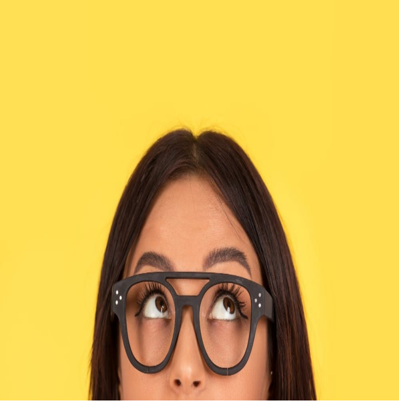

Beginner Investors: STOP Timing the Market Right Now!

Description

It's so tempting to time the market as a new investor. Buying low and selling high on the day-to-day or the week-to-week sounds so ridiculously simple on paper, but it's notoriously difficult to put into practice.

As investors, we tend to overestimate our abilities. We think we can beat Mr. Market at his own game over the near-term, given the publicly available information that's out there. In reality, however the attempt to time the markets over the near-term ironically leaves us farther away from near-term market-beating returns, as acting on news over the near-term leads us to follow the herd unknowingly.

And as you've probably heard, following the herd over the day-to-day or week-to-week can be harmful to your wealth, as markets can act in highly illogical and unpredictable ways over the short-term.

As Warren Buffett's teacher Ben Graham once put it, "In the short run, the market is a voting machine, but in the long run, it is a weighing machine."

The risk of a second market crash

It's been a tough September and October for investors. Fears over the U.S. presidential election, surging coronavirus cases, a delayed U.S. fiscal stimulus package, a quieter Fed, and pockets of overvaluation in various sectors of the market seemed to suggest that the markets could only go down. The week before the U.S. election caused a vicious pullback in a very spooky ending to October.

Joe Biden's corporate tax hikes and the potential for more stringent business regulations looked like salt that would be poured into the wounds of an already ailing economy that was at risk of taking several steps back in the face of a worsening second wave of COVID-19 cases.

Uncertainties were profoundly high, and so too were the risks, as stocks folded shortly after I warned investors to prepare their defences and get ready to buy the dip following a pre-election correction.

"Analysts at **Morgan Stanley** think we could be due for another market correction (10% drop from today's levels) given the potential for profound volatility, with U.S. election jitters and surging coronavirus cases. While the coming correction [is likely to] be vicious, it's [going to be] a buyable one, as the U.S. Fed is likely to come to the rescue should fear grip this market again," I wrote on the Saturday before the final week of October.

Fast forward to today, and the markets have recouped the ground lost in the final week of October in the first week of November thanks in part to the deterioration of a Blue Wave and U.S. corporate tax hikes that would have likely come with it.

It's been a sweet November thus far, and could get even sweeter, as fear has gripped this market for far too long.

Following the herd can be harmful to one's wealth

If you followed the herd by selling in the face of the U.S. election, rather than preparing your defences and readying yourself to buy the dip, you likely missed out on last week's glorious rally. The Joe Biden win was no surprise, but the split House and Senate was. If you acted on the "obvious" polls and projections, you lost big. But if you stayed the course, ignored the chatter, and scooped up the bargains like **Fortis** that came to be in the final week of October's correction like a true contrarian, you're probably happy with your results today.

With the **TSX Index** trailing the tech-heavier U.S. indices, bargains are still abundant, even after the latest surge. So, if you're sitting on a hoard of cash, now is as good a time as any to put it to work before the lagging TSX has a chance to catch up. So, if you spot a bargain (like Fortis at these levels), scoop it up. Please don't wait for the perfect time to get it because it's the pursuit of a bottom that's more likely to leave you farther from it.

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