



CREATING PROSPERITY BY CONNECTING INVESTMENT OPPORTUNITIES TO INVESTORS

INVESTORS' CORNER

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How to Invest?

“If I've learned anything in my career, it's that nothing worthwhile in life comes easy. That's just the way it is.”

Carli Lloyd

When I mention to my friends and colleagues that my passion and background is in investments, the next question they normally ask is “Can you teach me how to invest?” Also, on occasions, if I speak with someone long enough – sometimes strangers - who know, or eventually finds out, that my expertise is in investments, they will admit that they are currently enrolled in a 3 months I-have-made-millions-doing-it myself, learn-what-I-have-done-and-be-a-millionaire-too, trading course. This has happened to me quite often and thus warrants a piece that I hope will provide some form of clarification to help you decipher whether such trainings are legitimate and if so, whether they are right for you.

Trainings like these promote that they will teach you how to trade stocks, commodities and at times foreign currencies. But like many other fields, there is never only one way to get the job done. Therefore, it is critical for you to understand what is being sold to you in trainings like these before you jump in blindly. In investments, there are two primary methodologies that can be used to influence an investor's buy/sell decision - Fundamental Analysis or Technical Analysis. So, it is one of these methods that these trainings are likely to be selling. Let's discuss each in turn very briefly.

Technical Analysis tries to predict whether the price of a stock / commodity / foreign currency / etc. will increase or decrease in the future by looking at statistics of the past and other historical

trading activities. They will also look at the different averages of the security's price over a period of time, among other things. Traders who rely on technical analysis normally review a number of charts when trading in order to try and identify patterns from the past regarding how the stocks moved because they believe that these patterns will repeat itself in the future. Investors who use this method believe that historical quantitative information (basically "data") and their trends are a better indicator of future price changes than determining the "true" value of a share. In essence, followers of this type of trading style, really do not concern themselves with what the value of the stock should be but rather, they will decide to buy or sell a stock or security if historical data suggest that the price may increase further or not.

On the other hand, Fundamental Analysis tries to determine the true value of a stock by examining macroeconomic factors like whether the economy is growing or going through a recession or whether the company's industry is booming or not! Additionally, fundamentalists also look at microeconomic factors such as the company's financial conditions whether it is profitable or not as well as the company's management team's ability and strategy to make the company remain profitable. This method looks at historical statistics but also future expectations of the health of the company and how it will perform in order to determine a true value. This value which the experts in investments call *intrinsic value* is then compared to current market price and if the intrinsic value is lower than the current price, the investor will buy the stock. The opposite, of course, is true. In this methodology, the value of the stock is key!

Both methodologies have their merits as well as their flaws, but as you can imagine, an investor following technical analysis techniques will likely be buying different types of stocks than the investor applying fundamental analysis techniques. So, when you come across these types of training on the internet or if you are approached by one of these trainers, I implore you to ask yourself whether you have the appetite for deciding to buy a stock because of its historical trends or whether you wish to buy the stock based on its fundamental merits. In the end, it is critical that you assess whether the investment style that they are promoting in the training is consistent with your investment style.

Some investment professional use both, although, in reality, these professionals will tend to lean more to a particular style than the other. The potential questions for you then are "which is most suitable for me?" or "which do I believe in?" or which am I confident in that will give me a bigger bang for my buck?"

I know it might be a lot to digest but I hope I have shed some light on this teach-you-how-to-invest training course phenomenon! So much so that you are motivated to ask additional questions.

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