Invesco Mutual Fund

Viewpoint: Cut the noise, stay on course

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The roads leading to the 'stock market' are routinely clamored with countless noises. Trending these days, for instance, are loud noises both on the global and the domestic fronts. While on global front, there are concerns pertaining to rising protectionist policies in the US and the escalating trade tensions between the US and China, back home, it is the sequentially unearthing scams and the growing political ambiguity ahead of the general elections early next year that are disrupting the calm.

These elevated noises and the related anxieties have already robbed equity indices more than a few points from their respective peaks thus far this calendar year, leaving 'some' investors anxious and distraught. I have carefully chosen to refer to only 'some' investors as being distraught here, for others, I believe, will be guided by the many learnings from the past.

Though it is commonly known that equity markets are directed by the combined forces of fundamentals and sentiments, essentially, it is the sentiments that steer the markets in the short-term. And sentiments, being erratic, are easily influenced by the surrounding noises, resulting in frequent bouts of volatility in equity markets.

Volatility is thus inherent to equities and as much as one may try, there is no escape from it. But volatility need not necessarily translate into losses, provided investors, diligently, choose to dispel their fears and continue to stay invested, irrespective of the market conditions. In equity investing, the onus of safeguarding one's investments from frequent, but, interim bouts of volatility lie with the investor himself / herself, and the same can be achieved, simply, by staying focused and by staying on course.

All that one needs to do is, cut out all the market noise, deliberately excuse oneself from the news-linked market disruptions and instead of getting fearful and backing off on market declines, stay focused on achieving one's financial goals through continued investments in a disciplined manner, say through, Systematic Investment Plans (SIPs).

Going down the memory lane, the decade old global financial crisis of the year 2008 is hard to forget. The crisis left many investors disheartened mainly because they chose to exit at the lows, out of fear of losing whatever was left, rather than staying on course and let the market draw its own path to regain what was lost.

The ensuing 10 years, since then, have not been smooth either. Sovereign debt crisis / oil crisis / economic slowdown / scams / political uncertainties / tax reforms / demonetization / return of long term capital gains tax on equity etc. etc.; the noises have been aplenty throughout and severe enough to disrupt the markets time and again.

Yet, the Sensex has continued to scale! From its peak of ~21,000 points in Jan ’2008, and after touching lowly ~8,000 points during Dec ’2008 – Mar ’2009 period, it bounced back gradually to scale fresh peak of ~36,000 points in Jan ‘2018.

Those who stayed put through the tide are a happy lot today. But those who braved the tide and continued to invest systematically even when the markets had dropped to extreme lows are probably happier; and their happiness can be attributed - not to their ‘timing the market’, but, to their ‘time in the market’. It is the conviction to not just stay invested for long, but to continue investing despite all odds in assets such as equity - that have the potential to generate inflation beating returns – that has reaped healthy rewards for these investors.