July 2006

Stock Market Simulation

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Project Number: DZT0507

Stock Market Simulation

An Interactive Qualifying Project Report
Submitted to the faculty
of the
Worcester Polytechnic Institute
in partial fulfillment of the requirements for
the Degree of Bachelor of Science
by

__________________________           ____________________________
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Date:
July 2006

Approved by:

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Professor Dalin Tang
Project Advisor
Abstract

Using two short-term trading methods, Day Trading and Swing Trading, a 4-week simulation in the stock market was performed. The trading records, the process of decision making, and the impacts of big events were recorded on a daily basis to produce a final analysis of the trading methods and the stock market itself. Knowledge and experience of short-term trading strategies were gained and summarized through the course of this IQP.
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Chapter 1   Introduction

1.1   Objective Of The Project

The objective of this project is to get a better understanding of the stock market and practice some basic investment strategies through a short-term stock market simulation. To start with, we will introduce the history, the mechanics of the stock market and technical terms involved in stock market trading. Then we will select 2 companies from each of 5 different industries according to certain standards. We plan to start trading with cash of a total amount of $100,000.00, and after trading for a month, a comparison of profits and losses between different stocks in the same industry and among different industries would be made and the results would be analyzed. Finally, we would summarize what we learned and experienced through the process of this one month of trading and get to a conclusion.

1.2   The History, Mechanics Of The Stock Market

The words “Stock Market” can be confusing, even to adults. Is there really a building called the Stock Market or is it just a concept? Truth is that it’s a bit of both. New York’s Wall Street, which many consider to be the Stock Market, is where it all began and where this American legacy continues today. The name Wall Street actually goes back to the early days of the Dutch settlers, who built a wall, situated there by the Hudson River, hoping to ward off the attacks of both the British and the Native Americans. That original wall lasted for about 50 years and when a new street was built, it was appropriately dubbed Wall Street.
The founding of the first stock exchange actually took place in Philadelphia in 1790, shortly after the Revolution was fought and won.

Forty years prior, merchants and brokers gathered under a tile roof in lower Manhattan to auction off a wide variety of commodities. During these initial 40 years the group was known as "The Royal Exchange". They primarily traded in wheat, tobacco, cotton, sugar, and sometimes even in slaves. Selling of shares of stock of a company was not common in those days as there were few businesses worthy of public investments in the Colonies at the time [1].

Intrigued by the securities business, a group of 24 New York merchants met to discuss the possibilities of opening a similar exchange in their city. That happened in 1792, though all wasn’t smooth sailing for the NY exchange in its early life. They sent representatives to Philadelphia to observe the goings-on there and eventually re-organized and opened the New York stock market on Wall Street, where it still sits today.

The stock market experienced a great boom through the 1800s but could not sustain this sort of activity after the turn of the 20th century. The market crashed in 1929, resulting in the loss of millions of dollars for rich and poor alike, triggering suicides, and plunging the nation into the Great Depression.

The beginning of the U.S. involvement in World War II ended the Depression and the market recovered. However, market excesses like those in the 20s were back in the picture in the 1980s and in 1987, another crash occurred, with the
largest single-day loss in stock market history.

Since that time, the government has attempted to put rules and regulations into place that will help avoid another crash of the U.S. stock market which, in New York City alone, does $2.2 trillion in transactions each day.

The mechanics of the Stock Market are easy to understand if we think of the Stock Market as a game. The Stock Market Game is a simulation game for the United States Stock Market developed to promote a better understanding of the Financial Investment System and how it works. The game allows students to “trade” on the New York and American Stock Exchanges using imaginary funds. The Game involves a hypothetical $100,000, which is to be invested in a portfolio of common stock. The students choose to buy or sell shares each day based on the next day’s closing prices found in the newspaper. They are responsible for managing their investment over a 10-week period (they can choose a longer period if desired). The purpose of this game is to foster an awareness of the world of business and finance. It shows the interlocking relationships that exist at various segments of society - labor, management, technology, government, transportation, raw materials, etc. The Game sharpens study skills by placing students in decision-making roles which require research, judgment, analysis, mathematical ability and interpersonal cooperation [2].

1.3 Technical Terms Involved In Stock Market Trading

The New York Stock Exchange
NYSE (The New York Stock Exchange) is a physical exchange, where much of the trading is done face-to-face on a trading floor [5]. This is also referred to as a "listed" exchange (because only stocks listed with the exchange may be traded). Orders enter by way of brokerage firms that are members of the exchange and flow down to floor brokers who go to a specific spot on the floor where the stock trades. At this location, known as the trading post, there is a specific person known as the specialist whose job is to match buy orders and sell orders. Prices are determined using an auction method known as "open outcry": the current bid price is the highest amount any buyer is willing to pay and the current ask price is the lowest price at which someone is willing to sell; if there is a spread, no trade takes place. For a trade to take place, there must be a matching bid and ask price. (If a spread exists, the specialist is supposed to use his own resources of money or stock to close the difference, after some time.) Once a trade has been made, the details are sent back to the brokerage firm, who then notifies the investor who placed the order. Although there is human contact in this process, don't think that the NYSE is still in the Stone Age; computers do play a huge role in the process, especially for so-called "program trading" [5].

The New York Stock Exchange has a global capitalization of $21 trillion, including $7.1 trillion in non-U.S. companies. Its main index, the Dow Jones Industrial Average, started life on October 1, 1928. It hit a peak on January 14, 2000 of 11,722.98. Since September 30, 1985 its trading hours have been 09:30 -1600 EST. The right to directly trade shares on the exchange is conferred upon
owners of the 1366 "seats". The term comes from the fact that up until the 1870s NYSE members sat in chairs to trade; this system was removed long ago. In 1868, the number of seats was fixed at 533 and this number was increased several times over the years. In 1953, the exchange stopped at 1366 seats. These seats are a sought-after commodity as they confer the ability to directly trade stock on the NYSE. Seat prices have varied widely over the years, generally falling during recessions and rising during economic expansions. The most expensive seat was sold in 1929 for $625,000 which is over six million in today's dollars. In recent times, seats have sold for as high as $4 million in the late 1990s and $1 million in 2001. In 2005, seat prices shot up to $3.25 million as the exchange was set to merge with Archipelago and become a for-profit, publicly-traded company. Seat owners received $3.5 million cash per seat in the deal, and the NYSE now sells one-year licenses to trade directly on the exchange [1].

**NASDAQ**

Since we'll do most of our trading through computers, then we'll introduce NASDAQ and get to know more about it. NASDAQ (National Association of Securities Dealers Automated Quotations) is an American electronic stock exchange. The NASDAQ is a *virtual* (listed) exchange, where all of the trading is done by computers [5]. The process is similar to the above, in that the seller provides an asking price and the buyer provides a bidding price. However, buyers and sellers are electronically matched. One or more Nasdaq market
makers will always provide a bid and ask price at which they will always purchase or sell 'their' stock.

It was founded in 1971 by the National Association of Securities Dealers (NASD), who divested in a series of sales in 2000 and 2001. It is owned and operated by The Nasdaq Stock Market Inc, which was listed on its own stock exchange in 2002. The Small Order Execution System (SOES) is another NASDAQ feature, introduced in 1987 to ensure that in “turbulent” market conditions small market orders are not forgotten but are automatically processed. NASDAQ is the largest electronic screen-based equity securities market in the United States. With approximately 3,300 companies, it lists more companies and, on average, trades more shares per day than any other U.S. market [5].
Chapter 2  Stock Market Trading Methods

2.1 Overview

It’s very important of having an investment plan for all types of stock market investing. The one thing that often separates good investors from bad is an investment plan. An investment plan is essential for all types of investors. There are three steps to every successful stock market investment. First you must decide what to buy. Next, you must monitor your investment. Finally, you must decide when to sell. Most people have no problem with stage one and can buy shares with reasonable confidence, but the next two steps are trickier. There are different reasons why people decide to buy a share. They are obviously interested to make money in some way, so they ask themselves how that share will make them money.

This can typically happen in two ways. Firstly, the market value of the share that you bought could increase and you could sell the shares for a profit, also called a "capital gain". The second way that investors can make money from investing is by sharing in the profits that a company makes. This is paid out as a dividend.

Dividend payments are not as certain as they once were in local markets because a number of companies have followed the American lead of reinvesting profits to build up their business. This has changed the way many individual investors choose which shares to buy. However there are still plenty of New Zealand and Australian companies that do pay regular dividends and many people invest in these companies to receive income from these payments.
When you invest in a company to earn a share of the profits through dividends it is called "investing for yield", and it is possibly the easiest type of investment to plan. You can choose which share to purchase by looking at the historical dividend yield and projected dividend payments.

For example, you might decide to buy a share that has an historical yield of 10% and a projected yield for the next two years of 15%. This would satisfy the first stage of your plan - deciding what to buy. You will then have to monitor the company to make sure their dividends stay in line with your expectations. Your reasons for buying the share will also give you the knowledge you need to know when it is time to sell. In this example, you bought because you wanted to receive between 10% and 15% per year in dividend payments. If these payments were to dramatically reduce, or stop altogether, then you would know that it is time to sell. If you always remember why you bought the shares, you should have a better idea of when you should sell them.

2.2 Short-Term Trading

Short-term trading can take several forms. For example, buying a share because you read about it in the paper and then selling it a week later for a higher price can be considered a short-term trade. However the same purchase becomes a long-term investment if the price does not increase in value and the share is not
sold. Unsurprisingly, many investors who buy a share with the intention of making a short-term trade end up being long-term investors.

Another increasingly popular tool used by short-term traders is "technical analysis". Technical traders use the historical and current price of a share to make buy and sell decisions. Technical analysis is a widely respected and used method of stock analysis in the United States. A large number of US investors will consider the technical viewpoint before buying a stock, regardless of the desired investment timeframe. This is strongly reflected in the content of many international investment web sites that offer extensive charting facilities.

Traders who use technical analysis will typically use some form of charting software to display the performance of each share. Traders typically choose to analyze the market once a day, after the market is closed. This "end of day" approach allows the trader to track how their shares and the market overall has performed, and to make trading decisions for the following day.

Technical analysis provides a trader with a number of different ways to choose which share to trade. Most charting software enables the user to filter the entire market to identify particular price characteristics. You might decide to search for shares that are performing strongly, or filter only those shares that are currently reaching new lows for any time period. The trend and volatility of the share can be measured and buy decisions can be made.
An intricate part of a short-term trading plan is "capital management". Short-term traders must always be aware of their current market position, and understand how this relates to their current level of risk. Basic capital management strategies include separating your capital into several portions. This is a valuable addition for any investment plan, but is essential for a trader because successful traders understand that not all trades will be profitable.

Non-profitable trades are part of a successful short-term investor's plan. It is important to remember that you simply cannot get it right every time. If you accept and expect that some of the shares that you purchase will not perform than you are in a better position to control your losses. Having a clear plan for selling non-performing shares quickly will result in you cutting your losses before they become crippling "long-term investments"

On the other hand, allowing profits to accumulate is almost as important as controlling your losses. Many traders have missed out on significant profit opportunities because they were too eager to sell after making ten or twenty percent in a few days or weeks. Allowing a share to fluctuate in price as it moves upwards will often make the difference between a ten-percent trade and a thirty-percent trade.

As mentioned in a previous article, there are three clear and distinct parts to investing and they apply equally for short-term trading. You must first decide what to buy, you must closely track that trade with a strategy capable of giving you a signal to sell at an appropriate time, and you must sell according to your
If you are interested in becoming a short-term trader, make sure you have an effective plan and that you are aware of the risk inherent to all stock market investing.

The most important characteristic of short-term trading is that you are buying a share with the exclusive intention to profit almost immediately. Although this may often be a reason for any person to invest in shares, it is especially important to the short-term trader.

Successful short-term trading requires exceptional discipline. When you decide to trade, you are deciding to submit yourself to a serious emotional challenge. You must be capable of controlling your emotions and you must develop a sound and comprehensive trading plan [3].

2.3 Other Trading Methods

Long-Term Trading

Long-Term investors have a different emphasis when planning their share investments. Investors typically have to exert a greater amount of effort in the first stage of their investment plan. Buying the right shares is critical and choosing which shares to purchase involves careful research and planning. Monitoring and selling is also important, however buying carefully will allow your long-term strategies to function properly. One of the most important strategies to select shares in long-term trading is to look at some ways to identify companies
with strong growth potential. This is sometimes called “growth investing”. Growth investing means buying shares in companies that tend to grow substantially faster than others [4]. In most cases this involves buying young companies with high potential, or old companies with a new approach to their business activities. It is important to understand that this is not decided by guessing. It is possible to measure how fast a company is growing. The idea is that growth in earnings and/or revenues will directly correlate into growth of the share price.

The main factor to consider when looking for growth shares is earnings. Earnings are the amount of profit that the company makes each year from its business activities.

Earnings are usually expressed as an Earnings Per Share ratio or EPS, which is simply net profit after tax divided by the number of shares on issue. It is important to understand that other similar ratios exist such as Earnings Before Interest and Tax (EBIT) per share. To simplify things we will focus on Earnings Per Share [4].

Every share will have an EPS figure that investors can compare against other companies. In a very basic strategy, a growth investor might decide to look for companies with an EPS growth rate of 20% [4].

This would suggest that the companies' profits are growing at a rate of 20% annually. It would therefore be safe to assume that this growth would be reflected in the share price of that company, which in turn should result in profit for the investor.
This strategy has been used for many years and many investors have successfully built substantial wealth from investing in fast growing companies. However it is important to understand that investing for growth also involves special risks and may not be suitable for all investors.

There are several pitfalls that many new growth investors fall into.

For one thing, it is important when comparing one growth stock with another to make sure you are comparing apples with apples, because specific sectors of the market often have very different growth rates. For example, an EPS growth rate of 20% might be average for a biotechnology share, but quite exceptional for a building company.

Growth companies are often more volatile than slower growing companies. Announcements and profit warnings are carefully scrutinized by analysts and investors. It is also important to understand that a growing company often re-invests its profits. For investors this could mean little or no dividend payment, and no ongoing income. Growth investors rely heavily on the market to realize the increasing value of their growth investments.

Because of the volatile nature of growth shares it is important to have a carefully planned exit strategy. Remember that the reason you buy a share is often the same reason you should use to sell the same share. For Growth investors, this means monitoring the ongoing earnings of the companies that they are invested in and making a selling decision when the company ceases to grow.
No company will continue to grow forever, and the growth companies of today can become the inactive companies of tomorrow. However, if you are careful in planning your investments, you can take advantage of the growth and realize your profit when the growing stops. Your success relies on your plan.

This long-term value strategy involves searching for shares that you can purchase cheaper than the current value of the company's assets. Careful planning and monitoring can provide value investors with long-term sustainable profits from this style of investing.

**Day Trading**

Day-Trading is defined as the buying and selling of a stock within a single trading day. Day traders rapidly buy and sell stocks throughout the day in the hope that their stocks will continue climbing or falling in value for the seconds to minutes they own the stock, allowing them to lock in quick profits. Day trading is extremely risky and can result in substantial financial losses in a very short period of time. Most individual investors do not have the wealth, the time, or the temperament to make money and to sustain the devastating losses that day trading can bring [4].
Swing-Trading

Swing-Trading is a type of trading that attempts to capture gains in a stock within one to four days. To find situations in which a stock has this extraordinary potential to move in such a short time frame, the trader must act quickly. This is mainly used by at-home and day traders. Large institutions trade in sizes too big to move in and out of stocks quickly. The individual trader is able to exploit the short-term stock movements without the competition of major traders. Swing traders use technical analysis to look for stocks with short-term price momentum. These traders aren't interested in the fundamental or intrinsic value of stocks but rather in their price trends and patterns [4].
Chapter 3    Companies Selected

3.1    Standards

After careful consideration, we decided we would choose 2 companies from each of the 5 industries, Oil & Gas, wireless communication, insurance, pharmacy, and computers.

As the whole globe is thirst for energy, the value of crude oil has been continuously going up, and the price is varying on a daily basis, the Oil & Gas industry became a very favorable choice for research and studying purposes of the stock market. Here we selected two very large international companies, Royal Dutch Shell and Exxon Mobil CP, one based in Europe and one in the States, to see the regional impact on the decision making of the companies and on the whole industry.

The second industry we chose was wireless communication. We primarily found the current situation of competition among different companies very inspiring. Various competitors in the fields have been using all kinds of commercials and discounts to attract people and as cell phone owners ages are getting younger and younger, it becomes more and more interesting to dig into how a company’s policy affect on the performance of it’s own stock and it’s competitor’s. The 2 companies we selected, Vodafone and Verizon wireless, have long been competing with each other and did a rather good job comparing to the other companies in the industry.
One of the reasons for us to choose the insurance industry is our familiarity to the field. As actuarial majors, and an employee currently in one of the companies, it is much easier for us to get more insight understanding of the operating of the companies. The Hanover and the Hartford are two companies located in New England area, who have different concentrations on products they provide, would be a good choice to study effect of different fields of the industry on the stocks.

Pharmacy is another aspect of people’s daily life and commodities, in contrast of the other industries we picked, and it could be affected by a considerable number of factors, especially when the companies in our list, Pfizer and Johnson & Johnson, not only cover medical products, but also have business in related area.

Lastly, we decided we should include high-leveled technology in our research. Comparing to only software and information technology, the two companies we got here, Dell and Hewlett-Packard, provide multiple technical products and services, so that we can see the relation of different product lines and fields competing for resources and cooperating in the same company, and it’s reflection in the stock market.

3.2 Background Information

Oil & Gas industry

Royal Dutch Shell RDS-B
Royal Dutch Shell plc. is amongst the largest energy corporations in the world. The company primarily explores, produces, transports, refines, stores, markets, distributes, and retails petroleum products. Shell is incorporated in UK with its corporate headquarters in The Hague; its tax residence is in the Netherlands, and its primary listings on the London Stock Exchange and Euronext Amsterdam. As of December 31, 2005, the company had proved, developed, and undeveloped reserves of 3,705 million barrels of oil equivalent of oil and natural gas. Royal Dutch Shell was formerly known as Forthdeal Limited and changed its name to Royal Dutch Shell plc in 2004. The company is headquartered in The Hague, the Netherlands [6].

Figure 3.1 Basic chart of Royal Dutch Shell plc over the past year

Exxon Mobil CP XOM

Exxon Mobil Corporation is the largest publicly traded, integrated oil and gas company in the world. The company was formed on November 30, 1999, by the
merger of Exxon and Mobil. It is the largest of the five oil “supermajors,” which also include BP (British Petroleum), Shell, Chevron, and Total. It has the highest market value of any company in the world, and in 2005 was the most profitable. ExxonMobil is a component of the Dow Jones Industrial Average. The company operates in the United States, Canada, Europe, Africa, Asia-Pacific, the Middle East, Russia/Caspian region, and South America. Exxon Mobil is based in Irving, Texas [6].

Figure 3.2 Basic chart of Exxon Mobil over the past year

Wireless Communication

Vodafone Grp plc Ads VOD

Vodafone Group Public Limited Company operates as a mobile telecommunications company principally in the United States, Europe, and the Asia Pacific. Its products and services include voice services; short messaging service; Vodafone live!, an integrated communications and multimedia
proposition, through which customers access various online services, such as
games, ringtones, news, sports, and information; and mobile connect cards that
provide working mobility to customers accessing email and company applications;
and roaming services. The company distributes its products and services directly,
as well as through third-party service providers, independent dealers, and
agencies. Vodafone Group was formed in 1984. It was formerly known as Racal
Strategic Radio Limited and changed its name to Racal Telecommunications
Group Limited in 1985. Further, the company changed its name to Racal
Telecom Limited in 1988, to Vodafone Group Public Limited

![Figure 3.3 Basic chart of Vodafone Group plc. over the past year](image)

Figure 3.3 Basic chart of Vodafone Group plc. over the past year

Company in 1991, to Vodafone AirTouch Plc in 1999, and to Vodafone Group
Public Limited Company in 2000. Vodafone Group is headquartered in Newbury,
the United Kingdom [6].
Verizon Communications Com    VZ

Verizon Communications is a major telecom company based in New York City. It was formed in 2000 when Bell Atlantic, one of the Regional Bell Operating Companies, bought GTE, formerly the largest independent local-exchange telephone company in the US [6].

![Verizon Communication chart](http://finance.yahoo.com/)

**Figure 3.4** Basic chart of Verizon Communication over the past year

Insurance

Hanover Ins Group    THG

The Hanover Insurance Group is a holding company for insurance and financial services companies that offer financial products and services for risk management, retirement planning and asset accumulation. The Group's principal activity is to provide financial products and services. Hanover operates in four segments namely: Personal Lines, Commercial Lines, Other Property and Casualty and Life Companies. Personal Lines include personal automobile,
homeowners and other personal policies. Commercial Lines include workers’ compensation, commercial automobile, commercial multiple peril and other commercial policies. The Other Property and Casualty segment consists of voluntary pools business, premium financing and investment management services. The Life Companies segment manages individual financial products, group life, health and retirement products, including its services and stable value products. The company is headquartered in Worcester, Massachusetts [7].

![Figure 3.5 Basic chart of Hanover Insurance Group Inc. over the past year](http://finance.yahoo.com/)

**Hartford Fin Svc HIG**

The Hartford Financial Services Group, Inc. (NYSE: HIG) is one of the nation's largest investment and insurance companies. The Hartford is a leading provider of investment products, life insurance and group and employee benefits; automobile and homeowners products; and business insurance. The company is
the largest seller of individual annuities in the U.S. and has been a provider of auto and homeowners insurance to members of AARP since 1984.

The Company writes commercial, property and casualty insurance, personal automobile and homeowners’ coverage and a variety of life insurance plans. The property and casualty segment consists of four lines of business - commercial, personal, reinsurance, international and other operations. The insurance products and services are provided to both individual and commercial customers in the United States and internationally. The Company has operations in the United Kingdom and other European Countries [7].

Figure 3.6 Basic chart of Hartford Financial Services Grp Inc. over the past year

Pharmacy

Pfizer Inc PFE

Pfizer Inc. is one of the world’s leading pharmaceutical company based in New York City. It provides human and animal pharmaceuticals as well as consumer
products. With a portfolio that includes five of the world’s 20 top-selling medicines, Pfizer is helping to improve the lives of people the world over. Some of our pharmaceutical products include Diflucan, Lipitor, Norvasc, Viagra, Zithromax and Zoloft. From cold and allergy relief to skin care, their products represent some of the industry’s leading over-the-counter brands, including Listerine, Benadryl, Lubriderm, Neosporin, Sudafed, Visine, Desitin and Schick. Today, they’re taking on some of the world’s most intractable diseases, including cancer, arthritis, osteoporosis and stroke.

Pfizer’s search for new treatments spans more than 300 research projects across 19 major disease groups—more than any other company. Their drug library includes approximately 2 million compounds, and our pipeline holds 156 potential new treatments [6].

**Figure 3.7** Basic chart of Pfizer Inc. over the past year
Johnson and Johnson engages in the manufacture and sale of various products in the health care field primarily in the United States. It operates through three segments: Consumer, Pharmaceutical, and Medical Devices and Diagnostics (MDD). The Consumer segment manufactures and markets a range of products used in the baby and child care, skin care, oral and wound care, and women's health care fields, as well as nutritional and over-the-counter pharmaceutical products. It offers its products under AVEENO, BAND-AID, CAREFREE, CLEAN & CLEAR, JOHNSON’S, PEPCID, NEUTROGENA, SPLENDA, STAYFREE, and TYLENOL brands. The segment markets these products primarily to the general public; and wholesalers, and directly to independent and chain retail outlets. The Pharmaceutical segment offers products for use in various therapeutic areas, including anti fungal, anti-infective, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, psychotropic, and urology under RISPERDAL, RISPERDAL CONSTA, PROCRIT, REMICADE, EPREX, DURAGESIC, LEVAQUIN, TOPAMAX, VELCADE, NATRECOR, and DURAGESIC brands. It distributes these products directly, and through wholesalers and health care professionals. The MDD segment offers a range of products, including circulatory disease management products, orthopedic joint reconstruction and spinal care products, wound care and women’s health products, minimally invasive surgical products, blood glucose monitoring products, professional diagnostic products, and disposable contact lenses. It distributes its products directly and through surgical
suppliers and other dealers for use by physicians, nurses, therapists, hospitals, diagnostic laboratories, and clinics. The company also operates in Europe; Western Hemisphere, excluding the United States; Africa; Asia; and Pacific. Johnson & Johnson was founded by Robert Wood Johnson in 1885 and is headquartered in New Brunswick, New Jersey. [6]

![Figure 3.8](http://finance.yahoo.com)

**Figure 3.8** Basic chart of Johnson & Johnson over the past year

**Computer**

**Dell Inc**  
Dell, Inc. and its subsidiaries engage in the design, development, manufacture, marketing, sale, and support of various computer systems and services to customers worldwide. The company’s products and services enable customers to build their information technology and Internet infrastructures. It offers various products, including desktop computer systems and workstations; mobility products, such as notebook computers, mobile workstations, MP3 players, and
handhelds; software and peripherals that consist of printers and displays, projectors, peripheral products, software titles, notebook accessories, networking and wireless products, digital cameras, power adapters, scanners, and other products; servers and networking products; and storage devices. Dell also provides various services, which comprise assessment, design, and implementation services; deployment services; asset recovery and recycling services; training services; enterprise support services; client support services; and managed lifecycle services. Further, it offers various financing alternatives, asset management services, and other customer financial services for business and consumer customers in the United States, through Dell Financial Services L.P., a joint venture between the company and CIT Group, Inc. The company sells its products directly to large corporate, government, healthcare, and education accounts, as well as small-to-medium businesses and individual consumers. Dell operates principally in the United States, Europe, Middle East

![Figure 3.9 Basic chart of Dell Inc. over the past year](http://finance.yahoo.com/)
and Africa, and Asia Pacific-Japan. The company was founded in 1984 by Michael Dell as Dell Computer Corporation and changed its name to Dell, Inc. in 2003. Dell is headquartered in Round Rock, Texas [7].

**Hewlett-Packard Co**  
**HPQ**

Hewlett-Packard Company provides products, technologies, solutions, and services to individual consumers, small and medium sized businesses, and large enterprises worldwide. The company provides industry standard servers and business critical servers. It also offers entry-level, mid-range, and enterprise arrays; storage area networks; network attached storage; storage management software; and virtualization technologies, as well as tape drives, tape libraries, and optical archival storage. In addition, Hewlett-Packard provides multivendor information technology (IT) services, such as technology services, consulting and integration, managed services, and other services. In addition, the company offers management software solutions that enable enterprise customers to manage their IT infrastructure, operations, applications, IT services, and business processes, as well as carrier-grade platforms for developing and deploying voice, data, and converged services to network and service providers. It offers commercial and consumer personal computers, workstations, handheld computing devices, digital entertainment systems, calculators and other related accessories, and software and services; inkjet printers, LaserJet printers, digital photography and entertainment, graphics, and imaging and printer supplies for printer hardware, printing supplies, and scanning devices; and network
infrastructure products, including Ethernet switch products. Further, Hewlett-Packard provides financial life cycle management services. The company sells its products through retailers, distribution partners, independent distributors, original equipment manufacturers, systems integrators, and systems integrators. Hewlett-Packard was founded in 1939 by William R. Hewlett and David Packard. The company is headquartered in Palo Alto, California [7].

**Figure 3.10** Basic chart of Hewlett-Packard Co. over the past year
Chapter 4  Day Trading

4.1  Introduction

While giving a brief introduction to Day Trading, we would like to go more into details, since we’re using it in our stocks. Day Trading is the practice of buying and selling stocks during the day such that at the end of the day there has been no net change in position. So, in other words, for every share of stock bought an equivalent share is sold. A gain or loss is made on the difference between the purchase and sales price. Day Trading reduces the position of holding a stock overnight. It is very common that 80% - 90% of day traders lose money. NASDAQ officially defines a “pattern day trader” as one who places four or more round trip orders over a five-day period [4].

4.2  Simulation Process & Events


RDS-B

![Chart of Royal Dutch Shell for the week of June 12th 2006 to June 16th 2006](http://finance.yahoo.com)

**Figure 4.1** Chart of Royal Dutch Shell for the week of June, 12th 2006 - June 16th 2006
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**Table 1** Transactions for the week of June, 12th 2006 - June 16th 2006
Royal Dutch Shell bought back its own shares on Monday, June 12. Thus we were expecting a growing trend for the stock. We bought in 200 shares on Monday for a price of $65.82. However, it kept on going downward on Monday, so to make-up for the loss we might have, we sold short 200 shares and bought to cover them on Tuesday, getting a profit of $138.00. On Wednesday, June 14, the stock opened with a pretty high price, and we decided to sell short again. When it was time to buy to cover them, we figured it was a really low price level and the buying back stock was going to work some time, so we bought more stocks just to see what would happen. We got news on Royal Dutch Shell buying back their stocks again and the opening price was much higher than the day before, and it went up continuously during the day, therefore holding them seemed to be a right thing to do. We finally sold all the stocks out on Friday, gaining another $725.00. We would not really get a loss even if we did not do the selling short part in the middle. We think we did a little bit hedging here, combining buying and short selling of stocks to reduce risks.

**XOM**

We basically did the similar thing for Exxon as to what we did with Royal Dutch Shell. We bought 200 shares on Monday for $58.84 per share, and unexpectedly, the stock started to go down all day that day. With the same strategy, we did short selling and buying to cover, gaining $294.00. Later on Tuesday, after reading about an article in which Bank of America analyst Daniel L. Barcelo indicated a series oil companies, including Exxon, as “Buy”, we figured
we would just try out the expert's opinion for once, thus we bought in another 300 shares for a price of $57.21 on Wednesday. The shares began to grow up on Thursday, we waited patiently until almost the end of the trading day to get a price that was a little above that we bought in on Monday, and sold those 200 shares, getting in $54.00. After that, Exxon “shows no signs of accelerating earnings power (Sosnoff)”, and at the same time, “higher crude oil futures helped bolster energy shares”, so we decided to act conservatively and just waited to sell the rest 300 shares on Friday and ended up with a profit of $543.00. We are lucky about these 2 stocks because they made their way back to where they were at the beginning the week, so that we were not actually losing money on them.
With Vodafone again we made a bad decision of buying 200 shares on Monday, just to finding out that it dropped so dramatically (at least for us) Tuesday once the market opened. To make up for that, we did our 3rd group of short selling on Tuesday. For a purpose of creating diversity, we did not buy and cover the shares on Tuesday, but did it on Wednesday. On the same day, news had that Vodafone had been launching a lot of new programs, which, to us, was a sign of a growing trend. Thus, for a mere purpose of experimenting, we bought an extra of 300 shares to be traded later of the week. On Thursday morning, news of Vodafone’s one other new product made us even more eager to see if the stock would go up as we expected, and it did. However, nothing happened the rest of the day, thus we sold 300 shares just to be safe and left 200 expecting a further

Figure 4.3 Chart of Vodafone Grp plc for the week of June, 12th 2006 -June 16th 2006
growth. Unfortunately it never happened on the last day of the week, so we still had 200 VOD shares shorting about $100 in the market.

**Figure 4.4** Chart of Verizon Comm for the week of June, 12th 2006 - June 16th 2006

Verizon’s been expanding its networks and holding all sorts of activities all through the week, and we were glad that we made the decision to buy in stocks at the very beginning. The course of trading for this stock in week one was just checking if there were always positive news coming up and we sold the shares at the end of the week to get $174.00.


**RDS-B**

No news concerning Royal Dutch Shell came out during the weekend before.
Although RDS-B had been going up later in the first week, we were not sure how it would behave as we could not find any relevant information. On Monday, again, Royal Dutch Shell bought back its own shares, according to similar events that happened last week, that the prices went up after the buying back of RDS-B’s own stocks, we bought 300 shares at a price of $65.47 on Tuesday.

Table 2 Transactions for the week of June, 19th 2006 - June 23rd 2006
However, on Wednesday, Shell was said to be working on new oil lease contract terms. Not sure about what this would do to the stocks, and the price was already going down before the news came out, we decided we would just sell the shares we had to keep the profit we could get then. This week was not a very easy week to do day trading for RDS-B and VOD, due to the lack of information. We were trying not to trade just randomly by guess, but as we already had the examples from the first week to look at, we were a little bold on the number of shares we normally trade, from 200 to 300. Up till now, we were still not able to tell confidently which stock was going to shift a lot, and which ones would not in a short time, so to judge and decide different amount of shares to buy for different stocks would still be requiring some practice from us.

**XOM**

Opposite to Shell, Exxon had a fairly unluckily busy week. Exxon's refinery in
Baytown Texas, which was also the largest refinery in the U.S. shut down on Friday last week. However, at the same time, a pipeline agreement was awaiting Exxon’s decision. After careful consideration, we reached the conclusion that the shutting down of the refinery would have more negative impact on Exxon’s stocks than the possible positive effect the new agreement might bring. Thus we sold short 300 shares on Monday morning, and bought to cover them the same day. Multiple things happened on Monday, not only was Exxon said to behaving one of “the top negative influences on both the Dow industrials and the S&P 500 index”, people have been buying in Exxon call options, which clearly indicated a likely falling in the price, but also was a new product about to come out, a successful bid on Indonesian block was made, and Exxon’s saying the refinery was operating normal. As we were not quite sure which way would the stock be going during the day, and we saw that the XOM
shares went down at the end of that day, and the stocks continued to go down as the market opened, we decided that it could be a good chance to perform trading over a really short period, getting some instant profit. We bought in and sold out 300 shares within 5 hours on Tuesday, making a profit of $207.00. However, the next day, learning that one important project of the company had been delayed, we sold short 300 shares in the morning. During the day, the price was continuously going up, so were hurriedly bought 300 shares, in hope of making up the lost we could have made on the short selling, and after the price went down again, another 300 shares were sold short in a rush, as we were a little worried about the potential loss. The next morning, we learned about a lawsuit and a project facing difficulties, but due to the uncertainty that accumulated over the past day, which also resulted in our no action on Friday, we were ready to buy to cover the 600 shares once the price was acceptable, and we ended up gaining another $144.00.

VOD

We did not have a good start for Vodafone this week, as the 2 pieces of news we had by Monday morning were not obvious to us of its possible impact on the stocks, like the CEO got a huge bonus despite of the loss of the company in the past year. Later that day, we learned that one of the company’s services had been restricted, and as the price was going down all through the day, it did not look very favorable of the 200 shares we still had in our hand. Fortunately, the prices began to rise again on Wednesday, while the company won in several
competitions, and we were able to sell the stocks at a loss of only $116.00. The stock price had a huge jump downward on Friday, which made it possible for us to make up the loss by $108.00 buying and selling 400 shares within the day. We started to use a new technique this week, that we always sell stocks as soon as the price begin to fall, which also applies to short selling, and buy them in when the price start to go up, as here we saw them to reach a peak as they stopped the constant behavior they had before, like falling right after continued rising of price.

**VZ**

Verizon was going through a pretty good weekend, with a concert and extended offerings at Wal-Mart, which lead to us buying stocks on the first day of the week. A new product, LG VX8300, was brought out on Tuesday, and we sold out the
shares on Wednesday. However, we were told that VZ got new business and someone commented that the stock was to go up for a long time just as the price was dropping, thus we did not take any actions the rest of the week.


RDS-B

Royal Dutch Shell has been doing buy back of their own stocks for a few weeks now, we were assuming that the actions of buying back indicated a downward trend on the stocks, and it was working for us in the past 2 weeks. However, this time, we found out that Shell was just trying to buy back all of it's A shares and cancel them, which would affect the B shares at some level, but we should not rely on that. So in the first 2 days of the week, we were just watching how the
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Table 3: Transactions for the week of June 26th - June 30th, 2006

stocks were going, as buy backs were going on both days. On the 3rd day, the open priced jumped up, the price continued to go up, plus some good news came out on Tuesday (the possibility of Sakhalin gas sale in Asia, price of stocks
rose in London), we bought 200 shares at a price of $67.32. The stock was going up again on Thursday, and news said that Shell joined green public transport project. We bought another 200 shares that day. To our delight, the price jumped again on Friday, in spite of the buying back news came out again around 1pm.

**XOM**

News came out that Exxon started a new project, and earlier on Monday, they were said to be getting gas from Iraq, thus we were expecting the price to go up, and 200 shares were bought right as the price began to do so. It was a considerably easy week for trading XOM, as all through the week, except for the delay of Sakhalin exports on Tuesday and the arrest of 15 illegal aliens on Friday, there were only great news about the company, like a new partnership and the starting of loading oil from Iraq. And we only made 2 movements in the whole
entire week, which were just the buying and selling of 200 shares at the beginning and the end of the week, making a profit of $822.00. However, it was not so for the other stocks we were trading on, we did not estimate the trend of the prices correctly and encountered problems like holding stocks that were going downward very sharply, and we needed to do quick adjustments to minimize the loss. A new problem, lack of cash, confronted us during our very frequent trading actions, and at a point we had to make a choice between two stocks as in which one to buy, which luckily was not too hard as one of them had a price that we could by no means afford.

VOD

Vodafone provided a new service in Austria on Monday, which drove us into buying in shares after the market was opened. No other events drew our
attention that day, thus we decided to hold it until something bad break out. This, however, proved to be a very bad decision, as the price dropped dramatically on Tuesday and Wednesday, despite the fact that Vodafone was expanding their business in Ireland and offering free text messages to certain customers. As a result, we had to again do short selling on both days to hedge back the loss. But this time we did something more, instead of mere short selling and buying to cover on the same day, we bought in extra shares the same time as we did the covering, which caused us to get them at very low price levels. Good news continued to bread out through Thursday and Friday, and the price was going back up again on Thursday. To be safe, we sold the shares separately in two days. In the end, instead of losing money, we ended up getting a profit of $462.00, with some more efforts in the hedging process.
Maybe it was the trend for cell phone companies this week. Verizon did the same thing to us as Vodafone. Luckily we learnt during the weekend that it was going to stop running phone lines during flights after a long history as a provider, and only waited to see on Monday how the stock would perform, so we were able to perform short selling the next day without the fear of a possible loss as the price began to go downward. Events had been in favor of Verizon all week even when the stock was obviously going a bearish path, and we set our mind to buy in some stocks on Tuesday and Wednesday, which was, the same as we did for Vodafone, and gained $406.00 in total.

Figure 4.12 Chart of Verizon Commun for the week of June, 26th 2006 -June 30th 2006

<table>
<thead>
<tr>
<th>Date</th>
<th>Symbol</th>
<th>Action</th>
<th>Price</th>
<th>Shares</th>
<th>Net Cost/ Proceeds</th>
<th>Profit/Loss</th>
<th>Total  Cash</th>
<th>Accum  Gain</th>
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<td>$70.62</td>
<td>200</td>
<td>($14,124.00)</td>
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</tr>
</tbody>
</table>

Table 4 Transactions for the week of July 3rd, 2006 – July 7th, 2006

RDS-B

This had been a short week, as the stock market closed at 1pm on Monday, and was closed the whole day on Tuesday, which was a National holiday. Thus we
decided to treat the trading process a little special, and as a result, we did a lot of instant buying in and selling out, together with shorting and covering, some even within couple of hours. Shell was off to a good start, as we learned the previous Friday that they planned to develop its first wind farm in Hawaii. So we bought in 200 shares on Monday morning, later, however, the price started to down. As it was a short trading day, and we were afraid that we would not have time to switch before it’s too late, we did not spend any time waiting, as soon as the price started to go down, we immediately sold them out, getting a profit of $80.00. No big news broke out on the holiday, except for Shell was still quiet on the Rosneft IPO project. But the price dropped half a dollar when the market opened again on Wednesday. We quickly shorted and covered 300 shares within 2 hours, getting $156.00 in our pocket, and then bought and sold another 200 shares during the rest of the day, earning $92.00 extra. The buying back was still going
on during the week, but we kind of ignored it, as our strategy this week is very instant trading actions. Good news came again about like more oil offered by Iraq, and the transition of retail assets in Cincinnati, but it did not help much as on Friday we did another quick shorting and covering as the price was again going down.

![Chart of Exxon Mobil for the week of July 3rd, 2006 – July 7th, 2006](http://finance.yahoo.com)

**Figure 4.14** Chart of Exxon Mobil for the week of July 3rd, 2006 – July 7th, 2006

Iraq offered Exxon more oil on Monday, and at the same time, Exxon was also getting progress on their Alaska oil deal, thus we bought 200 shares at a price $61.94. The price dropped on Wednesday when the market opened, but continued rising after that until Friday morning. We did a quick shorting and covering process right after we sold out the shares on Friday, doubled the profit.
Vodafone was said to take over a South Africa firm over the weekend, and Monday morning, news came that their company in Japan had a new alliance with another Japan company, all of which seemed to be a good sign, and thus we bought in 200 shares of stocks at a price of $21.59. Obviously the US holiday on Tuesday affected the London stock, and Vodafone made clear that it had no intension to take over that company in South Africa, so the price stayed low on Wednesday, when we bought in another 200 shares. As we got 400 shares in hand now, which made us a little more concerned about the trend of the price, and we sold them all out on Thursday once the price started to drop, and this proved to be a good decision as the price fell again on Friday despite all the new services and product Vodafone was launching on those two days.

Figure 4.15 Chart of Vodafone for the week of July 3rd, 2006 – July 7th, 2006
Verizon was not going through a smooth week. It got involved in a lot of lawsuits every since the Friday before, including both their own initiative and other cases against them. So we just waited and did not take any action until Thursday, when the priced had a big jump down, that we figured it was getting safer to invest money in, as their expansion was going on all the time too. It seemed to be a trend for the week that we sold the shares we bought the day before on Friday, and did some short selling right after that. Hence the profit was doubled again for us.
4.3 Comparison


RDS-B vs. XOM

Figure 4.17 Chart of Royal Dutch Shell vs. Exxon Mobil for the week of June, 12th 2006 -June 16th 2006

Royal Dutch Shell plc and Exxon Mobil seem to be going in the same path. They both didn’t do well at the beginning of the week, but right afterwards the stock seems to be going up pretty good. The only difference between the two is that Shell stands higher than Exxon Mobil. Shell’s stock is doing slightly better, but not a lot better. Overall, both stocks seem to be going in the same direction.

Even as the oil price continues to be growing, it still cannot guarantee that the oil industry will grow. All the news and indexes showed that it would perform well. However the news and the indexes don’t look that good right now. Especially, with what happened this past week in Iraq. It was an important week for Iraq’s newly elected government. The leader of al-Qaeda in Iraq,
Abu Musab al-Zarqawi, was killed in a military raid last Thursday [6]. So, along with what happened, major oil companies, like Royal Dutch Shell plc and Exxon Mobil have shown interest in Iraq’s under-invested resources. But until security returns to the war-torn country, few investors are willing to take the risk. However, no matter how the price is falling, we still feel confident of making profit from these stocks. We understand that invest in stock market is risky, no one can make sure how it would perform, and all the evidence can show us only the companies’ current situation.

**VOD vs. VZ**

![Chart of Verizon Comm. vs. Vodafone Grp plc for the week of June, 12th 2006 - June 16th 2006](http://finance.yahoo.com/)

**Figure 4.18** Chart of Verizon Comm. vs. Vodafone Grp plc for the week of June, 12th 2006 - June 16th 2006

The week of Monday, June 12th 2006 till Friday, June 16th 2006 has been an important week for Verizon Wireless Communication. The news struck on
Thursday, June 15th 2006 that Verizon Wireless expanded its network in Orange County and then again in Sullivan County [6]. This network expansion is part of the company's aggressive multi-billion dollar network investment each year (more than $1 billion every 90 days) to stay ahead of the growing demand for Verizon Wireless voice and data services. Verizon Wireless has invested more than $30 billion - on average, $5 billion every year since the company was formed six years ago - to increase coverage and capacity, and to offer customers the most reliable service available in the nation, including wireless data services such as picture messaging, text messaging, and wireless Internet access [6]. Strong demand for Verizon Wireless services continued during the first quarter of 2006 as the company added an industry record 1.7 million net new customers and maintained its position as the nation's wireless leader in customer loyalty in terms of customer retention and lowest turnover rate, as reported by the largest wireless providers. Also, Verizon Wireless, during this week introduced FiOS TV in the Town of Hempstead on Long Island, offering a true choice for subscription television and on-demand programming via the company's all-digital, fiber-optic network. Verizon is the first company to offer such a communications network, connecting homes and businesses directly to fiber optics on a widespread scale [6]. In addition to New York, FiOS TV is also available to customers in parts of six other states: California, Florida, Massachusetts, Maryland, Texas and Virginia. FiOS TV is designed to be a formidable competitor to cable and satellite. Verizon's FTTP network, which is the largest of its kind in the country, has industry-leading quality and reliability. It is currently under construction in more
than half of the states where the company offers landline communications services, including more than 150 New York communities. This marks a big step forward for one of the largest communications companies in the world, such as Verizon Wireless. Also, again on June 15th 2006, Verizon Wireless receives Frost & Sullivan Product Line Strategy Award. The award cites Verizon for having the most insight into Small Businesses’ needs and product demands. Meeting all of Frost & Sullivan's stringent criteria, Verizon was identified as the leading carrier, optimizing its product portfolio and demonstrating a thorough understanding of the various business types it serves [6].

Frost & Sullivan also noted that Verizon has indicated by the deployment of a wide variety of products, bundle options and service delivery channels tailored to the small-business market that the company is committed to developing and deploying new services for this segment. On Friday, June 16th 2006, Verizon Communication Inc. said it has struck a multiyear deal for its new subscription television service to carry a wide range of programming from public television stations. Verizon, which offers a suite of communications, Internet and wireless services, is expanding into subscription television to better compete with cable companies that have launched their own telephone and high-speed broadband Internet services [6].

Along with all the news that were launched this week, we can say that it's been a pretty good week for Verizon Communication Inc, in terms of stock market growth. As we can see from the graph the stock kept growing from Monday all the way to Friday. So, we feel pretty confident in investing in this stock.
On the other hand, Vodafone seems not to be doing well. Maybe one of the main reason is one of the most important events that happened during this week. Arun Sarin, the chief executive of Vodafone, received increases in his salary and bonus awards last year which take his package above £5m ($9m), despite the turbulent performance which led the mobile group to a record loss. His basic salary rose 7 per cent to £1.25m for the 12 months to March [6]. He was also awarded shares worth £1.42m through a short-term incentive plan, up about 24 per cent on 2005 despite Vodafone’s £14.9bn loss for the period and its underperformance against its stock market peers. Vodafone’s annual report has been keenly awaited by its shareholders, who have been buffeted over the past few months by reports of boardroom rifts and downgrades in earnings forecasts as Mr Sarin admitted Vodafone was entering an era of lower growth [6].


**RDS-B vs. XOM**

*Figure 4.19* Chart of Royal Dutch Shell vs. Exxon Mobil for the week of June, 19th 2006.
The stocks of Royal Dutch Shell Inc and that of Exxon Mobil seem to be doing better this week than last week. There is a slightly small increase in the stock for both companies. On Monday, June 19th 2006 both stocks start pretty good for then to go down again by the end of the day. The same thing happens for the rest of the week. The stocks seem to go up and down from Monday till Friday. Also, both companies’ stock seems to follow the same path. This week was a remarkable one in terms of news and on Wednesday, June 21st 2006, Shell Oil Co. and the U.S. Interior Department began discussions on modifying oil and natural gas drilling contracts the company signed in the 1990s that could require Shell to pay royalties when energy prices exceed certain levels, Shell's president told Congress on Wednesday. Nevertheless, on Monday, June 19th 2006, Renault announced that would select ExxonMobil Exxtral(TM) BMU133 polypropylene for the bumper fascia on its new Espace multipurpose vehicle, highlighting ExxonMobil Chemical's debut in this application segment and the appeal of its latest generation of specialty polypropylenes [6]. Also, on Wednesday, June 21st, New York State announced that would sue Exxon Mobil over vast Brooklyn underground oil spill that's still seeping. Exxon Mobil Corp. faces another lawsuit over a massive underground oil spill in Brooklyn that is still seeping sticky goo into a city waterway, decades after the leak was first noticed. Authorities have been aware of the problem since 1978. Exxon Mobil accepted responsibility for much of the damage in 1990 and has since pumped some 9 million gallons out of the ground. A spokesman for Exxon Mobile, Brian Dunphy, said he couldn't comment on the details of the negotiations or the state's
complaints, but said the company was "committed to meeting our environmental responsibilities at the site." As a result we might see a decrease in Exxon Mobil’s next week’s stock [6].

VOD vs. VZ

![Chart of Verizon Comm. vs. Vodafone Grp plc for the week of June, 19th 2006 - June 23rd 2006](http://finance.yahoo.com/)

**Figure 4.20** Chart of Verizon Comm. vs. Vodafone Grp plc for the week of June, 19th 2006 - June 23rd 2006

The week of June, 19th 2006 -June 23rd 2006 looks like a much better week than last week for Verizon and Vodafone. The stocks did not do very good on Monday for then to pick up again on Tuesday. Everything seems to be going ok till Friday. There is a downfall at the beginning of the day on Friday, but the stocks picks up again by the end of the day. On Wednesday June 21st, Verizon Wireless announced that it will continue to expand its network in Capital District. In a continuing effort to provide the best wireless service for local residents in the
Albany area, the company has expanded its network with a new cell site in Ballston Spa. New site is part of $100 million+ investment in upstate New York this year. Verizon Communications Inc. announced on Thursday, June 22\textsuperscript{nd} that it is offering its broadband Verizon Online DSL services to customers in Wal-Mart stores across 24 states in the US. Verizon is a leader in delivering broadband and wireline and wireless communication innovations to mass market, business, government and wholesale customers. Also, on Wednesday, June 21\textsuperscript{st}, Verizon announced the availability of the LG VX8300 phone, the latest addition to the line-up of V CAST Music- enabled phones. So, in general the upcoming week looks pretty good for Verizon and Vodafone [6].


RDS-B vs. XOM

**Figure 4.21** Chart of Royal Dutch Shell vs. Exxon Mobil for the week of June, 26\textsuperscript{th} 2006 - June 30\textsuperscript{th} 2006
The stocks of Royal Dutch Shell and Exxon Mobil seem to be doing pretty good this week in comparison to last week. Both stocks start pretty good on Monday for then to keep increasing in value for the rest of the week. On Friday, June 30th, 2006, RDS-B and XOM end both at 6.0%. This is much better than the ending value of last week of +0.5% for RDS-B and -1.0% for XOM. So, both stocks go upward this week. Important news were announced for both companies; which affected the stock market tremendously. On Monday, June 26th, 2006 RDS-B purchased for cancellation 1,360,000 "A" Shares at a price of 25.26 euros per share. It further announces that on the same date it purchased for cancellation 450,000 "A" Shares at a price of 1743.13 pence per share. Following the cancellation of these shares, the remaining number of "A" Shares of Royal Dutch Shell plc will be 3,821,590,000. (zacks.com). As of June 26th, 2006 2,759,360,000 "B" Shares of Royal Dutch Shell plc were in issue [6]. Also, Royal Dutch Shell plc announced the next day, on Tuesday, June 27th 2006 that Buybacks of own shares were to continue in June close period. An important news was announced on Tuesday again as RDS-B, the world's third-largest oil company, might sell the remaining liquefied natural gas from its Russian Sakhalin-2 project to buyers in Asia [6]. Sakhalin, located close to Japan in Russia's Far East, now has 90 percent of its LNG under contract and will soon sign agreements for the remaining 10 percent, Chadwick, 49, said in a June 22 interview. Shell last month agreed to sell as much as 420,000 metric tons of LNG a year to Tohoku Electric Power. Japan and South Korea remain important LNG markets for Shell, which is the largest international oil company supplying gas to
both countries, Chadwick said. The two countries will experience growth in their LNG sales, he said [6]. On Wednesday, June 28th 2006, U.K. Stocks rose, led by Shell as oil rose. U.K. stocks advanced, led by energy companies Royal Dutch Shell Plc and BP Plc as crude oil advanced. Shell, Europe's No. 2 oil company, gained 1.2 percent to 1767 pence, rising for a second day. Larger rival BP added 1 percent to 619 pence [6]. On Thursday, June 29th 2006, RDS-B announced it would work with Dutch authorities and the MAN bus company to create a fleet of hydrogen-fueled buses in Rotterdam in what is the world's largest hydrogen cell public transport project. The five-year project will evaluate public reaction as well as the reliability and economics of using hydrogen to fuel public transport in major urban areas. It will also help to establish technical standards for operating hydrogen fuel outlets. Shell has already built a combined gasoline-hydrogen station in Washington DC, the first in the US. It has been developing hydrogen and fuel cell business since 1999 [6]. Royal Dutch Shell plc announces that on 30 June, 2006 it purchased for cancellation 1,100,000 "A" Shares at a price of 26.34 euros per share. It further announces that on the same date it purchased for cancellation 400,000 "A" Shares at a price of 1824.25 pence per share. Following the cancellation of these shares, the remaining number of "A" Shares of Royal Dutch Shell plc will be 3,817,090,000. As of 30 June, 2006 2,759,360,000 "B" Shares of Royal Dutch Shell plc were in issue [6]. This week was an important week in terms of events for Royal Dutch Shell plc. On the other hand, Exxon Mobil had a pretty excited week as well. On Monday, June 26th 2006, the news came out that Exxon Mobil and the Turkish refiner Tupras have
won the first tender available this year from Iraq's Kirkuk oil fields, reported the Dow Jones Newswires [7]. Both companies took 2m barrels of oil each, according to the Head of the State Oil Marketing Organisation. Exxon Mobil and the Turkish refiner Tupras have won the first tender available this year from Iraq's Kirkuk oil fields, reported the Dow Jones Newswires. Both companies took 2m barrels of oil each, according to the Head of the State Oil Marketing Organisation. Sakhalin-1 is the biggest new oil find in the area in many years and will add new supply to a tightly stretched global market, potentially bringing down high physical crude prices in the region and displacing sales of competing African and Mediterranean oils into Asia [7]. Exxon Mobil has a 30-percent stake in Sakhalin 1. Japan's Sodeco holds another 30 percent, while India's Natural Gas Corp. has 20 percent. The rest is held by state-run Russian oil company Rosneft [6]. On Wednesday, June 28, 2006, ExxonMobil announced a long-term extension of its Technology Partnership with Team McLaren Mercedes to supply the Formula 1 racing team with Mobil 1-branded motor oils and high-performance fuels. On Friday, June 30th 2006 The U.S. Coast Guard shut down the highly volatile ExxonMobil fuel depot in Everett for most of the day yesterday for a “serious security breakdown” after 15 illegal immigrants were arrested while working for a contractor of the worldwide petroleum giant, officials said. The illegal aliens, all from Ecuador, were hired to clean up hazardous materials near ExxonMobil storage tanks that hold gasoline, jet fuel, kerosene and other volatile materials [6]. They were arrested after failing to check in with security while attempting to access equipment they had stored next door at Distrigas, which operates a
terminal containing potentially explosive liquefied natural gas. Even though Exxon’s stock stands a little bit higher than that of RDS-B, we can say in general this week was an important one in terms of events and announcement for both sides. Let’s see what next week has in store for these companies.

**VOD vs. VZ**

![Chart of Verizon Comm. vs. Vodafone Grp plc](http://finance.yahoo.com/)

**Figure 4.22** Chart of Verizon Comm. vs. Vodafone Grp plc for the week of June, 26th 2006 – June 30th 2006

The week of June, 23rd 2006 – June 30th 2006 also turns out to be a better week for Verizon and Vodafone’s stock in comparison to last week. On Friday, June 30th 2006 the stocks end value reached +1.0 for both companies. Vodafone’s stock went pretty smoothly this week. There’s also an increase in stock value by +2.0%; going upward from -1.0% ending stock value to +1.0% this week. Vodafone’s stock did better than Verizon’s due to various important
announcements launched during the week. At the beginning of the week, Babis Mazarakis was appointed the new CEO of Vodafone Hungary Zrt, as of July 1. Mazarakis took over the position from Attila Vitai, who continues his career at Turkish Telsim, which is also a member of Vodafone Group. Mazarakis is also member of the board of directors at Vodafone Greece and Vodafone Albania. Also, on Monday, June 26th 2006, The Telekom Austria Group announced the launch of its HSDPA network with a speed of 3.6 Mbit/s in Austria and of the worldwide first HSDPA 3.6 capable hardware - the Vodafone Mobile Connect USB modem by Huawei. At the end of July the Vodafone Mobile Connect Card Broadband 3.6 will follow. On Wednesday, June 28th 2006, Vodafone Germany announced that its customers could earn up to 3,600 free text messages by buying phones and booking tariffs online [7].

Later during the week, on Thursday, June 29th 2006, Vodafone UK announced that on July 1st would launch a new tariff giving Pay As You Talk customers exceptional value, with unlimited free calls and texts all weekend. On the other side, it was an OK week for Verizon [6]. Nothing important happened this week to affect the company’s stock market. In the meanwhile, Verizon Wireless keeps expanding its network all over the country. Right now these stocks are looking pretty good. Let’s hope next week it’s the same.

Week 4 (7/03/2006 – 7/07/2006)

RDS-B vs. XOM
The week of June, 30th 2006 – July 7th 2006 has been a quiet week for the stock market with not so many events and announcements due to the 4th of July holiday on Tuesday. The stock market was closed on this day, so we’ll also look at the companies’ stock for Friday, June 30th 2006. Both companies’ stock seems to go upwards every day until Friday, July 7th 2006 when the stocks go down a little bit. The stock’s highest peak value was reached on Thursday, July 6th 2006; +2.0%, a lot less than last week’s peak value; +7.0% for Exxon Mobil (XOM) and +6.0% for Royal Dutch Shell plc (RDS-B).

Royal Dutch Shell plc announced on Monday, July 3rd 2006, it purchased for cancellation 755,000 "A" shares at a price of 26.48 euros per share. It further announced that on the same date it purchased for cancellation 300,000 "A" Shares at a price of 1836.60 pence per share. Following the cancellation of these

Figure 4.23 Chart of Royal Dutch Shell vs. Exxon Mobil for the week of July, 3rd 2006 – July 7th 2006
shares, the remaining number of "A" Shares of Royal Dutch Shell plc will be 3,816,035,000. As of 3 July, 2006 2,759,360,000 "B" Shares of Royal Dutch Shell plc were in issue [6].

On Wednesday, July 5th 2006, Shell Oil Products US (Shell), announced that it had sold its interest in 31 sites to Gilligan Oil Company, LLC (Gilligan), an Ohio-based wholesaler. Gilligan also assumed an additional 10 fuel supply contracts in the same transaction. Last fall, Shell had publicly stated its intent to transition retail assets to wholesale in 16 regions to better support its wholesale business and move toward its vision of becoming the best fuels retailer in the world. Stu Crum, Shell's General Manager Retail Strategy & Portfolio US explained, "Shell's strategy of growth through the wholesale class of trade is exemplified through this sale. The sale was part of a plan Shell unveiled in 2005 to shift its retail assets to wholesale in 16 regions, thereby strengthening the company's wholesale business. Shell's U.S.-listed shares shed 16 cents to $67.72 on the New York Stock Exchange [7].

On Thursday, July 6th 2006, on Mumbai, India, at least 13 oil companies, including Exxon Mobil (XOM) Royal Dutch Shell, BP Plc., BG Group and Total had submitted a preliminary offer to buy a stake in one of India's biggest gas field, its operator said on Thursday [7]. Local officials of Exxon and BG confirmed their interest in the field, while others declined comment. Again, on Thursday, ExxonMobil Corp, the world's largest publicly traded company, led Royal Dutch Shell Plc and Total SA in the competition among international companies for
access to Middle Eastern oil, according to Wood Mackenzie Ltd. The Edinburgh-based energy consulting company estimated Exxon’s production assets in the region, which included liquefied natural gas in Qatar and a share in the world’s fourth-largest oil field, to be worth around $18bn, more than Shell, Total and Occidental Petroleum Corp, according to a report by Colin Lothian, Wood Mackenzie’s senior Middle East analyst. Oil has risen 20% this year in New York and continues to trade consistently above $70 a barrel [6].

Irving, Texas-based Exxon beat rivals BP Plc and Shell this year to sign a contract with the United Arab Emirates state-owned Abu Dhabi National Oil Co for a 28% stake in its majority share of the Upper Zakum oilfield. The company is also leading one of three groups of international oil companies seeking access to Kuwait’s northern oilfields. On Friday, July 7th 2006, two Miami law firms were awarded more than $300 million Thursday in attorneys fees for their work in a 15-year legal battle involving Exxon Mobil Corp. and thousands of service station dealers who sued the company. U.S. District Judge Alan S. Gold gave the two law firms about 30 percent of the total settlement of $1.075 billion agreement awarded to the plaintiffs, amounting to about $320 million, The Miami Herald reported on its Web site [6].

The case against Irving, Texas-based Exxon Mobil Corp. began in 1991 when the service stations accused the company of failing to provide promised discounts for wholesale motor fuel and fraudulently hiding its failure to pay.
A jury found in favor of the dealers in 2001 and ordered Exxon to pay $500 million, but the company appealed that verdict. The U.S. Supreme Court denied Exxon's last appeal this past June, by which time the payment had increased to more than $1 billion with interest [6].

**VOD vs. VZ**

![Figure 4.24](http://finance.yahoo.com/)

**Figure 4.24** Chart of Verizon Comm. vs. Vodafone Grp plc for the week of July, 3rd 2006-July 7th 2006

The week of June, 30th 2006-July 7th 2006 seems to be an OK week for Vodafone Grp, but not so good for Verizon Comm. Vodafone’s stock kept increasing each day, reaching an ending value of +2.2%; while on the other side, Verizon’s stock kept going down with a -1.8% ending value. Comparing these values to last week’s values, we conclude that those companies’ stocks were doing much better last week, than this week. Even though the stock market was
closed on Tuesday, July 4\textsuperscript{th} 2006; this week marked some important events and announcements for both companies.

On Monday, July 3\textsuperscript{rd} 2006, Japan Telecom Co Ltd, an international telephone service company, formed a new Mobile Business Division, aligned with the Corporate Sales unit of Japanese mobile operator Vodafone K.K., in order to jointly conduct business activities. Japan Telecom aligned with Vodafone K.K.'s Corporate Sales division in order to maximize business synergies with the mobile operator. The move resulted from an organizational change made on July 1\textsuperscript{st} 2006. The two companies claim that customers will benefit from the corporate customer solutions experience of Japan Telecom and the mobile solutions knowledge of Vodafone K.K., which recently became part of the SOFTBANK Group. The alignment is also expected to enable both companies to respond quickly to voice and data business requirements for mobile and fixed-line communications [6].

On Tuesday, July 4\textsuperscript{th} 2006, Deutsche Bank ups Vodafone to buy from hold ups target to 130p from 128p. Shares in Vodafone Group were upgraded to 'buy' from 'hold' at Deutsche Bank on valuation grounds. The broker said that this was already reflected in its price target -- which it lifted to 130 pence from 128 -- adding that it had left all of its forecasts unchanged. It said that at the current price it felt that the Vodafone price reflected the difficult fundamentals the group faces and therefore upgraded to 'buy' [6].
On Monday, July 3\textsuperscript{rd} 2006, an SMS Safety Service was introduced by mobile operator Vodafone New Zealand, enabling the network to record the location of a user worried about their journey home.

The personal tracking service allows Vodafone New Zealand customers to send a free text message to 7233 (SAFE), informing Vodafone New Zealand of their current location, what time they plan to leave and their intended destination. The operator records the date, time and content of the message, alongside the mobile number. It acknowledges each message received with an automated response, advising users to call the local emergency services to request assistance if they feel they are in danger.

Vodafone New Zealand said the initiative, which follows the abduction and murder of a tourist in the country, will enable brief details about the user’s movements to be passed to police should the person be reported missing.

Vodafone New Zealand has launched a personal tracking service which lets the network record your own location if you feel concerned about your future route home, for example. The service works by customers sending a free TXT message to 7233 (SAFE) - for example, "leaving Viaduct @ 10pm to walk home to Ponsonby via Franklin Rd." Vodafone records the date, time and content of the TXT against the mobile number. Each TXT sent to 7233 will be acknowledged by an automated response, which advises customers who feel in danger to call local emergency (111 in New Zealand) and request police assistance [6].
Vodafone Head of Corporate Responsibility Raphael Hilbron said today the SAFE initiative would provide Vodafone's two million customers with additional peace of mind - no matter where in the world they were. The idea was suggested following the abduction and murder of German tourist Birgit Brauer [7].

On Wednesday, July 5th 2006, Telecom Egypt (TE), after failing to win the licence for Egypt's third mobile network, would resume close cooperation with existing operator Vodafone Egypt. Telecom Egypt bid 11.1 billion Egyptian pounds ($1.93 billion) for the licence on Tuesday -- the fourth highest of nine bids in a competition won by Etisalat of the United Arab Emirates at 16.7 billion pounds [6].

Akil Bashir, chairman of the state-controlled company, told Reuters in an interview he was “somewhat disappointed” that his company did not win. “However, we are confident that we have taken the right decision not to go beyond the limits that we can justify to our shareholders,” he added [6].

Telecom Egypt already has a 25.5 percent stake in Vodafone Egypt, which has been competing in the Egyptian duopoly market against Mobinil, a subsidiary of regional operator Orascom Telecom.

During the competition for the licence, Telecom Egypt kept its distance from Vodafone Egypt and had agreed to sell its stake in Vodafone if it won the licence.

With the competition over, Telecom Egypt intends to take up a Vodafone proposal to offer broadband fixed-line services to its subscribers, Bashir said.
On Thursday, July 6th 2006, Samsung ZV50 phone was launched by Vodafone. It becomes the first Portuguese operator to offer 3G Broadband - also known as 3.5G or HSDPA (High Speed Downlink Packet Access) - phones.

Following the introduction in Portugal of the first 3G Broadband service, the Vodafone 3G Broadband Mobile Connect Card, Vodafone is offering from now the first phone with a broadband access speed of up to 1.8Mbps, over 4 times the speed offered by Third Generation (3G/UMTS). Vodafone's 3G Broadband coverage is being progressively extended and by the end of 2006 will reach a total of 150 cities and other urban areas [7].

Verizon, on the other hand continues to expand its network in Cumberland County, Mercer County, Bucks County and in Ocean County. Verizon is investing to stay ahead of growing demand for wireless calling and data access. On Friday, June 30th Verizon sued Maryland County over cable service. Verizon filed a suit in the U.S. District Court for the District of Maryland in Greenbelt, Md., against Montgomery County, Md. The suit, which was filed on Thursday, June 29, claimed that the county's cable franchise agreement violates federal law and infringes on the Verizon's Constitutional rights [6]. Maryland's Montgomery County defended its policy for granting cable franchises after it was sued by Verizon Communications Inc. over its licensing process to offer local subscription TV service. However, Verizon alleged that the county illegally made demands including the right to collect fees on phone and high-speed Internet services, that the company set aside about 65 channels for public, educational
and government programming and that it pay additional cash. The lawsuit came as Verizon tried to expand into the subscription TV business and compete with cable operators, such as Comcast Corp., which already had a license in Montgomery County, an affluent suburb outside Washington, D.C. On Monday, July 3\textsuperscript{rd} 2006, the news came out that Verizon Communications Inc. looked very impatient to roll out its Web-based television service nationwide, suing a Maryland county last week for hampering its entry, but getting licenses may only be half the battle. Analysts say that while Verizon's state-of-the-art fiber optic network allows multiple channels of high-definition video and faster downloading, the phone company must show more proof that its multibillion-dollar investment is worthwhile.

Verizon will not say how much it is spending on the Internet protocol television service, named FiOS, on which it is banking to win back customers lured away by cable operators' "triple play" of Internet, phone and video bundles. But analysts estimate Verizon is spending around $700 to $1,000 per customer, double the spending of rival phone company AT&T Inc. and spooking shareholders [6]. Verizon is not alone in plotting a counter-attack against cable. AT&T is also launching its own Web-based TV service.

On Thursday, July 6\textsuperscript{th} 2006, Verizon announced that by the end of the year, thousands more Verizon residential and business customers throughout West Virginia will be able enjoy the benefits of high-speed Internet access, as Verizon aggressively expands the availability of digital subscriber line (DSL) service
across the state. According to a number of recent independent research studies, DSL is fast becoming the broadband connection of choice for U.S. consumers.
Chapter 5 Swing Trading

5.1 Introduction

As we mentioned above, Swing Trading is defined as a fundamental trading in which positions are held for longer than a single day. This is because changes in corporate fundamentals generally require several days or even a week to cause sufficient price movement that turns into a reasonable profit. The first key to successful swing trading is picking the right stocks. The best candidates are large-cap stocks (Companies with a market capitalization between $10 billion and $200 billion) that are among the most actively traded stocks on the major exchanges: Intel, Microsoft, and Cisco for example. These stocks will swing between broadly defined high and low extremes, and the swing trader will go in one direction for a couple of days or weeks only to switch to the opposite side of the trade when the stock reverses direction. The swing trader is best positioned when markets are going nowhere—when indexes rise for a couple of days and then decline for the next few days only to repeat the same general pattern again and again. The swing traders are not looking to hit a home run with a single trade. They are not concerned about perfect timing to buy a stock exactly at its bottom and sell exactly at its top (or vice versa). In a perfect trading environment, they wait for the stock to hit its baseline and confirm its direction before they make their moves. When it comes time to take profits, the swing trader will want to exit the trade as close as possible to the upper or lower channel line (the technical range between support and resistance levels that a stock price has traded in for
a specific period of time.) without being overly precise, which may cause the risk of missing the best opportunity. [6]

The only problem with swing trading, which is the same as for the long-term trading, is that success is based on correctly identifying what type of market is currently being experienced.

5.2 Simulation Process & Events


THG

![Figure 5.1 Chart of Hanover Ins Group for the week of June, 12th 2006 -June 16th 2006](http://finance.yahoo.com/)

Hanover has not been doing very well ever since last year, and it sold its life insurance part not a long time ago. Thus we both decided to do short selling on this stock, and no news broke out soon enough to affect the behavior of the stock over the week until we sold the shares on Friday.
For a similar reason we sold short 200 shares of the Hartford stock. However, "The most vulnerable industry players include Hartford Financial (Riper)" and "The Hartford to Offer 'Emergency Claim Cards' leaving us in position such that we did not know what to do. Again, to be safe, we bought to cover the 200 shares, getting $626.00 already in our pocket. Furthermore, "The Hartford to Redeem Hartford Life Capital II Securities" and "The Hartford Announces Agreement with Equitas" which happened Wednesday night and Thursday morning gave us courage to buy another 200 shares for $84.30 each, which we were still holding by the end of the week.

**PFE**

After buying 300 shares on Monday, as “Pfizer acquires global rights of
Schwarz Pharma’s new drug” on Tuesday, we made a decision to change our strategy and bought in another 300 shares. Pfizer and Bayer had a deal over obesity drugs on Wednesday, while the price’s still going down, thus we got a little nervous. What is more, news Thursday morning that Pfizer was considering selling its consumer unit, and “Indian drug maker Nicholas Piramal India Ltd. Said” “it would buy Pfizer’s Morpeth UK facility for an undisclosed sum” that day, so as soon as the stock price grew to an acceptable level, we sold all the 600 shares, luckily with only a little loss. At the same time, we figured the stock could as well keep on growing downward, which resulted in 300 shares sold short on June 16.

**JNJ**

We bought and sold the shares for a difference of $0.17/share, as nothing
Figure 5.4 Chart of Johnson & Johnson for the week of June, 12th 2006 - June 16th 2006

really happened over the week and we wanted to make sure we would not lose money just for waiting too long.

DELL

Figure 5.5 Chart of Dell Inc. for the week of June, 12th 2006 - June 16th 2006
We sold short 200 shares on Monday, and on Thursday we learned that “Dell is no longer a pristine growth stock (Sosnoff).” We bought to cover them on Friday.

HPQ

![Chart of HP for the week of June, 12th 2006 - June 16th 2006](http://finance.yahoo.com/)

**Figure 5.6** Chart of HP for the week of June, 12th 2006 - June 16th 2006

We sold short 300 shares of HPQ on Monday, but later, we found that HP “Rivals chip away at Dell”, which indicated us that HPQ might be going up at some point. We bought to cover the shares on Tuesday in a hurry, losing about $42.00 and bought an extra of 300 shares. HP had been launching new product during the whole course of the week that we thought we would just keep the stocks for now.


**THG**

Hanover came up with a new product last Friday, however, we did not just rush
into buying it, instead, we waited until Tuesday, seeing that the price was dropping as usual, and sold short 300 shares. The insurance company ratings for Hanover were reported on Friday, which did not turn out to be good, but to be safe, we bought the stocks back at a profit of $258.00.

HIG

Figure 5.7 Chart of Hanover for the week of June, 19th 2006 - June 23rd 2006

Figure 5.8 Chart of The Hartford for the week of June, 19th 2006 - June 23rd 2006
Lately the Hartford had been doing a lot of developments, but as the price was dropping on Monday, we sold out the shares we had in hand, losing $136.00. As the price falling continuously, we did some short selling the next day, and finally bought them back on Friday.

**PFE**

![Figure 5.9](chart.png)

*Figure 5.9 Chart of Pfizer for the week of June, 19th 2006 - June 23rd 2006*

We did not do anything except for bought to cover the shares we sold short last week on Friday, as a result of all the bad news that were about Pfizer this week.

**JNJ**

We sold short on Monday as JNJ lost a case earlier and bought them back as
soon as the price dropped on Thursday after 2 days rising and several favorable events happening. This also brought an action of buying more stocks on the same day.

DELL
Dell got some new products going but the price seemed to be going downward, thus we made some short selling on Monday. As nothing else happened during the week, we bought to cover them on Friday, earning an amount of $102.00.

**HPQ**

![Figure 5.12](http://finance.yahoo.com/)  
*Figure 5.12* Chart of HP for the week of June, 19th 2006 - June 23rd 2006

HP also had new product this week. We failed to grasp the chance on Monday, so we sold out the 300 shares from last week on Wednesday, which resulted in the largest single amount we had earned at this point, $1209.00. Another 300 shares were sold short on Thursday, as the stocks were dropping constantly.


**THG**
This week we paid for our routine thoughts on THG. As we sold short 200 shares on Monday as usual, the stock started to go up, and the only news we could find of the Hanover in the whole 5 days was the enhancement of their new system on Monday afternoon. Thus we quickly bought to cover the stocks and bought in more, making a profit of $684.00 instead of all losing money at the end of the week.

HIG

We did the similar thing to HIG as THG. We sold out some shares on Monday, but as the good news of the day came to our sight as late as right before the market closed, we did not run to cover the loss, but wait until 2 days later as the price went a little down so that we could avoid losing money on this short
selling. However, due to a lack of money that struck us on Thursday, and the very high base price of HIG, we were not able to perform the buying and selling we planned for the last 2 days of the week, which could have brought us a couple of hundreds dollars of income.

PFE

Figure 5.14 Chart of Hartford for the week of June, 26th 2006 - June 30th 2006

Figure 5.15 Chart of Pfizer for the week of June, 26th 2006 - June 30th 2006
The two pharmacy companies we were trading in were doing business this week, by which we meant Johnson & Johnson bought Pfizer’s Health Unit. The deal brought both companies a rise in price later in the week. At the very beginning of this week, we again mistakenly believed in the commentary that Pfizer was going down in the next 10 days and we did short selling. The same steps gone through for HIG, we covered the shares on Wednesday, and made up the profit by trading on the last two days. Here we needed to mention that we could have done the trading on Thursday and Friday for either HIG or PFE, but as HIG’s price was above $80 as to PFE’S around $23, we ended up trading in PFE.

**JNJ**

![Figure 5.16 Chart of J&J for the week of June, 26th 2006 -June 30th 2006](http://finance.yahoo.com/)

**Figure 5.16** Chart of J&J for the week of June, 26th 2006 -June 30th 2006

Johnson & Johnson laid off people on the past Friday, which pressed us a little toward the short selling side. So as we saw the comments from online on
Tuesday, we sold short 200 shares right after selling the remaining 300 shares of stocks from last week to avoid possible further loss. Nothing else happened during the week as we were aware of, and we did this week’s routine, covering and buying on Wednesday, selling out on Friday, while still got a loss of $22.00.

**DELL**

![Chart of Dell for the week of June, 26th 2006 -June 30th 2006](http://finance.yahoo.com/)

**Figure 5.17** Chart of Dell for the week of June, 26th 2006 -June 30th 2006

We bought in 200 shares on Monday as Dell “unveiled its fastest notebook to date” over the weekend. Some new service and program were brought out on Wednesday and Friday, causing the price to go up, and we made a profit of $186.00 for selling them out at $24.56.

**HPQ**
We had 300 shares of HPQ sold short the week before and luckily the price continued to go down despite all the good news on the first couple of days of the week. We successfully bought to cover at a considerably low price on Wednesday, earning $666.00.

**THG**

The only event for the Hanover that we could find was a new system implemented which came online on Wednesday morning, while before that, we already did some purchasing as the bully trend seemed really obvious. Well, in the end, it turned out that we were not quite that right, as the price went up and down quite a bit, and we could have been a little better off if we were not doing a swing trading for this in the week.
If we say there were few news for the Hanover, then for the Hartford, the only news we could get we had no idea how it would affect the price. And naturally we made the wrong guess as the price was going up on Monday, so we hurriedly
sold the shares Wednesday morning, and did some short selling to raise our profit up to $596.00.

**PFE**

![Chart of Pfizer for the week of July 3rd, 2006 – July 7th, 2006](image)

**Figure 5.21** Chart of Pfizer for the week of July 3rd, 2006 – July 7th, 2006

Pfizer decided to sell their own generic of Zoloft on Friday, and on Monday morning they not only got a new drug approved, but also was one step closer to the final testing of another new product. We made the decision to buy in stocks on Monday, and were glad to learn that Pfizer was doing great in donation, research and ratings all through the rest of the week. We ended up selling the shares on Friday morning, for a profit of $82.00.

**JNJ**

We did a very bold thing for JNJ this week. On Wednesday, we bought in 300 shares once the market was open, the rising speed was really fast and it began
to fall, neither of us was sure if the downward action was temporary for the day, so we just sold them immediately, getting $129.00 right away, which maybe the most instant profit we ever got. Johnson & Johnson had a number of new agreements and cooperation contracts during the week, which to us seemed to be a positive trend, and through trading in the last two weeks of the week, we got another $276.00.

DELL

Still nothing happened for Dell on Monday, so we waited until Wednesday to do the short selling, and luckily, despite some couple of good news came out occasionally, we were able to cover the shares on Friday, getting $144.00 in cash.
HPQ was going up on Monday almost all day, maybe as a result of the 3 new deals and program in the morning, and we bought some shares. They got
another new deal on Wednesday, and a new business plan also. We were lucky to set our mind to sell all the shares out early on Friday, after all the good news about scholarship offerings, saving plans, and new facilities earlier that morning, which still did not stop the price from dropping later in the day.

5.3 Comparison


THG vs. HIG

![Chart of Hartford Fin Svc vs. Hanover Ins. for the week of June 12th - June 16th 2006](image)

**Figure 5.25** Chart of Hartford Fin Svc vs. Hanover Ins. for the week of June, 12th 2006 - June 16th 2006

The Hanover Insurance Group and The Hartford Financial Services seem to be going pretty much in the same path. The stocks of the companies went down at the beginning of the week and then went up slightly for then to go downwards again. June 16th 2006 was an important date for Hanover Insurance Group. The company announced that its multi-variate auto product, Connections(TM) Auto,
had been embraced by the company's agent partners in the year since its introduction, increasing new business by more than 150 percent in launch states. On the other hand, the week of June 12, 2006 till June 16, 2006 was a week full of events for The Hartford Financial Services. On June 12, 2006 the company announces that Hartford Investments Canada Corp. had entered into an exclusive new investment management partnership for one of its key funds. Through this partnership, Bill Kanko (a 25-year veteran of the Canadian mutual fund business) and his firm, Black Creek Investment Management Inc., will become the sub-adviser for The Hartford Global Leaders Fund, effective June 2006 [6]. These additions to The Hartford's team in Canada are starting to drive solid business results. Another important event for the Hartford was the expansion of consultative services for employers.

Skyrocketing gasoline prices, the competitive business environment, soaring healthcare costs -- those are just a few of the high-pressure issues facing today's employers. The Hartford Financial Services Group, Inc. understands that business owners often don't have the resources, or expertise to track and analyze the health and disability trends of their employees. That's why The Hartford provides its group disability customers with free annual analyses, tracking health, absence and productivity trends, such as frequency and type of disability claims. After the review, the insurer provides extensive reporting to update employers on trends impacting their business, as well as recommended strategies to help keep employees healthy and productive. These events made a
strong impact in the company’s stock. The changes are reflected in the graph above.

**PFE vs. JNJ**

It’s been a week full of events for Pfizer Inc. causing a lot of changes in the company’s stock market. Tuesday, June 13, 2006 marked an important date for Pfizer, as the company announced that it has completed the acquisition of worldwide rights to the new drug candidate fesoterodine from Schwarz Pharma AG following the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Pfizer and Schwarz Pharma entered into a global license agreement in April for Pfizer to acquire exclusive worldwide rights to fesoterodine, a new drug candidate for treatment for overactive bladder [7]. In conjunction with Hart-Scott-Rodino clearance, Pfizer will make an initial payment...
of $100 million to Schwarz Pharma. Later in the week, the news strikes that Pfizer and Bayer make a deal on obesity and diabetes drug. Pfizer Inc. received exclusive worldwide rights to a class of Bayer Pharmaceuticals Corp. compounds that could lead to treatments for diabetes and obesity, the companies said. [7] These events and others obviously affected the changes in the stock; going up and down. On the other side, Johnson and Johnson's stock seems to be doing pretty good. The news and events of this week did not have a big impact in the stock of Johnson and Johnson. However, we can see obviously see from the graph that Johnson and Johnson’s stock is doing better than that of Pfizer's.

**DELL vs. HPQ**

![Chart of Dell Inc. vs. HP for the week of June, 12th 2006 -June 16th 2006](http://finance.yahoo.com/)

**Figure 5.27** Chart of Dell Inc. vs. HP for the week of June, 12th 2006 -June 16th 2006

Looking at the graph above, we see that Dell Inc. stock and that of Hewlett and Packard went in two different directions by the end of the week of June 12, 2006
till June 16, 2006. At the beginning of the week the companies were basically in
the same line, for then to go after in two separate ways. These came as a result
of what happened during this week in these two companies in aspect of news
and events. On June 16, 2006, Kevin Rollins, the chief executive of Dell
commented on what has gone wrong for the past year at his company, the
world's largest computer maker. He does not want to dwell. He calls that
"wallowing." Though the company has faltered, for the first time growing more
slowly than the rest of the personal computer industry, it is not a crisis, Rollins
said. Dell will be growing more slowly, he said, but it will still grow faster than
industry rivals while improving profitability and increasing market share [6].
Obviously, Dell Inc. is encountering problems right now. Hopefully things will
improve, but for the moment Dell’s stock seems to go down and down. On the
other hand, HP seems to be doing pretty good. On June 15, 2006 Hewlett-
Packard announced the touting of a new blade server technology that it hopes
will serve to ease management of more modular blades, which are also more
energy-efficient and cooler thanks to new technology. Hewlett-Packard unveiled
a design for its blade servers Wednesday that will let people cram up to 16
separate servers or storage devices into a 17-inch box.
The HP BladeSystem C-Class is the company’s latest attempt at designing a
chassis for thin blade servers, which are changing the way enterprise customers
think about using their data centers, said Ann Livermore, executive vice
president of HP’s Technology Solutions Group.
"This is a big announcement that comes in a very small package," Livermore said as she unveiled the new chassis [6]. This was the biggest news for HP this week, which probably affected the stock to go higher and higher; much higher than that of Dell's Inc.


**THG vs. HIG**

![Chart of Hartford Fin Svc vs. Hanover Ins. for the week of June, 19th 2006 -June 23rd 2006](http://finance.yahoo.com/)

*Figure 5.28* Chart of Hartford Fin Svc vs. Hanover Ins. for the week of June, 19th 2006 -June 23rd 2006

The week of June 19th 2006-June 23rd 2006 was not an important week in terms of events for The Hanover Insurance Group and The Hartford. No significant decisions were made. However, both companies seem to do better this week than last week. The stocks have increased quite a bit; especially for Hanover Insurance with an increase from -6% last week to -3% this week. This increase in
stock might come as the result of the winning of the Computerworld Honors Program by Hanover on Friday, June 23rd 2006. The Computerworld Honors is the longest running global program to honor individuals and organizations that use information technology to benefit society. Hanover was recognized as a Laureate Finalist by IDG's Computerworld Honors Program, for technology initiatives that deliver on the company's promise to provide agent partners with world class competitive products and simplified business processes. The Hanover was recognized as a Laureate Finalist in the 'Finance, Insurance and Real Estate' category, along with the Chicago Stock Exchange, Fidelity Investments, The Bank of New York and JP Morgan Chase. Marita Zuraitis, president of The Hanover's property and casualty companies said it was gratifying to win this award in recognition of the technology solutions the company has implemented to benefit their agent partners and their customers [7].

Also, again on Friday, June 23rd 2006, another significant announcement came for The Hanover Insurance Group.

A.M. Best Co. had affirmed financial strength rating (FSR) of A- (Excellent) and the issuer credit ratings (ICRs) of "a-" for Hanover Insurance Group Property and Casualty Companies Additionally, A.M. Best had affirmed the ICR of "bbb-" and the debt ratings of "bbb-" for senior debt and "bb" for capital securities of the publicly-traded holding company, The Hanover Insurance Group, Inc. All ratings have a stable outlook. A.M. Best Co., is established in 1899, and is one of the worlds oldest and most authoritative insurance rating and information source. So far, this week looks pretty good for Hanover, which also indicates that the stock is
going upwards [7]. On the other side, The Hartford, seems to be doing pretty good too. There’s not a big increase in the stock, however, things are going well. On Monday, June 19th 2006, The Hartford announced that it will expand its consultative services for employers. Skyrocketing gasoline prices, the ever-changing competitive business environment, soaring healthcare costs are just a few of the high-pressure issues facing today’s employers. That’s why The Hartford decided to provide its group disability customers with free annual analyses, tracking health, absence and productivity trends, such as frequency and type of disability claims. After the review, the insurer provides extensive reporting to update employers on trends impacting their business, as well as recommended strategies to help keep employees healthy and productive. This is an important decision for The Hartford and that’s why we see a slight increase in the stock market. In addition, A.M. Best has affirmed the FSR of A+ (Superior) and the ICR of "aa-" of Hartford Life. HLI and its affiliates constitute the life operations of The Hartford Financial Services Group, Inc [6].

**PFE vs. JNJ**

The week of June 19th 2006-June 23rd 2006 shows significant changes in the stock of Pfizer Inc. and Johnson & Johnson. We can see an obvious downfall for Pfizer’s stock and a slightly increase in that of J&J. This week has been an important week for both Pfizer Inc and J&J. Pfizer is not looking that good,
Figure 5.29 Chart of Pfizer Inc vs. J&J for the week of June, 19th 2006 - June 23rd 2006

facing all sorts of problems right now. On Tuesday, June 20th 2006, Chinese Pharmaceutical Firms appealed court ruling which upheld Pfizer's Viagra patent. There are twelve Chinese pharmaceutical companies which are appealing a court ruling that sides with Pfizer Inc. and prevents local drug makers from selling generic versions of Viagra. The companies filed the appeal on Monday, June 19th 2006 at Beijing's High People's Court, calling for the reversal of the June 5 decision by a lower court to uphold Pfizer's patent for the impotence drug. Important news was announced on Thursday, June 22nd 2006, when Pfizer said it will end deal on sleep drug [6]. On Thursday Pfizer ended its deal with Neurocrine Biosciences to develop and market indiplon, a sleep drug facing an uncertain regulatory future, in a move that could prompt it to look for a replacement. At least one analyst has speculated that Pfizer could seek such a replacement for indiplon by acquiring Sepracor, a small US drugmaker, whose
biggest product is sleep drug Lunesta. Sepracor's shares closed at $56.42 on Thursday in New York trading. The price was almost 18 per cent higher than levels seen on Monday after renewed speculation about the company's future. On the other hand, J&J seems to do excellent right now. On Thursday, June 20th, the management team for TD Ameritrade came out last week and said things were going well at the company; Jim Cramer told a caller to his "RealMoney" radio show on Tuesday, June 20th 2006 [6]. However, because Cramer said he could only rely on what the business has been saying, he advised the caller not to bail on the stock. Cramer said he could not remember Johnson & Johnson selling as cheaply as it now is. Also, the end of this week marked an important decision for J&J. On Friday, June 23rd FDA approved new Johnson & Johnson drug Prezista to treat HIV. The drug is the first approved HIV medication for J&J. It's also the first new HIV drug approved since June 22, 2005 [6]. This is a big step forward for J&J.

DELL vs. HPQ

There is a big difference in the stock of Dell and HP this week compared to last week. As seen in the graph above the stocks seem to be going up and down for then after to meet both in the same point at -2% by the end of the week. In general, still HP is doing better than Dell. In contrast to last week, when Dell and HP were going in the same path at the beginning of the week, for then to go after in two separate ways; this week is different. The stock of Dell and HP seems not to be stable from Monday to Thursday and then Friday, June 23rd.
both ends meet. Dell, still seem to have difficulty. The company is not doing that good right now. On Tuesday, June 20th 2006, Dell announced the notebook Latitude(TM) D420, a sleek ultraportable with a starting weight of three pounds(1), and the potential to deliver more than seven hours of battery life [6]. With this newest addition, Dell completes a major update of its Latitude notebook portfolio, incorporating increased security, connectivity and durability into the No. 1 notebook choice for businesses worldwide. However, even with this new innovation, the stock of Dell is still going downwards. HP on the other side seems to be doing great. Hewlett-Packard Co. expects a strong back-to-school season for its notebook computer business and sees no signs of the consumer laptop PC market slowing. HP's notebook business rolled out more than a dozen products and services early last month aimed at consumers and businesses, including newly redesigned business laptops and HP Pavilion and Compaq Presario
notebooks for consumers. So, thumbs up for HP. The company’s stock is looking increasingly attractive right now.


THG vs. HIG

![Figure 5.31 Chart of Hartford Fin Svc vs. Hanover Ins. for the week of June, 26th 2006 -June 30th 2006](http://finance.yahoo.com/)

The week of June, 23rd 2006 -June 30th 2006 shows a significant increase in the stock value for both Hanover Insurance Group and Hartford Financial Services. The companies' stock market goes from a -3.0% end value from last week to a +9.0% for Hanover Insurance Group and a +2.5% for The Hartford Financial Services this week. Hanover did much better this week than The Hartford, even though last week was totally the opposite. On Monday, June 26th 2006, The Hanover Insurance Group, Inc. announced it had made it easier and faster for
independent agents to do business with the company by revamping its point-of-sale (POS) system for Avenues(TM) Commercial Auto [7]. Using the enhanced POS system, it takes agents just minutes to fill-out five quick, pop-up, screens and obtain a commercial auto quote for a client. The POS system is yet another significant step forward to make it easier and more profitable for agents to do business with The Hanover. The Hartford, on the other side, had an important week full of news and events, but with no significant impact on the company’s stock. An important announcement was that of Wednesday, June 28th 2006, when A.M. Best Co. affirmed the financial strength rating (FSR) of A+ (Superior) and the issuer credit ratings (ICR) of "aa-" of the Hartford Insurance Pool (The Pool) and its members. Concurrently, A.M. Best affirmed the ICR of "a-", the senior debt ratings of "a-" and the indicative debt ratings under the shelf registration for The Hartford Financial Services Group, Inc. (The Hartford) [7]. All ratings had stable outlook. Although hurricane losses impacted results in 2005 and 2004, The Hartford has demonstrated expertise with regard to managing the various risks across its enterprise. With regard to catastrophe management, The Hartford assesses its risks on both a gross and net basis as a percentage of surplus and has a reinsurance program that has provided adequate protection from the hurricane activity of the last two years. I hope things will get better for The Hartford Financial Services on the upcoming week. Also, we hope that those companies’ stock will continue to go higher and higher as next week comes.
PFE vs. JNJ

Figure 5.32 Chart of Pfizer Inc vs. J&J for the week of June, 26th 2006 - June 30th 2006

Pfizer Inc.’s stock did much better this week than last week. There is a big increase in the stock value; going from a -4.0% ending value from last week to a +0.5% this week. On the other side, Johnson & Johnson’s performance this week was not as good as last week. The company’s stock went down Tuesday, June 27th 2006 all the way till the beginning of the day on Thursday, June 29th 2006. The stock started increasing in value by the end of the day on Thursday. The week of June, 23rd 2006 - June 30th 2006 marks an important week in decision making for both Pfizer and J&J. On Monday, June 26th 2006, Johnson & Johnson made the announcement that it is buying drug maker Pfizer Inc.’s consumer health care unit for $16.6 billion in cash [6]. Pfizer said it would buy back stock worth roughly the same amount. The assets being acquired are personal care and over-the-counter products, such as Listerine, that had 2005
sales of $3.9 billion, Johnson and Johnson said Monday. Pfizer said the deal, set to close by year-end, would result in about $13.5 billion in after-tax proceeds. Pfizer also said it expects that in the next 18 months it will buy as much as $17 billion of its common stock [6]. The acquisition is expected to be accretive to Johnson & Johnson's earnings per share on a cash basis in 2009. On Tuesday, June 27th 2006 in New Delhi, India, Pfizer India, a subsidiary of the global pharmaceutical major Pfizer Inc, on Monday said it was evaluating the impact of the sale of global consumer healthcare business by its parent to Johnson and Johnson. At the moment, Pfizer India is in the process of evaluating how the deal would impact operations in India. They want to be clear as to what all other business and brands are likely to fall under the consumer healthcare category, and then they would be able to share the financial impact of the deal in India. On Thursday, June 29th 2006, shares of Pfizer Inc. are expected to get some lift after reports that the world's largest drug maker will make a generic version of its own branded antidepressant Zoloft to compete with generic drug makers when the drug loses patent protection Friday [7]. The Wall Street Journal reported that Pfizer executives released plans to use the company's generic drug making unit Greenstone Ltd. to make an unbranded version of Zoloft. Pfizer used Greenstone in a similar strategy in October 2004 to release a generic version of its Neurontin epilepsy treatment to compete with generic drug maker Alpharma Inc. [7] Things are look pretty good for both these companies. Let’s hope it’s going to stay this way.
The week of June 26th 2006-June 30th 2006 was a better week than last week for both Dell Inc. and HPQ. Even though, as we know so far, Dell is experiencing all kinds of problems based on the price action in Dell’s stock, the stock’s value increased this week with a +0.5% ending value. Last week’s ending value marked -2.0%. Dell's problem is familiar. Its ability to deliver sequential revenue and earnings gains has taken it out of the momentum stock group often favored by large mutual funds. That means that big money has steadily flowed out of the stock. Yet, here is an interesting statistic. On Monday, June 26th 2006, Dr. Joe Duarte commented on Dell Inc.’s stock saying that according to Market Guide, mutual funds/institutions have dumped some five million shares of Dell in the last 90 days, while company insiders have bought some 2.9 million shares.” Duarte continued saying that Dell is trying to expand into the risky store-based retail
market, a boom for Apple, but a dismal failure for barely alive Gateway [6]. Dell is also cutting prices, hoping to gain market share. Wall Street hates it, but insiders seem to be positive about the business plan. So, Duarte concluded that we are witnessing a classic battle between institutions and company insiders. No one knows who's likely to win. But, the stock will let us know who won soon enough.

On Wednesday, June 28th 2006, Dell announced Platinum Plus; its latest enterprise service with the highest level of support for server and storage system customers. Platinum Plus will provide breakthrough productivity tools and is a key differentiator in Dell's strategy to enable a higher level of control for its business, education and government customers, which comprise about 85 percent of Dell's revenue [6].

"This premium 7x24 service is the latest result of more than $200 million Dell has invested in enterprise service and support over the past several years," said Brad Anderson, senior vice president. HP announced an important news on Monday, June 26th 2006, saying that would expand their existing strategic alliance. Microsoft Corp. and HP announced a joint effort focused on accelerating the transformation of telephony, audio-, video- and web conferencing, and instant messaging into a single unified communications platform. Under this initiative, highlighted at a strategy event in San Francisco, HP will provide enterprise servers and systems integration services for new and enhanced products within Microsoft's unified communications platform, including Microsoft® Office Communications Server 2007, Microsoft Office Communicator 2007, Microsoft Office Live Meeting, Microsoft Office RoundTable(TM), Communicator phone
experience and Microsoft Exchange Server 2007. HP’s efforts, coupled with Microsoft’s vision for unified communications, will help to enable simpler collaboration among information workers, providing businesses with new capabilities to leverage existing infrastructures and increase productivity. This relationship signals a strategic effort from both companies to enable a seamless unified communications experience [6]. On Tuesday, June 27th 2006, HP announced the expansion of its product return and recycling program to reach more customers and create new ways for people to discard used or unwanted electronic equipment in a convenient and environmentally responsible manner. HP also is expanding its product take back offering throughout Asia Pacific and Japan, where the company has aligned its trade-in, refurbishing and recycling operations to offer full asset-recovery services to commercial customers in the region. These services match existing consolidated asset-recovery and recycling services offered by HP in Europe and the Americas. Consumer collection programs also are planned for specified locations in Australia, China and France. HP is on target to meet its global goal to recycle 1 billion pounds of hardware and HP print cartridges by the end of 2007[6]. Let’s see how things will go next week for Dell and HP.

Week 4 (7/03/2006 – 7/07/2006)

THG vs. HIG

Hanover Insurance Group and Hartford Financial Services are not doing as good this week as in comparison to last week. The Hanover’s stock ending value this
Figure 5.34 Chart of Hartford Fin Svc vs. Hanover Ins. for the week of July, 3\textsuperscript{rd} 2006 - July 7\textsuperscript{th} 2006

week reached +2.0\%, while The Hartford is doing worse with an ending value of -1.8\%. The Hanover keeps going strong, while The Hartford seems to run into some problems. On Wednesday, July 5\textsuperscript{th} 2006, The Hanover Insurance Group, Inc. announced that it has introduced a Business Owner's Policy (BOP) class comparison look-up tool. The tool is designed to help The Hanover's agent partners quickly and efficiently categorize a small business owner's industry classification and obtain a quote for the company's Avenues(TM) BOP faster than ever. The BOP class comparison look-up tool was launched to complement The Hanover's fully automated, user-friendly, small commercial platform, which rivals the best in the business and helps agents easily quote, issue, and endorse BOP, commercial auto, umbrella, and workers' compensation policies online [7]. There was nothing important regarding news and events for The Hartford this week. Let's hope things will get better for The Hartford.
This week was full of events and news for both Pfizer Inc. and Johnson & Johnson. The companies’ stocks went up and down during the week, but picked up pretty fast by the end of the week reaching an ending value of +1.0% for both companies. On Friday June 30th 2006, Pfizer Inc., announced that it plans to sell its own cheaper version of its blockbuster antidepressant Zoloft [6]. New York-based Pfizer, the world’s biggest drug maker, said it will market the so-called authorized generic through a subsidiary, Greenstone Ltd., which was acquired as part of its 2003 purchase of Pharmacia Corp. Zoloft, with more than $3 billion in worldwide sales in 2005, loses its patent exclusivity today [6]. A generic version from the Israeli drug maker Teva is expected to receive approval from the U.S. Food and Drug Administration. About 70 U.S.-approved drugs are expected to
lose patent protection by 2011. The generic competition to these drugs may trim U.S. prescription drug costs by about $49 billion in that time, analysts have said. Once a generic is on the market, pharmacists can automatically dispense the lower-cost version to most patients [6]. Pfizer's shares rose 34 cents to $23.24 on Thursday, June 29th 2006. One of the news that we think had an impact on Pfizer's stock was announced on Monday, July 3rd 2006, when Western companies doing business in China decided to use diverse new strategies to fight the intellectual property piracy rampant in that market. Pfizer Inc. are taking the advice of local experts, dropping prices and making full use of anti-piracy technology. They hope that by lowering prices Chinese consumers will choose the high-quality, legitimate versions of the films rather than buy the cheap, but often lower quality bootlegs.

Also, on Monday, July 3rd 2006, Michigan scientists are now in the final stop in the drug pipeline before Pfizer Inc.'s potential new medicines are tested on people. Kalamazoo became the primary site for animal testing that precedes any of Pfizer's human drug trials last year during the pharmaceutical company's $4-billion worldwide restructuring. Pfizer consolidated the work previously done at four sites in Kalamazoo. That means scientists at the company's western Michigan hub will now examine nearly every new Pfizer drug that makes it to market. Pfizer doesn't take animal testing lightly. The point of animal testing, which the federal government regulates, is to test chemical compounds that all early studies indicate will create a useful chemical reaction in organisms. If the drugs don't work in the way expected on animals or cause additional problems,
the drug can be pulled before humans are hurt [7]. An Important new was announced on July 5th 2006, when Pfizer Inc, decided to donate 100 million doses of its long-acting antibiotic, Zithromax (azithromycin) to developing countries by 2008, to help them eliminate blinding trachoma, the world's leading cause of preventable blindness. In Nigeria, it is estimated that a blindness prevalence of about 20 per cent is due to trachoma. Over 90 per cent of people affected do not seek medical attention, mainly as a result of cost of treatment [7]. The disease is of public health significance, especially in the northern parts of the country, hence, the need for effective trachoma control programme with emphasis on lid surgery. On Wednesday, July 5th 2006, Pfizer Inc. said it will launch its antidepressant drug Zoloft in Japan on Friday, July 7th and would expect annual sales to reach 48.2 billion yen ($420 million) within six years. Zoloft was first approved in England in 1990 and is available in about 110 countries. Global sales of the product came to $3.26 billion in 2005. In the United States, Pfizer is introducing a generic version of Zoloft, the company said. Hampered by the Japanese regulators' slow review process for new drugs and the high cost of clinical trials, many widely used treatments available elsewhere are not available in Japan [6].

On June 30th 2006, Kansas City based law firm, Peterson & Associates, P.C., announced that is had filed suit against Ortho McNeil Pharmaceutical, Inc., a division of Johnson & Johnson on behalf of a 46-year-old woman and her husband. The woman suffered a stroke while using the Ortho Evra(r) Birth Control Patch for only three months. It is alleged that Ortho McNeil and its parent
company Johnson and Johnson were aware of the increased medical risks associated with Ortho Evra(r) before the drug was approved by the FDA. It is also alleged that even after the drug was approved, both companies failed to adequately warn patients about the risks. Evidence allegedly shows that the risk of developing blood clots and injuries caused by them (such as strokes) is significantly higher using the Ortho Evra(r) Patch versus the birth control pill [6].

On Monday, July 3rd 2006, Vertex Pharmaceuticals gained 15 percent last week on news the company had signed a deal with Johnson & Johnson for J&J to market Vertex hepatitis C drug, VX-950, internationally. Vertex will retain the rights to market VX-950 in the U.S. while J&J's Janssen Pharmaceutica division will sell the drug everywhere else except Asia. J&J will pay $165 million up front and receive up to $380 million in additional payments. The drug is now in Phase II clinical testing [7].

On, Tuesday, July 4th 2006, Johnson & Johnson bought Pfizer's consumer health products division. The $A16.6 billion ($A22.7 billion) deal includes brands such as Listerine and Nicorette. Pfizer's consumer brands have annual sales of roughly $US4 billion ($A5.4 billion). It is expected that the purchase will boost Johnson & Johnson's revenue from non-prescription drugs, offsetting any lost sales once generic drugs are allowed to compete with the US firm's popular "Risperdal" and "Topomax" pharmaceuticals [7].

On Friday, July 7th 2006, Bank of America analyst Glenn J. Novarro said the second-quarter earnings report due July 18 from Johnson &Johnson should
show that the company's pharmaceutical business is "on the cusp of a turnaround." Johnson & Johnson remains Novarro's "top pick" in the medical supplies and devices sector, rated "buy" with a price target of $65. The company is expected to file five new drugs in 2007, several of which have the potential to be filed sooner than expected [6].

**DELL vs. HPQ**

![Chart of Dell Inc. vs. HP for the week of July, 3\textsuperscript{rd} 2006 –July 7\textsuperscript{th} 2006](http://finance.yahoo.com/)

**Figure 5.37** Chart of Dell Inc. vs. HP for the week of July, 3\textsuperscript{rd} 2006 –July 7\textsuperscript{th} 2006

The week of June, 30\textsuperscript{th} 2006 –July 7\textsuperscript{th} 2006 seems to be a totally different week for Dell's and HP's stock than last week. Dell's stock keeps going down and down. HP, on the other hand picks up pretty good this week. HP's ending stock value reached +2.0%, while Dell's reached -4.0%, much worse than last week's ending value of +2.5%. Apple seems set to gain momentum in the US education market this year, according to TechnoMetrica Market Intelligence [6].
The company ran a survey into consumer computer-buying habits. The survey showed Apple in a tie with second-place computer maker HP in the battle for consumer hearts and minds. Both were the brand choice of 11 per cent of prospective buyers. The two firms lag behind Dell's 41 per cent brand choice figure, but that figure is sliding: Dell took 48 per cent in May and 55 per cent April [6].

On Friday, July 7th 2006, the announcement came out that the deal between AMD and Dell is already done. The companies are now just looking for the best timing to tell the world+dog about the deal. Dell is the last big customer that explicitly refuses to buy AMD desktop CPUs but that's all over now, according to a senior executive I talked to from AMD. This includes consumer products and the announcement is expected in the next few weeks as both Dell and AMD don't want to freak out the OEMs with this sudden decision. Dell can benefit from AMD CPUs as some of its potential customers want AMD only. Intel is getting the press momentum with the forthcoming Conroe, but it will take a lot of effort for the blue company to fuel up the channel with Core2 Duo CPUs and Woodcrest and, at a later date, even mobile Meroms. AMD can pump enough AM2 CPUs [7]. Pricing, however, is a different kettle of tea leaves. HP had a week full of events and news.

Acacia Research Corporation on Monday, July 3rd 2006 announced that its subsidiary Computer Docking Station Corporation, a part of its Acacia Technologies group, had entered into a license agreement with Hewlett-Packard Company. The company said that the license covering patents that relate to
laptop connectivity technology. According to the company, the patented technology is used to connect a laptop or other portable computer to multiple external devices such as a keyboard, monitor, printer, or mouse, through a single connector from the portable computer to the docking station [7].

On Tuesday, July 4th 2006, -- HP Middle East, the region's largest technology and solutions provider has announced the launch of a new, full-featured, and affordably priced business desktop PC. The new desktop offers essential features and proven technology to help deliver quality and performance for entry-level business requirements and beyond. The HP Compaq dx2200 Business Desktop PC is a robust microtower PC, featuring Intel technology, capable of tackling the most common business applications and tasks routinely found in commercial environments [6].

On Thursday, July 7th 2006, HP announced a marketing initiative with Vodafone, the world’s largest mobile community, which will provide customers around the world with access to Vodafone’s global 3G and 3G broadband high-speed service built into future HP Broadband Wireless business notebooks. As part of the collaboration, future HP broadband wireless notebooks will integrate Vodafone’s global 3G and 3G broadband (HSDPA) high-speed service. This will enable customers to enjoy more secure wireless access to email, the Internet and critical business data(1) while living, working or traveling throughout major Vodafone markets including Western Europe and the Pacific region [6].
On Friday, July 7th 2006, HP issued a proud but vague press release, saying it has plans to save money by cutting back on real estate sprawl.

The shift to more centralized campuses has become a common approach of technology giants that bloated up through acquisitions over the past few years. HP carries more baggage than most with the remnants of Compaq, DEC and Tandem still lingering. HP also has to deal with all of the office space gained through myriad smaller acquisitions.

HP, however, hasn't provided much in the way of detail about how many offices it plans to close down.
Chapter 6  Analysis

6.1  Comparison Between Different Methods

We used 2 short term trading methods through our 4-week trading practice, Day trading and Swing trading. We also decided to use them to trade different stocks, as we not only wanted to learn more about the methods, but also about stocks from different industries.

Thus we picked two industries, oil & gas, and wireless communications, as we were thinking their prices were more likely to have bigger changes on a daily basis, because of the very frequent shifts on the oil prices, and the rapid development of cell phone services. This later proved to be a not bad decision. Apart from certain weeks there had been no big events coming up for some of the companies, which made it harder for us to do the trading, as we were not professional brokers and did not share some of the insights which could have helped a lot. So most of the time we relied on the instant spread of news online, tried to get a reasonable guess about where the stock was going, and then took action. We usually stayed online from at least 8:00 o’clock in the morning, until one hour after the market was closed, trying to grasp even a very small chance that we could make a profit or we could have made a mistake somewhere. There were some crazy days when we made a mistake and had to do hedging a lot of times, or no big shifting in the price happened as we expected, and we needed to take some action every 2 hours for the same stock, like on June 21st for XOM,
July 5th for RDS-B, and the week from June 26th to June 30th for almost all of these 4 stocks.

We used the other 3 industries for swing trading, and except for the times when made a mistake and misestimated the trend of the price and had to correct it at the next moment possible, we pretty much just did the trading on a weekly basis, which worked fine for us most of the time, apart from some of the time the stock was just going up and down all the time around one point. Like on June 13th for HPQ, June 28th for JNJ, June 29th for PFE, July 5th for HIG, we had to do something we would usually do on our day trading stocks, as we needed to correct our mistakes before, or we just could not sit there and miss an opportunity for possible profit.

<table>
<thead>
<tr>
<th>Week 1</th>
<th>Week 2</th>
<th>Week 3</th>
<th>Week 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Day trading</strong></td>
<td><strong>Swing trading</strong></td>
<td><strong>Day trading</strong></td>
<td><strong>Swing trading</strong></td>
</tr>
<tr>
<td>Profit</td>
<td>Shares</td>
<td>Profit</td>
<td>Shares</td>
</tr>
<tr>
<td>$2,516.00</td>
<td>2700</td>
<td>$1,435.00</td>
<td>2900</td>
</tr>
<tr>
<td>$1,134.00</td>
<td>2100</td>
<td>$2,039.00</td>
<td>1600</td>
</tr>
</tbody>
</table>

**Table 5** Profit and shares traded by week

<table>
<thead>
<tr>
<th>Total</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Day trading</strong></td>
<td><strong>Swing trading</strong></td>
</tr>
<tr>
<td>Profit</td>
<td>Shares</td>
</tr>
<tr>
<td>$8,348.00</td>
<td>10350</td>
</tr>
<tr>
<td>$14,751.00</td>
<td>17750</td>
</tr>
</tbody>
</table>

**Table 6** Total and average profit and shares traded
Looking at the profit we got in this one month, about 56.6% was from the day trading stocks, and the rest 43.4% was on the swing trading ones. There could be several potential reasons for this. We traded about 4437.50 shares of stocks per week, among which around 58.3%, namely, 2587.5 shares are on day trading, and the rest 1850 are for swing trading stocks. We basically did not change much the number of shares we trade each time for any stocks, and sometimes when the price changed only a little bit, and we could have earned more profit by trading in large number of shares, we have neither the courage nor the money to do so, as we were not always 100% sure of our conclusions. And obviously, we did spend much more time on day trading than swing trading in the past 4 weeks.

6.2 Impact of Events on Stock Behaviors

News and events place an important part in stock’s behavior. During our trading period we studied the relation between the number of news announcements reported daily by Dow Jones & Company and total market activity. We found out that the number of Dow Jones announcements and market activity are directly related. However, even though the observed relation is pretty strong, it doesn’t mean that the amount of information that is publicly reported affects the trading activity and the price movements in the market. We also saw that in the companies we chose for trading there was impact of news and events in the stock’s performance, but not all the time. Pfizer Inc. and Dell Inc. are the big
protagonists of our trading. These two companies reflected a great change in their stocks in relationship to the announcements and events that went along with them each day. The other companies in our industries, reflected some changes sometimes, but not all the time and those changes were slightly small, so we couldn’t really draw any conclusions. However, in the end we reached the conclusion that events and news contribute in the stock market behavior.
Chapter 7    Conclusions

7.1    Future Expectations

Since this IQP was written during a short period of time, we could only complete the short-time trades. After doing some research and getting basic ideas about the stock market and the companies we invested in, we decided to start our trades and did them for a period of four weeks. When the simulation was done, we concluded how the short-term trading had performed. Looking at our trading and at our companies, we expect some of them to do pretty good in the future. Johnson & Johnson and HP’s future looks brilliant as up to now. Other companies, especially Dell’s and our gas companies’ future looks not as good, with some uncertainties coming up. The latest conflict that’s going on right now between Lebanon and Israel will cause a big change in the gas’s prices. Royal Dutch Shell Inc. and Exxon Mobil’s future looks very hesitant for the moment. Verizon, Vodafone, Pfizer, Hanover and Hartford look stable for now. Let’s see what’s going to happen in the future. We hope that our companies’ stocks rise up and up for the days to come. So, in the future there’s only profits not loses.
7.2 Knowledge Gained Through The Completion Of The Project

For both of us, this past month was the first time that we did some intensive simulated trading.

In the first week, we traded some shares of all the stocks we picked on the first day, which was a little frustrating, as we were so excited that we finally “started” trading. After that day, we found out some obvious mistakes on judging the trend of the stocks, and up till now we are still very happy about the fact that our strategy of hedging started in the very first week, and on the second day of our trading practice. In that very week, we were mostly trading on an amount of 200 shares per time, and added up a little to 300 shares for stocks we were more confident in its next step, or, in hope of making up the loss we were going to confront. We began to trade most of the stocks on 300 shares per time in the second week, if not all of them, as we were getting a little bold seeing the $3650.00 profit we made during the past period. However, we met one of our biggest and unexpected problems in the third week for the very first time, lack of cash, and our cash balance even went down to $1090.00 at some point, comparing to our initial asset of $100,000.00. Also only in this week did we ever have a 100 share per time for some of the stocks, after a maximum of 400 the previous week. So again we went back to being very careful about buying in, while as short selling would not cause a cash problem right away, we were a little loose on that, in the last week.
For most of the transactions, especially for day trading at some point, we were required to have the ability to make instant and correct decisions on the next action we were going to take depending upon the information we had in hand, and some times we did make mistakes. However, we were really glad to realize that, comparing to the somewhat random guesses we went through at the beginning of the month, we were able to actually judge from the news we found, and make right decisions. Not only that, we also developed our own system of error handling, and ways to deal with the situations when there were no big events we could consult on over a long period of time. As we mentioned before, we used hedging a lot of times when there was a mistake, and we would even be willing to lose certain amount of money to sell or cover the stocks before any big losses took place. And we got better and better on grasp the moment to take action, like buying in just as the price started to rise, or selling short right after the price began to take a downward position.

In the course of this project, we started as two people who did not know a thing about the real stock market, through a long process of learning about the mechanics, deciding on the trading methods, selecting industries and companies to trade on, watching the prices, collecting news and doing trading online, trying to summarize and analyze the stocks’ and our actions once in a while, and finally got a simulated profit of $14751.00, a 14.75% out of our initial asset of $100,000.00. We feel contented with every little bit of the joy and experience we gained along the way.
References

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