

## Philosophical Perspective: The Cyclical Nature of Markets and Life

The stock market, like life, operates in cycles. There are periods of growth and prosperity, followed by periods of decline and hardship. This cyclical nature is not a flaw but a feature—an inherent aspect of complex systems, including the universe itself.

- The Law of Impermanence:

No trend, whether upward or downward, lasts forever. Just as day follows night, bull markets eventually give way to bear markets, and vice versa.

- o In a bull market, prices rise, but they cannot rise indefinitely. Eventually, valuations become stretched, and a correction or crash follows.

- o In a bear market, prices fall, but they cannot fall forever. Eventually, assets become undervalued, and a recovery begins.

### Philosophical Insight:

"When the market is good, it is already closer to its peak. When the market is bad, it is closer to its recovery."

This is a reflection of the yin-yang balance—the idea that within every peak lies the seed of a decline, and within every decline lies the seed of a recovery. Successful investors understand this balance and position themselves accordingly.

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## Scientific Perspective: The Concept of Mean Reversion

In scientific and mathematical terms, markets exhibit a phenomenon known as mean reversion—the tendency of prices to return to their long-term average or equilibrium. This concept is observed in various natural systems and is a key principle in statistical physics and financial markets.

- During Market Highs: Prices deviate significantly above their average. Mean reversion suggests that these elevated prices are unsustainable and will eventually decline.

- o Action: Sell or reduce exposure.

- During Market Lows: Prices deviate significantly below their average. Mean reversion suggests that these depressed prices are temporary and will eventually rise.

- o Action: Buy or increase exposure.

### Scientific Insight:

Markets are dynamic systems that oscillate around equilibrium. Deviations from the mean are opportunities, not threats.

By advising Mr. ANJM to buy during market lows and sell during highs, you are leveraging the natural tendency of markets to revert to their mean, turning volatility into opportunity.

"Market Trends and Trade" – It's not just about numbers; it's a formula for understanding the market, life, and beyond.

#### Disclaimer/Note for the Website

The stories, articles, and insights shared on this website are based on real-life experiences and market observations of the founder. These narratives reflect a deep, personal understanding of the stock market, crafted to provide valuable lessons to traders, investors, and financial enthusiasts.