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Written by: Tony Sirett, Managing Director, Rodney Gibson Financial Services Pty Ltd.

The state of the markets & long term investing

The market is up again strongly today off the lead from Wall Street last night.

Retail sales are up.

The dollar is up to 81.6c US currently.

The ban on short selling of financial stocks has been lifted. Some thought this would potentially drive the market down.

The Dow Jones was up 221 points or 2.60% over night and the ASX 200 was up just under 60 points or 1.54% at 1.00pm today.

This seems to be defying the doomsayers who have been saying the market has been going up too strongly. Many commentators suggest we could be in for a dead cat bounce!

What is a dead cat bounce? It has nothing to do with harming animals.

This is a term used by traders in the finance industry to describe a pattern where a significant decline in a market or stock is immediately followed by a moderate rise before then going back down.

This suggests that the short rise was not a true indication of the market fundamentals.

I believe it is derived from the notion that even a dead cat will bounce if it is dropped from a great height.

Get back to basics

All too often we overcomplicate things. We need to get back to basics and focus on long term investing.

It is hard to say whether the people suggesting we are in for a dead cat bounce will be proved right or not, but trying to predict what will happen is impossible. Most financial professionals would not even bother to attempt to predict this. Many clients, however, suggest to us that we should know which way the market is heading. If you invest regularly and often you don’t need to worry about issues such as this.

We have experienced what many are saying has been a 1 in 100 year event with the recent downturn. I believe this means we have in front of us one of the best opportunities for the committed long term investor we have ever seen or will ever again be likely to see.

It does not matter what happens in the short term if you follow some sound principals when investing.

Many of the very best books ever written on investing suggest that we should pay ourselves first. In other words we should ensure 10% of everything we earn should be ours to keep! We should also commit to the discipline of a regular investment plan.

This helps to take the risk out of investing. When the market goes down you are able to buy units in an investment fund or shares at cheaper prices. When the recovery happens you do very well.

I recently looked at a client who bought into an Australian Share fund with $10,000 initially. They also invested $100 per month since they started the investment in 1984. To date they have invested $40,000 but their investment is worth $350,000 today. We often lose sight of these things when the news around us is all bad.

Don’t miss the opportunity to establish a plan to secure your future.

As always we would love to help so for a complimentary appointment call 3252 9990 or visit www.rodneygibson.com.au.