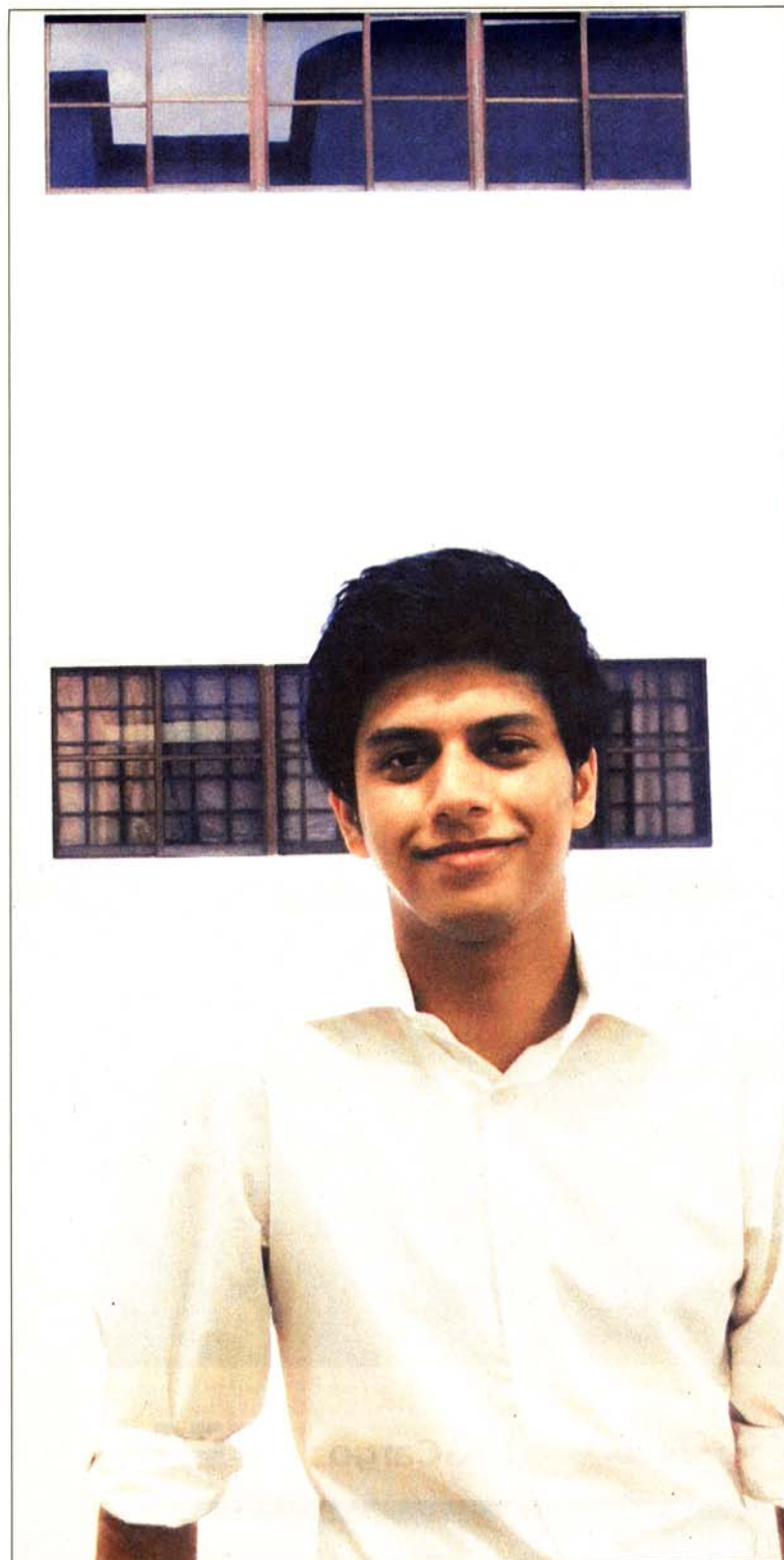


STARTING YOUNG

From virtual investing to the real thing

Nakul Asthana gained confidence with an online, virtual account before moving on to a real trading account, says **TEH SHI NING**



Mr Asthana: As a student, he knew nothing about finance – but that changed after he joined an investment club and learnt about technical analysis

NAKUL Asthana is as passionate about football as he is about finance, but the Arsenal fan knows better than to mix the two, especially when it comes to investing.

"Don't mix your personal interests with your investments," says the 20-year-old, who has been trading actively for a year-and-a-half now.

"Say if Arsenal had an IPO (initial public offering), I'd want to buy their shares just because I'm an Arsenal fan. But from a strictly investment point of view, that might not be the right decision. I think that's what happened with Facebook for a lot of people – they bought it because they use it but in the end, it didn't turn out to be a really good investment," he says.

Just two years ago, before he came to Singapore from India to pursue a Bachelor of Business Management degree, he knew nothing about finance.

That all changed after he joined an investment club, learnt about technical analysis and started exploring the world of investments. He has just started his third year at the Singapore Management University's Lee Kong Chian School of Business, and tells the *Young Investors' Forum* more about his experience so far.

Q: How did you move from hearing about technical analysis to actually investing?

A: I thought it was pretty interesting how you could look at a stock price of a company and decide if you want to invest in it or not. So I went on Investopedia and started reading everything I could about it. I read three, four books about technical analysis.

After a few months, I opened an online, virtual trading account in India where you trade with fake money on a platform that mirrors real market movements to see how you fare. I practised with that for about six to seven months, felt a little more confident and moved on to a real trading account.

My dad gained confidence in me and loaned me a sum of money that I'm currently investing in India. I've added a sum of my own money to that, but I wanted a substantial amount to start trading properly and diversify my portfolio.

I was a little scared in the beginning, but now I've moved on and sometimes participate in margin trading, where I trade in amounts higher than I actually bet on the market. I'm also preparing to start trading in basic derivatives like futures and options.

Q: What is your investment portfolio like at the moment?

A: I invest in equities listed on the National Stock Exchange of India and the Bombay Stock Exchange.

Right now, as India is not in a very good position, I'm investing in defensive sectors – FMCGs (fast moving consumer goods), pharmaceuticals and health care, some consumer durables.

To supplement this, I've invested in fixed income, hybrid and growth mutual funds using Systematic Investment Plans (SIPs) for future returns. I've actually parked most of my money in mutual funds right now. I'm just waiting for this period to end, hopefully soon.

Q: What has been your best investment so far?

A: My best investment was in a company called Larsen & Toubro, which is an India infrastructure and engineering company. As a technical analyst, I don't look at macro, I don't

look at fundamentals of the company when I invest. I looked at indicators such as Bollinger Bands and noticed the phenomenon called the Bollinger Squeeze, where the volatility of the stock price decreases and the Bollinger Bands become very narrow.

Once the stock price breaks out of that in an upward motion, that's when you move in. I'd never actually done this before, so it was a little risky, but luckily for me the stock price went up about 20, 22 per cent. So I made quite a massive profit on the trade.

Q: And the worst investment? Were there any lessons learnt?

A: The worst was in the State Bank of India (SBI) and here I realised the weakness of technical analysis. I invested in SBI looking at their stock price indicators.

What I didn't realise was that SBI had given loans to Kingfisher Airlines (KFA), which was in a bad position. There was a rumour that KFA would be unable to repay SBI's loans, and SBI had loaned them a massive amount of money, so there was a lot of panic in the market. In one day, the stock price fell by about 18 to 20 per cent. That was one of my worst trades.

So now, I've learnt to look at the macro factors and try to read up about the company before I jump into it. I've become more sectoral now so I look at specific sectors to invest in, so that I know at least the sector is doing well, there shouldn't be any big shocks.

Q: How much time do you spend learning about investments and trading?

A: Every weekday night, I spend 45 minutes to an hour looking through stock charts using a stock charting application ChartNexus to see what to invest in.

It is a discipline. Once you get caught up with school work, it's easy to forget about your investments because I don't invest very long term because of my technical analysis. So I try to make it a deal that every weekday night I study the stock market and the charts of companies, and try to invest the next morning.

Q: Where to next, in your investing journey?

A: I'm learning an eastern style of technical analysis called candlestick charting. It's basically a Japanese style of investing. What I'm trying to do is relate eastern and western technical analysis methods to make them work together in a holistic investment process which hopefully will bear me returns in the future.

I actually had a bet with my father, a strict follower of fundamental analysis. He said that if my returns beat his, I won't have to pay him back! But while I started with a focus on technical analysis, I'm now increasing my body of knowledge and reading up on fundamental analysis and how to value companies by looking at their financial statements.

I'm also planning to start investing in Singapore, since I actually want to work here in future. But of course, there's a lot of homework to do, getting familiar with the market here, reading up on different companies. So I'm planning to do that, but not in the near future.

Q: How do you think your investments may change as you grow older?

A: Like Warren Buffett says, your job should not be your only source of income. You should always have a secondary source of income through investments. So I intend to invest till I'm really old.

Hopefully as I grow older, get more funds and earn my own money, I hope to diversify

more and not only invest in equities. Maybe I'll venture into property or art. I've been reading a lot about art as an investment and apparently you can really make it big, but I'd need a lot more money and a lot more knowledge for that!

Q: What advice would you offer to someone completely new to investing?

A: Read, read, read. You need to read a lot. First, read the financial papers every single day. You can learn as much theory as you can from a book but when you read the newspaper and see what's going on in the real world, you can apply what you're learning and understand what's going on in the current scenario.

Second, stop procrastinating. There's never really a right time to start investing. If you're not confident, start with a virtual account – but you need to get started because the only way you're going to learn is through your mistakes.

Don't be afraid. Don't take massive risks. But you need to start investing slowly so you can get the hang of it through actually doing it.

If you're between the ages of 17 and 30, and think you've got an interesting investing or entrepreneurship story to share, e-mail btjif@sph.com.sg with "Starting Young" in the subject heading