and make a real difference even though I am trading for only a short amount of time.

4.4 Simulation

Week 1 Opening 9/13/10

ExxonMobil released an announcement that they struck a deal with GM dealer networks to primarily sell their lubricants in their shops, which locks down a large portion of the market in engine oil and other products.

Royal Dutch Shell just finalized a joint venture with Cosan S.A. to produce commercialized ethanol for fuel. This is a risk because ethanol is mainly used mixed with gasoline, not by itself. This news probably means little to the company's stock price¹².

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
Week 1 Opening							500000	
13-Sep	BP	Buy	38.33	1956	74983.48		425016.52	
13-Sep	XOM	Buy	61.09	818	49981.62		375034.9	
13-Sep	RDS-B	Buy	56.24	889	50007.36		325027.54	
13-Sep	RIG	Buy	59.95	834	50008.3		275019.24	
13-Sep	HAL	Buy	31.2	3605	112486		162533.24	
13-Sep	BHI	Buy	40.02	2811	112506.22		50027.02	

Table 4. 2: Week 1 Opening Stocks

12. "Shell and Cosan Sign Joint Venture - Shell Worldwide." *The Shell Global Homepage - Global*.

Web.25Aug.2010.<http://www.shell.com/home/content/investor/news_and_library/2010_media_releases/shell_cosan_sign_joint_venture_25082010.html>.

9/15/10- BP's former CEO Tony Hayward has to go in front of British lawmakers to defend his company's safety policy¹³. This could have some bad ramifications for BP. While I do believe this stock will rebound, this could be bad in the short term. So I will leave the majority of my shares but sell seven hundred of them.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
15-Sep	BP	Sell	38.06	700	26632	-199	76659.02	-199

Table 4. 3: BP Sell

13. Stringer, David. "BP's Hayward Defends Safety Record to UK Lawmakers." *Yahoo!*

Associated Press, 15 Sept. 2010. Web. 15 Sept. 2010.

<http://news.yahoo.com/s/ap/eu_britain_bp_oil_spill;_ylt=AmLJHKxsdRIj5QTngIsC6RWs0NUE;_ylu=X3oDMTJzODZwaDVvBGFzc2V0A2FwLzIwMTAwOTE1L2V1X2JyaXRhaW5fYnBfb2lsX3NwaWxsBGNwb3MDNARwb3MDMQRzZWMDDeW5faGVhZGxpbnVfbGlzdARzbGsDYnBzaGF5d2FyZGRl>.

9/17/10- Royal Dutch Shell announces their plans to allow shareholders the choice of receiving dividends in cash or in more of their shares¹⁴. This option will give investors the options of how they are going to actually make their money with this company, so based on this release I have decided to buy another 211 shares to own a total of 1,100 shares of Shell.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
17-Sep	RDS-B	Buy	59.99	211	12667.89		63991.13	

Table 4. 4: Royal Dutch Shell Buy

14. "Royal Dutch Shell Plc Introduces Scrip Dividend Programme - Shell Worldwide." *The Shell Global Homepage - Global*. 17 Sept. 2010. Web. 17 Sept. 2010.
 <http://www.shell.com/home/content/media/news_and_media_releases/2010/scrip_dividend_programme_17092010.html>.

Week 1 Closing 9/17/10-

I am taking a loss overall on my stocks so far. Gauging the market by press releases has proven difficult. The toughest part is trying to reason on whether the press release will result in a positive move on the market or negative. I am noticing trends within my own stocks and plan on making some larger moves in the coming weeks.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
Week 1 Opening							500000	
13-Sep	BP	Buy	38.33	1956	74983.48		425016.52	
13-Sep	XOM	Buy	61.09	818	49981.62		375034.9	
13-Sep	RDS-B	Buy	56.24	889	50007.36		325027.54	
13-Sep	RIG	Buy	59.95	834	50008.3		275019.24	
13-Sep	HAL	Buy	31.2	3605	112486		162533.24	
13-Sep	BHI	Buy	40.02	2811	112506.22		50027.02	
15-Sep	BP	Sell	38.06	700	26632	-199	76659.02	-199
17-Sep	RDS-B	Buy	59.99	211	12667.89		63991.13	
Week 1 Closing								
17-Sep	BP		38.03	1256	47765.68		63991.13	
17-Sep	XOM		60.78	818	49718.04		63991.13	
17-Sep	RDS-B		56.82	1100	62502		63991.13	
17-Sep	RIG		60.16	834	50173.44		63991.13	
17-Sep	HAL		30.96	3605	111610.8		63991.13	
17-Sep	BHI		39.88	2811	112102.68		63991.13	

Table 4. 5: Summary of Week One

The following will have numerous charts that will be used throughout the rest of the project. I will use these charts to track the progress of my chosen stocks and to predict what will happen the next week. The first chart in the figure is the Percentage Price Oscillator. The PPO is calculated by taking the difference between the twelve day moving average and the twenty six day moving average, then divided by the twenty six day moving average again. This measure shows the major swings in momentum because of the comparison between short and long term moving averages. It works well with a news focus strategy because it will put in perspective what a story or press release will do the future of the stock.

The next chart in the figure is the moving average. The moving average is a simple visual graph of the average price of the stock, instead of the basic daily chart that is a very choppy and somewhat confusing line. The moving average is a good figure to take into account for any trading strategy.

Finally is the Chaikin Money Flow. The CMF is an interpretation of the accumulation/distribution line. It shows how the distribution of traders shares flow with the price of the stock. For example, as the stock price goes up, more traders sell, so there is more pressure to sell, and the CMF line will go negative. As the price goes down, more investors buy, so the CMF line will be positive. This will effect my trading using the news following strategy because it will give me the opinion of other investors because the figure is more focused on flow of investments in the company¹⁵.

15. *StockCharts.com - Simply the Web's Best Financial Charts*. Web. 8 Oct. 2010.

BP has been in trouble in the media still from the disaster in the Gulf, and their stock price has represented that. There have been many stories and press about how they have negatively effected an entire region and industries other than their own. On the other hand, they have been gaining momentum as the chart below shows, even if their stock price is down. There is also a good amount of pressure to sell, according to the Chaikin Money Flow, because that price is down, and I succumbed to that earlier this week. I did keep a significant amount of shares, though, because this is an interesting stock to watch.

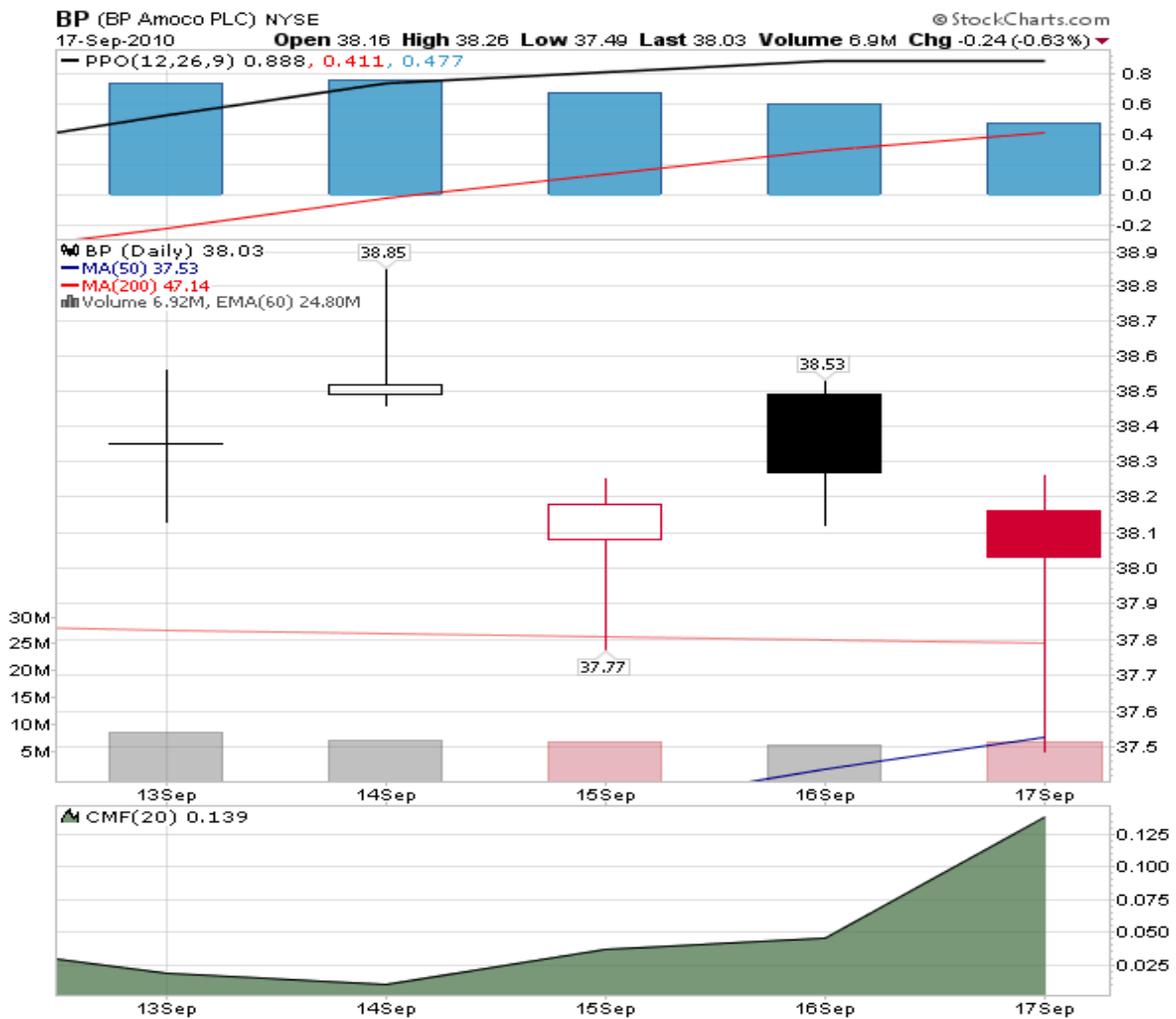


Figure 4. 1: BP Week One Summary

ExxonMobil also had a poor week, losing a significant amount of value. At the same time they have maintained a steady course in the mid and long term in the Percentage Price Oscillator. I plan on holding this stock and see it has a stock that is solid and will not waiver much. The moving averages of this stock show a slight decline, but the other information shows this stock is fairly neutral, and solid for longer term investing.

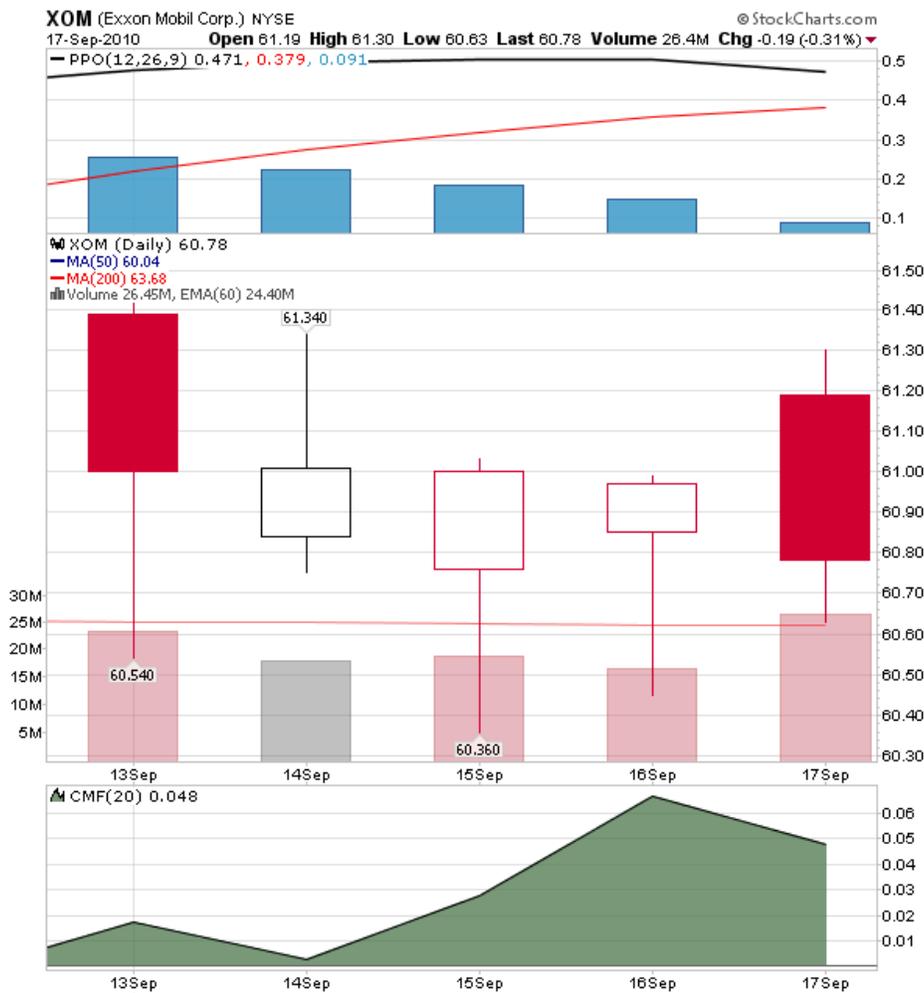


Figure 4. 2: XOM Week One Summary

Royal Dutch Shell is a very promising stock, and another that will be held for a longer term than others. The moving averages may not be good for this week, but it shows potential for

the future. Investors are increasingly buying the stock throughout the week, which will help drive the price, especially upon the release that they are offering shareholders the option of cash dividends or stock options.

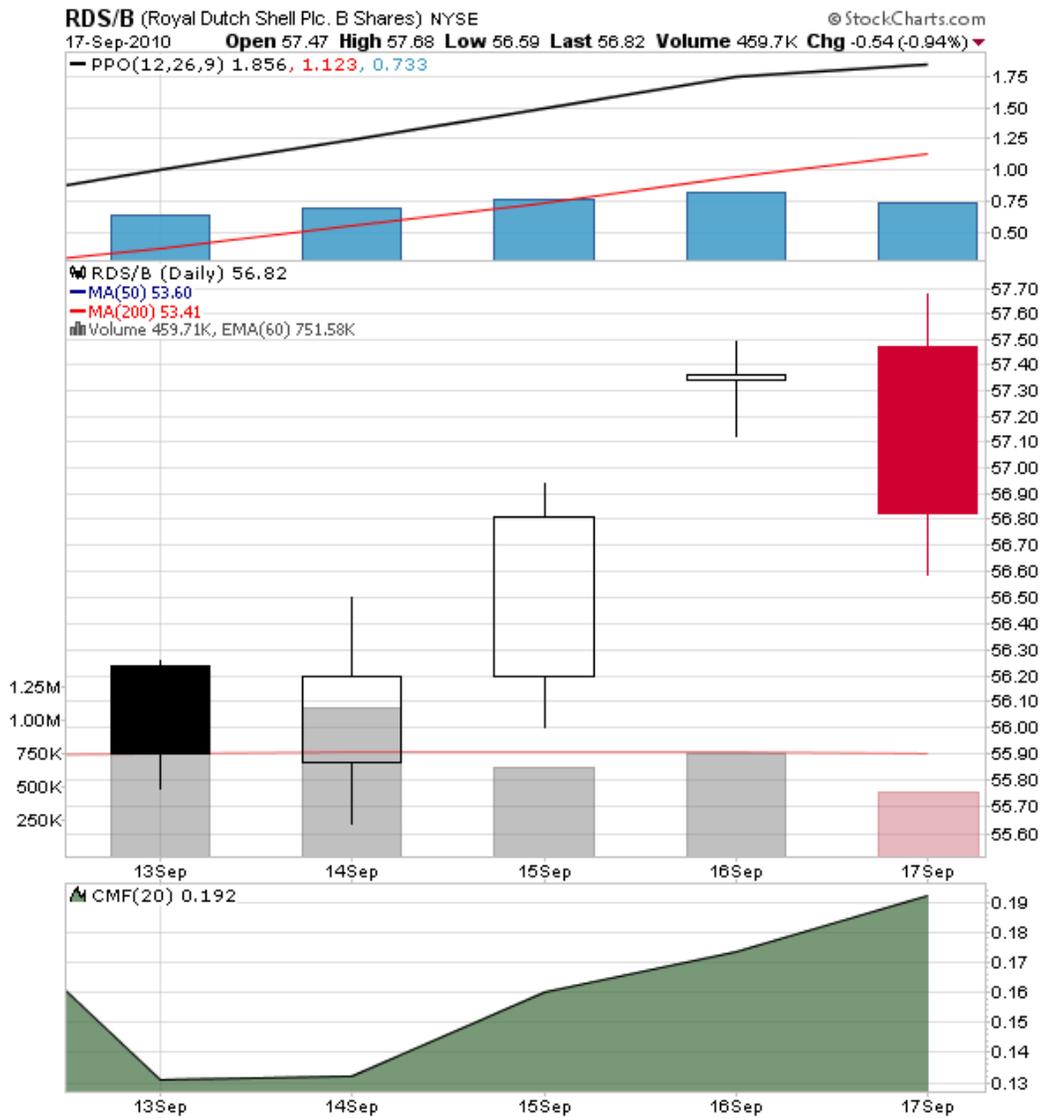


Figure 4. 3: RDS/B Week One Summary

Transocean stock did the best out of my portfolio, but it has the least promising numbers. There has been a lot of blame put on them for the disaster in the Gulf of Mexico because they built the drilling rig “Deepwater Horizon”. I will keep this in mind in the future of this simulation.

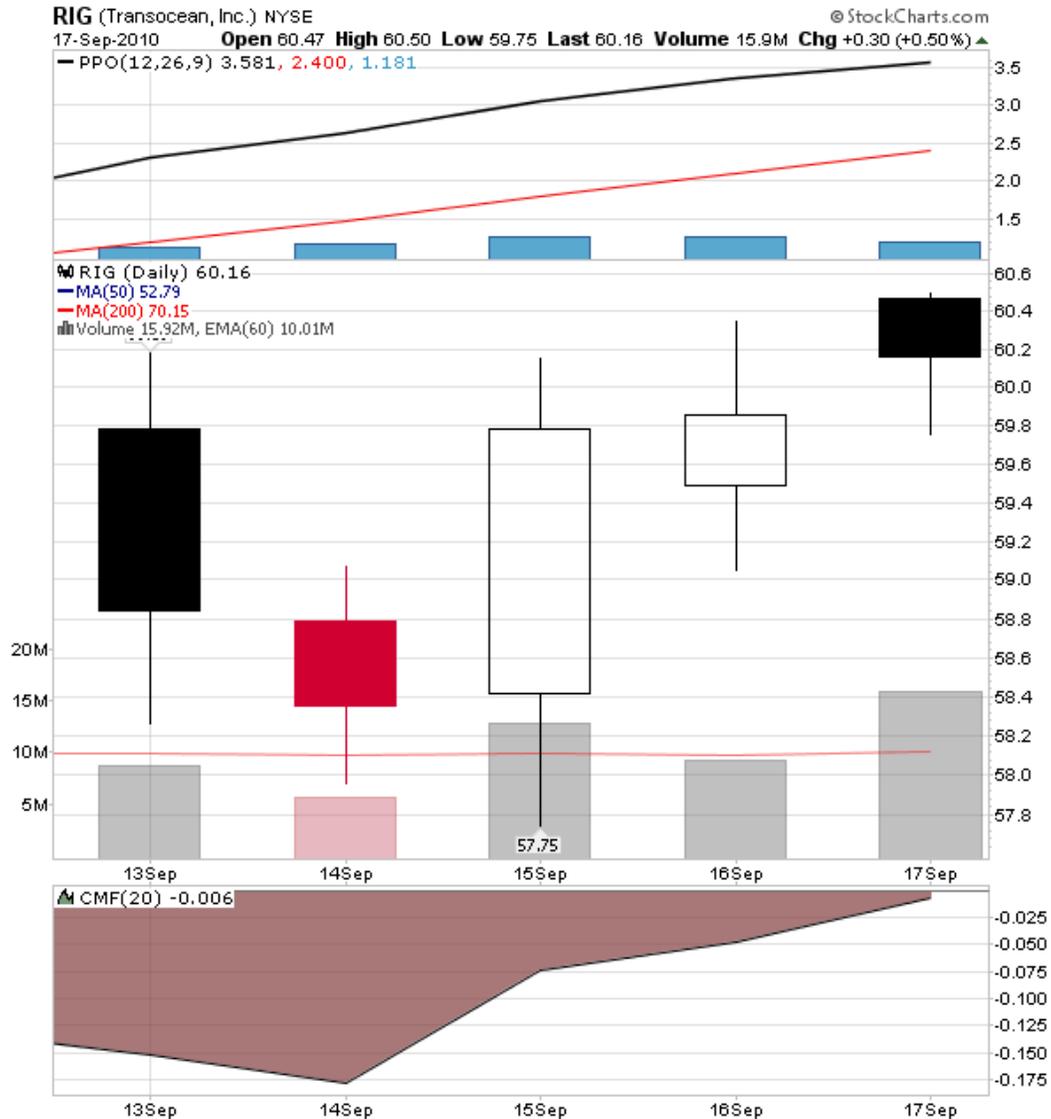


Figure 4. 4: RIG Week One Summary

Halliburton is also very involved in the BP disaster, but has more promising numbers as far as future predictions for the stock strength. HAL had the worst week in my portfolio, but is promising for a comeback. It is a risk to say that, so I will maintain the price until I see a press release that could positively impact the company.

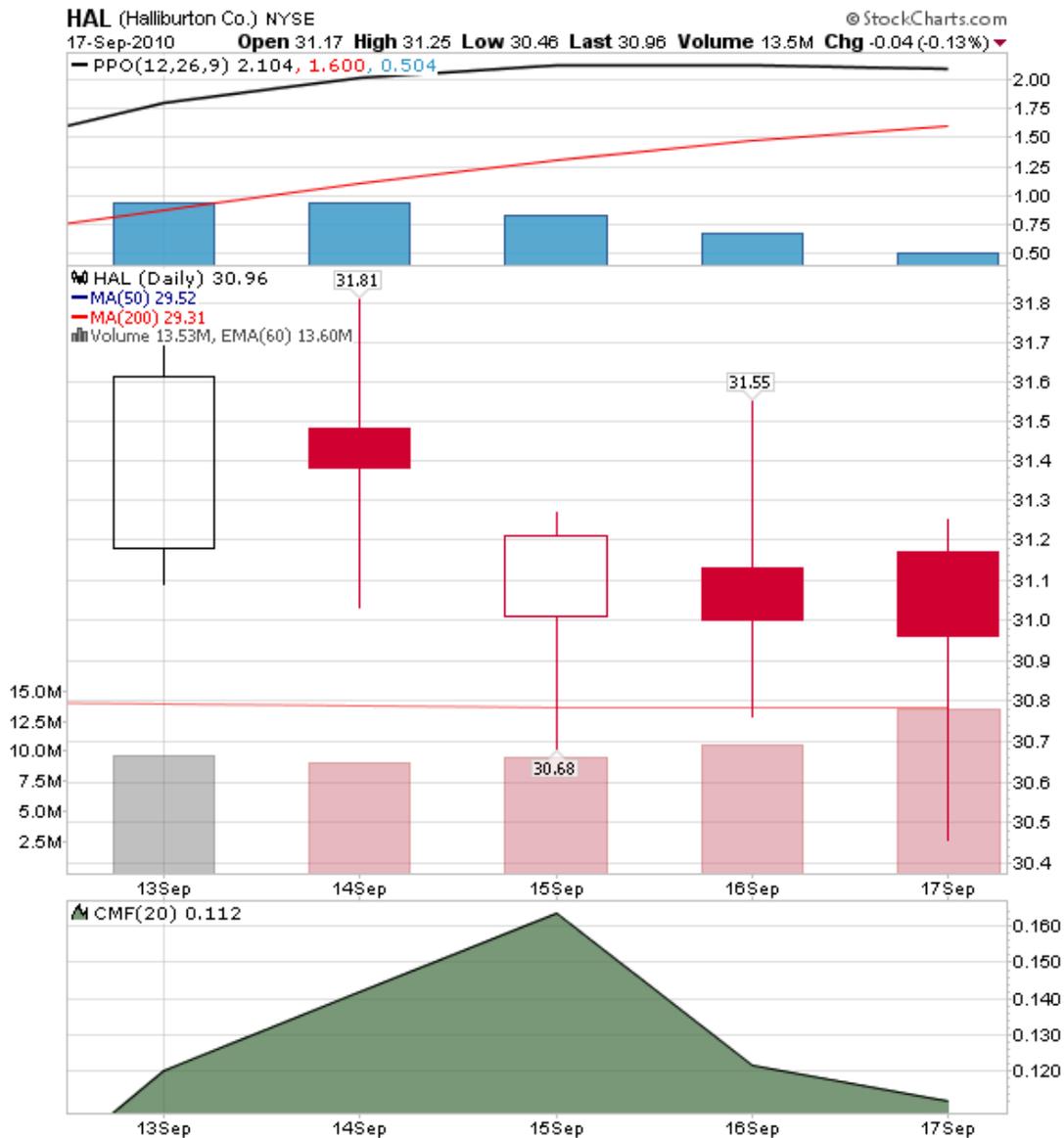


Figure 4. 5: HAL Week One Summary

BHI is the most promising of my stocks I am following. They have the highest CMF, meaning there is an increasing trend of buying this stock. Also the short term PPO promises very good momentum in the price of the company, so I will be monitoring this stock closely.

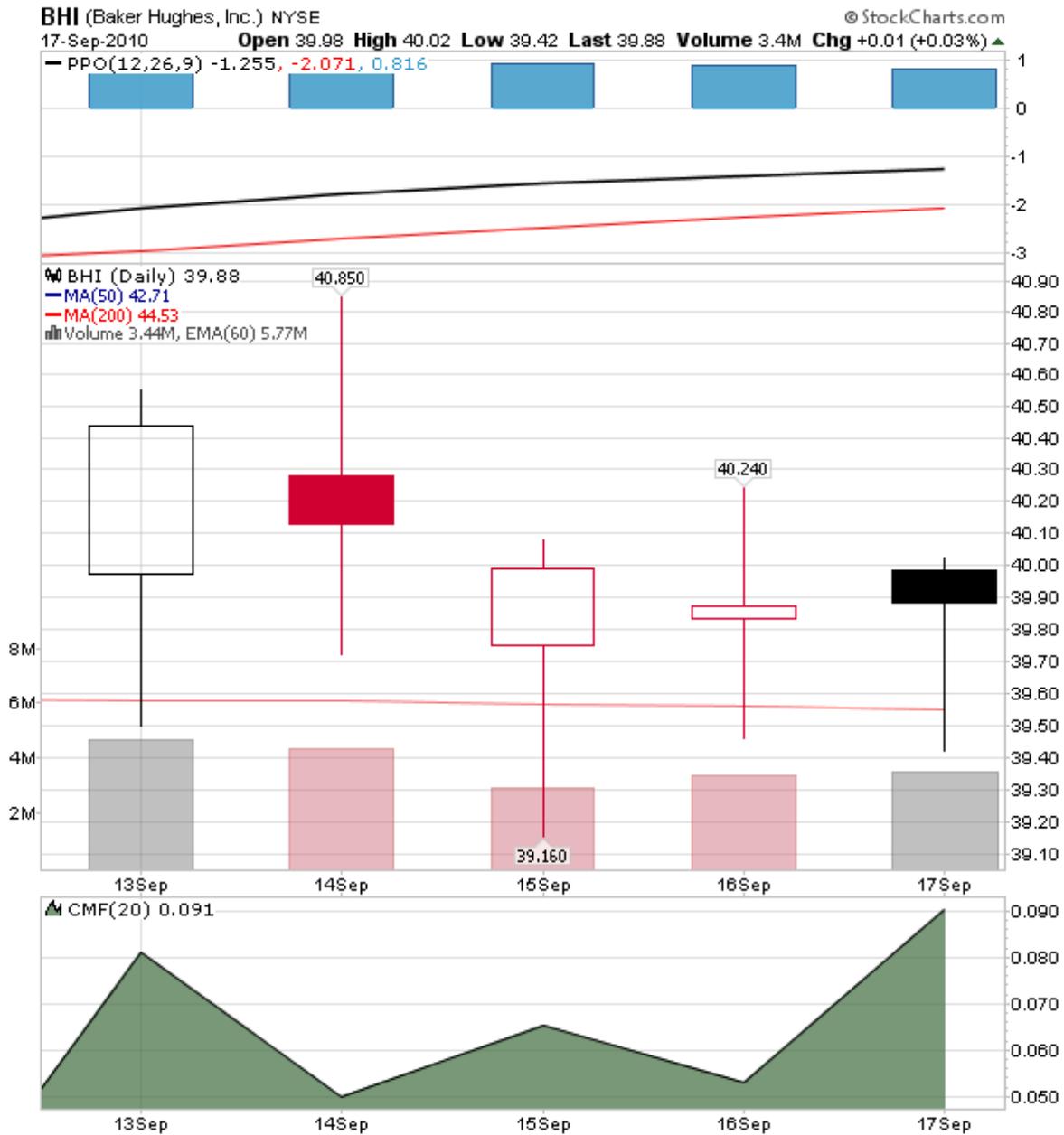


Figure 4. 6: BHI Week One Summary

Week 2 Opening 9/20/10-

The opening trading prices of my stocks already has me coming back after a fairly large hit last week. This gives me some optimism and will effect how I judge upcoming press releases.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
Week 2 Opening								
20-Sep	BP		38.28	1256	48079.68		63991.13	
20-Sep	XOM		60.99	818	49889.82		63991.13	
20-Sep	RDS-B		57.32	1100	63052		63991.13	
20-Sep	RIG		60.08	834	50106.72		63991.13	
20-Sep	HAL		30.96	3605	111610.8		63991.13	
20-Sep	BHI		39.71	2811	111624.81		63991.13	

Table 4. 6: Week Two Opening

9/20/10- BP has announced it will join the Marine Well Containment Company, which means it will make all it's underwater containment equipment available to all companies in the industry operating in the Gulf of Mexico¹⁶. On top of that they have decided over the weekend to permanently seal the well that leaked in the Gulf causing massive amounts of damage. This is a very significant move to help rectify what the accident on the Deepwater Horizon and will benefit them greatly, so I have decided to buy 300 more of their shares.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
20-Sep	BP	Buy	38.28	300	11494		52497.13	

Table 4. 7: BP Sell

16. "BP and the Gulf of Mexico Alliance Announce Implementation of BP's \$500 Million

Independent Research Initiative | Press | BP." *BP Global* / BP. 29 Sept. 2010. Web. 29

Sept.2010.<<http://www.bp.com/genericarticle.do?categoryId=2012968&contentId=7065262>>.

ExxonMobil has decided to follow suit with BP and join the Marine Well Containment Company. This move will benefit the Gulf of Mexico and add to the effort to restore the gulf. I will buy an additional 132 shares to own 950 total shares in the company¹⁷.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
20-Sep	XOM	Buy	60.99	132	8060.68		44436.45	

Table 4. 8: XOM Buy

Baker Hughes has announced its commercialization of its Reconnect System, which will allow other companies to use their technology. This is a safety system that is more reliable than other hydraulic systems, and can help prevent backups in the well, which can cause leaks or worse accidents¹⁸. In order to buy a significant amount of shares in this company I will have to sell a portion of Transocean. They have been a solid company, but have not made any promising releases lately. So, I will sell 584 shares, and keep 400 because it has been stable and earned me a decent amount of money last week and seems to be better for long term analysis.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
20-Sep	RIG	Sell	60.12	434	26082.08	63.78	70518.53	135.22

Table 4. 9: RIG Sell

17. *ExxonMobil*. Web. 8 Oct. 2010.

18. *Home Page | BakerHughes.com*. Web. 8 Oct. 2010. <<http://www.bakerhughes.com/>>.

Now, with a total cash value of \$62874.82 I will buy an additional 189 shares of Baker Hughes to give me 3000 total shares.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
20-Sep	BHI	Buy	40.39	189	7643.71		62874.82	

Table 4. 10: BHI Buy

9/21/10- Baker Hughes has acquired Meyer & Associates. Meyer is a leading software developer in the petroleum industry. This allows Baker Hughes access to their software and they add another valuable product to their services¹⁹. With all this potential, I will not buy any more stock in BHI right now, because this software could be nothing but a large cost to the company.

19. Home Page | BakerHughes.com. Web. 8 Oct. 2010. <<http://www.bakerhughes.com/>>.

9/23/10- In response to Baker Hughes acquiring Meyer & Associates, Halliburton has acquired The Permedia Research Group. They specialize in modeling software to find new prospective wells²⁰. Baker Hughes has prospered since their acquisition, so I will invest more in Halliburton. So, I will buy another 195 shares in HAL.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
23-Sep	HAL	Buy	31.39	195	6131.05		56743.77	

Table 4. 11: HAL Buy

20. "HALLIBURTON ACQUIRES PERMEDIA RESEARCH GROUP." *Solutions for Today's Energy*

Challenges - Halliburton. 23 Sept. 2010. Web. 23 Sept. 2010.

<http://www.halliburton.com/public/news/pubsdata/press_release/2010/corpnws_09232010.html>.

9/24/10 Week 2 Closing-

I have made a significant amount of money this week. I have invested my money according to various releases on new products or innovations within the company and have been able to reap substantial profits. The companies that moved to help the clean up in the Gulf both raised their stock prices. ExxonMobil had a quiet week in the news, but their share holder option they made a week ago must have offered incentive to investors and improved the stock price.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
Week 2 Opening								
20-Sep	BP		38.28	1256	48079.68		63991.13	
20-Sep	XOM		60.99	818	49889.82		63991.13	
20-Sep	RDS-B		57.32	1100	63052		63991.13	
20-Sep	RIG		60.08	834	50106.72		63991.13	
20-Sep	HAL		30.96	3605	111610.8		63991.13	
20-Sep	BHI		39.71	2811	111624.81		63991.13	
20-Sep	BP	Buy	38.28	300	11494		52497.13	
20-Sep	XOM	Buy	60.99	132	8060.68		44436.45	
20-Sep	RIG	Sell	60.12	434	26082.08	63.78	70518.53	-
20-Sep	BHI	Buy	40.39	189	7643.71		62874.82	
23-Sep	HAL	Buy	31.39	195	6131.05		56743.77	
Week 2 Closing								
24-Sep	BP		38.46	1556	59843.76		56743.77	
24-Sep	XOM		61.75	950	58662.5		56743.77	
24-Sep	RDS-B		58.52	1100	64372		56743.77	
24-Sep	RIG		60.06	400	24024		56743.77	
24-Sep	HAL		32.73	3800	124374		56743.77	
24-Sep	BHI		41.06	3000	123180		56743.77	

Table 4. 12: Week Two Summary

There is a lot of potential this week with BP. The price is not only up, but momentum is building within the company and the company is making the right moves in focusing on cleaning up after the crisis in the Gulf that they are directly responsible. BP is making a turn upwards which it has been poised to do, and this may be solid enough to be a long term move.

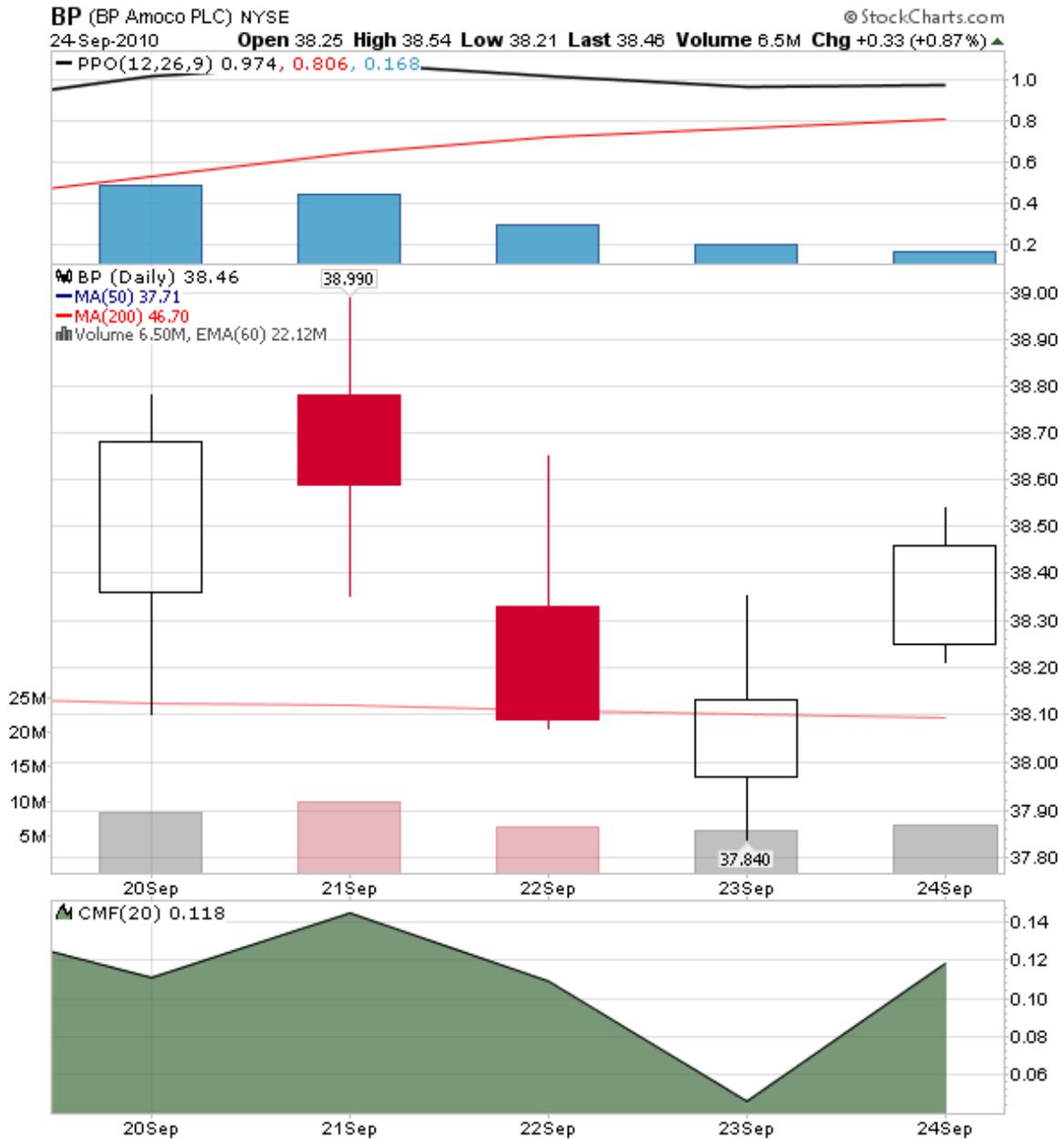


Figure 4. 7: BP Week Two Summary

XOM has also offered its services to help with the Gulf clean up. Their decision to offer shareholders stock option dividends has also pushed the company to strengthen its stock. There is a late spike in pressure to buy this stock and it is a good note to close the week out on and it gave me a very substantial gain for the week.

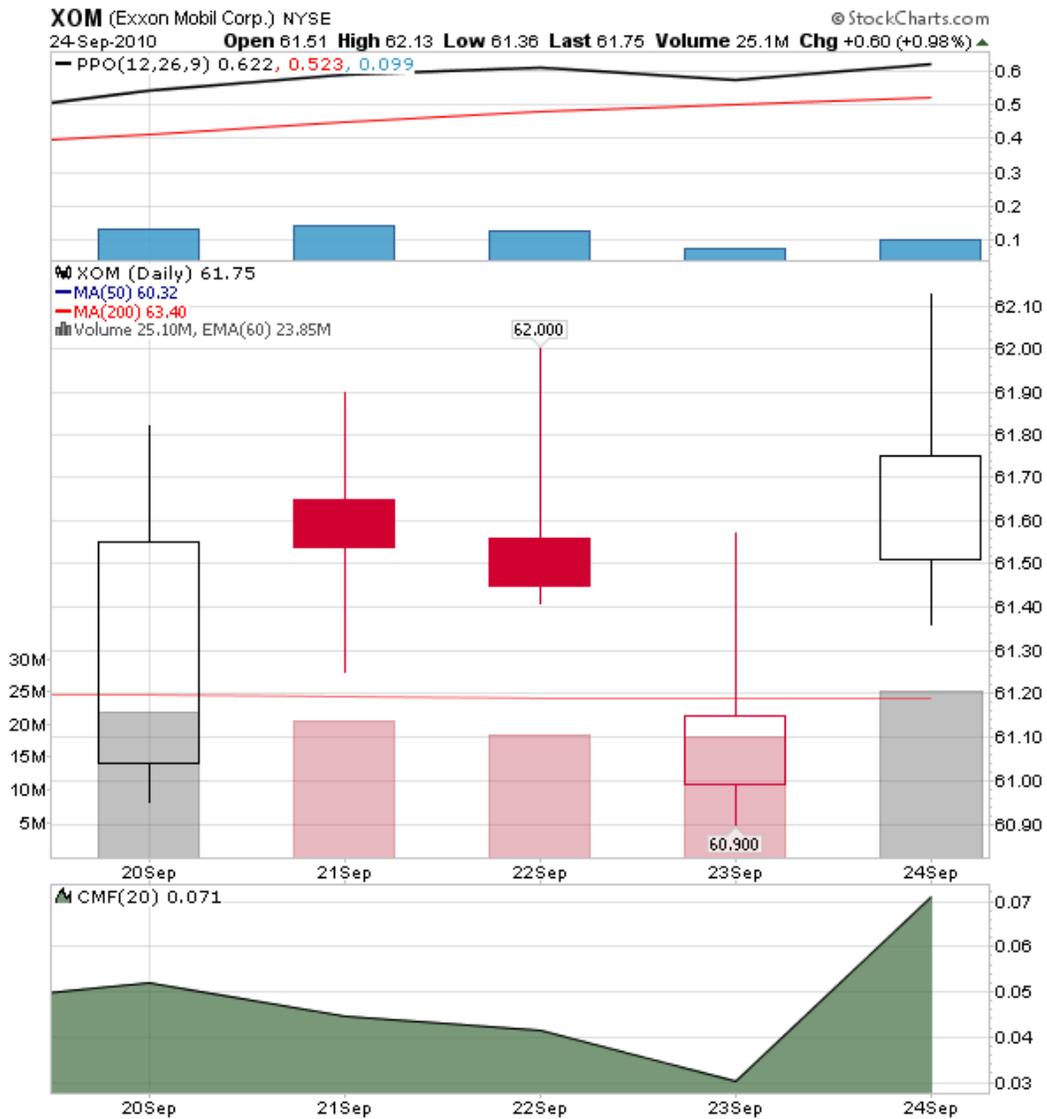


Figure 4. 8: XOM Week Two Summary

Shell has settled as the reliable company I thought it would be. I expect slow but steady gains to come from this company. I decided to use the RDS/B stocks instead of the RDS/A stocks because I expected more fluctuation in the price, which would be more interesting in a short term analysis, but it seems it should be a solid investment for long term observation.

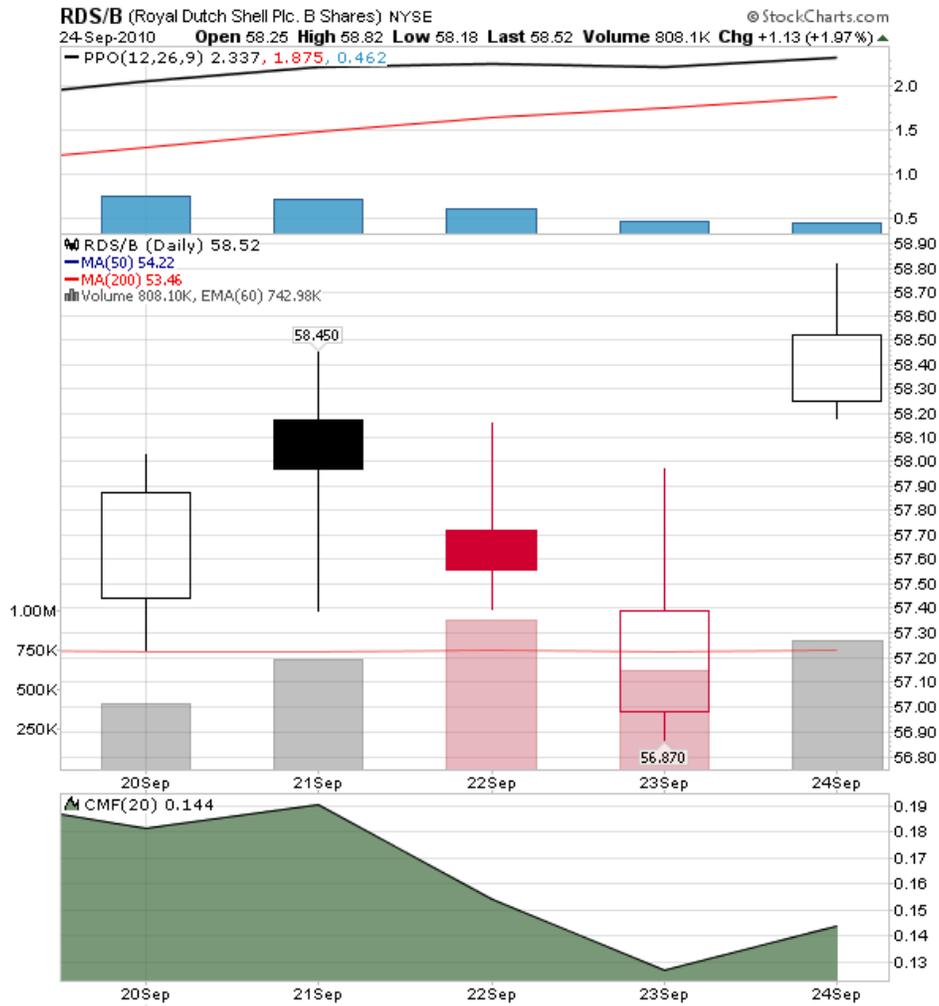


Figure 4. 9: RDS/B Week Two Summary

RIG I anticipated to be an unstable stock and it is playing out as so. The stock has slowed and lost value. I am considering selling my remaining stocks, but I will see what the next week has to offer for it, especially with the late spike in trend of buying the stock in the market.

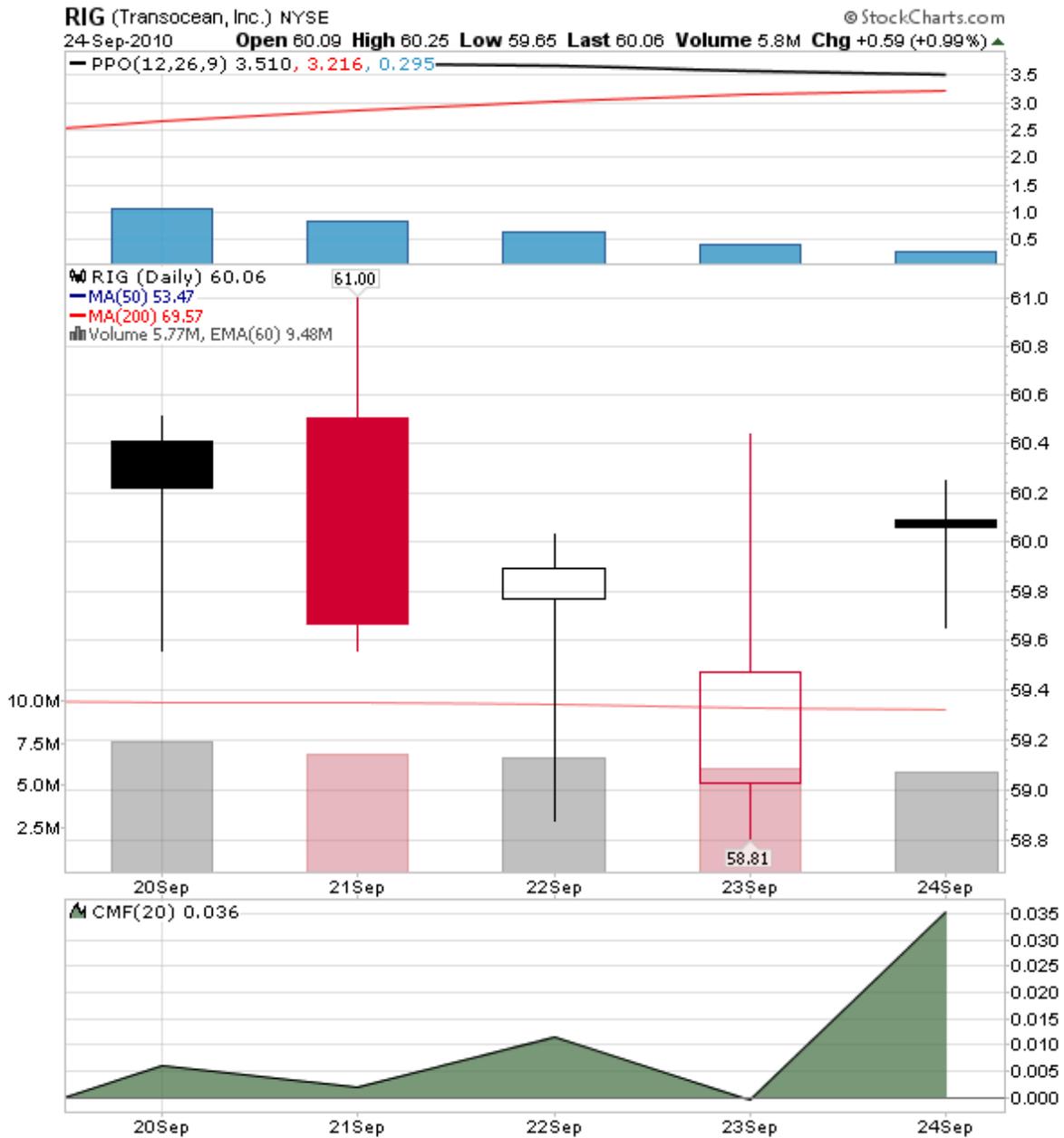


Figure 4. 10: RIG Week Two Summary

Halliburton has given me a solid week and numbers were increased at the end of the week, so I will monitor it for better increases next week. HAL showed promise in the middle of the week in acquiring the software company and used it to increase the company's value.

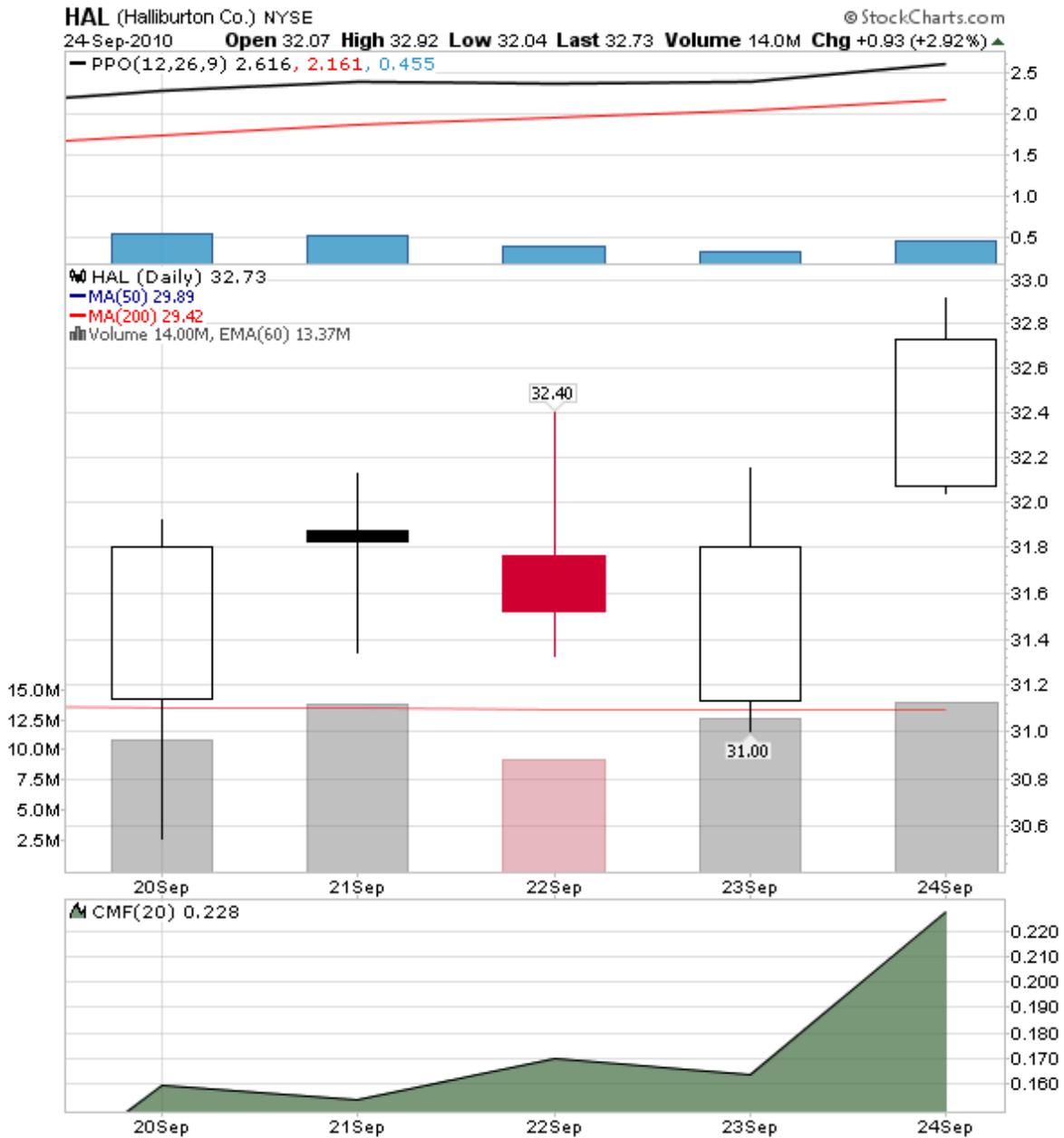


Figure 4. 11: HAL Week Two Summary

Through my analysis I predicted BHI to be a rising stock, but instead it showed me the worst performance of all my stocks, and I made a poor move in buying more shares earlier this week. It still has promising predictive numbers, so the stock should make the upward turn sometime soon.

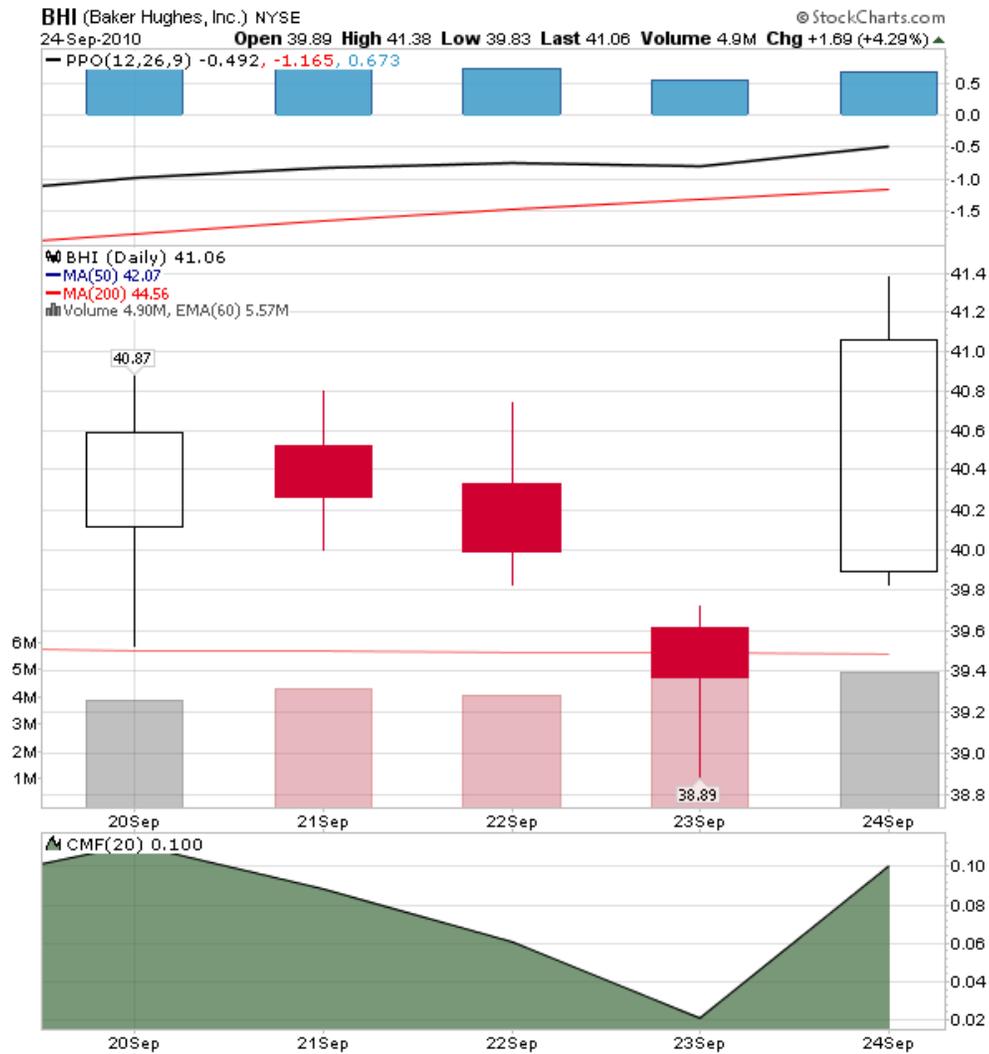


Figure 4. 12: BHI Week Two Summary

Week 3 Opening 9/27/10

Most of my stocks are opening higher than they closed over the weekend. There is a lot of press about how oil prices are in the mid \$70's per barrel while the US supply of crude oil is declining. The story has been on going and on the mind of anyone who is invested in the oil market.

Date	Symbol	Buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
Week 3 Opening								
27-Sep	BP		38.4	1556	59750.4		56743.77	
27-Sep	XOM		61.88	950	58786		56743.77	
27-Sep	RDS-B		58.96	1100	64856		56743.77	
27-Sep	RIG		60.86	400	24344		56743.77	
27-Sep	HAL		32.77	3800	124526		56743.77	
27-Sep	BHI		41.36	3000	124080		56743.77	

Table 4. 13: Week Three Opening

9/28/10- Prices of crude oil are at around \$77 and approaching \$78. Last week and early this week the story was growing and now it is becoming noticeable²¹. This is overall good for all of my stocks.

21. Shore, Sandy. "Oil Prices Climb after Crude Supplies Decline - Yahoo! News." *The Top News Headlines on Current Events from Yahoo! News - Yahoo! News*. 29 Sept. 2010. Web. 29 Sept. 2010. <http://news.yahoo.com/s/ap/20100929/ap_on_bi_ge/us_oil_prices_8>.

9/29/10- BP has announced two steps to rectifying the disaster in the Gulf. First they are making large new steps in safety changes to prevent a blowout and explosion that was the cause of the accident last summer. They also have funded \$500 Million to the Gulf of Mexico Alliance for Independent Research to help monitor the recovery of the area²². With these announcements I will buy an additional 500 shares of BP.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
29-Sep	BP	Buy	39.56	500	19790		36953.77	

Table 4. 14: BP Buy

9/30/10- My stocks are still riding the up swing of the price per barrel rising so I have decided to sell 1000 shares of Baker Hughes Inc., because they have been inconsistent. It is a good time to sell this because it is at a high point. I'm only selling a third of what I own, though, because the performance of my other stocks. Every other stock is on the upwards turn, so I will hold on to 2000 shares and continue to monitor it.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
30-Sep	BHI	Sell	42.73	1000	42720	2620.07	79673.77	2484.85

Table 4. 15: BHI Sell

22. "BP and the Gulf of Mexico Alliance Announce Implementation of BP's \$500 Million

Independent Research Initiative | Press | BP." *BP Global* / BP. 29 Sept. 2010. Web. 29

Sept.2010.<<http://www.bp.com/genericarticle.do?categoryId=2012968&contentId=7065262>>.

10/1/10- Transocean has been a floundering company. There has not been a new press release for two weeks. Since my trading has been focused on news events and press releases I have not had much reason to put any money into the company and my trades have reflected that. They do not have the assets the other companies in my portfolio have. So, I am selling all of my stock in Transocean, and will use that money to make more trades in my last week of the simulation. Also, I would rather sell this now while it is about to peak and not take the risk to wait over the weekend to see what the opening price is.

Date	Symbol	Buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
1-Oct	RIG	Sell	64.94	400	25966	1986	105639.77	4470.85

Table 4. 16: RIG Sell

Week 3 Closing 10/1/10

The rising price of crude oil pushed up these stock prices in my portfolio. This increase will most likely be somewhat short lived. The price is high right now because the US supply is lower than normal. Once the supply is leveled out, then the price per barrel of crude oil will go back down. I will have to be vigilant to see when these stocks will peak so I can sell before the price drops back down.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
Week 3 Opening								
27-Sep	BP		38.4	1556	59750.4		56743.77	
27-Sep	XOM		61.88	950	58786		56743.77	
27-Sep	RDS-B		58.96	1100	64856		56743.77	
27-Sep	RIG		60.86	400	24344		56743.77	
27-Sep	HAL		32.77	3800	124526		56743.77	
27-Sep	BHI		41.36	3000	124080		56743.77	
29-Sep	BP	Buy	39.56	500	19790		36953.77	
30-Sep	BHI	Sell	42.73	1000	42720	2620.07	79673.77	2484.85
1-Oct	RIG	Sell	64.94	400	25966	1986	105639.77	4470.85
Week 3 Closing								
1-Oct	BP		41.95	2056	86249.2		105639.77	
1-Oct	XOM		62.54	950	59413		105639.77	
1-Oct	RDS-B		60.17	1100	66187		105639.77	
1-Oct	HAL		33.33	3800	126654		105639.77	
1-Oct	BHI		43.53	2000	87060		105639.77	

Table 4. 17: Week Three Summary

This week was busy for BP. They had several announcements that are set to strengthen the company. The press releases put the company in a positive image because they are efforts to help clean the Gulf of Mexico and get the Gulf Coast area back on it's feet and to get small business back running. The numbers are up for BP and the momentum created this week should carry over to next week.

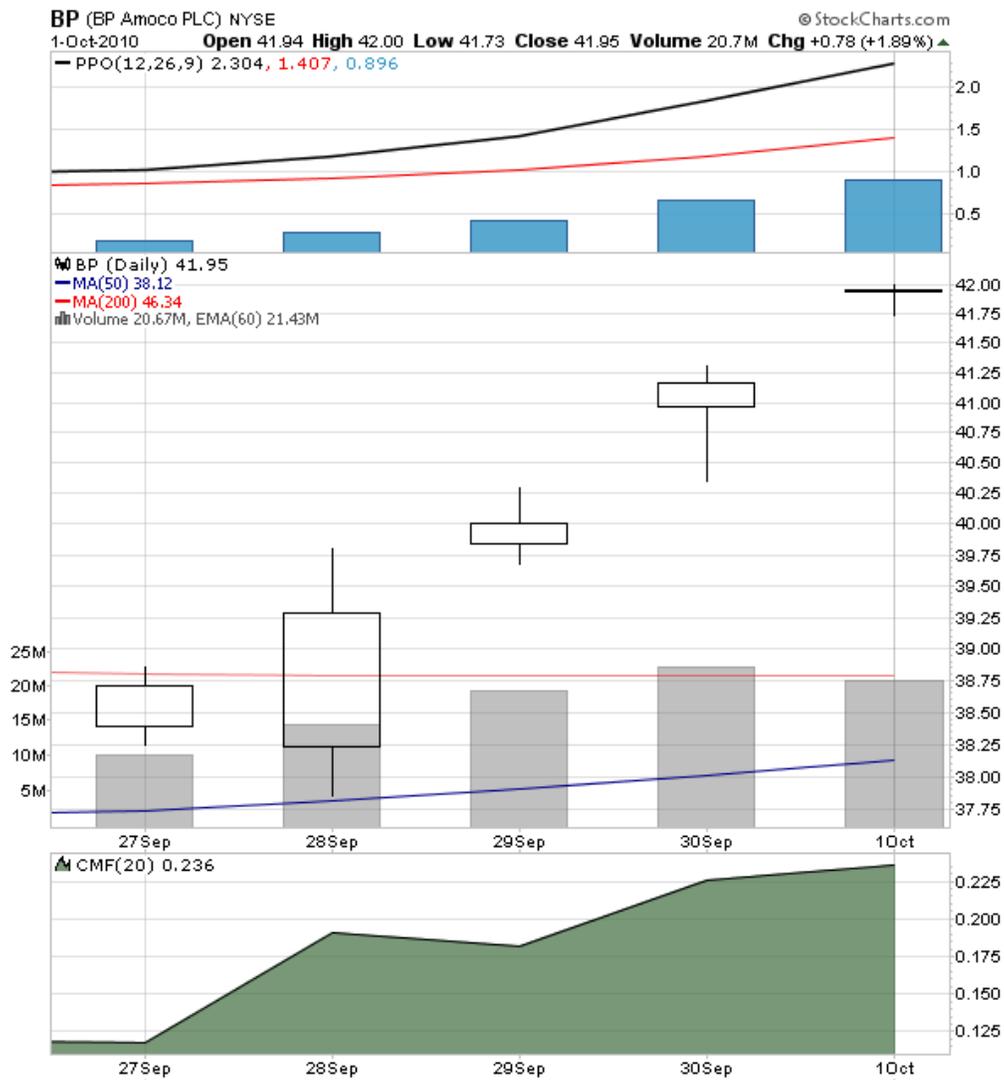


Figure 4. 13: BP Week Three Summary

ExxonMobil had a mixed week. The price increased over the week, but it has a mixed moving average. Also, there is pressure to sell the stock, as it is not doing well, and other investors are moving towards selling their shares, so I will look to sell as well next week.

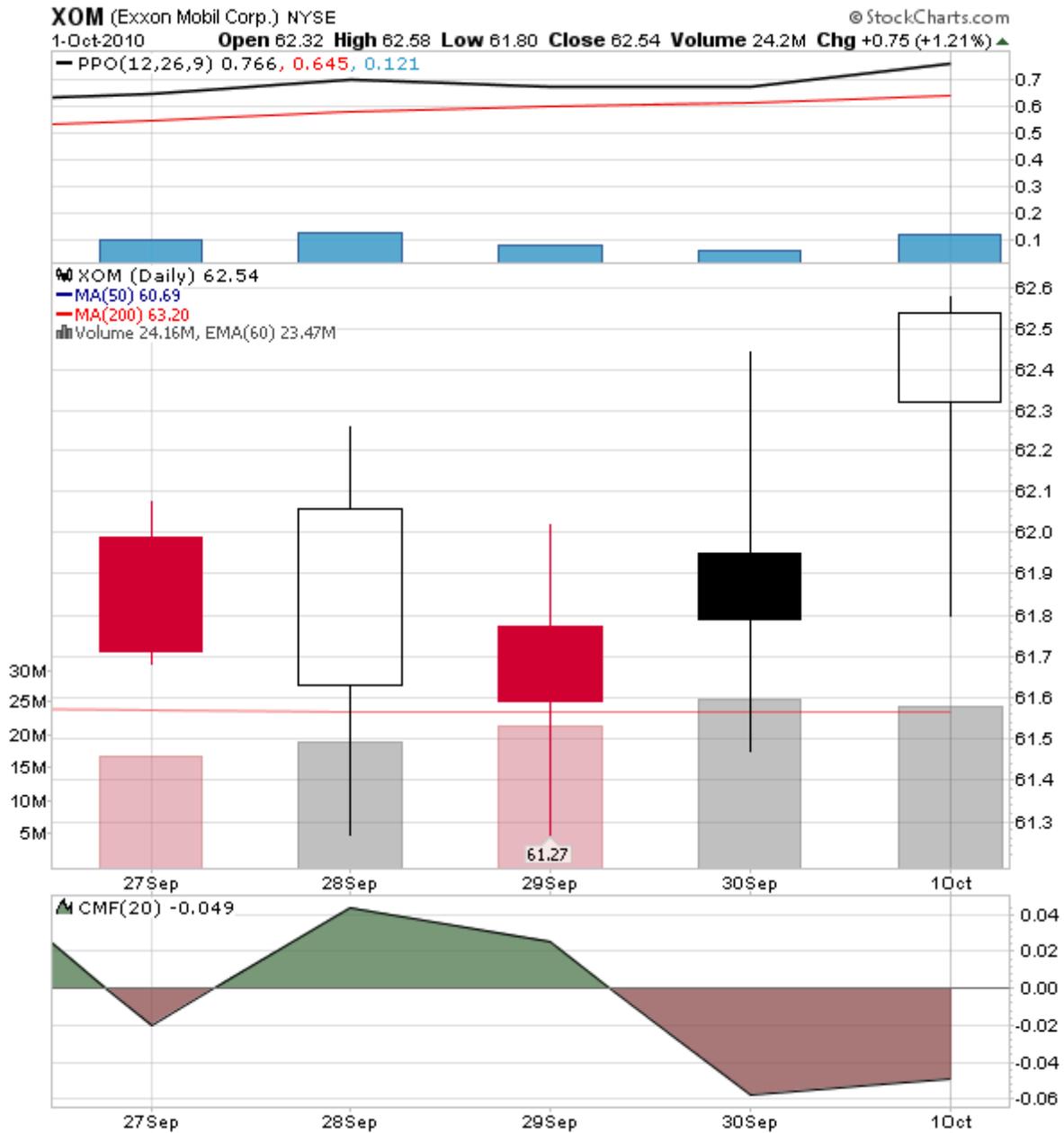


Figure 4. 14: XOM Week Three Summary

Royal Dutch Shell came through strong in the end of the week. It looks though as if it has peaked. The CMF is predicting that it has peaked, and Shell has not released any information that could potentially keep the price climbing, so I will be looking to sell this before the price falls.



Figure 4. 15: RDS/B Week Three Summary

Halliburton had a solid week, but it has a very mixed looking moving average. It seems strong, so next week may be a good time to buy, or hold on my stocks to see how it can climb.

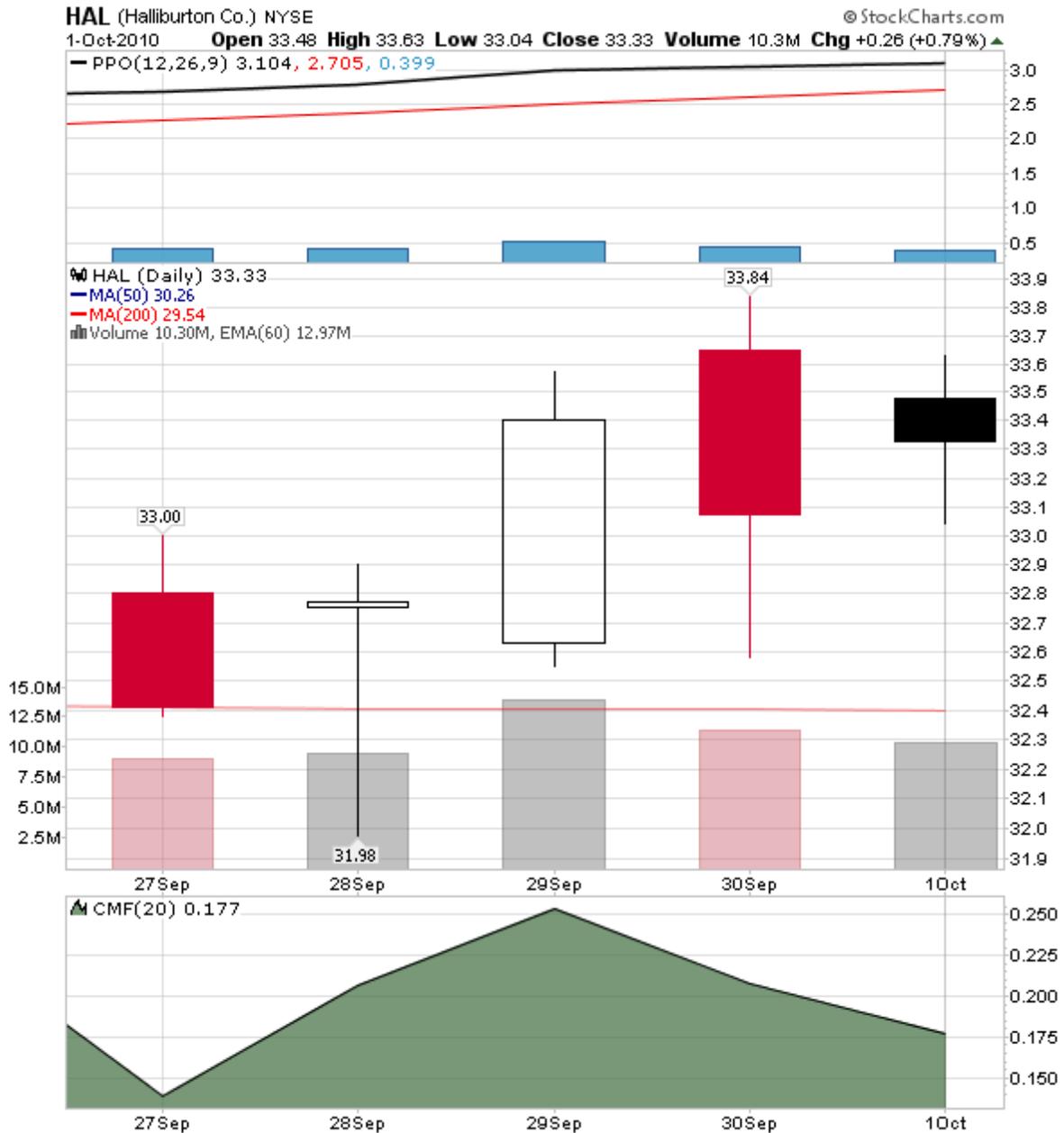


Figure 4. 16: HAL Week Three Summary

Baker Hughes struggled in the beginning of the week but finished very strong. The company is going to peak soon. They have been unstable lately, but they are moving in the right direction now. I sold some of my stock early in the week to manage the risk of the price falling, but it took a turn up, which is why I kept two thirds of my investment in the company.



Figure 4. 17: BHI Week Three Summary

Week 4 Opening 10/4/10

Oil prices are climbing very high right now. This can cause some large problems in the economy we are in right now. This could hurt the stock prices of the companies I am watching. With the simulation coming to a close this week, I am looking to sell most of my stocks to cut losses before they slide too low.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
Week 4 Opening								
4-Oct	BP		41.48	2056	85282.88		105639.77	
4-Oct	XOM		62.54	950	59413		105639.77	
4-Oct	RDS-B		59.55	1100	65505		105639.77	
4-Oct	HAL		33.38	3800	126844		105639.77	
4-Oct	BHI		43.28	2000	86560		105639.77	

Table 4. 18: Week Four Opening

10/4/10- With the price of oil so high, I see the major oil companies benefiting from this. BP is a major company, but managing many clean up efforts, and I do not believe this push from price per barrel will affect them very much because of their maintenance efforts in the Gulf . So, I will purchase more shares in the other two major oil pumping and refining companies that are in my portfolio.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
4-Oct	XOM	Buy	60	400	24010		81629.77	
4-Oct	RDS-B	Buy	59.25	400	23710		57919.77	

Table 4. 19: XOM, RDS-B Buy

10/6/10- According to the Associated Press, the US oil supply numbers are to be released soon. Stocks have climbed due to the impression that the US supply is running lower than normal and the price per barrel is climbing higher²³. With the supply numbers about to be published, this could hurt the stocks. So I will sell shares in BP, ExxonMobil and Royal Dutch Shell.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
6-Oct	BP	Sell	41.65	1056	43972.4	2875.92	101892.17	7346.77
6-Oct	XOM	Sell	63.69	550	35019.5	1849.2	136911.67	9195.97
6-Oct	RDS-B	Sell	60.79	600	36464	1918.75	173375.67	11114.72

Table 4. 20: BP, XOM, RDS-B Sell

10/7/10- BP shows its reliance and its ability to expand business even after a disaster. Today, BP Azerbaijan president and the president of State Oil Company of the Republic of Azerbaijan signed a Production Sharing Agreement that allowed BP a joint exploration venture in the Azerbaijan sector of the Caspian Sea²⁴. I am looking for this to help push BP ahead of the other companies and above the trend the industry follows based on the price of oil.

23. Hatton, Barry. "Oil Hovers below \$83 Ahead of New Market Data - Yahoo! News." *The Top News Headlines on Current Events from Yahoo! News - Yahoo! News*. 6 Oct. 2010. Web. 6 Oct. 2010. <http://news.yahoo.com/s/ap/20101006/ap_on_bi_ge/oil_prices_10>.

24. *BP Global | BP*. Web. 8 Oct. 2010. <<http://www.bp.com/>>.

Week 4 Closing 10/8/10

The stock market as a whole was on the rise towards the end of the week due to news that the Federal Reserve will soon step in to support the economy. There is anticipation for the Fed to step in because of the very high unemployment rate and the low value of the US dollar. This led my stocks to reach a high point on my last closing week in my simulation. Regardless of how long my simulation time is, now is a good time to sell any one of the stocks I am following because of the high point they are all on, and the uncertainty of when the Fed will step in and take a more active role in supporting the economy.

Date	Symbol	Buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
Week 4 Opening								
4-Oct	BP		41.48	2056	85282.88		105639.77	
4-Oct	XOM		62.54	950	59413		105639.77	
4-Oct	RDS-B		59.55	1100	65505		105639.77	
4-Oct	HAL		33.38	3800	126844		105639.77	
4-Oct	BHI		43.28	2000	86560		105639.77	
4-Oct	XOM	Buy	60	400	24010		81629.77	
4-Oct	RDS-B	Buy	59.25	400	23710		57919.77	
6-Oct	BP	Sell	41.65	1056	43972.4	2875.92	101892.17	7346.77
6-Oct	XOM	Sell	63.69	550	35019.5	1849.2	136911.67	9195.97
6-Oct	RDS-B	Sell	60.79	600	36464	1918.75	173375.67	11114.72
Week 4 Closing								
8-Oct	BP		41.94	1000	41940		173375.67	
8-Oct	XOM		64.5	800	51600		173375.67	
8-Oct	RDS-B		61	900	54900		173375.67	
8-Oct	HAL		34.81	3800	132278		173375.67	
8-Oct	BHI		44.67	2000	89340		173375.67	

Table 4. 21: Week Four Summary

BP rode the overall market movements of the market, following the price of oil and the expectation of the Fed to help support the economy. The PPO has been steadily up but is starting to plateau in the long term projections, and the short term is going slightly down. Also, the CMF has hit a plateau showing there is a large amount of investors in the company, but there isn't any more upward movement. This shows me it is a good time to sell my stocks.

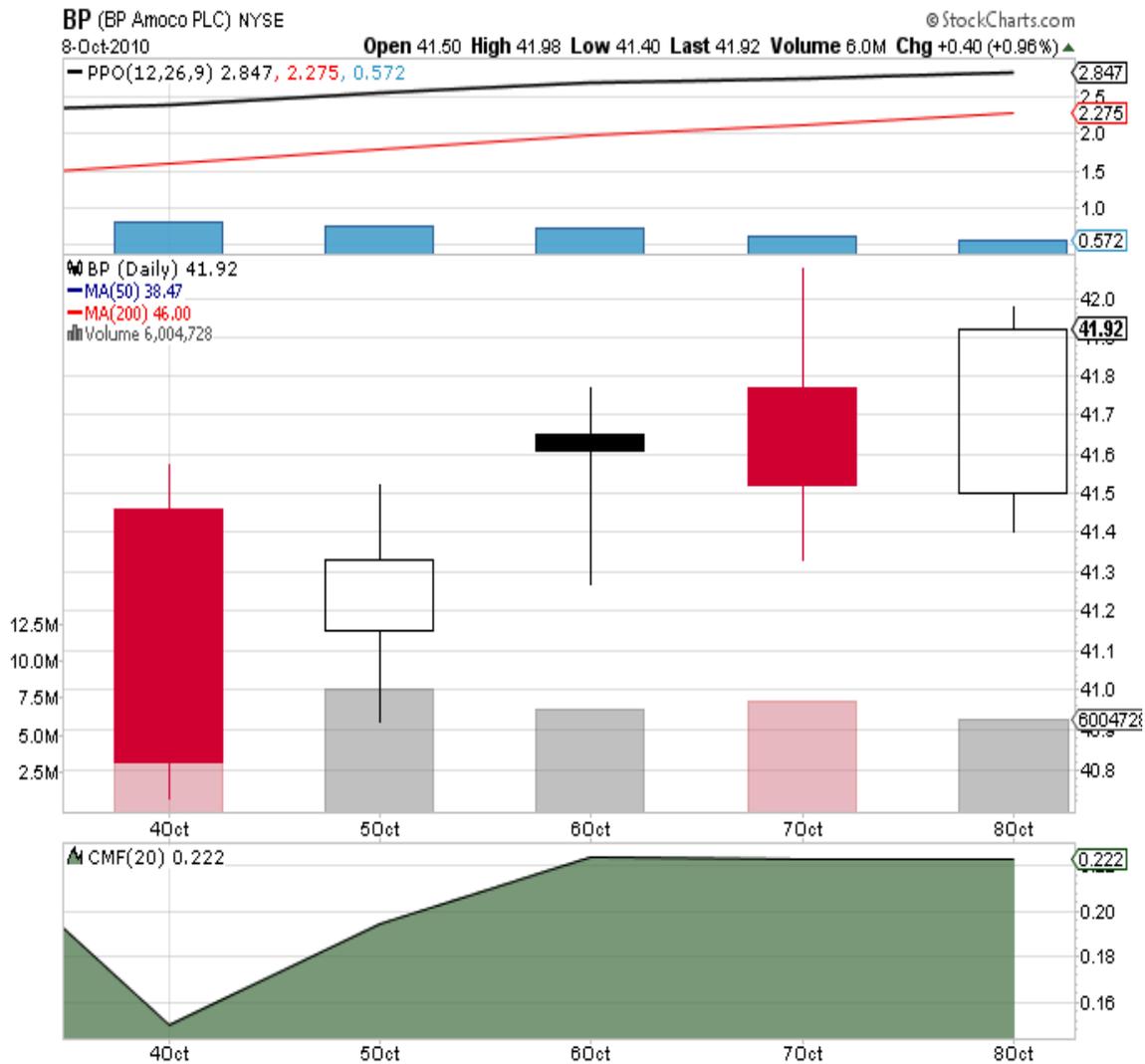


Figure 4. 18: BP Week Four Summary

ExxonMobil's price is growing very well right now. It was at a low early this week and quickly climbed back up. The price of oil is high, so the stock is up and only growing higher.

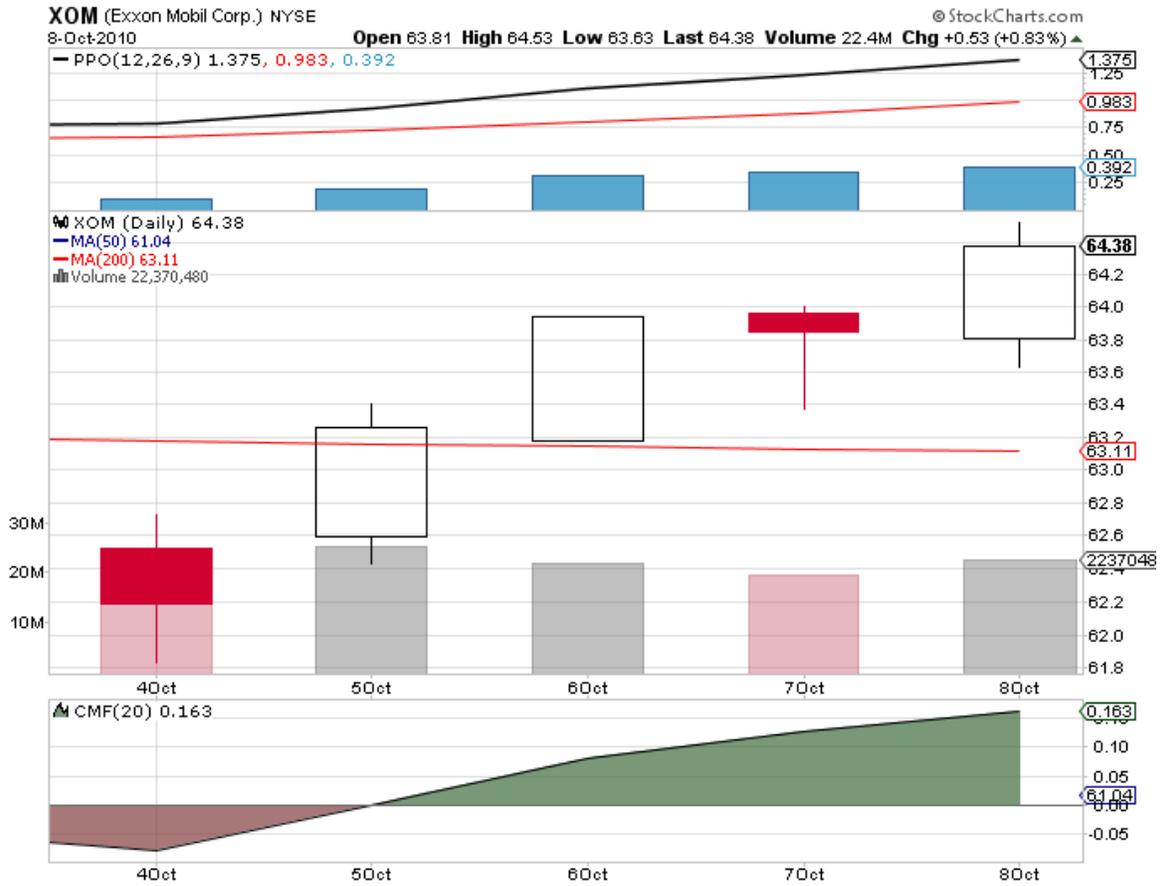


Figure 4. 19: XOM Week Four Summary

Shell has had a mixed week, but ended relatively well. Investors were selling most of the week, but started to buy again as the week came to a close. There was no significant change in the PPO, so nothing major happened to change drastically change the trend in the stock. The price ended high, so it gave me a fairly large profit for the week.

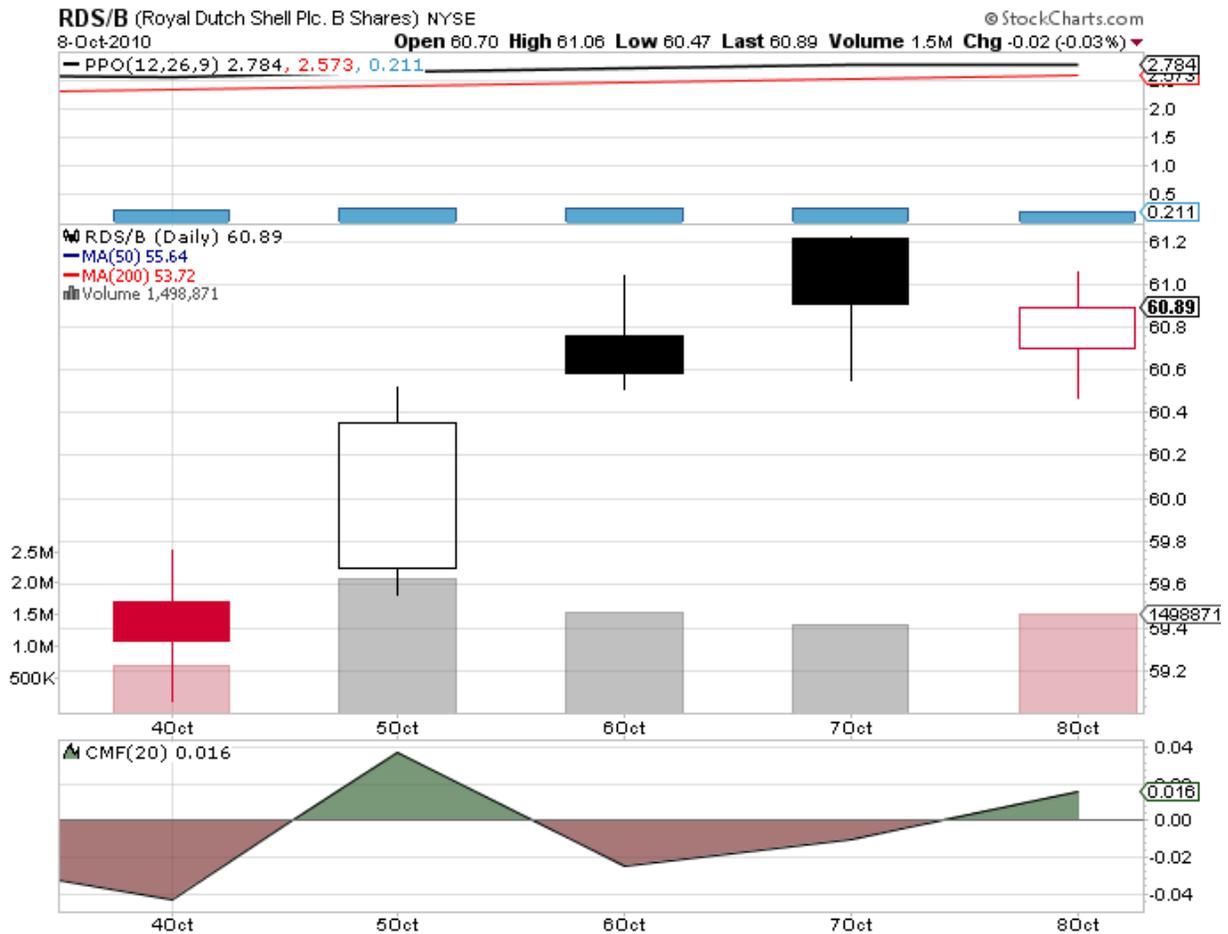


Figure 4. 20: RDS/B Week Four Summary

Halliburton ended very strong, considering the week it had. It staggered during most of the week, staying in the same price range. Investors saw this and largely sold during the middle of the week, but re-invested as the week came to a close. Again, this is due to the price of oil being so high, and the suspicion that the Fed will help the economy.

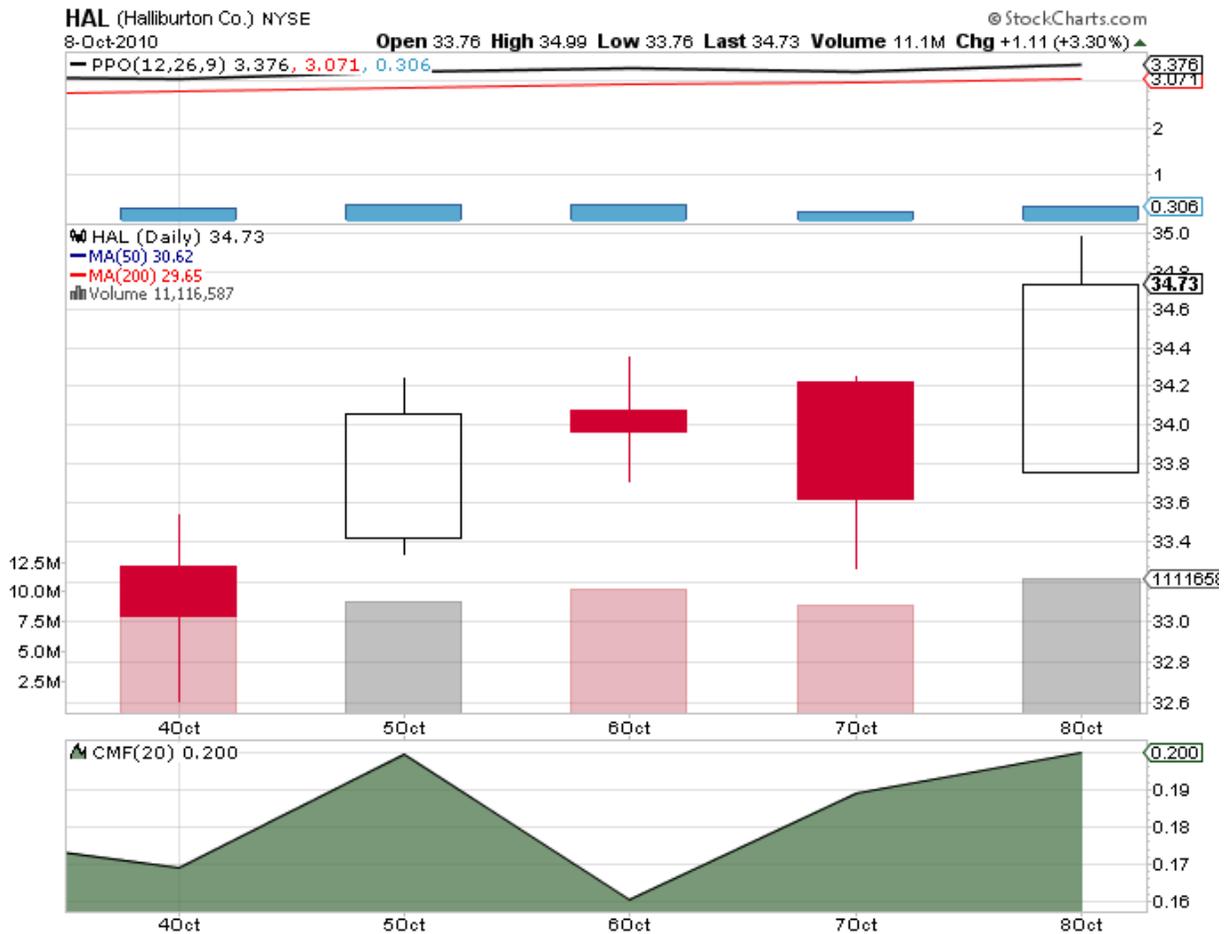


Figure 4. 21: HAL Week Four Summary

Baker Hughes has the most promising future of my stocks. It was struggling earlier in the simulation but has come through very well. The stock is flourishing right now, but will reach its peak soon, and decline again. So, now is a good time to sell the stock.

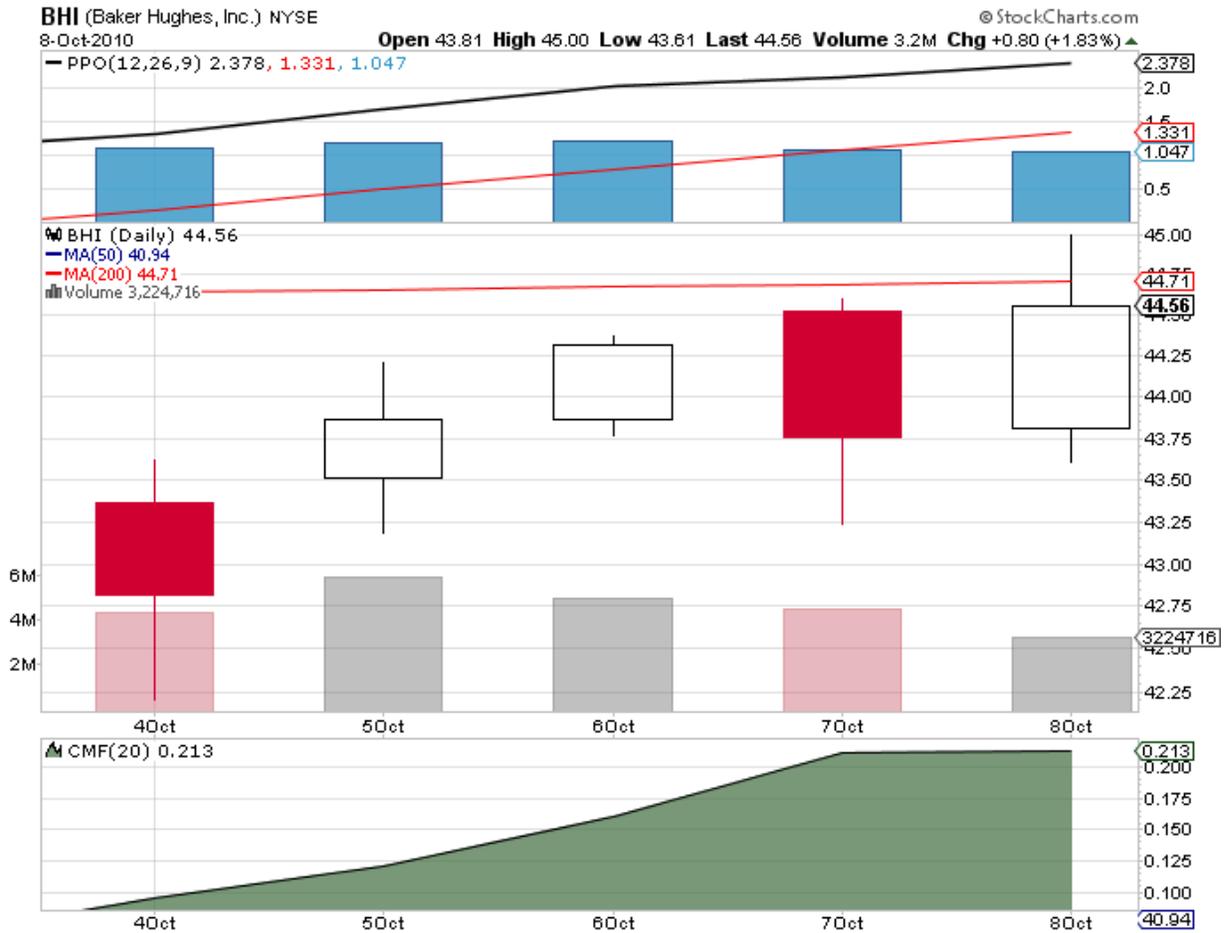


Figure 4. 22: BHI Week Four Summary

4.5 Results

Using news stories as the basis for my trades simulated well into properly portioning my assets in my selected companies. I found that I was able to recognize when a story would benefit the standing of the company in the market. Overall, the companies I was watching rose in value over the simulation, but I was able to allocate my assets over the length of the simulation to earn the most I could.

In the first week of the simulation, I had a hard time trying to see where the stocks were going to go. This resulted in a loss in selling a portion of my stock in Transocean. I learned there that I needed a little more time to see where the stock would go. Just because the stock was dropping should not have caused me to panic and sell the stock to mitigate my loss. After that I realized that any profit Transocean made, I had to take advantage of, so I sold again the second week, and finally sold all of my stock in the company the third week.

With the other companies, I followed their CMF projections and PPO review to find when a story was strong enough to invest on. The stocks were climbing overall during my investment period, so I mostly bought stocks. Towards the end of the simulation, some of the stocks started to plateau and they had no new press releases to make me think otherwise, so I decided to sell. My simulation at the end of week four was left with a lot of money still in the stock market. With more time I would have looked to watch if the prices fell so I could buy back into them.

In the final results of the simulation, if I were to sell all of my holdings in the companies at the end of week four, it would leave me with an overall profit of \$41,257.86. I feel like this was a good profit for the focus I chose. I made the most of what press releases and news articles I found to make the best profit I could.

Date	Symbol	Buy/Sell	Price	Shares	Net Cost/Proceeds	Profit/Loss	Total Cash	Total Profit
Results								
8-Oct	BP	Sell	41.94	1000	41930	3210	176585.67	13674.86
8-Oct	XOM	Sell	64.5	800	51590	3038	179623.67	16712.86
8-Oct	RDS-B	Sell	61	900	54890	2249	181872.67	18961.86
8-Oct	HAL	Sell	34.81	3800	132268	13366	195238.67	32327.86
8-Oct	BHI	Sell	44.67	2000	89330	8930	204168.67	41257.86

Table 4. 22: Selling of Stocks

Throughout the simulation, you can see rapid profit towards the end of the simulation and the final day, showing the results of the total four week simulation.

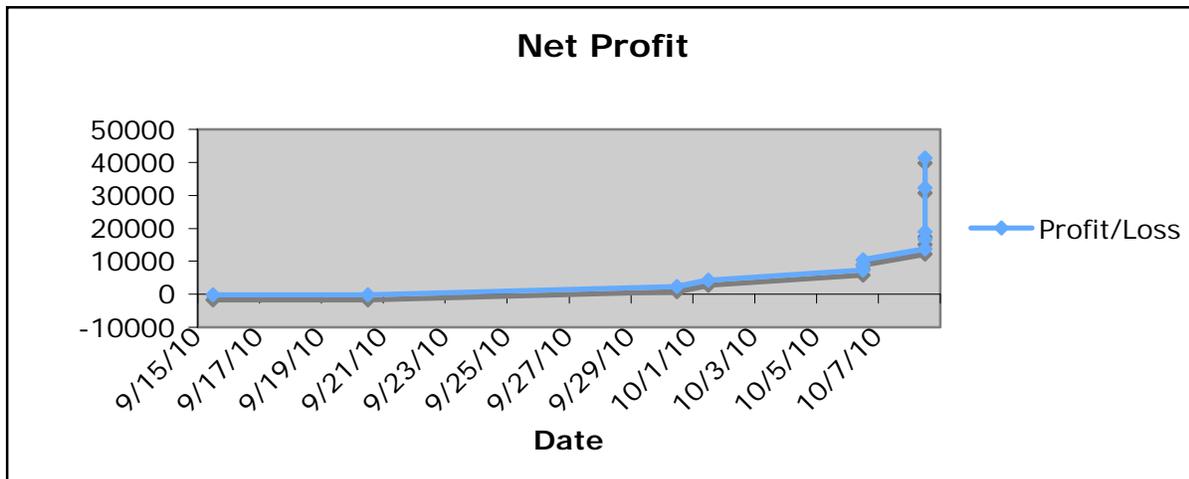


Figure 4. 23: Net Profit for Total Simulation

4.6 Conclusion on News Trading

Investing in the stock market using News Following techniques taught me about the stock market as a whole. I found that News Following was not looking at press releases on individual companies alone, but it has to do with the news about the market and the oil industry as a whole. What this meant was that instead of looking at only individual company websites, I had to use other news resources to gain information on the oil industry and the market as a whole.

During this simulation I had many press releases to use. The disaster in the Gulf sparked my interest in the industry and the event has followed through the simulation and will continue to carry weight in the industry and the market. The story that arose during the four weeks I was trading was an increased focus on the rising price of crude oil. This boosted the companies stock because it gave them a bigger profit margin. Also, the expectation that the Federal Reserves will aid the market and the economy is growing day to day. This lead more investors to the market and helped bring up the prices of the companies I was invested in.

The News Following technique gave me a big picture view of the market. It brought me out of the scope of only looking at quantitative data and made me look at how the market moves with respect to the world that drives it. News Following is a very viable technique and will be a part of my investing technique when I decide to start investing.

5. Comparison and Analysis

By the end of the simulation, both trading methods made a profit. The swing trading method earned back just over ten percent of the original sum. The news trading method earned back eight and a quarter percent of the original sum. Both trading methods were efficient enough to earn back a significant profit in the stock market. Below is a chart of both trading methods' weekly profit earnings.

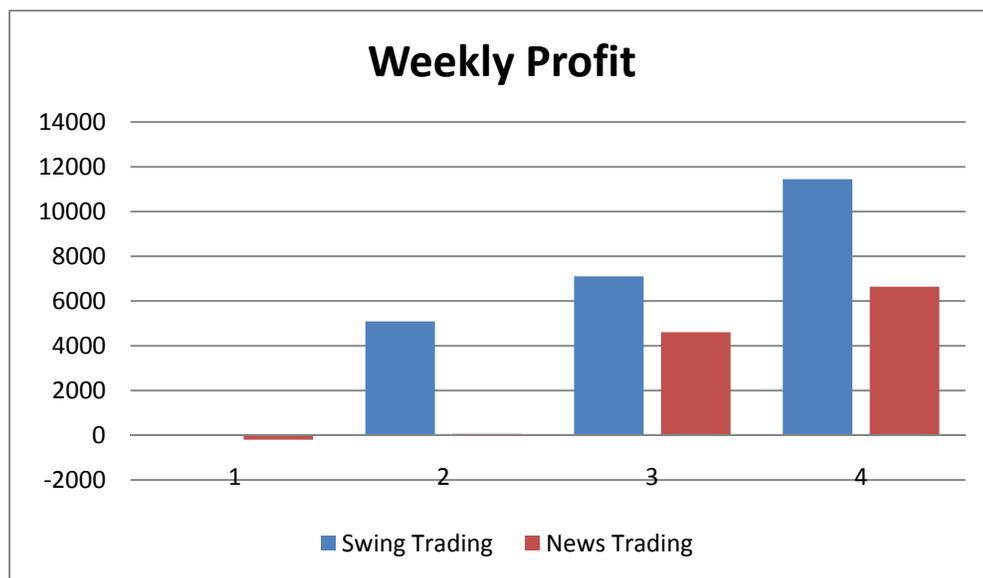


Figure 5. 1: Weekly Profit for Both Trading Types

This chart displays the original net sum we had to invest with in addition to the profit earned in the market cumulatively for the four weeks of the simulation. It is easy to recognize that both trading methods earned a significant amount of profit in the four week simulation.

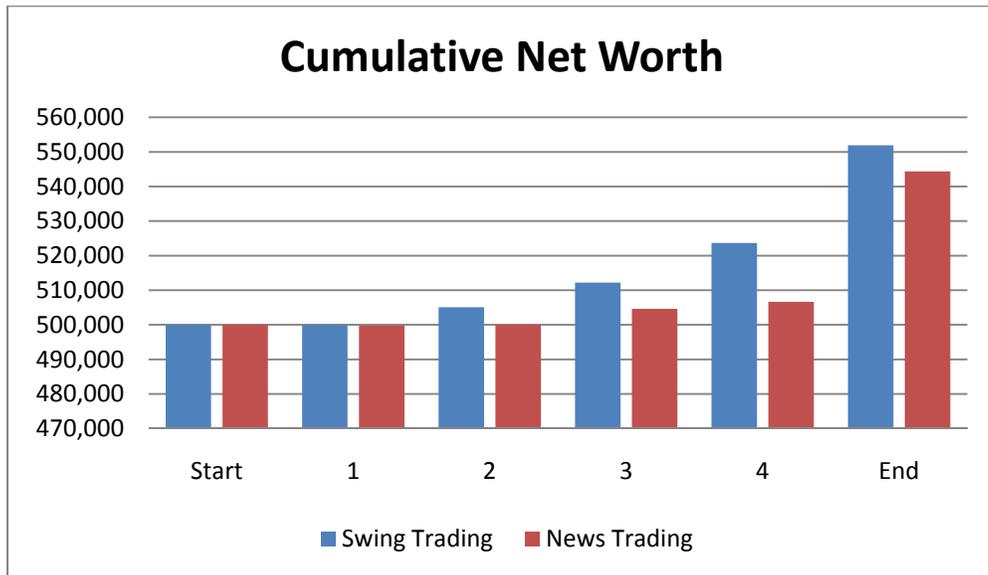


Figure 5. 2: Cumulative Net Worth for Both Trading Types

6. Conclusions

The stock market has many parts and reaches to all parts of the economy, but there are certain techniques used by professional traders and brokers to focus their investments. We used two of these techniques to study one specific industry in the market, the oil industry. By using Swing Trading and News Following, we were able to learn and explore two very different types of trading. Both these trading techniques yielded significant profits to each of us. We had a very short time to simulate our trades, but because of the nature of the industry and the large amount we initially invested, we were able to make sizeable profits. Our simulation was also preferable to a savings bank or money market account, especially for the time frame we were looking at because our profit percentage is higher than their yields over that time.

When applying the Swing Trading method to invest money, it is important to be able to observe and record the moving averages of the stock and when the appropriate timing is to buy and sell those stocks. Not only is a swing trader concerned about the moving averages, but the trends of each stock on a day to day basis. If the stock is on a steady decline, the trader needs to sell fast before a significant loss. If the stock is headed on a steady incline, it is time to buy before the trader misses the opportunity to make a profit. By observing these characteristics of the market, it will be possible for a swing trader to successfully invest in and profit from the stock market.

When using News Following, one has to look at news from a variety of sources. Looking for stories only regarding individual companies will not allow for maximum profit. An investor has to look at news about the industry the company is in as well as the market as a whole. Sometimes a company can release a new product and make slight gains in one day, but the

market as a whole is on a downward turn, it is likely that stock price will follow that decline. A good investor who knows what to look for in the news will see this overall downward trend and will know not to invest just because of a product release. News Following shows that the stock market is affected by almost every story all over the world. With a grip on this technique, it allows investors to not be intimidated by how far the market reaches and use that fact to their advantage.

This project has opened us up to the world of investing. We chose Swing Trading and News Following trading techniques because of our personal interest in them, but now we have learned how practical those techniques are and if those techniques are used in a real world situation, an investor can make a good amount of money. One of the best lessons we have taken away from the project is becoming comfortable with trading in the stock market. Also, the system of trading is much more familiar to us now that we have gone through this simulation. The stock market is no longer a gamble or a mysterious system with no guidelines, but is a very sound way of investing money and having it grow without constant income.

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