

Jim Berg

# THE STOCK TRADING HANDBOOK

Fundamental and Technical Analysis Combined

- ❖ How The Market Works
- ❖ The Importance of Market Psychology
- ❖ Money & Risk Management
- ❖ Fundamental Analysis Explained
- ❖ The Roles of Technical Analysis
- ❖ Profitable Trading Strategies that Really Work
- ❖ Putting it all Together



*From the co-author of the  
**Investing & Online Trading**  
stock market newsletter*

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This is an updated version of the first publication.

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## Foreword

When I initially started speaking on the share market lecture circuit, I kept hearing about a man called Jim Berg. In this surprisingly small industry, when a true professional cements his presence, it doesn't take long for the word to travel. All that I ever heard in relation to Jim was positive.

I decided to investigate. As I found out, Jim Berg is a former broker, private trader and lecturer with over 20 years experience in the investment industry. Jim has appeared on **CNBC Asia** and **Market Wrap** and has been a guest speaker at the **Australian Stock Exchange**, the **Sydney Futures Exchange** and the **Australian Technical Analysts Association**. After hearing all of these rave reports, I finally met the man and we immediately developed a good friendship.

Jim's obvious credentials complement his passion for training. Not only does he have the knowledge about how to trade effectively, but Jim also has the rare gift of being able to impart trading concepts in ways that have helped both novice and experienced traders alike. Jim was a schoolteacher for eight years before embarking on his career in the stock market, and it is clear that his teaching qualification and former experience have stood him in good stead.

Jim combines the fields of fundamental and technical analysis. This method is growing in popularity as a result of several market events, including the tech wreck and high-profile liquidations such as that of HIH. Using tools and trading strategies demonstrated in his investment workshops and seminars, Jim recently returned an annualized 27.5% in five months of trading in the **Personal Investor Sharetrader's Showdown** for 2001. This was in the uncertain market conditions that eventuated in the **All Ords** only gaining 6% in the same year. This is just one piece of evidence that Jim's methods are effective.

**The Stock Trading Handbook** is a comprehensive, practical guide inspired by Jim's years of experience. If you are after a no-nonsense easy-to-follow, direct book that will help you get started trading the markets by combining fundamental and technical analysis, then this is the book for you.

Louise Bedford  
[www.tradingsecrets.com.au](http://www.tradingsecrets.com.au)

Louise Bedford is the author of the bestselling books *Trading Secrets*, *The Secret of Candlestick Charting*, *The Secret of Writing Options* and *Charting Secrets*

# Introduction

The **Penguin English Dictionary** describes a handbook as a guide-book. **The Stock Trading Handbook** will guide the beginning trader through the difficult process of applying indicators in a trading system that combines fundamental and technical analysis. This is a manual disguised as a book. It contains information on trading and important related issues that could affect investment decisions.

The aim of this handbook is to help those inexperienced at trading shares to understand the share market and take the first steps to investing successfully. There is a vast amount of information available on markets and investing.

To put all this information in one book would intimidate by its volume. There are entire books written on many of the topics presented in these pages. The beginning trader can use this book as a starting point to learn the basic investment concepts and explore each in greater depth when it is more appropriate and convenient.

This ebook is not just for beginners. For experienced readers, more advanced topics, are covered, with the intention of helping traders improve their performance in the market.

An investor can buy and sell shares over a short-, medium or long-term timeframe. The process of buying and selling shares is called trading. Every investor is thus a trader, to an extent. A narrower definition of a trader would be someone who buys and sells shares on a frequent basis for capital gains rather than infrequently for income.

For the purposes of this book, the words '**investor**' and '**trader**' are used interchangeably. Equally, while we discuss '**shares**' and '**share market**', most of the principles in this ebook can be applied to '**stocks**' and '**stock markets**' around the world - so these words can also be interchanged.

In this ebook, and our weekly newsletter, we stress the importance of psychology, money and risk management, as well as providing profitable trading strategies which use both technical and fundamental analysis combined. By mastering these, investors and traders increase their chances of long term survival and profitability in the market.

Some investors rely on a company's fundamental performance to make their investment decisions. Other traders ignore fundamental analysis and rely completely on charting and technical indicators. Technical analysts reason that everything worth knowing about a company is reflected in the current price action.

My trading strategy combines fundamental and technical analysis as **weight-of-evidence** to improve the probability of success in the market.

Chapter 1 contains a brief explanation of why the share market exists and how it works. Market influences and several different styles of investing are also examined.

Chapter 2 provides information on taxation in relation to share trading, financial planning, DIY Super Funds and the difficult decision of whether to trade online or with a full service broker. We also discuss the benefits of using a broker assisted conditional ordering facility.

Chapter 3 focuses on investor psychology and will help beginning traders understand how an individual's personality and beliefs can sabotage their trading.

Many professional traders believe **psychology and risk management are the most important elements to successful trading.**

Chapter 4 provides some of the key fundamental criteria which are important for fundamental analysis.

Chapters 5 and 6 examine many of the specific technical analysis tools for investing - these are later grouped together in an example of a trading system in Chapter 8.

Chapter 7 concentrates on the vitally important areas of money and risk management including:

- Stop loss and profit taking exits
- Position sizing
- Developing a trading plan
- Planning and managing your portfolio
- Accurate record keeping

A thorough understanding of these concepts is often the difference between success and failure.

Chapter 8 pulls it all together by demonstrating **profitable trading strategies that really work.** Many authors will describe the tools and provide readers with the knowledge to use those tools but will fail to show the process of combining indicators and developing a trading system.

In contrast, this chapter is a step by step guide to investing, using a common sense and proven trading system that combines fundamental and technical analysis.

One of the easiest ways to develop a trading strategy is to **“borrow”** a system from another trader. The borrowed system is used as a base to test and eventually build a trading strategy that suits the investor's personality and trading philosophy. It is extremely important that the investor feels confident their trading system suits them and **believe** their investment strategies will make money.

The trading system outlined in Chapter 8 may be adapted for either long-term or shorter-term timeframes. It provides practical examples of the process of combining indicators to create a trading system that really works. Many of the investors attending my seminars over the past three years have borrowed this system as the basis for creating their own successful system.

An extensive **Glossary** of Terms has been produced to aid beginning traders in the challenging task of becoming familiar with new vocabulary and terminology. Such a comprehensive Glossary is a valuable reference tool that can be used when attending seminars, watching or listening to financial programs and reading financial market material.

This **Glossary** of over 40 pages may be downloaded with our compliments. Simply log in at our **Free Downloads** section at [www.sharetradingeducation.com](http://www.sharetradingeducation.com) or [Click Here](#)

For some investors, share trading can be a positive intellectual, financial and emotional experience. For many others it can be terrifying and financially devastating. Without an experienced guide, learning to trade the share market can be a very expensive education.

It is much easier to learn from others' experiences than having to repeat their mistakes yourself. The purpose of this Handbook and our weekly **'Investing & Online Trading'** stock market newsletter is to help our readers survive by avoiding the pitfalls of the market - and then thrive by developing profitable trading strategies.

For a few years now I have been presenting a series of workshops and seminars developed to teach beginning traders the concepts essential to successfully investing in the share market. "What books should I read?" and "Which book should I read first?" are often among the earliest questions asked.

By providing an extensive list of quality books on the financial markets in the Bibliography, the first question is answered. Answering the second question is considerably more difficult. Each book contains useful information, but an inexperienced trader does not know what is **essential knowledge** until after it has been acquired.

It often takes a considerable amount of time and effort for the beginning trader to discover what is relevant. This ebook will give the inexperienced investor an overall view of the market and the relevant knowledge to begin trading now. To help readers easily find other resources, hyperlinks are provided within this document.

**The Stock Trading Handbook** is the result of the feedback from the participants in my workshops and seminars. This is the book they wished they had read first.

Questions on topics covered in this ebook, our newsletter or the market in general, can be directed to me in the dedicated '[Ask Jim Berg](#)' section at [www.sharescene.com](http://www.sharescene.com).

Jim Berg

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and [www.jimberg.com.au](http://www.jimberg.com.au)

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- Steve Baker, newsletter subscriber & private trader with over 30 years of share market experience

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