# Timing the stock market simply does not work

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Shares of Apple Inc. hit an adjusted high of US$27.06 in the beginning of June. And then the shares followed a path downward until they hit a price of US$11.87 in early March. This was a 56 per cent decline in the share price in less than 10 months. Of course, I am talking about the period June, 2008, to March, 2009 – the Great Recession. People were panicking and indiscriminately dumping long-term holdings.

Here is the irony – Apple had just introduced the iPhone in June, 2007. iPhone sales went from 1.4 million units in 2007 to 11.6 million in 2008 to 20.7 million units in 2009. At the same time, Apple net profit went from US$3.5-billion in 2007 to US$6.1-billion in 2008 and US$8.2-billion in 2009. So, on fundamentals, Apple was actually a better company in the dark days of the Great Recession than before – yet it didn't matter. Investors – individual and institutional – dumped Apple stock during this time. It was unloved like all the other stocks. But long-term investors who held on would have seen their Apple shares worth US$324 each at the end of January, 2020 – a return of more than 2,600 per cent since the lows of March, 2009.

Of course, not every stock fared as well – some companies went bankrupt – but the broad market itself provided very attractive returns. An investor who had simply invested in an ETF tracking the S&P 500 would have enjoyed a return of over 380 per cent from the market low in 2009 till the end of January, 2020 – an annualized return of more than 13 per cent.

The turmoil in the stock market over the past week was triggered by the coronavirus and the fears of a pandemic. The impact on people's health, the economy or the stock market – at least in the short run – is unknown. Fear of the unknown is a common trait and it is compounded by the challenge that many investors believe that they can time the market – get out now and get back in when the markets start to recover. But analysis by JPMorgan Asset Management showed that over the 20-year period from Jan. 1, 1999, to Dec. 31, 2018 – a period that included the SARS epidemic, the Middle East respiratory syndrome and Ebola scares – an investor who missed the top 10 best days in the stock market gave up more than 50 per cent of the return. Timing the market simply does not work.

Will the stock market continue to go down over the next few weeks? Possibly. Will it be higher in five years than what it is today? Almost definitely.

Investors should remember the following from Warren Buffett, as quoted in Fortune several years ago: "To refer to a personal taste of mine, I'm going to buy hamburgers the rest of my life. When hamburgers go down in price, we sing the 'Hallelujah chorus' in the Buffett household. When hamburgers go up in price, we weep. For most people, it's the same with everything in life they will be buying – except stocks. When stocks go down and you can get more for your money, people don't like them any more."