

Stock prices gravity laws.

Laws of physics applied to markets.

Common physics phenomenon's can be observed frequently not only for stocks but also commodities markets. Such laws like inertia, action and reaction unleashing potential energy, cycles amplitude and relative weight are basic physics. Brushing aside large participant's physical strength and surprise factors or materials inducement, it is not exaggerated to say that physical mechanics move the market like a living body. Such laws awareness makes a big difference for investment profitability, anyone who has a desire to succeed in stock investments should be aware of laws basic patterns.

To illustrate the above-mentioned let's give some precise examples. As a basic principle 'appropriate stock prices' are formed by fundamentals. Appropriate stock price varies up and down according to the environment. When the ball is thrown and rises too far away from the 'appropriate stock price ground level' then the ball forms a parabola and goes down returning to its original ground level. Similar power works when the direction is opposite downward then it recovers to appropriate ground level.

Trust basic laws, apply them if stock price diverts too far away from the appropriate level (it works on both sides) then you can make money. However the core problem remains: what is the appropriate stock price? For standard individual investors setting the appropriate stock price level remain difficult due to time lags between information's input and analysis output. Even for professional analysts calculation of appropriate stock price is difficult. Analyst's reports always have a 00Yen target price for X stock however this does only mean 'this is the stock price level it can reach if the market environment is excellent and my performance forecast comes true'. Strictly speaking the point is not whether stocks are overbought nor oversold but rather if the appropriate price makes it worth switching from other comparable individual stocks. If such comparison proves difficult to implement then consider this; if market participant's evaluation reach a rough consensus and market price settled down you might actually presume that this is the appropriate price.

Roughly said if there is no discrepancy between companies handbook figures and Nikkei's information flow, or to be more exact if company's basic earnings power, social existence and inner value is unchanged and if market participants evaluation reaches consensus then provided stock price shows large discrepancy with the moving average odds are good to make money. For technical advisers this methodology is known as 'Granville average', to actually set proper investment timing there is a semi line literally 'enveloping' constantly the moving average from upper and beneath, trading chances materialize when moving average approach or brake this envelope.

Dangers and back matches for beginner's technical investment process.

When I appear in seminars to introduce stock investment winning strategies I explain to numerous investors who experienced failures what rules they violated and I insist that should they do the opposite they will make profit. Asked why; I usually reply that taking wrong action in contradiction with investment physical laws leads to quasi-sure big losses

Even if any short-term loss amount is included in the calculation, long term stock investment return will always prove positive.

Losers usually insist on 'making money over the short term' or 'want to make money on popular stocks' or 'can make money without in depth analysis hassle' but those are unsophisticated people desires. In most cases buy timing is utterly wrong and stock price already defied gravity far away from 'appropriate price'. Most of the time prospective company's earnings and other positive factors are already discounted in stock price; any negative factor will trigger profit taking on the target. Market price divinities are without mercy for those unwilling to spare no efforts or lacking self-control. In lieu of profit you receive a penalty. Investors who earned substantial profit engineered exact reverse strategy: 'Hard working', 'unpopularity reverse call', and 'long term investment'.

Provided those three withches are aligned; short termism, popularity and idleness then you are sure to be under water. Market divinities favour investors who maintain self-control and virtues of endurance and effort. Technical analysis is an indispensable tool for individual investors willing to skip efforts, time and research, recent on line trading expansion took advantage of this. However leading technical professionals research in depth reverse investment patterns and technical analysis methodology negative sides may lead to problems (if you ignore them). Millionaires are only those who succeeded in top reverse investment pattern.

Reverse investment is the art of position taking at a less disadvantageous price than recent price movements. It obviously contradicts gravity laws. Moreover when the buy signal is given by technical analysis usually stock has already widely moved on the upside or the downside due to all investors' simultaneous action taking.

Professionals actually say: 'buy on short-term dips while the mid/long term trend still rising' but in fact that's dangerous when popular stocks are highly valued. A mid/long term trend can easily reverse and break a support. If you have the guts OK but beginners just cannot accept their own mistakes. This is quite a difficult point. Identifying high price gives a clear-cut view for short term.

Market winning strategies are not that difficult. First accumulate as much as possible fundamental information and then continue monitoring regularly your stock holdings information flows. Identify the cycle through long-term charts. Keep in mind loss cut reflex and buy during bargain sales provided you are a long-term investor.