How to React When the Stock Market Soars

This article address those investors who've sat on the sidelines as the market has gone higher and higher. It helps to answer the question: What should I do now

JERSEY CITY, NEW JERSEY, UNITED STATES, April 13, 2021 /EINPresswire.com/ -- Many investors find themselves with a terrible dilemma. Burned by a market crash, they sat on the sidelines as the market rose, vowing never to buy stocks again. Months later, they've started to question that decision. Every day the market seems to hit a new high, and they reflect on all the gains they're losing. Meanwhile, their bonds, certificates of deposit and other "safe" investments don't even return enough to keep up with the cost of living.

They find themselves facing an agonizing choice: Get back in the market and possibly lose money again, or continue to watch from the sidelines as their bolder friends and neighbors rack up a fortune? Fortunately, there are some ways around this problem if you're willing to do some research. Here are some of the best:

1) Realize that market timing is a fool's game. The stock market is the greatest wealth-creation system that's ever existed, but trying to invest at the very top or the very bottom is impossible, even for the so-called experts. If you have a long horizon (and you shouldn't be in the market if you don't), the ups and downs will eventually even out and should leave you with a lot more than you started with.

2) Realize that a rising market doesn't mean a total dearth of good investments. In nearly every market, there are stocks whose price is unreasonably low. Maybe the company was hit with a lawsuit or had a bad quarter, and investors over-reacted. The trick is to do enough research to distinguish between the company that will bounce back and the one that's going down the drain. Focus on finding bargains in a frothy market, and hold some of your funds back for a day when stocks are cheaper.

3) Take advantage of sector slumps. In spite of a crazy-hot market, investors recently had a chance to buy gold and gold stocks at the lowest prices in a long time. Within a day, however, prices started to bounce back. By being alert and buying what’s out of fashion, you can still make money in a hot market.

4) Take advantage of dollar-cost averaging and dip your toe into index funds. Dollar-cost averaging means buying a fixed dollar amount of stock at fixed intervals. By doing this, you automatically buy less when the price is high and more when it’s low. By combining this strategy with an investment into a low-cost index fund, you gain market participation with diversified risk. Broad-based index funds tend to be less volatile than individual stocks or sectors, so you’re less likely to get clobbered in the event of a big drop. The key to making this strategy work is to grit your teeth and keep on investing when the inevitable drop comes. By doing that, you’ll accumulate lots of shares at low prices and be sitting pretty when the market starts to rise again.

5) Keep some funds in reserve. Sooner or later, the market will take a sickening drop. When that time comes, you want to have some cash ready to deploy. Resolve that this time, you’ll buy when everyone else is selling, no matter how much it scares you. Don’t try to wait for the bottom—just take a deep breath and jump in. If the market drops, buy more and wait. It may be the toughest thing you’ve ever done, but the rewards can be extraordinary.

Conclusion:
The stock market is one place where life experience pays off in a big way. Only after you’ve lived through several market cycles will you learn to take the ups and downs in stride and learn to beat Mr. Market at his own game. Of all the ways you can play it, the most expensive are jumping in and out too frequently and not playing at all. Instead, buy some carefully selected stocks or funds and ignore them for a decade or so. Regardless of what the market does in the meantime, you’re likely to be very pleased with your final results.

Waneta Jaikarran
E1 Asset Management
+1 212-425-2670
accountservice@e1am.com
Visit us on social media:
LinkedIn
