TFSA Investors: 1 Weird Trick to Bolster Your Income

Description

There are a lot of controversial tricks out there that investors use when looking into investments. However, there are few that can be proven in the market place, and aren't as dangerous as some of the more controversial options.

While this trick can certainly bring in returns, it definitely requires some patience. What I like about this trick is that you're *waiting* to buy, rather than buying up stocks and then making some sort of action. This trick just means doing your research and waiting patiently until this trick comes to fruition.

The trick is called the "Fifty Percent Principle."

The basis goes like this. When a stock is on a strong rise early on, at some point, investors will get skittish and want to take out their earnings. When that happens, other skittish investors tend to follow suit, pushing back the stock's gains by about 50% before continuing on again.

So, for instance, if a stock gained 25% over a few months, then the principle would dictate that it would then come back by 12.5%. This technical correction is quite common in the industry and is something analysts will consider before recommending a buy on a stock.

For example, let's look at **Shopify** (TSX:SHOP)(NYSE:SHOP) and what's been happening with this stock lately. Despite huge gains, analysts still believe the stock is in for a significant drop due to the incoming recession. The stock seemed to be supported by its amazing earnings results and continued growth with both recurring revenue and its fulfillment centres.

The gains have been climbing up and up for this stock, and even passed the $500 mark last month. While other stocks were dropping, it seemed like Shopify wouldn't go down again. But, of course, it recently did.

After climbing to about $540 per share, the stock started to dip, as investors became skittish about the tech industry ahead of a recession and have started looking to take out their earnings ahead of another dip. By Sept. 10, the stock had dropped $100 to $440 per share.

For this principle, the last dip that the stock came back from was around Aug. 15, when Shopify grew by 15.5%. Then the stock dropped to that $440. While that is a significant drop, according to this principle, a good time to have bought again would have been when the stock dropped by 7.5% to around $500 per share.

While it did continue to $440, it's now back on the rise. As of writing, the stock is trading at $468 per share. That's growth of about 6%, so if the stock starts to drop again a good time to buy would be at 3% to around $454.

Yet here's the trickiest part that I would absolutely consider before buying a stock like Shopify, which has seen huge growth in the last while. It hasn't gone through a recession yet, and with one on the verge, it might be best to wait until the recession passes to take on this strategy.

Also, Shopify is great for an example, but it might be better to find other stocks that perhaps don't have the high share price of Shopify. There are plenty out there; just make sure to do your research before trying out this trick.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/09/18
Date Created
2019/09/14
Author
alegatewolfe