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Price is reality: why experienced investors combine fundamentals and technical.

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- Social media has become a powerful market force, disconnecting prices from fundamentals.
- Meme rallies often persist, distorting benchmarks and testing traditional valuation models.
- Combining fundamental conviction with technical discipline helps active managers manage risk and stay adaptable in volatile markets.

A company beats earnings expectations, yet its stock falls. Another misses, yet the stock rallies. Why?

Seasoned investors know this paradox well. Fundamentals point one way, but markets often move in the opposite direction. The hard truth is simple: price is reality. It reflects the collective judgment of millions of participants, condensing information, fear, and expectation into a single number.

This is why experienced professionals do not rely solely on fundamentals or technicals. Fundamentals give conviction; technicals give confirmation. Conviction without confirmation is fragile. Together, they create a more disciplined and durable process than either alone.

Fundamentals explain what should happen

Fundamentals remain the foundation of investing. They answer critical questions: What is the business worth? Does it have a competitive moat? How durable are its cash flows? Over time, these factors reassert themselves. Without them, investing becomes speculation.

Benjamin Graham's metaphor still applies: in the long run, the market is a weighing machine. Earnings, balance sheet strength, and competitive position determine value. But in the short run, the voting machine dominates - sentiment and positioning push prices away from intrinsic worth.

That gap can last for years. Amazon in its early days is a classic case. Amazon was building the "everything store." The market understood it early, whilst analysts still benchmarking against global book sales clung to dated models and took years to catch up

Contrast that with Nokia. For years, it looked cheap on traditional measures, but the fundamentals masked a business in structural decline. Investors clinging to the "value" label watched the stock collapse as smartphones displaced its franchise. Fundamentals without price discipline turned into a trap.

Being early can be as costly as being wrong. Conviction must be paired with a signal that the market agrees.

Technical analysis reveals what is happening now

Technicals are often misunderstood. They are not about predicting the future; they measure the present. By tracking price behaviour – trend, momentum, and participation – they capture how the market is voting right now.

This discipline matters because investors are vulnerable to bias. It is easy to double down on a falling stock that looks "cheap." Technicals impose humility. They say: stop adding, cut losses, and preserve capital. As Paul Tudor Jones put it, "Losers add to losers."

The Nokia example shows why this matters. Fundamentals seemed attractive, but price told the truth: the market was leaving. By listening to price, investors could have avoided years of value destruction.

In short, fundamentals anchor conviction; technicals confirm or challenge it. When both point in the same direction, uncertainty falls and costly mistakes become far less likely.

The real edge: avoiding losers

Investors often obsess over finding the next big winner. Yet history shows the real danger lies elsewhere. Hendrik Bessembinder's research reveals that since 1926, just 4% of U.S. stocks created all the net wealth in the market. Most stocks either lagged or quietly destroyed value.

This is why risk management is the true edge. Avoiding losers does more for long-term performance than catching every winner. Technical discipline helps investors cut positions early, before losses compound.

One way to systematise this discipline is through scoring tools that translate price action into simple signals. The specifics vary, but the principle remains the same: strip away emotion, highlight what the market rewards, and avoid what it punishes.

The 2008 financial crisis illustrates the point. Many banks looked cheap on earnings multiples, yet prices kept sliding. A disciplined, price-aware process would have kept exposure minimal, sparing investors catastrophic drawdowns. By contrast, in 2020 Tesla divided opinion on fundamentals, but price momentum was undeniable. Those who respected the signal captured one of the most powerful runs in modern equity history.

Right stock, right time, right size

All investors will be wrong at times. What separates professionals is not perfect foresight but consistent discipline. Fundamentals provide the anchor of business value. Technicals reveal when conviction is unsupported by price. Together, they force humility, prevent destructive habits like averaging down, and protect capital for the opportunities that matter.

Price is the final arbiter. Ignoring it means fighting the market's collective judgment. By combining rigorous fundamental research with disciplined technical signals, investors can avoid costly mistakes, allocate capital more effectively, and build portfolios that endure – even when markets behave irrationally.

The aim is simple: own the right stock, at the right time, in the right size.

Key Risks

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