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Watson Investment Partners

Don't Time the Market

Superior Strategies Keep You Invested

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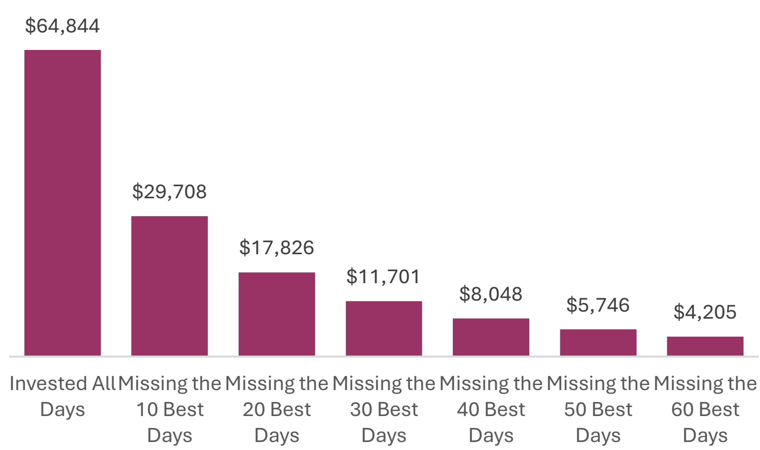
Many investors believe they can time the market—jumping in when prices are low and cashing out before they fall. While the idea is appealing, history shows that market timing is not only difficult but often counterproductive. Staying invested is the better strategy for long-term financial success.

The Cost of Missing the Best Days

Market gains are often concentrated in just a handful of key days each year. Missing these pivotal moments can significantly impact long-term returns. Research shows that being out of the market for just the 10 best days in a decade can slash overall returns by half. Notably, these high-return days often follow major downturns, meaning investors who sell during periods of volatility risk, not only locking in losses, but also missing the subsequent recovery.

Value of $10,000 Invested in the S&P 500 (Jan 2003-Dec 2022)



Source: Visual Capitalist

Markets Reward Patience

Over time, markets are resilient, recovering from downturns and continuing to grow alongside economic and corporate earnings expansion. While volatility is inevitable, historical data shows that equities, as an asset class, have delivered strong long-term returns despite periods of crisis and uncertainty. Investors who remain patient and disciplined benefit from the effects of compounding, dividends, and reinvestment. Those who attempt to time the market often end up buying high (when optimism is strong) and selling low (when fear takes over), the opposite of what successful investing requires.

Emotions Undermine Timing Strategies

Emotions often drive investment decisions, causing investors to sell in downturns and chase returns in bull markets. This cycle of fear and greed results in a pattern of buying high and selling low. Two well-documented behavioral biases contribute to this: **loss aversion** and **recency bias**. Loss aversion makes investors feel the pain of losses more intensely than the joy of gains, often prompting premature selling to avoid further declines. Recency bias leads investors to overweight recent market trends, assuming they will continue indefinitely—leading to buying at peaks during euphoria and selling at lows in times of pessimism. A well-diversified, disciplined strategy helps counteract these biases, leading to better long-term outcomes.

A Smarter Approach: Staying the Course

Rather than trying to predict short-term market movements, a better strategy is to stay invested through market cycles. Successful investing is built on a foundation of solid principles—asset allocation, risk management, and long-term objectives—not reactionary moves based on headlines. A well-structured portfolio—one that balances equities, fixed income, and alternative investments—should be grounded in a clear, rational framework that investors can articulate and rely upon.

When markets become volatile or trend down, uncertainty rises, or fear sets in, it's not emotion that protects your capital—it's the credibility of your strategy. A sound investment plan, rooted in fundamentals, allows investors to stay disciplined and make decisions based on logic rather than panic. Adjusting asset allocation in response to meaningful shifts in personal financial goals or economic conditions is a far more effective approach than attempting to time the market. Those who have conviction in their strategy—because it is built on enduring principles—are the ones who see the best long-term outcomes.

Market timing may appear to offer an advantage, but it often results in missed opportunities and underperformance. The most effective way to build wealth is by staying invested, maintaining a well-diversified portfolio, and focusing on long-term goals. Successful investing isn't about predicting short-term market movements—it's about structuring your portfolio strategically to maximize growth while minimizing unnecessary taxes and costly mistakes.

At Watson Investment Partners, we manage a high-conviction, factor-driven strategy designed to deliver strong risk-adjusted returns. This means we apply our expertise to help our clients create portfolios that balance performance with diversification.

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