



Brainy's Articles on Share Trading

The market is like an *elephant!*

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Introduction

For some people, it can be difficult to understand some of the principals of share market analysis. It is often useful to paint an analogy to demonstrate a principal, and my favourite one is to describe how the share market is like an elephant. Or in actual fact, like a herd of elephants.

In this article in Brainy's series on Share Trading (number ST-6110), we take a look at why the share market is like an elephant, and the important points for anyone who is considering an analysis of the share market.

In the initial paragraphs on this page below, we take a quick look at some of the key points. And over the page we have a good look at the lessons for share market investors that should help them remember some of the key principles of market analysis.

Summary conclusion

Because of the characteristics and behaviours described below, it can be concluded that we should always view at least two different time frames on our share price charts, and when the market is moving in one direction, we should be careful about taking the opposite view. If we get in the way of the market, we might be "trampled".

Characteristics, behaviours

The share market, and an elephant, have the following *characteristics* in common:

- large and cumbersome;
- from some angles, appears to be rather ugly (but remembering that beauty is in the eye of the beholder);
- comprised of many parts;
- when you study it up close in detail, it does appear to be rather complex;
- highly intelligent.

The *behaviour* of an elephant is very similar to that of the share market:

- can be unpredictable;
- often moves slowly;
- can move very fast;
- you don't want to stand in the way.

View up real close

What happens when we take a very close look at an elephant?

With reference to Figure 1 at right, note that we might be able to tell which animal it is, but we cannot tell much else about it — state of health, direction of travel, whether standing up or laying down.



Figure 1: Two very close-up views of the animal.

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