



Brainy's Articles on Share Trading**

NSTI — Emotions, psychology

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Emotions and psychology

This is not obvious to those who are new to investing and trading in the financial markets; but the emotions, and the underlying psychology, of the market participants does affect both the markets, and our own investing decisions and behaviours. The results are somewhat similar; but also different, so it is not that easy to explain.

With any investing activities in the financial markets, for any investor or trader, it is very useful to understand the emotions at play within ourselves, and in the market itself. This applies to any type of investor, including the *Nimble Short Term Investor*.

Firstly, it is very useful to understand the following statements:

“Price charts summarise the underlying opinions and emotions of the market participants. Every chart tells a story. It pays to understand the stories in the price charts.”


Understanding this makes it easier to understand the emotions at play when investors invest in the markets. For more information about these statements, readers should refer to the eBook (PDF) Article **TA-2000**, **“Technical analysis — introduction”**.

There are a number of aspects to the emotions of the markets, including the key underlying emotions of fear, greed and hope; but one key aspect is to do with the range of *cognitive biases* that come into play, including the *herd mentality*. By understanding more about these emotions and cognitive biases, the investor or trader can not only understand more about what is happening in the markets, but will also be in a better position to be more successful in the markets.

More information about the emotions and psychology of investing and trading are included in the following eBook (PDF) Article(s):

- eBook (PDF) Article **TA-2000**, **“Technical analysis — introduction”**.
- eBook (PDF) Article **ST-2120**, **“Emotions and psychology”**.

Readers are encouraged to view these for more details.



For more information on Share Trading, or Technical Analysis, or BullCharts software, look for more of Brainy's articles, or the other resources, in **Brainy's Share Market Toolbox**: www.robertbrain.com

Your own notes and comments:

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