Three Investing Mistakes to Avoid

The stock market has been on an upward climb for the last six years. By two years ago it recovered all losses from the 2008 crash. The US economy is growing at an annualized five percent. What could go wrong? The answer is, lots of things could go wrong. Fundamental analysis of your investments is basic followed by but not equaled by timely market analysis. With a contrarian view as well as long term profits in mind here are three investing mistakes to avoid.

Price versus Value

Over the long run the stock market prices stocks fairly. High priced stocks get that way because they make money and show promise of making more. Low priced stocks may seem very attractive. But our first of three investing mistakes to avoid is to buy just based on price. *Valuewalk* reviews **investing mistakes** and reminds us to look at value and not price.

Focusing on the Stock Price and Not Intrinsic Value

There are two parts to common investment mistake. If the intrinsic value of a stock is 50% or even 100% higher, then waiting for the stock to drop a measly 2% before buying doesn't make sense. I have found myself quibbling over wanting to buy it "just a little cheaper". How many times have you found yourself submitting a buy order and entering the bid price just a few cents lower than the stock price?

Stop quibbling over cents.

The second point is that the stock price does not dictate intrinsic value. If the stock drops 20%, it's easy to get worried, but the best thing to do is nothing. I've made the mistake of making an emotional decision. The stock price is not an indicator of intrinsic value.

Remember **intrinsic value** and how to calculate it.

The Past Does Not Always Predict the Future

The second of three investing mistakes to avoid is the belief that recent market performance is always indicative of future performance. *FoxBusiness* refers to this as chasing past performance in its articles about **investment mistakes**.

When it comes to investing often people spend their time chasing past performance instead of looking out for new opportunities. If the best place to be in 2014 was U.S. large capitalization stocks chances are a slew of investors will be putting their money in the same *place in 2015. That may seem logical, but Bernstein says it's something you should avoid doing. "The biggest mistake in the late 90s was no one wanted to own small and mid-cap stocks," says Bernstein. "What happened was for the next six years large cap was the worst place to be and small and mid-cap dramatically outperformed."*

This brings us back to fundamentals and intrinsic analysis. These are your friends over the long term. To the extent that you can very accurately time the market you can make a lot of money in a short time, but it is a rare bird that does not get burned eventually using this approach.

Cut Your Losses

The point of investing is to make money. But, what happens when you buy a stock and the price falls, and falls again and falls again? The third of our three investing tips to avoid is to learn to cut your losses. USA Today refers to this as the **one major investing mistake**.

The day you hit "buy," you're kind of giddy with excitement, and you check the stock price every day thereafter. And what do you do if the stock goes down?

If you're like most people, you'll likely hold onto it. Maybe it's just a temporary setback, you might think, or perhaps the market is in disarray. Maybe it's just undervalued! You even consider buying more. And maybe the days turn to weeks… turn to months. And it's still sitting there.

This brings us back again, to analysis of fundamentals. Why is the stock going down? Do not let the psychology of fear and greed defeat you. Analyze. Many years ago Xerox was making a comeback. It was subject to a takeover bid. The takeover artists become over extended and had to sell to meet margin requirements and the stock fell to half it price. Those who knew the fundamentals bought and doubled their money in one day as the stock recovered. On the other hand IBM missed the boat on personal computers early in the game and the stock fell and then flat lined for ten years. Know and use the fundamentals both to buy winners and to cut your losses on losers.

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.