Notes

Use Analogy of Friend and House Buying

Mention how you were looking at cheap stocks and all of them went down

The title of the Company Matters

Mention how the price of the stock is a measure how desperate companies are in need of money

They need more people to buy, so the shares are cheaper to attract investors. Regardless of how much money those investors have. The more expensive a stock is, the better is doing, therefore it is going to require more money to invest on it.

A Section on the IPO Strategy and how is based on the “Castle in the air Theory” Explain how much you are willing to put, and how much percentage out of that are you willing to lose.

Explain Supply and Demand

The devil is in the details

How to forge information into knowledge

We think we want information when we want knowledge

Whether you know nothing about the stock market, or have many years of expertise, this book is made to offer a comprehensive exploration of the right mindset that is needed to become a successful investor. However, this mindset starts by having a solid understanding about the roots of investing. Thus, this book will aim to provide a structured mentality to tackle any future stock investments you can have in mind.

Each chapter of this book will be divided into 2 sections called “The basics”, and “The Mindset”. The basics will cover mainly definitions that need to be clear in order to understand the Mindset section. If you have invested before and have a firm understanding of what it involves, you might find this section as a refresher. However, if you are an expert in investing and are completely ready to learn new techniques, feel free to skim through The Basics and how straight for the Mindset section. Beware that you can always learn something new out of something old!

Buy and Hold

-The right attitude is that you should make the best forecast possible today regardless of what you said last week, last month or last year – Nate Silver pg. 65

-Our brains, wired to detect patterns, are always looking for a signal, when instead we should appreciate how noisy the data is. - Nate Silver pg. 63

- The experts in his survey- regardless of the occupation, experience, or subfield-had done barely and better than random chance…-Nate Silver pg. 52

- Any regularity in the stock market that can be discovered and acted upon profitably is bound to destroy itself. -Burton G. Malkiel pg. 157

-We can never make perfectly objective predictions. They will always be tainted by our subjective point of view. -Nate Silver pg. 14

-No buy or sell signal can be worthwhile if everyone tries to act on it simultaneously.

- Burton G. Malkiel pg.117

-The market ma by well be a most efficient mechanism. If some people know that the price will go to 40 tomorrow, it will go 40 today. - Burton G. Malkiel pg.117

- Your sample size for drunk driving is not 20,000 trips but zero, and you have no way to use your experience to forecast your accident risk. -Nate Silver pg. 44

-The key to investing is not how much an industry will affect society or even how much it will grow, but rather its ability to make and sustain profits. -Burton G. Malkiel pg. 96

-In a broader sense, the rating agencies’ problem was in being unable or uninterested in appreciating the distinction between risk and uncertainty. -Nate Silver pg. 29

-Risk, as first articulated by the economist Frank H. Knight in 1921, is something that you can put a price on. -Nate Silver pg. 29

-Uncertainty, on the other hand, is risk that is hard to measure. You might have some vague awareness of the demons lurking out there. - Nate Silver pg. 29

-I view investing as a method of purchasing assets to gain profit in the form of reasonably predictable income (dividends, interest, or rentals) and/or appreciation over the long term. -Burton G. Malkiel pg.28

-Instead of spitting out just one number and claiming to know exactly what will happen, I instead articulate a range of possible outcomes. -Nate Silver pg. 61

Outline

Introduction

Explain that this book is not focused on other types of investments aside from stocks. There is already many good books on that.

Chapter 1 What is out there to invest in:

The Basics

Different stock types

How and where are stock transactions made?

The Mindset

Why do Stocks Exists

A Necessary Evil Explain why they need stocks to survive

Chapter 2 Stock Trading in a Nutshell

The Basics

Classification of Trends

Bullish Trends

Bearish Trends

Horizontal Trends

The World of Strategies

All investors are technically predicting the future based off data trends which is not proper. Buy low sell High. Humans are inherent to make connections even when there isn’t any

Declaration of Long-Term

Cite Malkiel on Index Funds and how the S&P always success

The Mindset

The Effect of Time Frames

This is the reason, the strategies “function”

The Fallacy behind a “Strategy”

Explain that this is wrong

The Misconstruction of Data

Explain how a trend is not everything to the stock, might be together with the fallcy

Chapter 3 What Affects Stock Price

The Basics

IPO Announcements

Business Models, Service Models, Constants/Volatiles…

Seasons

News

The Mindset

The value of skepticism

Don’t believe everything

Rob and Escape the Castles

Cite Malkiel

Two Sides of the Same Coin

How to forge information into knowledge

Explain how business itself and stock price are a reflection of each other

There will be good and bad days

The Business Uncertainty Principle, there will always be some uncertainty, (different from risk) Cite Nate Silver Here

Chapter 4 The Investing Tools

The Basics

Capitalization

Price History

Financial Ratios

Diversifications

The News Again

The Mindset

A Simple Question: Do you Trust Your Friend?

Get to know the Business

Would you trust your friend in terms of money

Business investing is similar to borrowing money to a friend or acquittance with the hope they will pay you back more than what you borrowed.

The Best Investing Tool

Look at Capitalization

Learning about each business individually

Learn to Ask Questions, before looking for Answers.

You can be a customer too

Given before that the news affect the price, now you know that is just momentary.

Do you think that the company will go bankrupt within the next 10 years yes or no?

Would you use the product?

How much do you really know about the business?

Would you recommend it?

Chapter 5 A History Lesson with the Right Mindset

Those who cannot remember the past are condemned to repeat it. George Santayana

The Basics

Bubbles

Explain what a Bubble is.

Explain the history along with the questions that have been pondered before.

More Bubbles

Explain the history along with the questions that have been pondered before. Do that for housing or technlogy

The Mindset

Supply but Not Demand

Demand but Not Supply

Chapter 6 Quick Example List?

Explain how people like to think in whole numbers when numbers don’t really care whether its 10 or 11.79

Remmeber that the market always stablitzes and keeps gradually growing. Stocks cannot simply grow indefinitely.

Pyramid of Products

Market Capitalizations

I5pSUdtaKOUvegHaQUJ9FP8YF6edg9y5SkQRgmeO