Wise use of credit for Share Trading

1. Don't let greed overcome you - set a maximum loss target you are prepared to bear and sell to contain your loss when that target is reached. Many investors wait too long before liquidating their positions in the hope that the price of the stocks will recover.

2. Don't be over-concentrated in any one stock. This magnifies your losses when there is a sector or industry event that may adversely affect the stock. Instead, diversify your holdings over 7 or more stocks to spread your risk and lower probability of loss.

3. Don't use credit to purchase stocks if you are not prepared to monitor your portfolio on a daily basis as the prices of the stocks you buy will vary from day to day. Be prepared to invest this time.

4. It's good practice to set aside in cash, an amount equal to15% of the amount you have borrowed, so that you can top up the account in case of a margin call (margin call happens when the original value of your portfolio of cash and stocks drops by 15% or more, and you are then required to top-up the account to above 15%).

5. Top up your account as soon as you receive a margin call. It's good practice to top up by more than the minimum sum required to maintain a safety margin.

6. Check your paper statements or internet banking on a monthly basis to understand the interest charges incurred and ensure that you pay these charges promptly to avoid incurring late fees or other penalties.

7. Stocks that have a low price (penny stocks) may have high price volatility (i.e. the price of the stock in % terms frequently has large movements up and down) and may look attractive but may be the most vulnerable in a market downturn, resulting in a large loss of the value of your portfolio.

8. First-time investors should start with blue-chip stocks. These stocks may not exhibit large price movements but may offer greater safety in a market downturn.

9. Do your own research and do not solely rely on tips and advice from friends. Understand the fundamental strategy of the company whose stock you are buying and why you think its products or services will sell better than its competition. Look at the price of the stock in relation to the earnings per share (total earnings of the company divided by the total no of shares outstanding), and how this compares to its key competitor's and the industry to understand if the stock may be overpriced.

10. Attend the complimentary training offered by Standard Chartered and conducted during SGX Investment Education Seminars, when you open a SharePower+ account to ensure that you are well-versed with all the basics of investing in the stock market before you start trading. Or attend similar training provided by our partner brokers.