

Economico Flash ⚡ #28

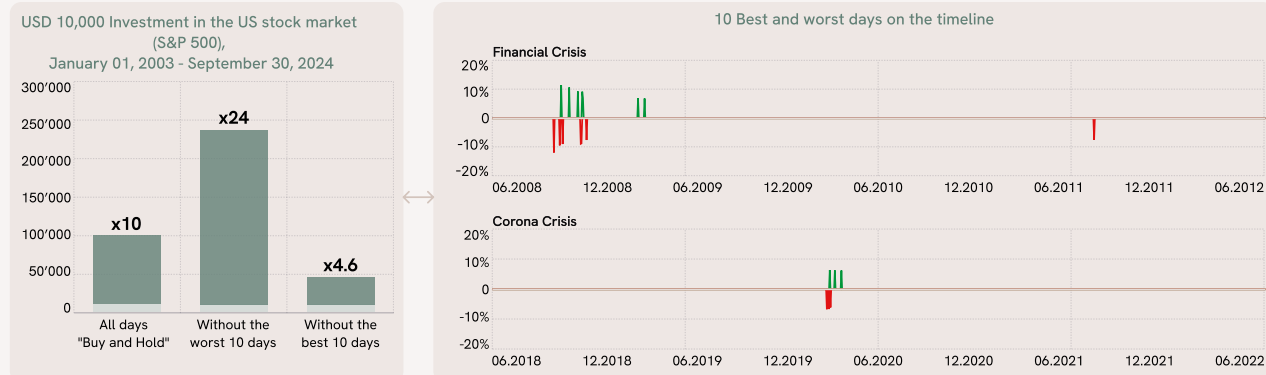
Investment Tactics & Market Timing: Who has the crystal ball?

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Chart of the week: Is market timing worthwhile in the stock market?



Source: Refinitiv, as of 30.09.2024

Those who can anticipate when the markets will go up and down will become rich. We document this in the chart of the week.

Anyone who invested USD 10,000 in the US stock market - represented by the S&P 500 Index - on January 1, 2003 and left it there until September 30, 2024 ("buy and hold") will have increased their assets tenfold in this period.

Excluding the 10 worst days on the stock market during this long period, however, his final assets already amount to CHF 237,883, i.e. the investor with the magic crystal ball, which reliably shows him on which days the stock markets will take a dive, was able to increase his assets by a factor of 23.

But watch out: If you miss the 10 best stock market days, the final value is only CHF 46,000 and therefore less than half as much as if you had simply left the share portfolio lying around.

To make matters worse, the bad and good days often follow each other in close succession - as shown in the chart of the week for the financial crisis and the coronavirus crisis.

Which brings us to the crucial question: Do you trust yourself to avoid the bad stock market days and not miss the good ones?

Transaction costs have not yet been taken into account. If you constantly rotate your portfolio in an attempt to catch the right moment, this will cost you at least half a percent of the transaction volume - once out and once back in.

After all, actively participating in the market and trying to catch the right time may release tingling adrenaline in some people. However, it is not conducive to long-term balance.

There is therefore much to be said for carefully determining your investment strategy and then implementing it in a disciplined, cost- and tax-efficient manner. [Economico](#) supports you in this.

Takeaways

- In theory, a lot of money can be made with market timing.
- In practice, however, hardly anyone manages this.
- Back and forth empties your pockets.