

What's New



BEA MPF Investor Education

Four Investment Tips for a Volatile Market

"Success in investing doesn't correlate with I.Q. , what you need is the temperament to control the urges."

- Warren Buffett

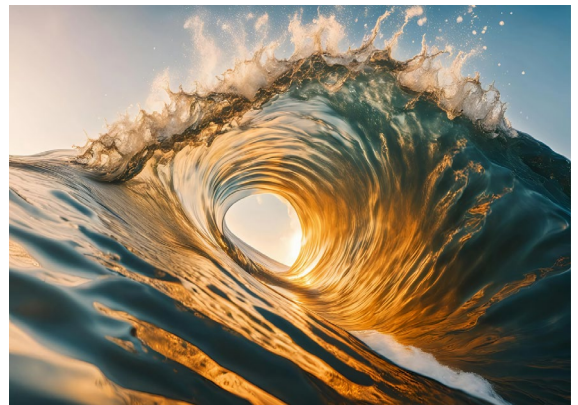
Source: [EN.WIKIQUOTE.ORG](https://en.wikiquote.org/), 2019

Escalating tensions in the Middle East mean there are still many unknowns in the short term.

Global market conditions are highly volatile, and retail investors are advised to avoid short-term speculation, constantly moving in and out of the market.

We might refer to the investment wisdom of the "Oracle of Omaha," Warren Buffett: when fear dominates the market, it may be the time for long-term investors to seek opportunities.

Because once the situation is under control, the market may rebound rapidly.



1. Stay calm and identify opportunities

Whether it is the spread of the pandemic causing economic activities to halt, the postponement of the Tokyo Olympics, dairy farmers dumping excess milk into the sea, oil prices dropping to "penny" levels before rebounding, or escalating tensions in the Middle East, investors are easily influenced by extreme emotions.

As an investor, a positive mindset and belief are crucial. If you can adjust your attitude, accept that this year's market conditions are unpredictable, look at your overall financial situation, and continue to focus on your long-term investment goals, it will help you stay calm in a volatile market. This allows you to seize opportunities early and make your finances more robust.

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2. Review your financial goals

Clearly establish top-priority goals: Each goal must have steps, a budget, and a timetable for realization. Once you have financial goals, coupled with a suitable long-term wealth management plan, you can generally withstand short-term volatility. This includes reviewing your Mandatory Provident Fund scheme and your current monthly contributions, and then, based on your own financial situation, considering whether you need to make voluntary contributions or participate in an additional monthly investment savings plan. Saving more helps you prepare for a rainy day.

3. Diversification helps stabilize returns

When the market fluctuates significantly, the risk will be very high if investments are overly concentrated. Therefore, investments must be diversified across different key asset classes, sectors, or regions. This helps reduce the correlation within the investment portfolio, mitigating the impact of individual market risks. If investors do not have the time to track various markets and asset dynamics, they may also consider leveraging the investment experience of professional fund management teams to respond to market changes through flexible allocation between stocks and bonds.

4. Continuous Dollar-Cost Averaging: Long-term benefits will prevail

When market volatility intensifies, dollar-cost averaging (DCA) has the potential to outperform lump-sum investing. Because buying low and selling high is easier said than done, many investors who seize the opportunity to enter the market end up with lower returns compared to those who invest continuously. This time, the global pandemic mixed with oil price fluctuations presents many short-term shock factors. If investors remember the two golden rules of "uninterrupted dollar-cost averaging" and "long-term investing," over the long run, they can not only average out their investment costs and risks but also give their overall assets an opportunity to grow.

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