



**>: How to swing at stocks only inside your strike zoneâ€¦!**

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In my line of work I meet a lot of tipsters. Not the kind who "sell" them but the kind who love nothing more than to "give" them away. You know the type I'm talking about: the friend or family member who always has that penny stock that is one announcement away from sending the shares from .50 cents to \$10.

A few years ago, one of those tips circulated among my circle of friends. What was most dangerous about this tip though was that the tipster had credibility in the field he was talking about: he was a New York engineer who heard that a no-name penny stock was on the verge of getting a big contract with Cisco.

As is often the case the Cisco rumor was false. 90 days later the stock was selling for 25% of the price it was on the day the tip was shared. Naturally, the tipster never mentioned the stock ever again (people who share information to gain approval rarely do).

The reason I bring this up is because I think that one of the most important things you can do as an investor is to swing only at pitches that are *inside your strike zone*.

### **Bill and Investing: the art of taking high percentage shots ?**

Ted Williams, the greatest hitter ever to play baseball (and last Major League Baseball player to bat .400 in a season), once shared the secret to his unmatched success:

*He took the strike zone into little boxes and only swing at the pitches inside those boxes.*

*What Ted Williams recognized is a principle which must be learned by anyone who wants to make money investing:*

invest only in companies that are inside your own strike zone and which will give you the best chance for hitting the ball and making money.

My definition of the perfect "plain vanilla" investment opportunity which would be right inside my "strike zone" has the following qualifications:

### **The Importance of a Well Defined Strike Zone**

A *well-defined strike zone* means that you know exactly what types of investment opportunities to look for and you only invest when you see one.

When you're operating at this level, investing becomes a game of patience. You simply wait around until you find the right pitch (stock) and swing the bat (invest) only when you're comfortable.

As you can see below, a *poorly-defined strike zone* means that you are swinging all over the plate.