This Singaporean Lost A Six-Figure Sum in the Stock Market in 2015

Description

A Singaporean investor lost so much money last year in stocks that he could have bought a 5-room HDB flat if he hadn't invested instead.

He wasn't the only one. When the markets opened this year, over $12.4 billion was wiped out from just 5 of the world's richest folks.

Billionaire*	Daily Change	Net Worth	2015 Change
Jeff Bezos	-$3.7 billion	$56 billion	+$31 billion
Armancio Ortega	-$2.5 billion	$70.4 billion	+11.8 billion
Warren Buffet	-$870 million	$61.4 billion	-$11.5 billion
Carlos Slim	-$868 million	$51.4 billion	-$20.3 billion
Bill Gates	-$739 million	$83 billion	-$2.8 billion

Credits: The Straits Times

Given such circumstances, would you still dare to invest today?

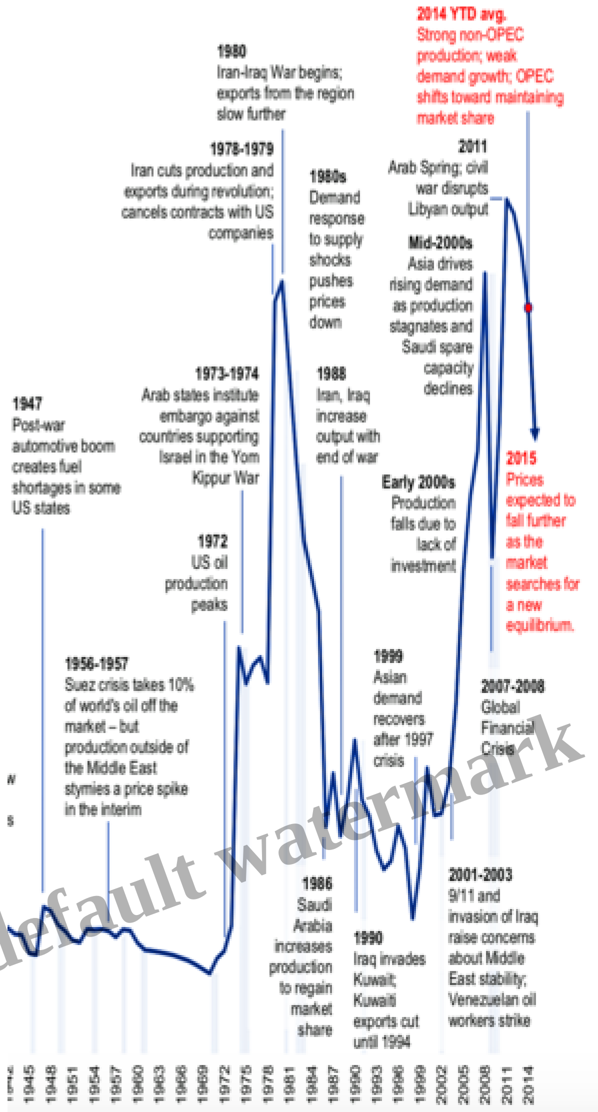
I was quite intrigued with AK's recent article, which he has kindly allowed me to reference here. His guest post (found here) talks about one man's losses in the stock market last year. Now, this may just be one person's perspective, but remember that almost every investor saw their stocks dip significantly in 2015 as well, given how Singapore (and the global) markets performed.

Lest you think losing the equivalent of a 5-room HDB flat will not happen to you, consider this scenario.

This stock belongs to a fairly good company, which is 61% owned by Temasek Holdings. In 2009, when crude oil prices fell below $50, the stock traded in the $1.50 range. When oil prices recovered in 2011 and surpassed $100 per barrel, the stock shot to a high of $6. If you had the foresight to invest $20,000 into this stock then, your profits would be well over $58,000 in 2011! That's almost $20,000 a year *without you saving!* Essentially, your money simply generated more money for you.

Sounds good, right?

Now let's take a look at historical oil prices. I've back-dated this to 60 years ago (quite possible for a lifetime) [from this Goldman Sachs report.]



As you can see, oil prices have generally been fluctuating up and down in the last 60 years. It was on an overall uptrend during this period.

People always say history repeats itself, so of course, there were plenty of investors who didn't invest in 2009 who saw an opportunity when oil prices started crashing again in the first half of last year. Many Singaporean investors were debating between Keppel and Sembcorp Marine.

Value investor BigFatPurse (folks whom I respect) even wrote about how the shock in oil prices created opportunities on SGX.

Going back to the original stock chart above, and knowing that even Temasek has such a strong stake in this company, would you invest?

Many did.

That company was SembCorp Marine. Imagine if you had happily invested your first $20,000 into Sembcorp Marine, full of confidence that this stock would see a rebound like it did in 2011, and waiting to gobble up your profits in a few years time when oil prices recover.

Let's presume you bought 7,000 shares (for simple calculations) at $3.00.

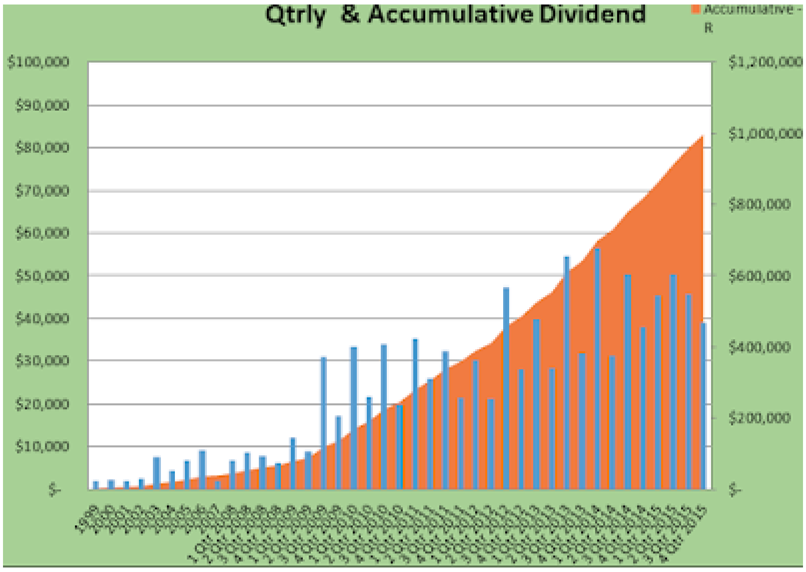
Your portfolio now would sit at only slightly over $10,000. As of today, Sembcorp Marine has declined by close to 50% of its trading price this time last year. That means you would have lost $10,000 in a short span of a year.

So in this post where guest blogger STE's portfolio lost a six-digit sum last year, it really isn't that hard to imagine.

> *Statistically speaking, **if the markets go down by another 20% – 30%, chances of a rebound in the following year will be high** if we can hold it for a much longer period (without using much leverage). **We should deploy more cash if that really happens, as what we did in 2009 – 2010.***

We already know 2015 was a tumultuous year for investors, full of ups and downs and heart-stopping moments. But don't fret too much about your portfolio losses, because many of the more experienced investors aren't too worried either.

In STE's case, even though his stocks caused him to lose a six-figure sum in 2015, these same stocks also paid him $180,454 in dividends for the whole of last year.



His total dividends collected within the last 15 years add up to over $1,000,000.

But Budget Babe, he lost MORE than he gained last year!

Yes, he did. But he wasn't worried, because seasoned investors know that stock markets are volatile in the short-run. As long as you focus on getting your fundamentals right and investing in good companies, you're more likely to make money than to lose over the long term.

Can Budget Babe also generate $180,000+ in dividends in a year?

Yes, and no. As I'm still in my mid-20s, I do not have a lot of cash to pump into the stock market to begin with. While I did save over $50,000 in the last 2 years from work, not all of it can go into the stock market as part of my savings have to remain as emergency funds as well.

Assuming an annualized dividend yield of 9% for STE, his portfolio could well be around $2,000,000 in order to generate $180,000 in dividends. I certainly do not even have a fraction of that sum when I'm still so young!

But can I do that in the future? Perhaps, once I've accumulated over a million dollars and have more money to put in the stock market. Although I would have to highlight first that I am not fundamentally a dividend/income investor, but more of a value/growth investor (partly due to age factors and a longer time horizon left for investing).

So what should I do now?

In times like this, cash is king. When buying opportunities present themselves, then it'll be worth pumping our cash in, although pumping everything into one stock would be risky (not to mention, extremely foolish for a newbie investor).

If you're still uncertain, check out the free finance resource pack that I'm giving away as a gift to all readers to welcome 2016. There's a wealth of information inside, but my favourite is the **"Investing Your First $20,000" e-book** which I co-authored together with 13 other finance bloggers. That means you get to hear from 14 different perspectives on how we would each choose to invest our first $20,000. Some of us are still fresh in the workforce, while others have already retired. From young and old, there's surely a portfolio / strategy that you will find relevant.

If you haven't already claimed your copy, don't forget to [check out this post on how you can get your hands on that!] Particularly for the investing e-book, which we've decided not to sell but to give it ***absolutely free*** to our loyal readers.

With love,
Budget Babe

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