October 12, 2015, 18:29 clock Investment in shares

why private investors should never rely on timing

To determine when the price is really very bottom, is like a glimpse into the crystal ball. (Photo: dpa tmn)

Price falls as recently at the VW share convince them to approve entry into shares.

However, it is impossible to predict whether or not a paper or an index has already reached the bottom or falls further.

Private investors have little chance of achieving a decisive information advantage and even the best stock market pundits are often wrong.

Feedback

From [January Willmroth]

What the stock market may still be a gamblers paradise. For gaming you do not even complicated derivatives or currency contracts. Sometimes the stock of a large, established company enough. Those who have watched the preferred shares of Volkswagen in recent weeks, has experienced so many jumps. Ten percent gain during the day. Prior to minus 18, sometimes minus 20 percent. There's a scandal battered by a group, and with him a stock that must at some point reach its nadir.

The question

How can I tell whether a stock or index has reached its low point? - *Martin S., Leipzig*
Questions for investment to *sz-finanzen@sueddeutsche.de*

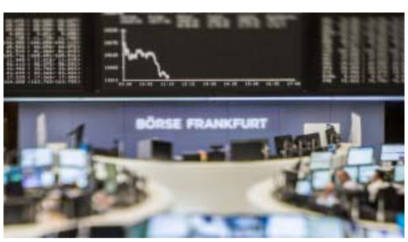
Precise predictions are impossible

Sometime so for an entry could be worthwhile again even for less speculative investors. Just as with indexes that have fallen sharply. How can you tell whether a security or an entire market has reached its lowest point? How to recognize a month like March
2009, the day on one of the stock markets in developed countries almost everywhere could make a profit?

The first answer is simple: You can not detect a low point. It is impossible to predict correctly whether the VW share has reached its bottom by the fluctuations in the past few weeks. If it falls to 80 euros? If it remains above 100? All speculation, all not a question of competence. Too many have already verhoben in trying to exploit price falls. Often using professionals. A classic example: the later US Federal Reserve Chairman Alan Greenspan in an interview with the *New York* Times, in 1973, at that time one of the most sought soothsayer in the financial market. "One can rarely fully *bullish* be like at the moment." Bullish: The one is in English, if you believe in rising share prices. Unfortunately, Greenspan was then dramatically next: in 1973 and '74 were the worst years since the Great Depression.

Timing is an illusion

Although well documented how often they lie next to, the stock market is full of predictions. Whoever is guided by price forecasts, but must expect exactly the same thing to do as thousands, perhaps millions of other investors. Information projections are for private investors usually not possible. "Neither logic nor the experience," writes investment legend Benjamin Graham, "is a basis for assuming that a typical or average investor may waive market movements better than the rest of the population." In other words, timing is completely useless for the private investor.



Investment
keep calm in turbulent stock market times

The unrest in the financial markets unsettled increasingly private investors. Who can bring the excitement but from the concept, it is charged.
Money workshop

Similarly, clear answers provides the empirical financial market research. Inexperienced investors be guided by mere draufschauen: A stock, which has fallen sharply needed, but rise again sometime. Strong price increases they extrapolate into the future and believe in a continuation of the trend. Very robust is the slope, falling stocks to last and winning stocks to sell too early. The right time to get in and out will always find very few. The financial researcher John Graham and Campbell Harvey studied in 1997 market letters, whose selling point so often are timing tips. They showed that investors between 1991 and 1995 with the recommendations of the best ten percent market letters annually 12.6 percent return achieved - in the entire market (as measured by the

S & P 500), but 16.4 percent per year.

So even the best soothsayers fail sometime. Certainly's just that few of them really are at the end, as far as the further development of the VW shares.

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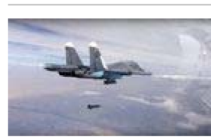

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