



Prudential Investment Managers

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Timing the market vs. time in the market

“Bulls” versus “bears”. It sounds like a Saturday afternoon fixture between two sports teams, but for investors it has a completely different meaning. In investment terms, bulls and bears describe different market conditions – and understanding the difference between them is key to understanding how markets work.

A bull market happens when asset prices rise over time. Bullish investors, in turn, are investors who buy assets because of positive sentiment - they believe the market will rise or companies will become more valuable. The term comes from the way a bull attacks its enemy: it lifts its head and its horns aggressively upwards. A bear market, on the other hand, is one where negative sentiment prevails. Investors are selling because they think company values will fall or conditions will become less favourable. Again, the term comes from the way the animal attacks its prey: a bear will attack by swiping its paws and its claws downwards.

Of course, many investors prefer bulls to bears, because it means values are up and they can expect good returns on their investments. There’s even a famous bronze statue of a charging bull in New York City’s financial district, a few blocks down from Wall Street.

TIMING THE MARKET

What does this mean for your investment planning? Well, if you know that the market tends to go up (bullish) and down (bearish), then you'll know that there's an opportunity to "buy low" and "sell high". If you get the timing just right – or so the thinking goes – you'll be able to invest or buy shares cheaply, and sell them again when their price is higher, making a tidy profit in the process.

That strategy is known as "market timing". While it sounds like an amazing idea in theory, for the average investor it's virtually impossible to strike it lucky and get the timing right every time, consistently, over time. [Bad timing](#) can have a negative effect on your investments. Fortunes have been lost over the years by investors who tried to time the market, but ended up buying or selling at the wrong time. Many rookie investors have also been caught out by reading a news headline, panicking and mistakenly thinking they're in a bear (or a bull) market.

TIME IN THE MARKET

While everybody wants to make as much (and lose as little) money as possible, history has shown that, more often than not, the returns generated from staying invested beat the returns generated from trying to time the market. A far better approach to investing and to creating long-term wealth is to just be patient and to spend time "in the market". This means keeping your focus on a carefully considered goal and a well-planned [investment time horizon](#). Ultimately, though, if there's any "trick" to investing, it's to focus on the long term. By staying invested and [diversifying your investments](#), you'll ride out the natural market cycles, without having to worry about short-term trends like bulls and bears. At Prudential, we ignore short-term market moves and base our investment decisions squarely on whether we think a share is cheap or expensive compared to its long-term value. We don't follow market sentiment or forecasts about what may happen in the future, but stick to our consistent investment process to ensure we deliver the best possible returns for our investors over time. A financial adviser can help you to stay focused on the long term and ignore short-term market downturns and negative headlines. They will help you tailor an appropriate long-term investment plan to meet your specific needs, and adjust it over time as the market moves and your needs change.

If you need more information please feel free to contact our Client Services Team on 0860 105 775 or email us at query@prudential.co.za