



How I'd Find the Best Shares to Buy Now

Description

Taking the time to find the best shares to buy now could be a worthwhile move over the long run. It may allow an investor to avoid low-quality businesses, and to invest money in the most appealing companies operating in a specific sector.

As such, now could be the right time to analyse annual reports and read the latest investor updates to unearth the strongest businesses in a variety of sectors. Doing so could boost an investor's returns and improve their financial situation over the long run.

Focusing on specific sectors to find the best shares to buy now

A first step in unearthing the best shares to buy now may be to understand which businesses are the strongest in their specific sector. To achieve this goal, an investor will need to understand the key drivers and catalysts within a specific industry, as well as the potential risks that could cause businesses to experience major challenges.

Clearly, understanding an industry takes time. Therefore, it may be a good idea to zero-in on a small number of sectors to gain knowledge of them, rather than seeking to become a generalist in a wide variety of industries. Doing so could provide an investor with a competitive advantage over their peers if they understand how an industry could realistically evolve over the coming years.

While determining the best shares in any sector is subjective, they are likely to be those companies with large competitive advantages over their peers. For example, they may have unique products or strong brand loyalty that has led to wider margins in the past relative to their sector rivals. They may be more likely to maintain such advantages over the long run.

Analysing individual companies

Once the best shares in a specific industry have been found, assessing their individual merits could be a shrewd move. In other words, they may have a competitive advantage over peers, but if they lack a

sound strategy for the future or a weak balance sheet then they could prove to be risky investments.

Therefore, assessing a company's financial position and how it will navigate potentially uncertain months in 2021 could be a shrewd move. The simplest means of achieving this goal is to view its recent annual report and investor updates. They provide an insight into its finances and qualitative factors such as how it intends to make use of industry-wide growth trends to its advantage.

Buying the most appealing stocks at low prices

Of course, the best shares to buy now may not necessarily trade at cheap prices. The stock market recovery in 2020 may have lifted their valuations to relatively high levels.

While it may be tempting to wait for dirt-cheap prices, in some cases it can be worth paying a premium for high-quality businesses. Over time, they can offer less risk and higher rewards than their peers, which may translate into higher returns for their investors.

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