



## Of Bitcoin, Bubbles, and Investor Psychology

### Description

Behavioural finance theory attributes stock market bubbles to cognitive biases that lead to group thinking and herd behaviour. It is demand that is based on emotions, otherwise known as emotional investing. It drives up the price of an asset to levels that are not based on rational thinking.

Bitcoin is currently trading north of \$15,000 in a wild ride that saw it surge \$2,000 in the last 24-hour period.

And it has risen to these levels after starting the year at \$1,000.

While Wall Street expressed interest in launching Bitcoin futures, there is [no real way to value Bitcoin](#), and so trading in it becomes all about investor sentiment.

Marijuana stocks like **Canopy Growth Corp.** ([TSX:WEED](#)) and **Aurora Cannabis Inc.** ([TSX:ACB](#)) trade at levels that show a real disconnect from fundamentals.

Figuring out the market and forecasting its moves is as much an art as it is a science, sometimes more so, especially in the short term.

Investor psychology gets in the way, as psychological and emotional biases make investors engage in irrational decision making. Does the phrase “irrational exuberance” ring a bell?

So, here we are. While it seems everyone is asking about Bitcoin and marijuana stocks and trying to get a piece of the action, other areas of the market have become yesterday’s news, such as the [gold sector](#). And here is where it gets interesting to me.

While the U.S. dollar has strengthened in recent trading sessions, this may be the place to be, as investors inevitably become more risk averse as certain market bubbles begin to burst.

And while the gold sector has had a rough time in recent history, it was also once the industry that investors were clamouring to get a piece of. In late 2011, gold prices peaked at close to \$1,900 per ounce, then retreated steadily to levels of just over \$1,000 per ounce at the end of 2015 and are

currently closing in on \$1,300 per ounce.

The industry has worked hard at reducing costs and improving balance sheets, and this leaves them well positioned to reap the rewards of rising gold prices.

**Agnico Eagle Mines Ltd.** ([TSX:AEM](#))([NYSE:AEM](#)) is a great place to start.

With the company reporting third-quarter results that were well above expectations (EPS of \$0.29 versus expectations of \$0.16), and guidance being increased again, this stock makes a great addition to investors' portfolios.

The stock has a dividend yield of 1%, but the key here is that the dividend was increased by 10%, and the company continues to perform better than its guidance.

So, in my view, Agnico stands to benefit from a shift in investor sentiment toward more stable, risk-averse investments such as gold as well as from its operational excellence and good organic growth profile.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. TSX:ACB (Aurora Cannabis)
3. TSX:AEM (Agnico Eagle Mines Limited)
4. TSX:WEED (Canopy Growth)

## PARTNER-FEEDS

1. Msn
2. Newscred
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