

Buy low and sell high to profit

Snehdeep Fulzele writes that the majority of investors book losses because they do not follow the basic principle of investing – buy low and sell high.

Making money in the market is assured, provided that investors stick to the basic principle of investing: buy low and sell high. However, the majority of investors book losses because they get carried away by the circumstances and end up buying high and selling low.

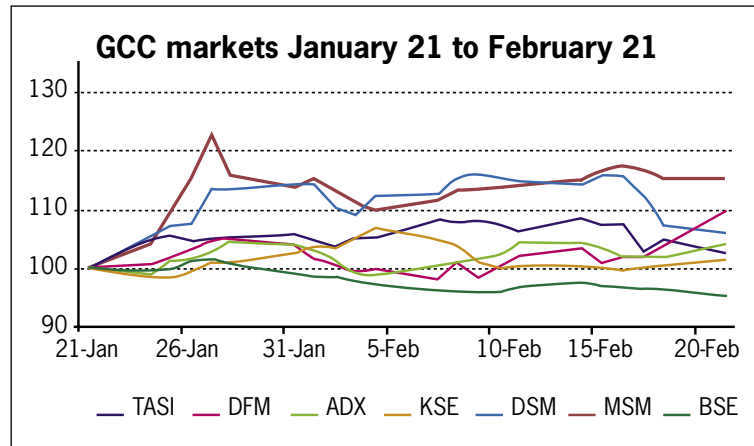
Corporate results from the fourth quarter of 2008 were disappointing. Looking to limit the damage from the domino effect, countries and companies alike are searching for ways to protect their turf.

In the GCC, the Saudi government has committed to record spending. The Kuwaiti government has assured the safety of deposits with banks. In Oman, the government has created a stability fund. In the UAE, the government and the central bank have announced a stimulus package. On the other hand, inflationary pressures are easing and oil prices are showing no signs of an imminent bounce back.

Inflation in Saudi Arabia touched 7.9 per cent in January, down from 9.9 per cent in December. The Saudi king has announced major changes in the government with a female deputy minister for the first time.

Six months have passed since the opening of the Gulf's largest bourse to foreign investors, but few investors have bitten the bullet. Those who have stayed away are fortunate, as the fall in market value has been sharp. Saudi British Bank and Saudi Hollandi Bank have announced stock dividends. Thirty-seven companies have announced cash dividends. The Tadawul All Share Index is down three per cent for the year, but opened the New Year with a nominal gain in January.

SHUAA Capital, based in the UAE, announced a loss of AED577.4 million for the last quarter of 2008 and warned of a difficult year ahead. In Kuwait, the Kuwait Investment Authority will own 16 per cent



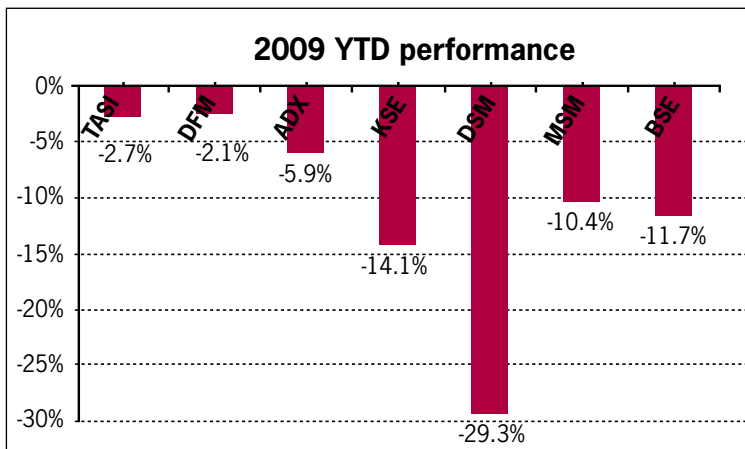
of troubled Gulf Bank after the commercial bank's capital increase.

We are already towards the end of the second month of the first quarter. Companies are facing the credit crunch. Banks are unwilling to lend despite monetary measures to ease liquidity. The whole situation suggests that governments need to be more proactive. The announcement of policies alone will not work. Implementation has to be more visible and impact has to trickle down to the level of companies and consumers.

First quarter results are not going to be encouraging, although they may not be as disappointing as the fourth quarter of last year. Overall, IPO activity in the region is abysmal. But in Saudi Arabia, Saudi Hollandi Capital handled the first IPO of the market in 2009. Newly licensed Al Atheeb Telecommunication Company offered its shares on par from January 24 to February 2. The issue was covered 3.5 times, with nearly 1.3 million investors applying. These figures are a good indication that investors' appetites for sound business models have not evaporated.

It is expected that corporate bottom lines will remain under pressure for the next two to three quarters. The oil price, the fodder of the GCC economies, is still languishing at the lower end of expectations. But they have ceased to be a driving force of stock prices since January 2006. Budget surpluses of the last few years should keep the local economies in good stead until the oil market turns buoyant again.

Right now, conditions do not seem rosy for corporate performance. As such, stock prices have sunk to levels not seen in the last few years. If we just alter the time of buying and selling, we will end up making profits instead of losses. After all, for making money, we need to buy low and sell high.



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