

What is Momentum investing?

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About Momentum investing

- It refers to a style of investing wherein investors purchase assets such as stocks or bonds that are consistently rising in price while selling assets whose prices are falling.
- Momentum investors buy assets with rising prices in the hope that the upward price momentum of these assets would continue, thus allowing them to sell these assets at higher prices in the future to make profits.
- It is based on the philosophy that there can be discernible trends in asset prices and that these trends tend to persist over time.
- The persistence of such trends gives investors an opportunity to recognise and participate in them early enough to make significant profits from their investments.
- Similarly, they sell assets that are falling in price expecting the fall in prices to continue for some time.
- Momentum investors generally do not conduct a deep analysis of the fundamental or intrinsic value of the assets in which they invest their money.
- They invest purely based on whether the price of an asset is showing a strong trend, either upward or downward, that they can ride on.
- The “buy high, sell higher” philosophy of momentum investing is in stark contrast to the traditional “buy low, sell high” advice given to investors.

Q1) What is 'Stocks'?

A stock is a general term used to describe the ownership certificates of any company. A share, on the other hand, refers to the stock certificate of a particular company. Holding a particular company's share makes you a shareholder.

Source: [The logic behind momentum investing](#)

Source: <https://vajiramandravi.com/current-affairs/momentum-investing/>

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