

The Naked Trader

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Lots of problems abound.....

The market feels as knackered as a pret baguette. Last week was just awful.

Lots of problems abound. Headlines tell us various reasons for a bad week: Italy, political problems, higher bond yields, fall in oil prices. The temperature is higher than it should be in October! Take your pick!

Looking further into the future it isn't so much Brexit to worry about, there will probably be some fudge. It's Corbyn. We are screwed if he gets in. The young have no idea what they will be voting in.

The upside for me is I can just get out of the markets and go and do other things. Indeed, hey, maybe I ought to vote for him! Vote Jez. Sell, everything, go short, enjoy the profits.

A bit selfish, I suppose, given the country will be screwed.

October generally isn't a great month either, if there are falls it is often at this point.

Anyhow what a weird week last week was! Summary for me was the main Isa lost £75k on paper just like that (literally just on market maker markdowns). It has recovered last couple of days.

But .. some substantial ftse shorts brought in about more than that into the spreadbetting accounts as those of you who came to the seminars could see for yourselves.

So how did this crazy few days all work out for me?

On the previous Friday at the follow up seminar everything had seemed normalish.. though shares didn't seem that happy and were heading down a bit. So we discussed shorting quite a lot.

Rather handily as it proved. Indeed a couple of FTSE shorts we made on the day ended up £5,000 in profit by a week later. In fact one just put on for £1 ended up £400 higher!

I did emphasise in a falling market forget stop losses and concentrate on getting out if you bought something but then the market continues to fall.

So I bought one or two things but early on Monday it was obvious to get out quick and they got booted for small losses (around £150 ish).

An example was a share at 460 - looked like very good support there so bought a small starter pos. But, get out quick was set at 455. On Monday it was hit and I was out. Just as well. Three days later it was 410.

If I'd stayed in now I would be down more than 10pc - instead I could soon just buy back a lot lower.

Tuesday I top sliced, sold a lot of things and pushed up the cash pile and added to shorts. Cashed in on some bigger longer-term ones.

Wed and Thu I added more shorts, but began to look at potential bargains too.

Fri I cashed in some of the giant profits building in shorts and began looking at buying. However some big shorts remain. Right now in the mood to take advantage of some markdowns.

My cash pile has gone up to over the £500,000 mark now.

That money will sit there and be used if there is a real smashdown. Gives me firepower to buy shares at distressed prices at some point.

But I did sit there on Tuesday as I sold stuff off. And I thought. How about just selling everything and taking a year out?

After all, I've made a ton. I don't need more money. And I have three writing projects that I am really enjoying working on but would love to do full time for a while.

I figured I could get out of everything in a day, easy. How would I feel about it? Maybe good? Maybe weird?

Maybe sell most of everything?

How much life do I have left and how much more do I want to give watching numbers going up and down?

But then I think. Yes, I still enjoy it, love the detective work, that is a pleasure.

At the moment I think there must be a half way house and that is to reduce heavily, buy less and work on the other projects more.

I think I am just about there in the half way house department with the big cash pile. The shorts take a little looking after though.

I am going to be very careful about what I buy new and get out if it goes wrong. Even if you find something good that doesn't mean it won't go down in a panicky general sell off.

In fact nearly every chart we looked at yesterday had a down tail spike at the end.

The question is, are these down spikes real or not? Will they all resume where they were? Or is there more downside to come?

I really wish I knew for sure, that would help!

But. During the sell off last week I resolutely held on to a number of shares that had declared ahead of statements or otherwise nothing much had changed. These were shares where I was already up a lot, say more than 70pc.

A sell off is a good time to go through a portfolio and have a clean out of anything where there are question marks, it is too highly rated or you are simply worried.

What was very interesting about the fall in small caps were the devious market makers marking down shares by 10pc before the market even opened!

In effect, a false fall. Then take the panicked sellers. Drop a bit more and then start to shift the price up.

They are clever.

A lot of great ideas came up at the follow up seminar thanks to some amazing attendees I hardly bother to look for new ones for ages afterwards! And also yesterday.

Of course it doesn't mean right now is the time to buy, better to have a list of decent ones and wait for the right time.

So thanks to some amazing contributions I have a brilliant shortlist of shares I am looking to buy when the right time comes.

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<https://soundcloud.com/thenakedtrader/radioshow2018>

Comp winners published here on next update.

The craziness of the last few days makes it very difficult to decide what to do, whether experienced or not. You could literally pop out for a cuppa, come back and find your fave share way down for no real reason.

With a weak market and wanting to go more heavily into cash I ended up banked some winners and kicked out some losers which as I mentioned earlier pushed my cash balance up to over £500,000.

But I also bought one or two on weakness - but only lightly dipping in for the mo.

Trifast (LON:TRI) is a decent company that has pulled back away so bought some speculatively yesterday at the seminar.

Its slogan is "holding the world together". Indeed, it is what it does. It makes things like the cogs that for example hold your washing machine together!

Profits look good and are on the up and it says it is well prepared for whatever Brexit will throw at us.

Looks a very well run company, it peaked around 280 so an entry price in the low 200s looks enticing. Even so I won't hang about if the market tanks further.

I also had a dip into some Syncona. (LON:SYNC) Janet came up with this one at the follow up.

A share with low debt and good prospects - a healthcare investment co backed by Cancer Research UK and the Wellcome Trust. 0.3pc of NAV goes to a range of charities which is nice.

It has some quality investment with some decent recent returns. It focuses on investing and building global leaders in life sciences.

It looks cheapish and could be a nice isa grower. Barclays don't seem to deal in it but other accounts I have do.

I also bought some more Strix (Ketl). Unusual for me to buy more of something that has gone down but it looks very good value so will take the chance.

Talked about this one in the last update with its new coffee machine collaboration. Looks to have a bright future. Of course if it becomes a falling knife it will be sliced.

Big caveat with all buys at the mo, will be out fast if they start to tank in another down dip, as another down dip could get nasty.

FFX was sold for a profit of £45 but I bought them back lower as they still look cheap.

Some decent shorts were examined at that seminar too and my favourite short had to be Just Eat (LON:JE.)

(Shorting means betting on shares to go down for beginners)

This one faces a lot of competition in its market and on its own forecasts, the shares trade on a high multiple and now has debt after it bought rival Hungry House.

Shares are falling and it seems an interesting short idea for probably the shorter-term. A guaranteed stop loss seems sensible just in case the weak price attracts a bid.

I took a loss of £450 in LON:AMO. The moment you see a warning like that it has to be shoot now, ask questions afterwards. Perhaps one to come back to soon though.

LON:NWF has gone for a loss of £57. No actually worries, it just feels like it will never ever move again.

Cbox LON:CBOX ended up racing higher and I couldn't resist slicing off the profit which was a very nice profit of £4,912.

Then a very nice ahead of statement. I am looking for a decent re-entry point hoping a few profit takers gives me that point!

Cerillion LON:CER went for a profit of £1,808 - it has had a very nice run, well over target time to bank.

Scapa LON:SCPA has gone for a profit of £573 Vec went for breakevenish. Just no buyers from 80.

Sold half of Science which is up for sale for a profit of £550. Fcrm LON:FCRM went for a profit of £525. Clarke LON:CTO was axed for a profit of £1,105. I think that's the lot. If I remember any more will add to the list.

Great ahead of statements from Ab Dynamics LON:ABDP and Sopheon LON:SPE. They both went up 10pc, would have been more in an up market. And so far they held onto a good portion of the gains.

Shorts in IG LON:IGG and Plus LON:PLUS have really brought in the money with massive profits on each. Profits are really big on Plus and I think it might be sensible to bank some or all of those gains before Oct 23 trading statement.

ETO LON:ETO has really bucked the trend and has moved nicely higher. And other decent shares are doing ok.

I see shares in Patisserie Valerie have been suspended after possible fraudulent accounting. Lucky I don't own these but it is a warning that anything could happen to any share you hold however diligent you are.

AIM shares especially have less regulation and there have been some cases where it appears figures have been made up. It isn't just AIM it has happened in FTSE 100 too a la tesco.

The lesson I think is: just be careful about holding a massive amount of any one share in proportion to the pot of money you have available. Especially if it is on the smaller end.

You ought not to be in the position where one going under will really affect you financially.

But also it is shocking : how can you trust figures from any company if they might be manipulated or wrong?

How it it fair that those holding Patisserie shares should take a big hit when they bought the shares under false

pretences?

Maybe we need new rules so shareholders should be compensated and cash returned to them if there is malpractice. It just doesn't seem right, or fair. If I owned them I would be furious.

Looks like the shares will be down 90 pc if they come back on the market. How unfair is that to those who bought in good faith on the figures?

Isn't there a case for small shareholders at least to get some compensation? Perhaps Luke Johnson should stick £5m of his massive fortune into a fund to pay out small shareholders.

If it was me, I really think I would do something. At the very least, free cake for a year.

The problem is with AIM shares is, can you trust the figures you are given?

So, tricky October times. I suspect beginners should be wary and perhaps stand aside till things settle down. Why take the risk?

It's possible it could remain tricky till December but that would make a year-end rally as decent as it has been the last few years.

In the end there is no correct answer, there never is in the stock market. You just have to be sensible if possible.

Sentiment is a strange thing. It can reverse just like that - if it does, I shall be buying more. I will just try to slowly follow the numbers.

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