



Could the worst be behind us?

Although there are many hurdles to overcome before the world fully recovers from the global financial crisis, now is a good time to be investing, writes **James Thomas**.

“Everybody is saying that after the summer, the market is going to come back. I am a small investor. How should I be prepared for this turnaround, if at all it happens?”

As we all know, the past few months have been very difficult for all of the world markets, including the local Gulf markets. Asset values have been hit hard, and while some have been showing signs of recovery in the past couple of months, they still have a long way to go to reach their previous heights.

I'm not sure everyone believes that the markets will recover after the summer, but there is belief that generally the worst might be behind us and that we should be able to look forward to growth. The effects of the bailout money and other government strategies are now being felt, which is also having a positive effect on market sentiment. However, as a word of caution, there remain many hurdles to overcome before the world recovers fully from this situation.

Generally, I believe that now is a good time to be investing. If you believe this, too, then go ahead and invest. It is no good sitting on the sidelines waiting for the right time to invest, as nine times out of ten you will miss the boat and not benefit fully from any market rise. There have already been some large gains seen in various markets. As of mid-June, the Dow Jones had risen 30 per cent since March, while the Sensex was up over 70 per cent.

While I might not have recommended the following course of action (and still would not) simply because the strategy is high risk and I do not advise on direct equities,

I do know of somebody who had a hunch that the UK banks were undervalued back in February and invested into shares of three banks. He has already doubled his investment.

The phrase 'it is time in the market and not market timing' has never been truer. If you believe in markets and think there are opportunities out there, then go for it.



Preparation is the key to taking full advantage of any recovery. Work out how much you are going to invest. Are you planning to invest a lump sum or regularly? Are you planning to buy direct shares or via a mutual fund? Each option may well have a different strategy, and this needs to be established to take full advantage of your investment.

Carry out your research and due diligence on the shares or funds that you are interested in investing into. Get involved in the investment process, know

what it is you are investing in and be aware of the risk factors that you may be exposed to.

As I have stated, timing is not as important as time in the market. While there are short-term opportunities to take advantage of, my advice would be to take a longer-term view of at least five years when investing, as it significantly increases the potential for positive returns.

What level of risk are you prepared to take? Would you be prepared to invest into a stock like the UK bank example? While in this instance the client has benefited significantly, at the time there was a strong chance of one of the banks being nationalised, so he could have lost his whole investment. How would you feel about this?

You mentioned that you are a “small” investor. Different people have different understandings of what this actually means, but more importantly, what does it mean to you? Is it a small amount that you can afford to lose, or is it a large part of your savings? Dependent upon the answer, I would suggest that you take an appropriate investment strategy.

The length of time you invest for will also effectively reduce the overall risk that your investment is exposed to as the highs and lows of investment cycles become less pronounced and the performance tracks closer to the average return of the sector you have invested into.

In summary, I think now is a good time to invest. As always, though, do your research, know what you are getting into and, as with all aspects of your financial affairs, regularly review your financial situation to make sure it continues to reflect your wishes and requirements.

James Thomas joined Acuma Wealth Management, a company licensed and registered by the Central Bank of the UAE, in 2004, having worked as an independent financial consultant in the UK for six years. He is fully qualified and is a member of the Chartered Insurance Institute of London. Contact James at jthomas@acuma.ae. This article is provided for information purposes only and should not be regarded as financial advice. Always remember that investments can go down as well as up.