MINORITY SHAREHOLDERS WATCH GROUP
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TURBULENT MARKET

TO STAY STILL IS A DISCIPLINE

The ability to stay calm when all else is in turbulence in the stock market is a coveted attribute. But to stay calm when there is imminent danger is foolhardy.

THE ability to sit still is an ability to be acquired and nurtured. Investors are often "trigger-happy" regardless of whether it is a bull market or a bear market. We can blame this on the FOMO (fear of missing out) syndrome. Very similar to what we locally refer to as the *kiasu* attitude. Sometimes the best course of action is to do nothing; to stay still when all else seems to be falling apart.

Buy stocks on sale

Look out for sales. The greater the discount, the better. It has been said that Malaysians are excellent hagglers in search of the deepest discounts. Any shop vendor will attest to this economic trait. It has been told that Malaysians entering a store will first scan the horizon for signs showing the biggest discount. They will proceed to that section of the store. A 70 per cent discount displayed is sure to draw the attention of anyone entering it.

Such should be the attitude of one in the stock market. Beware of the temptation to buy. Look at what you are buying. Be mindful of the value and price. Price is what you pay after the 70 per cent discount. But is the thing that you are buying worth what you are paying? That is another question altogether. The key takeaway is — price is what you pay, value is what you get. Make sure that the value you get is a lot more than the price you pay.

Holding forever

A favourite quote of Warren Buffett is that he looks for a stock with a mindset of holding onto it forever: "Our favourite holding period is forever". When you buy such stocks, bear markets are less stressful. Since your plan is to hold for the long run, you don't have to do anything when the market goes sideways or down. No need to anxiously reshuffle your portfolio.

No need to guess when share prices will bottom out. Your only job is to wait. But we can modify this quote to state that you should hold only until the stock surpasses your ascribed intrinsic value. Then you should sell and take home some cash. You should buy that stock again when it falls below your ascribed intrinsic value. This way, you invest with discipline and realise some cash along the way. It is one thing to hold onto a stock forever and see increasing stock prices and another to take home some cash along the way.

Temperament, not intellect

Intellectuals do not necessarily make the best investors. It is investors who have temperament — not temperamental investors. The ability to stay calm when all else is in turbulence in the stock market is a coveted attribute. But to stay calm when there is imminent danger is foolhardy.

What we need to distinguish is whether circumstances have changed permanently or temporarily.

It is easier to do that when you can analyse what's happening calmly, unemotionally and rationally. If you let fear and greed take over, they can convince you to make the wrong decisions, which may derail your plan that's sure to dampen your long-term returns.

At times of turbulence, there will always be gurus and naysayers. Sometimes they have their own hidden agendas. Instead of helping you from becoming a victim, you become their victim. Do not watch the market too closely. The noise will distract you. Have confidence in your stocks... unless the premise, based on which you selected the stock, has changed. If you are confident of your "hold forever" stocks, there is no reason to worry about a bear market. There is no need to react to falling share prices. There is no need to react to every hiccup along the way. They are mere hiccups. They will pass. It is perfectly all right to stay away from the fear and greed-laden emotional headlines. It is perfectly all right to stay away from the noise.

Do not end up being unable to see the forest for the trees. Keep a healthy distance from the blaring headlines. As Buffett said, "the market is there to serve you, not to instruct you". In investing, the itch to do something is terribly overwhelming. To stay still is a coveted discipline. Staying still is still a course of action.

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