

Dhan ki Baat #4 – Buy Low, Sell High

Use AI/Algorithms to Rebalance

When to sell and when to buy is a difficult problem like predicting the weather. Computers that use AI/Algorithms are good at predicting the weather and can enhance your returns over the Kumbhakarna approach which is a reasonably good approach.

Kumbhakarna – Time in the Market

Equities go up over time as they track growth + inflation so if you do nothing (just buy and never sell) you will do okay. Like Kumbhakarna as far as your portfolio is concerned go to sleep. A good AI program will beat a Kumbhakarna strategy.

Farm your Portfolio

A good farmer knows when to sow, when to grow and when to harvest.

Avoid Greed and Fear

When what you are buying becomes more expensive you should buy less and at some point, neither buy nor sell (hold) and if prices are so expensive that they are too good to be true then sell.

The herd does exactly the opposite. When markets rise (become expensive), they want to buy more as they see their wealth grow. They become GREEDY. When markets fall (become cheap) they want to sell as they see their wealth drop. They become FEARFUL.

Financial Literacy Nuggets

Dhan ki Baat messages give you nuggets that you can study to improve your financial literacy. Lookout for the next message on “Dhan ki Baat”.