

q&a

## canberra times: q&a

**Q 1: You have referred to the 'emotional roller coaster cycle of investing' the past. With sharemarkets improving around the world, where do you think we now are on that cycle?**

D.B., Gowrie

A 1: To summarise this cycle again (brochure from Colonial Geared Investments – now CommSec Adviser Services) - picture a wave pattern to ride the emotional rollercoaster:

Starting Point – Middle of Upward Slope – When you first invest in the sharemarket

1. Optimism

Market heads upwards

2. Excitement

3. Thrill

Market reaches the peak of high point

4. Euphoria

Market starts to fall

5. Anxiety

6. Denial

7. Fear

Market falls below your initial starting point for investment

8. Desperation

Market falls further

9. Panic

10. Capitulation

11. Despondency

Market reaches the trough of the low point

12. Depression

Market heads upwards

13. Hope

14. Relief

Market reaches your initial starting point again

15. Optimism

Imagining this cycle, the maximum point of financial risk is when markets are at their high point and there is overall "Euphoria" in the markets and everything is going well. This was the case 5.5 years ago (November 2007) when sharemarkets were at their all time highs.

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The point of maximum financial opportunity would be at a time when there is an overall feeling of “Depression” among investors. It is where there is the greatest opportunity for upside to investment growth. This would have been the case 4 years at the bottom of the cycle (March 2009).

We are now at the “Relief” point for investors having realized that the financial world did not collapse during the GFC, sharemarkets continue to operate and are still improving, and it is business as usual with day to day life.

With global economies having ridden out some very negative and unsettling events in the last few years, and sharemarket values rising nicely in recent months, investors are likely turning to “Optimism” again. Let’s hope some “excitement” from the sharemarket is not too far away.

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