

>: Jason Jovine's Top Down Process for Trading & Investing

Tuesday, September 25, 2007 | Jason Jovine

A nice fellow I spoke with the other day who had read all of my Tycoon articles and was very impressed by the fact that every single stock that I had recommended since I have been writing for The Tycoon Report had gone higher asked me if I could tell him how I pick stocks.

I told him that it would be difficult but that I would try. I was just planning on e-mailing it to him directly, but I decided to share it with all of you so that it may be somewhat helpful. I hope that it is. Hope you enjoy.

Jason Jovine's Top Down Process for Trading & Investing

1. **How is the overall economy doing?**
2. **Where is the best place to put money right now to optimize my return? (i.e. which sector of the economy)**
3. **Which company in that sector do I like the best and why?**
4. **Have I used its product or service personally and do I like it?**
5. **When is the right time to buy it?**

I am always focused on the economy so that it will help me uncover clues as to where the best areas to invest are. For example, when I am bullish on the economy, I am willing to take more risk and therefore might recommend riskier stocks such as Answers.com which I made money with several times in the past. When I was neutral, I recommended CVS which I made money on. When I am more on the bear side, I may recommend P&G.

The economy tells me where to put my money and the kind of risk I am considering taking. I look at the economic indicators out there, and I try to interpret them the best way that I can.

Once I find a sector, I ask myself, "Which company do I like the best in that sector and why?" I always try to become intimately familiar with the company's product or service. I want to be a customer so that I can understand the customer experience.

I didn't buy Yahoo a while ago because I used one of their services, and the customer service from my perspective was poor. This is an indication of poor management. I haven't followed them much since but that experience told me a lot.

I stayed away from Ford a while back because I had a terrible experience with them.

The customer experience has to be warm, pleasant, and efficient. Companies have to stand out from their competitors.

All of that is nice, but even if I absolutely love the company, I will not pay too much for their stock. The stock has to fall within my strike zone for me to take action. I do not swing at everything.

I have been on Wall Street since I was 18 years old, and, between my education, where I have befriended and learned from extremely bright PhD's in finance and economics who taught me a lot, and my experience, a lot of when I feel the right time to buy is based on my intuition.

I generally don't follow any method for technical analysis. I think that formulas, equations, and rules, when it comes to a subject as complicated as psychology, never work. The mind is not predictable, and the mind is represented by the stock market.

It's just like people; as soon as you think that you have them all figured out, they surprise you. I could name many spouses of people that have done many evil deeds who believed in their minds that the love of their life could do no wrong.

When it comes to trying to anticipate human behavior as reflected in the stock market, we know that greed and fear are the predominant factors but when, where, and how they will show themselves is a mystery.

When it comes to value, most people who are paying attention will see that it is self-evident. If I saw a Bentley parked on the corner with a 'For Sale' sign that said '\$25,000', I would, at the very least, look into it further.

Usually if a deal sounds too good to be true, it is. Live by the Ronald Reagan method, 'Trust, but verify.'

I can't take what's in my brain and give you a simple formula for it. What I can do is let you know how I think, and maybe some of it will be

contagious.

Thanks for asking,

Jason Jovine

Until the next time, folks, spend your hard-earned money wisely.



Jason Jovine

Chief Investment Officer

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