



Mars Loves Trading and Venus Hates Losses

"Being a good investor may have a bit to do with Nature, more to do with Nurture, but a whole lot more to do with Choice."

– Nimesh Chandan

One often comes across the gender symbols of female and male (shown below) in some medical, scientific, astrological and even social contexts. And until this weekend, I just kept making silly guesses about why these signs were selected to represent the woman and the man (you can't help it either right?!). Finally, I decided to do some digging into the origins of these symbols and I found some very interesting insights provided by William Stearn in 1962.

A French scholar named Scaliger, speculated that the male symbol represents a shield and a spear. This aggressive behavior, which may help in battles, unfortunately hurts in the financial markets. The female representation of grace and flexibility, on the other hand, is the right temperament for investing



It all started with the Babylonians. By 500 BC, people had established that there was some connection between the movement of the celestial bodies and the developments on earth. It started with the relationship of Sun, growth of plants and breeding of animals; and the influence of the moon on the tides in the ocean. This led to the belief that there will be some impact of other heavenly bodies on the planet Earth and the lives of people inhabiting it. Astrology is a formal and systematic expression of this belief. These heavenly bodies were (quite logically then) named after the names of Gods.

With the conquest of Babylonians by Alexander the Great, this knowledge was passed to ancient Greeks and then spread to others. Planet Mars was named after the God of War and Venus after the

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name of Goddess of Beauty and Prosperity. Mars was also called Thouros ('raging' or 'rushing') in Greek based on its red and raging colour and in rituals was represented by the metal, Iron, from which weapons were made. Venus was also called Phosphoros ('light bearer') for its brightness and was represented by Copper, a flexible yet important metal. These names, Thouros and Phosphoros were shortened when written in old scriptures to form symbols we see today (as shown below).

Thouros : $\Theta = \text{Th}$ $\rho = \text{r}$

Θ Θ Θ Θ

Phosphoros: $\Phi = \text{Ph}$

Φ Φ Φ Φ Φ Φ

Source: the origin of the male and female symbols of biology, William Stearn, May 1962

A key takeaway for me from the above history was that the behavior of male has, more often, been observed and represented in aggressive forms. In fact, a French scholar named Scaliger, speculated that the male symbol represents a shield and a spear (again... as warrior). This aggressive behavior, which may help in battles, unfortunately hurts in the financial markets. The female representation of grace and flexibility, on the other hand, is the right temperament for investing.

There are many studies conducted to understand the behavioral differences between women and men in the context of investments. Some of the important research findings have shown the women have an edge over the men in investing. However there some important ideas they can borrow from each other that can help them be better investors.

A small caveat is warranted here: Neither all men behave the same way, nor all women do. The observations in these studies try to find some statistically significant patterns which may show up in mean or median behavior of a particular group. The intention is not to stereotype but to understand if there are biases that hurt investment returns and endeavor to correct them for better results.

TRADING AND OVERCONFIDENCE

Behavioral scientists Terrance Odean and Brad Barber have shown that overconfident investors—who believe that the precision of their knowledge about the value of a security is greater than it actually is – trade more than rational investors and doing so lowers their expected utilities. Greater overconfidence leads to greater trading and to lower than expected return. They conducted a study of stock trades over the period of February 1991 to January 1997 of 37,000 household (retail) stock accounts. They found that on an average, men traded 45% more than women which resulted in lower net returns. In-fact single men have shown to have traded 67% more than women.

Men actually generated better gross returns than women but lost on the net returns due to high trading costs

Both men and women, on an average, lost returns by their trading activity i.e. the stock they bought generated lower returns than the stock they sold to finance the position. Both displayed overconfidence and underperformed their relevant benchmark after accounting for trading costs. But men displayed higher overconfidence than women and generated lower overall portfolio net returns than women.

There are other studies that also point to higher level of overconfidence in men relative to women. This is the most important area for all investors to improve on but specifically for men. We have written about overconfidence [here](#).

SELECTION OF STOCKS

In the same study, we find that men actually generated better gross returns than women but lost on the net returns due to high trading costs. Add to this men lost more by trading activity of replacing a high return stock with lower return one than women. Together, we can conclude men have done well in stock selection. The study shows while both men and women selected stocks that were riskier than their benchmark, men selected more risky stocks than women. Here the authors define risk as beta risk and size risk (smaller the riskier). However, I don't completely agree with this risk measurement. I have written [here](#), that volatility may be a risk that an investor faces, however it is not the only risk. A bigger risk is the risk of loss of capital.



Both men and women need to increase their investment holding periods to profit from such opportunities



Being conscious of the downside is a sign of a good investor and here women score better than men

For a long-term investor, volatility can be a friend. Stock selection can be lucrative in a market segment where other investors perceive risk and sell their holdings at attractive valuations. Both men and women need to increase their investment holding periods to profit from such opportunities. Women specially should not be volatility-averse if they are following a good investment evaluation process.

CONSIDERING THE DOWNSIDE

Studies also show that women are more risk-averse than men. Olsen and Cox (2001) find that women financial professionals place greater weight on downside or loss potential than men in an investment setting. Also, women appear to be more sensitive to the ambiguity or uncertainty associated with investment in financial assets. Another study found that men do not process all the information cues available for investment analysis and are highly selective. These findings conclude that women are more risk-averse than men as they process information differently than men.

Being conscious of the downside is a sign of a good investor and here women score better than men. It is also important to understand that this risk aversion or in some cases, loss aversion or regret aversion should not hinder the participation in the equity asset class itself. There are surveys conducted in different countries worldwide which have found that risk aversion also leads to women choosing cash or savings accounts over equity assets. Dislike for uncertainty and ambiguity may lead to women allocating a lower amount to equities or avoiding them entirely.

FEW OTHER DIFFERENCES

- Women do better than men during market selloff and panics. A 2009 study by Vanguard of 2.7 million Individual Retirement Accounts (IRA) investors found that during the 2007-2008 financial crisis, accounts led by women lost 13%, while accounts led by men lost 16%; women were much less likely to sell into the stock slide, at or near market lows.

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a good investor*

- Lewellen, Lease, and Schlarbaum's report that men spend more time and money on security analysis and rely less on their brokers or advisors. Women are more open to advice from brokers and consultants than men.
- Warwick Business School conducted a study of 2,800 UK men and women and found that women were more likely to invest in funds with a consistent record rather than opt for the volatility of individual stocks.

The world of investment is still dominated by men. A very small part of the women population participates in it. And those who do, seem to do better than men on an average. In 2019, Gina Rippon, a British neuroscientist, published her book, "Gendered Brain: The New Neuroscience that Shatters the Myth of the Female Brain" which led to a lot of debate. She argues that the difference between behavior of men and women is not about difference in the structure of the brain (Nature) but about the experiences and the culture (Nurture).

If it is about nurture, then there is a possibility of change. Hence, there is a possibility for anyone (from any gender) to be a good investor. One has to just combine the best traits of Mars and Venus on Earth.

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ABOUT STOIC INVESTOR:

The word “Stoic” is used to describe someone who remains calm under pressure and avoids emotional extremes. For the purpose of this newsletter we refer to the “Stoic investor” as an investor who is realist (avoiding extreme optimism and extreme pessimism), resilient (withstand difficult conditions) and rational (who acts with logic and reason).

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