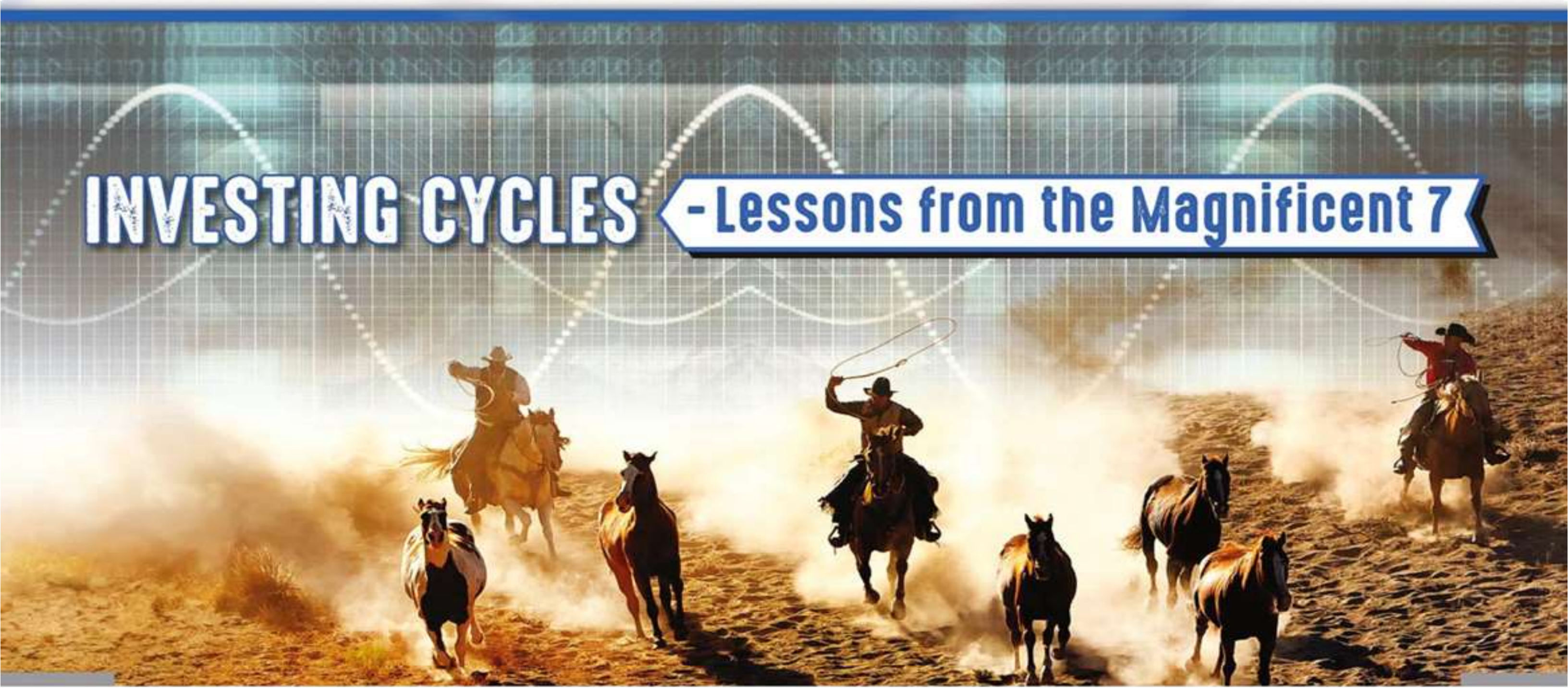
CollinsCo
WEALTH MANAGEMENT



When it comes to investing in shares, it's often said that time is your friend.

The data shows that investing small amounts consistently over time and riding out the ups and downs of the market by holding onto your investments for the long term can produce a healthy return.

Over the past two decades, the top 500 US companies averaged a 10 per cent annual return and Australia's S&P ASX. All ordinaries Index recorded an average annual return of 9.2 per cent.[i]

Those returns have been delivered despite some catastrophic events that sent the markets plummeting including the dot-com bubble crash, the Global Financial Crisis, and the effects of Covid-19.

It takes grit to hold on as the markets plummet, but the best way might be to avoid the hype and tune out the 'noise'. It can be a trap checking prices every day and week, causing heightened stress and anxiety about your portfolio, a recent example being the mid-2024. Microsoft outage which briefly impacted investor confidence. We can help you maintain a longer- term view, so if you have any concerns give us a call.

The seasonal cycle of markets

The cycle of endless phases of good and bad times are a constant for markets, says AMP's Chief Economist and Head of Investment Strategy Dr Shane Oliveri.[ii]

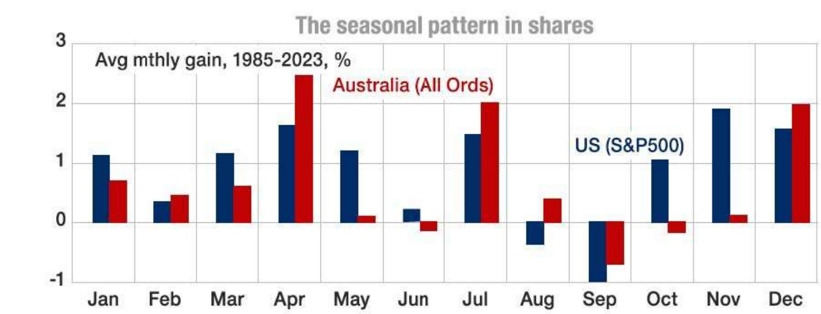
"Some relate to the three-to-five-year business cycle, and many of these are related to the crises … that come roughly every three years. Some cycles are every three years. Some cycles are longer, with secular swings over 10 to 20 years in shares," he says.

Most cycles follow a pattern of early upswing, after the market has bottomed out followed by the bull market, when investor confidence is strong and prices are rising faster than average. Then the market hits its peak as prices level out before negative investor sentiment drives a bear market.
Finally, the bottom of the cycle is reached as prices are at their lowest.

There are also certain seasonal market cycles that may be helpful in buying and selling decisions, Note, though, that there are always exceptions. The much-quoted rule, "past performance is not an indication of future performance" is always important to keep in mind.

As the graph shows, April, July and December have tended to be the strongest months of the year.

Since 1985, the ASX All Ordinaries Index has seen gains in April averaging 2.4 per cent, with July averaging 2 per cent and December 1.9 per cent, which compares to an average monthly gain for all months of 0.62 per cent. But these patterns have weakened a little over time, with lower average gains in April, July, and December more recently.[iii]



Source: Bloomberg, AMP Note: Data is based on the ASX All Ordinaries Index, which includes about 500 of the largest listed companies.

By contrast, S&P ASX 200 monthly returns from 1993 to 2020 found April, October and December to be the strongest months, according to 2021 UBS research.[iv]

The research for both indices shows June to be the worst month for performance, often because investors sell before the end of the financial year to reduce their tax bill – a strategy known as tax-loss selling. Investments that have incurred capital losses are sold to offset any capital gains to potentially reduce taxable income.

In the United States, the markets have usually been relatively weak in the September quarter, strengthened into the New Year and remained solid to around May or July, says Oliver.

November and April have been strongest months for US shares for the past 30 years, with average monthly gains of 1.9 per cent and 1.6 per cent respectively.

The Magnificent seven

Despite the rise and rise of seven US technology stocks in the past 18 months, known as The Magnificent 7, their price pattern has, more or less, followed these seasonal cycles. as tax-loss selling.

The seven-stocks – Nvidia, Alphabet, Microsoft, Apple, Meta, Amazon, and Tesla – returned more than 106 per cent in 2023 alone.[v]

In the first half of 2024, their prices rose around 33 per cent on the US S&P 500 index while the rest of the index increased by only 5 per cent. Last year's numbers were even more stark: the Magnificent 7 rose 76 per cent while the rest of the index increased just 8 per cent.[vi]

During this period, the S&P ASX 200 has risen by about 2 per cent.

But another story has been emerging in recent months. The Magnificent 7 has now become the Magnificent 3, thanks to intense excitement around artificial intelligence (AI). Nvidia, Alphabet and Microsoft leapt into the lead on the index, doubling the performance of the other four.[vii]

Of the seven stellar performers, Nvidia has been the market darling, with its price almost tripling in 2 months. But as is often the way with rapid stock price movement, a correction followed, which has seen Nvidia's value plunge $646 billion. It has since managed to claw back some of the lost territory and is still worth more than US$3 trillion. This correction knocked the company from the biggest in the world, a title it held briefly before the plunge, to number three after Microsoft and Apple.

The performance of Nvidia and the Magnificent 7 is a real-time lesson in market dynamics and cycles.

Some describe the activity as a bubble that is due to burst at some time in the future. We saw the bubble deflate a little with the mid 2024 global outage which spurred a rotate out of tech stocks. But other say the Magnificent 7 stocks remain undervalued and have further to go.

Keep it simple, focus on the long-term outlook to minimize the anxiety associated with the constant 'noise' surrounding market movements, we can help ensure you aren't too inappropriately geared based on your goals.

Be clear-headed about the potential risks and be wary about getting caught up in the hype that surrounds rapidly rising prices.

Get in touch if you'd like to discuss your investment portfolio and to review in the context of your long-term investment goals.

i https://www.vanguard.com.au/personal/ learn/smart-investing/investing-strategy/the-real- value-of-time

ii https://www.amp.com.au/insights-hub/blog/investing/olivers-insights-investing-40-years

iii https://www.asx.com.au/blog/investor-update/2024/the--best--and-the--worst--months-for-shares

iv https://stockhead.com.au/news/chart-the-months-of-the-year-when-the-asx-performs-best-and-why/

v https://www.vanguard.com.au/personal/learn/smart-investing/investing-strategy/investing-in-the-magnificent-seven

vi https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/

vii https://www.abc.net.au/news/programs/kohlerreport

Collins Co Wealth Management

127 Paisley Street, Footscray VIC 3011

03 9680 1000

marketing@collinsco.com.au

www.collinsco.com.au