When doing nothing is best

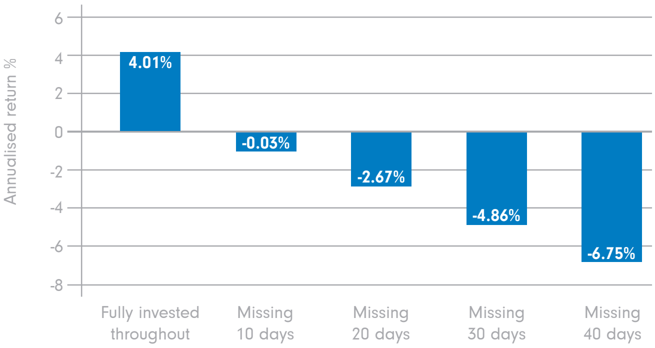
From time to time, stock markets go through periods of uncertainty. This could be down to some poor economic news or perhaps due to a political crisis. The sharp falls that can be experienced at such times is understandably unsettling for investors. They can even tempt someone to change their long-term plan by selling their investments. However, stock market volatility does tend to be short lived. Therefore, most experts agree that investors are probably better off sitting tight through these unnerving periods.

Those who sell or delay making new investments when stock markets become uncertain are actually employing a strategy known as 'market timing'. The intention is often to invest once stock markets have calmed down or to buy when stock markets have gone even lower. This can be a very dangerous strategy.

Sharp falls in stock markets tend to be concentrated in short periods of time. Similarly, the biggest gains are often clustered together. It is also quite common for a large gain to follow a big fall (or vice versa). Accordingly, an investor who tries to anticipate when the best time is to invest runs a very high risk of missing the best gains. This can have a big impact on their long-term return.

To help illustrate this, we have analysed the average annual return from the UK stock market over the last 15 years. As the chart shows, missing just the ten best days over this period would have cut your annual return substantially. Timing the stock market is extremely difficult, the best policy is usually to stay fully invested over the long-term.

The effect of missing the best days



Source: Datastream, from 30.06.00 to 30.06.15, annualised return. Returns based on the performance of the FTSE All Share, with initial lump sum investment of £1,000, on a bid to bid basis with net income reinvested, excludes initial charge.

Effect of missing best days

Annualised returns for 15 years ending 30.06.15

Index	Fully invested	Best days missed			
		10 days	20 days	30 days	40 days
FTSE All Share	4.01%	-0.03%	-2.67%	-4.86%	-6.75%
S&P 500	4.18%	-0.38%	-3.29%	-5.79%	-8.05%
DAX 30	2.96%	-2.24%	-5.74%	-8.74%	-11.27%
CAC 40	1.92%	-3.35%	-6.76%	-9.37%	-11.72%
Hang Seng	6.38%	0.47%	-2.85%	-5.53%	-7.95%

All figures show annualised, total returns, taken from 15 year periods, starting each consecutive month, from 30.06.00 to 30.06.15, in local currency terms. Source: Datastream as at 31.12.14. Basis: bid-bid with net income reinvested. These returns do not take into account initial fees.

FTSE All Share Index

How the index has performed over the last five years

	June 10 to June 11	June 11 to June 12	June 12 to June 13	June 13 to June 14	June 14 to June 15
FTSE All Share	25.6%	-3.1%	17.9%	13.1%	2.6%

Source: Datastream from 30.06.10 to 30.06.15 on bid-bid basis with net income reinvested. These returns do not take into account initial fees.

Please note that past performance is not a guide to the future. The value of investments can go down as well as up and you may get back less than you invested.

The value of advice

When making decisions about investing, we recommend that you consult with a Financial Adviser. An Adviser will work with you to understand your needs and then offer broad-based advice to help you achieve your long-term goals. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances.

- When stock markets become volatile, it is usually best to resist making changes to your long-term investment strategy
- It is too easy to miss the best gains when you try to time the stock market
- Time, not timing, is the key to investing

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