The Stock Market is at a Record High: 3 Reasons Why Now is NOT The Time to Get Out

Description

Major indices such as the S&P 500 and FTSE 100 have enjoyed a decade-long bull market. Following the financial crisis, stock prices have surged higher as the global economy has benefitted from a loose monetary policy and improving confidence among investors.

Following their gains, many investors may now be wondering if it is the right time to sell stocks and pivot towards other assets. After all, no bull market has lasted in perpetuity, and risks such as a global trade war remain in play.

However, now may prove to be the wrong time to become bearish on stocks. They could offer continued long-term growth for these three reasons.

Macroeconomic growth prospects

The world economy may face a period of uncertainty due to the US/China trade war. However, global growth forecasts continue to be relatively encouraging. For example, major economies such as China and India are expected to report GDP growth that is in excess of 6% per annum over the next few years. This suggests that there will continue to be growth opportunities for businesses that have exposure to the emerging world, which could catalyse their valuations and the wider stock market.

Furthermore, monetary policy looks set to remain dovish across major economies such as the US. Fears surrounding the global growth outlook may cause policymakers to adopt a cautious stance on monetary policy tightening in order to avoid choking off future growth prospects. This could lead to favourable operating conditions for many sectors, as well as higher valuations for stocks.

Value opportunities

Major indices may have experienced over ten years of growth, but there are still many appealing value investing opportunities on offer. One of the key reasons for this is that the financial crisis caused a severe decline in valuations that ultimately proved to be overdone. In other words, indices such as the FTSE 100 and S&P 500 declined to exceptionally low levels so that even after a decade of growth, they do not appear to be especially overvalued.

This could mean that investors do not find it difficult to unearth stocks that offer improving growth prospects and which offer margins of safety. Buying such stocks today could lead to high returns in the long run.

Relative appeal

Investors who wish to sell their stocks may find it difficult to find better opportunities elsewhere. For example, low interest rates mean that the returns on assets such as cash and bonds are relatively low, while property yields may prove to be disappointing in many cases.

Therefore, the stock market could offer the most appealing risk/reward ratio among mainstream assets at the present time. This could mean that now is the right time to consider purchasing high-quality stocks that trade at fair prices in order to boost your returns over the coming years.

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Date
2025/08/25
Date Created
2019/10/26
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