

Don't be taken for a ride. The cycle of market emotions.



Series: What you should consider
Complexity: **Beginner**

Investing can be like taking a ride on an emotional roller coaster.

When markets are rising, we have a euphoric feeling that we are indestructible, but when the markets begin a downturn, we're left feeling anxious, panicked, and finally despondent.

The ups and downs of the market cycle are generally matched with the ups and downs of your disposition. But don't let the market movements affect your mood, and your investment decisions.

When the market falls and pressure is high, many investors make rash decisions, like pulling out of the market altogether. The problem is that this goes against what you are aiming to do, which is buy low and sell high.

So how do you avoid falling prey to the cycle of market emotions?

We need to recognise that emotions can cloud our judgement; so stay calm and remember that markets will sometimes fall, yet they will always recover. Similarly, don't be overconfident when markets start to boom. The key to successful investing is setting and sticking to your long-term investment plan.

Exhibit 1: The cycle of market emotions



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