

The Desert Fox and Investing

**Portfolios heavy
with
under-
performing
stocks almost
never
outperform the
market.**

Ignat's Law

**Before the Afrika
Corps was ultimately
defeated in North
Africa, Rommel was
transferred back to
Germany due to
illness. He was later
killed by Hitler due to
suspicions that he was
complicit in the
attempt to assassinate
Hitler.**

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What could a WW II German general have to do with modern investment management. On examination, it appears that his battlefield command behaviors have quite a lot to say about investing.

Field Marshal Erwin Rommel, The Desert Fox, had many successful campaigns in North Africa during WW II. His biographers attribute his success to the fact that he forced his Afrika Corps' infantry to constantly patrol the front lines in small groups and make contact with the enemy, the British army. Rommel needed to know where his enemy was positioned and in what strength. When his patrols found the British positioned in strength, he immediately withdrew without further engagement. When he found the enemy to be in a position of weakness, he would follow up with an attack in force.

He repeatedly discovered battlefield opportunities and he took advantage of those situations. He knew he had to adapt to changing battlefield conditions to capitalize on the opportunities and avoid serious defeats. His patrols provided the critical information that allowed him to successfully adapt to changing battlefield conditions.

Rommel was so good at finding the British weaknesses that he repeatedly defeated his enemy with unexpected and overwhelming attacks. The Desert Fox was so skilled at battlefield command that the British actually believed that he had a spy in their headquarters in Alexandria, Egypt. There was no spy, just good battlefield generalship.

Investors must realize they are in a similar position. The investment markets change constantly and often in unexpected ways. The investor must be able to observe the financial battlefield and identify opportunities and withdraw from investments that offer little chance of investment success. How does the investor send out patrols to find the opportunities and avoid the pitfalls in the stock market?

A proven method of observing the investment battlefield is with long-term point and figure charts. The stocks that are developing as an investment opportunity show up clearly on the charts. The stocks that are performing poorly and suggest a lack of opportunity and the possibility of a financial defeat also are identified by the charts. In this way, the investor can position his portfolio for victory and avoid defeat. The Desert Fox has a lot to say about successful financial generalship.

It must be understood that the charts represent a method for finding stocks with good investment potential and avoiding the stocks that will probably perform poorly, but they do not predict the future. A mathematician would say that the stock market represents a non-stationary, random and stochastic process that is not subject to prediction by any means. Rommel could not predict where his patrols would find opportunities either. That is not why he sent them out. He used his patrols to identify battlefield opportunities and their reports gave him that essential information.

The charts provide the essential information for an investor to select good investment opportunities and avoid serious financial defeats and adapt to constantly changing conditions.
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