

## FEAR: MARKET'S ARE GOING TO CRASH



Of course! They are, But the problem is, **WHEN?** Probably 1 year from now, maybe tomorrow, maybe 4 years from now, nobody knows that.

### So, what do we do?

Our mind is a strange thing, it wants stuff in binary. We don't want any logical reasoning, nor do we want to try and understand what factors could affect the markets and what could lead to a crash. We just want a simple answer, To stay invested or to exit the markets.

The most important thing we need to understand is that there is no such thing as being binary in stock markets. Everything has grey areas. Example: - I like a stock but not enough to buy more of it, neither will I sell it.

One needs to understand his/her risk appetite and take decisions accordingly. You stay invested in stock markets, but you also invest some part of it in less volatile markets. It's okay to say that I think this is madness, so I ease the foot off the pedal, but I'm not getting off the car at least as of now.

You can go down to 60% on equities and allocate the other capital to some other safe/less volatile assets. This way you can do better than:

- 1) Staying fully invested here, as the markets can easily crash tomorrow.
- 2) Staying fully out of the markets, chances are you'll get frustrated if the markets keep on rising, and you may just enter back when the markets reach their peak.

People will now start to think, lets book profits on the stocks that have really done well this year and will wait patiently for losers to perform, thinking that they'll exit the stock when the price rises.(PATHETIC IDEA). This is something like penalizing yourself for good stock selection. The best way to do this is to get rid of your losers.

Better strategy would be to book some part in all positions. Booking 1/3<sup>rd</sup> in all stocks will bring down your exposure in equities from 100% to 66%.

If you're a stock picker, you'll always find good stocks and the reasons to keep holding on to them. The simplest reason to stay invested is the stock is going up, does anything else matter? Even if you think that the valuations are high just hang on till the time madness keeps things totally irrational.



The worst reason to buy stocks and hold on to them in this market can be: I'm buying stocks because someone else is, or buying based on tips. I would rather suggest to buy a lighter and burn your money rather than doing that.

## **THE MOST IMPORTANT THING**

Don't let the victories get to your head. There are markets that make everyone look good, this is one of them. Don't underestimate luck. It was not just your skill that you made such great returns in last 1 year in the stock market. This mantra will help you keep calm at the downside. Because if it wasn't you on the upside, it probably wasn't you on the downside either.

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