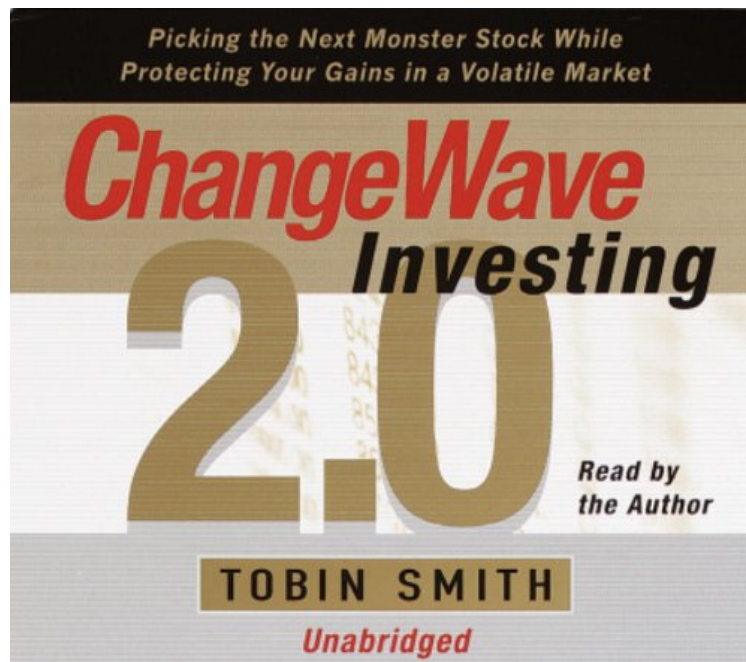


(Mobile book) ChangeWave Investing 2.0: Picking the Next Monster Stocks While Protecting Your Gains in a Volatile Market

ChangeWave Investing 2.0: Picking the Next Monster Stocks While Protecting Your Gains in a Volatile Market

Tobin Smith

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Tobin Smith : ChangeWave Investing 2.0: Picking the Next Monster Stocks While Protecting Your Gains in a Volatile Market before purchasing it in order to gage whether or not it would be worth my time, and all praised ChangeWave Investing 2.0: Picking the Next Monster Stocks While Protecting Your Gains in a Volatile Market:

19 of 19 people found the following review helpful. The right stock in the best space at the right time winsBy Golden LionTo qualify for a changewave company, the company must be \$1 billion in size.Changewave 1st Screen : They must have a growth rate in the top 10 percent companies in the new economy.Changewave 2nd Screen (Top 10 sectors) : five times S P 500 growthChangewave 3rd Screen (Supersectors): Top 10% growth rate in each new economy industrial category.Changewave 4th Screen (Market): Top 1%Predicability is essential in changewave. The most predictable winner in a top secular growth space goes to the highest valuation - everytime.All things being equal, the simplest to understand secular growth and competitive advantage logics wins the growth stock debate.People buy stocks the same way they buy other products. People buy products they are comfortable with; the product is simple too understand and its indispesible to the consume.Fundamentalist figure out stock value based on fundamental research and analysis. They predict the stock price will go up. P/E = Price of Share/Retain Earnings. This tells you if the investors are being unrealistic about the price in relationship to earnings growth. However, price is a function of present value and future earnings, It does not consider capital generators, such as, copy rights, intellectual property, and patents. Capital growth companies accounted for 50 percent of all the corporate profits.When the dust settles in any information technology-based industry, there will be one company with 60 to 70 percent of the market share and the bulk of profits and valuation in the segment. The number two guy will have a 20 percent share.Technical analysis

is employed to decide buy and sell patterns. Technical analysis uses bar charts and indicators to buy and sell. The momentum investor waits to see what everyone else is doing. If there's momentum behind a stock, he assumes that the momentum will continue and bets on that fact. The innovators: Because only 3 to 5 percent of the world are innovators. The early adopters: 10 to 15 percent are early adopters. The early majority: "I need more evidence" Change wave looks at marketing, first, and considers how marketing will use product superiority as a compelling motivator to buy. Product superiority does not guarantee a consumer buy trend. (Beta verse VHS, DVD verse CD, CD verse memory stick). Customer acceptance is more important than product superiority. The winning product will have the best marketing. Suppose a company builds a car that rides on air and suppose it comes with special safety features than are 80 percent more effective at saving lives. Does everyone go out and buy the new car? Probably not because safety does sell just increases cost. Now suppose other companies are starting to build a similar vehicle. Its radical departure from terrestrial ground transportation creates a changequake. It looks like the old transportation technology is being abandoned. Suppose, the technology is the hydrogen cell transportation; the changequake may not be felt, if it is felt than it qualifies; we are not looking for an incremental change; we are looking for radical change. Wealth opportunities are found from rapid and significant changes. Entrepreneurial companies harness their innovations and create new, order of magnitude improved ways of doing things. The law of distribution is controlled by product creation and consumer demand. Consumer demands does change suddenly, it changes when their is a disruption. "Investing in the right stock in the best space gets all the money." This is the law of the free market. This is the law of distribution, its beautiful. Where is the fastest, biggest, and most locked in sustainable growth in the economy today? Which sectors are biggest beneficiaries of this high, predictable, and sustainable growth? Which companies are best positioned to capture a disproportionate percentage of this locked in growth? The Top 10 Supersectors 1. optical internet infrastructure 2. wireless internet infrastructure 3. b2c 4. b2b 5. data storage 6. eService 7. digital services 8. eProcessing 9. non-pc computing 10 broadband to the home The Top 10 Supersectors change from time to time. Optics technology investment continues to be appealing because it offers radical differences in change. The Value Chain: New Economy - Change Quake - Killer Value Proposition - ChangeWave - SuperSector - SuperSpace - WaveRider companies SuperSpace Criteria: 1. is the project growing at least eight to ten times faster than the economy in a three to five year period 2. does it hold an enabling control position 3. does it provide a killer value proposition 4. is it projected to become a billion dollar industry The big idea 1. Buy on upward price movement trend. Buy above the 50-day average. Sell when the 200 day moving average crosses the 50 day average. (shift in momentum) 2. Select companies with 5 to 6 million available shares (float). Take advantage of the float 3. Buy if the stock moves up 20 percent from a temporary downward trend 4. Double up on the stock if has moved up 20 percent in the past three to four weeks. 5. Rising volumes are required to sustain higher prices. Volume increases as mutual funds and hedge funds start buying 3 of 4 people found the following review helpful. Avoid this one By Common Sense The original Changewave Investing came out in 2000, at the height of the dot com boom. The book touted the "New Economy" or "Techonomy", and how the future for investors in this area has never been better. Talk about bad timing and terrible advice. In the late 90's almost anybody could make money in the market especially if one was invested in technology. And everyone thought they were geniuses. This euphoria seems to have afflicted Mr. Smith. Taking his advice when the book came out would have resulted in significant losses, since 2000 was the peak of that market and 6 years later it still hasn't recovered. Along comes CW2.0 in 2001 with the added "protecting your gains in a volatile market" as he still raves about the "Techonomy". Hmm... When I make investment or trading decisions I listen to those who actually know what they're talking about with a proven and consistent track record. Tobin Smith's record is dubious at best. So if you really want to get a hold of your finances and become an excellent and astute investor, start with the greatest investors of our time: Warren Buffett, George Soros, Jim Rogers and Peter Lynch. Look at their histories, methods and commentaries. It will be far more insightful than a misguided book full of made-up words, ridiculous projections and bad ideas. 21 of 25 people found the following review helpful. A Growth Investment Discipline with a Fine Track Record! By Donald Mitchell If you have read ChangeWave Investing, this book is not required reading. If you have not read ChangeWave Investing, I strongly urge you to read this book instead! The model portfolio that Mr. Smith operates has enjoyed "an average of 75%-a-year growth . . . since 1995. Including the Nasdaq crack of 2000-2001." I assume this is through the date the book was written. Naturally, the portfolio has taken losses recently (the return is from 150 percent a year that was reported in ChangeWave Investing), but the overall result is certainly enviable. How will it do in the future? I don't know, but Mr. Smith is very optimistic. "Building a million-dollar investment portfolio is a simple game." Well, I think most people would agree that it's not so simple, even if you have 50 years to accomplish it, unless you start with two million dollars. ChangeWave Investing is "a philosophy, a growth-stock-picking strategy, and portfolio management system all rolled into one." Mr. Smith argues that technology will be over half of the U.S. economy by 2008, and the potential for sharp shifts in trends will be accelerated by dominance. The thought process is basically as follows. Find the biggest shifts going on in society (ChangeQuakes) which may come from economic (the light bulb extending night-time activities), technological (DSL), regulatory (end of fixed commissions on Wall Street), strategic (better business models like Dell's direct selling of PCs), or fad (Furby interactive toys) sources. There will also be second generation aftershocks, like HTML shifting into XML to provide

more richness on the Internet. Then find the few companies with the Killer Value Propositions for these shifts that will "relieve pain/anxiety/stress (emotional or physical)," "deliver pleasure or hope (direct or indirect)," "sate greed/build self-esteem/create wealth, status, or power," or "reduce/eliminate fear/regret (provide safety, predictability)." Invest in the best two or three that have fine profit growth prospects. Use technical analysis to pick when to buy (typically when the 50 day moving average surpasses the 200 day moving average). If a stock tanks by 8-10% soon after you buy it, sell. If it goes up rapidly, buy more. Winnow down to own the ultimate market leader as soon as you can. Separately, you should have set a portfolio allocation for what percentage of your holdings will be in these rapidly growing stocks. You are encouraged to have a fair amount of your holdings in less rapidly growing stocks that will be more stable, but will be helped by large trends. You should also hold some cash. When I reviewed ChangeWave Investing, I predicted that there would be a 2.0 version. Having read the 2.0 version, I predict there will be a 3.0 version. There are still some important problems with this approach. One of them is valuation. As long as the trends and the technical indicators are positive, you are supposed to buy . . . no matter how high the price is. I suspect that you would do a lot better to buy the least expensive stocks in terms of their economic potential. No one can really forecast trends all that well. Another problem is a misunderstanding of growth. Like many people, Mr. Smith believes that all industries go through an "S" curve pattern. In my consulting practice, I have often been asked to look at rapid growth brought about by rapid changes, and have found that a knife-edge is a more typical pattern. In a knife-edge, the peak is reached very rapidly and then consumption drops immediately to much lower levels and stays there for some time. Getting out of stocks of companies serving this kind of demand can be quite challenging. Many will quickly fall by 95 percent or more. The book suggests using technical indicators to sell (the 50 day moving average crossing the 200 day moving average), but there are exceptions that can keep you in. I suspect that you will do better if you are quicker to sell than this, and follow no exceptions. This is particularly true if you are in a tax-deferred account and need not hold on to get capital gains treatment. Perhaps the biggest missing factor here is a discussion of who is going to buy the new items or services. For example, many telecommunications companies are not going to make much money in the future. So, a new technology has to be pretty wonderful before they can afford to buy it. Focusing on an equivalent-sized change where the customers will have deep and steady pockets (like wealthy people) probably makes more sense. I continue to like the idea that expert resources can be brought together at a Web site to identify these opportunities. I suspect that this approach will get better with time. As before, I think the ChangeWave approach is superior to what has been described in *The Gorilla Game*, by the Motley Fools, and by *Investors Business Daily* for growth stock investing. If you do decide to do this, I suggest limiting your exposure to 10 percent or less of your portfolio until you have at least five years of experience to see how good you are at doing this. Also, you will outperform 90 percent of the professional portfolios if you buy indexed no-load mutual funds with the rest of your money. May all the changes you discover turn into profitable investments for you!

Investment guru Tobin Smith reveals his secrets for scoring monster returns in today's volatile stock market by focusing on the emerging sectors that have the best potential for explosive growth — what Smith refers to as ChangeWaves. *ChangeWave Investing 2.0* presents a radically improved method for picking the next monster stocks while protecting current profits. Using the ChangeWave principles, the book explains: how to identify the stocks with the fastest growth potential before Wall Street does; how to screen out the pretenders; how to balance a portfolio between aggressive growth stocks and stocks with lower volatility; how to use stop orders to limit losses from economic downturns; how to invest limited resources for maximum returns. You'll discover how to buy and sell in the midst of a seesaw, as well as receive savvy advice on the ways you can benefit from market meltdowns by systematically taking out positions at bargain basement prices. From the rocketlike success of his first book, *ChangeWave Investing*, which hit the top of the business bestseller lists, to his role as contributing editor on Fox's "Bulls and Bears," to the rapid growth of the electronic network, Tobin Smith has broken onto the investment community with the momentum of a tsunami. Now, with *ChangeWave Investing 2.0*, readers can learn the strategies and techniques that will allow them to profit from the transformational change the economy is undergoing even in today's bear market.

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About the Author: Tobin Smith is the founder and CEO of *ChangeWave.com*, which currently has 150,000 e-mail subscribers, and is vice president at Phillips International. He is the editor of the New Economy investment newsletter and the managing partner and chief investment officer of *ChangeWave Capital Partners*, a private hedge fund. A contributing editor on Fox Cable News' *Bull and Bears*, and a regular commentator on CNN and CNBC, he also hosts a weekly chat on AOL and writes for *Smart Business* magazine. He lives in North Bethesda, Maryland.

From *AudioFile*: In a confident, motivational style, Tobin Smith reveals his tips on investing and making money in a quickly changing marketplace. This follow-up to his first book, *CHANGEWAVE INVESTING*, gives reasons for the unavoidable waves of stock fluctuations. Wealth-building through investing in the new "teconomy" and identifying the "change waves" to take advantage of higher profits are the mainstays of Tobin's approach. Solid portfolio advice, including allocation of assets, along with emotional considerations, including risk tolerance and the "sleep well" index, are clear and easily understood. Presented like a financial seminar, Tobin's performance is a hip and an encouraging pep talk in troubled financial times. D.L.M. copy; *AudioFile* 2002, Portland, Maine-- Copyright copy; *AudioFile*, Portland, Maine