Why You Should Stay Invested, Even During Uncertain Times

Look beyond the current global 'noise' and understand why you should continue to keep your money working for you in the markets.

You could be forgiven for thinking that this is not a good time to be investing in the stock market. Wherever you look, the headlines are not exactly comforting - From trade wars to rising interest rates, increased tension in the Middle East, and of course, the never-ending drama of Brexit - The only certainty is uncertainty.

The reality of investing, however, is that the right moment to take the plunge or increase your holdings never looks that way at the time.

If everyone around you is relaxed about the outlook, chances are a storm is just over the horizon.

Typically the best time to invest is when things look uncertain because that is when the general prices of investments are most likely to be more attractive.

Here are a few reasons to look beyond the short-term noise and consider putting your money to work in the markets. Even though it might currently feel a little uncomfortable to do so.

1. The outlook for markets is always unclear.

As always, it is only with the benefit of hindsight that things look obvious. At any point in time, the future is always unknowable. Viewed from 2019, earlier periods of great uncertainty, like the 1970s for example, look more orderly.

We know that inflation was subsequently tamed, that the unions did not undermine the system, that wars raging at the time eventually ended and recovery began.

In 10 years' time we will know how Brexit worked out and how the US/China trade wars resolved themselves. But if we step back from the market today for fear of what might happen, we will not be able to wind the clock back if things turn out better than we expect.

2. There is a consequence of great uncertainty.

It is that many investors are nervous and are holding back from investing. This means that the prices of shares and other investments are cheaper than they would otherwise have been.

One measure of this is the income currently being offered to investors. The FTSE 100 index for example has a yield (the value of dividends as a proportion of share prices) of more than 4.5%. That is high compared with both history and compared with alternatives sources of income.

3. Feeling like you are in the eye of the storm is just an illusion.

When you feel that you are in the eye of the storm (as many investors currently do feel), it is hard to believe that others are not also being buffeted by strong winds.

For example; in the UK, the news has been dominated by domestic politics but in the rest of the world investors are less concerned by Brexit than the United Kingdom is.

The UK represents a relatively small share of the global stock market's total value. So, a well-diversified investor should consider Brexit as just one consideration in the overall investment landscape – it's not the tornado that you think it is!

4. Time in the market is more important than timing the market.

It's an old saying but it's true!

This is partly because the market cycle is different from the economic and even the news cycle. Investors tend to anticipate the future, so they are less concerned by what is happening now than by what might happen in the future.

It is hard to predict either the direction or the timing of market changes.

Timing the market is also extremely risky because missing even a handful of the best days in the market can seriously reduce your long-term investment returns. Because the best days often follow quickly behind the worst days, it is too easy to be out of the market when these big rallies take place.

5. Keep investing through difficult times.

The fact is that it is extremely unusual for every type of investment to perform badly at the same time. When shares fall, bonds often rise and vice versa. Or another asset class like property or commodities picks up the baton.

Because of this, the best defence against volatile markets is diversification. A well-balanced portfolio – spread across different assets and across different geographical regions – can be expected to provide a smoother ride.

6. Finally, volatile markets can be an investor's friend.

Because they are more likely to deliver attractive opportunities as many investors throw the baby out with the bathwater. When markets are panicky, good shares are sold just as eagerly as bad ones. That can create plenty of chances to buy attractive assets at good prices.

Volatile market conditions can be a good environment for finding some real winners.

For half a dozen reasons, therefore, a high degree of global uncertainty should not be seen as a reason to run for the safety of safe havens like cash. Sometimes an investor has to simply keep calm and carry on.