

Introduction of bear market strategies

Bear market strategies are directly related to short selling. This is when people earn on the depreciation of the stock value which is completely different from the regular earning strategies. Bear market is basically a particular condition of the market when the price of the stocks is falling remarkably and obviously pessimism and frustration takes over. Most of the investors start feeling that they will make severe loss if they make delay in selling of the stocks and this is the reason why the frustration level gradually increases. In spite of some fluctuations, when many broad market directories show depression of 20% or more, it is called the initiation of bear market.

If you are mistaking the bear market as the correction market that features short term value depreciation for say two months or little more and allows the beginners enter the market with positive starting then this is a wrong concept. Bear market is a tougher situation when the chances of profits are pretty less and this is the reason why you need to chalk out special bear market strategies to make profits. The short sellers are the ones who can reap benefits in this condition.

Pessimism worsens the situation of economic shortfall. You need to accept that like all other investment markets, stocks can also face slow years. So you need to be patient about the bear market conditions and consider it as a part of the business game. This will help you with stamina to survive. Apart from this your bear market strategies should include the concept of playing safe and being repressed. If you are a long term investor of the stock market then keep your business going the way it was. You can also distribute major portions of your portfolio in money market which is a strict no-no in bull market.

The investors who can still benefit from the bear market are the value investors but it needs some valuable strategies which are quite tough to learn. Short selling is another profitable bear market strategy that earns quick profit for the sellers. Allocation of the assets yields profits when the stock market is declining. You need to decide the level till which you can take risks and then split the investments into various bonds, assets and in the money market. Finally the most important of all the bear market strategies is caution and safe play.

About the Author

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