

# AI-01128 Momentum Investment

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**What is concept of momo? What is a momo crowd? List 20 examples.**

## Momo: A Concept in Investing and Trading

**Momo** is a shortened term for **momentum**, a popular strategy in the world of investing and trading. It's based on the idea that assets that have been rising in value are likely to continue doing so. In simpler terms, "what goes up, tends to keep going up."

**A momo crowd** refers to a group of investors or traders who follow the momentum strategy. They often buy assets that are experiencing rapid price increases, hoping to profit from further appreciation.

## 20 Examples of Momo-Driven Assets

1. **Cryptocurrencies:** Bitcoin, Ethereum, Dogecoin, etc.
2. **Stocks:** Tesla, Apple, GameStop (during the 2021 short squeeze)
3. **NFTs:** Bored Ape Yacht Club, CryptoPunks
4. **Collectibles:** Vintage toys, trading cards (e.g., Pokémon)
5. **Real estate:** Hot housing markets (e.g., Miami, Austin)
6. **Commodities:** Gold, silver, oil
7. **Meme stocks:** AMC, GME
8. **Tech startups:** IPOs of high-growth companies
9. **Social media trends:** TikTok dances, challenges
10. **Gaming assets:** In-game items, skins

11. **Sports memorabilia:** Autographed jerseys, game-used equipment
12. **Luxury goods:** Designer handbags, watches
13. **Art:** Famous artists, emerging talent
14. **Collectible coins:** Rare coins, error coins
15. **Vintage fashion:** Retro clothing, accessories
16. **Wine:** Rare vintages, limited editions
17. **Whiskey:** Single-malt scotch, bourbon
18. **Sports cards:** Baseball, basketball, football
19. **Comic books:** Marvel, DC
20. **Collectible toys:** Action figures, dolls

**Note:** While the momo strategy can be profitable, it also carries risks. Overvaluation can lead to significant losses if the asset's price suddenly drops. It's essential to conduct thorough research and consider other factors before making investment decisions.

**Contrast the momentum investment strategy vs buying a market cap weighted index etf fund with top 3 stocks comprises around 48% of the index using a time horizon of 5-10 years.**

## Momentum Investing vs. Market Cap Weighted Index ETF

**Momentum Investing** and **Market Cap Weighted Index ETF** are two distinct investment strategies with different approaches and potential outcomes.

### Momentum Investing

- **Strategy:** Invests in assets that have been experiencing recent price increases, assuming the trend will continue.
- **Pros:** Can generate significant returns during periods of strong market trends.
- **Cons:** Can be highly volatile and susceptible to reversals. Concentrates risk on a few assets, which can lead to substantial losses if those assets

underperform.

- **Suitable for:** Investors with a high-risk tolerance and the ability to manage frequent portfolio adjustments.

## Market Cap Weighted Index ETF

- **Strategy:** Invests in a basket of securities based on their market capitalization, meaning larger companies hold more weight.
- **Pros:** Diversified, provides exposure to a broad market, and typically offers lower fees than actively managed funds.
- **Cons:** Can be less volatile than individual stocks, but still subject to overall market fluctuations. May underperform during periods when smaller companies outperform larger ones.
- **Suitable for:** Investors seeking a long-term, passive investment approach with lower risk.

### Comparison over a 5-10 Year Horizon:

- **Momentum Investing:** Can potentially outperform a market-cap weighted index during periods of strong market trends, but also carries the risk of underperforming during periods of market correction or stagnation.
- **Market Cap Weighted Index ETF:** Offers a more stable return over a longer time horizon, tracking the overall market performance. While it may not generate as high returns as momentum investing during bull markets, it also reduces the risk of significant losses during bear markets.

### Key considerations:

- **Risk tolerance:** Momentum investing is generally riskier than market-cap weighted index ETFs.
- **Time horizon:** Market-cap weighted index ETFs are often preferred for long-term investments due to their diversification and lower risk profile.
- **Active management:** Momentum investing requires more active management to identify and capitalize on trends, while market-cap weighted index ETFs are passively managed.

- **Fees:** Market-cap weighted index ETFs typically have lower fees than actively managed funds.

**Conclusion:**

Both strategies have their merits, and the best choice depends on individual risk tolerance, investment goals, and time horizon. For long-term investors seeking a diversified and relatively low-risk approach, a market-cap weighted index ETF might be a suitable option. However, those with a higher risk tolerance and a willingness to actively manage their portfolio might consider momentum investing for potentially higher returns.