Title:
4 Benefits of Long Term Trading vs Short Term Trading

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Summary:
Both short term trading and long term trading can be effective trading strategies, however, long term trading has several significant advantages.

Keywords:
short term stock trading,stock investing,stock market,business,finance

Article Body:
Both short term trading and long term trading can be effective trading strategies, however, long term trading has several significant advantages. These include the effect of compounding, the opportunity to earn from dividends, reduction of the impact of price fluctuations, the ability to make corrections in a more timely manner, less time spent monitoring stocks.

1. Compounding

Time can be investor’s best friend because it gives compounding time to work its magic. Compounding is the mathematical process where interest on your money in turn earns interest and is added to your principal.

2. Dividends

Holding a stock to take advantage of payouts from dividends is another way to increase the value of an investment. Some companies offer the ability to reinvest dividends with additional share purchases thereby increasing the overall value of your investment. Additionally, dividends are more a reflection of a company's overall business strategy and success than volatile price fluctuations based on market emotions.

3. Reduction Of The Impact Of Price Fluctuations

In the long term investment the persons is less affected by short term volatility. The market tends to address all factors that keep changing in the short term. So a person involved in long term investment or trading will not be affected as much by short term instability due to factors such as liquidity, fancy of a particular sector or stock which may make the price of a stock over or undervalued. In the long term, good stocks which may have been affected due to some other factors (in the short term) will give better than average returns.

Long-term investors, particularly those who invest in a diversified portfolio, can ride out down markets without dramatically affecting his or her ability to reach their goals.

4. Making Corrections

It is highly likely that you could achieve a constant return over a long period. The reality is that there will be times when your investments earn less and other times when you make a lot of money in short term. There may also be times when you lose money in short term but as you are in quality stocks and have long perspective of investment you will earn good returns over a period of time.

There are always times when some stocks do not perform and it is the wise choice to pull out of an investment. With a long term perspective based on quality stocks, it is easier to make decisions to change in a more timely manner without the urgency that accompanies short term and day trading strategies chasing volatile changes.

Investors that begin early and stay in the market have a much better chance of riding out the bad times and capitalizing on the periods when the market is rising by taking a longer term view using long term trading strategies.