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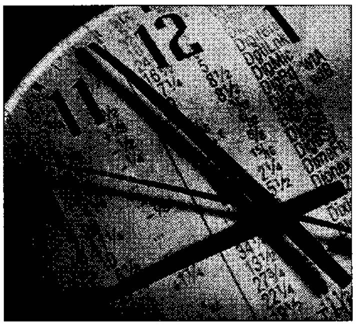
# Whether to time the mkt or not

Ringside
VIEW

Narayan S A



**OFTEN** one hears people say — I should have invested when the markets were in the 15,000 levels or I should have sold out when the market was at its peak at 21,000. The fact is that you get to know the best or worst times only in hindsight. Let us ask a simple question: How many people that you know successfully timed the Sensex at the beginning of a bull run or escaped a bear hug?

Investors tend to move in crowds that by nature are driven by herd instincts and a desire for instant wealth. It is difficult to predict the direction of the market and one can be lucky once in a while, not always.

Investing in stocks with an open mind will always yield good results. Timing the markets limits investing opportunities. People who try to time the market always think it could be the wrong time and hence tend to invest less. At the recent 15,000 levels they thought the index has not bottomed out and did not invest and at current 17,000 levels are hopeful that the markets will head back to 15,000 levels for them to enter.

Don't dabble with timing if trading and investing is not ones full-time job. A fundamental principle of investing is to ascertain an apt asset allocation that divides portfolio among major asset categories such as bonds, stocks or cash, usually to balance risk and create diversification. This allocation should be done keeping in mind various factors such as risk, profile, return expectation, investment horizon, financial goals etc. and staying steadfast to the same through changing markets.

The probability of attaining financial goals is much higher through asset allocation, rather than by trying to juggle around with investments and time market cycles. Try following an easy thumb-rule for investing — allocate your investible surplus between debt and equity as per your age. Your age minus 100 should be allocated to equity and the rest to debt. For example, a 35-year-old man can allocate 65% of corpus in equity and 35% into safer fixed return instruments. One needs to periodically monitor the investments and as exposure to a particular asset class increases, rejig the portfolio to the desired level.

The mantra to wealth creation in a stock market is to

- ■ Start early and save regularly.
- ■ Invest in a systematic manner — the intention is to capitalise on the volatility in equity markets by lowering the average purchase cost and is one of the best tools to inculcate discipline in investing.
- ■ Investing in good quality companies — ones with visionary management, leadership in their industries, stocks cash generation capabilities and strong balance sheets
- ■ Have patience and stay away from market rumours and hot tips
- ■ Review your portfolio periodically and make course corrections whenever there is a significant change in your situation or the market realities

However, as markets go through their cycles and as we go ahead in life, we tend to overlook the basics, getting carried away by the moment — be it on account of a windfall gain, a hot investment tip or sharp movements in the markets, ending up taking a bad decision. Investors should take a decision on buying into or selling out keeping in mind their long-term financial goals rather than based on short-term market movements. That holds the key to success.

The Indian stock market is rightly meant for long-term investors. With the long-term India growth story looking very positive and upbeat, there is immense sunshine left for investors to earn profits from hereon. Keep emotions out while investing and remember that you can always generate good returns over a long-term. Investing is like a marathon race, not a 100 m dash!

*The author is managing director, Kotak Securities.*
*"The views expressed are personal*

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