Outline roots of investing

Introduction

Chapter 1 The Roots of Investment Simplified

* In this section you need to layout how everything is going to be explained and why it matters. This chapters serves to illustrate that all the points are needed to have a full picture of what investing really involves.
* You need to explain about the economy, how and why a company is created,
* You need to establish that all of these are part of a link that together establish buying or selling a stock
* Make sure to make a crucial point difference in understanding that at first you should not buy or sell at all. Education is first needed in order to make a purchase
* Even though many different techniques will be cover for the “general audience” you will not go I detail in those. Instead you need to focus on only the actual techniques

You can split it in mini sections in which you just “overlay” superficially what are the steps needed even before starting

Step 0: Understand that you need to learn a lot of concepts, and a lot of definitions before even attempting to buy something. Many investors make it seem that investing in stocks only needs buy and sell, but that is one of the last steps. When you press buy or sell there are many concepts and definitions that are often ignored during the transaction of stock. Because these things are not taken into account, many investors take a decision based on just a “pattern” of either going up or down. However, if you understand the *information* (and I repeat, the information, not the pattern)behind these movements, you understand why is it that they are happening and take action based on that. There is no mathematical formula that will give you the time and moment of when to buy and sell, there is no magic pattern that stocks follow that can be predicted. However, if you understand the reasons of why a certain stock moves in a certain way, you will be able to have a solid foundation on which stock to choose as an investment, and when. Also need to understand that certain behaviors on the stock are simply a manifestation of things that “naturally” occur in stocks all the time. And there is a huge difference in being able to differentiate in between a stock showing “promise” of growths, and just an inflation adjustment, and IPO scandal, or a governmental change. All these concepts, will be explained in detail in the next chapter.

First Step: Understand how a company works, regardless of what type of company you are talking about, all of them obey the basic accounting formula and all of them have the same underlying reasons to put up stocks in the market.

Second Step: Understand that there are multiple approaches to buying or selling stocks even though none of them will be used in this in this guide. It is actually recommended to simply buy and hold. However some general knowledge is still needed to understand the different types of investment techniques and why you shouldn’t use them. Data is too noisy to be accurately analyzed with simple mathematical tools.

Third Step: Now that we understand how companies operate, we understand the mainstream techniques and why they don’t work, we need to focus on the actual research. Which is to have a systematic understanding of how different companies can behave. Stocks have a certain Hierarchy order that we need to establish.

Fourth Step: At this point we will need to sort out which companies are familiar with, or are we willing to familiarize with in order to purchase them. You need to remember to treat your investment as what it is, therefore you need to know the type of profits your company is making.

Fifth Step: Now that we understand some organization on how companies are organized it is needed to have an understanding the economy in which all of these companies operate. The value of economy is often overlooked when investing in stocks because they think that it is unrelated, but the reality is that there is a lot of connections in how the economy works compared to how the market moves. Make sure to mention that sometimes, regardless of what the category of the company, there are days when the economy dictates a pretty similar pattern to all companies regardless of the area, they are involved in. This is known as “convergence” or law of gravity of stocks. These behaviors are actually a reflection of everything that happens in the government and the economy of the country it is involved in.

Maybe Sixth Step?

Also need to mention how inflation is always present in the raising of the stocks. Explain how inflation is created and why companies can’t do anything about it but let it occur. Also explain the difference between inflation and defleation in the economy, and how one is good and the other one is bad. Some of these inflation phenomenum are simply bound to happen, but it is important to recognize when these occurs, and how they should be considered in terms of stocks

Many people misunderstand a price movement as a mathematical formula, a geometrical pattern, and none of these play a real factor in the prediction of stock. There are many things that affect stocks but certainly those are not the tools to predict them

---Now at this point is where you have enough knowledge to make an educated decision about which stocks should you buy and how many

---Need to measure your personal risks and the amount of money you are allowed to lose.

A real stock investment should follow the classical buy and hold for it to be an investmenet. But knowing which stock to choose is as important as being able to hold it for longs periods of time. Now, to manage the holding of long periods of time we developed:

Seventh Step: The psychology of Investment

Here is where you need to tight in your pants and being able to take a strategy before you even look at the prices of the stock. Here is where many aspects of the Greater Fool Theory Take place, where IPO scandals occur, and how the mentality of the human is easily attributed to simply greediness and lack of patience. At this section is where you will need to develop a “Self-Control Strategy” This would be my personal recommendation if you don’t want to take anymore decisions after already making a purchase.

Chapter 2

Chapter 3

Chapter 4

Chapter 5