

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



When Russia invaded Ukraine the stock market fell dramatically and then it recovered only to fall again and rise again. Now we have a war in Europe, devastating sanctions imposed on Russia and its oligarchs, and the Fed ready to walk a tightrope while trying to [tame inflation](#) but not kill the economy. Is the market crazy? What happened to the concept of an efficient market? *The New York Times* discussed this issue with the “father” of the concept of efficient markets and the answer was we have an efficient market but an irrational world and the market does not do well with irrationality.

What Is the Efficient Markets Theory?

The efficient markets theory says that the market as a whole has all available information that bears on the pricing of stocks. And, the market is an efficient mechanism for turning this information into the most accurate pricing possible. According to this view, market fluctuations are the result of new information. When *The Times* asked Eugene F. Fama, who came up with the efficient markets theory, what is going on he said that the market is efficient but does not do well with irrationality and Vladimir Putin is irrational.

Where Does Market Sentiment Fit Into the Picture?

There are times when the market gets overly optimistic and other times when pessimism reigns. Market sentiment can be driven by fear and greed but [market sentiment data](#) is measurable and, as such, feeds into the efficient markets concept. The fact is that the time lag between information being available and the market adjusting prices can be seconds, minutes, hours, days, or weeks. Investors like Warren Buffett have made fortunes using [intrinsic stock value](#) as a guide to their buying and selling of stocks. The extent to which you rely on an efficient market, follow market sentiment, or use intrinsic value as a guide will depend to a degree on your investment timeline.

What Is Vladimir Putin’s Goal?

Many have said that Putin is irrational or unhinged. Fama said that it is Putin’s irrationality that is making it hard for the market to determine prices. Investors generally assume that companies want to make money and that countries want peace and stability in order to build their economies, feed their people, and gain in economic, political, and military power. The assumption in Europe for years has been that nobody wants another terrible war. Russia lost 30 million people in World War II and losses throughout Europe were similarly devastating. But, Putin seems to have a different take on things. He sees the dismantlement of the USSR as a historic wrong against Russia. He seems to think, or wants us to think, that the issue with Ukraine is an existential struggle to protect Russia from encroachment by the EU, NATO, and Western European or American culture and politics. Those who know Putin say he has no “reverse gear” but rather only goes forward until he gets what he wants. This is why Europe, the US, and much of the rest of the world are applying sanctions and supplying arms to the Ukrainians. The rationale of current actions to support Ukraine is that only a brick wall will stop Putin.

Minute By Minute Evaluation of Stock Prices

Stock and options traders make money by correctly anticipating short term price fluctuations. Long term

investors make money by anticipating where things will be in five, ten, and twenty years. Many issues that are important to short term traders make no difference to long term investors and likewise how much money Coca Cola, Microsoft, or Raytheon will be making in ten years is unimportant to a day trader who closes out his trades before the close of the session.

Rationality Is in the Eye of the Beholder

War is destructive and no country that gets into a long term conflict ever comes out the better for it. Putin is pure evil in his quest to take over and/or destroy Ukraine rather than let it ally itself with Western values, politics, and economics. But, in his mind he probably sees himself as some sort of mythic Russian hero working towards greater Russian glory and power. It is of note that Mr. Putin is nearly 70 years old and probably sees time running out in terms of achieving his ambition to restore Russia to its USSR era "glory." If you believe that Putin is rational but evil you probably should take a pessimistic view of where the market is going unless Mr. Putin goes the way of Lavrentiy Beria, the WWII head of Russian state security who was likely to kill top members of the Russian politburo after Stalin died and take over power. He was arrested, tried without defense counsel, shot and buried in a mass grave. Putin knows what happened to Beria which may explain why we never see him sitting close to anyone in meetings.

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