

Summary & Discussion of My Trading History of LSI Logic Corporation (LSI) in 1998 Based on the Triangle Pattern

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Introduction

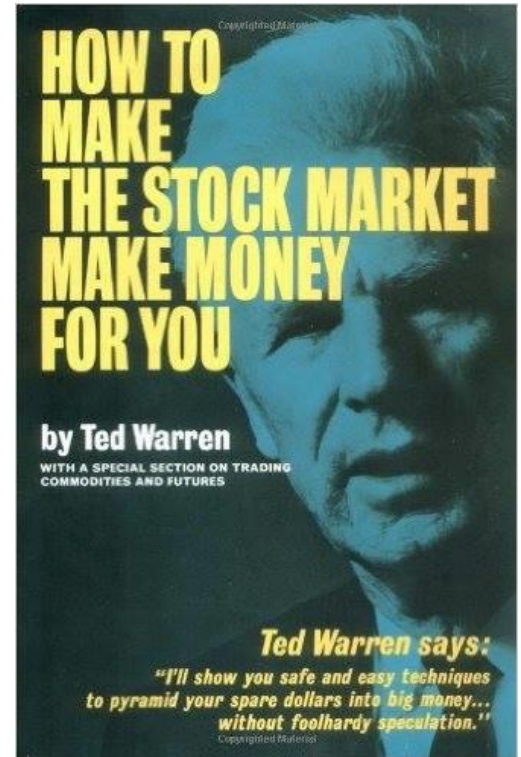
In 1989 I was introduced to Ted Warren's book, "How to Make the Stock Market make Money for You" (originally published in 1966) – his claim was that one could discern specific patterns in stock histories to predict future performance (this is also called "Technical Analysis").

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.



LSI Trading Executive Summary

The following is a synopsis for this stock investment.

Return on Investment (ROI)	108.5% in 7 months
Maximum possible ROI	961.6% within 19 months
Reason for Purchase	Classic triangle pattern
Time Frame When Purchased	1998

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, & Discussion

I studied stock charts obtained from the internet – in this case it appeared that [LSI](#) was following the classic triangle pattern as shown below in Figure 1. Part of the chart is blocked out in white because I had scribbled some buy / sell notes in the past that would distract from this figure.



Figure 1 – Classic Triangle Pattern Formation

Original Return on Investment

I purchased the stock in August of 1998 and sold in March of 1999 with a 104% ROI as shown below in Figure 1 and Figure 2. Note that later on there was a stock split and thus the difference between the scaling in the chart on the left and the one on the right. It was a 2-for-1 stock split – so my original pre-split purchase price of \$13.188 (13 and 1/8) became \$6.59 post-split.

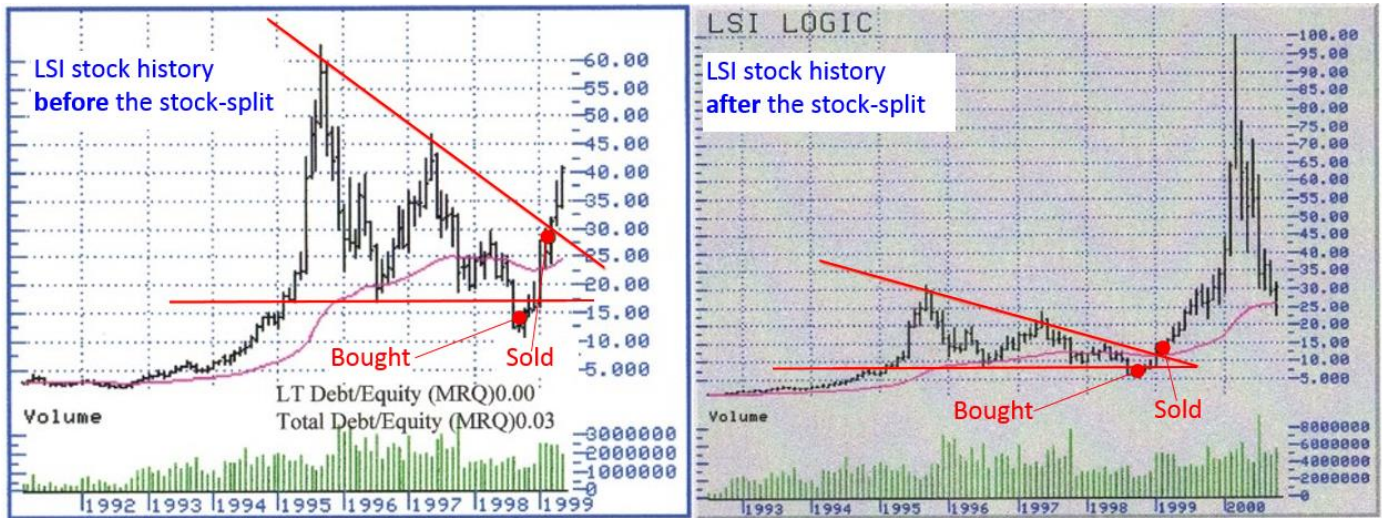


Figure 2 – Classic Triangle Pattern Formation

The transaction summary is shown below in Figure 3. Note that this does not account for transaction costs.

Date	Transaction	Shares	Cost per Share	Transaction Value
8/28/1998	Purchase	147	\$ 13.188	\$ 1,939
3/17/1999	Sold	147	\$ 27.500	\$ 4,043

Profit	\$ 2,104
ROI	108.5%
Approx. Time Interval	7 months

Figure 3 – Transaction Summary

Alternative Return on Investment

There was still a lot of upside to this stock – from the time of purchase, the stock increased in value by 961.6% in 19 months – as shown in Figure 4 and Figure 5. Obviously it would not be easy to figure out exactly where the stock was going to top out before declining again. However, while I sold out with a respectable 108.5% ROI in 7 months, I left a lot on the table since the total upside potential was 961.8%, which left plenty of room to sell out at several hundred percent ROI comfortably. The point is that this triangle pattern successfully predicted that LSI would be a high-performing stock.



Figure 4 – Illustration of Actual ROI vs Potential ROI

A projected transaction summary of the “maximum projected ROI” of 961.6% (assuming that I’d sold out at the maximum ROI percentage) is shown below in Figure 5. Note that this does not account for transaction costs.

Date	Transaction	Shares	Cost per Share	Transaction Value
8/28/1998	Purchase	147	\$ 13.188	\$ 1,939
				\$ 6.59 post-split
3/1/2000	Sold	147	\$ 140.00	\$ 20,580
				\$ 70.00 post-split

Profit	\$ 18,641
ROI	961.6%
Approx. Time Interval	19 months

Figure 5 – Projected Transaction Summary

Conclusions

This was a “perfect” triangle pattern and I decided to buy in below the horizontal line, taking the chance that this would be the start up the long-term upward movement. In some cases, there are “false breakouts” which means that the stock will go up for a while, and then retreat back down, only to later demonstrate the genuine profitable rise. In this case, it was a good decision to get in at this point – however, I left a lot on the table – had I stayed in longer, over a period of another year, the ROI could easily have been several hundred percent up to 961.6% (the latter only being if I sold out near the top).

Appendix – Transaction Receipts

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

Charles Schwab & Co., Inc.		SIPC		TRADE CONFIRMATION			
HEADQUARTERS: THE SCHWAB BUILDING 101 MONTGOMERY STREET SAN FRANCISCO, CA 94104				CUSTOMER COPY Please retain for your records. Upon the terms and conditions printed on the back hereof and none other. Please see reverse side for a listing of capacity codes.			
We Confirm That You	Quantity	Item Description	Symbol	At The Unit Price Of	Executed On This Date	For Settlement On This Date	
BOUGHT	147	LSI LOGIC CORP	LSI	13 3/16	8/28/98	9/02/98	
For Your	Account Number	Security Number / CUSIP		Capacity			
CASH		502161-10-2		A		HVYY	
J MICHAEL FOUCHE UTA CHARLES SCHWAB & CO INC							
				PRINCIPAL AMOUNT		\$1,938.56	
				SCHWAB COMMISSION		29.95	
				TOTAL AMOUNT		\$1,968.51	

Stock Purchase Receipt

Charles Schwab & Co., Inc.		SIPC		TRADE CONFIRMATION			
HEADQUARTERS: THE SCHWAB BUILDING 101 MONTGOMERY STREET SAN FRANCISCO, CA 94104				CUSTOMER COPY Please retain for your records. Upon the terms and conditions printed on the back hereof and none other. Please see reverse side for a listing of capacity codes.			
We Confirm That You	Quantity	Item Description	Symbol	At The Unit Price Of	Executed On This Date	For Settlement On This Date	
BOUGHT	147	LSI LOGIC CORP	LSI	27 1/2	3/17/99	3/22/99	
For Your	Account Number	Security Number / CUSIP		Capacity			
CASH		502161-10-2		A		HVYY	
J MICHAEL FOUCHE UTA CHARLES SCHWAB & CO INC							
				PRINCIPAL AMOUNT		\$4,042.50	
				SCHWAB COMMISSION		29.95	
				SEC FEE		.14	
				TOTAL AMOUNT		\$4,012.41	

Stock Sell Receipt