

EMOTIONS AND MARKET TIMING ARE LIKELY TO BE COSTLY



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One of the greatest temptations in investing is to try to time when to be in or out of markets and the temptation is often strong and led by emotion.

It is logical to want to be fully invested in the equity markets when they are going up and to be in cash or bonds when they are going down. Yet logic transforms into emotion at times when markets feel a little bit frothy on the upside or full of gloom and despair on the downside.

When emotion is taking over and that temptation hits, it is worth remembering that every decision to get out of any asset class also requires a decision on when to get back in, and vice versa. It would be great, if there was a clear signal that allowed us to make these calls, but as the late, great John C. Bogle, the founder of Vanguard once said:

'The idea that a bell rings to signal when

investors should get into or out of the stock market is simply not credible. After nearly fifty years in this business, I do not know of anybody who has done it successfully and consistently. I don't even know anybody who knows anybody who has done it successfully and consistently.'

We couldn't agree more. The costs of getting it wrong – either through making emotional decisions or believing one has some 'system' that rings Bogle's bell – are likely to be high. The solution.... Stay invested and don't give in to temptation.

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