



Stock Market Recovery: I'd Buy Value Shares Now and Never Sell Them

Description

Buying value shares and holding them for the long run has been a relatively successful strategy over many decades.

It allows an investor to capitalise on low prices that provide capital growth potential, while benefitting from owning high-quality businesses that may have relatively low risks.

Since many strong businesses currently trade at low prices, it could be a good time to purchase value stocks. They could benefit from a long-term stock market recovery.

The appeal of value shares

Clearly, deciding which companies should be classed as value shares is open to debate. However, they are likely to include businesses that have dominant market positions in their respective industries that may allow them to deliver stronger profit growth than their peers. They are also likely to have solid balance sheets that can provide the required level of investment to expand into new growth areas to further enhance their financial prospects.

When such companies trade at prices that do not fully reflect their long-term financial capabilities, they could offer good value for money. Often, low share prices for high-quality businesses do not last for long, since industry or economic disruption has often given way to stronger operating conditions. Therefore, at a time when many companies could be classed as value shares following the 2020 stock market crash, there may be opportunities to build a portfolio that includes them.

A long-term stock market recovery

While many companies have posted strong share price growth in the stock market rally over recent months, a number of stocks continue to trade at low price levels. This could be because they continue to face major disruption from coronavirus or economic uncertainty. Buying them now could prove to be a sound move because of the stock market recovery that is likely to take place in the coming years.

History suggests that a strategy that aims to purchase high-quality companies when they trade at low prices has been very successful. Investors such as Warren Buffett have used such a plan to take advantage of the market cycle, where downturns have always been followed by rallies that lead the stock market to new record highs. As such, today's value shares could gain momentum as investor sentiment improves and a global economic recovery takes hold.

Adopting a patient approach

Of course, it could take many years for some of today's most attractive shares to deliver on their potential. The future is always known unknown, but at the present time it is arguably more unpredictable than is usually the case due to uncertainty caused by coronavirus.

As such, adopting a long-term approach when buying value shares could be a prudent move. It may enable high-quality companies to deliver on their potential. Over time, a patient approach could be rewarded with market-beating returns that significantly improve an investor's financial prospects.

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Author

peterstephens

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