

Time in the Market vs. Timing the Market



It is important to spend time in the market, and not time the performance of the market. If you sell your investments when the market has declined, it will generally mean that you are selling at the lowest price in the market.

All over the world, stock markets have been affected by the health emergency caused by the Covid-19 virus. The Jamaica Stock Market and the US Stock Markets are no different. The duration of this virus is uncertain, but what we do know for sure, is that in time, the crisis will pass. Some may feel the urge to sell in the declining market, which will make a temporary loss, permanent.

When the stock markets do recover, which they will, as they always do, these persons invariably get back into the market at higher levels than where they sold. When stock prices decline or go “on sale”, investors should buy, so when the stock prices rebound, a profit can be made. **In other words, always buy low and sell high.**

Let's take a look at this example:

Jill currently has **10 shares** of Sturdy Company Ltd. at **\$8** per share, valuing her portfolio at **\$80**. She is happy and cannot wait to experience growth. Sturdy Company Ltd., however, starts to feel the effects of Covid-19 and declines in value.

Jill panics, sells her **10 shares @ \$5** in the declining market and receives **\$50** in cash. She then decides she will wait until the market is recovering to buy back Sturdy Company Ltd. She decides to **time the market**, but due to the stock market's usual **unpredictability**, Sturdy Company Ltd. suddenly recovered and surged to **\$10 per share**.

Jill uses her cash of **\$50** to buy back Sturdy Company Ltd., but unfortunately her **\$50** in cash @ **\$10 per share** only gave her **5 shares** of Sturdy Company Ltd. valued **\$50**.

If Jill had followed the mantra of spending "**Time in the Market**", she would have waited for the crisis to pass, and her portfolio would have been worth **\$100**.

Fun Fact: Don't be like Jill.

Suggestions:

- **Stay Disciplined** - Set aside your investments separately from your other financial obligations, and challenge yourself to continue making regular contributions to your investment portfolio. The goal is to keep the momentum going in order to grow your investments. **Don't be tempted to cash out your portfolio as soon as things are seemingly difficult. This time will pass.**
- **Exercise Patience - Compounding** only works if you give your money time to grow. During this unprecedented time, your returns may seem small. However, markets recover and the growth of the investment can be very significant over time.

At BPM Financial Ltd., we continue to do thorough analyses on companies, observing which might provide us with sound and strong financial performances that may withstand the effects of COVID-19. Our aim is to continue to **“Take You Higher”**.