



Brainy's Articles on Share Trading**

Markets, sectors, companies wax and wane

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page 1 of 8
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The first page of every article is free, and some of the articles are completely free (eg. shorter ones and Table of Contents).

Introduction

Individual markets wax and wane. Specific sectors wax and wane. Individual companies come and go. By understanding more about the underlying reasons for this, investors and traders can be better armed to anticipate profitable opportunities and to respond more appropriately.

In this Article in Brainy's series on Share Trading and Investing (number ST-6204) we consider the range in market cap of listed companies on the Australian market, we touch on market indexes that wax and wane, and we look at sector performance and how the sector indexes can be misleading. We also talk about *blue chip* stocks.

By understanding the concepts, we can be more mindful about our own *stock universe* — the collection of stocks in which we are comfortable to invest, or to trade. We might decide that we don't like a particular market sector, or we want to avoid the large-cap stocks, or perhaps instead focus on mid-cap stocks in certain market sectors. Or we might want to engage in speculation on *penny dreadfuls*.

By understanding the key characteristics of stocks and the markets, we can be better informed with our investing/trading activities. And as we deploy our technical analysis skills and knowledge, it can help us with our risk and money management.

The quarterly price chart in Figure 1 below is the All Ordinaries (XAO) index since inception on the Australian Securities Exchange (remember that prior to 1984 Australia had six state-based exchanges). Note how the index has thrust upwards on a few occasions, and fallen back. If only we can profit in these times.

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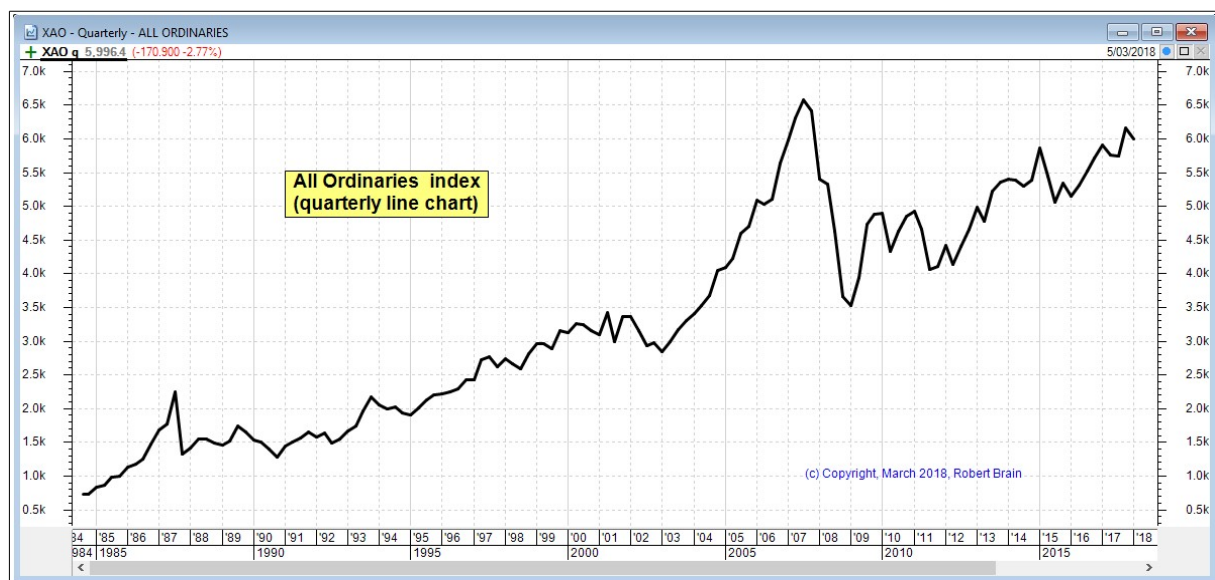


Figure 1: The All Ords index (XAO) (quarterly price chart)

** - The two words *trading* and *investing* are often used somewhat interchangeably.

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[Charts produced with BullCharts]

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