3 Investing Strategies That Are Neither Technical Nor Fundamental

Description

Every investor needs a framework for making decisions about what stocks to buy, sell and hold. Although many investors opt to go the easy route by buying index funds that track the benchmark, enterprising investors usually have some kind of philosophy for picking stocks they believe will outperform.

Two of the most popular philosophies are technical analysis and fundamental analysis. Technical analysis involves studying the momentum of stock prices with the aid of charts and metrics and finding patterns that predict asset prices. Fundamental analysis involves looking at a stock's earnings and balance sheet and using that information to determine whether a stock has a future ahead of it.

The above are the two most popular investing philosophies by far. However, there are others. And in fact, some of the less talked about investing strategies are actually used fairly commonly in practice. The following are just three less-known investing philosophies you can add to whatever decision-making framework you're already using.

Sentiment investing

Sentiment investing is where you try to get a feel for the prevailing attitude of investors toward a stock or stocks in general. If you think positive sentiment is on the rise, you buy. If you think it's on the decline, you sell or short.

To be fair, technical analysis could be considered a form of sentiment investing, as rising prices are ultimately an outcome of sentiment. However, using direct sentiment reads like media coverage or social media mentions is different from chart reading. Sentiment-based thinking might argue in favour of buying a stock like **Shopify Inc** (TSX:SHOP)(NYSE:SHOP), which is rising in no small part because of the piles of positive coverage.

Dividend reinvesting

Dividend reinvesting is a strategy where you buy divided stocks and gradually increase your stake by reinvesting your payouts. Dividend investors look for stocks that have high and growing yields, along with reinvestment programs. **Fortis Inc** (TSX:FTS)(NYSE:FTS) is one of the classic dividend reinvestment plays on the TSX. Not only is its current yield above average at 3.6%, but management raises the dividend by about 6% every year. So if you buy Fortis shares and reinvest, you can eventually end up with a serious income earner.

“Buy what you know”

“Buy what you know” is an investing strategy espoused by mutual fund kingpin Peter Lynch. He first discussed this strategy in his book *Beating the Street*. Citing a group of elementary students who beat Wall Street’s average by simply investing in companies that sold things they used, he concluded that “buying what you know” is a great way to outperform.

This makes perfect sense. If you know about an industry and what’s going on inside its constituent companies, you’re at an edge in predicting which of them will outperform. Following this strategy, a young, social media savvy person might be able to analyze a stock like **Facebook Inc** (NASDAQ:FB) not by using financial data, but simply by looking at the site’s popularity among their peer group. Simplistic? Perhaps. But as Peter Lynch showed, sometimes non-experts picking stocks based on the popularity of their products can do surprisingly well.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks
4. Top TSX Stocks

TICKERS GLOBAL

1. NASDAQ:META (Meta Platforms Inc.)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:FTS (Fortis Inc.)
5. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Tech Stocks

4. Top TSX Stocks

Date
2025/09/19
Date Created
2019/03/23
Author
andrewbutton