>: It's Your Ship, But Who's the Captain of Your Money?

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Editor's Note: Our weekly telephone call to answer your questions has been posted. Listen now to hear Teeka answer more reader questions, including ...

- Should you ignore the low-volume market action around a major holiday weekend?
- Are there any oil plays left that have room to run and are buys right now?
- What are the best technical indicators to look at when trying to spot a market bottom?

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If this market were a horse, I think we would have shot it already to spare it further misery.

The one ray of light that investors have to hold onto is that we are very, very oversold. Yesterday's upside close was certainly a surprise, but I don?t know that it was enough of a move to say that the bottom is nea

As mostly self directed investors, we have to readjust our perspective of the US equity markets. This is not a buy and hold the S&P 500/DOW 30 market, and it probably won?t be so again until about 2015 ? 2018. This is a sector driven market brought about by a slowdown in profit growth and driven by spiraling commodity costs.

Index investors get crushed in markets such as these, but sector traders do very well indeed. You?ve got to be nimble to successfully navigate this type of market environment. Most stock brokers cannot do well in this environment. They are trained to do one thing and that is to buy stocks - always.

Hedging, shorting, and selling puts to buy stocks are not concepts in which they are educated. Yet these are the strategies needed for this type of a market. If you are not retiring for 30 years, then none of this should concern you. Modern portfolio theory will bail you out from two decades of sub par performance.

However, if you plan to retire within the next 15 years and expect that your index linked 401k is going to fund your retirement, I am afraid that you are in for a shock.

It can be difficult to learn new things and to get rid of old prejudices. But we?ve got to take that step if we want to see our nest egg grow.

Some skills that you need to learn include how to short stocks, which allows you to profit from a stock declining in price. Brokerage firms will allow you to sell a stock that you don?t own (you have to put up half the value of the stock you are borrowing as collateral - this is called margin). When you sell the stock, you are looking for it to decline. This way you can buy it back at the lower price and keep the difference between what you sold it for and the price you paid to buy it back.

You also need to learn how to use options. Options can be very scary to new investors. Probably the biggest rule with options is being smart in how many of them you buy at a time. Too many people put too much money in them looking for the ?big kill? instead of using them as a prudent investment tool.

The other big thing you want to take some time learning about is risk management. Knowing how much to invest at one time is a big question for many investors, and knowing when to sell is another.

There are many sources of investor education out there, and don?t be afraid to pepper your broker/advisor with questions. We here at Tycoon have attempted to do our part to fill the knowledge gap as well.

My good friend Chris Rowe recently came out with an excellent educational system that teaches the technical analysis tools that he?s used for years. I recently came out with my updated ETF Master Trader progra, and I?m very proud of the work we?ve done there.

Whether you own one of our programs or not is really not the point. The point is that education pays. There is so much going on in the market all the time that without a solid working knowledge of a specific investment approach, it?s very difficult to manage your own money.

Take the time now to become a better investor, and it will pay you for the rest of your life.

Teeka Tiwari
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