

The Securities Market Is Nothing But Speculation

A lot of folks will be transformed into angry and annoyed intellectual after reading the topic of my article. And they will have to be placed over some liquid refreshments to bring their temper down. But that's alright as this whole routine is something we have been exercising for many years now.

Dictionary meaning of Speculation is 'engagement in business transactions involving considerable risk but offering the chance of large gains, esp. trading in commodities, stocks, etc., in the hope of profit from changes in the market price.'

In my view, Speculation is a state of mind. The only difference between an investment and speculation is not what an investor does but to what he wants and what his level of knowledge is. For example, Someone tells you that X stock is going to go up and you just go ahead and buy it without any further research. By comparison, someone else could know everything about X, it's prospects, the industry, it's peers and come to the conclusion that it's a good buy. Clearly, the very same action, depending on how much an investor knows, could be intensely speculative or could be a carefully considered investment.

A carefully taken decision not only reduces the risk of loss but it also gives you a confidence to hold on to your stock if there is a fall in the overall market. There is nothing wrong in checking the calls of various financial advisors on TV or in some [Free Stock Market Tips Website](#) but you must do your own research and check all the important details of company, its competitors, valuations, future prospects et cetera.

Are you, in this sense, a speculator? Here are a few checkpoints. The more of these you answer yes to, the closer you are to being a speculator:

- a) You never try to balance risk between different investments.
- b) You buy stocks of companies without a clear idea of how their businesses work.
- c) You choose which new issues to invest in based on the ads of those new issues.
- d) You buy stocks because they've gone up.
- e) You sell stocks because they've gone down.
- f) You think a stock with a lower price is cheaper than one with a higher price.
- g) You think the previous checkpoint is a mistake.
- h) You answered yes to most of these checkpoints and yet you are sure you are an investor and not a speculator.

About the Author

Lavanay is a blogger/writer who writes on [Free Share Tips India](#) and on [Stock Recommendations in India](#)

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