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Ask Me Anything

***e*Research Corporation** is pleased to provide an article by Keith Richards of **VALUETREND**.

In this article, Mr. Richards provides commentary on how to buy a stock, on dual-listed stocks, and on commodities.

The article is reproduced below, beginning on the next page, or you can go directly to it at the following link: ***http://www.valuetrend.ca/ask-anything-answers-2/***

You can also visit the **VALUETREND** website at the link below:
http://www.valuetrend.ca/

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Wednesday, January 24, 2018

Ask Me Anything: Answers

By: Keith Richards (bio at end)

Thanks to those who posted questions for this "Ask me anything" blog. I have chosen a few of them that I thought would be of interest to the widest number of readers. Let's get started.

HOW TO BUY STOCKS

One reader asked me to write a blog on how we at ValueTrend buy stocks – having written the blog last week on the subject of selling. Click **here** to read that blog.

Rather than write a complete blog on the art of buying stocks, I thought I would refer you to a number of my writings on that very subject. To start with, I would recommend my book ***Sideways***.

I wrote it for the retail investor to enable them to understand, in plain language, how one can set up a trading system using technical analysis. I strongly recommend that you read the book if you are interested in putting together a trading plan.

We have also posted quite a bit of info on our webpage that describes our way of looking at things. **Here** is the link.

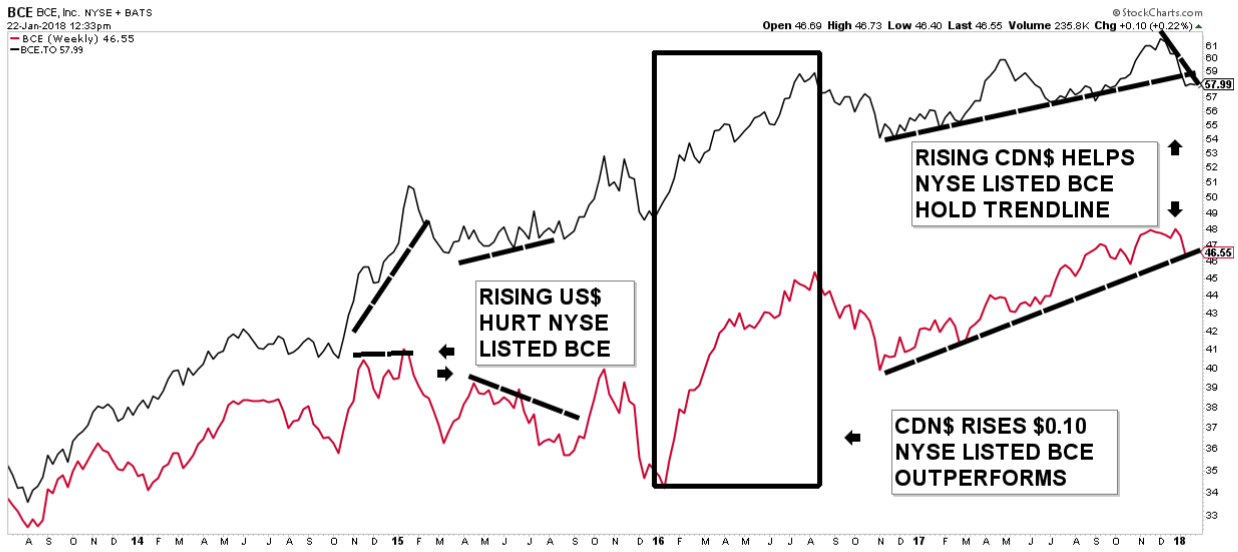
CROSS-LISTED STOCKS

A reader wanted to know if they should buy a stock that is listed on both the TSX and a U.S. exchange (e.g. NYSE or NASDAQ). He wanted to know if we should stick with the "home" exchange or does it matter? I love this question, and would like to give an example here where we can look at the differences.

As the reader noted, currency is really the deciding factor in this situation.

Below is a chart comparing BCE listed on the NYSE exchange **RED** LINE vs. BCE listed on home turf TSX **BLACK** LINE.

You will note that BCE can under-perform or over-perform on either side, depending on the currency moves.



The matter gets even more complicated if you are buying a foreign stock listed as an ADR on the U.S. exchanges, and we Canadians want to buy the stock.

For example, what if you are buying an ADR (American Depository Receipt) representing a Nikkei-listed stock, or a stock listed in Europe? In this case, you need to be tracking the Yen or Euro vs. the USD. Then you must track the USD vs. the CDN$. I is a lot of work! For more on this subject, I **wrote a blog** that covered a live example of this process.

Generally speaking, I recommend to avoid buying Canadian stocks on other exchanges, and buy non-Canadian stocks on their respective exchanges if you can. If you buy a non-Canadian exchange ETF, it may be worthy of buying a currency hedged version if you are worried about the currency problems.

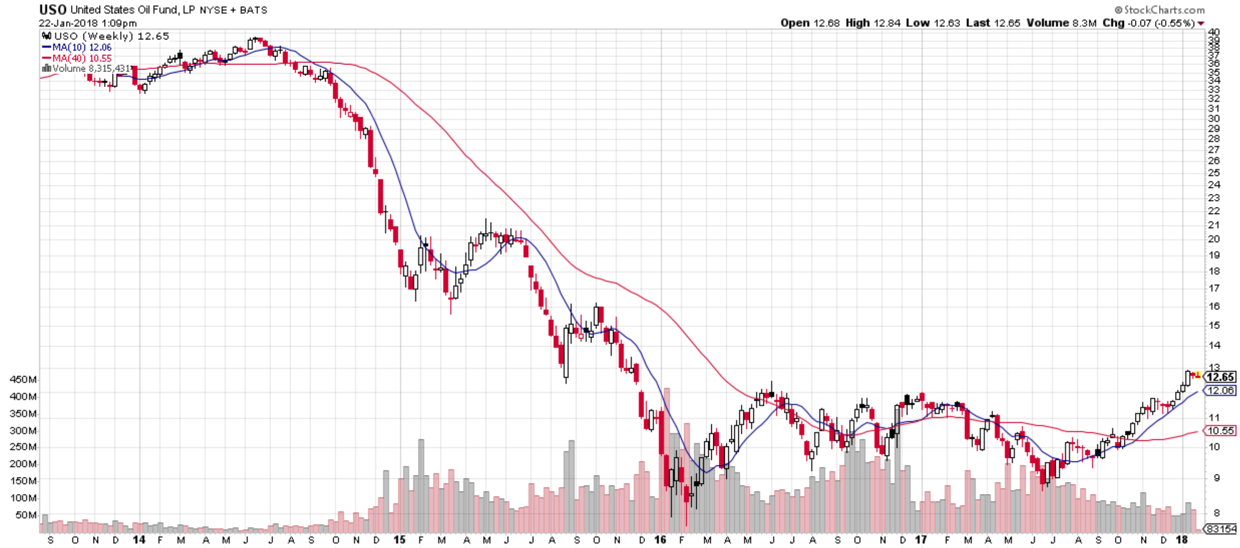
COMMODITIES

One reader asked for a take on the commodities index. Happy to do that, but realize that there are actually several interpretations or indices that can be called the commodity index.

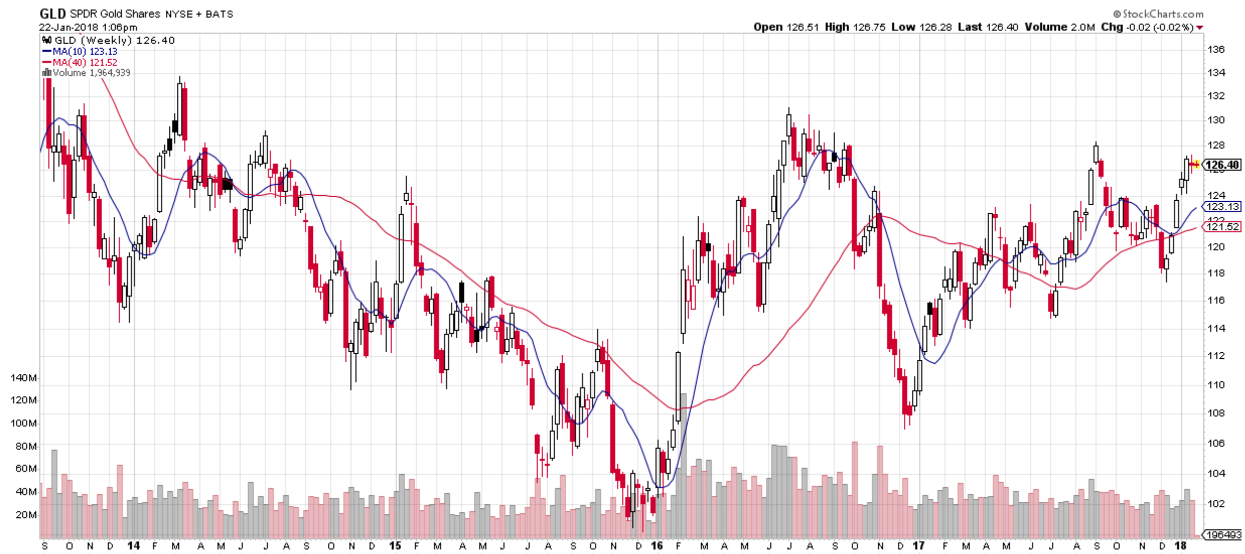
I have chosen to look at the Bloomberg index because its (IMO) well diversified. To the reader's point, the commodities indices (ex CRB) are often heavily skewed towards oil. The Bloomberg is a bit better, in that it is 30% energy, 27% agriculture, 21% industrial metals, 16% precious metals, and the balance in livestock.

Below is the chart for the Bloomberg index. As the reader noted, it is stuck in a base. My thoughts are that I would want to see a break-out before trading the index. Having said that—I tend NOT to trade a commodity index as one instrument (e.g. via an ETF). My reasoning is that commodities differ from each other so much that you are really not buying a complimenting index.

Compare the down-trending chart of natural gas to oil's lovely-looking break-out. Polar opposites!



Compare gold to copper. Gold is flat, copper is up.



To me, this kind of shotgun approach – that is, buying a broad commodity index ETF – is not a good strategy. Sure, diversifying through a few good commodities with good charts might make sense, but why would you buy ALL of the commodity groups when some of them are clearly dogs? As Peter Lynch once said, such a strategy is not diversification…its DIWORSIFICATION!

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See **About The Author** below.

ABOUT THE AUTHOR

ValueTrend Founder and Owner, Keith Richards, has been in the securities industry since 1990. ValueTrend manages over $100 million through a discretionary investment service for high-net-worth clients.

Keith Richards has been in the securities industry since 1990 and is a highly regarded member of the small, exclusive community of Chartered Market Technicians in Canada. Mr. Richard's articles appear regularly in INVESTORS DIGEST, MONEYLETTER, GLOBE AND MAIL, and the TORONTO STAR newspapers.

His appearances on BNN Television have inspired producers to acknowledge him as **"one of [our] most accurate technical analysts."** Mr. Richard's first book, SMARTBOUNCE: 3 ACTION STEPS TO PORTFOLIO RECOVERY, is available in bookstores and directly through his blog page **www.valuetrend.ca/blog/**. His second book, SIDEWAYS: USING THE POWER OF TECHNICAL ANALYSIS TO PROFIT IN UNCERTAIN TIMES was released in late 2011. He has been critical of the commission-based, follow-the-pack approach to investing – where brokers succeed regardless of performance.

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