

Stick with your plan and ignore ‘hot air’

BY GORDON WILSON

THE FTSE 100 low point in the year to date was 4,791, when industry pundits were talking of Armageddon and panic was spreading among investors.

I wrote at the time that investment was about focusing on a long-term plan and ignoring short-term “noise”.

I also warned against trying to make predictions about the short-term direction of markets and the folly of market timing.

Who would have predicted in August that by the end of October the FTSE 100 would have risen by more than 900 points from its summer low? Nobody.

The facts are that the market opened on Halloween at 5,702, a spooky 911 points or 19% up in less than three months. In the month of October alone the UK stock market rose by more than 12%, although the FTSE 100 has since fallen back to 5,527.

Three months is an extremely short period and this doesn't

prove anything, but it does remind us about how volatile stock markets can be and that they can recover from what feels like the end of the world very quickly indeed – and often when it is least expected.

It also illustrates just how difficult predicting market movements can be.

I have spoken to several stock brokers during this period who have been sitting on cash nervously waiting for an opportunity to invest, but have these opportunities now been missed?

With hindsight, the past few months have offered some excellent investment opportunities but who would dare to look forward to speculate on where the market will go next?

Who forecast the recent fiasco over Greece's surprise move to put a European rescue deal to a referendum – a plan later ditched – which rocked markets around the world? Nobody.

And this is the point – markets are moved most by the events we

can't predict; things nobody sees coming. The events we can predict are already factored into share prices.

So, if you want to ride the investment rollercoaster, listen to all the hot air emanating from the investment industry about market timing, stock or fund picking and what the latest dead cert is.

This is expensive and exciting, but unlikely to deliver the returns you are entitled to for the risks you are taking.

If you want to make the most of your money and enjoy your investment experience, then listen to the leading academics who advocate buying the market cheaply and holding it for the long term.

If you want to add a little spice to add extra return then include small and value companies.

If you want to take some risk off the table, then load up with high-grade fixed interest.

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