

Navigating Market Dynamics

Strategies for Effective Stock Selection and Portfolio Management




Amr Hussein Elalfy, MBA, CFA
Chief Equity Strategist, Thndr Securities Brokerage
Founder, BORSAGY.com

Saturday, 27 April 2024



Amr Hussein Elalfy MBA, CFA

- Chief Equity Strategist | Thndr Securities Brokerage
- Founder | BORSAGY.com
- Contributor | Zawya Arabic
- Board Member | CFA Society Egypt

Thndr/  | RUMBLE



Points of discussion

- I. Introduction
- II. Understanding Market Dynamics
- III. Strategies for Effective Stock Selection
- IV. Portfolio Management Techniques
- V. Real-Life Example – **Rumble Fundamental Portfolio**
- VI. Conclusion

I. Introduction

- Definition of market dynamics
 - Economic conditions.
 - Investor sentiment.
 - Market trends.

- Importance of ...
 - Stock selection.
 - Portfolio management.

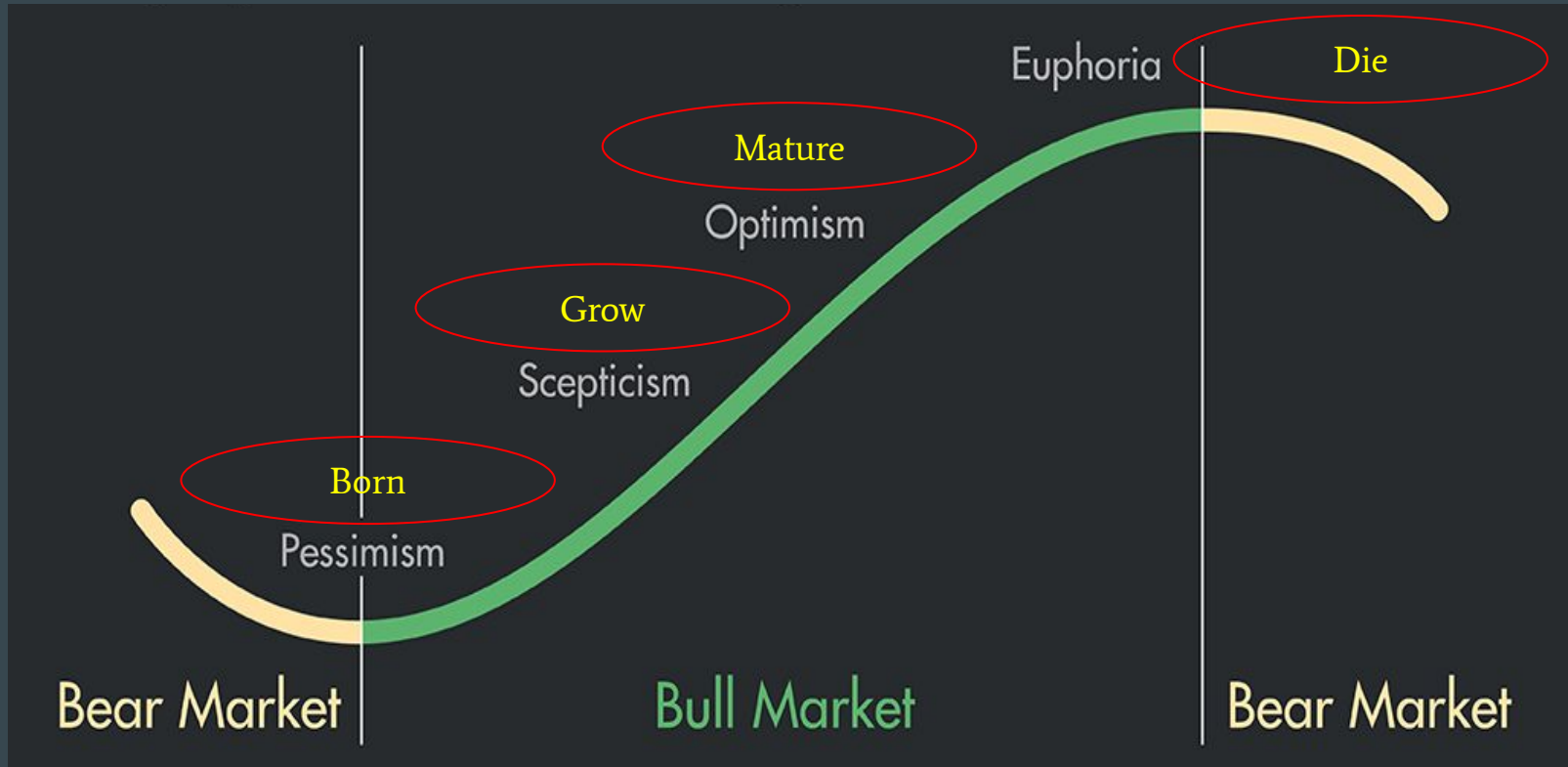
II. Understanding Market Dynamics



SIR JOHN TEMPLETON

**“Bull-markets are born on pessimism,
grow on skepticism, mature on optimism
and die on euphoria.”**

II. Understanding Market Dynamics



II. Understanding Market Dynamics

- Economic indicators and their impact on the market
 - Economic growth as measured by gross domestic product (GDP)
 - Currency devaluation
 - Inflation rates
 - Interest rates
- Company-specific drivers
 - Operational performance
 - News & events
 - M&A

II. Understanding Market Dynamics

- Market sentiment and investor behavior
 - Investor sentiment
 - Fear vs. greed
 - Individuals vs. institutions
 - Herd mentality
 - Widespread optimism → Excessive enthusiasm → Unsustainable stock prices
 - Fear-driven selling → Undervalued stocks

III. Strategies for Effective Stock Selection

- Investment process

Planning

Meeting with the client to set up the Investment Policy Statement (IPS)

Feedback

- Reviewing the performance (return vs. risk)
- Performance attribution
- Continuous feedback loop



Execution

- Asset allocation
- Security selection
- Execution

III. Strategies for Effective Stock Selection

- Fundamental analysis
 - Financial statements and ratios:
 - Fundamental analysis involves evaluating a company's financial health, including its revenue, earnings, and assets.
 - Examples of ratios:
 - Price-to-Earnings ratio (P/E).
 - Return on Equity (ROE).
 - Company valuation:
 - Intrinsic (fair) value of a company's stock.
 - Income approach (discounted cash flow).
 - Market approach (multiples).
 - Asset-based approach (liquidation).

III. Strategies for Effective Stock Selection

- Technical analysis
 - Chart patterns and trends
 - Price patterns, trends, and volume.
 - Examples:
 - Support and resistance levels..
 - Moving averages.
 - Indicators and oscillators
 - Overbought vs. oversold.
 - Examples:
 - Relative Strength Index (RSI): Measures the speed and change of price movements. An RSI above 70 may suggest overbought conditions, while below 30 may indicate oversold conditions.
 - Moving Average Convergence Divergence (MACD): Shows the relationship between two moving averages, helping identify bullish or bearish signals.

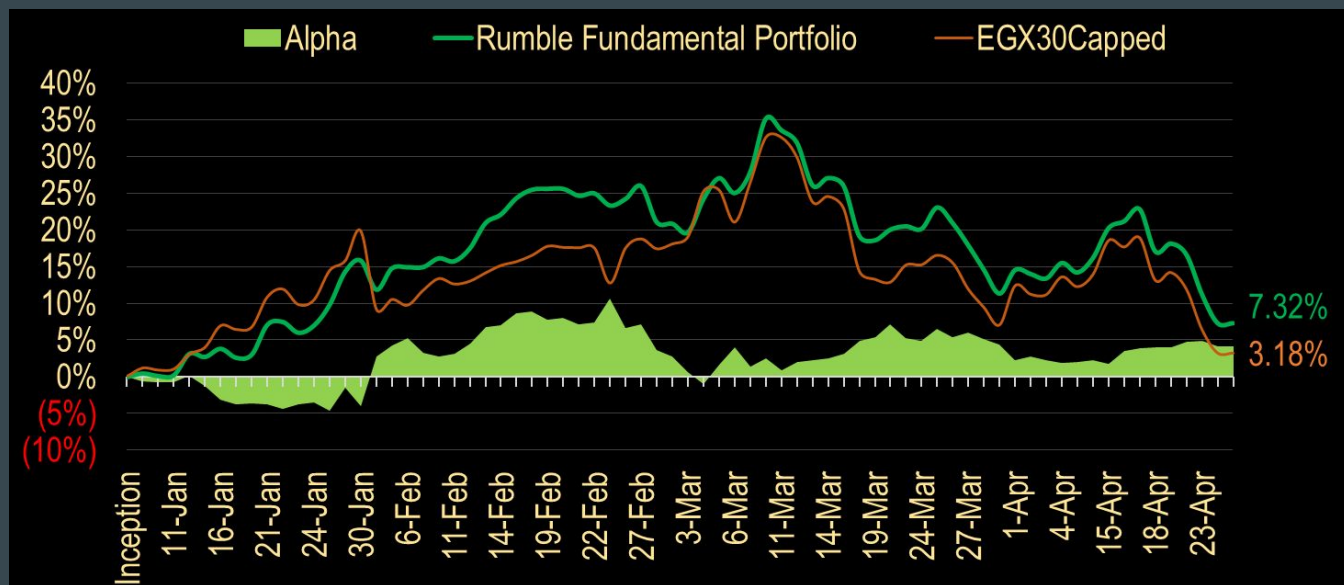
IV. Portfolio Management Techniques

- Diversification
 - Asset allocation across different sectors and industries:
 - Various sectors and industries to reduce the impact of any single stock or sector on the portfolio's overall performance.
 - Risk management:
 - Setting stop-loss orders to automatically sell a stock if it falls below a predetermined price.

IV. Portfolio Management Techniques

- Risk-reward analysis
 - Assessing the risk profile of individual stocks:
 - Understanding the risk associated with individual stocks.
 - Example:
 - Beta coefficient measures a stock's sensitivity to market movements.
 - Balancing risk and return in the portfolio:
 - A balance between risk and return by considering risk tolerance and investment goals.
 - Example:
 - The Capital Asset Pricing Model (CAPM) helps determine the expected return of an investment based on its risk and the risk-free rate.
 - Risk-adjusted measures, such as Sharpe Ratio, Treynor Ratio, Information Ratio.

V. Real-Life Example – Rumble Fundamental Portfolio



Investment Themes

Interest rate plays

FX earners

Cash-rich / low leverage

Inflation proof

Defensive plays

	Rumble Fundamental	EGX30Capped index	Alpha
Q1-2024	11.3%	7.0%	4.3%
Q2-2024	(3.6%)	(3.6%)	(0.0%)
2024 YTD	7.3%	3.2%	4.1%

Annualized	Rumble Fundamental	EGX30Capped index
Average risk	37.39%	40.60%
Average return	31.25%	19.06%
Simple Sharpe ratio	0.84	0.47

Subscribe Now & Get the First Month for FREE

Subscribe to Rumble to access all fundamental and technical recommendations and the Rumble Fundamental Portfolio

Only EGP 200 / month

The first month is FREE



[Rumble - Be The Smartest Investor In The Room \(therumble.app\)](https://therumble.app)

VI. Conclusion

- Recap of key points discussed
 - Market dynamics ... influenced by trends, economic indicators, and investor behavior.
 - Effective stock selection ... fundamental and technical analysis, considering financial statements, valuations, chart patterns, and indicators.
 - Portfolio management techniques ... diversification, risk management, and risk-reward analysis.

- Next steps
 - Stay updated and adapt your investing strategies accordingly.
 - Ongoing monitoring, analysis, and adjustments.

Appendix - Selected finance books for reference

1. Benjamin Graham. Building a Profession. Classic Writings of the Father of Security Analysis. Jason Zweig, Rodney N. Sullivan, CFA.
2. Best Practices for Equity Research Analysts. Essentials for Buy-Side and Sell-Side Analysts. James J. Valentine, CFA.
3. Equity Asset Valuation. Jerald E. Pinto, CFA, Elaine Henry, CFA, Thomas R. Robinson, CFA, John D. Stowe, CFA.
4. Equity Valuation. Science, Art, or Craft? Frank J. Fabozzi, CFA, Sergio M. Focardi, and Caroline Jonas.
5. Expectations Investing. Reading Stock Prices for Better Returns. Michael J. Mauboussin and Alfred Rappaport.
6. Financial Modeling for Equity Research. A Step-by-Step Guide to Earnings Modeling. John Moschella, CFA, CPA.
7. Financial Statement Analysis. A Practitioner's Guide. Martin Fridson and Fernando Alvarez.
8. Free Cash Flow. Seeing Through the Accounting Fog Machine to Find Great Stocks. George C. Christy, CFA.
9. The Dark Side of Valuation. Valuing Young, Distressed, and Complex Businesses. Aswath Damodaran.
10. Valuation. Measuring and Managing the Value of Companies. Tim Koller, Marc Goedhart, and David Wessels.

Thank You!



Amr Hussein Elalfy, MBA, CFA
Chief Equity Strategist, Thndr Securities Brokerage
Founder, BORSAGY.com

