

The Stock Market

Media stories about the stock market are often skewed to scare people out of owning equities. In one sense, there is a good reason for individuals to treat stocks with a certain amount of skepticism.

Who would invest in a local business without first asking a CPA to examine the financial statements? Don't judge a book only by its cover. Similarly, don't judge a company based on superficial observations. Before considering an investment, ask the experts to scrutinize the business thoroughly.

When it comes to buying stocks people often ignore this prudent approach and, on a whim or based on a recommendation from some talking head on TV, rush to their brokerage accounts to invest. It usually ends badly for those who approach equity investments in this manner. This is why so many have an aversion to equities and the stock market.

Investing in stocks is best left to those who can perform an in-depth analysis of companies, starting with a thorough examination of the financial statements and following up with all the qualitative issues that characterize the business model. Only then can one assess the growth rates of revenues and earnings, the overall profitability of the various business segments, the strength of the balance sheet, the cash flows, and the capital allocation strategies. In addition, one gains knowledge about the competitive threats both for the company and the industry in which it operates, as well as an exhaustive understanding of opportunities and pitfalls of the markets in which the company competes. A critical review of a company's management, the board of directors, compensation policies and other corporate governance practices could be a deal breaker. A fish rots from the head down.

For more detail on Bastiat Capital's investment philosophy and research approach to investing, follow this link:

<https://www.bastiatfunds.com/philosophy-and-portfolio/>

Despite the scaremongers in the media, for the long-term investors, the stock market offers the best returns in the most liquid of financial markets. Keep cash for emergencies, contingencies and unexpected purchases in a savings or short-term bond fund. The stock market is tailor-made for those who want to invest money in stocks (equities) that over the long-term have outperformed all other asset classes. In the short-term, stock market volatility is unsettling. However, for those who invest for the long-term, holding stocks through the peaks and troughs comes naturally. The market frequently corrects or sells off, but it then recovers 100% of the time, with the only uncertainty being the time it takes to recover. On average, recovery takes less than six months.

For more information on the author, select
[Albert Meyer CA CPA of Bastiat Capital, LLC](#) -or- www.bastiatfunds.com.