Switzer Super Report

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No cross, no crown

I know that all SMSF trustees love a stock with yield but today Charlie Aitken examines a company with all eyes on growth - and that's Crown. His analysis of the company's growth outlook explains why he is more than happy to forego dividends in the short-term.

Also in the *Switzer Super Report* today, we have stock-picking veteran Ron Bewley promise to walk us through his portfolio construction process for a yield portfolio, and head of distribution at Pengana Funds Management, Damian Crowley, goes through the nitty gritty of his personal SMSF's asset allocation.

In *Buy, Sell, Hold - what the brokers say*, plenty of blue chip companies like QBE, Lend Lease and Ramsay Health Care get upgrades as earnings season continues. Tony Negline explains a very important new task SMSF trustees may need to get done by the end of May and Brittany Ruppert reveals what a Fibonacci retracement is in jargon buster.

Sincerely,

Peter Switzer

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The jewel in the Crown

by Charlie Aitken

As you know, I think the Australian reporting season is going better than expected, with net upgrades to forward analyst estimates being the result of the majority of results.

This is very good news for my bullish view on the ASX200. Earnings (and dividends) being better than forecast, is a key required element of a bull equity market.

The majority of my key stock picks are stocks with headline earnings growth where that growth is under-priced in terms of the current market valuation.

I am particularly focused on stocks with US dollar earnings, and/or, a high proportion of their asset base in US dollars. This is based on my view of the AUD/USD heading towards 75 US cents in the years ahead, which should see domestic investors place a premium on US dollar earnings streams.

Focus on growth

Globally, investors are adding P/E to growth stocks. There has been a clear rotation from defensives to growth stocks, some of which is evident in Australian equities, as growth stocks start outpacing high-income stocks.

Crown Resorts Ltd (CWN.AX) - ASX
17.22 0.00(0.00%)

Source: Yahoo

Again, that is a required element of the extension of the bull equity market. The bull market started as investors were forced by central banks out of cash and sought income streams from equities.

Now, as global growth turns up and cyclical earnings turn up, investors are paying a higher multiple for growth and growth stocks are now leading all global equity indices. For example, the best performing sector in the US in 2014 is biotech!

I tend to look for growth at a reasonable price (GARP). It's very rare to find grossly cheap growth stocks. What is more usual is to find reasonably priced growth stocks on current earnings, with future earnings underestimated.

The Crown view

Obviously, backing James Packer and Crown Resorts (CWN) has been a good idea over the last few years. Crown shares have doubled, and I get many questions from investors about whether I still think Crown is a high conviction buy at current prices. The simple answer is yes. Below I will explain why.

The real attraction is *GROWTH*.

On our forecasts, Crown will grow earnings per share by 35% in FY14, another 20% in FY15 and again by another 24% in FY16. That's cumulative EPS growth of nearly 70% from FY14 to FY16.

However, on price to growth multiples, the market is not paying for that growth. **The PEG ratio on FY14 forecasts is .54x, the FY15 PEG ratio is .79x and the FY16 PEG ratio is .53x.** I always feel a PEG ratio under 1x in a stock with reasonably assured structural growth is "reasonable". Crown's PEG ratios are well below 1x in all three of the next financial years.

Part of this is driven by investors being conditioned NOT to expect dividend rises from Crown over the next three financial years. We all know how much Australians like dividends. Fair enough, the taxation and superannuation system rewards them, but there are times in growth stocks where it is better to invest for future growth than lift dividends. That is right now in Crown and our forecasts assume no lift in Crown dividends during the coming period of increased capex in Australia (Sydney).

A prudent strategy

We think holding the dividend flat and funding expansion from internal cash flows is prudent. It also shows you Packer is not greedy and not prepared to gear Crown too aggressively. In effect, he, as the 50% shareholder of Crown, is foregoing short-term dividend increase flow, to ensure the company is as financially strong as possible as it enters a period of higher capex.

In effect, the dividends from the brilliant Melco Crown investment will fund the Sydney development. Shareholders will not have to put their hands in their pockets. They will reap the big dividend reward in FY17 when capex comes off and free cash jumps.

It is worth spending a few moments looking at that Melco Crown (MPEL.NYS) investment. This is as good as you will ever see as a strategic investment. Crown own 33% of MPEL and paid US$600 million for that stake. That stake is now valued at US$7.8 billion and will account for 62.4% of our Crown NPAT by FY16. But, even more impressive, is the dividends that will now start flowing back to Crown as MPEL moves to a 30% dividend payout ratio.

We forecast that Crown will receive dividends of $116 million in FY14, $130 million in FY15 and $180 million in FY16, equating to a $426 million dividend stream in the next three years, which is over two thirds of the initial capital outlay for the MPEL stake. Now that's a phenomenal total return investment and a reason CWN deserves a P/E premium to its industrial peers.

Our Crown Resorts (CWN) earnings forecasts are below.

Earnings Forecast

Year end June 30	2013	2014e	2015e	2016e
Sales revenue ($m)	2,026	2,026	2,100	2,175
EBITDA (adjusted) $m	758	754	774	802
NPAT (reported) $m	396	704	764	947
NPAT (adjusted) $m	473	636	764	947
EPS (adjusted) (cps)	65.0	87.4	104.9	130.0
EPS growth (%)	15.6%	34.5%	20.1%	23.9%
PER (x)	25.7	19.1	15.9	12.8
EV/EBITDA	18.1	18.2	17.7	17.1
Dividend (¢ps)	37.0	37.0	37.0	37.0
Yield (%)	2.2%	2.2%	2.2%	2.2%
ROE (%)	13.3%	15.8%	18.0%	21.0%
Franking (%)	50.0%	50.0%	50.0%	50.0%
Melco Crown as % of Norm NPAT	32.2%	49.3%	56.3%	62.4%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Asian exposure

Crown is increasingly become a leveraged growth play on Macau. However, when we discount back out the MPEL stake and EPS/DPS contribution to our Crown valuation model, it appears to us that the domestic properties Crown own are now undervalued.

Some of this has been driven by valid short-term concerns about inbound VIP numbers and partially driven by regulatory uncertainty in Victoria regarding gaming machines. I feel both issues will resolve themselves, with the falling Aussie dollar likely to see VIP traffic increase, while the Victorian Government can't be stupid enough to kill their golden goose.

It's actually a re-rating of the domestic properties that get us to a $20.35 valuation and price target for Crown over the next 12 months.

I have no doubt that MPEL will keep performing and see that stock headed to US$50.00 per share, but I also feel, as sentiment headwind issues ease domestically, that investors will come to our conclusion and realise that the domestic assets of Crown are now undervalued in the Crown share price.

A big RSL

For those who live in hope that Crown will come back and bid for Echo Group (EGP) now that CWN shares have outperformed EGP so dramatically, I can only direct you to the timeless words of Darryl Kerrigan in the film The Castle: "*Tell em they're dreaming*".

As Crown Sydney comes out of the ground over the

next few years, Echo shareholders will realise the only way for The Star to compete will be to go down-market and become a big RSL. Some would say it already is.

And consider this in the Echo/Crown debate. Echo spent nearly $900 million of capex on The Star for NO ECONOMIC return. In fact, earnings fell. Crown spent $600 million on a MPEL stake that is now worth $7.8 billion and paying $100m plus in annual dividends. I rest my case. These two stocks shouldn't even be mentioned in the same breath.

I have long thought Crown Resorts was Australia's only hope of creating a global luxury brand. That is occurring and the multiple for a luxury global brand stock is anywhere from 20 to 30x earnings.

On our forecasts, Crown is trading on just 12.8x our FY16 EPS estimate of 130c. If I am right and Crown does get re-rated to a global luxury brand, the minimum PE attributed to that FY16 EPS stream would be 20x. 20x 130c = **$26.00** price target in three years' time.

You can see why I am happy to forego short-term dividend growth in Crown to capture that potential capital growth over the next few years.

Crown remains a high conviction buy and a core portfolio holding.

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How to build a portfolio

by Ron Bewley

I am going through the motions of building a new portfolio framework for *my own* SMSF. I plan to enact it in September of this year. I'll explain why I chose that date later. I started work on this project in January and it will take me that long (until September) to trial what I have come up with. Please feel free to join me on my journey. I will update those who want to read my 'blog' each fortnight in this regular column that I write for the *Switzer Super Report*.

At this point, I think I will need 10 steps to walk you through my thought process.

Step 1: Watch reporting season before you start – read the signs
Step 2: Define objectives – yield, growth, value etc and sector weights
Step 3: Stock exclusions – which to avoid?
Step 4: Stock picking – who to follow (and who to avoid)?
Step 5: Performance expectations – re index hugging, yield versus gain etc
Step 6: Going ex-div – fallacies about gaming ex-div dates
Step 7: Reinvestments, DRPs etc – what should you do with those dividends and new cash?
Step 8: Rebalancing (or rotation) – when and how?
Step 9: Boom and doom – sit and wait or anticipate?
Step 10: Exit plan – how should you approach the end of the road?

So, in 20 weeks (10 steps x 2 weeks) time, you should have a reasonable idea about what I think is important. Hopefully not everyone will agree with me – it takes two sides to make a market! I have been building portfolios for years with a sizeable amount of funds following my process. But this is a breed of portfolio for me that I have not offered before. And I am going to invest most, or all, of my SMSF funds in it.

The reasoning

So why did I want to invent a new portfolio structure? The one I have dates back to 2007 when I started my SMSF with the $450,000-in-the-pot rule. I was then seven years younger, fitter and with a life expectancy just about seven years longer than I have now. Importantly, I was able to tip in a lot more into my SMSF under the rules and my portfolio made some money along the way.

The year I was about to turn 60 (2009), I spent part of my January holidays planning my possible futures and realised I could afford to retire that year – so I did. I conducted my 65-year-old review in January of this year and I realised my objectives and expectations have evolved – actually quite a lot. So I need a new portfolio structure. In essence, I no longer need as much growth and a little more yield might help. Indeed, I worked out I might be able to live only off the yield and preserve my capital so that it no longer matters how long I live and, if necessary, I can use the capital for some aged care facility.

Reporting season

So let's get back to Step 1! The vast majority of companies report their annual or interim accounts in February and August. Three big banks (ANZ, NAB and Westpac) are three months out of sync. Even the three out-of-step banks put out limited data in February and August. So gamblers go in hard before reporting and some win and some lose. I think retirement funds can afford to lose a possible two or three per cent upswing on any good news in the season but avoid those bad surprises. So that's why I will set my new portfolio in September (March is too soon as I am not yet ready).

But precisely because of the possible savagery of February (which didn't actually happen), I built a

skeleton of my new (Yield) portfolio on Feb 1 so I can watch and learn! I used to offer High Conviction and High Octane portfolios at CBA. I have changed the definitions but the sense is the same. One should be able to sleep at night with a High Conviction portfolio (maybe even go on a long holiday!). Any new money might go on the existing stocks. If one can sleep at night with a High Octane portfolio, one must be 'mellow'. But some people might benefit from having 'some' money in such a portfolio – but probably not in an SMSF – unless there is no other way out.

So how did my three portfolios go for the first three weeks in Feb? Take a look at Table 1. The High Octane portfolio could have gone either way (two stocks – Buru Energy and Karoon Gas – have already 'tanked' but there are a few big winners so far to set against those losses). The other two portfolios are sort of jogging along nicely but it is early days and yield hasn't really started to come in yet. Amcor and Fox were the only two to go backwards in the High Conviction portfolio. Worley Parsons and Goodman Fielder did the damage in the High Yield portfolio.

Table 1: Returns on Feb 1 portfolios

	Yield	Octane	Conviction	ASX 200
Capital gains	5.0%	7.5%	4.0%	4.8%
Total return (inc. divs)	5.4%	7.7%	4.2%	5.2%

Source: Woodhall Investment Research and Thomson-Reuters – Period 1 Feb to 21 Feb 2014

But the main point here is what did we learn from reporting season? Overall, the season has been quite strong but a few companies chose not to pay dividends this time around. Except for Origin, I have found the Energy sector to be a bit disappointing.

I had positive prior beliefs but now I feel particularly good about my investments in BHP and RIO – but no Material stocks made it into my prototype yield portfolio. I was backing them to the hilt and now I feel justified.

CBA did what I expected. But there has been a big increase in cash holdings by those companies that have so far reported. While that means these companies' balance sheets are stronger, it also means that some companies just don't know how to invest their surplus cash. That does not bode well for growth in the near term. So I need to turn more to yield – but I know analysts can get things wrong so I won't just migrate completely from growth yet.

The outcome

So, to put it simply, I strengthened my resolve to move out of smaller companies this February. With the talk of BHP and Rio possibly doing buy-backs or special dividends, I am looking to evolve my yield portfolio into a hybrid 'yield-conviction' portfolio going forward. On 1 February, I estimated that the yield portfolio would produce an income stream of 7.7% including franking credits. And I think there is some growth potential on top of that! Of course, there are some stocks in this yield portfolio with which I am not too familiar. The next six months will give me enough time to get to know these stocks and expand my field of interests. Next fortnight, I will write about what underpins these three portfolios and how I derived the sector weights.

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My SMSF - alternatives add spice

by Damian Crowley

Name: Damian Crowley
Age: 54
Other members of the SMSF: My wife Julie.

How long have you had your SMSF?

10 years.

Why did you start it up?

To have more flexibility on estate planning, tax planning and investments.

How big is it?

A reasonable size.

Is it more or less difficult to manage than you thought it would be?

It takes a little more time than I thought to keep the administration up-to-date.

Do you enjoy managing it?

It is not too much work, given I have an adviser and administrator.

Are you pleased with its performance?

Yes

Can you give us some numbers around performance over the last 1, 3 and 5 years?

1 yr – 20% per annum
3 yrs – 12% per annum
5 yrs – 10% per annum

What is your asset allocation?

The asset allocation for our SMSF is:

Domestic equities 32%
International equities 23%
Fixed interest 24%
Property securities 14%
Cash 1%
Alternatives 6%

However, I have some investments outside of our SMSF and our adviser considers our asset allocation across all investments and therefore our overall asset allocation for all our investments including our SMSF is:

Domestic equities 27%
International equities 21%
Fixed interest 24%
Property securities 12%
Cash 1%
Alternatives 15%

I don't hold any direct shares. All my investments are in managed funds, as I don't believe I have the time or expertise to select these investments.

What are your favourite investments/stocks and why?

I believe that the alternative investments in my portfolio have significantly added to the diversification and downside protection of the fund as they are lowly correlated to the other asset classes and their performance is not dependent on equity markets performing. I also like our investments in Australian and international equity managed funds, as these funds are all invested on a benchmark unaware basis (i.e. the weighting of stocks in the index is irrelevant to the portfolio managers) and they use either cash or shorting to vary their exposure to the market and provide downside protection.

What investments do you have outside of superannuation?

Our investments outside our super fund comprise:

Fixed interest 25%
Alternatives 75%

Damian Crowley is the director of distribution for Pengana Funds Management and joined the company in July 2011. He has over 25 years experience in financial services distribution. Prior to joining Pengana, Damian worked at Perpetual Investments for 17 years, most recently as general manager distribution for the past 12 years.

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Buy, Sell, Hold – what the brokers say

by Staff Reporter

As earnings season draws to a close, analysts have been extra busy moving on companies. The good news is that for the larger stocks at least, there seems to be more upgrades than downgrades. Here are this week's highlights so far.

In the good books

JP Morgan upgraded QBE Insurance (QBE) to Overweight from Neutral on the back of a 2013 result that was slightly better than the broker expected. The broker is not completely confident that all reserving issues are laid to rest, but thinks any remaining will be smaller. Also, if QBE achieves just some of the initiative to improve margins, there will be value there.

The reported financials for Lend Lease Corporation (LLC) proved in-line, but CIMB believes this company is poised to generate some serious growth in the three years ahead and upgraded to Add from Hold. CIMB states consensus forecasts will prove too low for FY15/FY16 and, as the market comes to recognise this, investors will re-rate the stock. Prepare for higher PE multiple is the underlying message.

CIMB Securities upgraded Ramsay Health Care (RHC) to Add from Neutral. The interim result for Ramsay was as expected, but its features were strong enough to convince analysts at CIMB that a cautious stance is no longer appropriate. The broker likes the broad divisional performance, the show of operating leverage within the international group and – not to be dismissed – the group's strong generation of cash flow. The latter implies management can remain on the lookout for profitable acquisitions. Earnings consistency has become a hallmark of the company and CIMB suggests this will continue to support share price momentum.

Credit Suisse upgraded Crown (CWN) to Neutral from Underperform. The broker notes turnover in Melbourne fell 33% in the first half, the biggest single fall since the company began making disclosures. Perth was flat. Credit Suisse has upgraded the stock to Neutral from Underperform, supported by Macau's strong quarterly results and valuation. The price target is raised to $18.50 from $15.90.

In the not-so-good books

UBS downgraded Caltex (CTX) to Neutral from Buy. Caltex's 2013 result beat consensus by 1.5% and met the broker but the stock was downgraded to reflect recent share price strength (up 8% in three months). The dividend generally exceeded expectations. UBS's growth forecasts fall short of the company's, but suspects the difference will come from the premium fuel business.

CIMB Securities downgraded NAB (NAB) to Hold from Add on reduced scope for earnings outperformance. Cash earnings for the first quarter were roughly in line. The broker thinks the tail risk from UK asset quality has been removed, while the earnings threat from life insurance losses and UK claims have likely peaked. Ongoing revenue pressure in the flagship business banking unit and compensation risks from UK fixed-rate lending worries the broker. A clean result is needed to support a re-rating and that is unlikely in the first half, in CIMB's opinion.

The above was compiled from reports on the FNArena database, which tabulates the views of eight major Australian and international stock brokers: BA-Merrill Lynch, CIMB, Citi, Credit Suisse, Deutsche Bank, JP Morgan, Macquarie and UBS.

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Why you need an electronic servicing address

by Tony Negline

Does your SMSF receive employer contributions?

If yes, then an important regulatory change is taking place involving those contributions. The change will begin to take effect on 1 July 2014.In some cases, you must have some processes in place by 31 May 2014.

What's happening?

- If you (or any member) work for a medium to large business – that is, those employing more than 19 people.
  Your fund must be able to accept an electronic message from the employer by 1 July 2014 and will need an electronic service address to do so. The message will contain details of the payment including the employer's name, their Tax File Number and the contribution amount.
  It might also contain the employee's residential address, TFN, telephone number, date of birth and sex.
  The Tax Office has estimated that about 150,000 SMSFs will be impacted by this rule.
- All other businesses
  Your fund must be able to accept an electronic message from the employer by 1 July 2015. Again, the message will contain relevant details about the payment and the employee.
  The Tax Office has estimated that there are about 50,000 SMSFs in this category.

What your SMSF members must give their employer

To send you employer contributions, employers need your fund's ABN, bank account and electronic service address. This is different to a website address or an email address.

Employers with 20 or more employees need this information by 31 May 2014.
All other employers need this information by 31 May 2015.

If you don't provide this information by these dates, then the employer might send your contributions to their default super fund.

Receiving the electronic message

For employer contributions, the information will arrive in what the ATO call the "standard format".

To be able to receive this message, you need access to an "electronic gateway". The job of the person running the gateway is to accept the employer's information and then to turn it into a format that can be read by human beings.

The gateway provider must meet system certification, operational performance and information security.

How do you get an electronic service address?

There are three potential solutions:

- Your SMSF can create its own (I can't imagine any SMSF will opt for this solution)
- Through your SMSF administrator
- You can access a SMSF messaging provider yourself.

The ATO has put a list of SMSF messaging providers on its website here.

Rollovers

If your fund wants to receive a rollover from an APRA regulated super fund after June 2015, then you may need to use this new electronic gateway system. (The

legislation putting this requirement into place hasn't been passed.)

Important exemption for related employers

If your employer is a related party of the super fund, then they don't need to use an electronic gateway and your fund doesn't have to use an electronic gateway. In simple terms, this will be any employer your fund's members or their relatives control or are deemed by the law to control.

SuperStream

These regulatory changes are part of ongoing changes across the superannuation system called "SuperStream".

The ATO claims that this will improve SMSF administration and make it easier for employers to satisfy their Super Guarantee and other compulsory super contribution obligations.

I don't believe this will make your super fund any easier or cheaper to administer. Nevertheless, if you don't put the required processes in place you and your SMSF could be fined. I think it's best to be practical and comply with this new system simply to avoid getting into trouble.

However if you're unhappy about these new requirements, then you might consider writing to your political representatives and telling them what you think.

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Local futures and US Treasury Bonds

by Questions of the Week

Question: *I hope you don't consider this to be a dumb question. When the SPI shows an increase for the following day, the value of the index is considerably less than the closing value of the index. Shouldn't the value figure be higher for the SPI?*

Answer (By Paul Rickard): There is no such thing as a dumb question.

By SPI, I think you are referring to the futures contract. This is a cash settled instrument that closes out according to the value of the S&P/ASX 200 Index on the third Thursday of the settlement month, usually on a calendar quarter basis.

At the moment, the current 'spot' contract is the March 2014 contract, which will cease trading on Thursday 20 March. Effectively, this will settle based on the value of the S&P/ASX 200 Index on that day.

As it is a futures contract, it won't be the same as the underlying physical (ASX) market. There will of course be a close correlation, however it will trade at a premium or discount. This discount or premium reflects sentiment (if the market is bearish, more likely to be at a discount), as well as the cost of carry (interest rates vs dividends), and other factors.

The SPI futures contract trades almost on a 24 hour basis (has a 'night' session that at this time of the year, goes until 8.00am), so if you hear in the morning that the SPI was down 30 points, all things being equal, our ASX market should open down around 30 points.

Question 2: *I would like to invest in US Treasury Bonds – how do I go about it? I currently use Commsec but they do not have capability. Can you recommend someone? How do you feel about this as an investment to diversify as most of our shareholding is in Australian stock, either directly or through BT Growth Fund and Colonial First States' Imputation Fund.*

Answer 2 (By Paul Rickard): Thanks for the question, although to be honest, I have never been asked before about investing in US Treasury Bonds.

I can't ascertain a ready way for a private investor to do it from Australia. You can of course, invest indirectly through global fixed interest funds offered by managers such as Blackrock, Aberdeen and others. On the world bond index, the US accounts for around 40% – so a global fund will typically have an allocation of 40% to 50% to the US. If it is a government bond fund only, a higher proportion of that weighting will be invested in US Treasury Bonds – if it is broad fixed interest, then a lower component will be invested.

I am struggling to understand why you would want to invest directly in US Treasury Bonds, unless you are really concerned about the Aussie dollar and want premium safety. The Australian Government Bond market (which you can invest in) has some level of correlation with US Government Bonds, and you could synthetically get currency exposure through an ETF (for example, Beta Shares US Dollar – ASX Code USD).

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Do you know what a Fibonacci retracement is?

by Brittany Ruppert

A Fibonacci retracement is a technical indicator commonly used in trading to indicate the price support and resistance levels of a financial unit (e.g. a stock). It's a term you probably read often in our chartist articles from Gary Stone or Lance Lai.

In order to define the Fibonacci retracement in simple terms, we must first understand the concepts of 'Fibonacci' and 'retracement'.

The word 'Fibonacci' might take you back to high school maths. In case you need a reminder, a Fibonacci number is found by adding the two preceding numbers in the sequence, e.g. 0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144 etc. (i.e. 0+1 = 1; 1+1 = 2, and so on). The approximate ratio between Fibonacci numbers is 1.618, aka ? (Phi) or the 'Golden Ratio' – e.g. 55 x 1.618 = 89.

This is a sequence that occurs in nature – and as such, some mathematicians argue that the stock market (driven by the natural resource that is the human mind) is likely to follow a Fibonacci pattern.

Moving along, a retracement is a temporary movement in a share price, which goes against the general trend, but is not indicative of a price reversal. For instance, if a share's price is generally heading upwards but dips slightly on a given day, it may be classed as a 'retracement' rather than an all-out change in price direction.

So combining these two concepts, we can understand the Fibonacci retracement as different price levels between which a share will fall, in percentage terms. As Gary Stone wrote in his recent article for the *Switzer Super Report*, prices never rise or fall in a straight line. There is always some level of retracement, and often (but not always) these retracement brackets follow a Fibonacci sequence. The Fibonacci retracement levels most commonly referred to by traders are 0%, 23.6%, 38.2%, 50%, 61.8%, 76.4% and 100%.

When a stock price crosses a "support" (price stops going lower) or "resistance" (price stops going higher) level, it graduates to the next Fibonacci bracket – this movement is referred to as 'Fibonacci retracement'. The graph below maps these main Fibonacci retracement levels.

Source: Online Trading Concepts

This indicator is commonly used by traders to predict opportune times to buy or sell a share. For instance, if a stock is reaching its support level, you may be able to buy it at good value before it heads back up. When there is a significant price change, traders will adjust the Fibonacci support and resistance levels of a stock (i.e. it will move into the next 'price bracket'). An investor might elect to put a "stop loss" in place at a Fibonacci retracement level or just below it.

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