Lexington
Avenue Capital Management

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Thinking Too Narrowly

The other day someone asked me if he should buy a particular foreign currency. He was worried that the Federal Reserve is printing too much money and that will lead to inflation and U.S. dollars becoming less valuable. This sort of reasoning is seductive but insidious and is generally too narrow-minded to have the results he anticipated in the markets. Many investors get into trouble by thinking too much about one or two market influences. All of our lives we are trained to think and to use logic. Most of the time that works but that can lead to trouble in investing. One issue is that people can handle only a few variables at a time but the world is a complicated place. If you focus on one thing and follow it to a logical conclusion, you are likely to miss thousands of other important things that are happening at the same time. Trying to figure out exactly what is going to happen in the future is best left to soothsayers and oracles. Controlling what you can control and managing the appropriate risks, is more likely to pay off for an individual investor. I frequently talk to scientists and mathematicians who are masters of their craft but get messed up in the markets because no one tells them that their beautiful logic and reasoning don't have a home there.

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About Larry Luxenberg

Larry is a Chartered Financial Analyst with 28 years experience as an institutional investor and financial consultant. Larry specializes in retirement planning for Baby Boomers and strategies for maximizing benefits for Social Security. He has been widely quoted in newspapers and magazines and has appeared on CNBC and other television and radio programs.