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With global stock markets in flux due to inflationary fears, rising interest rates and war in the Ukraine, it is understandable that investors are wondering is it time to sell? This is the natural go-to, and another version of the market timing question. That is, should I sell stocks and wait for a more favourable outlook to buy them back? The lure of successful trading strategies is seductive -clear rules that will tell us when to buy, when to hold and when to sell stocks. Motivated by substantial payoffs associated with successful timing, researchers over the years have examined a wide range of strategies based on analysis of everything including earnings, dividends, interest rates, economic growth, investor sentiment et al.

"There's one consolation—he went down with his portfolio."

One colourful example, known as the Hindenburg Omen, click <here> had a brief moment of fame in 2010. Developed by a blind mathematician and former physics teacher, this stock market indicator took its name from the German airship disaster of 1937. The Omen signalled a decline only when multiple measures of the 52-week high/low prices and moving averages all turned negative. This indicator had correctly foreshadowed major downturns in 1987 and 2008. When it flashed a "sell" sign on Thursday, August 12th, 2010, internet chat rooms and Wall Street trading desks went on high alert. It was expected that Friday the 13th would see markets in free fall, but no crash occurred. In fact the S&P 500 (the broadest measure of US stocks) had its highest September return since 1939.

The point of all of this is that it is time in the market, not trying to time the market, that makes all the difference. Asset allocation is the primary determinant of portfolio returns and well-balanced portfolio with

minimal changes in allocation to stocks has been shown to deliver higher returns over time, than a tactical asset allocation approach. The later involves systematic shifts in allocations to stocks and is effectively an institutional level market timing approach that has been shown to be no more successful than when retail investors try this.

Watching a portfolio decline in value during a market downturn can be discomforting. But investors seeking to avoid the pain by temporarily shifting away from their long term strategy may wind up trading one source of anguish for another. The initial upsurge in prices from their lows often takes many investors by surprise and by the time they decide to get back in, they find they are buying back the same basket of securities at a higher price than when they sold them.

It has been said that *a portfolio is like a bar of soap. The more you handle it, the less you have*. Staying the course then is the best course of action, even when markets are subtracting wealth not adding to it. Markets always come back and those that took a buy-and-hold strategy are almost certainly better off for it. Patience and discipline is what is required for better investment outcomes. A point you will certainly hear me make at our next portfolio review.

Thanks for reading!

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