



## 4 Stock Market Investing Strategies for Beginners

### Description

When you start investing in stocks, you should first try to understand the [characteristics](#) of a stock. You learn to set realistic expectations, build a portfolio of the stocks you are confident in. Now comes the real challenge. You have to realize your investing style and customize your strategies. What worked for your friend might not work for you because the investing style has a lot to do with your risk-taking ability.

### Investing strategies for beginners

Just how everyone has a different music playlist, everyone has a different stock portfolio. Here I bring you four commonly-used investing strategies that are a great start. As you get comfortable with stocks, you can make changes to your strategies.

### Active investing

Active investment is a style that demands you to take stock market investing as a job. It needs your dedicated time. You need to stay up to date with what is happening and keep a keen eye on your portfolio and the market. It is kind of like the Neighbourhood Watch program where no unusual activity goes unnoticed. It is a good strategy in some cases as it protects you from a contingency. But it can become cumbersome and cause anxiety if you don't know where to stop.

A stock market is a dynamic place, and active investing without understanding the technicals and fundamentals could cost you a fortune in transaction costs. I would suggest active investing in range-bound stocks like **Air Canada** or cyclical stocks like **Suncor Energy**. You are better off being active here as the two companies are in a long-term bear.

Let's take Air Canada. The pandemic has burnt a hole in its cash reserve and forced it to take a pile of debt. And mind you, the debt is not cheap. The last I read, it had a loan with 9% interest. The industry itself is capital intensive and has wafer-thin margins thanks to the high fuel cost. It has a long way to go to repair its fundamentals.

My only expectation is the recovery rally from the current ~\$24 to \$40 price as the economy reopens and the pent-up demand for leisure travel brings in greater than normal cash flow. Once this pent-up demand subsides, I expect AC stock to plateau. Hence, this stock needs active investing, where you buy the current dip and sell when the stock reaches or crosses \$38.

## Trend investing

Trend investing is a mix of active and passive investing. Here you identify a trend – [5G](#), e-commerce, or electric vehicles (EV) – and invest in the players. These players can be large and small-cap companies, growth and dividend stocks. Here you need to be farsighted and invest in the future trend early. The risk is high, but trend investing can make you a millionaire if you buy early in the trend and hold.

For instance, those who invested in the e-commerce trend back in 2015 are enjoying several-fold growth. **Shopify** stock has surged more than 5,250% since its initial public offering (IPO) in May 2015 and is now the most valuable stock in the **TSX**. Other e-commerce-related IPOs like **Lightspeed Commerce** and **Nuvei** also surged multiple folds.

If you invest in these stocks now, they might give you growth but not 1,000% growth. I see this potential in blockchain and crypto.

## Passive and value-based strategy

Many investors, including Warren Buffett, prefer value investing. Value investors are the opportunists who sit on the sidelines, read annual reports, and buy in a crisis. Buffett bought his most profitable stock **Apple** when it dipped in [2016](#). The March 2020 dip opened doors for many value stocks, and so did the September 2020 correction. It is difficult to find a value stock. So when you do find it, grab it and hold it for a long time.

I am bullish on **Magna International**, whose stock has dipped 20% from its June high. The automotive industry is suffering from a chip supply shortage, preventing auto-related stocks from realizing the EV growth potential. Once the supply issue is fixed, Magna stock could return to growth.

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pujatayal

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