



Brainy's Articles on Share Trading**

NSTI — Underlying principles

Article No:
ST-7400
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May 2015

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Introduction

When investing in the markets, there tends to be underlying ideas and opinions which guide our thinking and our actions. This *Nimble Short Term Investing* (NSTI) approach is no exception.

This Article in Brainy's series on Share Trading and Investing (number ST-7400) explains a number of the underlying principles which have influenced the details of the approach.

For a general introduction to this approach, refer to eBook (PDF) Article **ST-7100**, "*Nimble Short Term Investing*".

NOTE: This information is for general education only. It does NOT include a recommendation to take any action, nor make any investments. One should always consult a properly trained, qualified and experienced professional before undertaking any investment.

Extra note: There is no guarantee that any information in this article is useful, or that it might result in investment success.

Underlying principles

There are several underlying principles that are relied upon with this approach, and which help to formulate the details of our strategy (these are discussed in the following pages):

1. The opinions and emotions of market participants are summarised in the price charts.
2. Industry bias? — Some finance industry professionals are biased, or have a vested interest, or deliver conflicted advice. So we won't automatically believe everything that we hear.
3. Irrelevant and misleading information — Many industry professionals and commentators provide "advice" and comment that is irrelevant and misleading — so we will ignore it!
4. Share market GEMs — Be cautious about so-called Wall Street words of wisdom and their clichés (eg. "a rising tide lifts all boats") because some are misleading — we call them *furphies*.
5. Intrinsic value and value investing — These notions are not helpful and are ignored.
6. Cyclical investing — This is not helpful and is ignored.
7. Utilise fundamental analysis to a small degree.
8. Utilise technical analysis to more accurately time the entry and exit.
9. The general sentiment of the local market can influence stock prices, so use this to fine tune and influence the risk and money management approach.
10. Inter-market analysis is useful, so utilise it.

These underlying principles are discussed in the notes below.

Opinions and emotions

The opinions and emotions of market participants are summarised in the price charts. The price charts tell a story, and it pays to understand the stories in the charts. This is what *technical analysis* is all about.

You might find it hard to believe, but it is very true. When the participants in the market actually buy,

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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).

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



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