

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Stock Market Investment Strategies

Stock market investment strategies are basically variations on two approaches. You can make [money by investing](#) with a buy and hold approach. And you can also profit from short term, buy and sell investing. These two different stock market investment strategies require different approaches. Long term investors look for growth stocks, solid companies and predictable earnings growth. Short term investors commonly attempt to read the market, buy low and sell high, and get out before the market has a chance to reverse itself. Of these stock market investment strategies, the long term approach relies heavily on fundamental analysis of intrinsic value and the short term approach reads market sentiment with technical analysis tools.

Apple versus a Biotech Startup

Apple, APPL, is one of the most valuable companies in the world measured in market capitalization. It makes a lot of money selling high tech hand held devices as well as desktop and laptop computers. If you believe that Apple will continue to make great products and be the leader in its field then you believe that the company will continue to make money. If your choice of stock market investment strategies is to look for and invest in long term growth you may simply want to keep buying Apple. An alternative for long term investing is to try to get in on the bottom floor before the stock price elevator starts to go up. If you invest in the company that invents a drug that cures diabetes, Alzheimer's disease or a variety of cancers, you would certainly want to buy that stock in its early stages and then hold on to it forever. However, the [fundamental analysis](#) for Apple and our hypothetical biotech startup are decidedly different. Although Apple keeps inventing new things and improving its products it is a known entity and you can reliably use past performance as a guide in predicting the future. Our hypothetical startup is brand new, untested and dealing in technical world that few understand. In short you probably need to do a lot more research in order to cash in on a winner in the world of biotech startups than you would for a known quantity like Apple. The amount of work and the degree of risk involved in successfully picking and profiting from startups makes this one of our stock market investment strategies look like gambling to many investors if they do not do their homework.

Short Term Investments

Our hypothetical biotech startup might be a better choice for the short term investor. Any potential medication must go through a series of trials required up by the Food and Drug Administration. These steps are there to assure that a drug is not harmful and that it truly does what is claimed to do. At each hurdle stock prices can fluctuate wildly. If the drug passes the specific hurdle the stock price will jump up and if it does not the stock price will

fall. In this case a short term investor will often buy on the promise of success and sell on the news. Because, when a drug passes its hurdle the company stock price commonly overshoots and then corrects. Smart short term investors look for bargains in promising stocks and cash out when they can get a quick profit. They may well return to the same stock as the next FDA trial approaches hoping to repeat the process at each phase. The same approach applies to [investing in turnarounds](#). Short term investors get in when a stock is cheap and out as soon as the price rises in response to a buyout bid or other factors.

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