The COVID-19 Risks of Trying to Time the Market

Success is achieved by time in the market, not in trying to time the market

For the past two months, the market declines and market rallies have been historic, as COVID-19 introduced a level of uncertainty that was difficult to quantify, let alone predict. And if the stock markets hate one thing, it's uncertainty.

Consider this:

- The stock market took just 23 days to drop 34% from its all-time high, the fastest bull to bear drop in history. During this time, the market ended in the red 74% of the time.
- The stock market has risen more than 25% in the past month, the strongest bear-market rally in nearly 90 years. During this time, the market ended in the green 57% of the time.

You think you could have timed that perfectly? Unlikely. In fact, if you let your emotions dictate your investing decisions, you would have likely sold during March and were sitting on the sidelines in April – so you lost out twice.

The Risks of Trying to Time the Market

The month of March and April are great reminders of why it's important to invest for the long-term and not make knee-jerk reactions to sudden market declines (or upswings). Need more proof?

Be honest: do you really think you – or anyone else for that matter – could have perfectly timed the 12 trading days from March 9th to 24th? Remember that:

- On March 9th, the DJIA dropped almost 8%, the 13th largest daily percentage loss in history
- On March 12th, the DJIA dropped almost 10%, the 5th largest daily percentage loss in history
- On March 13th, the DJIA gained over 9%, the 11th largest daily percentage gain in history
- On March 16th, the DJIA dropped almost 13%, the 2nd largest daily percentage loss in history
- On March 24th, the DJIA gained over 11%, the 4th largest daily percentage gain in history

Time in the Market Matters

Trying to pinpoint the right time to invest in the stock market is an exercise in futility. If you have a longer period to save, owning equities provides one of the most effective hedges against inflation and taxation available. Since it is impossible to know where the market might go from here, it makes sense to start investing now and continue investing on a regular basis, regardless of market conditions. Remember: long-term investment success is achieved not by timing the market, but by time in the market.