7 Stock Market Adages
Explained and Illustrated

KEYTRADE BANK

Table of content

Dear Reader,

If you take even a passing interest in the stock market, you have no doubt come across well-known sayings such as "Don't catch a falling knife", "The trend is your friend", or "Don't fight the Fed".

But have you ever wondered what they really mean, where they come from, and who first coined them?

In this e-book, we invite you on a thematic journey through the fascinating — and sometimes complex — world of financial markets.

You will discover the origins and meaning of these expressions, brought to life with historical examples and sharpened by the insights of market experts.

We hope this book helps you move forward with greater confidence in your investment journey. And rest assured, at Keytrade Bank, the doors to the stock market will always remain wide open for you.

We wish you an enjoyable and enriching read.

Keytrade Bank team

1. " Don't try to catch a falling knife "

Some see a share that is quickly falling in value as a buying opportunity. Others see it as a warning sign. That is exactly what the stock market adage about not trying to catch a falling knife is about. Not an easy thing to do, both in a literal and figurative sense.

In layman's terms

"Don't try to catch a falling knife" is a well-known warning to investors:

- Don't impulsively buy a share that is experiencing a significant price decline.
- Wait until there are clear signs that the price is stabilising or recovering.
- Don't try to pick up bargains when no one knows whether the share has bottomed out.

In other words, think before you buy, because not every dip is an interesting opportunity. Sometimes it is actually the beginning of a prolonged decline.

WHO SAID IT FIRST?

The expression first appeared in English literature (📖) in the early 20th century. However, on the stock market, this catchy quote became popular in the late 1980s (📖), particularly on Wall Street.

The comparison with a falling knife is not random. Those who act too quickly may get hurt. Those who wait until the knife is on the ground remain unharmed. The metaphor has stuck ever since and has become a universal warning against impulsive investing.

Is that really how the stock markets operate?

Absolutely. Stock market history is littered with examples of shares that seemed cheap at the time, but whose decline turned out far greater in retrospect. Investors who were expecting the price to rise again and thought they were getting a bargain were left with heavy losses.

The psychological pitfall is clear: a sudden drop may look like a bargain, but without the context behind the decline, it remains a blind buy.

A SHOWER OF FALLING KNIVES FROM THE STATES

President Donald Trump's infamous – and now historic – tariffs shook the global economy to its core. One stock after another quickly fell into the red. In the United States alone, 6.6 trillion dollars (📖) in shares went up in smoke in just two days. Many stock market experts weighed in on the matter: was it the right time to buy or was it better to wait (a little longer)? That is the question that will arise time and time again during geopolitical turmoil.

Is it worth a try?

With good timing, the blade of a falling knife can land perfectly between your two hands without spilling a drop of blood.

Are you going to go for it, or not?

Catch the knife	Don't catch the knife
If you have a good sense of the context and your timing is perfect, this has the potential to yield a nice return.	You avoid investing in a company that is systematically making a loss.
You develop your sixth sense to spot interesting stock market opportunities that others may miss.	You first learn to analyse the situation and not to act impulsively. This way, you invest in your growth as a rational investor.

Expert insight: *"A tough crisis? Why wait to invest? "*

Pascal Paepen *is a Banking & Stock Exchange lecturer at KU Leuven, teaches at Thomas More University of Applied Sciences and co-founded investor website Spaarvarkens.be. As a former banker, he now uses his expertise to help people make the transition to investing.*

"The question that (novice) investors should ask themselves is this: is the share price of one particular company taking a big dive, or is the whole market falling? In late 2021 and early 2022, the stock market went into the red for months due to significant interest rate hikes. In such broader stock market phenomena, investors can safely enter a falling market if they do so in a gradual way. For example, they can set alerts and buy at -20%, -25% and -30%. History has taught us that even the biggest crises around those losses reach a turning point and gradually start climbing back up."

"Such a falling knife may be an indication that there is more going on at a corporate level, so it's best to analyse the situation first. Is there a risk of bankruptcy? Perhaps a critical contract fell through? But even then, perhaps one capital injection is enough to get things back on track. Context is therefore key, but I don't think waiting for the bottom to fall out is the solution. Don't be afraid to invest in turbulent times. A severe crisis situation may offer some excellent opportunities."

HOW ONE "NJET" DID IT FOR GALAPAGOS

Mechelen-based biotech company Galapagos (📖) experienced a huge slump on the stock market in 2020 after its main drug Jyseleca was not approved in the US. In just over a year, its share price fell from more than 230 euros to 50 euros.

Some investors felt there was a bargain to be had. However, even now in 2025, Galapagos has still not recovered. Those who bought too early during its decline were left with a loss for a long time.

What should you bear in mind as an investor if you're just starting out?

A share that is falling sharply does not automatically guarantee a golden recovery. The following approach options may help you to avoid any pitfalls:

1. Always look for the reason behind the decline

Is the price drop the result of many people selling at the same time, or is there another cause? Has there been some bad news about the company, the sector or the wider economy? Look beyond just the price movements. And what can you learn from similar price movements in the past?

2. Wait for (subtle) signs of recovery

Is the price recovering? Look for signs such as a stabilising price movement, positive earnings figures or experts who suddenly express confidence in the company again.

3. Invest in phases

If you genuinely believe a recovery is on the way, but still want to exercise caution, buy your shares in smaller chunks, spread out over time. This will reduce the financial risk

HOW DELIVEROO STOPPED DELIVERING ON THE STOCK EXCHANGE (📖)

During the coronavirus pandemic, food delivery drivers were welcome visitors to people's homes. For a long time, they were also pretty much the only visitors. Deliveroo's IPO in March 2021 was therefore eagerly anticipated. Not least because even back then, there were already many critical concerns about the company's business model (📖).

It turned out to be an anticlimax. The share price plummeted immediately and, despite a brief rebound, continued to fall, especially from 2022 onwards. Those who bought too early after the fall were left with a very bitter pill to swallow.

Those who waited to get in when the trend reversed in early 2023 did well, as the share price has been climbing steadily ever since.

From stock market wisdom to life wisdom

"Don't try to catch a falling knife" is one of the most visual stock market adages, and not without reason. Those who try to time the market based on gut feeling risk getting hurt. Waiting, analysing and only then buying often proves to be the safest choice.

Being patient does not have to mean being passive. In fact, it is quite the opposite: you need to actively wait for the right moment. Because just like in real life, a challenge or low point can mark the start of a new period of growth, if you approach it in the right way.

2. " Don't fight the Fed "

Central banks have always played a major role in overall stock market sentiment. However, since the financial crisis of 2008, the world's largest central bank, the US Federal Reserve, has become more influential on the stock market than ever. So much so that many experts would advise you to adjust your investment strategy accordingly. "Don't fight the Fed" is an unvarnished warning that anyone who ignores developments surrounding the Fed risks financial adversity. But is that really the case?

In layman's terms

Countless investors, companies and savers around the world were hit hard by the 2008 economic crisis and its aftermath. To restore confidence in the market, the Fed played a guiding role in getting the stock markets back into the black. It suddenly started actively steering the market, for example by lowering interest rates and buying up bank bonds, even though its main job is actually to guarantee economic stability.

The Fed suddenly took the stock market reins, which turned out to be good news for the US stock market. Between 2012 and 2022, the S&P 500's average annual return grew by almost 14% rather than its usual historical 9 to 10% (📖).

According to this stock market wisdom, you'd better listen when the US Federal Reserve makes a new interest rate announcement:

• If it is raising interest rates, this makes borrowing more expensive, which often leads to lower stock prices.

• If it is lowering interest rates or pumping money into the economy, this often creates a favourable climate for shares.

WHO SAID IT FIRST?

Although this stock market adage is still very relevant today, the slogan was already popular back in the 1970s. It was the late Marty Zweig, a well-known American investment strategist, who linked the performance of the stock prices (📖) to general interest rates. He concluded that it was extremely difficult to invest against the direction of the Fed.

Is that really how the stock markets operate?

If you look at the Nasdaq and other Wall Street stock market charts between 2009 and 2022 and you compare them with the Federal Reserve's balance sheets, you cannot help but conclude that they look almost synchronised.

Many companies that placed their trust in the Fed during this period made huge leaps forward on the stock market. These included today's major tech players, such as Apple, Microsoft and Amazon. And you guessed it: as soon as it starts to rain on the American stock markets, the rest of the world had better get their umbrellas out too.

AND SUDDENLY INTEREST RATES PLUNGED

The opposite scenario is also possible. In 2022, the Fed raised interest rates at record speed to curb rising inflation. This led to a sharp correction on the stock market. Investors who refused to believe that higher interest rates would have a major impact were proven wrong. The Nasdaq, for example, lost around 33% between the opening of the stock markets in January 2022 and the end of the trading year on 30 December 2022. It was its worst stock market result since... 2008 (📖).

Is it worth a try?

This wisdom serves as a reminder that, as an investor, you should never think you are stronger or smarter than the system. But what if you are one of those rebellious investors?

Don't fight the Fed

You are riding the wave of the policy of what is perhaps the biggest economic player in the world.

You build broader market knowledge, and you learn to look beyond share prices alone.

As long as no interest rate hikes are announced, you are basically in a good position.

Fight the Fed

What if the Fed decides to loosen its grip on the economy? Do you have an alternative strategy up your sleeve?

You develop a reflex to assess market movements more quickly and therefore stay ahead of the Fed.

Not all types of shares are equally sensitive to interest rate changes and therefore require more stock market knowledge.

Expert insight: *"Be sure to keep an eye on those Fed press conferences"*

***Danny Reweghs** is a stock market analyst, Director of Strategy at Trends Beleggen, and (co-) author of the book 'Haal alles uit uw beleggingen' (Get the most out of your investments) and various other publications on this subject. He has been one of the most experienced voices in stock market analysis in Belgium for more than thirty years.*

"The US Federal Reserve's influence on the financial markets should not be underestimated. And that in itself is a considerable understatement. As long as interest rates remained low between 2009 and 2022, the stock markets performed exceptionally well."

"Only when the Federal Reserve turns the tide, should you be on your guard, even as a Belgian or European investor. In concrete terms, don't fight the Fed means that as long as the Federal Reserve is pumping money into the system, shares can become more expensive and therefore more lucrative. But when its policy tightens, it is often better to wait a while before making new purchases or looking for opportunities to take profits."

"Today, the Fed's policy is once again somewhat tighter, especially after the recent inflation shocks. That is precisely why its interest rate meetings remain key moments for countless active investors worldwide. You can be sure that they are keeping a close eye on its press conferences. So, make sure you follow the Federal Reserve's policies closely and consider adjusting your strategy as soon as its changes direction."

THE 2013 TAPER TANTRUM (📖)

When the Federal Reserve announced in 2013 that it wanted to taper its bond purchases, the markets panicked. Currencies and bond prices fell sharply worldwide, which had a particularly significant impact on many emerging markets.

This announcement once again confirmed the Fed's global impact and immediately triggered mechanisms to develop a more cautious communication policy in order to avoid such stock market reactions as much as possible in the future.

What should you bear in mind as an investor if you're just starting out?

If you are just starting out on the stock market or if you haven't found the right investment strategy yet and you think this stock market wisdom is worth exploring, we would like to summarise the possible strategies for you.

1. Follow the interest rates

Higher interest rates mean lower stock market appetite, and vice versa.

2. Learn to understand interest rate mechanisms better

The better you can interpret the interaction between interest rates and stock market prices, the more relevant context and knowledge you will gain as a novice investor.

3. Check the inflation figures

If there are rumours of inflation or signs of significant inflation, the Fed may intervene and raise interest rates.

4. Read the Fed meeting summaries

These may guide future policy decisions.

5. Be cautious with interest rate-sensitive sectors

Real estate, technology and growth companies often show a particularly strong response.

Gold rush in times of instability

Interest rate announcements by the US Federal Reserve may also have an impact on specific types of shares. Gold shares, for example, have been on the rise since 2023. Firstly, this is because gold is a safe investment in times of geopolitical instability. And secondly, signals from central banks such as the Fed also play a role.

When they cut interest rates – or even just hinting at doing so – gold suddenly becomes a very attractive option for investors. This is because physical gold is non-interest-bearing, unlike many other assets. Lower interest rates therefore make it cheaper for investors to hold gold. This causes demand for gold to rise among investors. One announcement from the Fed may therefore be enough to get the ball rolling.

From stock market wisdom to life wisdom

“Don’t fight the Fed” is a friendly reminder that it is best to keep an eye on the bigger picture. Be aware of all the forces that can influence the markets. The good news? You don’t have to be an experienced economist to learn to recognise trends. According to this stock market adage, sometimes it is enough simply not to swim against the tide.

3. " Buy the rumour, sell the news "

Some nuggets of wisdom around investing sound a bit risky. "Buy the rumour, sell the news" is one such example. It makes us think of a clever trick to get ahead of other investors. And that works in some areas, such as on the stock markets. It is not always about the news, but about who thinks they can gain an advantage by being the first to act.

In layman's terms

"Buy the rumour, sell the news" (or the alternative sell the fact) refers to the phenomenon where investors buy shares based on rumours that haven't yet been confirmed. And once the news becomes official, they sell – just when more cautious investors are buying.

The news element in the stock market wisdom is therefore code for investors who actually arrive late to the party. They only decide to buy once the news is readily available, which means they are unknowingly buying their shares at too high a price.

WHO SAID IT FIRST?

The statement itself cannot be attributed directly to one specific person. Online sources (📖) quote news articles proving that this wisdom has been going around the stock market since at least the 1950s – an era when rumours could still be launched with relative ease, without it being possible for them to be confirmed or denied.

Is that really how the stock markets operate?

There's certainly some truth behind this stock market wisdom. After all, the stock markets are not a reflection of what is happening today, but of expectations for the future. In other words, prices often don't respond to facts, but instead respond to what investors think will happen.

Sentiment and emotion often stem from common sense. As soon as rumours start to surface – about a merger, a spectacular innovation or a large contract, for example – investors start to speculate. As a result, prices start to rise before the news becomes official.

And by the time the news is announced, the element of surprise is lost. The price plateaus and may even fall. Anyone who buys at that time may end up paying the full price.

PFIZER'S BREAKTHROUGH AROUND THE COVID-19 VACCINE

In November 2020, pharmaceutical company Pfizer announced a breakthrough in manufacturing a Covid-19 vaccine that would be 90% effective. The stock market rumour mill started turning straight away in the run-up to the official announcement:

- Share prices in airlines, hotels and travel companies started to rise early in the morning.
- Share prices climbed even further when the announcement came.
- However, they fell again by the end of the week.

Analysts suspected that a large number of investors were taking a proactive approach to the news.

Is it worth a try?

"Buy the rumour, sell the news" comes with no guarantee of success, but it can help you grow as an investor. But what are the potential pros and cons?

Advantages

You learn to keep an eye on the market.

You increase your chances of getting in early in the event of significant price movements.

Points to consider

Sometimes, false rumours are spread deliberately.

You risk getting in too quickly.

Advantages

You develop a feeling for timing and market dynamics.

Points to consider

When is the ideal time to sell? Will a rumour ever be confirmed?

Expert insight: *"Novice investors can get carried away by herd behaviour"*

Geert Van Herck *is a stock market expert and Chief Strategist at Keytrade Bank. He is known for his clear market analyses and accessible clarifications for private investors. Van Herck regularly shares his insights on investing, trends and strategies in blogs, webinars and the media.*

"On the stock market, people often buy the rumour and sell the news. This results in a domino effect: everyone jumps in and then immediately jumps out again. We have already seen this herd behaviour in the AI race and with companies that would be contracted for defence manufacturing. Remember the cannabis stocks in the US and Novo Nordisk with its Ozempic craze. Suddenly, everyone wants the same thing at the same time. This is often followed by a downward readjustment."

"This is dangerous for inexperienced and novice investors: they get caught up in the hype and buy just when the peak is in sight. Use the average of the past 200 days as your compass and ignore the live statistics on your smartphone and stock market websites. As long as a share remains above the average, there is no cause for concern, but once it dives below, it's time to be vigilant. And maybe even get out."

"So the message is to stay calm and not get carried away by all the commotion. This is definitely the hardest part of investing: everyone says they're in it for the long term, but at the first sign of a shift they become nervous."

APPLE'S MACWORLD EFFECT

Macworld Expo was an annual information technology trade fair held in the United States from 1985 to 2014. Speculation was always rife about Apple's new product launches in the run-up to the trade fair. You guessed it:

- Investors often bought Apple shares in anticipation of the announcements.
- This led to an increase in the share price before the event.
- Many investors sold their shares following the announcements, which sometimes resulted in the price dropping.

This phenomenon was called the 'Macworld Effect'. An analysis showed that buying Apple shares a month before Macworld Expo and selling on the day of the keynote speech delivered a monthly gain of 3% on average (📖).

What should you bear in mind as an investor if you're just starting out?

You don't need to be a stock market pro to benefit from this knowledge of the stock markets. Practice makes perfect. Nevertheless, we recommend that you take the following tips into account.

1. Switch off your emotions

Rumours are often seen through lots of emotion: enthusiasm, hope, doubt, greed and more. Don't let yourself be drawn in. Look at the data from an objective angle and be rational:

- How likely is it that the rumour could be true?
- What is the impact on the company's profits, strategy or reputation?

2. Separate the online buzz from the online bluster

Social media, investment forums or WhatsApp groups are often full of rumours. "They're going to be bought!" or "They're going to launch a revolutionary product!" may well sound exciting, but it's a good idea to check if there are any credible sources behind such statements. Rumours can drive prices up in the short term, but they can collapse just as quickly if the rumours turn out to be false.

3. Be aware of sudden price movements

If a share price is surging and you haven't heard anything official, there's a good chance a rumour is doing the rounds. Don't take action based on the fear of missing out, but take a moment to ask yourself:

- What's the rumour?
- Is the rumour credible?
- Is this investment a good fit for my strategy?

Before investing in financial instruments, please ensure you are properly informed and read the document carefully: "Overview of the key characteristics and risks of financial instruments".

4. Practise with smaller amounts

If you want to act on rumours, it's best to start with a small amount. You can also limit the risks with a diversified portfolio. Look at it as a trial run to experience the effect of this stock market wisdom first-hand.

5. Don't be sorry for making a profit

If you have jumped on a rumour that turned out to be right, well done! It may now be worth considering selling (part of) your position. You don't have to cash it all in straight away, but there's no shame in making a profit. Sometimes, it even makes sense.

ALL EYES ON NVIDIA

In 2023, artificial intelligence was a super-booming business. Companies such as NVIDIA were surfing the AI wave to the full, and this was reflected in impressive stock market numbers. Given the sky-high expectations, it came as no surprise that many investors were eagerly anticipating the announcement of NVIDIA's new quarterly figures in mid-2023. In the run-up to the actual announcement, their share value increased by as much as 10%.

Yet the same day, the price began to plateau and even fell again the following day, as large numbers of investors decided to cash in their investment immediately (📖).

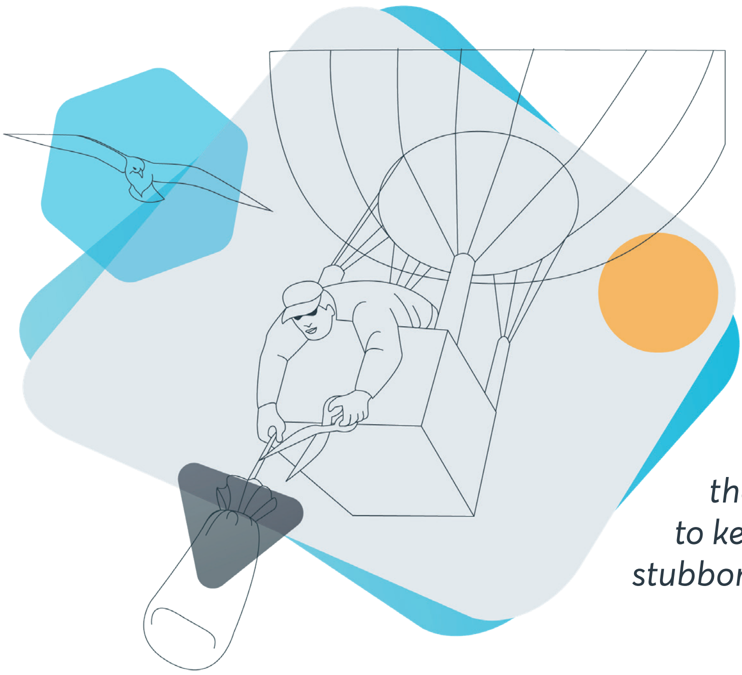
From stock market wisdom to life wisdom

To sum up, "Buy the rumour, sell the news" is a fun way to say that speed counts on the stock market, but that critical thinking and picking up on signals is even more important. And that applies even more so today.

You should never lose sight of the bigger picture. Sometimes, the news that's announced may not necessarily be worthwhile in the short term, but it may well offer long-term growth opportunities. Consider the announcement of a new partnership or a new entry on the market. In such a case, it may be worth holding onto your shares, even after it becomes public knowledge. Observing and learning is the key to success!

4. " Cut your losses and let your profits run "

A falling share price causes doubts. Will you sell immediately at a limited loss? Or will you take a risk and wait for a possible turnaround? Many investors opt for the second scenario. When prices rise, the opposite tends to happen: many investors like to cash in before the price starts to fall again. A stock market adage that is more than two centuries old suggests turning the tables.



In layman's terms

"Cutting your losses and letting your profits run" simply means:

- *Stop what isn't working in time to avoid bigger losses.*
- *Keep investing in what is going well for longer to reap the maximum benefits.*

In other words: take rational decisions rather than emotional ones. This rule helps investors to keep a cool head and avoid losing out due to stubbornness or false hope.

Who said it first?

This piece of stock market advice is a true classic. It is attributed to British political economist David Ricardo (📖), who lived from 1772 to 1823. Ricardo quickly realised that emotion is often at odds with returns.

Later on this advice was taken and further propagated by investors such as Jesse Livermore, Richard Dennis and William O'Neil. After more than two hundred years, his insights remain surprisingly relevant.

Is that really how the stock markets operate?

The reason why cutting your losses and letting your profits run hasn't lost any of its relevance is because investing is still about combating your emotions, perhaps now more so than ever before.

Stopping immediately when you lose is like admitting you were wrong. And seeing gains feels good, even if you are missing out on more significant gains. This stock market adage aims to give investors peace of mind: those who accept losses swiftly and have the confidence to hold on to strong shares may achieve better long-term results.

MELEXIS : SLOW AND STEADY WINS THE RACE

Those who placed their trust in the IPO of Belgian developer of semiconductors and sensors Melexis back in 2010 saw that trust pay off ten years later. The share price went from 10 to 12 euros in 2010 to more than 102 euros at the end of 2021 (📖). Those who kept believing in the larger trend saw their patience rewarded after a few minor dips along the way.

Is it worth a try?

Admittedly, this approach requires a great deal of discipline, but it's worth considering.

It sounds easier than it actually is, but it does make your investments more conscious and rational.

Advantages	Points to consider
You limit your losses instead of letting them escalate.	It takes courage and understanding to acknowledge and accept a loss.
You develop a strategy that works in the long term.	It is difficult to estimate when a rally is about to end.
You avoid impulsive sales decisions.	Not every share price reduction is dangerous; solid shares can also readjust temporarily.

Expert insight: *"Only invest in the shares you believe in"*

Pascal Paepen *is a Banking & Stock Exchange lecturer at KU Leuven, teaches at Thomas More University of Applied Sciences and co-founded investor website Spaarvarkens.be. As a former banker, he now uses his expertise to help people make the transition to investing.*

"At the beginning of my investment career, I often took profits too quickly, but today I realise that this was completely counterproductive. Why would I sell stocks when they are performing well and the fundamentals remain sound? If the trend is right, just let them run. Many investors make the mistake of selling winners quickly whilst holding on to losers or stocks that are treading water, either out of stubbornness or hope."

"That's a shame. If you no longer believe in a share, sell it immediately and invest the money in something better. Because the opportunity cost is real. Ultimately, an investor can be left with a portfolio full of bad shares after selling all the good shares. Invest with common sense, assess the quality and don't be obsessed with daily prices. As Warren Buffett says: "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price.'"

"That's why you should keep a close eye on the movements around companies, but you also need to look at the bigger picture. If you have Apple or Microsoft shares and you see them fall by 10%, the price will come back up again. If you speculated by buying shares in a start-up or scale-up that is researching a ground-breaking drug, but has just seen its funding suddenly dry up, the alarm bells should start ringing."

PELOTON'S FALL AFTER THE CORONAVIRUS PANDEMIC (📖)

In 2019, the opening trade of Peloton Interactive, a manufacturer of modern digital workout equipment, was 27 dollars per share. Its share price grew rapidly in 2020, when loads of people started exercising at home during the coronavirus pandemic. At its peak in early 2021, it even reached 170 dollars.

However, after the lockdown was lifted, demand came to a complete standstill and the share price began to plummet. Those who sold their shares in time achieved a huge return, but those who held out hope for a recovery suffered heavy losses.

What should you bear in mind as an investor if you're just starting out?

Running your profits and cutting your losses sounds like a logical policy. However, it takes quite a bit of practice in real life. You can make things easier for yourself with the following potential tools and tactics:

1. Use limits and strategies

Be aware of the potential risks associated with investing from the outset. Make the necessary plans in advance and stick to them. Decide in advance at what point you will sell a share, for example, if it falls by 10%.

2. Use stop-loss orders

Consider using (trailing) stop-loss orders. These allow you to automatically sell your shares when they reach a certain floor price.

In the case of trailing stop-loss orders, this lowest point moves up with the market price when it increases. Suppose you buy a share for 10 euros, and you set an order to sell at a loss of 2 euros. If the share is suddenly worth 15 euros, the order will only be executed when the share falls to 13 euros.

3. Train your trend eye

Don't let the slightest fall in price deceive you. Another old adage from this e-book says: "the trend is your friend". Always keep an eye on the bigger picture at all times to keep making well-informed decisions.

4. Keep a diary

It may sound a little strange, but a personal investment diary can help you make the right, rational decisions when you are in doubt. Write down why you are buying or selling certain shares and what you might do differently next time.

ASML'S YEARS OF GROWTH – AND SUDDEN DECLINE

Dutch company ASML manufactures advanced machines that make computer chips. Its share price has shown a clear upward trend since 2010. In 2012, the share price hovered around 40 euros, and in 2024 it briefly reached a peak of just over 1,000 euros. (📖) In the following months, the price experienced a sudden sharp decline.

Investors who held on to their shares long enough and didn't sell too early benefited from this significant increase in value. Those who placed too much trust in the share after its peak suddenly had to take a heavy loss when selling.

From stock market wisdom to life wisdom

"Cutting your losses and letting your profits run" may sound simple, but it is anything but. This stock market adage may give you more peace of mind and guidance as an investor, but an excellent understanding of stock market trends and good timing are crucial to getting the most out of your stock market adventure. As is often the case, practice makes perfect, particularly here.

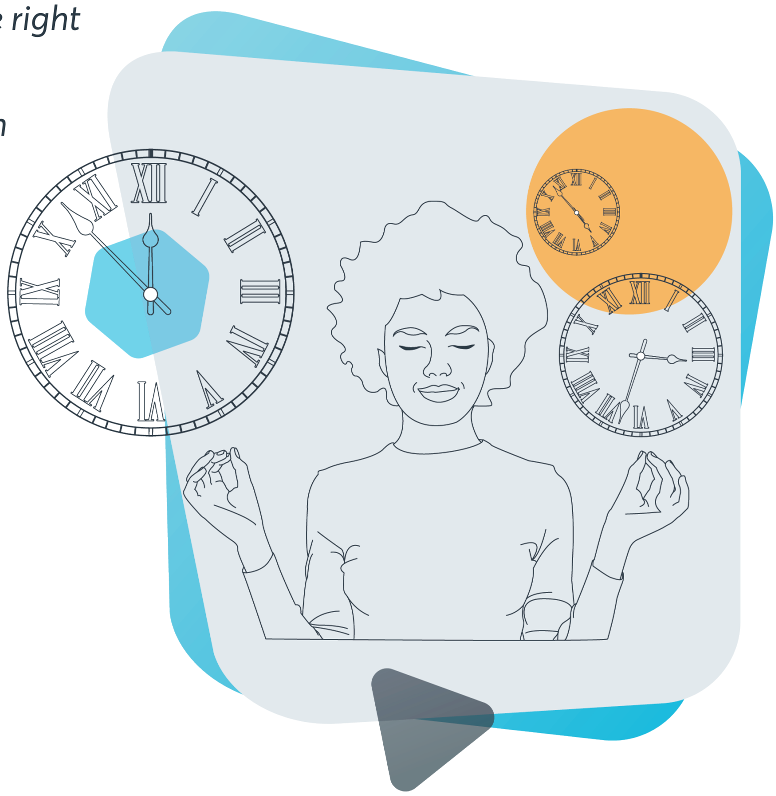
5. " It's not timing the market, it's time in the market "

Buying a share at rock bottom and selling it again at its highest point: for some investors, it's the ultimate dream; for others, it's a recurring source of frustration. Because how often does such perfect timing actually happen in practice? According to the above stock market adage, rarely if ever, because it's all about time and faith in the market.

In layman's terms

"It's not timing the market, it's time in the market" means that investors should keep a cool head at all times:

- *You don't have to beat the stock market by repeatedly entering or exiting it at the right time.*
- *Your return will depend much more on how long you continue to invest than on when you enter.*
- *Those who invest in the long term with patience usually do better in the long term than those who actively try to time the market.*



WHO SAID IT FIRST?

It is not certain who coined this stock market adage. However, some of its early proponents and supporters are perhaps the world's most famous investor Warren Buffett, American investor Peter Lynch and stock market analyst Kenneth Fisher.

Today, this mantra has become so ingrained that it is repeated all over the world by asset managers, investment advisors and stock market gurus.

Is that really how the stock markets operate?

There is often a huge gap between theory and practice. Or, as Peter Lynch himself so aptly put it: "Everybody in the world is a long-term investor until the market goes down."

Many investors say they can keep a cool head until they witness the first dip. As a result, the stock market is a continuous mix of impulsiveness and steadfastness. It is up to you to choose your own tactics.

THE S&P 500 INDEX AND THE RISK OF MISSED DAYS

This expression seems to be supported by real-life figures. The following example (📖) is about those who in the past twenty years invested in funds tracking the S&P 500 Index, a stock market index of 500 leading listed US companies:

- The example is about those who invested 10,000 dollars on 3 January 2005.
- Those who trusted the market and held on to their investments until 31 December 2024 achieved a return of 71,764 dollars.
- Those who missed the best thirty trading days in the same period because they timed the market wrong earned an average of 12,498 dollars. This means they missed almost 60,000 dollars. (📖)

In other words, the more bad timing, the more return you will see melting away in the long term.

Is it worth a try?

Staying put instead of constantly trying to beat the market may seem a bit boring, but it usually offers more peace of mind and higher returns.

Time in the market

You develop a calm, patient investment strategy.

You benefit optimally from the compound interest or dividend effect.

You avoid repeated transaction costs and tax on short-term gains.

Timing the market

You learn to experiment with different investment strategies.

You may even develop a sixth sense for approaching stock market reversals.

If you turn out to be a pro, you may be able to achieve attractive short-term gains or limit potential substantial losses in the event of sharp price falls.

Expert insight: *"There is no perfect time to start investing."*

***Danny Reweghs** is a stock market analyst, Director of Strategy at Trends Beleggen, and (co-) author of the book 'Haal alles uit uw beleggingen' (Get the most out of your investments) and various other publications on this subject. He has been one of the most experienced voices in stock market analysis in Belgium for more than thirty years.*

"This stock market adage is worth a place on the wall above my bed. Timing the market is virtually impossible. It requires you to be right twice: once when you sell and then again when you buy the stock back. And that is the most difficult thing there is. Even the world's best and biggest investors still get this wrong. What does work is patience, discipline and a gradual entry. Look at Warren Buffett. He built most of his fortune after the age of 65, which is when most people wind down their adventures on the stock market."

"Successful investing is a marathon, not a sprint. Many people start with the intention of funding a trip or car within a year or two, but that approach is totally wrong. Yields only really start to accumulate in the long term. The best time to get started is simply now! The perfect moment doesn't exist."

"Don't get carried away by panic, news reports, or ups and downs in the price. Spread and diversify your investments, keep reserves, look beyond the chaos and stick to your plan. It's better to achieve a return of 5 to 10% each year than to risk losing 30% here and there."

AMAZON AFTER THE DOT-COM BUBBLE

After the dot-com bubble burst in 2000, the share of e-commerce giant Amazon fell by more than 90% in two years (📖).

Many panicked and sold their shares, but those who held on to them or even bought more saw their shares rocket in the years afterwards, especially from 2010 onwards (📖). Time and patience proved to be of great value here.

What should you bear in mind as an investor if you're just starting out?

Long-term investment requires self-discipline. These tactics will help you silence that little voice in your head:

1. Read about the potential risks in advance

Nothing is ever 100% certain in investing and there are always certain financial risks. The better informed you are, the better equipped you will be to make the right choices.

2. Don't be distracted by short-term noise

Focus on the larger movements, not on day prices. So it's best not to keep looking at your smartphone too much.

3. Use monthly deposits or automatic investments

They automatically spread your entry points without having to time them.

4. Build a broad portfolio

You will be more comfortable if you diversify your investments.

5. Set clear long-term goals

Invest for peace of mind when you retire or to support your children financially in the future, not to get rich quick.

Before investing in financial instruments, please ensure you are properly informed and read the document carefully: "Overview of the key characteristics and risks of financial instruments".

Belgians embrace passive investing

Passive investing was our term of the year in 2024. Many Belgians seem to have been won over by this phenomenon of periodically and passively investing via trackers or index funds without constant intervention, exactly as this stock market adage dictates. Many financial institutions now offer simple solutions that allow investors to invest automatically on a monthly basis regardless of market conditions.

From stock market wisdom to life wisdom

"It's not timing the market, it's time in the market" is not a plea for doing nothing. It wants investors to show confidence and patience. Not every decline calls for an exit, and not every peak means it's time to sell. Those who believe in their portfolio and take their time will enjoy their investments for many years to come.

6. " Pigs get fed, hogs get slaughtered "

What investor doesn't dream of strong profits?

However, getting too greedy often leads to tricky situations. The stock market adage "Pigs get fed, hogs get slaughtered" is a warning against precisely that. Those who are satisfied with a nice profit are often more successful than those who suddenly want to shift into a higher gear to achieve even more. And more.

In layman's terms

Pigs are calm, get their food when they need it and grow steadily. Hogs go out and take risks because they are impulsive and greedy. And as a result, hogs risk being slaughtered.

In stock market terms, this means that those who see their profits grow steadily and cash in at the right time are successful. Those who get too greedy, tend to take sharp turns and keep wanting more and more without calculating the risks are bound to suffer a (severe) blow.

WHO SAID IT FIRST?

The exact origin of this statement is not quite clear, but it has been a popular adage on Wall Street for decades. Former hedge fund manager Jim Cramer (📖) , for example, regularly uses "Bulls make money, bears make money, and pigs get slaughtered" as a warning to overconfident investors.

Is that really how the stock markets operate?

Absolutely, precisely because it is human nature to suddenly start to doubt your strategy. You start investing according to a great plan, but suddenly things start going really well. Instead of opting for a slow and steady approach, you decide to invest a lot more. If you don't, you fear you will miss out on a lot of potential profits. Until the share price suddenly takes a dive and leaves you with heavy losses.

WIRECARD'S HARD FALL

Payment processor Wirecard grew and became a rising star in the German tech universe. It joined the DAX index in 2018. Loads of investors were eager to jump on the promising Wirecard bandwagon. Despite rumours of serious accounting irregularities, many were blinded by the rising momentum.

Those who took their profit when the share was at its peak (around 190 euros in September 2018) (📖) were laughing. But those who ignored the signs and kept hoping for even more were left holding the baby. The share price went into free fall and the company went bankrupt in June 2020.

Is it worth a try?

Are you going to play it safe or go on a stock market adventure? Are you drawing a clear line in the sand or do you want to rely on your gut feeling in your investments? What side of this stock market advice you end up on depends on what type of inner voice you allow to drive you.

Be the pig

You build up your returns in a controlled way without throwing your portfolio off balance.

You prefer to follow a strategy rather than make emotional decisions.

You protect yourself against potentially heavy losses if the share price behaves erratically.

Be the hog

If you increase your stake at the right moment, you may reap profits that the vast majority miss out on.

As long as everything continues to go well, you will achieve your financial investment goals more quickly.

You actively learn to deal with higher risks and, in doing so, may develop rare and valuable stock market insights.

DOES NOKIA STILL RING A BELL?

In the early 2000s, telecommunications manufacturer Nokia was one of the jewels in the crown of European tech. Those who invested in the Finnish company in its early days were rewarded with attractive returns, especially around the turn of the millennium.

When the company seemed to be reaching its peak – around 2007 – many investors seemed to believe that its dominance would last for years to come. Until Apple and its competitors launched their smartphones. Investors who continued to buy Nokia shares at their peak or held on to them too long saw their price plummet. By 2012, Nokia had lost most of its value and had disappeared from many portfolios ().

Expert insight: *"Don't let yourself be talked into anything when things are going well."*

Danny Reweghs *is a stock market analyst, Director of Strategy at Trends Beleggen, and (co-) author of the book 'Haal alles uit uw beleggingen' (Get the most out of your investments) and various other publications on this subject. He has been one of the most experienced voices in stock market analysis in Belgium for more than thirty years.*

"As a beginner investor, you often start with caution. But as soon as the first profits start rolling in, the urge to invest more as quickly as possible grows. However, shares with a rocketing price can hurt your return the most when things go wrong."

"I made this mistake myself in the late 1980s: the stock market was on the rise, I invested heavily, and then one day the markets fell by 20 to 30%. My profits were gone, and worse still, so were my reserves. Then all you can do is wait it out until the decline is completely over. Nobody wants to experience that."

"Too many investors increase their investments when it's already too late. They buy at the peak and are then punished mercilessly. Those who take a calm and structured approach are almost always better off in the long run. So be satisfied with gradual gains and stay in control of your portfolio."

"Don't let yourself be rushed into anything when things are going well or based on online success stories. Instead, write down for yourself why you are buying a share and after a while check whether your gut feeling is still right. Making a loss? Simply admit it and sell. At the end of the day, your accumulated return will always be the average of all your efforts."

SWISS INVESTOR POWERHOUSE NESTLÉ

Swiss food giant Nestlé is a classic example of a share that has proven its value in the long term. Those who invested in Nestlé in the early 1990s and left their shares untouched have seen the share price rise almost continuously. Despite some interim stock market corrections, the share remained a stable choice in many long-term portfolios. Investors who stuck with this growth story have now built up a solid return. Admittedly without any spectacular leaps, but with a robust return over the years ().

What should you bear in mind as an investor if you're just starting out?

If you don't want to get caught up with the hogs, it is important to ensure you control the investment process as much as possible. Here are a few useful tips to help you maintain an overview:

- Set a floor price for yourself in advance, a point at which you will sell without hesitation.
- Don't be swayed by the hype of the moment and even less by the opinions of those around you.
- Spread your sales: you don't have to sell everything at once.
- Explore automatic selling mechanisms such as stop-loss orders.
- Check your portfolio regularly (but not too often) and adjust where necessary.

From stock market wisdom to life wisdom

"Pigs get fed, hogs get slaughtered" is a plea for being reasonable, for making sensible decisions and for abandoning blind decisions. Those who learn to be satisfied when the time is right, often reap the best rewards. This is by no means an easy exercise, especially as a novice investor, but it is one that may bring you the most satisfaction in the long run.

7. " The trend is your friend "

Some stock market wisdom sounds almost too simple. Yet this simplicity is often backed by years and years of stock exchange logic. "The trend is your friend" is a perfect example of this. At first, it may sound like well-meaning and fun rhyming advice from a manager or a coach. But as anyone who zooms in for a moment on how the stock market moves soon notices: this wisdom might actually be absolutely spot on.

In layman's terms

"The trend is your friend" means this: follow the direction in which a stock is moving.

Has the trend been going up for a while?

If so, chances are it will continue in that direction for a while.

Has it been on a downward trend for months?

Then this might not be the right time to invest.

WHO SAID IT FIRST?

This stock market wisdom gained considerable popularity among technical analysts in the United States in the 1970s and 80s. Their task was to analyse the numerous figures and graphs on the stock market in order to make the best possible investment decisions.

One of them was American trader Martin - Marty – Zweig (📖). Above all, it is his name that will remain linked to this quote for a long time to come. In other words, the man who single-handedly predicted the global stock market crash of 1987 - the first since the WWII - just a few days before it actually happened. So when it comes to spotting trends, Zweig certainly has a thing or two to say.

Is that really how the stock markets operate?

There's certainly something to be said for that view. The stock market is often more about expectations and emotions than pure figures. When a stock rises, other investors are naturally more inclined to buy in. And this, in turn, could lead to a sharper rise. This then creates a trend.

The same is also true in the other direction: when share prices fall, investors sell. They want to cut their losses, but doing so actually ensures an even further drop. So trends are in a sense self-reinforcing. And anyone who spots them can buy in right away.

TESLA'S STOCK MARKET FIREWORKS IN 2020

Tesla's stock market fireworks in 2020 (📖). Initially, many analysts thought the stock was overvalued. Nevertheless, the share price continued to rise for months. Investors who quickly recognised the upward trend saw their investment grow sharply.

Is it worth a try?

Do you have a potential trendwatcher hidden in you? What should you definitely take away if you are considering making "The trend is your friend" your personal investor motto?

Advantages

You follow the direction of the market and thus increase your chances of a good return.

You develop financial self-discipline, because you follow movements and figures rather than emotions.

Control over impulsiveness: you are guided by price patterns rather than panic reactions to the stock market.

Points to consider

A trend is just a trend until it suddenly reverses. Choosing the right time to get out remains crucial.

Not every rise or fall leads to a trend. Sometimes these are short upticks based on hot air.

Not a fan of graphs and statistics? This may become a problem, because following trends requires a lot of reading and interpretation.

Expert insight: *"Let the 200-day average be your sat nav"*

Geert Van Herck *is a stock market expert and Chief Strategist at Keytrade Bank. He is known for his clear market analyses and accessible clarifications for private investors. Van Herck regularly shares his insights on investing, trends and strategies in blogs, webinars and the media.*

"For me, 'The trend is your friend' is not an empty slogan, but a guiding principle. To better spot the trend, novice investors could look at the 200-day average on the daily charts. If the share, fund or tracker stays above this average, you are usually in a good position as an investor. If it falls below this, you need to take action and respond to this sign. For me, this average serves as a kind of sat nav, even in uncertain stock market times. Like rising or falling troughs in stock prices. It helps to keep a cool head and not panic, because studies have shown that the stock market generally rises more than it falls."

"Even those with a more passive investment approach can use this method: check whether the tracker is above or below the 10- or 12-month average every month, and then make a decision. This works surprisingly well, even with volatile shares such as bitcoin. Investors who live in constant fear of a correction – even when the stock markets are at record levels – often miss years of return. Confidence in the trend gives you peace of mind and direction."

GAMESTOP AND THE "REDDIT SHORT SQUEEZE" (📖)

Sometimes a trend hides in an unexpected corner. In January 2021, shares in the US game store chain GameStop (GME) became the talk of the stock market. For years, the stock was in decline; that is, until a large group of amateur investors on Reddit collectively decided to buy up shares en masse. Their aim: to push up the price as well as challenge big investors who speculated on a fall (so-called short sellers).

What followed was a classic short squeeze, a huge rise in the share price in a very short time:

- The short sellers were forced to buy back the stock to cut their losses;
- That additional buying pressure pushed the price even higher;
- In just two weeks, the share price went from around $20 to more than $80 per share.

Those who saw the upward trend in time, followed it and got out in time saw huge returns. Those who got in or out too late risked major losses once the hype died down. In that sense: "The trend is your friend – until it's not."

What should you bear in mind as an investor if you're just starting out?

You don't need to be a stock market pro to benefit from this knowledge of the stock markets. Practice makes perfect. Nevertheless, The following methods can assist you in this.

1. Recognise the trend

Look at a stock's price over weeks or months, not just day by day. Is the price clearly rising or falling?

2. Learn how to work with indicators

Certain technical indicators can help to better recognise trends. Get to know them better, little by little. Examples include:

- Moving average: This figure shows the average price over a period of, say, 50, 100 or 200 days, helping to smooth out trends.
- RSI ("Relative Strength Index"): A simple score from 0 to 100 that indicates whether a share is "overbought" or "oversold".
- MACD ("Moving Average Convergence Divergence"): an indicator that shows when a trend reversal may be imminent.

These terms may sound very technical, but are often displayed and explained in a clear and understandable way in apps or on investment platforms. Having an above-average knack for maths is definitely not essential to make the difference with this stock market wisdom.

3. Set clear limits

Decide in advance when to get in and out. For example: You stay on board as long as the price remains above the moving average (see above) over a 100-day period. If not, get out.

4. Don't get carried away by FOMO

Not every price rise necessarily leads to a trend. Stay critical and don't just follow the crowd.

5. Watch the news

Trend spotting is a tool for achieving stock market success more quickly, but it is certainly not a glass ball. Equally important is keeping an eye on company results, economic news and sector developments.

APPLE ANNOUNCES THE FIRST IPHONE (📖)

Revolution in the smartphone world. When Steve Jobs presented the very first iPhone in January 2007, something remarkable happened. The huge shock effect among global consumers did not immediately translate to the same extent to the stock market. In fact, Apple's shares did not go through the roof, but rather set a steady upward trend in the coming months.

Investors who immediately saw the potential of the iPhone and remained patient, saw their investment grow solidly as a result. One year after the release of the iPhone, an Apple share was already worth almost twice as much. The true beginning of the upward journey (📖).

From stock market wisdom to life wisdom

"The trend is your friend" is not a call to blindly follow possible trends, but to consider the rhythm of the stock market with an open mind. But trends can help you invest with more confidence and logic - even if you are just starting out.

In other words, by learning to spot and read trends, you'll undoubtedly be taking important steps forward. Steps that will lead to new stock market insights, which will certainly be useful throughout your life as an investor. So awaken that amateur stock market analyst in yourself!

Dear Reader,

Throughout this e-book, we have explored the adages that have shaped investors' thinking for decades. Behind each one lies an essential lesson: successful investing is not just about analysing charts or following trends, but above all about your ability to manage your emotions, remain patient, and keep a clear head in the face of market fluctuations.

Understanding these principles equips you to navigate the sometimes unpredictable world of investing with confidence and calm. And remember: at Keytrade Bank, we believe that access to the stock market should remain simple and open to everyone.

Invest wisely, stay in control of your emotions, and let your decisions be guided by thought rather than impulse. This is the key to a sustainable and successful investment journey.

Geert Van Herck

Chief Strategist of Keytrade Bank

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