

Types of Stock Traders

Investors come in all shapes and sizes.

There are also a multitude of ways to trade investments.

Today a brief look at the various types of traders.

Investopedia asks [“What Type Of Trader Are You?”](#)

I think the type of stock trader one may be reflects investment experience, general view of how the world functions, amount of capital to invest, and risk tolerance.

Fundamental Traders

I prefer fundamental analysis. In large part because I have a professional accounting and finance background, so possess the ability to analyze companies. I also take a longer term investment perspective and therefore desire well-managed companies that have strong long-term growth potential.

The article associates fundamental trading with the [buy and hold approach](#). But note that it is more closely aligned to buy and hold than a short-term trading strategy. True. But fundamental analysis on its own does not necessarily equate to buy and hold.

Noise Traders

I do not like [technical trading](#). That said, some do well investing this way.

With so many similar computer trading tools out there, I think technical trading at times becomes a self-fulfilling event. I “identify” a trend/pattern with my software, so I make the appropriate trade. Many, many other traders “identify” the same trend/pattern and they make the same trade. That impacts supply and demand for the investment and shifts the price.

Perhaps your trading program says that Apple should increase in price. You purchase Apple shares (or buy call options, etc.). As others read the same signals, they also buy shares of Apple. The increased demand increases the share price and the prophecy becomes self-fulfilled. A good strategy if you are one of the early buyers. But if you are “late to the party” you may get caught up in an [investment bubble](#).

Sentiment Traders

A combination of fundamental and technical traders. I would also say an equal dose of behavioural trading. So a little of everything.

Market Timing Traders

Of note here is that it is difficult to consistently time market movements over the longer term.

Unless your career is day trader, I suggest you avoid market timing. I would also recommend avoiding a career in [day trading](#).

Arbitrage Traders

I agree that the opportunity for arbitrage continues to shrink with each year.

I think for anyone regularly reading this blog, that you will not have access to the tools, exchanges, or experience to successfully arbitrage investments.

Traders Versus Investors

I like Investopedia’s use of the term [“trader”](#) as opposed to “investor”.

Short-term, active strategies are more trading in nature. Not necessarily speculative, but not the route I think individual investors should pursue.

Individual investors saving and investing for their future retirement should take a [more structured approach](#). A long-term focus, emphasis on asset allocation, cost minimization, etc. Trading activities are not well-suited to long-term investing.