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# I. INTRODUCTION

Investing is commonly known as the art of using monetary units, which, regarding their form, will be allocated to fulfill a need. This need may be based on various reasons, either financial reward, helping a business or association or even proving economic theories with the sole purpose of a better understanding of the economic market and its behaviors.

The selection of investment as the theme of this End-Degree Project is based on the understanding of the fact that investment is one of the most important financial activities in all markets, promoting by itself the major part of the economy of the countries, thus providing a much healthier and stable financial environment and attracting international investors, which turns out to be one of the main bases of the financial wealth of the countries nowadays. On an individual level, another of the reasons, is trying to make people aware that investing is as intelligent and valid way of managing their financial surpluses as saving them is. The difference lies in the fact that, with this method, the possibility of being able, of even doubling them, is much more feasible than one might think.

The objectives of this work are diverse, but all are aligned with one main one, being this, to explain simply and concisely the basic concepts surrounding the investment market so that, subsequently, the reader understands them and knows how to apply them regardless of the level of financial knowledge from which they start when facing this reading. In addition, and as will be found in point eight, this study will provide a guided and ordered methodology by stages, through which, the future investor will be able to start his way in the financial market knowing what to expect and which will be the steps to follow as he completes the explained phases. This last objective has as its main purpose to demolish the erroneously extended fear that it is almost impossible to end an investment without losing most of the initial capital invested for the average individual.

The bibliography chosen to analyze this topic is mainly based on banking articles, thus providing a more practical and analytical point of view that will help in future decision making. In addition, the reader will also find references to economic studies and manuals to contribute to the didactic purpose and easy understanding of the project.

The structure of this study is focused on seven main parts, the first aims to analyze the important effect that history had in the evolution of financial resources and how they are handled in the present, also proving that past errors may be, with some changes present tools in the daily basis of operating. Then, in the following chapter, the topic is introduced and explained for a beginner level with the sole purpose of simplifying its complex principles and stating the knowledge that will be needed to carry the investment logically. Also, in points four and seven, it will be investigated, both, the types of investments and investors from a classification point of view for a further understanding of the different figures and elements. Next, from a more practical point of view, the effects of inflation and consequently, how to operate while those variations are added to the market are also discussed, finding also, the differences between investing and speculating to solve the common misunderstanding between them. Finally, an example of one of the biggest investors and speculators, George Soros, will be provided to be able to see some of the concepts previously exposed more practically and from the hand of, who is considered, one of the bests trading figures up till this moment.

Regardless of all the information that may be found during this study, it´s important to warm the lector that, due to the constant changes in the matter and all the factors that affect it daily, they should tend to try to stay as actualized in their lectures

regarding the matter as possible, for them to be able to continue fulfilling the objectives that are intended to be covered here. As it will be seen, all logical and successful investment decisions are mainly based on the level of valid information they were made.

# II. INVESTMENT HISTORY

## *2.1. The evolution of investment*

Investing is as old as human culture. According to historical stories, the principles of investment date back to the Hammurabi Code, which has been written around 1700 a. C. in Mesopotamia. It is argued that the Code gave the framework for many fundamental laws of culture, integrated the legal framework for investment, and established a way of compromising the guarantee in exchange for investing in a plan. At the time, it was more common to compromise land as a guarantee. Although the Code of Hammurabi provided the basis in many ways, most modern investments can be traced back to the 17th century in Europe (Emarrah, 2018).

It is a mainly accepted fact that the first stock market has been the Amsterdam Stock Exchange, although it is true that, throughout the same period, other similar institutions also arose in the European continent. However, several do not remain in consensus and comment that the stock markets have the possibility of discovering the European continent throughout the Middle Ages and the Renaissance in some ways.

Among other sources, Fernand Braudel's letter in 1983 "The Wheels of Commerce" ensures that the origin of commercial markets could be traced to the Mediterranean. In Italy, they existed before 1328 in Florence and have the possibility of having even previously appeared in Venice. There is also proof that Genoa also had a fairly active stock market throughout the entire medieval period. We can also find in German and French stock markets quite similar constructions. The Germans focused on selling occupations of local and French mines in the commercialization of municipal occupations.

The Amsterdam Stock Exchange in 1602, which functioned in much the same way as other exchanges, basically allowed contacts to form between interested parties in investing and potential investment opportunities, facilitating and standardizing it. This market also granted visibility to market conditions, such as the degree of liquidity that it offered, the cost and availability at any given instant, and, more than anything, demonstrated the reduction of transaction prices that could be achieved through it. By seeing the enormous triumph of the Amsterdam Stock Exchange, other stock markets began to appear in the European continent with a much stronger composition than those that existed previously, making the primary investment more structured and standardized. Although Braudel has been one of the professionals in opposition to ensure that the Amsterdam Stock Exchange has been the first, he delivered greater importance to it by suggesting that what made it different: "... it was the great volume, market fluidity and the advertising he received and the speculative independence of the transactions." Then, in 1759, the first Presbyterian congregation of Philadelphia formed the first pension fund called by "Presbyterian Ministers Fund." This has been the first new-style pension fund, and from it, both, organizations and companies gave account the cost of an optimal pension fund and their ability to make a difference in the panorama of universal investment.

Between 1760 and 1840, thanks to the industrial revolution, investment was observed deeply affected while individuals began to have savings in their work, which led to the development of the banking industry thanks to the need to discover a space to save that surplus money. The first and second industrial revolutions were causing investments and banking to an important population part. Throughout the nineteenth century and from the bank boom, several financial institutions and major bank companies in the world were created, such as JP Morgan, Goldman Sachs, and Lehman Brothers.

Since 1850, world investment began to flourish. The financial institutions gave an account of the power and potential advantages of investing in the colonies. Therefore, to the extent of the colonial period, huge capital portions flowed from European financial institutions to colonies from all over the planet. In 1929, with the collapse of the stock market and the enormous depression, the planet experienced relevant changes in both the economic administration and the way money was invested. To get out of it and directed by the popular strategy of the "New Deal", the United States invested in public costs. With time, several other territories imitated it leaving their economic depressions.

In addition to the New Deal, another element that changed the course of the investment narration, as had been known until that moment, is the 1934 Securities Exchange Act by the SEC (Securities and Exchange Commission). Organized the laws, which govern the secondary business market so far. Due to this law and its integral legislation, exchanges could negotiate more easily in secondary markets, including activities, bonds, and obligations. In the midst of 1950 and 1990, the world economy went through a period of sustained increase and economic activity. All that increase carried with its arrival the need for new vehicles and investment products. Between the eighties and nineties, the emergence of the Internet and other modern communication platforms had a deep effect on the investment narration, leading investors to inflate the technological bubble, a bubble that ended exploded.

Today, the entire planet has its stock markets, offering the inhabitants a simple way to invest their money in a more accessible way than ever. As so such, runners around the world facilitate investment internationally. The Internet has facilitated the activity of online corridors, which give cheaper commissions and commercial rates than classic banks and brokers (Hur, 2016).

### *2.2. The first investment fund*

To begin, we must clarify in general terms what we understand as an investment fund today. An investment fund is a financial transport of collective investment that groups the money contributed by several individuals to invest in various types of opportunities. It is one of the most famous tactics to obtain results since it allows individuals to enter markets that could otherwise be difficult to enter individually. They put their savings in the hands of managers, who remain in command of learning the market to discover the opportunities produced by superior returns (Banco Santander, 2021).

Once clarified, we must know that there are different perspectives on what has been the first investment fund, the most accepted theories are inclined to the investment fund made by the Dutch merchant Adriaan Van Kentwich. The background has been called "Endragt Maakt Magt" which means "Unity is strength" that has been originated in the second half of the 18th century in 1774.

At the beginning of the second half of the 18th century, in Great Britain, Banco Ayr manifested bankruptcy, and then the Clifford & CO bank entered into judicial management. Said 2 events were the primary reasons that an economic crisis spread during 1772 (Catherwood, 2022). As a result, society faced an urgent need to reevaluate and innovate the way economic resources were managed to try to escape this crisis and continue to develop the everyday chores that made daily existence possible as normally as possible. Adriaan Van Jetwich established the first investment fund at this time. Small business owners and

members of the bourgeoisie were expected to contribute with a little amount of money, which was then managed using the concept of diversification, greatly lowering individual risk as a result of the amount donated and how it was handled. Later, in 1822, King William I founded in the Netherlands the Fixed Capital Companies, extremely fundamental investment funds to enhance the domestic economy.

The first controlled and governed investment fund was founded towards the end of the 19th century. This was the "Colonial Government Trust" in the UK, which, although failing to persuade investors, promised enormous profits with no risk. It is regarded as a trailblazing venture that made it possible to invest in emerging markets. Financial innovations were first met with a lot of resistance owing to systemic risk, but eventually, they delivered on their promises, leading more and more savers to place bets on this novel instrument (Esteves, 2014). The Boston Personal Property Trust emerged in the United States in 1894, following in the same footsteps, and generalized more severely the management of this financial vehicle. The usage of investment funds, on the other hand, did not start in Spain until the 1990s when the financial markets started to develop, and financial institutions began to launch significant marketing efforts for this category of investment product (Bankinter Bank, 2023).

## III. BASICS OF INVESTMENTS

There are several investing types. A technical definition of investment is *"An activity that consists of dedicating resources to obtain a benefit of any kind"* (López, 2021). This definition applies to all types. To better grasp the more precise notions that will occur throughout this work, which is focused on investments in the economic and financial sense, it is important to first try to make clear the foundation for doing so.

### *3.1. How does investment work?*

It is crucial to realize that the economic picture has progressively grown more complex over time, therefore it is essential to be well-informed and well-advised before joining the financial sector. Purchasing assets that appreciate over time and offer returns in the form of income payments or capital gains is known as a financial investment. It is based on the concept of purchasing assets at a low price to sell them for a greater price in the future (BBVA, 2023). It is always done to increase financial health in the future.

One of the most crucial actions for economic growth is investing, but certain conditions must be met for this to happen. The first is an investor with the need to obtain future returns by giving up his present satisfaction, resources to invest, and the asset he plans on investing in, as well as a future reward. Regardless of the form of investment, all investments are supported by four basic analytical pillars. Even though a lot of investors make the error of concentrating on one or two, it is crucial to pay attention to all four. Which are:

- Profitability, the reward for forgoing a present advantage that is expected in the future. Consequently, the profit is the metric that will show if it was a wise investment or not.

- The risk factor, which comes from uncertainty. Profit is often strongly correlated with risk, meaning that the riskier an investment is, the more return we will make from it if it succeeds.

- Liquidity, which is the speed at which an investment may be turned into cash with the least amount of value loss.

- Finally, we have what is referred to as the "term", which is the anticipated length of time for the process to complete and the point at which the investment is projected to be profitable.

- Last but not least, the secret to successful investing is to have a solid strategy that considers your financial goals, time constraints, the desired degree of profit, and risk tolerance (BECU Investment Services, 2023)

#### *3.1.1. Saving vs investing*

Saving and investing, however, they may resemble one another in some situations, are two quite different acts. Risk is one of their primary distinctions. Saving ensures that the resource will always be available, but investing entails giving up both total control and instant gain. (Messy, 2012). In general, a person's decision over which option to select is directly influenced by both his or her

knowledge of economic and financial ideas and personal financial management abilities. The direct correlation between the variables is examined in the research *"Financial Education and Savings and investment decisions"* by Anna Ispierto, Irma Martnez-Garca, and Gloria Ruiz Ruiz Suárez.

In it, they claim that, although nowadays, the status of the economy and its markets has a significant deal of effect, the quality and amount of information accessible is crucial in making decisions linked to saving and investing. They concluded that there is a positive correlation between an individual's perceived income, his level of financial understanding, and his management. The findings demonstrate an association between competent financial judgment and sound financial management. The likelihood of investing is increased by financial understanding (Ispierto, 2021).

### 3.2. Indicators

No matter what kind of investor you are, economic indicators are one of your most crucial tools. The investor will indeed pay more attention to some indicators than others, depending on the type of investment they intend on doing. In a simplified way we might say that an indicator is every bit of information that enables an investor to understand what is occurring in the overall economic environment. They come in a huge variety of forms and concentrate on different topics. It is hard to declare that any indicator is completely dependable because there are billions of pieces operating at once as a result of the market's globalization. No matter how many resources or how long it takes to complete the work, they always include a lot of assumptions.

However, with their assistance, investors may learn more about the current economic climate and, as a result, be better prepared to make educated decisions than they would be able to without them. Nonetheless, before they can be used for making financial and asset allocation decisions, it is crucial to contextualize the information they offer (Calttlin, 2021).

#### 3.2.1. The predominant and most accurate trading indicators

Even though it is hard to discuss all the indications that a trader may employ, we will attempt to describe the most often-used ones. That includes:

- SMA, or Simple Moving Average

It's essential for recognizing the current market trend and potential changes throughout particular periods. The accuracy rating is 9.2 out of 10 reliable. It entails averaging closing prices from several periods that are related to one another to compare the outcomes and examine short, medium, and long-term patterns. This indicator will provide us with different types of information.

We can determine both the strength if we study a big number of days and the shifting trends if we concentrate on smaller samples. Furthermore, by focusing on the final prices, we can deduce the direction of the trends. Prices may be trending higher if they are above the SMA, while a downtrend may start if they are below it.

***Figure 1. Graphic demonstration of Simple Moving Average***

*Source: Fidelity*

From observing how the SMA crosses another SMA, we can use this metric to determine if it is an appropriate time to purchase. Selling is advised if one crosses another from top to bottom, while buying is recommended if one crosses another from bottom to top (Zuluaga, 2022).

- RSI, or Relative Strength Index

Determines the strength of fluctuations in prices in the stock market with an accuracy of 9.6. It provides details on market patterns and facilitates detecting signs of trend changes. Is measured from the initial relative strength which is the quotient of the average of the bullish closes and the average of the bearish closes (in absolute value) over a given period. Because of its straightforward interpretation and excellent accuracy, this indicator is frequently used. It is a value that charges that ranges from zero to one hundred. If it is between 50 and 30 points, the market is oversold, and prices could fall significantly. If, however, it is between 50 and 70 points, overbought is existent. It suggests a lack of trend if it is around 50 points (Gumparthi, 2017).

- Bollinger Bands

Developed by John Bollinger, they serve for determining if an asset is trading above or below its typical range; in other words, they are price pattern analyses. With an accuracy of nine out of ten, the Bollinger bands can help identify buy and sell points. As can be seen in the image below, it's composed of three lines: the main line, which is typically the SMA, the upper band, produced by adding twice the moving average's total, and the bottom band, which is obtained by subtracting twice. It is necessary to emphasize in the separation between the bands to understand it effectively. They narrow when there is little volatility in the market and vice versa (Bollinger, 2002).

***Figure 2. Graphic demonstrationf of the Bollinger Bands***

*Source: Fidelity*

On the other hand, if prices are under the moving average and near the lower band, it indicates that prices are relatively cheap owing to a lack of supply, and if prices are above the moving average and close to the upper band, it suggests overbought conditions.

- Ichimoku Indicator

To recognize broad trends and evaluate their strength, an indicator with an accuracy of 8.8 was created in Japan in the middle of the 20th century. In addition, it facilitates identifying points of support and resistance and offers to buy and sell signals to investors.

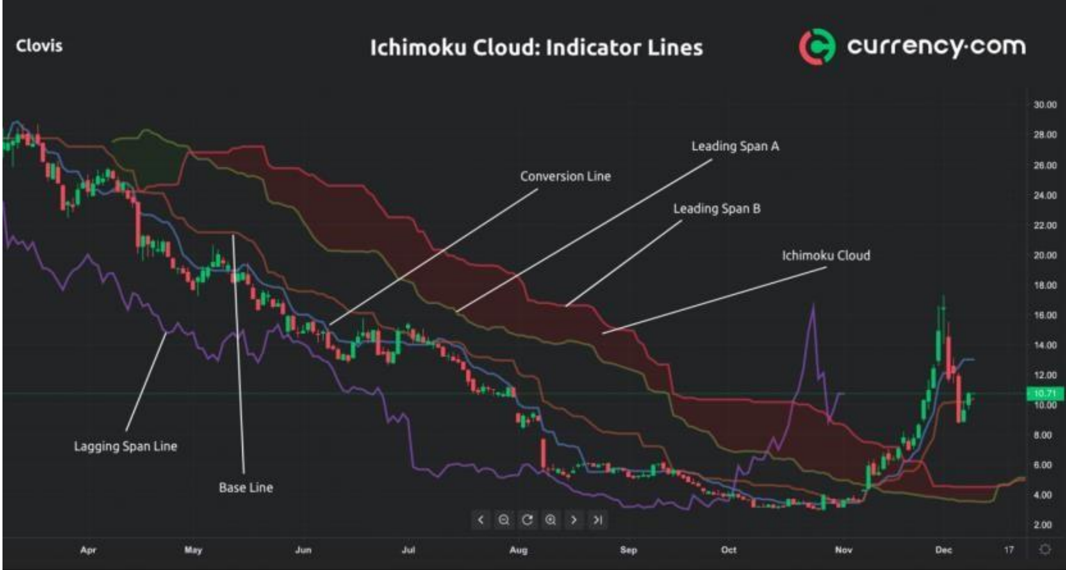
It is especially helpful since it involves expanding the original chart by five lines, which are categorized into three categories:

o Leading lines that are in charge of projecting price behavior (Senkou Span and Senkou Span B). The area in between them creates a cloud or kumo.

o The Tenkan Sen (fast line) and Kijun Sen (slow line), are both moving averages.

o The lagging line (Chikou Span), which corresponds to the closing price, was 26 sessions behind the current price, allowing us to compare the two prices.

*Figure 3. Graphic demonstration of the Ichimoku Indicator*




*Source: Currency.com*

Each element offers specific information. The trailing line indicates if a new trend is there and how strong it will be. The cloud finds trends, the fast line identifies price volatility, the slow line identifies long-term volatility, and the cloud identifies trends (Rayome, 2020).

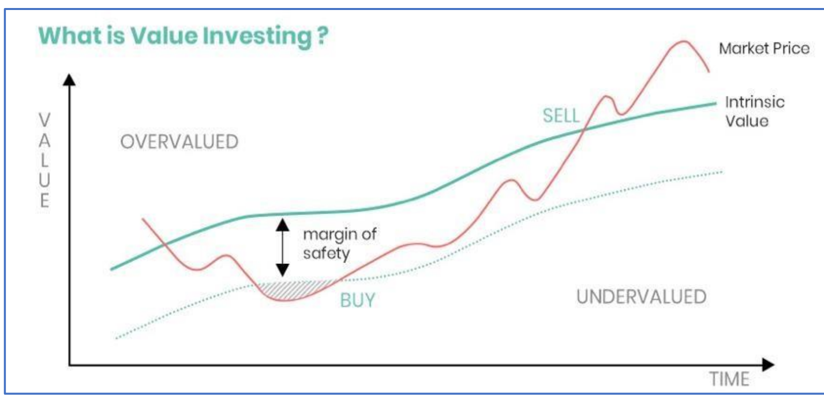
### *3.3. Influencing factors in the decision making process*

The principles that follow are three fundamental concepts that guide any financial investment, as a result, it's critical to have an understanding of them at all times to make educated and potentially wiser investing selections. Despite being closely connected, they are separate from one another and offer the investor distinct kinds of information.

- Margin of safety

One of the factors that most effectively reduce risk and boosts the profitability of long-term operations is the margin of safety. It is the gap between the listed price and the investment's actual worth; the larger the difference, the bigger the investment's margin of safety against risk and market swings (Regader, 2020).

***Figure 4. Graphic demonstration of the margin of safety***




*Source: LinkedIn*

Its estimation enables us to recognize businesses that are currently undervalued but will soon be considerably appreciated. Only when a share's market price is far below its inherent worth should an investor consider purchasing it.

- Financial risk

The uncertainty that comes with investment has an immediate connection to financial risk. Today's market makes it hard to avoid taking risks since they are directly associated with financial success. To achieve a healthy balance between the two variables, it is crucial to understand how to decrease it.

There are many types of risks, which will have more or less influence depending on the activity. Even so, they can be minimized without affecting profits by following some strategies such as assessing profitability, because the more information you have about what you want from your investment, the lower the risk (Banco Santander, 2022). This evaluation will also help us forecast the future, which will make it easier to create an innovative business plan that will enable us to respond to and foresee potential changes. Also, one of the most crucial methods is risk diversification, which involves distributing investing money among assets including multiple properties. By distributing your cash among different assets, you can guarantee that even if one of them fails, you won't lose it all.

Last but not least, one of the best methods for minimizing risk is to analyze previously acquired data to spot trends or even learn how to respond to unforeseen circumstances that may have happened in the past (BBVA, 2023).

- Benefit and Return on Investment

The benefit is the positive difference between the income and the expenses incurred for the investment. If this difference falls under zero, the situation is considered a loss. While a corporation is profitable when its revenues vastly outweigh its costs, the return on investment is the profit obtained from an investment. In itself, the return on the investment is just another indicator. Because it is typically represented as a percentage, the profitability of an investment must be calculated by considering both the profit and the original investment made, dividing one sum by the other, and multiplying the result by 100. It is essential to distinguish the two terms even if close. Correctly differentiating them enables the long- and medium-term usage of resources in the most efficient manner. Being equally important, the higher both values are, the better the investment, although the profitability will always be considered more significant (Cámara de Madrid, 2021).

# IV. INVESTMENTS

## *4.1. Steps prior to investment selection*

As we will see in the next point, there are numerous types of investments, among which there will always be one that best suits both our financial situation and our future expectations. Once we have taken the step of wanting to invest, it is essential to be well informed, for which internal and external analyses must be carried out. By following the steps explained below, we will be able to guarantee prudent and informed action, making it much easier to make the right decisions in the future.

The first step taken must be for the investor to know himself. Not only in terms of the type of investor he may be but also in terms of his character as a person. Personality plays a key role in investment, directly influencing decision-making and possible reactions to unforeseen events or trends. It is of vital importance to be able to keep a cool head, thus making coherent decisions instead of hasty ones in urgent situations or even influenced by market trends or currents created from generic misinformation (BBVA, 2021).

Next, you should mark the objectives you wish to achieve and what resources you have available. The first advice given to a beginner investor is to never invest more than what he can afford to lose or what he is sure that, in one way or another, he can get back. Therefore, a limit should be solidly set according to the available capital, always following it during the decision-making process. This last idea is linked to the concept of risk: What percentage of risk are you willing to assume? It must be remembered that risk is unavoidable even in the most informed and safe investments, which may even have other types of risks that do not include loss. All these questions are referred to as internal analysis. The next step to follow is to carry out an external analysis, which should address issues related to the sectors in which the best opportunities and conditions are offered, the state of the financial markets that may affect the product both directly and indirectly, the qualities of the investments of possible interest, making a comparison between them and the reliability of the information on past movements of the same (Bankinter Bank, 2020).

There are factors during the course of the operation that are convenient to consider, such as the liquidity of the investment, which influences the ability to react to unforeseen events in the personal economy, the more liquidity the more effective the investment sale will be and thus the more money will be obtained in the less time. On the other hand, one should not close oneself to only one option, thus having to diversify, guaranteeing that if any of the investments fail, there will always be others to go ahead.

Like any decision, the investment also has consequences regardless of its outcome, which it is advisable to consider afterward. Both the costs and the fiscal consequences are unavoidable, the tax authorities will always issue an invoice that will not arrive immediately, but which will always have to be faced.

Finally, it is crucial that, even if you do not leave everything in the hands of a third party and even if you are an expert, to have a figure you can trust and rely on in case of doubt or need. This figure is usually occupied by a financial manager, which is an expert who is dedicated exclusively to financial advice and management, thus being much better informed of possible changes in trends and

being able to react more quickly and effectively. It is also necessary to investigate and inform oneself about the way the manager works to see if it fits the needs and personality of the investor. In the case of beginners this role will have much more weight than in more advanced investors, even so, the investor must keep himself well informed to understand the decisions taken trying not to depend entirely on a manager (Brito, 2018).

### *4.2. Investment classification*

With such a vast number of investments, having classification criteria enables the creation of subsets to differentiate them in a far simpler method, assisting the investor in his research and decision-making process. The investor will be able to greatly quicken his selection and become less intimidated by the world of investing by comprehending and differentiating these basic principles. The most significant subcategories are the ones outlined and explained below:

- Physical or financial investments

On the one hand, physical investments are those in which items or productive assets are acquired to produce other goods or services; intangible assets such as patents, franchises, or copyrights are additionally included in this category. Financial investments, on the other hand, concentrate on assets like bonds, shares, bills of exchange, and other financial instruments, which may not always indicate the generation of wealth but rather a change in ownership.

- The time involved in keeping or handling the investment

Two additional categories can be determined by the duration. There's a distinction between two types: short-term ones that last a year or less and long-term ones that continue over a year. The time is set based, among other things, on the investor's goals, profile, and available funds (Pérez, 2009) .

- Performance

Performance, or the profitability of an operation, is what we define as the amount of return produced concerning the cost of the investment. We can identify either the explicit output, perceived by a series of payments to the investor, or the implicit output with a single payment.

- Issuer type

Different alternatives are available within the same market and can be characterized based on the type of issuer, that is, the source and projector of the investment opportunity. There are public instruments on the one hand and private instruments on the other. No matter the type of issuer or the level of risk it presents, it is always recommended to investigate the issuer's potential for insolvency as well as any additional variables that may have an impact on the operation's performance, such as its level of liquidity.

- Fixed or variable income investments

Income investments are financial instruments in which periodic and fixed payments are offered. Some of these investments include legal guarantees for these payments, while others just state when will occur. They tend to be suggested for inexperienced investors because of their low risk, nevertheless offer limited profitability as a consequence of this. Additionally, since the profitability of stock investments cannot be determined in advance, they demand a high tolerance for risk and fluctuation.

Finally, it is essential to point out that even after adopting this choice of attempting to group investments, there is a kind of product called hybrid goods that are far more complicated since cannot be placed into a single category. As a result, it is always strongly advised to manage these products under the guidance of a manager and even to refrain from investing in them unless you are extremely advanced in your investment journey due to their high volatility, massive uncertainty, and high risk, all of which are very challenging to manage (Banco Santander , 2021).

#### *4.2.1. Most offered investments in the current markets*

After carrying out the procedures outlined in point 4.1 and adhering to the categorization criteria in point 4.2, the investor is prepared to select his investment with a greater degree of understanding and in a more solid manner. There are quite a few types, therefore it's crucial to remain updated with those that are currently available on the market:

- Bonds

They are fixed-income securities of medium or prolonged maturities (between ten and twenty years, approximately), generally of a public issue (issued by the government), although they can also be private through corporations, in both cases having financial purposes. Investors "lend" this money by acquiring the bonds to recoup it with interest, which may only be recovered by selling or purchasing the bonds before maturity. However, there are also short-term bonds with a maturity of under two years, such as Treasury Bills. They are considered among the safest investments due to their minimal risk, though they are not as lucrative as shares.

- Shares

If a firm does well on the stock market, the value of its shares will grow so the investor will profit. All shares indicate ownership of a proportional part (big or small) of a company. Excellent understanding of the market, the industry, and the company's history are essential for this product. Preferred shares are a subcategory that, in contrast to regular shares with voting rights and fluctuating payouts, have a fixed income and no maturity date (Joehnk, 2005).

- Investing funds

Collective portfolios are savings vehicles that allow assets built of ranged contributions from an arbitrary number of individuals to be pooled and distributed among various investment forms, efficiently decreasing risk. All investment funds create and offer units at a price corresponding to the existing portfolio value. Only short- and long-term assets, as well as fixed-income and equities funds, are invested in by both funds.

They have gained a lot of attraction recently, as stated in a Bank of Spain report which explains: *"Savers, from relatively modest contributions, with which they can build up a large patrimony, and through a professionalized administration, can access the money and securities markets, which are more profitable than intermediated markets, although too complex and uncertain for the small investor"* (BBVA, 2023).

- Currency

Represents a relatively simple financial investment that entails purchasing at a set price before selling them when their value rises. Due to the need to have thorough and up-to-date knowledge of the market's state, it requires ongoing attention. It is often not one of the first selections for first-time traders given its high risk, commitment, and limitless volatility.

- Cryptocurrency

In recent years, this financial instrument has gained quite a bit of notoriety. However, due to its high and uncontrolled ongoing variations, it is not at all recommended. Although there is a massive and nearly instantaneous danger of loss, this draws many investors because, if they are fortunate, the gains could also be high (VidaCaixa, 2023).

When making this kind of choice, it is of the utmost importance to have an open mind and seek the advice of specialists. In some instances, the initial instinct will not be the best one, so it must be modified and adjusted following the current state of the market. The structure for the investment will be established once these criteria have been assessed and these choices have been made, thereby defining the direction to take for the remaining variables and, consequently, the potential outcomes.

## V. THE EFFECTS OF INFLATION IN THE INVESTING MARKETS

Since even the most developed nations now routinely see considerable increases in inflation, it's needed to understand how this affects the economy and its many activities, such as investment. Among other advantages, knowing what inflation is, how it functions, how it is assessed, and how it affects the economy can enable the investor to plan and possibly even stop some long-term unforeseeable events, altering his strategy.

The term "inflation" describes the rate at which the cost of products and services has increased in a given nation or region, leading to a decrease in the amount that can be obtained with each unit of currency. In other words, the main effect of inflation is a decline in the purchasing power of money. It is crucial to remember that some pricing fluctuations are more significant than others and consequently represent the average estimation.

The Consumer Price Index (CPI), makes it easier to understand how the cost of living has increased in an economy, being the most often used indicator for measuring it. The set of goods that are most reflective of household consumption, or what is frequently referred to as "the shopping basket," is examined in this indicator, giving each item a percentage reflective of reality. Periodically, the list of products featured in this research is updated to include those whose consumption is increasing and to remove those whose use has declined.

Because one of its earliest and strongest effects is the decline in profitability, inflation has a direct impact on the investment market. Revenue decreases proportionally with the increase in inflation, which limits investment returns and causes them to be unbalanced with the initial capital invested at earlier periods when economic conditions may have been better. The loss of investors' purchasing power is another grave consequence.

As prices increase, people require more money now compared to what they did in the past to cover their needs, thereby decreasing the volume of surplus or savings which could have been used to make investments in previous times. All of these elements, such as the higher risk that inflation brings, make investors more likely to make rash decisions or even stop acting altogether, drastically reducing the number of movements in the financial market and, as a result, eliminating the possibility of economic growth.

In the age of globalization, investors are expected to have a broad understanding of all nations since they are interconnected and the actions of one can have an impact on the circumstances of the others. This knowledge extends beyond the country in which they conduct business. The table shows that, except for China, the estimates for the upcoming years are generally on the decline. We may also point out that Turkey has high levels compared to the rest of the world, so it would be wise for the investor to exercise extreme caution given the substantial decompensation.

*Figure 5. Global estimations of the CPI*

| Estimaciones IPC | 2023 est. | 2024 est. | 2025 est. |
|---|---|---|---|
| IPC España | 4,1 | 2,8 | 2,5 |
| IPC Eurozona | 4,5 | 3,0 | 2,5 |
| IPC Portugal | 4,9 | 3,6 | 2,9 |
| IPC EE. UU. | 3,8 | 3,5 | 3,0 |
| IPC R. Unido | 6,2 | 3,7 | 3,4 |
| IPC Irlanda | 4,9 | 3,0 | 2,4 |
| IPC Suiza | 2,4 | 1,8 | 1,6 |
| IPC Japón | 2,7 | 1,8 | 1,5 |
| IPC China | 1,5 | 2,0 | 2,2 |
| IPC India | 5,0 | 4,5 | 4,0 |
| IPC Brasil | 4,5 | 4,5 | 4,0 |
| IPC Turquía | 45,0 | 30,0 | 20,0 |

*Source: Bankinter Bank*

These forecasts are very beneficial to investors because they provide them the flexibility and time to choose the investments they want to add to and remove from their portfolio following the overall economic outlook. Designing a strategy based on potential outcomes is essential to carry it out when the time comes, but it's also important to realize that these forecasts are based on historical patterns that do not account for unforeseen events like COVID-19, and as such, they are subject to significant change. In conclusion, containment strategies must be created based on projections, but they must also be modified throughout time and, if necessary, completely abandoned (Departamento de análisis Bankinter , 2023).

### *5.1. Pro-inflation actives*

Every investment type has recently been demonstrated to behave differently during periods of inflation, sometimes even in ways that are the opposite of how they do during times of price stability. For instance, during periods of high inflation, bonds, and the stock market often react poorly, while other sectors, such as the energy or commodity sectors, do well. In general, it is claimed that because conservative portfolios weigh more heavily than government bonds, the impact of inflation is larger in those portfolios.

It´s been established that two so-called "pro-inflation" assets respond better when prices are rising. To manage them, three conditions need to be satisfied: Maintain a

constant, positive correlation with the price increase, and ensure that the inflation rate is moving up significantly. These two elements are:

- REITS or Real Estate Investment Trusts

Companies that hold and lease commercial and residential properties are known as real estate investment trusts (REITs). Although they are not immune to inflation, they have a history of effectively holding it off, giving investors protection against erosion brought on by rising costs without reducing their overall profits.

***Figure 6. Quote evolution of the Real Estate Investments Trusts between the years 2010-2021***



*Source: FTSE Russell, Nareit. Data as of December 31, 2010 and December 31, 2020.*

Both figures make clear that there are various sorts of REITS, each of which focuses on a distinct industry. The shares of each sector have undergone significant changes over the past ten years. For instance, whereas the first graph depicts that the industrial sector made up only 4% of the overall economy in 2010, by 2021 it had increased to 11.7%. Retail, on the other hand, saw declines, with a 17.3% difference between the two years. This shows that there will always be better or worse sectors within this asset, even when there is substantial inflation, and that the investor must carefully choose where to locate.

- TIPS or Treasury Inflation Protected Securities

These are U.S. government bonds that have special inflation protection. Their primary objective is to offer a resource that can boost income in times of high inflation, ensuring that money is not lost when the cost of living increases rapidly. These instruments have a semi-annual interest payment requirement and always modify their maturity in line with inflation trends.

The CPI index, which determines its price, affects its profitability by increasing it proportionately to the growth in the indicator. Conversely, if the CPI is negative, the profitability of the bond will decrease as well. As a result of this requirement, it is important to remember that, unlike with conventional bonds, the tax office treats an increase in the bond's value as taxable income as it occurs.

Since they are so volatile in the short term, it is advised against trading them because they are meant to be held for the long term. They can even be a great replacement for a portion that would be set aside for retirement funds because, by diverting even a small portion—less than 10%—from these funds, the investor is

certain to keep a portion of his money safe and out of the reach of inflation. Although this kind of approach is strongly advised in the US, it should only be utilized when it is appropriate for the user (Graham, 2003)

The investor shouldn't be concerned by these kinds of market changes, as there are tactics, like the ones we've seen, that makes it feasible to carry on with financial activity logically and effectively. The fact that greater changes can happen more frequently means that one should move forward with more caution and get ready for them.

## VI. INVESTMENT VS SPECULATION

These two terms can raise lots of questions and confusion for those who are new to the financial world. To be able to determine the optimal course of action for both your present and future financial well-being, you must thoroughly understand each of them. The most common reason for this confusion is that it is frequent to hear investment and speculation spoken of in a complementary way, even being used as synonyms. But in reality, their function is different.

They indeed share the same objective of increasing capital, but there are clear differences in their methods. In investment, long-term profitability is obtained with a "more controlled" risk, quite the opposite of speculation (Mahmood, 2022).

Broadly speaking investing is the process of trading funds for assets that are anticipated to reasonably raise their value over time. It focuses primarily on the underlying performance and not just the price of the investment. It tends to focus on long-term incremental gains, it is by no means risk-free, but it is considered more conservative than the alternative of speculating. Examples of investments include but are not limited to high-quality stocks, bonds, and real estate.

On the contrary, speculation is the purchasing of assets to make large profits in a short amount of time. Speculators can quickly enter and leave assets several times. Speculators usually accept a high chance of entire value loss of speculative assets in return for quick, big rewards. They have a hyper-focused concentration on pricing and depend more on technical analysis and price trends. To choose their assets, speculators often watch prices for days or even hours at a time. These assets can be very volatile, so speculations can become very stressful to make. Some of the most common examples of speculation are cryptocurrencies, works of art, or even certain collectibles.

The difference is not only based on the type of asset but also the mentality, investors typically purchase stocks to increase their wealth, and they typically hold onto their investments for years or even decades before selling them. They must control their emotions and keep their attention on their chosen investment while being objective and focused on the market knowledge they have gained.

Speculators, on the other hand, sometimes buy and sell frequently in short periods and are heavily influenced by the hottest trend and their emotions often play an important role as well. At the moment, they may come to believe that they can beat the market, even though the average person does not usually achieve this. They usually purchase and sell in quick succession, are greatly influenced by the hottest trend and their emotions often play an important role. They could even start to think they can outperform the market, even though the average person rarely succeeds in doing so (Royal, 2022).

In essence, the main factors that differentiate investments from speculations are:

- Risk level: In investments, one can better control the risk while in speculations one assumes a higher risk, which in most cases is usually not in the tolerance line of an investor.

- Assets: Investing usually means keeping the assets in the portfolio for many years. In contrast, speculating means changing assets in a matter of minutes, hours, or days.
- Level of knowledge and hours of dedication: In this case, the levels of knowledge required for investing are much more affordable than those required in speculation. Therefore, the hours dedicated to speculation are also higher in comparison.
- Analysis: While analysis for investment is quite meticulous, analysis for speculation is limited to real-time market sense.
- Profitability: Because of the close relationship between risk and profitability, it is assumed that, in the case of profitability, if it goes well, the return is extremely high.

Some experts conclude that both can be complementary as long as one has the necessary experience or the advice of a professional. Therefore, we can affirm that both terms are not synonymous, but neither are they enemy or exclusive strategies (Rustagi, 2021).

## VII. THE INVESTORS FIGURE

The investor is a simile for a person or organization that gives up the immediate use of a portion of its wealth to generate a future profit that will generously boost its patrimony. These agents are numerous and active in the financial market, interacting with one another via trading assets. Since there are so many different types of investments, as we saw in previous sections, it is evident that it can be challenging to portray just one kind of investor; thus, it is crucial to understand how to distinguish them to be able to adapt this knowledge to improve the financial wellbeing.

### *7.1. Types of investors*

The various and numerous models of investors can be grouped in the same path as the different investment types are organized for a simpler and better understanding. Similar to the prior point, only the most frequent scenarios will be outlined due to the vast amount of information and specifications that can be seen in the financial investment area. These are:

- Based on the subject of the investment

There are two subtypes present in this case. The individual investor being first, this term is employed to describe a legal entity or individual that manages its assets and builds a portfolio with the express purpose of enhancing and optimizing the profitability of its savings. Small savings are invested in the financial market in this way, which adds up making a significant difference altogether. In other words, it's the investor who jeopardizes his savings in exchange for a purely personal advantage that is achieved through his means. Although this investor typically disposes of less information compared to others, they can acquire statistics through open communication channels, also having the option of using an external manager who can always advise and direct them.

The institutional investor represents the second. This category comprises all big investors who are typically experts at combining the funds of numerous agents, such as investment funds. They usually involve, among others, companies like banks, insurance providers, and brokers. Contrary to individual investors, they can also engage other people's money. In these situations, there are typically both research projects and groups with a wealth of expertise that can be acquired swiftly, effectively, and up to date.

Being an institutional investor as opposed to an individual investor has several benefits. One of them is that because of the way the portfolio is created by numerous people, the quantities invested are larger allowing more portfolio diversity and resulting in a significant reduction of the risk. Additionally, because of the magnitude of their operations and, as already mentioned, due to the vastly more experienced and highly qualified members in their teams, they generally have a better understanding of the market, ensuring greater oversight of financial assets.

- Based on the objective and time horizon of the investment

It is feasible to distinguish between the strategic and the financial investor using this classification. Strategic investors are long-term investors who desire to participate or remain in a market segment that is familiar and comfortable and are known for making strategic investments to add value to the company. On the

contrary, the objective of a financial investor is to make money over the short and medium-term without privately investing in the businesses; their influence is determined by the shareholder meetings' voting procedures.

- Based on the way of operating

Investors that use securities that allow for great profitability without necessarily taking on excessive risk are regarded as stable investors. They are commonly referred to as stable because they do not buy or sell assets on the open market but rather conduct more "uniform" operations with a focus on medium and long terms, making them particularly vulnerable to short-term volatility. It is believed that because of these traits, this sort of investor would never experience significant revaluations. Companies that are solvent, highly liquid, and consistently distribute dividends are typically their favored assets.

Contrarily, speculative investors favor riskier investments since they provide the potential for both great profits and substantial losses. Their primary trait is their capacity for market adaptation, which allows them to choose whether to purchase or sell depending on whether the market is growing or decreasing. Because its attention is always on the short term, it must always be aware of how the day-to-day—even from hour to hour—is changing to be able to maneuver effectively in a very brief amount of time.

- Based on risk aversion

Tolerance for losses is the definition of risk aversion. This component solely depends on the investor's capacity for impulse control, ability to remain composed under pressure, and strength of character. In such circumstances, information is crucial. Three profiles— conservative, moderate, and aggressive—can be distinguished based on risk aversion.

The conservative investor will concentrate on activities with a very low degree of risk, placing their investments in fixed-income securities or those with low volatility; stability is what is primarily sought. The moderate investor, on the other hand, takes on greater risks but also chooses a stable course, mixing fixed income and stock market assets to strike a balance between the high risk of one and the low volatility of the other. Last but not least, the aggressive is distinguished by a high tolerance for losses in exchange for the pursuit of greater profits. Given that they are the most experienced investors on the market, their primary strategy is typically the creation of widely diversified portfolios.

- Based on the spotlight

Even though every investor wants to get the best return off their initial investment, there are many various ways to do so. The different sorts of investors are detailed below.

When investments are made in businesses that maintain some form of familial connection, the "Family & Friends" profile is met. They are significantly less experienced profiles who provide very little money to new businesses owned by relatives and friends. The founder typically persuades these investors, but as a result, the capital offered is lower than that of an experienced investor.

"Business Angels" are investors with extensive expertise in a narrow range of industries; they stake their money on sizable ventures with excellent development prospects, typically investing in the initial phases of the enterprises in question. They usually possess a big-picture view of business and invest in startups and other short-term businesses. In addition to making a modest investment, the expert typically takes on

additional functions in the everyday affairs of the business, contributing not only funds but also contacts, a crucial resource in the company's future development.

The "Family Office" is responsible for managing significant family estates. Its sole goal is to oversee various assets as a single large unit while attempting to foster the growth and preservation of those assets. Depending on the number of families, two tendencies are more prevalent: SFOs, or single-family offices, and MFOs, or multi-family offices, which are less prevalent in nations like Spain.

Finally, there are venture capitalists, who are regarded as a separate kind. Their primary goal is the later sale of the shares at a greater price; thus, they only invest in, and work closely with, significant companies with strong growth potential. We can also recognize two subcategories in this situation. On the one side, the private equity investor uses large sums of cash and takes on numerous risks to invest in various kinds of private businesses. However, venture capitalists only invest in startups and technology-related enterprises in exchange for acquisitions of no more than 20–30% (Orden, 2023).

## VIII. BEGINNERS INVESTORS GUIDE

To help put the previously explained concepts into practice, a guide organized by the different and multiple phases will be established along this point. There will also be additional actualized information from prior and upcoming years to further assist during this process. For the purpose of helping future investors eventually take the step of investing and comprehend the journey they will face, this structure will tackle the existent necessity of developing a clear path to follow. It will do so in a straightforward, neat, and cohesive manner.

- Stage one: Preparation and objective construction

Clarifying terms like investing, separating it from speculative thinking, and comprehending its advantages over saving must be the first step for any aspiring investor. Additionally, it's essential to emphasize the different elements of the procedure and the significance of each one.

Additionally, a variety of analyses will be completed because they are necessary for the advancement of the succeeding stages. First, the so-called "internal analysis" is developed, in which the person's goals are established based on the following viewpoints: level of risk to which he can expose himself, profitability to which he aspirations, available liquidity, and desired length of time, taking into consideration the factors they will confront during that period.

The potential investor must deeply consider their personality during this first analysis since it could play a significant part in the aftermath of how he will react to any unforeseen situations. By knowing this, they could avoid impulsive behaviors motivated by fear or tendencies brought by generalized disinformation.

The second investigation will concentrate on outside elements or data on the presentday situation and potential developments in the market, industries, and even the businesses planned to engage. This analysis will be based on in-depth data collection, paying particular attention to the reliability of the information's sources. The World Bank, the European Investment Bank, the official stock exchange pages, Google Finance, and official reports directly released by companies at the end of each period are the most strongly advised sources.

Taking advantage of indicators like Bollinger Bands, RSI, or SMA will be highly beneficial during the creation of this study. The gross domestic product of each country, among other metrics, can provide a clear picture of where to allocate the investment when considering investing abroad. Nevertheless, it is advisable to be familiar with the current economic conditions in each nation because, as a result of globalization, the performance of certain countries directly affects others. In the following graph, you can see the evolution of GDP from previous periods compared to their forecasted futures (Serrano, 2020).

***Figure 7. Real GDP growth (percentage change)***



*Source: S&P Global Market Intelligence*

The best course of action at this point is to establish clear boundaries. The father of modern investing, Benjamin Graham, always urged beginning investors not to invest more money than they could afford to lose or securely recover through other means.

- Stage two: Financial profile selection and definition

Establishing the framework for the action plan is the main focus of this second stage. The manager's role is the most crucial tool and must, therefore, be present throughout the entire process. The investor must always retain an open mind, even enabling the manager to change his initial thoughts and expectations, and the manager needs to be chosen based on alignment with the objectives and restrictions identified in the prior study. The ranking of Europe's most reliable managers in 2023 is displayed on the following graphic, along with a comparison of their score's variation from the previous year. A large number of them are also active in America.

***Figure 8. Europe´s ranking of most reliable managers***

| Puesto | Gestora | Variación |
|---|---|---|
| 1 | BlackRock | - |
| 2 | JPMorgan AM | - |
| 3 | Fidelity | - |
| 4 | Pictet AM | - |
| 5 | Amundi | + 1 |
| 6 | Robeco | - 1 |
| 7 | Schroders | - |
| 8 | iShares | + 3 |
| 9 | Nordea | + 1 |
| 10 | Flossbach von Storch | + 3 |

*Source: Broadridge´s Fund Brand 50*

Following the establishment of this partnership with the manager, both parties will define the profiles of the investor and the investments they will soon be focusing on utilizing the previous study of the individual and the newer, more

experienced information offered by the manager. These profiles will probably appear generic and change as the investment develops and its conditions change.

It is encouraged to start excluding the categories that do not align with the objectives and available resources to significantly reduce the number of possibilities as this classification can initially be daunting.

As previously stated, these choices need their base on present frameworks. The following chart displays the ten most profitable businesses worldwide as of July 2023, as reported by FinanceCharts. Additionally, the energy, financial, technology, and communication industries are among those with substantial profits. On the other hand, China occupies two spots, the United States taking up six, with Saudi Arabia coming in first.

***Figure 9. Most profitable businesses on July 2023***

| # | NAME | TICKER | COUNTRY | SECTOR |
|---|---|---|---|---|
| 1 | Saudi Aramco | 2222.SR | SA | Energy |
| 2 | Apple | AAPL | US | Information Technology |
| 3 | Microsoft | MSFT | US | Information Technology |
| 4 | Exxon Mobil | XOM | US | Energy |
| 5 | Alphabet | GOOGL | US | Communication Services |
| 6 | Alphabet | GOOG | US | Communication Services |
| 7 | Industrial and Commerci.. | IDCBY | CN | Financials |
| 8 | China Construction Bank | CICHY | CN | Financials |
| 9 | Shell | SHEL | GB | Energy |
| 10 | JPM JPMorgan Chase & Co | JPM | US | Financials |

*Source: FinanceCharts*

Diversification is one of the general approaches to risk avoidance and informational knowledge. The portfolio, in this instance, and according to the image, may be formed by the many industries represented in the highest positions and could divide the capital among the top nations. This kind of plan would heavily depend on the management and his competence, but it would also guarantee that there would likely always be a future investment.

- Stage three: Execution and planning of preventive plans for possible contingencies:

All decisions will be implemented once they have been thoughtfully considered from both a reflective and experienced manager's point of view and based on current data. The manager is often responsible for carrying out this stage, including ongoing monitoring. Once a person's financial assets are on the market, they are very likely to experience unanticipated events owing to changes in politics, the economy, or even their health. During these situations, the tactic must be modified to account for the novel situation.

A clear example of this was the coronavirus, which incapacitated many economies and nations around the world. However, focused from a strategic perspective, it was time to invest in industries like pharmaceuticals or businesses, like Amazon and other e-commerce businesses because their use increased significantly.

- Four and final stage: Review of results and subsequent adjustments

Finally, it is advisable to make wise inferences from the investment made even if already completed adjustments should be made, also if continued. Both strategies will offer insightful data for both current and upcoming opportunities.

The ratio known as "return on investment" is used to analyze an investment's performance allowing the study of its percentage level of profit or loss. Computed by dividing the net profit by the total investment cost; if the result is positive, the investment was lucrative; if the outcome is negative, there were losses. The greater the solution, the larger the profits realized; as a result, the investment was more profitable.

The novice investor must follow these steps in an orderly manner, avoiding shortcuts and always being accompanied by a manager, thus guaranteeing the reduction of risk and, consequently, proportionally increasing success (Kiyosaki, 2020).

# IX. CASE STUDY OF THE INVESTOR GEORGE SOROS

George Soros is a Hungarian-born American investor, speculator, writer, philanthropist, and activist whose success as an investor has made him become one of the richest individuals on the globe. He was also recognized as a powerful and influential sympathizer of social causes. He has given to charity around thirty-two billion dollars of his wealth and has also funded the Open Society Foundations, a private group of individuals around the world trying to succed achieving justice. He is, additionally, the founder and main sponsor of the Central European University of Budapest, a social research centre.

Beneath his guidance, the Open Society Foundations have defended individuals and institutions all over the planet combating unrestrained speech, trustworthy administration, and societies that encourage fairness and equality. The funds have also provided tuition and college costs to numerous promising scholars who would, otherwise, be excluded from these opportunities because of who they are or where they live.

Born into a wealthy Jewish family in Budapest on August 12, 1930, he experienced intolerance in his life at early stages of it, with the arrival of Nazis in Hungary in 1944 as his family separated and employed false papers to evade concentration camps. In 1947 they moved to London. Although Soros learned philosophy at the London School of Economics, he renounced to his studies because he wanted to become a philosopher, later joining the London merchant bank Singer & Friedlander. He moved to New York in 1956 and quickly made a name for himself, initially performing as an analyst for European equities.

Soros established the Soros Fund in 1973 (later known as the Quantum Endowment Fund). This is a hedge fund that later generated numerous affiliates. His bold investment judgments conducted to the rapid growth of the funds, although, not all his ventures were successful. Soros used a portion of his earnings in 1984 to establish the Open His Society Foundation previously mentioned. Much of his early work focused on Eastern Europe, starting with Hungary, Hungary remained a communist country, but Soros received assurances that the Foundation would function without government intervention.

It wasn't until September 1992, when the British government devalued the pound, that Soros established himself as a near-mythical financier. Through his Quantum Group companies, Soros sold billions of pounds in the days leading up to the devaluation, much of it bought with borrowed money. He then acquired back the pound, paid off the borrowed capital, and made earnings of about one billion dollars. Soros' deal made him earn the alias “the man who broke the Bank of England.” (Soros, 1995).

Soros, now in his 80s, persists in taking an active role in inquisitiveness inside the work of the Open Society Foundation. He voyages extensively in support of its work and advocates for positive political change, both public and private, with the world leaders.

## *9.1. Investment philosophy and trading strategy*

Soros earned his wealth trading in the financial markets. In 1969 he launched his first hedge fund, Double Eagle. With the benefits produced by this fund, in 1970, he founded a second hedge fund called Soros Fund Management. Double Eagle was then renamed the Quantum Fund in 1973 and became Soros' main business. Soros' understanding of regional and international economic trends, along with his large wallet and risk tolerance, enabled himself to gather a fortune now valued in billions of dollars. He has been a long-term trend investor for years and considers that the market is

continuously wrong, peeking for large imbalances and using them to his advantage. Soros is also a short-term macro speculator, and his trading method is highly leveraged against the movements of exchange rates, stocks, bonds, and other investments based on macroeconomic and market analysis, focusing mainly on one-way bets.

On one hand, as an investor, his main strategic procedures are:

- Active Money Management

This technique implicates following the performance of investment portfolios with the sole objective of making decisions to buy, hold or sell specific assets. The goal of this strategy is to outperform exact benchmarks while encountering threat administration purposes. George Soros bases market movements on the scientific methodology, following a plan based on tracking financial markets and relying on actualized market information. He also makes smaller investments to sample hypotheses before developing them, and if the results go as expected, he expands.

- Global Macro Strategy

His hedge fund is based on a global macro-economic technique. This method implies placing multiple one-sided bets on movements in stocks and exchange rates. With this strategy, Soros is betting that the value of his investment will increase or decrease. Then, reviews target values and makes trading decisions based on financial markets and the movements of the most important participants. He assures that the ideology behind this trading method is reflexivity while, under a recursive philosophy, assets are valued based on market feedback.

On the other hand, as a speculator, the main exchanging rules and components of his approach are:

- The “reflexivity” hypothesis: This hypothesis postulates that market players have a direct influence on the market basis, and their illogical conduct guides to crashes and ruptures that provide investment opportunities. Soros employs reflexivity as the basis of his investment strategy.

- Scientific procedure: Soros uses the scientific process to analyse the market, using ongoing market information and probabilities to develop techniques that track what happens among the financial markets. He frequently tests the theory with a minimum investment first and then, increases it if the theory results appropriate.

- Physical signals: Listening to his instinct when driving investment decisions.

- Blending political insights with investment ones: Combining political knowledge and market analysis for a much more detailed information.

- Study and reflect: Having several advisors or analysts to consults when making large investment decisions in case they may have some other point of view.

***9.2. Examples of Soro´s Investments***

Some examples of trades with currencies that make him famous:

- British pound

Soros' foreign exchange bet on the British pound is one of the largest foreign exchange transactions. This occurred when Britain joined the European Exchange

Rate Mechanism (ERM) in 199, wich was characterised for being a time of high levels inflation and low interest rates. To keep German marks and pound currencies within a stable range, it was necessary to keep increasing interest rates drawing this way consumers of the local currency. Realizing that the pound was overvalued against the German mark, Soros began betting against the British currency.

In 1992 he started betting against the British currency, amassing $1.5 billion over much of the summer, reaching a whopping $10 billion in mid-September, as he knew the British government was struggling with currency bailouts this was a low risk, high profit trade (Calandro, 2015)

***Figure 10. Falling of pound in 1992***

*Source: Futurrestradingcharts.com*

- Thai bath

Another foreign exchange trade was the sale of the Thai baht during the 1997 Asian financial crisis. Soros estimated to bet $1 billion out of his $12 billion portfolio on the currency detonation that ultimately occurred when the Bank of Thailand couldn't strengthen the currency and prevent the short selling. Ultimately, this happened when the Bank of Thailand devoted all its resources to maintaining the exchange rate of the local currency and decided to float. As a result, the Thai baht fell twice against the US dollar.

## X. CONCLUSION

After analyzing and studying the investment concept and all its main elements there can be reached many different conclusions. The first conclusion reached from the first point is that history tends to repeat itself which provides an enormous advantage to investors because, this way they can identify trends even before the rest of the market does, allowing them more benefit before the situation is overcome with similar offers and consequently changing its direction.

The next observation regarding basic concepts is that there is no need of being an expert to make rentable investments. The whole focus is based on the previous preparation and information recompilation regarding, both, internal and external factors. An important part of investing for the individual is the knowledge of themself and being able to identify how to adjust the strategy and decisions to their personality.

Regarding points six and seven the main conclusion taken is that because of the enormous capacity of the investing market, it is nearly impossible to acknowledge all the different types of both, investment and investors, but, following some classifications based on simple concepts the individual will be able to understand any unforeseen elements he may face.

As previously said, the country markets face multiple challenges and unexpected situations daily, which easily change the financial framework. One of the most feared changes by investors is inflation and its capacity to alter all the economic tendencies in its way, in this project it is concluded that even with these types of altering factors, it is possible to find an investing path suitable for the situation and with that, being able to control the surplus risk that it's created.

Finally, a practical case is provided proving that, like George Soros, it is possible to risk and gain an enormous amount of rentability through investing and even, speculating, following all the concepts previously explained.

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