



High-Flying Stock Markets Are Nothing To Be Afraid Of

Description

The last eight years or so have given us what must be the strangest stock market bull run in history. I wrote five years ago that this is the bull market that nobody loves, and investors find it just as difficult to embrace today.

Wall Street, London and other major global stock markets are nudging all-time highs, but investors continue to remain sceptical. Are they right to be afraid?

Big money

Nobody wants to throw their money into the stock market just as it runs out of juice. However, refusing to invest also carries major costs. Investors have made big money in recent years, but those who have hung anxiously on the sidelines have completely missed out.

Flying high

Global stock markets are flying at the moment, with many posting rises of almost 20% over the past year. In the US, the Dow, S&P and NASDAQ all posted record closes last week. In the UK, the FTSE 100 recently broke through 7500 for the first time ever. The MSCI All World Index has also hit its all-time high, boosted by strong Asian markets. Normally, investors would be cheering along. Why so nervous?

Trumped!

Many fear that US stocks look overvalued, with the S&P 500's price/earnings ratio currently standing at 25.80, well above its long-term mean of 15.90. They are particularly concerned that the Trump trade is now played out, amid suspicions that his tax, infrastructure and military stimulus blitz could prove a damp squib.

Zero options

The question you need to ask yourself is this: what would you do with your money if you sold up today? Park it in cash or bonds, for a near-zero return? The global property market is starting to wobble, and you can't get your money back in a hurry if prices slide.

By selling up you would also forego all those juicy dividends, plus further stock market growth if you get your timing wrong, and almost certainly will.

You then face the tricky decision of when to buy back in.

Fun, fun, fun

Equity investors should be celebrating rather than fretting right now. They have had a tremendous year. Enjoy!

Even if markets corrected, by, say, 10%, investors would be well up on a year ago. You would still be richer.

Also, if you cannot cope with a temporary market correction, you shouldn't be invested in stocks and shares anyway. If you plan to leave your money in the market for at least five or 10 years, and preferably longer, you can ignore short-term slips.

Show some love

This market could fly even higher. Alternatively, it could crash. Nobody knows. Either way, it is nothing to be afraid of. Simply hold on until the market recovers, as it always does.

You should also treat any dip as an opportunity to pick up your favourite stocks at reduced prices. Market crashes are nothing to fear. Instead, you should learn to love them.

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