EQ & Investments: Bull, Bear Or Human

By Brenda Smith

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Markets are supposed to be rational, but with an economic system based on scarcity, how do investors behave with emotional intelligence? Experts in behavioral economics and emotional intelligence tell us we sell winners too soon and hold onto losers too long...

The ability to accept loss and feel the regret we might have may be the greatest obstacle to gaining wealth. Lacking EQ, investors are more likely to hold on to losers too long. Why? We avoid the "negative" feelings, and rather than feel the remorse, we want to move beyond it−−into some action that will give us back what we lost. The losses that hit us hardest are the first few dollars we lose, so additional losses aren't as painful. With this increased risk tolerance we tend to throw more good money after bad. We're emotionally wired to avoid pain. And, given a positive move or a negative one of the same amount, there's more intensity on the negative side.

We are more driven to avoid regret than to have pride. So while we hold losers, we also tend to sell winners too soon. Rather than wait for a small gain to grow, we tend to take our profits too soon. Why? Because every additional dollar of gain gives us less satisfaction.

Investors are also resist change−−even beneficial change. The more choices we have, the more we tend to stay in status quo. The EQ of investing would tell us −−do your homework, pick carefully, determine a minimal downside loss and upside gain. The EQ challenge then, is self−managing the emotions that come with taking rational action in a scarcity system.

LANCE ARMSTRONG: ON THE HERO'S JOURNEY

No hero ever starts out looking like one. From a single parent family in Plano Texas, disappointment, despair, and disillusionment, put Lance Armstrong on a bike that took him out of Plano and on the ride of his life. Youthful brawn led him to win his first Tour de France; inner strength and finesse allowed him to wrestle with death, and conquer multiple titles in the world class race.

"It's not about the Bike." From eating dirt on a rough road to shaking with fear as he faced his own death, Armstrong embraces both his strength and vulnerability, showing us the hero, once revealed is both warrior.

Lance Armstrong shows us how leaders become heroes. Following him through courage, fear and conquest−−−a whole range of emotions, we witness his transformation from a champion of outward action and athletic prowess to the tenderness, compassion, and integrity that takes him to the edge of life and back as a champion of heart and spirit.

PeopleSmith specializes in professional effectiveness coaching for profound results with emotional intelligence, change and transition and personal leadership. Permission granted to change title.

Bull Markets And Bear Markets

By Adam Masterson

The difference between a bull and bear market is something that every sucessful investor knows. When the market moves downwards for a period of time the market is referred to as a bear market. Upward moving markets are bull markets. If a particular stock is doing well, it is said to be bullish. If it is losing value it is bearish. Of course, there are more to bull and bear markets than that, as you will soon discover.

1. Bull Also, Bear Markets

These terms refer only to long term fluxuations, not short term changes in the market conditions. This is because even during a bear market prices may increase temporarily.

2. A Reflection Of The Economy

Usually stock market conditions reflect the state of the economy. During bull markets the economy is doing well, unemployment is low and interest rates are reasonable. Bear markets usually occur during times of economic slowdown. Investors lose confidence and companies may begin laying off workers. At the extremes, an exaggerated bear market can lead to a crash brought on by panic selling. An exaggerated bull market can be caused by over−enthusiasm of investors. It leads to a market bubble that will eventually burst.

3. When To Make Money

Although most money can be made during bull markets, there are also opportunities during bear markets. Knowing the characteristics of each type of market allows investors to profit from them. As would be expected, when the market is bullish investors wish to buy up stock. The economy is doing well and people have extra money that they wish to invest in stocks. This creates a situation of short supply that drives up prices even higher. During bear markets, on the other hand, prices are falling so investors wish to unload their stocks and put their money in fixed−return instruments such as bonds. As money is withdrawn from the stock market, supply exceeds demand that drives prices down even further.

4. Bull Markets Offer The Best Opportunities

It is easiest to make money during a bull market. Getting in right at the beginning will allow you to make the most profits. During a bull market any dips in the market are temporary and should soon be corrected. The upward rising prices cant go on forever, though, so the investor needs to be able to gauge when the market reaches its peak and sell at that time.

5. When To Buy

Bear markets represent opportunities to pick up stocks at bargain prices. Getting in near the end of a bear market offers the greatest chance for profit. The prices will most likely fall before they recover, so the investor should be prepared for some short term loss. Short−selling is also an investment strategy during bear markets. Short selling involves selling stock that you do not own in the anticipation of further price drops, so that when it comes time to deliver you can buy the stock for less than you sold it.

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