

# MARKET SMART

How to Grow Your Wealth  
in an Uncertain World



GOH ENG YEOW

Author of the Sunday Times Bestseller  
*Small Change: Investment Made Simple*

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## SPOTTING THE BEST INVESTMENT IDEAS

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*25 September 2016*

**Instead of chasing flavour-of-the-day stocks,  
it may be better to invest in what you know**

THERE IS A lot of fear and uncertainty in financial markets these days, with investors groping for directions amid a string of bad news, from Brexit to the threat of another interest rate hike in the US.

It's even worse for those who have lost money chasing stocks in the oil and gas sector, where prices have plunged since the crash in oil prices last year.

Quite a few investors are also licking their wounds from investing in high-yield bonds whose issuers have defaulted on payments.

It was against this cloudy backdrop that I gave an investment talk at Library@Orchard where the audience peppered me with questions on a wide range of topics, from buying an HDB flat to investing in foreign currencies.

Even though it wasn't part of my script, I found myself discussing the great fund manager Peter Lynch, and the traits differentiating him from the rest of us that make him such a successful investor.

By relating how Mr Lynch gets his great investment ideas, the discussion also illuminated where many of us have gone wrong in our investment approach.

## YOUR FINANCES AND THE LAW OF INERTIA

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11 October 2015

**Exploit the natural tendency to keep things as they are, with a monthly stock investment plan**

SINCE MY UNIVERSITY days, when I studied natural sciences, I have never ceased to be amazed that the laws of physics can often be applied to human behaviour as well.

Take the observation made by the great 17th-century scientist Isaac Newton that for every action, there is an equal and opposite reaction.

Translated into everyday life, it means that if you treat somebody awfully, he will react in a violent manner that will hurt you just as badly. But if you treat someone with kindness, that act of kindness will be reciprocated – a backhanded way to show that even the laws of nature encourage a person to do good.

There is another observation made by Newton worth highlighting. He noticed that a stationary object continues to stay absolutely still unless it is disturbed by some external forces.

In everyday life, we know it as a tendency to keep things as they are, unless we are forced by circumstances to make changes. There is even a term for it in the realm of investing – financial inertia.

Where investing is concerned, it is a financial trait that can turn out to be very costly for those of us who adopt a “buy and hold”

## SUNK BY ULTRA-LOW INTEREST RATES

31 October 2016

### Using cheap financing to try to maximize returns can be a very risky venture

THE LATE NOBEL Prize laureate Friedrich August Hayek once observed that low interest rates interfered with economic calculations, causing businessmen to invest in projects that otherwise would not have appeared profitable.

I wonder what Hayek would make of the efforts by the world's major central banks in the past eight years to fight poor economic growth and weak demand with ultra-low or even negative interest rates.

At first blush, extremely low interest rates should have provided the badly needed cure to the world's economic ills.

This was the prescription used by former US Federal Reserve chairman Alan Greenspan, who did such a great job regulating rates that he was credited with creating the great 1990s economic boom.

But that remedy doesn't seem to work anymore. Take Singapore. If salvation indeed lies in keeping borrowing costs negligible, our economy shouldn't be stagnating – interest rates have languished at almost zero levels for years.

Still, these worries tend to go well over the heads of ordinary folks like me as we go about our lives, though I dare say, like many other

## STAY INVESTED – IT'S NOT THE TIME TO HIDE

4 July 2015

### Slew of bad news is an opportunity for investors to buy shares on the dip

AS THE SECOND half of the year kicks off, wild price swings have again become the norm in stock markets across the globe.

This has many jittery investors asking themselves if they should sell all their stocks and stay out of the market completely during this turbulent period.

But there are also considerable numbers of well-heeled investors who may be hoping that the turmoil will escalate so that they can load up on shares at an attractive price.

So who will turn out to be right? In this regard, the observation made by the legendary late stock picker Sir John Templeton about investors' psyche may be particularly apt. He said: "Bull markets are born on pessimism, grown on scepticism, mature on optimism and die on euphoria."

Using his yardstick, one would say that as at this point in time, investors are not exactly pessimistic in their market outlook, since many of them are still sitting on a pretty pile of cash and looking for investment opportunities.

They are not wildly optimistic about market prospects either, as