

Who's The Patsy?

**Portfolios heavy
with
under-
performing
stocks almost
never
outperform the
market.**

Ignat's Law

**"If you've been
playing poker for
half an hour and
you still don't
know who the
patsy is, you're the
patsy."**

— **Warren Buffett**

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Some investors seem to believe that Wall Street and all its apparatus evolved to benefit the individual investor. This attitude seems childish and naïve.

Warren Buffett made a very penetrating observation about poker and who the "patsy" might be. Many investors never learn that they are the patsy in the stock market. This is most unfortunate and leads to a pattern of unsatisfactory returns by individual investors in the stock market.

In poker, they talk about the "up cards", the "down cards", and the "table talk." In the stock market, it seems that the majority of investors are really most interested in the "table talk." A whole industry has been created to inform investors about the "table talk." How much of this chatter really benefits the individual investor? Probably not much. What everyone knows doesn't mean much on Wall Street. What is actually going on is more important than the "table talk."

The "table talk" on Wall Street is often nothing more than the promotional activities of the brokerage firms and the public relations departments of companies. It must be understood that you are being told what these people want you to hear. That probably is not a contributing factor to your success as an investor. As Shakespeare said "never bring bad news" and "bad news infects the teller." Bad news is usually hard to discover on Wall Street and yet bad news may be the most important news of all. Investors must constantly search for bad news to protect their portfolio.

Bad news about a company is usually withheld until the major holders of the stock have liquidated their positions.

To paraphrase the famous song by Kinney Rogers, "The Gambler"; You've got you know when to hold'em, and know when to fold'em." This is a lesson that many investors, professional as well as individual, ignore or overlook its importance to winning the performance game.

The best source of unbiased information about a stock is its performance in the market. In the long-run, the stock will reflect the true financial performance of the company, regardless of the promotional "table talk" in the market along the way. The long-term point and figure charts of relative strength have proven to be a reliable indicator of what is truly happening in the performance of the company. This source of input about the stock takes place without any "table talk." In fact many times the input from the long-term chart of performance completely disagrees with the prevailing "table talk" about the merits of owning the stock.

What people are saying about the investment merits of the stock is not nearly as important as the message that is being transmitted by the performance of the stock in the market. Don't be a patsy, learn how to read the message from the market. The message from the market will tell you if you need to "fold'em" or to "hold'em." It's really quite simple and you won't need to watch the CNBC news so much or to read the financial press and its endless "table talk."

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