

Sunday, October 14th, 2018: Vulcan International (VULC)

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"Price Check"

October 15th, 2018

To Focused Compounding Members:

On this Wednesday's podcast episode, you'll hear Andrew and I talk a little about how often we check stock prices. This seems like a small thing. But, it's really a big thing. It's an unconscious habit – an almost automatic action – for some people. I know a few people who check stock prices about as often as they check their email. Is that a problem? It can be. The difference between checking stock prices and checking your email is that you can do something about the emails each time you check them. There's always something to write. There's always someone to respond to. Most people would probably be better off checking those emails once a day instead of 5 times a day. But, there are definitely some people who find they can do a better job each day by responding quickly to emails. That means checking those emails constantly. The same idea applies to stock prices. For someone who is looking to own stocks for 1-5 years on average – that is, an "investor" rather than a "trader" – what good does checking a stock price more than once a day, once a week, or once a month really do? For a trader, checking those stock prices regularly has a clear purpose. It can lead to immediate, purposeful action. And your results might be better off for it. But, for an investor, checking the stock prices constantly doesn't have that possible benefit. Constantly updated stock prices are simply less valuable information for an investor than for a trader. In his 1987 letter to shareholders, Warren Buffett wrote this about Mr. Market:

"...like Cinderella at the ball, you must heed one warning or everything will turn into pumpkins and mice: Mr. Market is there to serve you, not to guide you. It is his pocketbook, not his wisdom, that you will find useful. If he shows up some day in a particularly foolish mood, you are free to either ignore him or to take advantage of him, but it will be disastrous if you fall under his influence."

The problem is not checking stock prices frequently. The problem is believing that a stock's price – or even worse, its short-term price moves – tell you something. To a trader, a stock's price moves have news value. To an investor, they don't. Knowing how much a stock fell in price this month, this week, this day, or this hour – may be a sign you have a problem. You might be the kind of rational person with strong focus and vast reserves of willpower who can operate in an environment full of the constant buzz of minute-by-minute news flow and yet be unaffected by it. As my podcast co-host Andrew said *"Warren Buffett has CNBC on mute all day long"*. Or, you might be a price-aholic. So: in the day, the week, or the month ahead – try a little experiment. Take a day long, week long, or month long "fast" from checking the price of just one of the stocks you own. When you check in with that stock after the allotted time – see how you feel. Being a little more conscious of your unconscious habits is never a bad thing.

If you have any questions about your account, call or text Andrew at 469-207-5844 or email him at info@focusedcompounding.com

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