



2 Ways to Boost Your Investing Success

Description

Most investors think that making money in the stock market means choosing the right stocks. This, of course, is true. If you don't pick winning stocks, it's hard to turn a profit. But simply choosing the right stocks doesn't ensure that your portfolio will rise in value. It's possible to identify a winning stock yet time your trades so poorly that you end up *losing* money.

This is perhaps the hardest part of investing: knowing when to buy and when to sell. Fortunately, there are two time-tested tips that can help you make the most money from your stock picks.

Buy the rumour

You've likely heard the expression "buy low," but that's not very helpful advice. First, high-quality stocks rarely become obviously cheap. More often than not, they're stuck with a high premium that could last for decades. Second, plenty of money can be made from buying *higher* than your original purchase price. If a company continues to execute, it's likely worth buying again and again along the way, even if you're no longer "buying low."

Of course, you always want to be buying at the lowest price possible. The best way to do that is to "buy the rumour." A perfect case study is **Bombardier** ([TSX:BBD.B](https://www.bombardier.com)).

In 2016, Bombardier stock traded at just \$0.80 apiece. Many analysts were concerned with a possible bankruptcy. After a slew of losses driven by the company's troubled CSeries project, the stock appeared dead in the water. Then came the bailout rumours. In February, *Reuters* reported that the Canadian government was looking to bailout the company by taking a position in the CSeries program. By March, rumours hit that the aid package would be worth around \$1 billion, saving the company from collapse.

Over the next 24 months, Bombardier stock would rise by more than 500%, as concrete news started to roll in. By buying the rumour, you're trading the increased risk of uncertainty for significantly higher upside potential. As we'll see, those who waited for the news headlines to hit made significantly less profit. In fact, many saw their portfolio value plummet.

Sell the news

By 2018, everything was going right for Bombardier. In terms of concrete news items, nearly everything was positive. The company signed a \$126 million deal with Israel Railways, sold \$1.1 billion in jets to EgyptAir, secured a \$700 million contract with **American Airlines Group**, and booked a \$2.9 billion deal with Air Baltic Corp.

Bombardier's Commercial Aircraft president Fred Cromer became so confident that he predicted the revamped CSeries line could win "half or more" of the market. Free cash flow was growing at its fastest clip in years, prompting CEO Alain Bellemare to characterize the company as "moving out of our investment cycle and into a strong growth cycle."

That summer was the perfect time to sell the news. Over the next six months, shares dropped by more than 50%. What happened? At the end of the day, your investment *returns* will always be a function of what you *pay*. When positive news headlines are coming out en masse, the stock's valuation is sure to rise, increasing the price you must pay to buy and own the stock. Expectations can easily surpass near-term results in these situations. When exuberance is common knowledge, it's often time to sell. As they say: sell when everyone is buying.

These tips aren't surefire ways to profit in every market cycle, but they're helpful to increase your odds of *growing* your portfolio and *keeping* your gains.

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TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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