

# **HOW I INVEST USING A COMPUTER**

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# HOW I INVEST

- **THE ONLY FIXED RULE IS THAT THERE ARE NO FIXED RULES.**
- **THERE ARE TEMPORARY RULES. I TRY TO FIGURE OUT WHAT THEY ARE, AND ADAPT WHEN THEY CHANGE.**
- **I ALWAYS LOOK AT TOTAL RETURNS AFTER FEES, TAXES, AND ADJUSTED FOR INFLATION.**
- **I TRY TO KEEP EVERYTHING IN MY CORNER. I BUY GOOD INVESTMENTS AT GOOD TIMES. THE FIRST USUALLY KEEPS ME FROM LOSING EVERYTHING. THE SECOND USUALLY IMPROVES MY RETURNS. I DIVERSIFY IN CASE I'M WRONG.**
- **I BASE MY BUYING AND SELLING ON GETTING MY DESIRED COMBINATION OF RISK AND RETURNS.**
- **COMPUTERS ALLOW ME TO GET MORE AND BETTER INFORMATION AND MAKE BETTER ESTIMATES OF PROBABILITIES.**
- **ABOVE ALL, I TRY TO BE REALISTIC ABOUT THE MARKET AND MY OWN ABILITIES.**

# TYPES OF INFORMATION

## QUALITATIVE

- NEWS
- PERSONAL EXPERIENCE
- OPINIONS OF OTHERS



## QUANTITATIVE

- FUNDAMENTALS
- PRICE & VOLUME DATA



Financial Information

		08/28/2009
Sales	\$M	290.5
Cost of Goods Sold	\$M	123.9
Gross Income	\$M	166.6
Depreciation and Amortization	\$M	17.1
Research/Development	\$M	39.0
Interest Expense	\$M	NA

## PSYCHOLOGY

- PEOPLE ACT ON BELIEF, NOT ON TRUTH



# MY BASIC SYSTEM

- **UNDERSTAND THE MARKET**
  - **READ THE NEWS. IS THIS A PREDICTABLE MARKET?**
  - **MATHEMATICALLY ANALYZE MARKET VOLATILITY AND TRENDS. COULD THEY CHANGE?**
- **UNDERSTAND THE INVESTMENT**
  - **FUNDAMENTAL ANALYSIS FOR STOCKS AND BONDS**
  - **INVESTMENT PHILOSOPHY AND HOLDINGS FOR FUNDS**
  - **MONETARY SYSTEM FLUCTUATIONS**
  - **ETC**
- **USE DEFINITE BUY AND SELL RULES**
  - **THIS CAN OFTEN BE DONE JUST BY LOOKING AT CHARTS.**
  - **CHANGE THE SYSTEM WHEN IT STOPS WORKING. GET OUT OF THE MARKET WHILE YOU FIGURE OUT WHAT DOES WORK.**



# GENERAL ECONOMIC DATA

- **BUREAU OF LABOR STATISTICS**
  - THE PLACE TO GO FOR DATA ON INFLATION
  - ALSO INCLUDES DATA ON UNEMPLOYMENT, EARNINGS, PRODUCTIVITY AND OTHER LABOR – RELATED DATA
- **FRED – FEDERAL RESERVE ECONOMIC DATABASE**
  - DATA FROM MANY SOURCES, NOT JUST GOVERNMENT
  - BANKING, INTERNATIONAL DATA, EXCHANGE RATES, INTEREST RATES, GDP, RESERVES & MONETARY BASE, ETC
  - REGIONAL BUSINESS DATA
  - PRICES OF COMMODITIES
  - OVERALL ECONOMIC SUMMARY DATA BY COUNTRY
- **SEARCH ENGINES – GOOGLE, YAHOO, ETC**
  - VERY USEFUL BUT BE CAREFUL OF YOUR SOURCES.
  - EXAMPLES OF (USUALLY) GOOD SOURCES ARE TRADE ASSOCIATIONS AND COMPANIES



# THE BUREAU OF LABOR STATISTICS

U.S. Bureau of Labor Statistics - Windows Internet Explorer

http://www.bls.gov/

U.S. Bureau of Labor Statistics | ATT.NET - Email, News, Sports, ...

UNITED STATES DEPARTMENT OF LABOR

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**NOV 03** **Productivity increases 3.1% in third quarter 2011; unit labor costs fall 2.4%**  
 Productivity rose 3.1 percent in the nonfarm business sector in third quarter 2011; unit labor costs decreased 2.4 percent (seasonally adjusted annual rates). In manufacturing, productivity rose 5.4 percent and unit labor costs declined 4.6 percent.  
[HTML](#) | [PDF](#)

**NOV 02** **Sept. jobless rates down over the year in 249 of 372 metro areas; payroll jobs up in 229**  
 Jobless rates were lower in September than a year earlier in 249 of the 372 metropolitan areas, higher in 102, and unchanged in 21. Nonfarm payroll employment was up in 229 metropolitan areas over the year, down in 140, and unchanged in 3.  
[HTML](#) | [PDF](#)

*10/28/2011* **Compensation costs up 0.3% June-September, and up 2.0% over the year ending September**  
*10/25/2011* **In September, 1,495 mass layoff actions affected 153,229 workers**  
*10/21/2011* **Jobless rates down in 25 states, up in 14 in Sep; payroll jobs down in 25, up in 24 states**  
*10/20/2011* **Occupational Injuries and Illnesses (Annual)**  
*10/20/2011* **Full-time wage and salary workers have median weekly earnings of \$753 in 3rd quarter 2011**  
[read more »](#)


**SPOTLIGHT ON STATISTICS**



**Automobiles**  
 Data on employment within the motor vehicle industry, motor vehicle-related consumer expenditures, injuries experienced by those who work on motor vehicles, and more.  
[read more »](#)

1 2 3 4 5  
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**REGIONAL PRODUCTS »**



*Click on the map to select region*

**Mid-Atlantic:**  
 In September, total compensation rose faster in Philadelphia than the U.S. over the year

**Southeast:**  
 Over the year, Miami area employment increased 1.1% in September ([PDF](#))

**Midwest:**  
 Chicago area consumer prices rose 0.2% in September and 3.1% over the year. ([PDF](#))

**Southwest:**  
 Dallas and Houston consumer spending was little changed in 2009-2010 compared with 2007-08

[Geographic Guide](#) | [States at a Glance](#) | [GO](#)

**LATEST NUMBERS** [RSS](#)

**Consumer Price Index (CPI):**  
 +0.3% in Sep 2011

**Unemployment Rate:**  
 9.1% in Sep 2011

**Payroll Employment:**  
 +103,000(p) in Sep 2011

**Average Hourly Earnings:**  
 +\$0.04(p) in Sep 2011

**Producer Price Index (PPI):**  
 +0.8%(p) in Sep 2011

**Employment Cost Index (ECI):**  
 +0.3% in 3rd Qtr of 2011



# A PERSONALIZED INFLATION INDEX ?

Table 1 (2007-2008 Weights). Relative importance of components in the Consumer Price Indexes: U.S. city average, December 2010  
(Percent of all items)

**ONLY A SAMPLE – THERE ARE AROUND 300 SUCH ITEMS. THIS IS HOW THEY ARE WEIGHTED. THE INFLATION FIGURES FOR EACH OF THESE ITEMS ARE PUBLISHED ONCE A MONTH WITH BOTH AVERAGE VALUES AND SPECIFIC VALUES FOR GIVEN REGIONS OF THE COUNTRY.**

Expenditure category	CPI-U All Urban Consumers	CPI-W Wage Earners and Clerical Workers
All items.....	100.000	100.000
Food and beverages.....	14.792	16.401
Food.....	13.742	15.315
Food at home.....	7.816	8.906
Cereals and bakery products.....	1.090	1.236
Cereals and cereal products.....	.350	.402
Flour and prepared flour mixes.....	.039	.044
Breakfast cereal.....	.194	.225
Rice, pasta, cornmeal.....	.118	.132
Bakery products.....	.739	.834
Bread.....	.212	.243
Fresh biscuits, rolls, muffins.....	.109	.125
Cakes, cupcakes, and cookies.....	.197	.225
Other bakery products.....	.220	.241

**YOU CAN CALCULATE YOUR OWN CPI INDEX WITH THIS DATA AND THE MONTHLY VALUES FOR EACH ITEM..**



# FEDERAL RESERVE ECONOMIC DATABASE

Federal Reserve Economic Data - FRED - St. Louis Fed - Windows Internet Explorer

http://research.stlouisfed.org/fred2/

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## Federal Reserve Economic Data

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Banking (701)	Interest Rates (401)
Business/Fiscal (3,557)	International Data (4,243)
Employment & Population (2,143)	Monetary Aggregates (128)
Exchange Rates (95)	Prices (1,356)
Financial Data (436)	Reserves & Monetary Base (271)
Foreign Exchange Intervention (21)	U.S. Regional Data (27,147)
Gross Domestic Product (GDP) & Components (241)	U.S. Trade & International Transactions (251)

**FRED News**

- 4,016 Regional Consumer Price Index Series Added to FRED Oct 21
- 254 Series from the World Development Indicators Added to FRED Sep 27
- 13 Series from the OECD's Turning Point Data Added to FRED Sep 27
- More ...

<p><b>Popular Series</b></p> <p>Consumer Price Index for All Urban Consumers: All Items Oct 19</p>	<p><b>FRED At a Glance</b> </p> <p>CPI </p> <p>+3.9 % in in Sep 2011, % Chg. Year Ago</p>	<p><b>Latest Releases</b> </p> <p>Employment Situation 14 hours ago</p> <p>H 4.1 Factors Affecting Reserve</p>
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## FRED

ECONOMIC DATA | ST. LOUIS FED

### Download All Data

Download a compressed file of all data series files in the FRED Database:

**Name:** FRED: All Data Series  
**Last Updated:** 2011-11-04 4:31 PM CDT

File Name	Number of Series	Data Series Format	Size
<a href="#">FRED2_xls_2.zip</a>	40,341	Excel	152.6 MB
<a href="#">FRED2_txt_2.zip</a>	40,341	Text, Space Delimited	66.0 MB
<a href="#">FRED2_csv_2.zip</a>	40,341	Text, Comma Separated	50.4 MB

Note: CSV files do not contain header information.

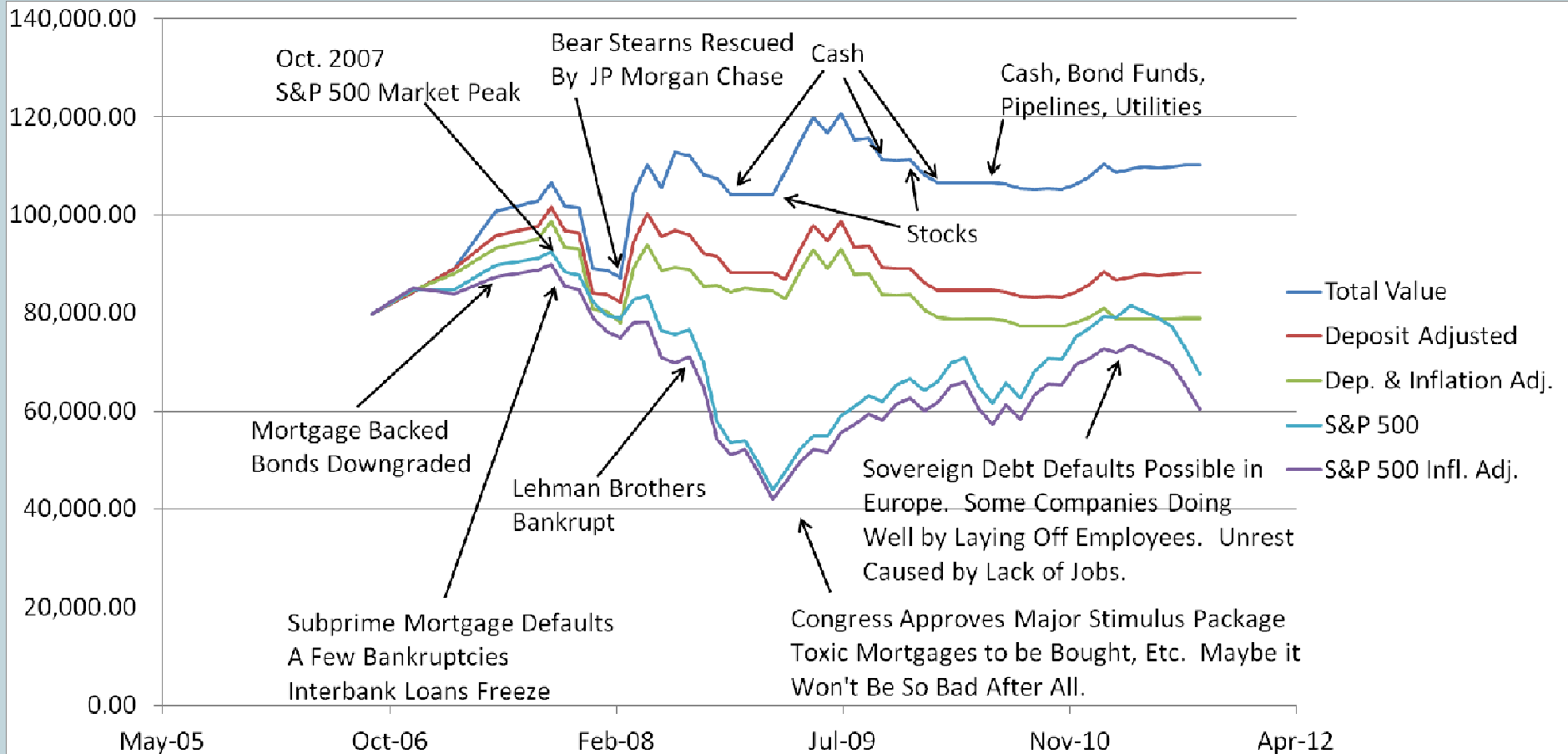
**Notes**

- Read 'Category Zip File Format' for an explanation of the directory structure.
- In the compressed file, see README\_\*.txt for a description of the data series.
- Zip files require unzip software to extract data series files.

**WHERE ELSE CAN YOU DOWNLOAD ALL THAT DATA IN A SINGLE FILE?**



# AN ACTUAL IRA I OWN



**This is a real IRA I have had for some time. What happened through the recent and ongoing problems gives some insight on some different tactics and their results**



# CURRENT HOLDINGS

- 1. ED – CONSOLIDATED EDISON – ONE OF THE BIGGEST AND BEST KNOWN UTILITIES AROUND, AND CURRENTLY ONE OF MY MOST PROFITABLE INVESTMENTS. TENDS TO MOVE AGAINST THE MARKET**
- 2. WVVI – WILLAMETTE VALLEY VINYARDS – A VINYARD RUN BY A MAN WHOSE MAIN PROBLEM IS THAT HE SELLS MORE WINE THAN HE MAKES. HE MAY SELL OUT TO A BIG PRODUCER SOME DAY, BUT IF ANYTHING HAPPENS TO HIM YOU COULD LOSE EVERYTHING. IT'S VERY ILLIQUID. THE PRICE MOVES WITH ITS OWN BUSINESS, NOT THE MARKET.**
- 3. HEP – HOLLY ENERGY PARTNERS – THEY GAVE A TALK HERE A WHILE AGO. RUNS PIPELINES FOR MOSTLY REFINED PETROLEUM PRODUCTS AND HAS A GOOD DIVIDEND. THE PRICE MOVES WITH THE MARKET, BUT NOT TOO MUCH.**
- 4. PGNDX – PIMCO GNMA MUTUAL FUND**
- 5. VFIJX – VANGUARD GNMA MUTUAL FUND**
- 6. VBIRX – VANGUARD SHORT-TERM BOND MUTUAL FUND**
- 7. CASH IN VARIOUS FORMS**



# ONLINE DEMO

**THE REST OF THIS TALK WILL BE ON LINE.  
THE POINT IS TO GIVE YOU AN IDEA OF HOW  
I ACTUALLY MAKE BUY AND SELL  
DECISIONS.**

**WE PROBABLY WON'T GET THROUGH  
EVERYTHING IN THE TIME AVAILABLE, BUT I  
CAN SHOW EXAMPLES OF SOME VERY  
DIFFERENT INVESTMENTS.**

**KEEP IN MIND THAT I DON'T NECESSARILY  
RECOMMEND ANY OF THE SECURITIES I'LL  
DISCUSS. PAST PERFORMANCE IS TRULY  
NOT TO BE TRUSTED. I COULD BE ENTIRELY  
IN CASH NEXT WEEK.**