

STOCK MARKET INVESTING FOR EVERYONE

STOCK
MARKET
INVESTING
FOR
EVERYONE

*How You Can Beat Wall Street At Their Own
Game*

Audiobook Figures and
Charts

Kevin J. Davey

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STOCK MARKET INVESTING FOR EVERYONE

CHAPTER 1—WHY SHOULD YOU INVEST IN STOCKS?

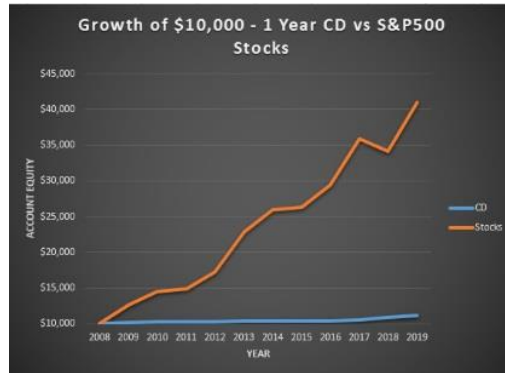


Figure 1- Growth of Bank CD vs. S&P500

CHAPTER 2-WHAT EXACTLY ARE STOCKS?

Some of the most popular US brokers include:

TD Ameritrade-www.tdameritrade.com

Vanguard-www.vanguard.com

Charles Schwab-www.schwab.com

Fidelity-www.fidelity.com

Interactive Brokers-www.interactivebrokers.com

Tradestation-www.TradeStation.com

E*Trade-www.etrade.com

Merrill Edge-www.merrilledge.com

Robinhood-www.robinhood.com

Trade an ETF or stock

Account

Transaction type

Symbol

Look up symbol

Shares

Dollars to shares calculator

Order type

Limit price

Duration

Estimated transaction details

Principal	\$124,900.00
Commission	\$7.00
Net amount	\$124,907.00

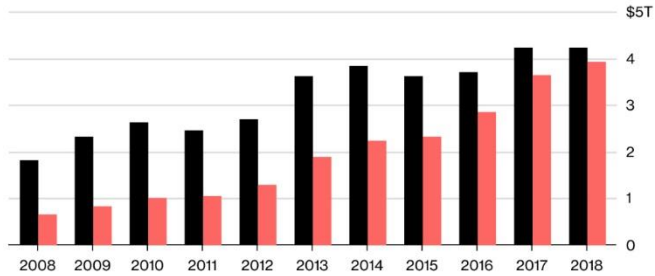
Figure 2-Vanguard's Order Entry Screen

CHAPTER 4-STOCKS, CATEGORIZED

Indexing on the Rise

Passive U.S. equity funds could soon overtake their active peers

■ Active ■ Passive



Source: Morningstar Inc.

Note: 2018 data as of Nov. 30

<https://www.bloomberg.com/news/articles/2018-12-31/shift-from-active-to-passive-approaches-tipping-point-in-2019>

Figure 3- Soon ETF Investments Will Surpass Mutual Fund Investments

CHAPTER 5-ANALYZING AND TRADING STOCKS, UTILIZING RISK CAPITAL



Figure 4- Typical Technical Analysis On A Price Chart

CHAPTER 6-INTRODUCING
STOCK INVESTING TIERS-
THE STOCK PICKING
PYRAMID



Figure 5- The Stock Market Picking Pyramid

CHAPTER 7-TIER 1-BUY THE MARKET

TIER 1-Buy The Market

Potential Returns-Market average

Risk Profile-Market average

Time Horizon-Medium To Long Term

Time Commitment-Minimal

Sample Implementation – Tier 1

Buy General Market ETFs

SPY – S&P500 Index

QQQ – Nasdaq 100 Index

IWM – Russell 2000 Index

DIA – Dow Jones Industrial Average Index

CHAPTER 8-TIER 2-FOLLOW
BROKER, NEWSLETTER OR
OTHER
RECOMMENDATIONS

TIER 2-Follow 3rd Party Recommendations

Potential Returns-Above average

Risk Profile-Above average

Time Horizon-All horizons

Time Commitment-Moderate

Sample Implementation – Tier 2

Always fully research stock ideas from these sources

Newsletters

Motley Fool Stock Advisor – fool.com

Zacks Investment Research – zacks.com

Kiplinger's Personal Finance – Kiplinger.com

Hulbert Ratings – hulbertratings.com

TV Personalities

Jim Cramer – CNBC Mad Money

CHAPTER 9-TIER 3-FOLLOW THE LEGENDS

Tier 3-Follow The Legends

Potential Returns-Above average

Risk Profile-Above average

Time Horizon-Long Term

Time Commitment-Small to Medium

Sample Implementation – Tier 3

Follow Legends

Warren Buffett Top 5 Picks –AAPL, BAC, KO, WFC, AXP

Bill Gates Top 5 Picks – BRK.B, WM, CNI, CAT, WMT

Carl Icahn Top 5 Picks – IEP, CVI, OXY, HLF, LNG

Other Legends – <https://www.theinvestorspodcast.com/legend-investors-stock-portfolio/>

CHAPTER 10-TIER 4-BUILD
YOUR OWN DIVERSIFIED
ETF OR MUTUAL FUND
PORTFOLIO

TIER 4 - Build Your Own ETFs or Mutual Fund Portfolio

Potential Returns-Above average

Risk Profile-Above average

Time Horizon-Long Term

Time Commitment-Small to Medium

Possible Implementation – Tier 4

Diversified ETF/Mutual Fund Portfolio

ETF Directory - <https://etfdb.com/etfs/>

General Market – SPY, QQQ, IWM

Technology – XLK, XWEB, ARKK

Healthcare – VHCIX, IYH, XPH

Bonds – AGG, TLT, GOVT

Commodities – GLD, USO, GSG

CHAPTER 11-TIER 5-PICK YOUR OWN STOCKS- SIMPLE VERSION

TIER 5-Pick Your Own Stocks-Simple Version

Potential Returns-Significantly Above average

Risk Profile-Significantly Above average

Time Horizon-Short to Long Term

Time Commitment-Medium

Disney

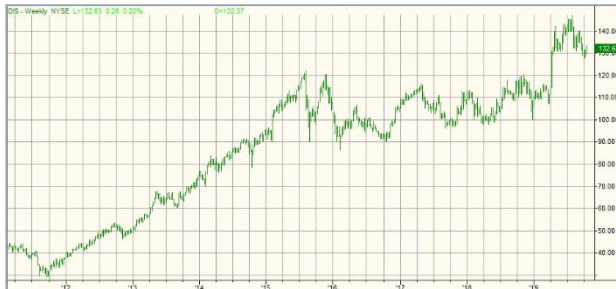


Figure 6- Disney (DIS) Stock, 2011-2019

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AT&T



Figure 7- AT&T (T) Stock Price, 2017-2019

Possible Implementation – Tier 5

Pick Your Own Stock Portfolio

Kevin's Favorites – DIS, COST, FB

See Case Study Chapter For Portfolios Listed Below

Portfolio O – ATVI, AMZN, GOOG

Portfolio K – GOOG, AAPL, ATVI, AMZN

Portfolio A – DELL, ATVI, AAPL, GOOG, NVDA

CHAPTER 12-TIER 6- ADDING A MARKET TIMER TO YOUR APPROACH

TIER 6-Adding a Market Timer To Your Approach

Potential Returns-Above average

Risk Profile-Above average

Time Horizon-All

Time Commitment-Medium to Large

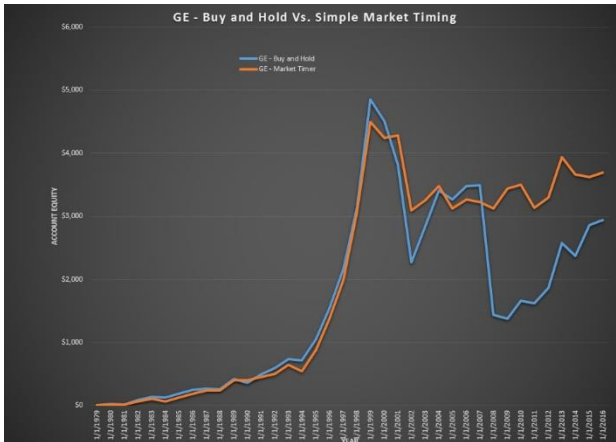


Figure 8- Buy and Hold vs. Market Timing, GE Stock

Possible Implementation – Tier 6

Market Timers

Be sure to test any timer before implementing

1. Buy only when price is above 250 day moving average, sell below
2. Buy only when 14 period RSI in oversold territory (<30), sell >70

Use above timers with stock price, or general index price

More potential timers: <https://seekingalpha.com/article/4079476-10-market-timing-strategies-compared>

CHAPTER 13-TIER 7-BUILD YOUR OWN STOCK PICKER/TRADER ALGO

TIER 7-Build Your Own Stock Picker/Trader Algo

Potential Returns-Above average

Risk Profile-Above Average To Very Large

Time Horizon-All, Usually Short Term

Time Commitment-Large (a part-time job at least!)

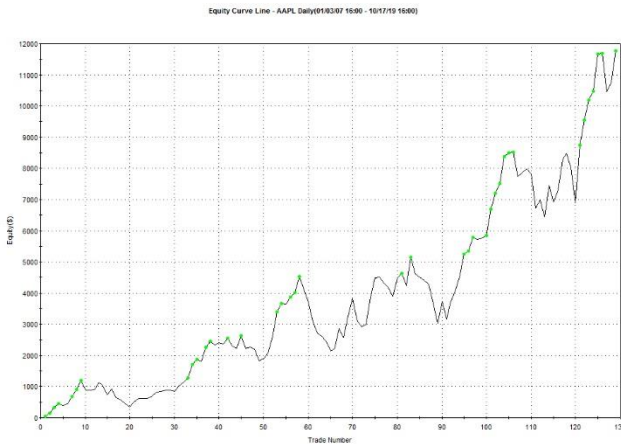


Figure 9- Algo Strategy 1 With AAPL Stock

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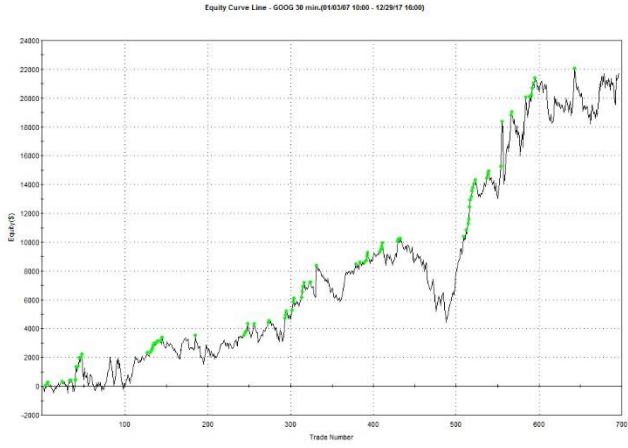


Figure 10- Algo Strategy 2 With GOOG Stock

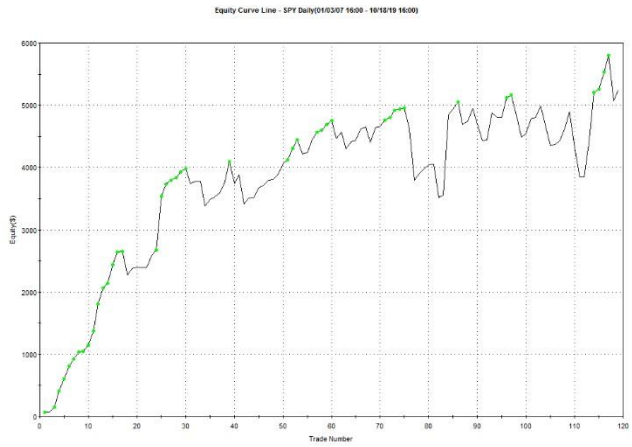


Figure 11- Algo Strategy 3 With SPY ETF

Possible Implementation – Tier 7

Algo Strategies

Be sure to test any strategy before implementing

1,2,3. 3 strategies given above

- 4.** Buy if close > close X bars ago, sell if opposite (simple momentum)
- 5.** Buy 52-week highs, sell 52-week lows
- 6.** Add earnings or earnings per share to each (buy only if earnings trend is up)
- 7.** Add a filter for stocks trading at less than book value

CHAPTER 14-TIER 8-EXOTIC
APPROACHES-OPTIONS,
SHORTING STOCK, AND
MORE

TIER 8-Exotic Approaches-Options, Shorting Stock and More

Potential Returns- Extreme

Risk Profile-Extreme

Time Horizon-Typically Short Term

Time Commitment-Large

Possible Implementation – Tier 8

Option Strategies

Buy at the money call options

Buy LEAP (long term) options

Sell covered calls

Other Strategies

Avoid (or be EXTREMELY careful with):

Penny Stocks

Trading On Margin

Buying Near Bankrupt Companies

CHAPTER 18-CASE STUDIES

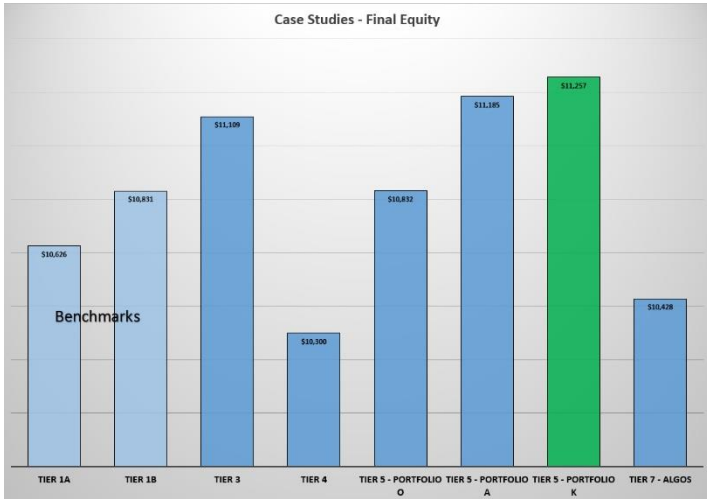


Figure 12- Case Studies - Comparison of Tier Performance

DON'T FORGET THE BONUS MATERIAL

Now that you've finished this book on stock market investing, I have some nice book reader bonuses for you. Simply go to <http://www.AOKbooks.com/stock-book> to get these bonuses:



- **Tradestation code and workspaces** for the algo strategies discussed in the book
- **NinjaTrader NT7 and NT8 code** for the algo strategies discussed in the book
- **Invitations to free trading webinars** I regularly put on, podcasts where I discuss trading, free articles I write and possibly even provide updates on my kids' portfolios!
- **"6 Nifty Extras"** - not entries, not exits, but instead useful code snippets for Tradestation you can use for algo trading
- **44 minute video "3 Excellent Entries"** - advanced entry techniques, not discussed here

Special Note: Thanks to my colleague and student Brett for converting Tradestation code to NinjaTrader NT7 and NT8 code provided in the bonus package. Reach him at ironbuffalo@mail.com with any questions or comments on the NT7 and NT8 code.

THANKS!

ABOUT THE AUTHOR- KEVIN J. DAVEY



As an award winning full time trader, and best-selling and award-winning author, Kevin Davey has been an expert in the algorithmic trading world for several decades. Between 2005 and 2007, Kevin competed in the World Cup Championship of Futures Trading, where he finished first once and second twice, achieving returns in excess of 100% each year.

Kevin develops, analyzes, and tests trading strategies in every futures market from the e-mini S&P to crude oil to corn to cocoa. He currently trades full time with his personal account. He also helps small groups of traders significantly increase their trading prowess via his award winning algorithmic trading course, “Strategy Factory®.” Kevin’s Strategy Factory Workshop was awarded 2016 “Trading Course of The Year” by a prestigious trading website. More information is available at <https://www.kjtradingsystems.com>.

Kevin also helps educate the trading community via his best-selling winning books:

“Building Winning Algorithmic Trading Systems: A Trader's Journey From Data Mining to Monte Carlo Simulation to Live Trading,” published by Wiley. This book was a 2 time winner of TraderPlanet.com’s “Trading Book of The Year,” in 2014 and 2016.

“Introduction To Algo Trading: How Retail Traders Can Successfully Compete With Professional Traders,” (2018)

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“Entry and Exit Confessions of a Champion Trader: 52 Ways A Professional Speculator Gets In And Out Of The Stock, Futures And Forex Markets,” (2019)

Kevin writes the monthly “Algo Q & A” column for Technical Analysis of Stocks and Commodities Magazine and has won numerous industry awards for his trading books and online courses.

Kevin is based in Cleveland, Ohio and was a Summa Cum Laude graduate of the University of Michigan (B.S.E., aerospace engineering). He also has an M.B.A. degree with Technology Management Concentration from Case Western Reserve University Weatherhead School of Management, where he received the President’s Academic Achievement Award for a perfect G.P.A.

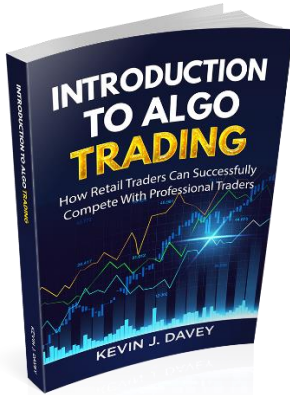
Prior to trading full time, Kevin was Vice President of Quality and Engineering for an aerospace company that designed and manufactured flight critical components, managing over 100 engineers, auditors and support staff. For his efforts, he was honored with the prestigious “40 Under 40” Award from Crain’s Cleveland Business Magazine.

Kevin currently lives outside of Cleveland, Ohio with his wife and three children—the three Wall Street beaters!

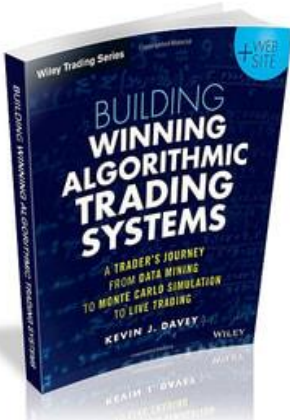
Kevin J. Davey

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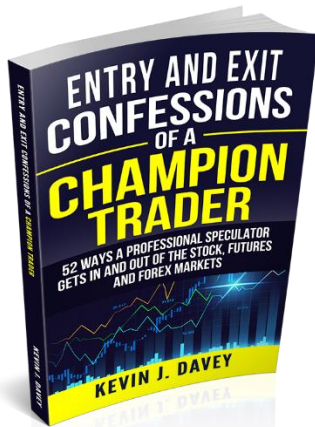
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For Intermediate/Advanced Algo Traders:



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