Value Trend Indicator Helpyes &Print TopicnonoE&xitValue Trend Indicator ¸ Wm. W. OdlumyesyesyesyesTRUETrendsyes18/12/95

Table of Contents

Help file produced by **HELLLP!** v2.5 , a product of Guy Software, on 12/18/1995 for Wm. W. Odlum.
The above table of contents will be automatically completed and will also provide an excellent cross-reference for context strings and topic titles. You may leave it as your main table of contents for your help file, or you may create your own and cause it to be displayed instead by using the I button on the toolbar. This page will not be displayed as a topic. It is given a context string of _._ and a HelpContextID property of 32517, but these are not presented for jump selection.
HINT: If you do not wish some of your topics to appear in the table of contents as displayed to your users (you may want them ONLY as PopUps), move the lines with their titles and contexts to below this point. If you do this remember to move the whole line, not part. As an alternative, you may wish to set up your own table of contents, see Help under The Structure of a Help File.
Do not delete any codes in the area above the Table of Contents title, they are used internally by HELLLP!

Value - Is defined as the actual worth of an asset based on its annual earnings.

Price - Is defined as what an investor is willing to pay for an asset and at times this bears no relationship to the Value or Worth of the asset.

Annual Earnings - Are what is left after deducting all costs and expenses from all income for one full year.

How to View - This Window in full size, click Maximize on Title Bar.

Help-Always on Top should show check mark, if not and this document window is made smaller, clicking on the VTI program will hide this one which will still be running and using memory.

Close this Help file by clicking Exit.

'Try Before You Buy' software is copyrighted software that is distributed by authors through bulletin boards, on-line services and disk vendors.

It allows you to try the software for a 30 day trial period. If you decide not to continue using it, please delete it. You only pay for it if you decide it is useful. We rely on your honesty and integrity.

You benefit because you can try out the software to determine whether it meets your needs, before you pay for it. Unlike buying from a Store where you have no opportunity to try it out before paying.

Even if the person who supplied you with this software tells you that registration is not necessary, this is not so.

When using this 'Try Before You Buy' version of the program you will be presented with nag messages asking you to register as I have not been paid for this copy.

On registering I will send you the latest Commercial Version of Value Trend Indicator. Without the Order Form or nag messages.

Interest/Growth refers to interest, income or dividends from an investment and/or capital growth from the annual increase in the value of the investment.

Table of Contents

To access this help file from anywhere in the program: Press F1 Key.

Value Trend Indicator Overview

The Value Trend Indicator was developed to take advantage of the well known averages and ratios that affect the price of the Shares of Companies listed on Stock Exchanges and on Stock Market Index movements.

It can be used in determine the value of any income producing asset whether it is Shares in a Company, Mutual Fund, Commercial Real Estate or any of the popular Stock Market Indices.

The most important and misunderstood ratio is that of Price/Earnings. The Price/Earnings ratio of an asset is simply the current price divided by its current earnings.

An asset or share of stock is considered good value when its Price/Earnings ratio is 10. Even better if the ratio is a lower figure. A lot can be learned from this one ratio. It also makes it easy to compare values of one company with another.

For example a share selling at $10.00, with annual earnings per share of $1.00, has a Price/Earnings Ratio of 10. By dividing 100 by the Price/Earnings Ratio we get the return on our investment which in this case is 10%.

Another important factor is the Annual Earnings Growth of a share. If it is growing then the share price will grow, if it is dropping then the share price will drop. If earnings remain static then the share price will not move.

The relationship between Price/Earnings, Earnings Growth and Price can be seen if the annual earnings in the previous example were to increase the following year to $1.10 per share.

For the Price/Earnings Ratio to remain at 10 the price per share would increase to $11.00. Giving a gain of $1.00 or 10% on the original share price plus an increase of $0.10 cents or 10% in annual earnings.

At times investors will put a higher Price/Earnings Ratio than 10 on the price of a share in anticipation of greater earnings growth several years later. This is fine if the stock has shown consistent earnings growth for a number of years but can be disastrous if based on projected growth which fails to materialise.

Don't confuse annual earnings with annual dividends. Earnings are the total profit per share while dividends are the portion of that profit paid to shareholders.

The retained earnings can be used to expand the business or pay down debt and shows up as an increase in the share price.

Some fast growing companies pay no dividend, choosing to plough the profit back into more growth. A really fast growing company will show earnings growth in excess of 20% per year.

Debt/Equity Ratio measures the assets of the company against its indebtedness to banks or bondholders etc.

A ratio of 1 to 1 is considered manageable, meaning that 50% of its assets are owned by the shareholders and 50% by the debt holder.

If it is higher than that then the risk of owning these shares becomes greater because if the company runs into difficulty with a turndown in earnings it must still pay the interest on its debt which can only come from the sale of assets or adding more debt thereby decreasing the value of the shareholders equity.

Another very important factor in evaluating a company is to find out who is running the company and for

whose benefit, the owners or the management group.

A lot of large public companies today have their shares so widely dispersed that no one person owns more than 1% of the company, the running of which is left to a management group with no stake in the company, who can set their own remuneration, bonuses, goals and some of whom have an inferiority complex which can only be assuaged with their own corporate jet and luxurious homes around the world, courtesy of the company, without having to consider the shareholders and as there is no boss cannot be fired for incompetence.

You may think me cynical but all you have to do is look at some of the large companies which over the past few years have had losses in the hundreds of millions and their management team voted themselves huge bonuses each year.

I like to see a major shareholder with at least 10% of the stock. Since this would represent an investment in the tens of millions of his own money he is going to do his best to make sure that the company is profitable and management performs or else!.

The Rule of 72 is a quick and accurate way to figure out growth rates. Dividing the number 72 by the growth rate of an asset or money will give the time in years it takes to double.

Example 1: Find number of years to double your money.
Growth rate = 20%. 72 divided by 20 = 3.6 or 3.6 years.

Example 2: Find growth rate required to double your money.
Number of years = 3.6. 72 divided by 3.6 = 20 or 20%.

I have used these ratios and averages for many years in the successful selection of stocks and mutual funds for my own portfolio.

Reading and Interpreting Tables

Keep in mind that while each indicator will show important factors they should not be used alone but interpreted together as part of the whole evaluating process coupled with common sense.

2 Weeks

Shows the average of last two weekly data values entered in the file. Not very important by itself. It is used as the base period against which all other weekly averages are measured.

4 Weeks

Shows the average of the last 4 weekly data values entered in the file. Will show the earliest change in direction. However, short term swings are common.

6 Weeks

Shows the average of the last 6 weekly data values entered in the file. Shows a definite trend is taking place.

8 Weeks

Shows the average of the last 8 weekly data values entered in the file. At this point can show an established trend.

26 Weeks

Shows the average of the last 26 weekly data values entered in the file. If this is below the 2 week average then it can be a good indication of more good things to come. If it is above the 2 week average it is time to be cautious.

52 Weeks

Shows the average of the last 52 weekly data values entered in the file. Same as above.

104 Weeks

Shows the average of the last 104 weekly data values entered in the file. If it is way below the 2 week average then it is time to be really cautious as bull markets have a life of about 2 to 3 years. If it is above the 2 week average then it is time to seriously consider getting fully invested as it has been a bear market for 2 years.

Weeks (All)

Shows the average for all weekly data values entered in the file.

Direction of Market

Is based on the difference in the two week average and the eight week average. If the latest two week average is greater than that of eight weeks then the trend is in an upward movement. If they are the same then the trend is moving sideways and could break up or down.

If the two week average is lower than that of eight weeks then the trend is moving down.
Needs at least 8 weeks data points to establish a trend.

Last Data Value

Shows last data value entered in the file.

High and Last Data Value

Shows the percentage difference between the highest data value in the file and the last data value entered in the file.

Low and Last Data Value

Shows the percentage difference between the lowest data value in the file and the last data value entered in the file.

High Value from all Data

Shows the highest data value in the file.

Low Value from all Data

Shows the lowest data value in the file.

Difference

Shows the difference in percent between the highest and lowest values in the data file.

Annual Earnings

Shows the earning for the latest year entered in the file.
If there are no earnings entered the following ratios cannot be calculated.

Change Year - Year

Another very important factor in evaluating the future value of an asset as there cannot be a growth in price without a corresponding growth in annual earnings. Requires at least two years data but more is better as it will show the long term trend in growth or lack of it.

Price/Earnings Ratio

This is one of the most important ratios used in evaluating share prices as it shows the ratio of a common stock's current market price to its current earnings per share and is used as an indicator of a company's profitability.

As there is a direct relationship between earnings and price this ratio can be used to compare different companies on the basis of profitability. Most important of all it shows when prices are out of line with actual earnings.

Risk at 10 times Earnings

Shows the percentage of risk involved based on the traditional factor of 10 times current earnings compared to the current price

If negative (Red) it indicates the amount by which the current price could fall, if positive the amount by which it could rise.

This factor can be changed in the DataBase Entry Form. As a higher factor could be used for faster growing companies.

Could Drop or Rise to:

Based on current earnings times the above factor, it shows where the price could move.

Using Value Trend Indicator

Getting Started

There is a sample database program included in the package, use it to try out the various features.

The program has been made as simple and user friendly as possible. Don't be afraid of hitting wrong control buttons or making wrong entries as there are lots of error correcting routines.

Value Trend Indicator Menu

Load a File from Disk

Will load a file from disk into memory. File must have been created by this program and have a .VTI extension.

Program will not load a file with a different date format than that of your machine. See Help in the Database Entry Form for your current date format.

Save a File to Disk

Will save the file existing in memory to disk. Select an existing filename by clicking on it, then **OK** or type in file name with the .VTI extension. As the Disk Filename can only be 8 characters long it can be different from the Database Filename which can be any length. Do not use * in the file name!.

Add and Edit Database

Opens up the database where you can create a new file or add data to an existing file.
See Using DataBase Entry Form.

Sort Database

Sorts the records in the database by date. Records can be entered in out of date sequence and sorted afterwards.

Tip If you are entering a number of records which consist of twice weekly data, perhaps Wednesday and Saturday. First enter all the Wednesday records using the automatic date increase of 7 days and then enter all the Saturday records. Then sort and they will be in order by date.

View Averages and Ratios

Takes you to the Averages and Ratios form.

Averages and Ratios Command Buttons

Exit to Menu

Exits to the Value Trend Indicator Menu.

To Printer

Sends the current Averages and Ratios as shown, to your printer.

Database

Takes you directly to the database form without having to go to the Value Trend Indicator Menu.

Checkbox

With Checkbox unchecked, averages will read "Weeks" which reflects the automatic input.

If you decide to use other than weekly inputs then change the Checkbox to X, averages will read "Data values" which is more appropriate to this data.

Graphs

Takes you to the graphs form.

The latest 26 entries in the file are shown first with the dates for data values shown under its bar.

Graph Command Buttons

Exit

Returns to Averages and Ratios.

To Printer

Will print the graph shown to your printer.

Back

Data shown on each screen has a maximum of 26 points or 26 weeks. If there is more data in the file than 26 weeks then pressing Back will scroll back to show the previous 26 weeks until the end of the data is reached.

Forward

If data has been scrolled back then pressing Forward will scroll to the beginning of the data.

TwoD Chart

Shows data in a two dimensional graph.

ThreeD Chart

Shows data in a three dimensional graph.

Using Database Entry Form

How to Use: Input boxes have a yellow background. Click on any input box and type in your data. If the box contains data it will be overwritten.

Latest data will be shown at the top of the spreadsheet with the oldest data at the bottom.

Starting a Database File:

The first row boxes will show:

New	**02-02-1995**	
Record	**Date**	**Data Value**

New - Means start of a new record.

Date - The current Date will be that of your computer.

Data Value - This input box is blank.

(Date format will depend on current International Short Date setting in Windows Control Panel.).

All entries of records take place in this top row.

Click on the current Date and change it to the starting date of your data using the date format shown. Press <Enter> and the focus will change to the Data Value cell. Type in your data value. Click 'Add Record' button and the data in the row will be moved down one row and show as Record number 1.

Top row will now show a new date that is automatically generated and will be 7 days after the one below. The Date Value box will be blank and have the focus, ready for your next data value entry.

If you are adding more than one record during the session, repeatedly typing data values and pressing <Enter> twice will leave the focus on the blank Data Value cell making entry a one keystroke operation.

Each time your return to the Dabase Entry Form, with a file loaded in memory, the records will be shown and the top row will be ready for a new data value with the Date automatically updated to 7 days after the date shown in Record 1.

To Name your File. Click on the box at the top of the form and type in a file name for your new database file or to change an existing one.

Click 'Delete All' button to clear all data..

Click 'Correct Record' button to change data in any record in the database, type record number in the dialog box and that record will be shown on the top line, make your changes and click 'Add Record' button.

If you wish to use other than weekly input then overtype the date shown with the one you wish to use.

Tip If you are entering a number of records which consist of twice weekly data, perhaps Wednesday and Saturday. First enter all the Wednesday records using the automatic date increase of 7 days and then enter all the Saturday records. Then 'Sort Database' and they will be all in order by date.

Latest Annual Earnings

Select the first row box by clicking on it and enter the latest year in the Year cell and in the Earnings cell the earnings per share/unit for that year.

It is important to have the latest year in the top row with each preceding year immediately below it.

Times Earnings Factor

This is automatically set at the traditional factor of ten at startup. High Growth stocks may justify a higher ratio. If so change it.

Database Command Buttons

Exit to Menu

Returns to Value Trend Indicator Menu.

To Printer

Will send the current database file to your printer.

Ratios

Takes you to the Averages and Ratios form without have to go to the Value Trend Indicator Menu.

Delete All

Will clear out the file in memory allowing you to start a new one.

Correct Record

Brings up a dialog box, type in the record number of the record to be changed. It will be shown in the top row with the record number in place of New. Make your changes and click 'Add Record button and it will be saved back to the same row..

Add Record

Will add the data shown in the input row to the database, where it will be shown at the top of the spreadsheet list.

Using Other Main Menu Programs

Planning your Investment

Has pre-programmed figures in the drop down boxes, you should use your own to work out what your savings should be to give you the income you need on retirement in a given period. Use toolbar **Help** button to see how to make entries for different calculations.

Calculations are based on the initial amount typed in 'Annual Amount Invested each Year' box.

If you already have an amount of money greater than your proposed annual investment then type this figure in 'Amount of Lump Sum Invested at Start' box and it will be combined with your first year's annual investment.

For those who plan on increasing their Annual Amount Invested each Year. Type the rate in 'Increase the Annual Investment Rate by' box

For a more complex example: To add a lump sum of $500.00 every five years.

Calculate for the first five years, then type the Total Current Value plus $500.00 in 'Amount of Lump Sum Invested at Start' box and calculate for another 5 years.

This program is extremely flexible and can be tailored to any situation.
Try out various combinations of inputs.

Year

For those who Invest monthly, quarterly or semi-annually use **Year** button.

The accumulated total from Investments made during each Year can then become the Annual Amount Invested in your long term Savings by clicking **Insert** then **Exit** and **Calculate**.
Be sure to use the same Interest/Growth rate for both calculations.

For example: Investing $1,200.00 each year at 20% for 25 years = $679,652.79

However investing $100.00 each month at 20% for 25 years = $753,281.84.

401(k) Plan

To figure out your future pension under the 401(k) plan type in the following information.

Amount of Lump Sum Invested at Start: Type in the Balance in your existing 401(k) Plan if none type 0.

Annual Amount Invested each Year: Total amount of annual contribution from Employee and Employer.

Increase Annual Investment Rate(%): Estimated annual salary increase in percent.

Annual Interest/Growth Rate(%): Estimated rate of Investment growth.

Time in Years: Time to retirement.

Adjusted for Annual Inflation Rate(%): Type 0 here.

However if you wish to know what your future Investment value will purchase at today's prices.

Type in the estimated annual inflation rate and this amount will be deducted from the annual Current Value.

Because of recent frauds where companies did not turn the 401(k) contributions over to the Investment Manager, and used the money to pay company bills, check your investment account statements.

Federal law requires that 401(k) contributions and matching funds be turned over to an investment manager as soon as possible and not later than 90 days after they have been withheld from a paycheck.

So compare your pay stub deductions with the contributions shown on your investment account statement from your Mutual Fund, Insurance Company or other Investment Manager and make sure that the amounts match.

Planning your Retirement

Allows you to use one of two methods of withdrawing cash on retirement.

Percentage option; Use a withdrawal of income percentage less than the interest/growth percentage to allow for inflation.

Example; Inflation has been running at an average of 5% over the past 20 years so if one is getting a return of 20% on Capital and taking out 15% then one is keeping up with inflation as the Capital and Income are both increasing by 5% each year.

Fixed Amount option; Allows a fixed cash withdrawal at the end of each month. Annual effective Interest/Growth rate is converted to equivalent monthly rate with Current Value calculated each month.

Table shows the totals at year end of the previous 12 monthly transactions. If you take out more each month than is generated by Income/Growth the table shows how many years the Capital will last before being used up. If less is taken out the Capital would continue to grow forever so it stops at 50 years.

For those who take early retirement and may require more income from their investments for a number of years until they get their Social Security.

For example: Retiring 10 years before Social Security of $1,000.00 per month becomes effective and requiring $2,000.00 per month income.

With the Current Value of your Investment on Retirement = $200,000.00, Annual Interest/Growth Rate (%) = 10% and Monthly Amount of Cash Withdrawn of $2,000.00 per month. **Calculate**.

Note the amount at the end of 10 Years. Type this amount in Current Value of your Investment on Retirement and change the Monthly Amount of Cash Withdrawn to $1,000.00 per month. **Calculate.**

Investment Comparisons

Not as detailed as Planning your Investment but allows you to compare many different investment choices on screen together.

Amount of Capital Required

Will show the amount of annual investment that must be made to achieve the amount of capital required in the chosen time period.

About

Details of Version and Author.

Printer Fonts

Switches between Standard or Courier New 11 point font. Program is designed to print 6 lines per inch or 66 lines per page.

Printer Drivers for different printer types use various height fonts as standard and can print more or less lines per inch. Program automatically adjusts lines per page for all popular printer startup fonts.

If you have a problem use Courier New 11 point as it prints 6 lines per inch on all printers that I have tested.

Command buttons for Financial Programs

These command buttons are common to all of the programs in this topic.

Exit to Menu

Return to Main Menu.

To Printer

Send calculations to printer.

Graphs

Will show the results of calculations in chart form.

Help

Use **Help** button on the toolbar for help with that program. Use the PgDn key for examples which show how to make entries for different results.

Calculate

Always calculate when changes are made to the input boxes for correct results. Input boxes will only accept numbers, do not use currency or other symbols.

Copyright

Value Trend Indicator

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