



TRUSTING YOUR THIRD EYE – INSTINCT AND INVESTMENTS

July 15, 2023 | 5 min read

Staring at a canvas with a paintbrush and a colour palette is much like examining the financial market with some money to invest. There are established and time-honoured methods of creating artwork. Likewise in the case of financial investments. But, behind the science of it all, there is a subconscious intuition that helps us to excel in artworks and investments. That's Instinct for you.

Going by Instincts

Instincts play an important role in any activity. People trust their instincts in sudden scenarios as well as in long-drawn decisions. The creative process of art is often driven by instincts. Going by instincts, as they say.

When you use your instincts in art, you add uniqueness to your creation. An artist can close her eyes and follow her intuitive approach, to create an artwork that carries her signature style.

Art must be a journey of self-discovery. To ensure that, you cannot be too conscious about the creative world around you. True, you will have your muse and your idols. But when you want your artwork to be uniquely original, it is more about looking inward than outward.

Instincts in Investing

Instinct in investments is very important. It is the gut feeling you have, maybe I should be investing in this, or that, or not. Investment, by anyone, is made with some amount of analysis. Investments made based on instincts alone are not advisable. Instinct in investing is, of course, backed by your subconscious understanding of the subject. A complete newbie in the financial world going only by his instincts is a recipe for disaster.

Having said that, one cannot pursue a lifetime of investment journey based on analytics and numbers alone. Even the greats like Warren Buffett invest only in things they are comfortable with. "Trust your gut and don't ignore your intuition", he has famously said. If you have a bad feeling about someone (or something), you're probably right. His intuition is something Mr Buffett has successfully combined with his due diligence and research over the years.

Thus, instinct in investments can help you get the timing and the choices right. Investing is not just about reading the fine print. It is also about observing the world around you, forming opinions and perceptions, and empowering your mind to give you the much-needed stroke of genius. Just like the stroke of genius, you will find in many a Monet painting!

Instincts is a Side Dish

Analytics will tell you that a stock is performing well. It will tell you that the company is showing growth in revenue and profit every quarter. It will also tell you how its debt position is healthy and that all its important CAGRs are off the charts. Instinct, on the other hand, will tell you that something is amiss. That something about the company doesn't seem right. Next thing you know, the market sentiments decided that the stock was over-inflated!

Instincts are an important consideration in decision-making. It doesn't replace due diligence but rather complements it. It is meant to aid your decision-making and take the much-needed "decision from the heart" when you are snow-blinded by facts. In culinary terms, it is an important side dish that completes the taste of the entire meal.

Success: Intertwined

The relationship between art and instinct is intertwined, and therein lies creative success. You cannot disregard the basics of artistry, but you must pay heed to your inner voice while doing so. When it comes to investing, your instincts will guide you in identifying favourable opportunities and making well-timed investment decisions. You must, however, be able to distinguish it from impulse.

Impulsive investing decisions, taken without proper research, can lead to financial losses and the blocking of funds. Another mistake often committed by investors is following herd mentality. Reading too much into market sentiments can result in losses. Going back to Mr Buffett, the golden rule here is to be fearful when others are greedy, and be greedy when others are fearful. A rule that, again, must be followed on the back of research and instinct.

Conclusion

At Moneyedge, we understand the perils and merits of following instincts in investing decisions. We draw conclusions from the studies and research conducted by our team of experts and distill it with our market observations and intuitive inferences. This helps Moneyedge to offer the best recommendations and financial advice to its clients and patrons, consistently. Partner with Moneyedge today to thread your investment journey with elan, and achieve sustained success.