

# Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



## Herd Effect on Global Investing

We recently asked **why aren't you investing offshore**. US markets are overpriced and Europe and other regions may have more room to grow.

*Buy low and sell high is the age old mantra for investing. With all the hype about bringing jobs back home, reducing taxes and spending on infrastructure, the best deals in stocks today are not in the USA but in foreign markets. Why aren't you investing offshore?*

But can you really get better results outside of the USA? Harvard Business School discusses the issue and says that **global investments are still a good bet** but there is more to the story. There may be a herd effect on global investing.

*Investors in global equity markets have traditionally hedged their bets, casting their investments far and wide across the world. That way, if the market in one country or region stagnated (think Japan in the 1990s or Europe in the 2000s), they could make up the difference in other sectors that are booming.*

*However, as markets in different countries have increasingly moved in tandem or correlated, from 50 or 60 percent in the 1990s to more than 90 percent after the financial crisis of 2008, that strategy has seemed less and less worthwhile.*

The world has become a smaller place. A given country may be experiencing growth but their stock prices may also have been already driven up removing any benefit for you to invest. If all markets are moving together then you might as well stay at home, right? According to the article home bias is short sighted and they site recent research.

*The other possibility for increased market correlation is not because national economies have become more intrinsically similar, but because investing has become more global overall, so large equity firms are moving their money together based on the same sentiments. "Today, we have truly global asset managers that make it easy and cheap for any investor to invest in every market. This facilitates the transmission of investor sentiment across markets," says Viceira.*

This is the herd effect. The way to beat the herd is to know what you want, examine the fundamentals and invest accordingly. The writers say this:

*"Being globally diversified is basically making a bet that the global economy will be in a better position in 20 or 30 years than it is today"*

This is an approach for long term investors mimicking the likes of Warren Buffett who looks at economic growth as the engine that drives stock prices.

### **Don't Follow the Herd over the Cliff**

When commodities were hot everyone wanted to invest in the BRICS nations (Brazil, Russia, India, China and South Africa). Commodities are not hot and a lot of money was lost in pursuit of huge profits before the economy tanked. On the other hand those who invested for the long haul, putting a little into stocks every month and staying the course with solid companies did not lose much at home or abroad with the 2008 crash or when commodities collapsed. And most of them have recouped any losses and made profits with the recovery. Beware the herd effect on global investing and pick your stocks carefully, ideally sticking to American Depositary Receipts and looking for **intrinsic stock value**.

# **Educational Resources**

**Click the links below to get your  
FREE training materials.**

## **Free Weekly Investing Webinars**

**Don't miss these free training events!**

<http://www.profitableinvestingtips.com/free-webinar>

## **Forex Conspiracy Report**

**Read every word of this report!**

<http://www.forexconspiracyreport.com>

## **Get 12 Free Japanese Candlestick Videos**

**Includes training for all 12 major candlestick signals.**

<http://www.candlestickforums.com>

**Disclaimer:** Trading and investing involves significant financial risk and is not suitable for everyone. No content on this document should be considered as financial, trading, or investing advice. All information is intended for educational purposes only.