

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Are You a Passive or Active Investor?

As the stock market rally grows older the time will come when the high tech and large cap stocks that are leading will have problems. Then passive investors who simply put money in a fund that tracks the S&P 500 will be in trouble. Are you a passive or active investor? Do you just let the market do your thinking or do you do intrinsic stock value analysis of the items in your portfolio? According to *CNBC* active is now outpacing passive investing.

In the perennial race between active and passive investment management, there are signs of a shift. After several years of bringing up the rear, active performance has outpaced passive so far in 2017. Various factors suggest that it could stay out front for a few years.

This year has been the best for active fund performance since the bull market began, as it has bested passive more than half the time. About 54 percent of active managers have beaten their benchmarks overall so far in 2017; about 60 percent did so in July.

The longest bull market since World War II has been driven by these big cap stocks: Facebook, Apple, Amazon, Microsoft, Google and Johnson & Johnson. When the time comes for a correction involving these market leaders investors will look elsewhere for profits and that will be the work of active investing and use of fundamental analysis of individual stocks. Active investing is more work than passive but when passive investing loses money active is your only choice.

Mid Cap Stocks Make Money Too

When the big cap stocks rally they are a great place to be but mid cap stock investing can be profitable too.

We suggest that you think of mid cap stock investing as the Goldilocks approach to investing. To a degree large cap stocks may be too large and done with rapid growth. Small cap stocks may be too risky. And mid cap stock investing may be just right. Before looking more closely at mid-cap stock investing, what is market capitalization and how is this categorization useful to investors? Market capitalization (market cap) is the total value of shares of a publicly traded company. Multiply share value times number of shares and you get the market cap of the company. A mid cap company has a market capitalization of between two and ten billion by most definitions.

Passive investors might consider a fund that tracks the Russell Mid Cap stock index.

Alternatively an active investor can invest in a handful of well-chosen mid cap stocks and do just fine. *US News* lists their 7 best mid-cap stocks. Here are their suggestions.

- *Take Two Interactive Software (TTWO)*
- *National Beverage Corp. (FIZZ)*
- *PRA Health Sciences (PRAH)*
- *Stamps.com (STMP)*
- *Dave & Buster's Entertainment (PLAY)*
- *J2 Global (JCOM)*
- *Match Group (MTCH)*

Few analysts cover these stocks than cover the high tech large cap darlings. That gives you the active investor the opportunity to spot bargains before the rest of the market and profit before everyone else catches on.

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