

Final Thoughts on Investing

There are several coherent theories of how prices are formed in the financial markets. None of them lead to clear strategies for you to beat the market.

However an understanding of these theories should help you avoid stupid investment strategies:

- the importance of diversification
- the relation of return to risk
- the apparently inherent unpredictability of efficient markets
- the strength of buy-and-hold vs. active strategies.
- the importance of long time horizons to minimize variance/risk.

None of this is grounds for discouragement. The stock market has been called “a casino rigged in favor of the investor” .

Skiena's advice: – Stick your money in a broad index fund with low expenses, and forget about it.