Challenging market conditions.

What is the best course of action?

We’ve all heard the saying, “It’s time in the market – not timing the market – that counts,” but what does this mean in practical terms and how does timing the market affect your investments?

Human emotions

Humans are emotional beings and we work hard to earn our money. Naturally, volatile markets can cause alarm, when we see the value of our investments falling. But this is not the time to panic or to make emotional decisions…or leave.

No-one can be certain about what markets will do in future or what returns will be like for various asset classes (property, equity, bonds and cash), but what one can be certain of is that volatility is perennial.

In these uncertain times, investors are faced with a very important decision – whether to stay invested in the markets and bear the brunt of the tough economic climate, or rather to switch to cash?

Market timing is practically impossible

Always remember that cash diminishes an investor’s purchasing power once taxes and inflation are accounted for. Also, investors wanting to switch their investments to cash will need to get market timing right – something not even investment professionals can claim to get right all the time. Also, when trying to time the market, the investor has to be correct twice, and this is extremely difficult to achieve. Investors first need to decide when to switch into cash, and again they have to make a decision around when to switch back to growth assets.

Getting it wrong could cost you

Because it’s practically impossible to predict when to switch, it is highly likely that investors will miss some of the best days in the market. If you miss even a few of the best days, it can have a lasting effect on your portfolio returns.

Growth assets outperform over the long term

Looking back, over the period 2001 to 2018, we see that SA cash has only outperformed SA equity and SA bonds once over this period. Some other observations over this time period include the following:

- SA equity has outperformed SA cash and SA bonds on 11 occasions.
- SA bonds have fared far better in comparison to SA cash, outperforming SA cash and SA equities on six occasions.
- Over the respective period, the average return for SA equities was 15.73%, for SA cash 8.03% and for SA bonds 10.20%.
- It is important to realise that a higher return for SA equity and SA bonds comes at a higher volatility of returns.

What should investors do?

- Don’t try to time the market.
- Don’t make emotional decisions based on short-term uncertainty.
- Remember that, on average, growth assets will provide a better return over the long term (a minimum of five years, ideally 10).
- Understand your long-term investment plan… and stick to it.
- Be disciplined and stay invested.
- Enlist the advice and assistance of a licenced financial adviser to co-create an investment plan that is underpinned by your financial needs and risk appetite.

Glacier offers a range of solutions to help grow and preserve your wealth throughout your lifetime. These include local and international investments, pre- and post-retirement solutions as well as share portfolios and fixed interest instruments.

We also offer a number of guarantee-type products and investment options for investors seeking certainty in the current market volatility. These options offer investors the comfort of having their capital protected, predictable returns and the potential to earn attractive after-tax returns.

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