

## Best time to invest in stock market.

The Colombo stock market has gone up by over 1,000 points (more than 20%) during the last few weeks. With this growth, a large number of investors are either trying to enter the market or trying to maximize profits from their existing investments. In order to assist them in their investment decisions, this week we will discuss a topic that most investors ask.

Is there ever a good time to invest in the stock market? This question is frequently asked by investors, and for good reason, as no one wants to invest in the stock market only to see it fall the following day or even the following week.

### Is there a right time to invest in stock market?

Is there a right time to invest in the stock market? That's the magic question people have asked for as long as the stock market has been around. The simplest answer is that there is no right time to invest in the stock market. But it may seem as if some people have figured it out, such as billionaires like Warren Buffet who seem to always know when to invest, how much to invest and where to put their money.

But, investors like him consider many more factors that have less to do with guessing the 'right time' and more to do with trying to predict how the stock will do based on recent reports and announcements by the company. Even then, they could be wrong.

Many investors buy into and sell out of the market more frequently than they should. They are trying to 'time' the market. If you have never heard of this term before, it is described as trying to pick when the stock market has hit a top or a bottom and then buying into or selling out of the market accordingly.

For example, if you are predicting that the market has hit the peak of the cycle, then you sell out of your holdings because the market has nowhere to go but down. Conversely, if you think the market has bottomed, meaning it won't go any lower, you invest your money, since the market can only go up.

Many smart investors try to predict how stocks and the overall stock market will behave and try to invest according to what they believe will happen. Even though they may predict the market right nine out of 10 times, they will still get it wrong that 10th time and it will cost them money, either because they invested in the wrong stock, or didn't invest in a stock that sky rocketed to the top.

It's extremely difficult to predict how stocks or the stock market will do. Although, it is possible to predict certain trends because they are more obvious than many of the other subtler factors that can determine how well a stock does. There are people out there who claim to know exactly when to invest in the market. And a lot of people actually believe them because of what they see.

But the fact is usually that these people invest in many different sectors of the stock market and when they see success in one sector, they only share that success which makes it seem like they know what they are talking about all the time. This isn't actually a scam (although there are scams like this), but it's more of the person hoping his or her research pays off and more often than not, it does.

Just like people, you have companies with websites claiming to know which stocks will go up in price. And just like the people claiming to be stock market whisperers, these companies do extensive research which gives them hints about which companies will go up and which will go down. Then they share the information with the public, most of the time for a fee.

### **Is there a wrong time to invest in stock market?**

Unfortunately, it seems that there is a wrong time. Most people have the tendency to invest at the wrong time. This is where the old adage of "buy low and sell high" comes into play. A smart investor waits for the stock to go low so he can buy low and sell high. That's why billionaire investor Warren Buffet says, "Be greedy when others are fearful and be fearful when others are greedy." In other words, don't completely follow the crowd and don't be afraid to invest when you see an idea and everyone else is scared.

It may run contrary to common thought, but smart investors across the globe see the best time to invest in the stock market when its performing its worst. When the stock market sinks or stalls, it is a buyers market. This is simply due to the fact that stocks are fluid forms of value; they change in worth often and sometimes drastically.

When the economy starts to underperform, people tend to sell of their investments. It is an obvious response to people seeing their stock portfolio values go lower and lower. These mass pull-outs of investments cause the overall market to go into panic mode, dropping prices for stocks across the board.

So, what does a wise investor with skilled investing strategies do in this situation? Buy! But of course, there are other factors at play such as market conditions, currency trading and aspects specific to a particular stock should also be taken into consideration when buying stocks.

However, if you have the cash in hand to buy into stocks while they are undervalued due to market conditions, you can make some excellent investments. But there is no perfect time of day, hour or date to buy stocks. Timing stock buys is also based on other mitigating factors.

Most investors however, do the opposite and buy high because they believe it'll keep going higher. We see in practice, most people will only seek financial advice when the market is 'good', which ironically is not the best time to buy.

Financial advisers who could only earn a commission selling investment products will tell their clients to buy despite it being the worst time to do so. Hardly anyone would seek advice from financial advisers when times are bad. In fact, many financial advisers themselves would recommend 'safer' products when actually it is the most viable time to enter into equity markets.

Buying in a down market results in 'cost averaging', which means that you have a greater opportunity to gather large gains in the future. However, there is more to understanding when to buy stocks than simply 'buy low, sell high' or 'buy in a down market'. The following are tips to help you decide when to buy stocks in order to maximize your future returns.

### Tips on when to buy

Research about the fees that are associated with buying and selling stocks. These fees directly eat up your profits. Because of this, it is often beneficial to buy stocks in bulk and hold for awhile rather than buying and selling rapidly.

Know the company. Even if a stock is at a historically low price, you may not want to buy. Consider whether a rebound is expected and if so, what time frame this will require. You want to purchase stocks in a healthy company that will see future returns, not one that is on a fatal path downward.

First, be sure that you are well-educated. Do your own research: Ask other investors, try to gather information from the regulator, publications and articles and by speaking to persons in the industry about the company, the industry and any fees you may incur from purchasing stocks.

Know the industry. Selection of the market leader and the industries is critical.

Trust your gut. Money, including investments is tied to emotions. Follow research and advice, also trust your instincts. Make decisions so that you will be able to sleep well at night.

No one likes to lose money in an investment. Therefore, perhaps more complicated than simply buying a stock is the process of selling stock. Stock is easy to sell. Simply contacting your broker or utilizing the website of your online stockbroker can effect this transaction for you in minutes. Its not the act of selling stock, but rather timing stock sales to maximize profits where the need for precision lies.

There is no such thing as the best time to sell stock when speaking of the hours in a day. The best time to sell stock is pertinent to each investor, the market state and the stock in question. Certainly, the best answer to when is the best time to sell a stock is to be selling stock before it declines in value. This in theory is nice: Make the most money one can on a stock or bond and get out and sell. However, in reality well timing stock sales takes practice, diligence and at times a lot of patience.

Most investors fail to make basic criteria before investing: Profit goals. When investing in a stock, one should establish a set amount of profit to make on a stock. When this limit is reached, selling stock should not be a thought, but rather an act. For example, to purchase stock in Company X for the price of Rs. 10 per share at its current trading value establishes your starting point. Say you set your profit goals for this particular stock at 30% or a Rs.3.00 increase in stock price- a healthy return on any stock investment. So, when the stock reaches Rs.13, you have reached your profit goal for this stock and you should sell. Walking away with 30% gain on your investment is excellent and far better than your money would have earned in near any other place.

The average investor who loses money, or simply does not maximize the amount of money they could have made buying and selling stocks usually falls into this pitfall: Not selling stocks. Many investors watch their stocks soar up and then unable to contemplate their stock no longer increasing in value, hold on to as it falls. This is the most common problem with investors timing stock sales. They simply cannot let go of their stocks and therefore follow them all the way down.

### **Tips on when to sell**

Good selling techniques matter because losses are difficult to recover.

Use all published information. These resources will often not only have numerical data but information about the company, the market and opinions of experts. The great thing is most of this information is free and available at anytime.

Follow the company closely. Ideally, you want to get to the highest point and sell them. This, however, is not always reasonable and requires access to a magic crystal ball. A good rule of thumb is to sell stocks before they have plunged 10% below a recent high. After this point, you are likely not to see an increase and will incur unnecessary losses.

The problem in investing in shares is that when you see your share price rising, you don't want to sell. Greed takes over and you always hope for a higher price. So, you keep waiting and waiting. And, should the market suddenly tumble, chances are high you will panic and sell and probably lose out too. Fix an exit price and when your share reaches that, sell.

Follow the industry. Independent companies do not operate in a bubble. It is important to understand the broader industry in which the company exists in order to predict future gains or losses.

Trust your gut. Money, including investments is tied to emotion. Follow research and advice and trust your instincts. Make decisions so that you will be able to sleep well at night.

In conclusion, the bottom line is that the market is unpredictable. You can try to predict it, try to find the right time to invest or the wrong times to avoid, but you will never get it correct 100% of the time. Too many factors are involved for you to figure out the perfect time to invest.

The stock market is dependent on consumer behaviour. Trying to figure out when the right or wrong time to invest is extremely difficult. Even though it seems as if some people have figured out a way to predict the market, their prediction is just as good as your local weatherman telling you that it will rain tomorrow. Sure, it may rain, but it's just an educated guess because there is a chance that it may not rain. It's the same with the stock market, even though a stock may increase in value, there is always a chance that it will not. There is no surefire way to predict the stock market!