



# WHEN TO BUY STOCKS





# SELECTING BEST EUROPEAN STOCKS



## ◇ When a Stock Goes on Sale

When it comes to shopping, consumers are always on the lookout for a deal. Black Friday, Cyber Monday and the Christmas season are prime examples of low prices spurring voracious demand for products. In the stock market, a herd mentality takes over and investors tend to avoid stocks when prices are low. Basically, The end of 2008 and early 2009 were periods of excessive pessimism, but in hindsight, were times of great opportunity for investors, who could have picked up many stocks at beaten-down prices. And after a much-needed market correction in early February, which sent the Dow lower, many deals exist in the market today.



## ◇ When It Hits your Buy Price

In investing, it is important to estimate what a stock is worth. That way, investors will know whether it is on sale and likely to rise up to this estimated value. Coming to a single stock-price target is not important. Instead, establishing a range at which you would purchase a stock is more reasonable. Analyst reports are a good starting point, as are consensus price targets, which are averages of all analyst opinions. Most financial websites publish these figures. Without a price target range, investors would have trouble determining when to buy a stock.



## ◇ When It Is Undervalued

One of the best ways to determine the level of overvaluation or undervaluation is by estimating a company's future prospects. A key valuation technique is a discounted cash flow analysis, which takes a company's future projected cash flows and discounts them back to the present. The sum of these values is the theoretical price target. Logically, if the current stock price is below this value, then it is likely to be a good buy. Other valuation techniques include comparing a stock's price-to-earnings multiple to that of competitors. Other metrics, including price to sales and price to cash flow, can help an investor determine whether a stock looks cheap compared to its key rivals.



## ◇ When You Have Done Your Own Homework

Relying on analyst price targets or the advice of newsletters is a good starting point, but great investors do their own homework on a stock. This can stem from reading a company's annual report, reading its most recent news releases and going online to check out some of its recent presentations to investors or at industry trade shows. All this data can be easily located at a company's corporate website under its investor relations page.



## ◇ When to Patiently Hold the Stock

Assuming you've done your homework, properly identified a stock's price target and estimated if it is undervalued, don't plan on seeing the stock you bought rise in value anytime soon. It can take time for a stock to trade up to its true value. Analysts who project prices over the next month, or even next quarter, are simply guessing that the stock will rise in value quickly. It can take a couple of years for a stock to appreciate closer to a price target range. It would be even better to consider holding a stock for three to five years – especially if you are confident in its ability to grow.



## ◇ The Bottom Line

It is recommended that investors buy what they know, such as their favourite retailer at their local shopping mall. Others can get to know a company by reading up on it online or talking to other investors. Combined with the above tips, applying your own common sense to choosing when to buy a stock can produce the most profitable results.



# SELECTING BEST EUROPEAN STOCKS (contd)

- ◆ Some foreign stocks will have depository receipts (DRs) listed on your local exchange, which will appear as American depository receipts (ADRs) in the U.S. and global depository receipts (GDR) or European depository receipts (EDR) in the U.K.
- ◆ The downside of buying international stocks on your local stock exchange is the unavailability or limited number of stocks listed. If you are looking to invest serious money into European stocks, buying through a broker may be the way to go.


## SELECTING BEST EUROPEAN STOCKS (contd)

Buy stocks in large European corporations.


Another option is to buy European stocks through your broker on the European stock exchange. This allows you to invest in large multinational European corporations in the consumer market like Nestle and DEO, which owns all the alcohol brands in Europe.



# SELECTING BEST EUROPEAN STOCKS (contd)

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- ◆ Investing in stocks in big corporations is usually a solid option, as these companies tend to be stable and generate regular income.
  - ◆ • Your stock broker can also suggest large European corporations that are doing well and worth investing in.

# SELECTING BEST EUROPEAN STOCKS (contd)



Select stocks in the European healthcare sector. The healthcare sector in Europe is a thriving market and worth investing in. Healthcare giants like NVO are responsible for developing drugs to combat diabetes and other health issues, making them high in demand and a good long-term investment.

◆ Ask your stock broker to recommend other European healthcare companies that you can buy stocks in.


# SELECTING BEST EUROPEAN STOCKS (contd)



Look for stocks in European energy companies. Large European oil companies like Royal Dutch Shell are good return-on-investments, as they continue to grow and thrive. European mining companies like Rio Tinto, one of the world's largest mining firms, are also good options for stocks.

◆ Your stock broker can also recommend stocks in other growing energy sectors in Europe, such as wind, solar, and natural gas.

# SELECTING BEST EUROPEAN STOCKS (contd)




Go for stocks in the European banking sector. The European banking sector is a good option as the European banking market is improving and continues to grow. You may get stocks in European credit groups or large European banks for a stable investment.

# BUYING EUROPEAN STOCKS

Ask a local stock broker if they can buy international stocks for you. Most local stock brokers will have connections with offices and firms in Europe, and experience buying European stocks, especially if they have a variety of clients. They will usually charge you the same commission that you pay to buy local stocks.

# BUYING EUROPEAN STOCKS (cont.)

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- ◇ Some stock brokers may not be able to buy certain European stocks for you because they do not have local accounts set up. They will have to go through a local market maker, or a middle man, which may then cause their commission fee to go up.
  - ◇ • If your stock broker cannot buy international share for you, consider finding a broker who does. It is difficult to buy European stocks on your own without a broker, so try to use one whenever possible



# BUYING EUROPEAN STOCKS (cont.)

Use an international stock broker to buy stocks often and in large quantities. If you plan to buy a lot of European stocks regularly, getting an international stock broker will make this easier. Look for stock brokers who work in large financial centers in Europe, as they tend to welcome foreign clients. Go for an international stock broker who has a long list of clients and trades in at least 20–30 countries.

◆• Ask your local stock broker to recommend an international broker, as they may know someone credible and good.

# BUYING EUROPEAN STOCKS (cont.)

Check a list of credible international stock brokers on Stockbrokers.com:

<https://www.stockbrokers.com/guides/internationaltrading>.

Brokers supported for Nigeria.

◇ <http://choicetrade.com> with \$5.0 fees for purchase of stocks, the support OTCBB (over the counter board stocks)

◇ <http://www.suretrade.com>

◇ <https://www.lightspeed.com> this broker offers \$0.0006 per shares

## BUYING EUROPEAN STOCKS (cont.)

Open a multimarket account with your international stock broker. If you go for an international stock broker, ask them if you can create a multimarket account, as this will allow you to buy stock in many different countries from one account. You may need to get a request document certified by your lawyer or a notary and mail it to the broker to open the account.

◆ You will also need to set up international money transfers to the stock broker. If you plan to do this often, ask your bank about using a foreign currency transfer specialist.