

## Can I avoid falls in markets by timing the market?

Market timing refers to the perceived ability to time investment decisions to your advantage, either buying into an asset at a low point in the stock market or selling at a high point.

The problem with this is that at any given point in time, no one can predict with any degree of certainty, the future movement of markets. Indeed, there is degree of counter-intuitiveness about the fact that when markets are higher people feel more confident and are happier to invest, whereas when markets have fallen and prices are cheaper, there is little appetite for investment purchases.

With falling markets, it is tempting to think you can avoid future falls by switching out of funds into cash, with a view to re-entering the market at a good time (low point) in the future. The problem is identifying such a low point can only be accurately judged with the benefit of hindsight. All too often when markets have taken a dip and are lower, the confidence to reinvest doesn't exist, and the decision to buy back into funds is only made when markets have rebounded.

In the recent period the FTSE 100 fell from 7534 on 12<sup>th</sup> February to 4993 on 23<sup>rd</sup> March but on 26<sup>th</sup> March had rebounded to 5815, and currently stands around 6000. The trading of funds within pensions and ISAs is only available at set times and can take a few days to achieve by which time markets can have moved significantly. Trying to navigate through such volatility by trying to 'time markets' can be seen to be all but impossible.

One further disadvantage with this approach is that by not holding the funds continuously you will potentially miss out on receiving income elements that the investments are due, such as dividends from equities and interest from fixed interest holdings within the funds.

As uncomfortable as it may feel at the time when markets are falling, and plan valuations are consequently dropping, if your investment timescale is for the medium to long term, then the wisdom is to hold fast and not try to be too clever!

If you would like more information on how Wingate could help you manage your investments please feel free to contact us.