

## **How the Study of Politics Can Help in Making Trading Decisions**

Politics is a study of power. It is a form of social science which studies power, government and other organisations. All of these do not necessarily relate to trading at first glance. Trading is about economics! However, it is a social science and would involve some study of human behaviour. This human behaviour could be applied in the markets, which we will see later. Also, we know from economics that markets should be regulated in some form or other by the government and that is certainly being followed today. Since that is happening, it is prudent that we do study the government and pre-empt the policies it would make before it implements them. Another thing is that democracies are sometimes likened to free markets. It is like buying things, just that you are “buying” a leader instead. A study of power can help in studying how money would flow from hand to hand. We would know all the power plays involved in market manipulation. This, perhaps, is the most fundamental use of politics in trading. To sum it up, take for example, the fed’s actions in March 2008. They did not act to save the banks. In fact they did say that the economy was doing fine. A few days later, the fed came in with supply of money to the banks. The pretence of not doing anything is a political move. The supply of money is an economic move associated with the political move. From this we can see the role of politics in the market.