

As equity investors in emerging markets get a taste of the bear the lessons of successful investing are learned the hard way.

I'm only rich because I know when I'm wrong.

- George Soros

NSE at a glance
(For week ended January 2nd, 2009)

Index:	31,357.24	-2.04%
Cap:	N6.936trn	-2.04%
Volume:	191.9 m	+10.43%
Value:	N1.29bn	-14.8%



Planning your investment strategy in 2009

Despite the high volatility in the stock market for most part of 2008 and general expectation of a persisting trend throughout the year, the Nigerian stock market recorded a swift change in trend towards the end of the year, with major indicators recording upward movements.

The NSE All-Share Index (ASI) and market capitalization closed 2008 at 31,450.78 points and N6.957 trillion respectively. Rising from their lowest of 28,390.83 and N6.213 trillion respectively, as at Tuesday December 16, 2008, both indicators gained 10.8% and 11.9% respectively before the end of the year.

This sudden positive development is paradoxical by every logical sense. Under normal circumstances one would have expected that the period preceding the end of year festivities would witness a dip in market activities and indices.

This was a time when investors would need to fall back on their investments to offset their bills in preparation for the Christmas and New Year festivities. Similarly, the return of the Diaspora Nigerians normally results in some of them offloading their stocks to create liquidity to meet financial obligations while in the country. These sentiments usually culminated in fall in stock prices and therefore, market slide given the forces of demand and supply.

While the turnaround could not be adduced to any immediate factor, analysts believe the return of bullish trend has rekindled investors' interest in the market, hence the increase in both volume of trades and price appreciation.

With the recent development, many investors who had stopped investing during the downturn would be gearing up to resume again this year. Some of the points highlighted below would be helpful as you plan your investment strategy in 2009.

Start now to plan

By now your investment plan and strategy should be set already. However, if you are yet to have a plan, it is not too late.

Do not waste time any further start now to devise your entry plan and when you are doing this. No doubt, investors have been beaten over the last nine months, and may be very frightened with the market but this is not the time to be running scared. The damage has been done so now is the time to dust off and start thinking straight – where is the value.

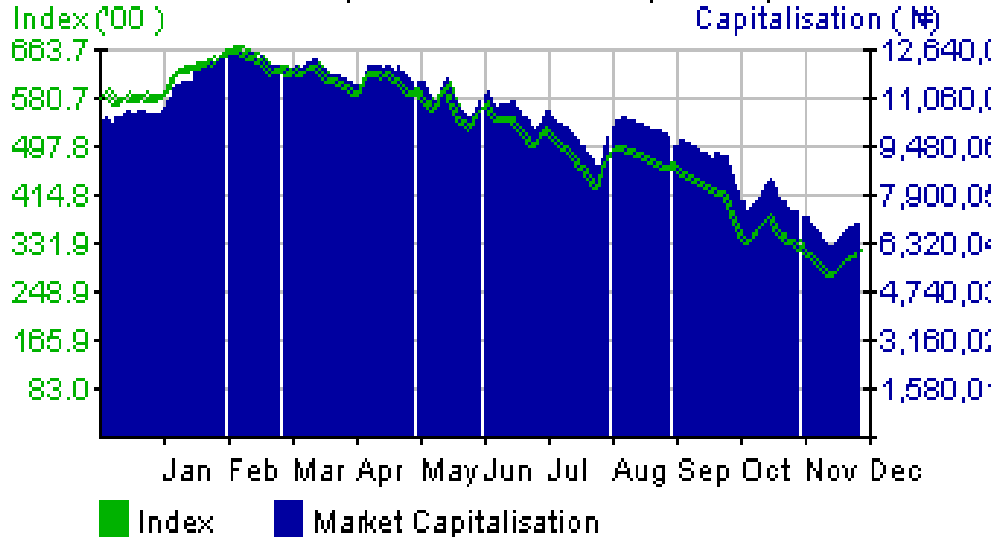
Don't wait for the market to fully recover before you start to feel comfortable about investing again. Also, don't forget to diversify your assets. Taking time to diversify your portfolio is important. Whatever the investment objective, the investor with a well diversified portfolio is most likely to come out on top. As a general rule, it's important to include a diverse mix of asset classes e.g. Equities, bonds, property, commodities in your portfolio.

Start early to execute your plans

After experiencing one of its worst years in history since the great depression, the global stock markets are expected to put the bad year behind and start a recovery process in 2009.

Year 2008 was marred by horrid corporate results, record high oil and gas prices, dismal housing news and a full-blown shakeup in global stocks which resulted in major indexes performing dismally during the year. For instance, UK's FTSE 100, with a decline of 31.3% had its worst year on record; Shanghai was also worst hit with a record loss of 65% of its index. In Frankfurt, the Dax-30 index ended 2008 down by 40%, which was its second worst annual performance in its 20-year history. Japanese shares also suffered their biggest yearly decline with the Nikkei dropping 42% while in Hong Kong, the Hang Seng index closed the year 48% lower.

12 Month Index and Capitalisation as of Wed, Dec 31, 2008 12:00 AM



Source: NSE

“After experiencing one of its worst years in history since the great depression, global stock markets are expected to put the bad year behind and start a recovery process in 2009. With this in mind, early implementation of individual investment plan would mean taking advantage of still low stock prices to take position for anticipated positive changes in market trend during the year”

However, the New Year is starting amidst widespread optimism that the stock markets would witness the start of a slow but steady recovery.

With this in mind, early implementation of individual investment plan would mean taking advantage of still low stock prices to take position for anticipated positive changes in market trend this year.

Plan your investment for the Long-term

It is important to know about long term investments. Usually long term investments give more benefits than many short term investments. Many short-term investments also do well. Long-term investments will add stability and security to your portfolio and they also have the ability to appreciate over a longer period of time. The slow-but-steady pace of long-term investments allow for a much greater degree of stability and a much lower risk than short-term investments.

All investments involve some degree of risk. Investments with the highest potential returns tend to also have the highest risk. So, not only may your returns vary, but the value of your investment can fall.

Regardless of the type of investment option you choose, it may not perform according to

your expectations. You need to strike a comfortable balance between the level of risk you are prepared to accept and your desired level of return. As a general rule, the longer the timeframe you can invest for, the more risk you can afford to take.

Reduce borrowing to invest

No doubt, borrowing to invest in stocks can be quite advantageous. This is because you take the loan at a lower interest than your returns on investment. Ever so often there are arbitrage opportunities that can be taken advantage of and therefore using margin can pay off if downside risk can be hedged away, but speculating on a stock price's future movement based on fundamental bullishness with borrowed money is a recipe for potential disaster. Accordingly, it is advisable, particularly for individual investors, to reduce their borrowing to the barest minimum as the market

Develop discipline as an investor

Investors are often their own worst enemy. That's because they sometimes allow their emotions to get the best of them when it comes to making financial decisions. They hear their neighbors at cocktail parties talk about hot stocks they own and wonder why they can't hit it big. Others are more jittery, selling their shares the moment they dip in value without understanding what's causing the decline.

Step one to good investing is to understand yourself and how comfortable you are when putting your savings at risk. That's what you're doing when you buy stocks or mutual funds. There is the potential that your investment will increase in value, but there is also the risk that it can be worth less.

Before you jump in to the stock market ask yourself a few questions:

Can I afford to lose my investment?

The stock market isn't for gamblers. In most cases it's for people who want to grow their savings through a diversified investment plan in which stocks are one part. That plan might also include fixed-income investments, real estate and commodities. If you can't afford to lose it, you shouldn't risk it.

Will the ups and downs in the stock market make me a nervous wreck?

stabilizes. Recent development in the Nigerian stock market have raised the possibility of a greater part of your investment being wiped out in a downside market. Also, most investors who borrowed to invest where forced by their lenders to sell the shares at a loss in order for them (lenders) to recover their money.

Find Yourself Some Good Help

Without too much trouble you will find many other people investing like you are. Ask around, there's a good chance many of them use Investment Managers they're happy with. In this case they'll gladly recommend their services and if you're new this may be a smart way to get started - this should also help you to avoid mistakes.

Keep an Eye on New Developments

You should also read news about developments in different sectors of the economy which has the potential of improving the performance of companies within such sector. New advancements in these fields can cause a sudden rise in stock prices, quickly earning you a nice profit. Learning about new and advanced technologies before they become well known, can potentially give you long term benefits and opportunities to engage your money in other investments. Don't expect each and every new technology to cause an increase in stock value, but there is a better chance for making good profits from initial investments.

Search for Recent News

A good way to find profitable investments is by reading news stories that may influence the value of a companies stock in which you are going to invest your money. By updating yourself about the stock market you can be in touch with top stories of public companies, which can keep you informed about what is going on in the market (company's stock value is going up or down). This can be especially useful if you get wind of major scandals or negative factors on time and are able to sell shares before the price drops. Alternatively this will also enable you to invest before an upcoming event that may cause a spike or upwards trend as well.

If you're someone whose emotions will swing with every bounce in stock price, you might go crazy worrying about your investments.

When those swings happen, it's important for investors to stay disciplined and think long-term. Can you tolerate that type of activity? If your honest answer is no, congratulations. You've recognized that realty about yourself before risking your money.

Do I have the composure - and the energy - to get the facts when I hear rumors?

Dumping stock at the first whiff of trouble can be a knee-jerk approach, especially if the news ultimately turns out to be inaccurate or flat-out wrong. The price takes a fall on the news, the rash investor sells at a lower price, then the shares ultimately recover when the real story is told. But the damage to their portfolio has been done.

Do your homework in advance. It's time consuming and demanding and can be particularly arduous for socially responsible investors who base their selections on more than financial statements. If that's the path you've chosen do the up-front work until you're comfortable with your investment. That will give you the confidence to hold your ground when bad news comes up.