

## Book Review ‘How To Invest in Stocks & Shares’

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Written by Robert Chia and Doreen Soh, this book explains in a step-by-step manner the terms, charts, procedures and trading rules of the stockmarket. This newly revised edition lists the changes to the Stock Exchanges of both Singapore and Kuala Lumpur including the recent introduction of CLOB, and trading on the NASD-SES link. Since its first publication in 1986, this book has become the classic guide for both beginners and seasoned investors. Although individuals as a group buy more goods and services than institutions, they often stand alone and without a champion. Instead, it is the institutions that have organised lobbies and spokemen to advance their own interests. This situation is true also for the Singapore and Malaysian stockmarkets where the individual stock investors collectively trade more shares than institutional investors.

Small individual investors will not find it easy to acquire investment knowhow from their time-conscious bankers and stockbrokers. At the same time, the government policy of decentralisation and privatisation gives the individuals more opportunities to make his own decisions. This often leaves the small investor no choice but to learn from experience—a good teacher but sometimes a costly one. Learning from an investment book is a less expensive alternative. This book is simply written to meet the needs of the individual. It is highly recommend to those who wish to take the first step towards being masters of their own financial destiny. Managing your investments can be exciting and rewarding.

The stockmarket as we know it had its origins in the numerous coffee bars that dotted 17th century City of London. Then, as now, there were entrepreneurs with bright ideas for new products and businesses but little money. At first, these entrepreneurs went direct to the financiers and bankers who are already flourishing in the financial district of London. This naturally took a lot of legwork and raising the required money often depended on the entrepreneur’s persuasiveness and logic. Gradually, however, middlemen or brokers emerged to sell ‘shares’ in business ventures and so match would-be investors and entrepreneurs. The natural meeting places were the coffee bars where

‘shares’ in business ventures changed hands, and where entrepreneurs gathered periodically to report the success or otherwise of their ventures and to pay their backers a dividend. Over the years, these procedures were formalised to emerge as the stockmarkets of today.

In the past decade, the economies of Malaysia and Singapore have been transformed by rapid industrialisation and changes in the financial and banking sector. Both Kuala Lumpur and the Singapore stock exchanges, with roots going back to the 1930s, have beckoned and enticed many generations of investors. Owing to historical, political and economic ties, both markets are uniquely interwoven and the fate of one literally rests on the other—as shown by the Pan-Electric crisis which brought both markets to a standstill in December 1985.

The Singapore Government’s liberalisation of the compulsory national superannuation scheme, the Central Provident Fund, in 1986 marked a new milestone in the financial history of Singapore. For many Singaporeans, the opportunity to invest part of their savings opens new doors to the high-reward, high-risk worlds of the stockmarket and other financial instruments. However, many people interested in finance and investments who seek an understanding of its mechanics often find themselves stumped by books that give heavy emphasis to quantitative tools and techniques. The absolute beginner’s books are few and far between.

This book is a simple Do-It-Yourself guidebook for the beginner. It does not claim to teach everything you ought to know nor does it guarantee profits. Knowledge and success can only be gained with time and experience. Those in a hurry should read Chapters 4: “Picking a Share”, 5: “Taking the Plunge” and 6: “Using Your CPF”. Small investors with limited funds may like to consider “Unit and Investment Trusts” which are explained in Chapter 9. After reading this book, readers will learn how to analyse a company, understand the financial news, buy and sell shares, trade on warrants and stock options, choose among unit and investment trusts, use your CPF, chart new trends, anticipate new investment opportunities and survive the Bear Market.

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