

# Summary & Discussion of My Trading History of Emulex (EMLX) in 2000 Based on the Post Peak Bounce Pattern

New World Technologies, Inc.

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## Introduction

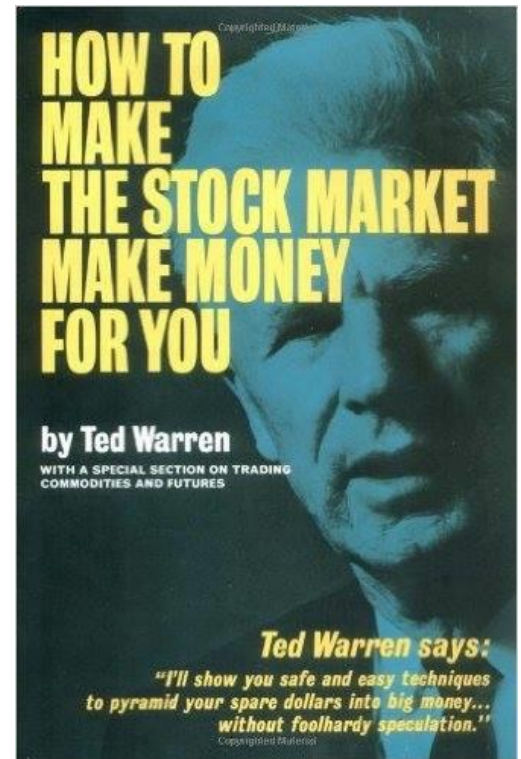
In 1989 I was introduced to Ted Warren's book, "How to Make the Stock Market make Money for You" (originally published in 1966) – his claim was that one could discern specific patterns in stock histories to predict future performance (this is also called "Technical Analysis").

In order to validate his claims, I studied many stock charts from the local library in 1990 – interestingly I found that the same type of patterns that Warren had used as examples from the 1950s and 1960s, were also present in the stocks that I'd studied from the 1970s and 1980s.

Thus the next step was to begin investing - which is where the "rubber meets the road" so to speak, using the techniques that he had described in this book.

During the early, mid, and late 1990s, I was successful for the most part, in selecting and investing in good stocks based on specific patterns – my primary downfall was in not being patient enough to wait for the stock to meet its full potential.

This document discusses the details of one of thirty documented stock investments which were made based on the patterns discerned from that particular historical stock profile.



## EMLX Trading Executive Summary

The following is a synopsis for this particular investment. The next section includes more details on the trading history.

Return on Investment (ROI)	-0.8% in 2 months
Maximum possible ROI	286.9% within 9 months
Reason for Purchase	Post-peak bounce
Time Frame When Purchased	2000

The next two sections include more details on the reasons for the trade, the trading history, and the maximum potential ROI.

Copies of the original stock transaction receipts, for each of the trades (buy and sell), are included in the appendix at the end of this document.

## Discussion, Charts, & Results

These are my original notes from that era (2000 to 2001 time frame). The original triangle pattern that I observed while watching the stock is shown below in Figure 1. Note that the actual investment was made over a year later based on the “Post Peak Bounce” pattern (shown on the next page in Figure 2 and Figure 3). Also – “Anchor” was a typo (another stock that I invested in) – should have been “Ankor”.

I don't remember where I first heard about or saw Emulex but I began watching it when it was making it's steady rise (see the stock chart with the price at \$40). I was invested in other stocks at the time but found that it fit within the classic triangle pattern - plus the stock was hot in terms of the tech market. Well it went on up to a little over \$220 (damn!) then dropped back to the \$50ish level.

At the time my feeling was that this was a buying opportunity. I know that you have to be very careful about buying stocks after sudden price drops but EMLX was a first class stock. So I got in at just under \$52.

The problem is that I watched it too closely (at one point it was down below \$40) and got nervous - then I got impatient and sold out around the same price (minor loss). So I sold 2 months after buying - but 6 months after I bought it was selling over \$200 (see the first chart which shows a 2-for-1 split, so that buy would be around \$25 and the top around \$100)!! My investment would have increased 400% in 6 months!

Lesson Learned: The lesson here is - as was the case with Anchor - you must have patience. I picked a good stock and got in a decent price but I needed to settle down and wait. I'm not talking years here but at least a year.



Figure 1 – Original Triangle Pattern



## Original Return on Investment

This stock had the appearance of the “Post Peak Bounce” pattern that I’d observed on my own (outside of Warren’s book) – so I got in near where I perceived the bottom to formed. The two charts shown in Figure 2 and in Figure 3 are the same relative to each other – the difference is time scale (several years on the left chart and under a year in the right chart). However, note that there was a 2-for-1 stock split so the charts in Figure 3 are half the values of those in Figure 2 because of the stock split. I purchased and held the stock for only a month and sold out at a slight loss.



Figure 2 – Observed Pattern, and Buy / Sell History



Figure 3 – Observed Pattern, and Buy / Sell History – 2<sup>nd</sup> Perspective

The transaction summary for this investment is shown below in Figure 4. Note that this does not account for transaction costs.

Date	Transaction	Shares	Cost per Share	Transaction Value
4/14/2000	Purchase	77	\$ 51.688	\$ 3,980
6/13/2000	Sold	77	\$ 51.250	\$ 3,946

Profit	\$ (34)
ROI	-0.8%
Approx. Time Interval	2 months

Figure 4 – Transaction Summary

## Alternative Return on Investment

As shown in Figure 5, months later the stock climbed steadily and peaked at around the post-split value of \$100 (bounced around that average value – the pre-split value was \$200). If I'd been patient, the ROI could have been approximately 287% in about 9 months assuming that I'd sold in the peak time frame.



Figure 5 – Illustration of Actual ROI vs Potential ROI



A projected transaction summary of the “maximum projected ROI” of 286.9% (assuming that I’d sold out at the maximum ROI percentage) is shown below in Figure 6. Note that this does not account for transaction costs.

Date	Transaction	Shares	Cost per Share	Transaction Value
4/14/2000	Purchase	77	\$ 51.688	\$ 3,980
1/10/2001	Sold	77	\$ 200.000	\$ 15,400

Profit	\$ 11,420
ROI	286.9%
Approx. Time Interval	9 months

Figure 6 – Projected Transaction Summary


## Conclusions

Given that the stock increased to a peak ROI of 287%, there was plenty of room to sell within a few months at a 50% ROI, 100% ROI, etc. Thus had I been patient, this would have been a big winner within a relatively short amount of time.

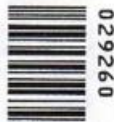
The “Post Peak Bounce” is not anything that Warren talked about – it mainly was a pattern that I observed after studying many historical charts. Keep in mind that not all stocks have this pattern – that is that they recover relatively quickly from a steep fall. A lot of it has to do with the previous build-up (over the last several years).

# Appendix – Transaction Receipts

The records of the purchase and sell transactions are shown below.

<b>Charles Schwab &amp; Co., Inc.</b>				<b>TRADE CONFIRMATION</b>			
HEADQUARTERS: THE SCHWAB BUILDING 101 MONTGOMERY STREET SAN FRANCISCO, CA 94104		<b>CUSTOMER COPY</b> Please retain for your records.					
<small>Upon the terms and conditions printed on the back hereof and none other. Please see reverse side for a listing of capacity codes.</small>							
We Confirm That You	Quantity	Item Description	Symbol	At The Unit Price Of	Executed On This Date	For Settlement On This Date	
BC T	77	EMULEX CORP NEW	EMLX	51 11/16	4/14/00	4/19/00	
For Your	Account Number	Security Number / CUSIP		Capacity			
Cash		292475-20-9		H		HVYY	

L TRR <6 00029260 000000052687 0002 20000415  
J MICHAEL FOUCHE  
CHARLES SCHWAB & CO INC.CUST



Principal Amount	\$3,979.94
Schwab Commission	29.95
<b>Total Amount</b>	<b>\$4,009.89</b>

## Stock Purchase Receipt

<b>Charles Schwab &amp; Co., Inc.</b>				<b>TRADE CONFIRMATION</b>			
HEADQUARTERS: THE SCHWAB BUILDING 101 MONTGOMERY STREET SAN FRANCISCO, CA 94104		<b>CUSTOMER COPY</b> Please retain for your records.					
<small>Upon the terms and conditions printed on the back hereof and none other. Please see reverse side for a listing of capacity codes.</small>							
We Confirm That You	Quantity	Item Description	Symbol	At The Unit Price Of	Executed On This Date	For Settlement On This Date	
C D	77	EMULEX CORP NEW	EMLX	51.25	6/13/00	6/16/00	
For Your	Account Number	Security Number / CUSIP		Capacity			
Cash		292475-20-9		H		HVYY	

J MICHAEL FOUCHE  
CHARLES SCHWAB & CO INC.CUST



Principal Amount	\$3,946.25
Schwab Commission	29.95
SEC Fee	.14
<b>Total Amount</b>	<b>\$3,916.16</b>

## Stock Sell Receipt