

Me&MyMoney

Computer game hones trading skills

Our revamped Sunday Times Invest includes a new set of questions for Me & My Money, focusing on investment strategies and portfolios. This week, we talk to Singapore Management University student Yeo Jun Wei in the third of a four-part series on young people.

Rachael Boon

Computer games do not look like the most obvious way to learn about markets but student Yeo Jun Wei picked up skills he wouldn't have otherwise, thanks to his zest for gaming.

Mr Yeo, 22, said he honed his skills playing Guild Wars 2, which is known as a massively multi-player online role-playing game.

"Every single item in the game is tradable on an open market, which is almost equivalent to real-life cash. When I was 16, I was buying and selling wood logs and axes in the game in the millions," he says.

That taught him about market dynamics and liquidity, along with the use of analytics tools with functions such as price charting.

Mr Yeo, who studies at Singapore Management University (SMU) Lee Kong Chian School of Business, explains: "Besides the price and valuation, or price and volume, it's also about the orders that are in place. You only complete the trade once

your prices match. People don't realise that the liquidity (of an item) affects the prices of the bid and ask orders that are placed. Trading a lesser-traded item with a lower volume means you can price it higher and people will still buy it because there's such low liquidity."

Mr Yeo, who is the forex director of the SMU Investment Club, adds that this is crucial as pricing is important when it comes to stock-picking.

It helped that the avid reader was exposed to the idea of investing and a financial future after reading Rich Dad, Poor Dad by Robert Kiyosaki when he was 15.

He says that the idea that struck him the most was that "it is not the onus of your employer to make you rich, it is your own".

At 16, he tried out virtual stock trading games on the Singapore Exchange and had friendly competition with his mother. Before 18, he was already preparing to find a reliable broker.

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CHEAP IS NOT ALWAYS GOOD

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MR YEO JUN WEI, on picking stocks



SMU student Yeo Jun Wei, 22, says trading items while playing computer game Guild Wars 2 taught him market dynamics and liquidity, and the use of analytics tools with functions such as price charting. ST PHOTO: LAU FOOK KONG

FROM B12

Mr Yeo enjoys reading about the bold moves of billionaire hedge fund manager George Soros, who is known as “the man who broke the Bank of England”.

But he says: “My biggest motivator has been my mum, who encourages me to invest, and hopefully I’ve grown to become an even better investor than her.”

Q Describe your personal investing style.

A It largely differs. For equities, I like to find stocks with value that people overlook.

For forex, you’re actually buying into a country so it’s harder to place an exact value on the exchange rate between two countries. For example, people watch certain stocks for their earnings or dividend yield.

Instead, I look at the country’s new data such as unemployment, interest rates and non-farm payrolls and see if the market has priced it in accordingly.

Q How do you select stocks?

A I prefer the top-down approach when it comes to selecting stocks.

I believe that market trends are largely affected by the wider picture of things, and it is easier to figure out the sector that is most likely to outperform rather than that very single stock in a poor industry. So I like to look at macro views or news when it comes to stock selection. Due to the nature of the macro environment, I’ve have to tailor my metrics accordingly to ensure the company gains full advantage of it.

One extremely useful ratio that I would use now is the price-to-free cashflow ratio in the rate hike era.

When I invest in a particular stock, the price of the stock would not be the sole factor in my consideration. There are many stocks out there that are cheap.

However, I’d only make money if someone else buys that stock from me at a higher price.

If I am the only person that believes the stock is cheap but no one else thinks so, there is no point. I believe that there should be a catalyst or a reason that would be the driver of the price of the stock, not just the inherent value or “cheapness”.

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Q *What are your methods when it comes to forex and contracts for difference (CFDs)?*

A Forex fundamentals differ from that of stocks as countries do not really have a balance sheet or annual report that you could keep track of nor is it possible to properly value a currency.

Forex is one asset class that requires you to be very well-tuned to the market in order to know what is going on as currency rates can change almost overnight or in hours as evident in the recent Swiss franc crisis.

A background of economics is also extremely useful in understanding how the market works.

I also use technical analysis in forex but refrain from volume-based indicators as forex does not have an actual volume as compared to stocks.

For CFDs, because of the high long-term holding fees, it is inadvisable to hold stock positions on a longer timeframe.

I prefer to use technical analysis methods such as volatility break-outs or news release spikes to take full advantage of the leverage that CFDs offers.

Q *What is in your portfolio?*

A My favourite stock in my portfolio is American Insurance Group. I believe that it was severely undervalued after being bailed out by the American government.

My stock portfolio changes from time to time and my forex portfolio changes more often based on market movements.

My portfolio is worth more than five figures.

Q *What were your best and worst investments?*

A My best and worst investments were the exact same things – short positions in the euro-United States dollar currency pair.

Due to the announcement of the European Central Bank (ECB) starting quantitative easing, with ECB president Mario Draghi planning to pump in over €1 trillion (\$\$1.49 trillion) and the Federal Reserve doing away with quantitative easing, there was a vast misalignment between monetary policies of these two places.

I made a lot of money from some of my trades, doubling my capital in that investment within a week.

But I got too greedy and over-leveraged my account trading with money that I did not have.

A minor fluctuation or pullback within my newly made money with my over-leveraged account caused me to lose a lot as well.

rachaelb@sph.com.sg