

Do You Lose Money Investing? Avoid This Common Mistake

## **Description**

There are different ways to make money and lose at the same time when investing, especially in the stock market. It's a risk and reward activity. It's not a matter of how much you can lose. Avoiding one common mistake that could potentially lead to losses is therefore essential. It water

# Overtrading

Overtrading, or the excessive buying and selling of stocks can reduce profits. Stock investors fall into this trap. The fear of losing money triggers overtrading.

Let's take, for example, a tech stock like **Sierra Wireless** (TSX:SW)(NASDAQ:SWIR). This \$528 million company provide wireless devices and services in the wireless communications and information technology industry. It was performing well late last year, with the price soaring to as high as \$25.96 in November.

However, that momentum didn't last, and the stock price dropped to \$21.64. Had investors bought the shares at \$25, the tendency would be to cover up the losses. But investors shouldn't be selling low unless they want to lose more than their investment.

Sierra posted losses in 2018 that led to the further decline of the stock. Trading more is counterproductive if you'd bought the stock at a higher price. Look on the bright side, however. As of this writing, Sierra is trading at \$14.31.

Since the company is operating in the Internet of Things (IoT) sector, the growth potential is there. Sierra will play a significant role in the emerging industry, including the coming 5G network.

Analysts are forecasting a rebound in the next 12 months. The price of Sierra can climb by 126% to \$32, so you're still in a position to make profits and recover your losses.

## Panic selling

AutoCanada (TSX:ACQ) is in a similar situation as Sierra. This long-standing company operates franchised automotive dealerships in eight provinces across Canada. The stock was surging at the start of the year. However, the automotive industry is experiencing a rough patch.

From a high of \$13.26 in late February, the price is down to \$8.20 this month. Investors sometimes go into panic mode as they watch the value of their investment drop. Assuming they bought the shares at \$12, selling it today means losses of 31.7%.

The decision to buy at the current price is tempting. Investors can take the risk hoping to cut losses should the price rebound. However, they might be buying high if AutoCanada continues to drop and should avoid this mistake.

Over the last two years, AutoCanada is hardly making profits. Once the business returns to normalcy, analysts expect growth to be 24.9% annually in the next five years. The price forecast is \$17, or a potential gain of 107% in the coming months. With a high dividend of 4.81%, the overall return could it watermark be higher than the market average.

## Golden rule

The stock market is tricky and both veteran and newbie investors forget the golden rule – buy low and sell high. If you purchased Sierra and AutoCanada at higher prices, don't sell low. The outlook for the companies is rosy in the coming years. Be patient.

#### CATEGORY

- 1. Investing
- 2. Tech Stocks

### **TICKERS GLOBAL**

- 1. NASDAQ:SWIR (Sierra Wireless)
- 2. TSX:ACQ (AutoCanada Inc.)
- 3. TSX:SW (Sierra Wireless)

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