How to find stocks that will increase 10 times!

I am really exited to start with the second part of Peter Lynch's book [One up on Wall Street](#).
It is the core of the book as it discusses how to pick winners for our stock portfolio and
touches on the following subjects:

1) Where to look for winners
- How to exploit an edge
- How to find the most promising investments
- How to evaluate what you own and what you can expect to gain within,
2) Categories of stocks
- Six categories of stocks
- The characteristics of the perfect company
- The characteristics of the companies to avoid
- The importance of earnings
3) Stock market research
- The questions to ask when researching a stock
- How to monitor a company's progress
- How to get the facts
4) Fundamentals
- How to evaluate cash, debt, price/earnings ratios, profit margins, book value,
  dividends etc.

1) Where to look for winning stocks – you edge

I still remember how more that 10 years ago I needed to buy a special book and I found it
only on Amazon. Of course, I made an account and bought it. I didn't think about the stock at
the time because I was looking at different markets and was doing well, but…

I think the chart tells the whole story. 10 years ago, Amazon was at $120 while now it is
above $2,000. That is more than a 10-bagger that was in plain sight for me.

Amazon.com, Inc.
NASDAQ: AMZN

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2.171,63 USD +20,83 (0,97%) ↑
12 Feb, 13:46 GMT-5 · Disclaimer

| 1 day | 5 days | 1 month | 6 months | YTD | 1 year | 5 years | **Max** |

119,66 USD 12 Feb 2010

2.500
2.000
1.500
1.000
500
0
    2000   2006   2012   2018

This is also Lynch's message, to find great investments around you, in the things you use and see others using. Use what you already know to find great investments!
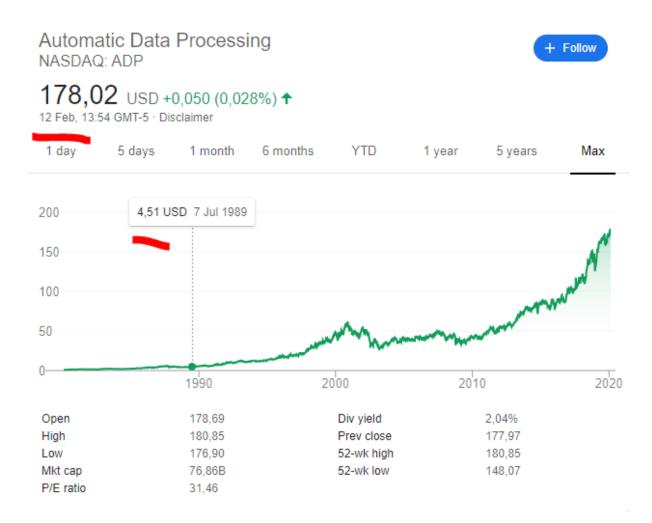
Lynch uses Automatic Data Processing (ADP) as an example of a business that many use, that many had been using since it went public in 1961 and how the stock increased 600 times between 1961 and 1989.

> Maybe you're a teacher and the school board chooses your school to test a new gizmo that takes attendance, saving the teachers thousands of wasted hours counting heads. "Who makes this gizmo?" is the first question I'd ask.
> How about Automatic Data Processing, which processes nine million paychecks a week for 180,000 small and medium-sized companies? This has been one of the all-time great opportunities: The company went public in 1961 and has increased earnings every year without a lapse. The worst it ever did was to earn 11 percent more than the previous year, and that was during the 1982–83 recession when many companies reported losses.
> Automatic Data Processing sounds like the sort of high-tech enter-

What is interesting is that since 1989 when the book was written, ADP just continued to do what it does best; compound.

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Automatic Data Processing
NASDAQ: ADP

+ Follow

178,02 USD +0,050 (0,028%) ↑
12 Feb, 13:54 GMT-5 · Disclaimer

| 1 day | 5 days | 1 month | 6 months | YTD | 1 year | 5 years | Max |

4,51 USD 7 Jul 1989

Open	178,69	Div yield	2,04%
High	180,85	Prev close	177,97
Low	176,90	52-wk high	180,85
Mkt cap	76,86B	52-wk low	148,07
P/E ratio	31,46		

ADP stock, after being up 600 times from 1961 to 1989, is again up 40 times since 1989, not even including the ever growing dividend. So, an investor buying Lynch's book in 1989, which was a bestseller at the time, could have found a great business in the book itself.

The message is that we can find great businesses by simply looking around us, at the place we work, within our circle of competence. We look at some product, and then we go look if there is a stock that represents the business. Very simple!

In order to keep it simple, I'll stop here with this lesson and leave it to you to name 3 brands in the comments that you use, where you like the product and you feel there is a positive buzz around. 3 brands that you don't even know whether there is a stock out there. Let's see what we find.

Then, when you find something interesting, then comes the research part of analysing an investing opportunity which is the content of the next lesson.