MINORITY SHAREHOLDERS WATCH GROUP

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(Incorporated in Malaysia – Registration No.: 200001022382 (524989-M)

New Straits Times, Business Times – 18 May 2023

SHARE INVESTMENT

EMOTIONAL ROLLER COASTER

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INVESTING in shares can be a roller coaster of emotions. It can be an exhilarating experience when the stock market is on the rise and investments are earning great returns.

During the last super bull run of the late eighties, it was not a question of whether you made money on shares; it was a question of how much you made.

However, investing in shares can also be a nerve-wracking experience when the market is falling, and investments are losing value.

The most recent stock market crash occurred in 2020 as Covid-19 spread worldwide. Earlier, we had the financial crisis of 2008, the dot-com bubble of 1999 to 2000 and the Black Monday crash of 1987.

However, unlike previous crashes whose recoveries required years, the stock market rebounded to its pre-pandemic peak by May 2020.

Fuelling the rapid recovery was an enormous amount of stimulus money, with the US Federal Reserve slashing interest rates and injecting US$1.5 trillion into money markets, and Congress passing a US$2.2 trillion aid package at the end of March.

These are major catastrophes. But the market also had a host of minor catastrophes that caused investors to lose money. Warren Buffett once said it is wise for investors to be "fearful when others are greedy, and greedy when others are fearful". This statement is somewhat of a contrarian view of stock markets and relates directly to the price of an asset. When others are greedy, prices typically boil over, and one should be cautious lest they overpay for an asset that subsequently leads to anaemic returns. When others are fearful, it may present a good value investment opportunity.

Thanks to Buffet, we are aware of the two primary emotions when it comes to investing — fear and greed. The primary emotions that investors experience when investing in shares, inclusive of fear and greed, can be categorised as follows:

> *They (investors) must focus on long-term investment goals and not let emotions cloud their judgment.*

Fear

Fear is a common emotion when investing in shares, particularly during times of market volatility or uncertainty. Investors may become fearful when the stock market is falling, and the value of their investments is declining.

They may worry about losing their hard-earned money and may be tempted to sell their shares quickly to avoid further losses. However, this can be a mistake as panic selling can result in significant losses.

Greed

Greed is an intense desire for wealth or gain, often leading investors to make risky investments. Investors may become greedy when the stock market is performing well, and the value of their investments is rising. They may want to put in more money, buy more shares to try and maximise their gains. However, this can be a dangerous emotion as it can cloud an investor's judgment, leading to hasty decisions that may result in losses.

Hope

Hope is a positive emotion. Investors may become hopeful when they see their investments performing well and start to believe that the trend will continue. They may also become optimistic when they invest in a new company or sector that they believe has significant potential for growth. However, investors need to be careful not to become overly optimistic as this can lead to a bias towards certain investments. Some investors who invested heavily in glove counters during the height of the Covid-19 pandemic can attest to this.

Regret

Regret is an emotion that investors may experience when they have made a wrong decision. They may regret not investing in a particular company or selling their shares too early.

This emotion can be particularly intense if the investment they regret not making has gone on to perform well. However, it is essential to learn from past mistakes and not let regret cloud future investment decisions.

Excitement

Excitement is another emotion that investors may experience. Investors may feel excited when they discover a new company or investment opportunity they believe has significant potential. They may also feel excited when they see their investments performing well. However, investors need to be careful not to let excitement lead to rash decisions that may result in losses.

Patience

Patience is an essential emotion that investors need to develop when investing in shares. Investors need to understand that the stock market can be volatile and that investments may take time to pay off. They must be patient and stick to their investment strategy even during market volatility or uncertainty.

In conclusion, investing in shares can be an emotional journey. Investors need to be aware of the emotions and develop strategies to manage them. They must focus on long-term investment goals and not let emotions cloud their judgment. By staying disciplined and patient, investors can achieve their investment objectives and build wealth over time.

The writer is chief executive officer of Minority Shareholders Watch Group