

WHERE WILL EQUITY  
MARKETS BE ONE  
MONTH FROM NOW?



DOMINIC  
PICARDA



SANDY  
JADEJA



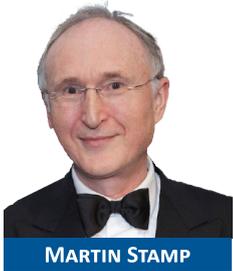
ALPESH  
PATEL



# ShareScope

MAY 2012

The latest news and tips from ShareScope



MARTIN STAMP

## WELCOME

We've had a very busy first quarter with lots of new members so a big welcome to all of you. ShareScope is packed with features and may appear daunting at first so please don't hesitate to call our friendly Customer Support team if you haven't got the hang of it yet. We can also help you customise ShareScope so that the data and features that you are most interested in are easiest to access. For all customers, I'm pleased to announce that the latest free upgrade to ShareScope (V.6.40) is ready – see below for more details.

## NEW RELEASE: SHARESCOPE V6.40

ShareScope V6.40 has been released. If you are new to ShareScope, the upgrade is FREE and is downloaded as part of the daily Update process. Once the Update has been completed, ShareScope will ask if you want to install the upgrade. We recommend that you do because as well as all the new features and data you will get any performance enhancements we have built in. We release the upgrade gradually so it may take several days before you get it. Once you have installed the upgrade, a What's New document will be displayed on the screen. This gives an overview of the new features with links to further information in ShareScope Help. Subsequently, you can read this document by clicking on ShareScope's **Help** menu and selecting **What's New**.



ALPESH PATEL

## VIEW FROM THE TOP

I've been calling a short-term decline in indices since the beginning of April. It has taken a while to kick in, mainly due to buoyant earnings, but now I think we'll see falls for at least 1-2 months. Facebook is over-valued. Based on a net present value of future cash flows – it would need to grow annual revenues at 80% for the next decade to be worth anything like the \$90billion valuation the IPO share price launch is putting on it. Some retail buying on IPO will cause short-term

price rises but longer term it is too expensive for the revenue streams you are buying. Good company, bad investment, possible good short-term trade.

For subscribers to the Alpesh Patel Special Edition, I've written a comprehensive new guide to using the tools and filters. It's a **MUST READ** for all subscribers – especially my **10-Point Trade Management Plan** which I use to help run profits and cut losses. The guide can be found at [www.sharescope.co.uk/userguide](http://www.sharescope.co.uk/userguide).



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## PHIL'S HIDDEN GEMS

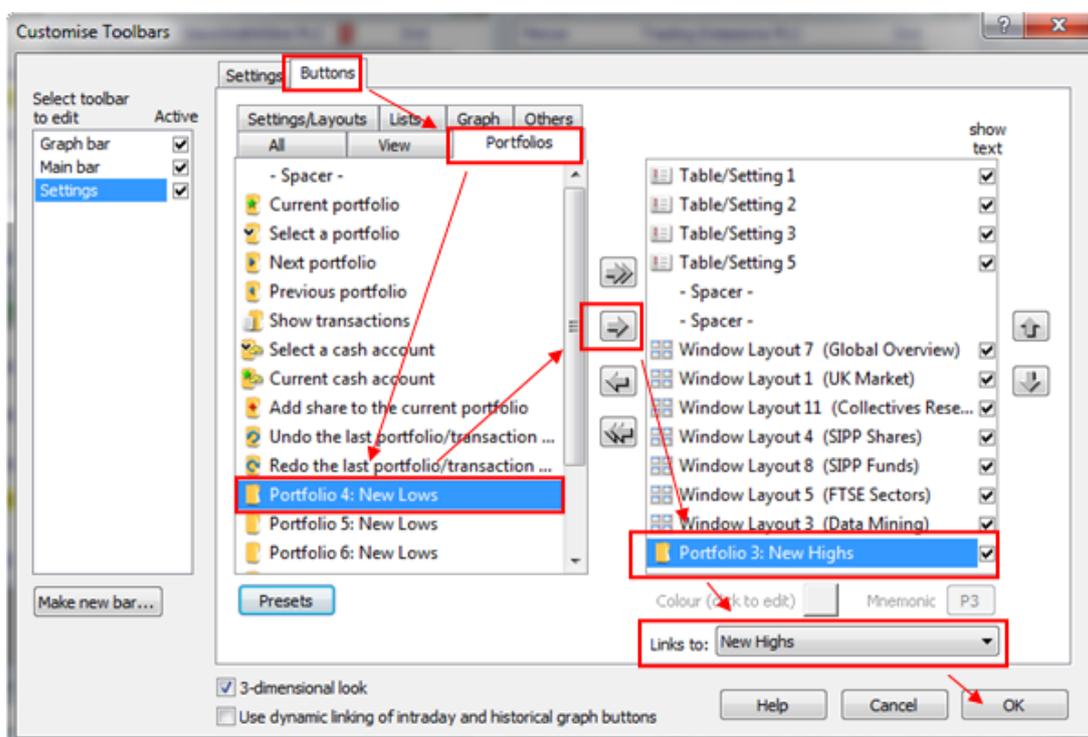
One of the great ways you can customise ShareScope is to add toolbar buttons for the features you use most often. For example, you can add up to 12 toolbar buttons for specific portfolios. You may not know that the results of each data mining filter are also saved in a *dynamic portfolio* (with the same name). By using portfolio toolbar buttons, you can check the latest results of your filters at the click of a button.

To do this, follow the instructions below:

Right-click in the destination toolbar (e.g. the Settings toolbar at the foot of the ShareScope window) and select **Customise toolbars**. In the dialog box that appears, click on the **Buttons** tab and then click on the **Portfolios** tab.

From the list of available buttons on the **Portfolios** tab, select the first unused Portfolio button. There may be a name alongside it (e.g. *Portfolio 7: New Highs*) but you can ignore this

Now click on the single right arrow key in between the list of unused buttons and the list of buttons on the toolbar. The button will appear in the list on the right.



Underneath this list, a **Links to** button will appear. Click on the down arrow on the right hand side of the button to reveal a drop-down list of your portfolios and data mining filters. Select the one that you want to link to the toolbar button. Repeat to add more buttons and click on **OK** when finished. You should see the button added to your tool bar.

For more details about customising your toolbars have a look at [Article 11](#) on our [Training Zone](#) - "Make ShareScope your own".

## IS YOUR UPDATE TAKING TOO LONG?

If you update regularly, this process should not take more than a few minutes at the most (less than a minute on a fast PC). The process should rarely, if ever, fail. Problems with the update process are usually caused by insufficient resources on your PC or anti-virus software - notably *Kaspersky*, *Norton* and *Microsoft Security Essentials*. We can help you resolve these issues so please call the Customer Support team if this affects you.

## USER GUIDE

We've added a chapter on ShareScope's Alarms to the growing user guide at [www.sharescope.co.uk/userguide](http://www.sharescope.co.uk/userguide). We've also updated all chapters to reflect the new features in the latest release.

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TIM CLARKE

## UNDERSTANDING EPS

Customers often ask why ShareScope's *Earnings per Share (EPS)* values are different to those they see elsewhere. To understand why this is, it is helpful to understand more about EPS.

EPS is a company's profit divided by the average number of issued shares during the period. A company's earnings per share (EPS) can take numerous forms and it pays to know which form you are looking at.

Form	Description
Basic EPS	A company's total profit/loss divided by the outstanding common shares. This value is <i>announced</i> and included in the Annual Report.
Diluted EPS	A company's total profit/loss divided by the outstanding common shares plus all options, convertibles or warrants that might be converted into shares. It represents a worse-case scenario if all dilutive options are exercised. This value too is <i>announced</i> and included in the Annual Report.
Adjusted EPS	A company's EPS adjusted, by the company itself, for exceptional items. Not all company's report this value.
Normalised EPS	A company's EPS independently adjusted by Hemscott for exceptional items. It enables you to compare the EPS of one company with another in the confidence that you are comparing like with like. Hemscott issues a <i>Normalised Basic EPS</i> and a <i>Normalised Diluted EPS</i> . We use the latter.

Under the *International Financial Reporting Standard (IFRS)*, the accounting principles adopted by the EU, UK companies report their earnings including exceptional items.

The US has not adopted IFRS and US domiciled companies generally report under the *Generally Accepted Accounting Principles (GAAP)*. Under GAAP, companies may report before or after exceptionals. That is, their reported figures may be *Adjusted*. Foreign-domiciled companies listed in the US may report under GAAP or IFRS.

Hemscott only normalises the profit/loss of UK companies.

There is one further factor. Each form of EPS may be broken down into *EPS for total operations*, *EPS for continuing operations only* and *EPS for discontinued operations*. For UK-listed companies, we use EPS for continuous operations. The results data we get for US companies does not provide a breakdown so *EPS for total operations* is used.

There are three EPS fields you can display or use in ShareScope. The table below explains what you get with each:

Name	UK Companies	US Companies	Where
Reported EPS	Diluted EPS for continuous operations only.	Diluted EPS for total operations	Lists – Add a Results column Data Mining – Advanced results Details – Results Table.
Normalised EPS	Normalised Diluted EPS for continuous operations only.	Blank	Lists – Add a Results column Data Mining – Advanced results Details – Results Table.
EPS	This field will initially show the Announced Diluted EPS. This will be replaced by the Normalised EPS once available.	Diluted EPS for total operations	Lists - Add a General column Data Mining - Headline results Details – Results Table

Some companies report *interim* EPS figures which can be selected when adding columns and data mining criteria. Interim results are not normalised.

### Timing

When a company announces its full year results, the headline figures are released through the *regulatory news service (RNS)*. These are the *Announced* figures which you will get in ShareScope the following day. The full financial results are not known until the company's annual report is published. Only then can the results be analysed and normalised by Hemscott. Unfortunately publication of the annual report can take several months. The *Reported EPS* and *Normalised EPS* are available in ShareScope within two days of publication.

## Forecast EPS

For UK companies, ShareScope also includes up to 3 year's forecast results. These results are consensus values taken from individual broker (analyst) forecasts. ShareScope Plus & Pro customers can see the individual forecasts from each broker (**SHIFT #**). Many smaller cap companies do not have forecast results because they are not followed by any brokers.

As historic results can reflect the health of a business up to 12 months ago, some investors prefer to use forecast results or a combination of the two. In ShareScope, you can choose between the following forms:

Button	Effect
Historic	Historical results are the last reported results. For UK companies, this will be the most recent set of normalised results (i.e. recent announced results will not be used).
Projected	Projected figures are the consensus forecasts for the current reporting period. They are taken from the City analysts following the company. Note that many smaller companies do not have forecast results. Towards the end of the financial year, projected figures largely represent what has already taken place. However, until they are announced, they are regarded as projected.
Rolling 1	This is a figure that includes some of the historical results and some of the projected (forecast) results for the following year. At the start of the financial year it is made up entirely of the historical figure; as the year progresses it includes more of the forecast figure. It 'rolls' between historical and projected. This figure is only available for those companies with both historical and projected results.
Rolling 2	This is a figure that includes some of the next year's forecast results and some of the second year's forecast results. At the start of the financial year it is entirely the first year forecast; as the year progresses it includes more of the second year forecast. It 'rolls' forward from projected (forecast). This figure is only available for companies with 2 years' forecast results.

## DAILY, WEEKLY AND MONTHLY CHARTS

Something that Alpesh Patel regularly talks about is looking at the weekly and monthly data as well as the normal daily data on OHLC and candlestick charts. For example, he likes charts on which the daily, weekly and monthly MACD are all going up – especially if the MACD is below 0.

There are two ways you can look at daily, weekly and monthly views on the same chart and each requires a different use of the **Data source** option presented when you add an indicator to a chart (*fig. 1*). There are four options: **Daily**, **Weekly**, **Monthly** or **Graph time period** – which will use whatever time period the graph is using.

Using the **Daily**, **Weekly** and **Monthly** buttons on the Graph toolbar will change the data source of the price chart.

In this case, you'll want the **Data source** for each of your indicators to be set to **Graph time period**. To check what they are set to, look in the top left corner of the indicator window. If it says "Bars" in brackets after the indicator name then you don't need to change anything. If it says, "Daily", "Weekly" or "Monthly", then you'll need to change it. Right-click on each indicator and select **Edit indicator**.

With the above method you can easily switch between daily, weekly and monthly on the same graph.

If you'd like to see all three views at once, you could add daily, weekly and monthly versions of the same indicator to your Graph Setting (*fig. 2*) As you add each indicator, remember to set a different data source for each one.

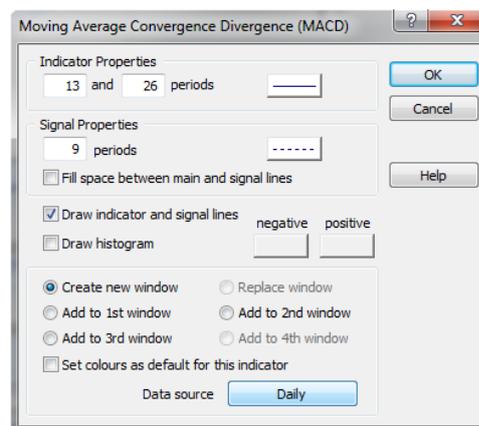


Fig. 1



Fig. 2

## TRADING IN EMERGING MARKET SHARES

Many foreign-domiciled companies can be traded via instruments called *GDRs (Global Depositary Receipts)* and *ADRs (American Depositary Receipts)* listed on UK and US exchanges. *Depositary Receipts* confer ownership rights to shares in the foreign company. The actual shares are held by a bank. They are usually priced in dollars and pay dividends in the same currency.

This can be a great way to invest in companies in *Japan, BRICs* or *emerging markets* - especially if you don't want to use broader active managed funds or passive tracker funds (ETFs). You can trade in companies such as *Honda, Baidu, Tata Motors, China Mobile* and *Taiwan Semiconductor Manufacturing*.

ShareScope includes *GDRs* and *ADRs* listed on the *LSE, NYSE, AMEX* and *NASDAQ* stock exchanges. You can find these instruments in the **All** list (**Change list -> All**), in the **Other** fixed list (**Change list -> Other**) or in the fixed lists for each individual exchange.

You'll need to check that your broker allows trade in these instruments. Looking on the Hargreaves Lansdown website, the five companies mentioned above were all available to trade but only *Honda* and *China Mobile* were eligible for ISA and SIPP accounts. Their Trading desk told me that there were no hard and fast rules it just depended on whether the individual instruments met the eligibility conditions for tax-free accounts.

*DISCLAIMER: the stocks listed in this article are for illustration only. Ionic Information is not authorised to give investment advice.*

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