Don't abandon ship!

Over the years, there have been several ocean races that sailed into terrible weather with the loss of ships and lives. But two clear lessons emerged. The well built ships, the well maintained ships, suffered less than the badly designed, badly built and badly maintained ones. This is, of course, no surprise. What did come as a bit of a surprise was that crews that stuck to their boats, no matter how badly damaged, short of sinking, fared better than the crew that took to life rafts. And the reason is that the boats, even when badly damaged, are hardier than human beings.

And what does that have to do with investing? The portfolio is your boat. The market is the sea and trading is your life raft! Buy and hold is the preferred strategy of most successful investors and I am referring to people like Warren Buffett and Peter Lynch. The better you build our portfolio, the stronger it is when you need it most, when the market gets turbulent, when the bears are roaming the land and the bulls are cowering. If you have no faith in your portfolio, you do all sorts of silly things like stop sells which guarantee that you will get less money for your stock when it sells than what you can obtain today. If you don't trust the stock, if you don't believe in the long term performance of the company, why hold it on the first place?

If your objective is to be a trader, non of this applies to you and I have no problem with traders. Just because I don't do it and I don't like to do it, does not mean that it is not a valid way to earn a living.

But what does not work is to jump from buy and holder to trader at each tick of the market and back at the next.

Denny

"Demand creates queues. Supply gets rid of them."