Is Now the Time to Sell All Your Shares Before Stock Markets Crash?

Description

These are strange times for investors. Stock markets have flown to all-time highs, notably in the U.S. and U.K., at a time when the political wall of worry has rarely looked steeper.

Investors have a habit of getting nervous whenever markets hit dizzying heights, because it makes a potential crash that much more painful.

Many are also worried about putting in new money because they do not want to buy stock at inflated valuations.

Others will be wondering if they should take their profits from the unprecedented bull run of the last eight years and run for cover.

Stumped by Trump

There is a more specific reason why investors are worried right now. It boils down to these three words: President Donald Trump.

Markets surprised even themselves by celebrating his shock electoral victory, hoping the new president would be pro-business.

Investors pinned their hopes on his campaign promises of launching a combined infrastructure, tax-cutting, and military-spending blitz. Now that he has been inaugurated, they are wondering what they have bought into.

America first, world last

Trump’s “America First” inauguration speech aggravated fears that he will engineer a return to protectionism and possibly trigger a global trade war.

So, we now have two “alternative facts” to choose from: “Trumpflation” or a Trump trade war.

The first will be great news for stock markets; the latter could plunge the world into recession.

Given such a binary outcome, many investors may be tempted to bank the juicy profits they have since the Financial Crisis and sit out the next four years.

They would be making a mistake, and here’s why.

Bad timing

First, nobody can accurately second-guess stock markets. Did you foresee that the Brexit would drive the FTSE 100 to its all-time high? Did you think Trump’s victory would turbo-charge the U.S. market?

Markets are a law unto themselves, and nobody can expect to get it right.

Trading costs

If you sold up now, at some point, you would have to time your return to the market, and this will be equally tricky.

Also, you will rack up a load of trading charges, and even more when you buy back in. You may also have to pay tax on your capital gains.

Buying in and out of markets according to changes in the political weather has far more costs than benefits.

World of opportunity

Market exuberance is giving way to caution right now, and that's understandable, given recent impressive gains. However, there are still plenty of great value investments out there.

Defence and energy companies could thrive under Trump. The recent sell-off in pharmaceutical stocks may have been overdone. High-dividend-paying companies will continue to look attractive given low global interest rates with the U.S. Federal Reserve the only central bank considering a rate hike.

Fools, stay invested

Also, we may never get that trade war. New commerce secretary Wilbur Ross has stated he is pro-trade, or what he calls, "pro-sensible trade." Trump is a deal-maker, so this may just be posturing before he gets down to business.

This may not be the best time to rush into the stock market, but it would be an even worse time to rush out.

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