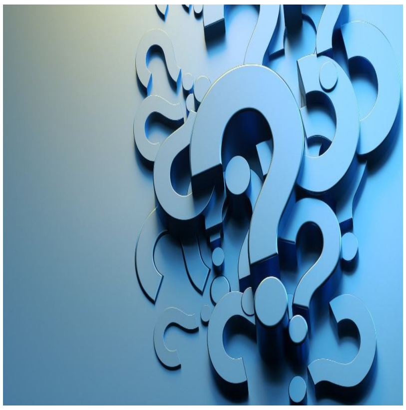

Market Recovery: 1 Lesson You Should NEVER Forget

Description

If you got rattled when the stock market fell off a cliff in March, and tried to time the perfect entry into the bottom instead of nibbling gradually on the way down, you missed out on an unprecedented market recovery.

Billionaire investor Howard Marks thinks waiting for the bottom is "folly," and he's right on the money. You'll never know what the bottom is in until after the fact. And if you're a beginner investor who's kicking yourself for missing the bounce, one lesson you should takeaway is that timing the market bottom *does not work*.

It's easy to look back and say you should have bought a bottom, but in real-time, it's virtually impossible, even for the most sophisticated investors.

Market recovery: Volatility goes in *both* directions

In a piece dated March 18, just a few days before the market bottomed, I warned investors to buy stocks and to resist the temptation to time the bottom. I also noted that a market recovery could be just as sharp as the market crash itself.

"Remember, volatility goes in both directions." I said in that article. "Circuit-breaker breaking moves have become the new norm. Fortunately, for stock pickers, that's a good thing because it allows us to spot individual businesses that are priced at considerable discounts to their intrinsic value."

Fast-forward to today, just three weeks later, and the **TSX Index** is up a whopping 26% from its March lows. Sure, it was frightening when there was mass hysteria in the stock market, and everybody was rushing for cash. The markets had "plumbing issues" amid the cash crunch, and we suffered multiple circuit-breaking down days, with two Black Mondays and a Black Thursday.

It felt like stocks would crash forever in the heat of the moment, but if you took your emotions out of the equation and acknowledged that you wouldn't be able to time the bottom, you likely did well by buying incrementally on the way down.

Market recovery: Timing the bottom will leave you farther away from it

And if you paid too much merit to the widely publicized, near-term market forecasts of **Goldman Sachs** ?

You also missed out on the very sharp market recovery, as the big-league investment bank recently threw out its overly bearish **S&P 500**-at-2,000-price target. It expects the S&P 500 will bounce to 3,000 by year-end, implying 9% in additional upside from today's levels.

While such modest upside is nothing to write home about, it still represents a pretty decent return over the next eight and a half months. And if you pick your spots carefully, there are beaten-up areas of the market that could allow you to score amplified gains in the event of a V-shaped market recovery.

Think the battered pipeline plays like **Enbridge**, which now sports a colossal dividend yield of 8.2%.

Moreover, although Goldman and many other market forecasters have changed their tune, you shouldn't expect their calls to be gospel. There's a real chance that Goldman could change its 2020 S&P 500 price target once again should stocks begin to retest their late-March lows.

It's foolish (that's a lower-case 'f') to try to time the bottom. Whether it's in or not, you shouldn't care. You should continue nibbling away at the bargains that *are* present because there's a real chance they may not be here tomorrow.

Foolish takeaway

By waiting for the bottom that you'll never catch, you run the risk of missing out on tremendous value and quick gains from a market recovery. And that's arguably the larger risk to long-term investors.

Stay hungry. Stay Foolish.

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