## Stocks and Shares

Investing in stocks can appear an attractive and lucrative way of passively making money. But is this true for a small shareholder? The answer is both yes and no.



Over the short term, stock prices can be extremely unpredictable and are impacted by adverse factors like rumours and confidence. Some investors – so-called technical analysts – try to use charts of past prices and other indicators to predict future prices, but these can be effectively random, and research shows that there are no strategies that are consistently better than simply guessing. This method is therefore comparable to gambling.



Over the medium term, one can forecast favourable price movements if one knows something about what a company plans to do. However, larger and more sophisticated investors already have that information – and more – and will have already bought shares, raising the prices and leaving no bargains and minimal profit.



However, over the long term – decades, such as when saving for retirement – a broad stock portfolio is a good investment. Prices have consistently risen over the long term, and, for small investors without specialised knowledge, this is the only safe stock investment.



What is technical analysis?

Why is technical analysis usually not effective?

What is the only safe way for small investors to invest in stocks?