



## Investing vs Trading Styles

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### Overview

There is a difference between investing and trading. When participating in the markets one should understand the difference between investing and trading has to do with time frame and objective.

### Investing:



**Investing** is associated with more **long-term** time frame. There may be many objectives for long term investing, however, the main theme tends to be growing your capital, so it can be utilized in the future (example: during your retirement). Long-term investing generally has less daily trade activity and more asset allocation for your long-term goals.

Here are **some** of the many styles of investing:

1. Value Investing
2. Growth Investing
3. Dividend Investing
4. Passive Index Investing
5. Balanced Investing
6. Top-Down Investing
7. Bottom-Up Investing

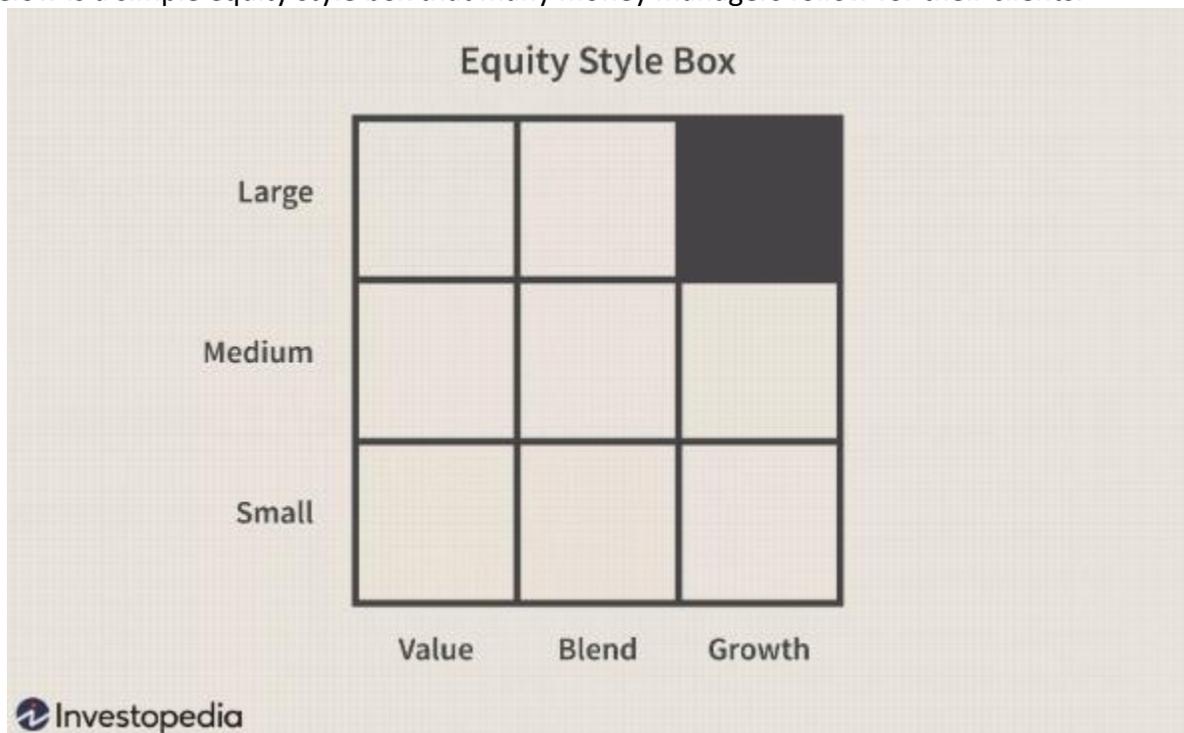
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And many more. We will discuss these concepts in the coming pages.

In addition, based on your age, income, tax bracket, assets, liabilities, equity, and risk tolerance you may be a:

1. **Conservative investor.** Which is someone who takes less risk and may focus on more fixed income investments.
2. **Moderate Investor.** Someone who takes medium risk by adding large cap blue chip stocks or value investment style stocks in their portfolio.
3. **Aggressive Investor.** Someone who is willing to accept more risk to their portfolio and buys stocks or products such as technology stocks, small cap stocks, international/global stocks, options, futures, leveraged ETFs and etc.

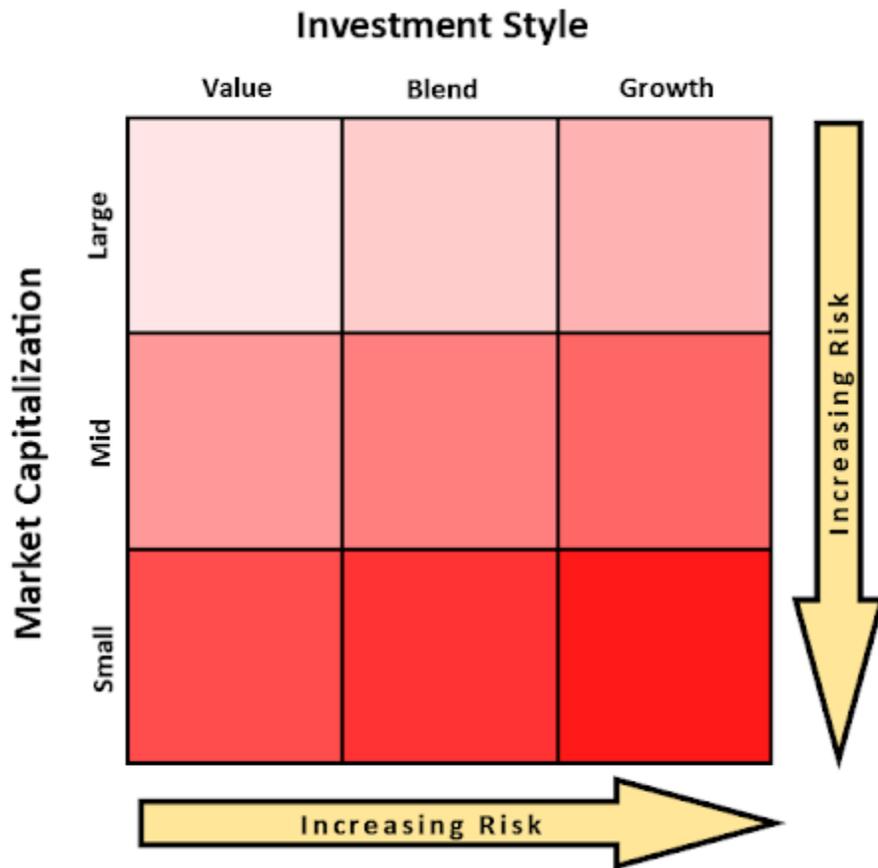
Below is a simple equity style box that many money managers follow for their clients:



The X-axis has different types of investing strategies such as value investing, blend investing (which is a combination of both value and growth), and growth investing. The Y-axis has different types of investment types such as small cap investments, medium cap investments, and large cap investments.

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Depending on the risk tolerance and the reward objective, you can choose which box you want to allocate your portfolio in. The highest risk tends to be in the right bottom box which is the small cap + growth box:



Source: <http://www.jrbci.org/stylebox>

Generally, the more risk you take, the higher the expected return. The least amount of risk in this equity box is the value + large cap stocks. A money manager may play with this box to adjust a client's portfolio as their age and long-term objective changes.

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## Trading:



SPECULATING

**Trading** is more associated with very **short-term** time frame. The objective is to make a speculative bet that could result in a short-term profit. Trading could be as short as few seconds, minutes, or hours. Some traders also prefer a concept called, **swing trading**. Swing trading is also a short-term trade that may last for few days, weeks, or even few months. However, it is still considered “trading” because the trade is not longer than **one year**, and it is still short term in nature. A trade longer than one year is considered investing.

Trading has **VERY SPECIFIC** objectives, profit targets, stop losses, and follows underlying short-term rules that could change rapidly. Investing looks at more of the long-term horizon of the company, the fundamentals, and the analysis of matching the investment with the individuals long term objectives.

At any moment, the fundamental of a short-term trade could change rapidly, which would need constant monitoring of the trade.

Trading is much more difficult than investing as it will require a larger skill set to deal with the constant volatility and changes in the markets.

Here are **some** of the many styles of trading:

1. Macro Trading
2. Event driven or news trading
3. Technical analysis trading
4. Scalp trading

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And many more...

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