



The Stock Market is Tough Enough to Survive Hurricanes And Nuclear Threats

Description

If you are a long-term investor, the news is your enemy. You need to approach your TV set with caution, or it could lure you into making silly and expensive mistakes.

Today's 24-hour news-never-sleeps cycle can inflict untold damage on your investment portfolio, if you allow it to. So tune it out.

Leadership problem

News channels have gone into overdrive over the unprecedented hurricane season and two other forces of nature: US President Donald Trump and North Korean supreme leader Kim Jong-il.

The possibilities are terrifying, but the last thing you should do is respond by ditching your shares and running for cover.

The stock market has survived worse, and can survive these latest threats, too. In fact, it is already shrugging them off.

Economic disaster

Hurricane Harvey and Hurricane Irma have caused up to \$290 billion of damage across Texas and Florida, according to estimates from Accuweather.

They will cost the world's biggest economy around 1.5% of GDP, including business disruption, damage to transport and infrastructure, lost crops, increased fuel prices, damage to homes and belongings, and temporarily increased unemployment.

This is equivalent to the entire US economic growth from mid-August to the end of the year.

Gold age

The fallout from the North Korean stand-off has mostly been psychological so far, as we learn to start worrying about the bomb again.

Yet it was enough to inflict several weeks of stock market turbulence, with investors fleeing to safe havens such as gold.

Some will have regretted their haste. The spot gold price hit a 2017 high of \$1,350 last week but is already falling back after Kim Jong-il went an entire weekend without letting off a hydrogen bomb..(!)

Think long

Global stock markets have been shaken by hurricanes and nuclear threats but the damage has only been temporary. They were already rising again on Monday,.

This pattern only confirms what we have been saying on The Motley Fool since the site was launched.

Investors have to look past the short-term noise, lower the volume on the TV and online news, and set their sights on the long term.

That means sitting tight while the storms rage above your head, rather than panicking and dumping stock.

By rushing to sell, you are only crystallising any temporary paper losses. You then face the tough question of deciding when to buy back into markets and are highly likely to leave it too late and miss out on the recovery.

To make things worse, you will have racked up a load of trading charges along the way.

If you have a bit of money to spare, you can even take advantage of any sell-off to pick up stocks in your favourite companies at a discounted price, then hold them for the long term.

We may live in turbulent times, but the stock market has seen it all before. This storm too shall pass. That's old news, but it still bears repeating.

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