You May Want to Panic, You May Want to Cash Out

But Here's What You Need to Remember…

It's a difficult time for all investors.

Very few of us would have come out unscathed from the recent dramatic drop in share prices.

The combination of COVID-19 Coronavirus panic and a spat between Saudi Arabia and Russia hammering the oil price and oil stocks, has made it the worst time since the 2008 financial crisis.

We're officially in a "bear market" – when a stock market falls 20% from its highest point in any given year.

What everyone wants to know now is; "What happens next, and how long this will last?"

Here's what we do know:

- The fall in the oil price, which hit nearly every stock market hard, will last as long as politicians wish it to.

- The Coronavirus panic will hit stocks and economic growth until the world finds a way to fight back.

But most importantly… We also know that, on average, it never takes long for stock markets to recover from their lowest point.

The worst bear market in recent history started in August 1972 and lasted for more than two years, wiping 72% off UK shares …

- **But by June 1975, investors would have doubled whatever money was left and been back in profit.**

It's an extreme example but it should remind us that the bear market is always shorter than the subsequent bull market.

- **Since 1969, the average bear market has lasted 385 days, while the average bull market has lasted 1,482 days.**

The last bull market, which only ended earlier this week, started in March 2009 … That's eleven years or over 4,000 days ago. Losses this week have been hard to stomach, but they come on the back of huge gains made over those eleven years.

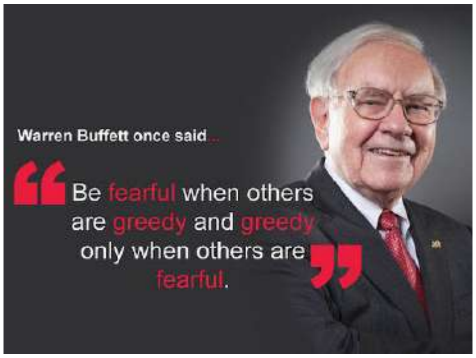
With regard to the oil price issue, neither party can afford to keep prices this low for long because both Russia and Saudi Arabia's break-even points are higher than the current oil price.

While it's impossible to know when the game of chicken might end, it's also clear that in the long run, the current situation on oil prices is unsustainable.

It's natural to panic about market falls, it's natural to feel like you want to cash out in case it gets worse … but it's also helpful to remember where your money started from and how quickly it is likely to recover and return into profit once these two combined issues have eased.

Indeed it could be said that it's a perfect buying opportunity, as the wise advice is always to buy low and sell high.

Years ago, famed investor Warren Buffet said:



"Try to be fearful when others are greedy and greedy when others are fearful."

If you are in a position to buy now, it could be a good decision and potentially help your investment portfolio to get back into profit at an earlier time.

After all, if you saw that suit or dress you desire on sale at 20% discount you tend to notice it more and have a greater interest in buying it.

Stock prices (in general) are now trading at 20% less than they were three weeks ago. There are not often price declines this large that create such buying opportunities.

So if you have the spare cash and don't need it in the short-term, investing now could be a good long-term investment decision.

But overall, and despite all the panic that seems to be going on around us, we need to stay calm and take the advice of Lance Corporal Jones from that classic and much loved BBC comedy series from the 1970's … "Don't Panic Mr Mainwaring!"

To illustrate the point, here is an amusing YouTube clip with Lance Corporal Jones in full 'Don't Panic' mode!

https://www.youtube.com/watch?v=nR0lOtdvqyg