



3 Reasons Why I'd Buy Stocks Now and Hold Them Forever

Description

A strategy to buy stocks now and hold them over the long run has been relatively successful in the past. Although this does not mean it will necessarily be profitable in future, providing holdings with time to deliver on their potential could be a shrewd move.

Furthermore, the potential for a long-term economic recovery could lift the performances of many businesses in the coming years. This could lead to rising stock market valuations from which short-term investors do not fully benefit.

Buy stocks today to benefit from a potential economic recovery

An economic recovery from today's challenges cannot be guaranteed. However, the past performance of the economy suggests that it is likely to take place in the coming years. After all, no recession or depression has ever been permanent in nature. As such, a plan to buy stocks now could be a means of benefitting from a potential improvement in operating conditions for many businesses.

Of course, some companies and sectors may respond more positively than others to an economic recovery. Therefore, it is important to reduce risk through diversifying across a wide range of companies. In doing so, it may be possible to harness a long-term recovery that also leads to improving investor sentiment and rising stock prices.

Providing time to deliver on strategy changes

The coronavirus pandemic has caused many companies to experience disruption and change within their industries. For example, retailers may need to shift additional resources online, while hospitality companies may need to service consumers at home to an increasingly large extent.

As such, a plan to buy stocks and hold them for the long run provides businesses with the opportunity to put into effect their revised strategies. They may take time to develop and implement, and even longer to make a positive impact on financial performance. While there is no guarantee that strategy

change will lead to a rising share price, allowing a company the time to grow could be a prudent move.

A short-term focus may cause additional challenges

A long-term focus when buying stocks may also be beneficial because of the potential for high volatility in the stock market. Even though there has been a market rally since the 2020 market crash, an uncertain economic outlook may mean there is scope for further ups-and-downs in future.

This could negatively impact both long and short-term investors. However, investors with a long-term focus may be able to capitalise on it through buying shares when they trade at lower prices, with the aim of experiencing a recovery over the long term. Furthermore, they may be less concerned by the performance of their portfolios in the short run, in terms of experiencing paper losses, if they are focused on valuations over a long time horizon.

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Author

peterstephens

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