Markets in freefall, again

Theo Marinis discusses why investors would be ill-advised to knee jerk in fear and sell down their holdings in response to the 'The Corona Crash'.

We have been discussing the impending market correction with our clients for the last three years. On average, the market breaks every seven years, so with the GFC over in 2008, we are well and truly overdue.

The coronavirus is just the steam valve to let off some of the pent-up pressure of the irrational exuberance of the last five years.

To paraphrase former Australia Treasurer Paul Keating's comment in November 1990: "This is the… (correction)… we had to have." Although Keating never lived that down, he was right and 1990 was the last recession in Australia to date!

To sell in a market correction is almost never a good move. If you have the available cash, you should consider (with advice) if it is a good time to be buying into the market; there are often great quality discounts gained when stocks are at fire-sale prices.

For investors who don't have the spare cash, or the appetite for purchasing in a falling market, the best advice is to relax and stay with the medium to long term strategy.

For those in the retirement phase, it may be time to draw down on cash investments (known as the Marinis Buffer to our clients). This strategy acts as a shock absorber to avoid selling good quality assets in a skittish market.

Investors aged over 30 should already be aware that market breaks are always catastrophised by media commentators, which is a little ridiculous as they are never unexpected. Every editor knows that fear sells.

A significant part of the role of a financial adviser is to educate our clients not to lose their heads when others around them are panicking. When we discuss these events, we never get the timing exactly right, because no-one has that elusive crystal ball.

Over the last 30 years, training and experience in economic matters have demonstrated to me that markets rise and rebound. When markets fell dramatically on the outbreak of SARS, they rebounded to achieve the best performance in a decade in 2019.

The Australian stock exchange has delivered an average 9.8 per cent per annum return for the last 50 years and this has included war, political uncertainty, pandemic fear and over-excitement during the bad-old-days of the "greed is good" era.

I will sleep just as well tonight as I did last week. Investors should see the current situation as just another predictable bump in the road to getting rich and staying rich.

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