HOW TO HANDLE ALL-TIME HIGHS?

In the last year and a half, the markets remained volatile at a range bound. There are multiple occasions when the market tried to break the upper barrier but not quite. Now at the end of **June'23,** it is again near the all-time high. Many investors are in a dilemma whether to book profit, stay on the sideline, halt their lumpsum investment decisions and wait for the market correction.

Buying low and selling high is tempting and many investors try to time the market. But in this course of action, many have missed some of the best rallies in the market. Let us go through the past and analyse some similar situations when the market was breaking previous highs.

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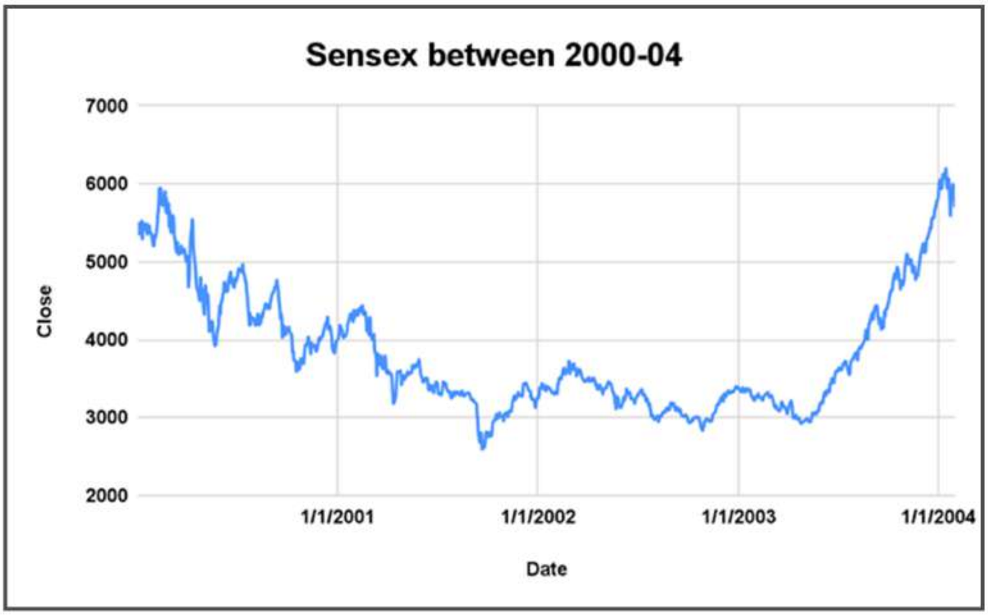

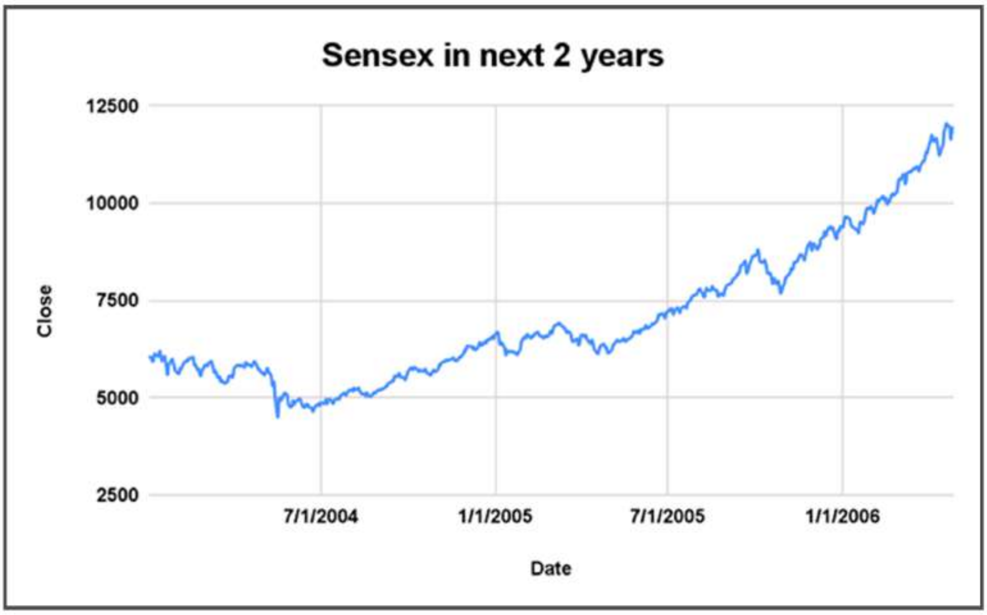

SENSEX PROVIDED APPROX 97% ABSOLUTE RETURN IN THE NEXT 2 YEARS AND 4 MONTHS.

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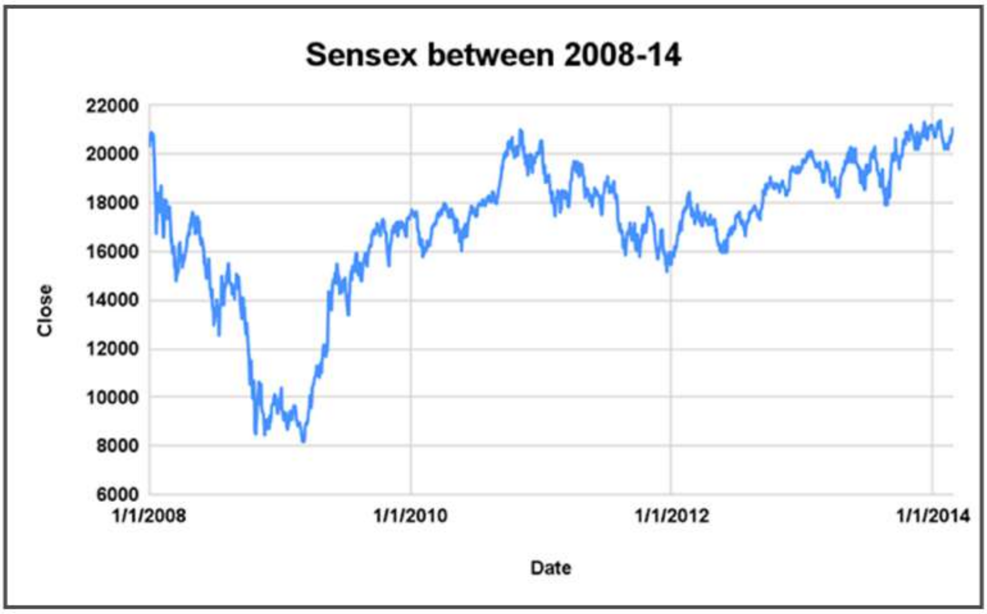
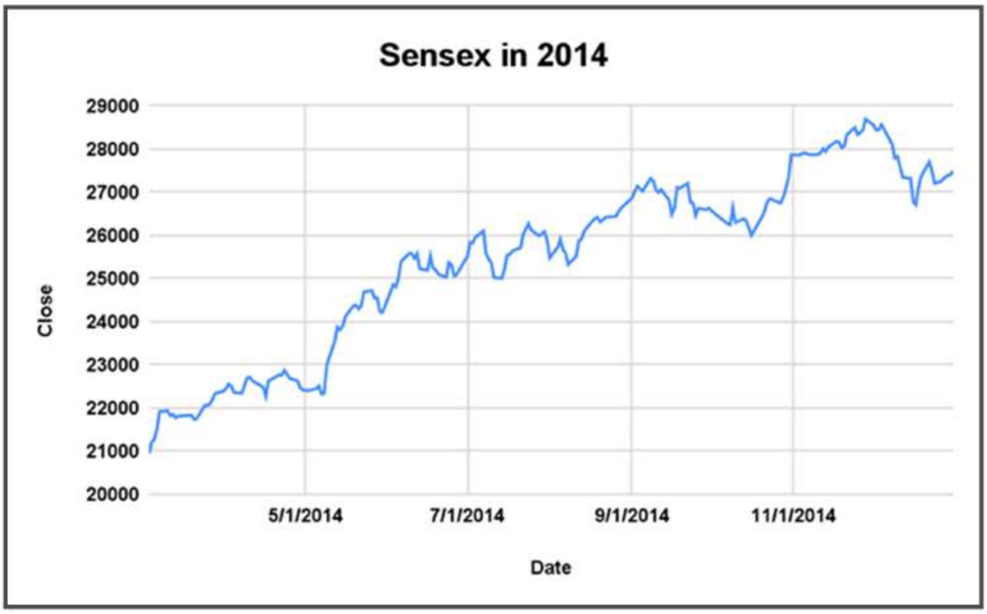
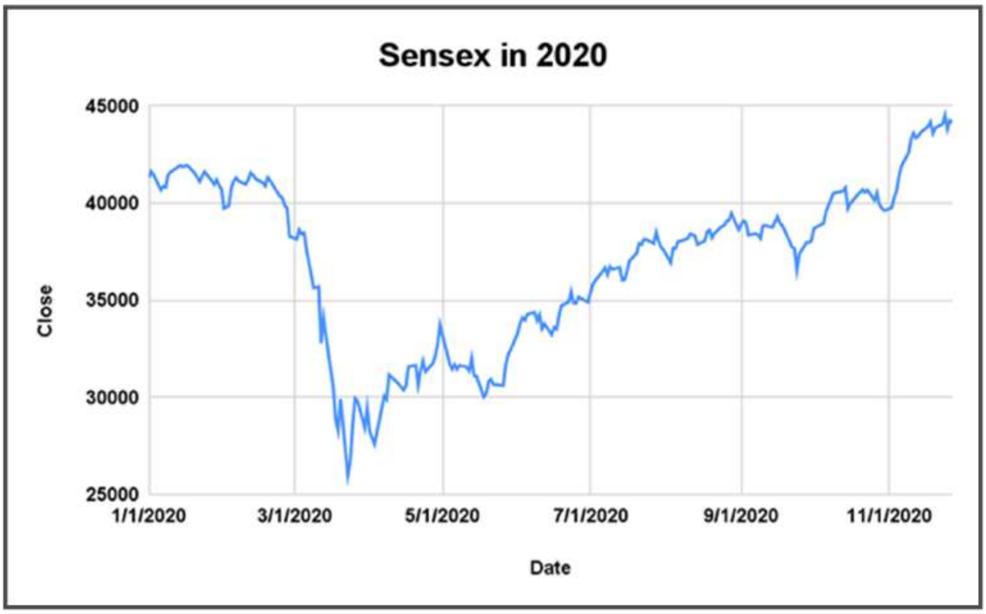
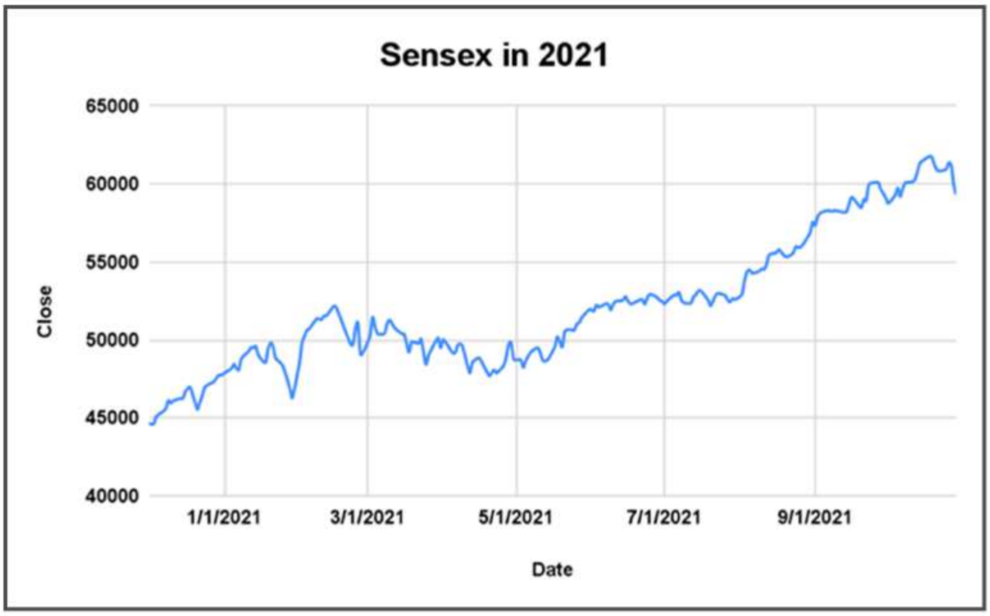




SENSEX PROVIDED APPROX 31% ABSOLUTE RETURN IN THE NEXT 8 MONTHS.





SENSEX PROVIDED APPROX 38% ABSOLUTE RETURN IN THE NEXT 11 MONTHS.

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Keeping the above data in mind, if we assume equity markets grow at 12-15% annualised return, then after every 5-6 years the market may double and in the course of action will break previous highs and reach new highs. But many investors become pessimistic because of prolonged flat return or negative returns and tend to sell their investment as soon as investment starts generating return or becomes positive. Equity investment should be done with a long-term horizon (minimum 5 - 7 years so that one can witness a full market cycle).

Many new amateur investors, especially at a young age, get tempted by the bull market and jump into the market at the top. As soon as the market starts correcting they sell their investments or wait for the market to move up so that they can get out at break even. In this regard, they miss some best rallies and prolonged compounding effects on their investments.

One can witness from the above chart that there were numerous flattish and down cycles in the last 43 years but Sensex still managed to generate 15.54% IRR. Bull markets/bear markets making new highs, or coming down from the top are all part of the investment journey and one should be accustomed to the same and hold on to their investments to see a compounding effect on return.

Disclaimer: Mutual Fund investments are subject to market risks. Please read the scheme related documents carefully before investing. Past performance may not repeat or sustain in the future. The above is for illustration purposes only and not investment advice. Sensex Data Source: Wallstreet Journal.

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