

WHERE WILL EQUITY
MARKETS BE ONE
MONTH FROM NOW?



DOMINIC
PICARDA



SANDY
JADEJA



ALPESH
PATEL



OCTOBER 2011

ShareScoop

The latest news and tips from ShareScope



PHIL'S HIDDEN GEMS

PHIL TOLHURST, SUPPORT

Use your *12 News Settings* to filter for specific types of news stories. For example, news stories which carry broker's comments have the code P/UKMC. The stories which are a round-up of broker's comments have the code P/BKCO.

To filter for stories of a particular type, right-click in the News window and select **Set news filter**. The **Filter news** dialog will be displayed; click on the **Keyword/Code search** tab. You can specify up to four codes or keywords (phrases) per Setting.

To find a code, click in one of the empty fields and type a word related to the news you are interested in. For example, type "broker". A list of the news categories that include this word or phrase will be displayed along with the code. Click on the one you want.

Once you have created a filter you

will find that the **Filter news** option on the News context menu will have a tick next to it. Click on this option to switch the filter off.

This is a great way to filter out the news stories that you are not interested in. *ShareScope Gold* users can simply switch between Settings to see different categories of news; *Plus* and *Pro* users can display windows for different categories of news. If you only want to show news for the current day in the News view, right-click and select **Today's news only**. A tick will appear next to it on the context menu. To disable this feature, simply select it again.

ShareScope Plus & Pro users: If you notice that your News view seems to scroll down the list throughout the day there is a simple fix for this. Right-click in the News view and select **List design** from the context menu. Click on the **Advanced** tab and select **Keep list position**. This will ensure that the top part of the list will be displayed at all times. Of course, you will need to make sure that your News view is sorted by date/time as well.

You can quickly remove a column from a table by right clicking on the column heading and then pressing the letter **V** on the keyboard.

To keep the currently selected share still highlighted/selected when you sort a list, simply double click on a column heading and hold down the **shift** key while you double click.

VIEW FROM THE TOP

ALPESH PATEL



Why am I predicting the market will be up in a month's time? Well, in my view, the facts remove fear. Warren Buffett is buying equities; the world's biggest companies are looking for acquisitions; PEs are at 30 year lows; PBVs are cheap. Even if irrational fear can move the markets another 10-15% lower (and it can), I don't believe it can move us much lower than that.

Corporates are earning. China's growth is equal to the US having no growth – so the global economy is protected. Some commodity prices have overshot (e.g. *gold, copper*) so some care is needed here but equities are the cheapest asset class.

The Italian downgrade is good news because it pushes yields up on Italian debt up – ironically making it more attractive. At AA who wants 5% from Italian debt? But 7% at AA2 – that's more interesting.



Some readers may have spotted the double top formed by the Gold price chart which "predicted" a fall back to around 1600.

Filter news

Filter news

Category search Keyword/Code search Phrase search

Enter up to four keywords or phrases. As you type, a list of matching Dow Jones news codes will be displayed. You can use a combination of keywords and codes, just keywords or just codes.

broker| Phrase

I/INB	Insurance Brokers
N/BKW	Broker's World
N/BLR	Broker Loan Rate
P/BKCO	UK Market Talk Roundup: Broker Comments
P/UKMC	UK Market Talk Brokers Comments

Save / Show filters Help Cancel OK

SUPPORT: Gold & Plus 020 7749 8504 / 0845 045 0111 Pro 020 7749 8503 / 0845 456 0545

The 0845 numbers should be cheaper if you are calling from outside London on a landline.



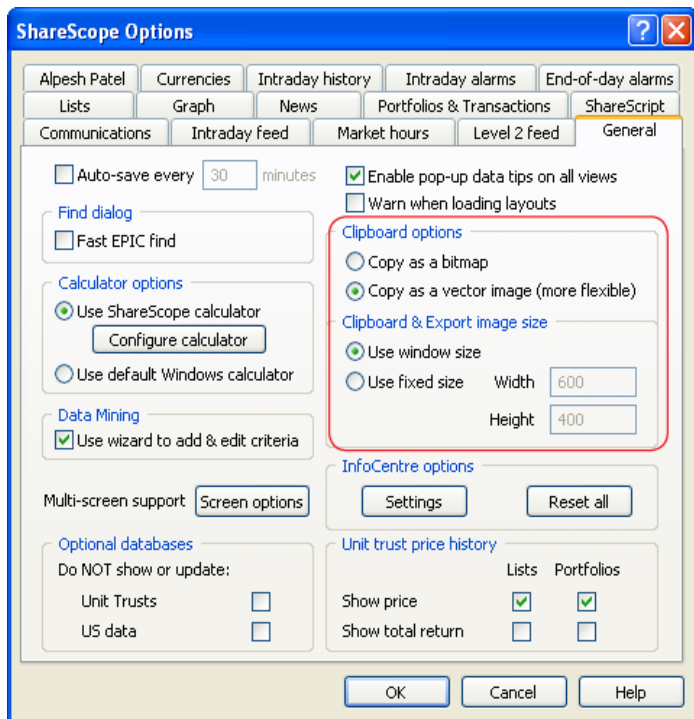
MELISSA'S TOP TIPS SHARING GRAPHS & TABLES

You might have been asked to do this after you mentioned to a friend that you spotted a fantastic trading opportunity. Or you just want to copy a few items from a List Table into an email.

ShareScope lets you perform these and many other tasks very easily. You can save an image or table as a file through the **Export** options on ShareScope's **File** menu or you can use standard Windows cut and paste commands.

Start by configuring ShareScope's clipboard options. Click on the **Tools** menu and select **Options**.

Find the **General** tab and choose how



ShareScope will copy images to the clipboard. Tick **Copy as a bitmap** to make it easier to paste images into

emails. If you want a high-resolution and scalable graphic to drop into a Graphic Design package then select **Copy as a vector image**.

There are two other options which control the size of image when copying the Graph or Details view. Select **Use window size** to copy the image in the actual size it appears on your screen. *Plus and Pro users:* this enables you to size the window to suit your requirement. Use the **Use fixed size** option to select specific dimensions for the image.

To copy a graph, make sure it is the

active window and press **CTRL + C** on your keyboard. The image will be sent to the computer's clipboard and made available to be pasted into a word processor, e-mail program or presentation. Just press **CTRL + V** or use the application's **Edit -> Paste** options.

You can use the same **CTRL + C** and **CTRL + V** combination on the Company Details screen. The whole screen will be copied and then pasted into your chosen destination.

It's in the List view that ShareScope really shows its flexibility. You can copy

Source	Action	Command
Individual Cell	Position the mouse cursor over the cell	
Single Row	Position the mouse cursor over the row's number to select it	
Multiple Consecutive rows	Click on the first row's number, press and hold down the SHIFT key and click on the last row.	CTRL + C To copy
Multiple non-consecutive rows	Click on the first row's number, press and hold down the CTRL key and click on other rows	
Single Column	Position the mouse cursor over the column's heading	CTRL + V To paste
Whole table	Position the mouse cursor over the number column's heading	

Come and Meet Us!

We will be exhibiting at two shows this Autumn. First up is the London Investor Show on Friday October 21st at Olympia. Register at www.londoninvestorshow.com and use the voucher code "ShareScope" to get a free ticket and free access to a workshop (worth £50).

We will also be at the World Money Show on the 11-12th of November at the QEII Conference Centre in Westminster. For more information, please [click here](#).

text from individual cells, single or multiple rows, single columns or the whole table. Note: you need to have the Number column added to your table.

If you copy more than one row of data from a table the column headings will also be copied.

Now, if you really want to show off your copying and pasting skills, select a cell, keep the left mouse button pressed and click the right mouse button. This works as a "one handed" CTRL + C command.

Feel free to share your graphs, portfolio's performance or the company details of that bargain stock with your friends and family or post them on our Facebook page.

Remember, you can call Phil, Richard, Gerardo or me for help with setting up any of these features.

User Manual

We are in the process of compiling an up-to-date user manual for ShareScope. This is a work-in-progress but we are uploading chapters as they are completed onto our website. You can find nine chapters so far at www.sharescope.co.uk/userguide.

I am delighted to say that we now have our Training room up and running. We plan to offer training on various topics such as data mining and we will email you details in due course.



Risk analysis is a fundamental component of portfolio construction for professional investment managers. It analyses the past performance of an instrument to help us make decisions about the future. The aim is to construct a portfolio of instruments that will generate the required level of return for the minimum risk.

Although it's easy enough to find risk measurements for unit trusts you rarely see them displayed or discussed for equities. Indeed, without a package like ShareScope, most private investors would need to calculate risk metrics in a spreadsheet.

To illustrate how you might use risk analysis, I have filtered the FTSE 350 for companies with a yield above 5%, dividend cover of at least two, and which are undervalued for their sector (cheaper than average).

I then applied a number of risk analysis tools using a 3 year look-back period.

You can see the top half of the list in the table. I've included the *FTSE 350 (Ex Investment Companies)* index for comparison.

Mean Return % calculates the average annualised return that the share has generated. Over three years, seven of the shares boast a mean return better than that of the index.

Return Deviation % gives us a measurement of how uncertain that return is. We expect to receive a higher return for taking more risk. Compare *Kier*, *Vodafone* and *Legal & General* in the table: their returns are similar but Vodafone's is significantly less risky.

Of course, performance is best interpreted when compared to a relevant benchmark. The **Mean Active Return %** does just this. As an example, if the mean return of the share is 5% and that of the index is 2% then the mean active return of the share is 3%. It is a measure of out-performance (or under-performance). I have used the *FTSE 350 (Ex Investment Companies)* as the benchmark.

Again the **Mean Active Return Deviation %** measures the riskiness of this outperformance. It's also called the tracking error.

I have focused on high-yielding stocks for a reason. The good thing about high-yielders is that even if they track or slightly underperform the index your portfolio is still making money (ignoring the effects of inflation for now). These metrics don't take into account dividends so it is giving us a list of high yielders that have also outperformed the index. Subtract the yield of the index (3.65% as I write) from the yield of each share for the complete picture.

A simple way to combine return and risk is the **Sharpe ratio**. This divides the mean average return minus a risk-free return by the standard deviation of past returns. The higher the number the better. So if the mean return is 5%, the risk-free return is 2.75 (savings account or 10 year Gilt), and the deviation is 12% then the Sharpe ratio will be $(5 - 2.75)/12 = 0.1875$.

Now let's be honest, most of us are perfectly happy with upward volatility – the chance of higher than expected returns; it's the downside risk we are concerned with.

The **Sortino ratio** was devised to address this. It is similar to the Sharpe ratio but it focuses on the volatility of negative returns only. Again the higher the number the better. Roughly-speaking, a share with a relatively attractive Sortino ratio has better returns and a lower downside risk than its peers.

What analyses like this enable you to do is compare your holdings with the rest of the market and help you identify more attractive replacements or additions for your portfolio. Can you get similar performance for less risk or better performance for the same risk? Of course, this is just a starting point; you'll need to do your due diligence on any prospective investments.

It is also worth pointing out that there are a lot of variables involved with risk analysis and results can sometimes be misleading. For example, if over three years a share is up 10%, down 90%, up 200%, then the mean return is 40% even though the instrument is down around 66%.

The calculations in this table are based on the weighted price of the last 36 months and then annualised. Using fewer data points (3 years, say, instead of 36 months) will decrease the accuracy. Likewise, using the average, typical or weighted price of the period will be more representative of the price action during the period than using a single price.

Underlying all risk metrics is the assumption that the future will be similar to the past. Although this is not always true it is still a reasonable best guess. A high volatility share is unlikely to suddenly become sedentary and a stable company like a utility is unlikely to suddenly become highly volatile. Although risk cannot be eliminated it can be sensibly assessed.

To use these tools, right-click in a column heading and select **Add Risk Analysis Column**.

Name	3Y Mean Return %	3Y Return Deviation %	3Y Mean Active Return %	3Y Active Return Deviation %	Yield %	Sharpe Ratio	Sortino Ratio
Marks & Spencer Group PLC	12.78	22.27	10.23	20.86	5.05	0.1211	0.1809
Kier Group PLC	10.8	33.19	8.29	23.63	5.16	0.0656	0.0901
Vodafone Group PLC	9.1	18.21	6.62	15.68	5.45	0.095	0.1295
Legal & General Group PLC	8.4	44.02	5.94	30.73	4.97	0.035	0.0481
Beazley PLC	5.99	22.39	3.57	22.09	6.35	0.0397	0.0553
AstraZeneca PLC	5.51	17.41	3.11	16.52	5.66	0.0435	0.0567
Greene King PLC	4.9	32.15	2.51	23.14	5.05	0.0183	0.024
FTSE 350 (Ex Investment Companies)	2.34	18.99	0	0		-0.0067	-0.0082
Centrica PLC	1.93	16.46	-0.4	17.84	4.87	-0.0147	-0.0221
Dairy Crest Group PLC	-0.32	36.01	-2.66	31.48	5.63	-0.0246	-0.0322

Source: ShareScope



RICH'S SCRIPTS

RICHARD CHIESA, SUPPORT

For all of you who'd like to give ShareScript a try, but don't know where to start, I've created a very simple indicator script that should help you grasp the basics.

The indicator I've created looks at the high and low price for each period on the graph and calculates the difference. Let's look at the whole thing in detail.

The first function to be called is **init** (short for initialization). The init function is called only once when you add the indicator to a chart. It is the best place to specify the visual style of your indicator.

setSeriesColour will set the colour of the indicator line, this has two properties: the series number and the colour. The series number is an identifier that determines which of the indicator lines will be coloured (starting from number 0), this particular indicator has only one line so only series number 0 is used.

setSeriesLineStyle sets the style of the line. The first property is the series number, followed by the line style (Pen.Solid, Pen.Dot etc.), then the thickness (0=thin,2=thick).

setTitle sets the text that will appear in the top-left corner of the indicator

A word on arrays.

An array is used when data needs to be expressed as a series instead of a single value.

`P = ["a","b","c","d","e"]` is an array of the first five letters on the alphabet: P is the array's name, its length is 5 and each element is counted from 0, so "a" is element number 0, "b" is element number 1 etc.

Each element of the array P can be called using its number, so `P[3]` will be used to call "d".

An array can contain numbers, text, dates or any combination thereof.

```
//@Name:High-Low
//@Description:Displays an indicator of the difference between the
high and the low
function init()
{
    setSeriesColour(0, Colour.Red);
    setSeriesLineStyle(0, Pen.Solid,1);
    setTitle("High minus Low");
}
function getGraph(share, data)
{
    var output = [];
    for (var i=0;i<data.length;i++)
    {
        output[i] = data[i].high-data[i].low;
    }
    return output;
}
```

box; if omitted the script name will be used instead.

The part of the script that contains the actual calculations is the **getGraph** function. You use the getGraph function to tell ShareScope how to calculate the indicator for each share. The function has two parameters: **share** and **data**. The share property will tell the script which share is being displayed and data is the array of the share's price history. Each element of **data** will have several properties: open, high, low, close, volume, date and a few others.

When you add a ShareScript indicator to an end-of-day graph, you will need to set the type of array (daily, weekly etc.) manually - just like you do when adding one of ShareScope's in-built indicators. In the case of an intraday graph, the ShareScript indicator will automatically use the period length set for the chart. In all cases the script itself will not change.

var output = []; creates the array that will contain the indicator's values. **var** is the keyword used to create new variables, **output** is the variable's name and **[]** determine the type of variable that is going to be created (in this case, an empty array).

for (var i=0; i<data.length; i++) This is used to call a particular set of instructions repeatedly for a determined number of times (e.g. for each point on the graph). **for** is the keyword used to start a loop; this will contain 3 properties separated by semi-colons. The first property is the initialization: this is run once and is used to set up a variable for the loop (in this instance a variable called **i** is created and set

to 0. The second property determines when the loop will stop: as long as the statement is true the loop will keep on running (in this case, as long as the variable **i** is smaller than the length of the data array). The final property is what allows the loop to move forward; at the end of each step, **i** increased by 1 (**i++** simply means "add 1 to the current value of **i**").

The loop only contains one line of code which translates to: element number **i** of **output** becomes the difference between the high on the **i**th OHLC bar and the low of the same bar. Because **i** increases by 1 for each step of the loop this is equal to:

output[0] = data[0].high - data[0].low
output[1] = data[1].high - data[1].low
output[2] = data[2].high - data[2].low

...and so on, for every period on the graph.

The final line of code simply returns the **output** array back to ShareScope so it can draw the indicator on the graph.

ShareScope will draw the indicator below the graph if the script is loaded via **Add Indicator > ShareScript Indicator** or will overlay it over the main graph if the same script is loaded via **Other Main Graph Features > ShareScript Indicator**.

I hope this article will help you discover the joy of coding your own indicators.

If you'd like to learn more you can download the easy-to-follow ShareScript user guides by clicking [here](#). Alternatively, please feel free to call me on any of the Support numbers below.