# Quantum Theory of Investment

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http://www.ck-wong.ca/Money Matters/quantum%20theory%20of%20investment%2020070524.pdf

## Introduction

Quantum Theory has revolutionized the scientific world. It has the philosophy of identify the great picture and less on the details. This is my friend John Budden of http://BeEarly.com/ emphasizes. There is a strong parallelism on application of Quantum Theory in investment.

## Interpretation

Obvious we could not transplant the Quantum Theory without proper transformation. In this article we are going to examine what are the essences we should adopt.

**Principle of Uncertainty** Oppenheim states that you could not precisely to describe the position and the velocity of a particle. This is the one that we should take in to the heart. This is what happens to the price and when to hit the price. We can foresee the trend but the road to Damascus is not necessary a single strict path. It could be straight or windy or even moving back and forth.

**Standard Model of Quarks** Elementary particles can be classified into a number of basic quarks. So does the stock market and it is even more simple. It could be either growth, value or growth and value. These are the standard type. On top of this, you can group them to winning or non-winning equity. There are no other classifications. Anything you could not classify is risky and could be unpredictable. Since investment should be dull. Any exciting thing means unpredictability which will be risky before it falls into a category.

**Probability** Quantum physics does not explicitly identify the orbits of location of particles. It identifies the probability of existence at a location. There is a probability associate with it as long as it does not violate the law. So does the stock market. There is limitation for the price to go up or down in a specific fashion. The 9 of 10 rule simply identifies the probability (i.e. odd). The market has its own mind. It can move any way anytime. You can only retrospectively say that *that is the way to go.*

**Quantum Well** Particle's energy state could be changed in a leap frog way just like you have to jump out of the well to get out. The change requires a minimum energy. Small change in energy could not alter the course. Stock falling without any change of fundamental will continue its fall. Nothing can stop it. There is only one possible bottom, zero. When a stock goes up, it could not gain infinitely. At some level, it will consume all its momentum and then it either falls or level unless there is a change of fundamental to support the gain.

**Dual Properties** Elementary particles could exhibit the property of wave or particle. Wave behaves like sound waves and particle behaves like billiard ball. You use one property at one time but not simultaneously. For example, electron can create interference pattern like ripple on the pond. It can also be bounced off from the surface of the subject in an electronic microscope. Under some very specific situation, the wave and particle property co-exists. But this is rare. If we evaluate a stock using the value criteria, then we should not apply the growth to make you qualify or disqualify a stock. Stick you gun and do not change. However, you could use both set of criteria to do two evaluations.

**Event Horizon** Quantum theory's black hole has a boundary where it is the point of no return. Once passes it, you will be sucked in and nobody really know the end of the story. Before the event horizon, you still can see light or the object. Beyond that you could not see anything. We have to avoid the event horizon of the stock market. If could not see beyond it we better escape before we are sliced.

**Schrodinger Cat** This experiment has a cat in an concealed box with a bottle of poison (Please do not call the Society of Cruelty to Animal. It is just a thought experiment). The cat may drink the poison and die. Without open the box one could not sure. By open the box we are interfering the event sequence and the outcome could be changed. Although all indicators points to a direction of stock movement, it may not be the same after you buy of sell the stock. However most of the time it is more logical if you can open a small window of the box.

**Young's Experiment** This is a very famous experiment to demonstrate the probabilistic nature of quantum physics. We know that interference pattern can be created when wave passes two opening. Young shows that interference pattern can be formed when laser passes a single hole. Other light could produce it but the effect is much less desirable. Stock market has its own mind, our perception may not align with the future.

I would add more collection in the future.