

NATIONAL POST

Thursday, September 25, 2008

Secrets to their success

Richard Morrison, Financial Post Published: Thursday, September 25, 2008



It was a great week to start the financialpost.com Stock Market Challenge stock-picking contest. With financial firms on Wall Street collapsing or being bailed out and markets plummeting, the earliest leaders were those who had sold U. S. financial giants short, but that soon changed to those who held shares in rebounding Wall Street companies.

The adoption rate for the first week of the contest has been beyond expectations, said Rory Olson, chief executive of Stock-Trak Group, the company responsible for developing the software that powers the game.

"Players have really shown off their market savvy and creativity," Mr. Olson said. "With thousands of registrants and more than 75,000 trades made, the contest is off to a tremendous start."

The financialpost.com Stock Market Challenge is simple. Contestants, who must be Canadian residents, start with \$100,000 in play money and can buy any stock or exchange-traded fund listed on the TSX, NYSE, Nasdaq or AMEX. The first prize of \$25,000 goes to the best trader (more than 25 trades) and the best investor (fewer than 25 trades) when the contest ends in mid-January. Luke Moore, of Scarborough, Ont., playing as MooreMan, turned his original \$100,000 in play money into \$306,000 as of yesterday's close to lead the contest.

"I don't follow the markets too much, but a co-worker of mine is quite adept at it and has been helping me learn," Mr. Moore wrote in an e-mail, noting that he was "almost dead" in the competition a week ago.

Mr. Moore, together with "beatus" and "Strongbad" with \$303,000 each, all rode yesterday's 43% surge in the shares of Freddie Mac(FRE/NYSE).

Risingstar, the leader Monday evening, had slipped to fourth place as of yesterday's close, but still turned his \$100,000 in play money into \$264,000 in eight trading days.

"I made about \$25,000 today, so we're on our way there," said Doug O'Brien, the 65-year-old retired insurance sales manager from St. Hyacinthe, Que., who plays as risingstar.

"I've spent many hours doing this in the last couple of years. I practise it a lot, with real money," he said, adding he's done "very well," with his hobby.

Mr. O'Brien said volatile markets are a cause of worry for long-term investors but represent opportunity for frequent traders like himself. He holds a stock for an average of half an hour, or two days at the maximum.

When the markets turn down, "I just switch to the other side. If I was long, I go short."

Every weekday, Mr. O'Brien said, he reads the Financial Post at 7 a. m. to prepare for the day's trading activity. He then spends most of the day buying, selling and shorting stocks. On Monday, for example, at least 35 of his 40 or so trades were profitable.

"I call that 'massive action,' " Mr. O'Brien said, citing a phrase from Tony Robbins' book, Unlimited Power.

"If you're going to be good at something, you've got to do a lot of action," he said.

He then spends half an hour or so in the evening reviewing his daily trading activities.

"I don't like to go to bed with too many stocks," he said, referring to his practice of selling off most of his holdings before the end of the trading day because he has no way of knowing how markets will open.

"I'm leery of being loaded with stocks overnight and the market turns on me and then I'm stuck with a big loss and I'm trying to make it up, which I don't want to do."

Harley Thwaites, a 16-year-old high school student from Vancouver, was in seventh place with \$236,000. Although he's too young to be eligible for a prize, he said he will be advising an older brother who is eligible and registered in the contest.

"I have a great passion for the stock market; I inquire into companies, which I believe will maximize my potential of finishing near the top; and, because I was able to buy into many companies, which were near bankruptcy and are now working their way back up the ladder," Mr. Thwaites wrote in an e-mail.

He bought shares of Washington Mutual Inc. (WM/NYSE) just before markets closed yesterday, after the stock plunged 29%.

"I'm hoping that tomorrow it will bounce back up for the loss and that is when I will sell."

As for my own portfolio-- National Post employees, of course, are ineligible to win prizes -- my strategy of investing in 10 small-cap companies with strong price momentum has blown up spectacularly, leaving me near the bottom of the contest. Next week, I will let you know how my plan for recovery -- buying geared exchange-traded funds that fluctuate twice as much as the underlying index --has turned out.

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