

HANDELSSTRATEGIEN

Portfolio-Verwaltung

Should you wait for the next market crash before investing?

Should you invest at all-time highs or wait for a correction? Explore market timing, confirmation bias, risk tolerance and long-term portfolio strategy.



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Intro Why can markets rise despite bad news? Confirmation bias

Markets can reach record highs even when risks are everywhere. The real question is not whether a crash will come, but whether your portfolio is built to handle both a sharp fall and a continued rally.

Why can markets rise despite bad news?

Investors often assume that negative headlines should automatically push markets lower. Higher interest rates, rising bond yields, geopolitical tensions, expensive energy and rich

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valuations all sound like obvious reasons for caution.

Yet markets do not react to headlines in isolation. They react to the difference between what investors expected and what actually happened.

A rate increase can sound negative for equities, but if it was already fully priced in, the market may look beyond the decision itself. Investors may instead focus on what comes next: future interest-rate expectations, economic resilience, corporate earnings, productivity and whether the outlook is better or worse than previously feared.

That distinction is essential.

The market is not asking only whether a piece of news is good or bad. It is asking whether reality is **better or worse than expectations**.

This is why a month full of uncomfortable headlines can still end with an equity index close to, or even at, a record high.



Why do negative headlines feel more important?

One reason is psychological.

Bad news tends to command more attention than good news. A market crash, banking crisis, war or unexpected rate increase generates powerful headlines and strong emotions. By contrast, a company steadily increasing its revenues, cash flows and dividends over many years rarely attracts the same level of attention.

This is closely related to **negativity bias**: people tend to react more strongly to negative information than to positive information.

In investing, that can create a dangerous shortcut:

"There are many risks, therefore the market must fall."

The first statement may be true. The second does not automatically follow.

Risks can remain present for months or years while markets continue to rise. They can also suddenly become more important if expectations change. The challenge is that investors often move from analysing risk to predicting a specific market outcome.

How does confirmation bias affect investors?

Once an investor forms a strong view, another behavioural bias can take over: **confirmation bias**.

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An investor expecting a crash may increasingly seek out crash forecasts, articles about excessive valuations and videos warning about bubbles. Someone convinced that inflation or public debt will destabilise the financial system may focus almost exclusively on information supporting that thesis.

At that point, the investor is no longer searching for information. They are searching for confirmation.

The danger is that a possible scenario gradually becomes a certainty in the investor's mind.

The question changes from:

Could the market fall?

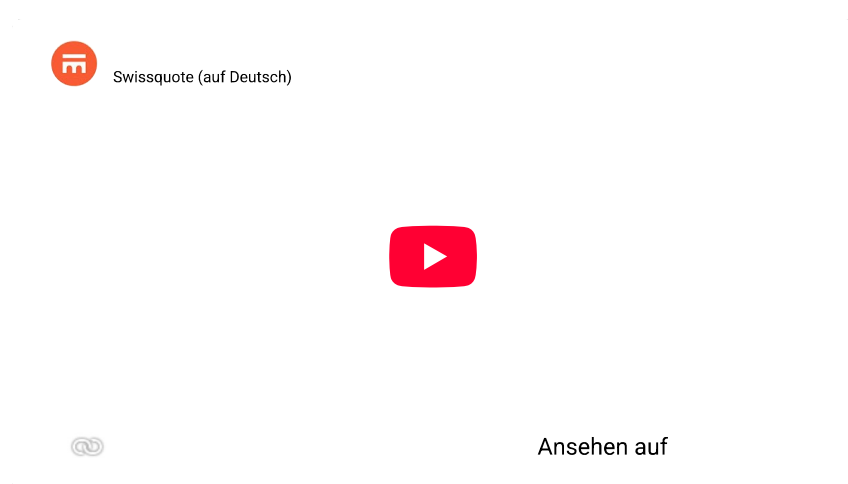
to:

When will the market finally prove me right?

That shift matters because investment decisions can then become anchored to a prediction rather than to a diversified plan.

Prefer to watch the video?

In the video below, **Ciril Stämpfli, Head Private Sales at Swissquote, and market expert Mojmir Hlinka** explore why markets can keep rising despite negative headlines, why waiting for the next crash can be psychologically difficult and how investors can think about risk more effectively. The video is in German, with subtitles available through YouTube's captions and auto-translate settings.



Why is waiting for a crash harder than it sounds?

Waiting for a correction can feel prudent. In practice, it creates a difficult timing problem.

Imagine an investor decides not to invest because the market looks expensive. They plan to buy after a 20% correction.

Suppose the market first rises 30%.

A starting level of 100 becomes 130.

If it then falls by 20%, the market falls to 104.

The investor's crash forecast was technically correct. A 20% decline happened. Yet the market is still above the original level of 100.

Being right about the correction did not necessarily produce a better entry point.

There is a second problem. When the correction finally arrives, the headlines are usually even more negative than they were before it.

The investor who spent months waiting for a crash may then hesitate:

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Is the decline over?

Could the market fall another 10%?

Should I wait for a better entry?

What if this time really is different?

By the time confidence returns, prices may already have recovered.

Why does market timing require more than one correct decision?

An investor trying to avoid a downturn needs to make several decisions correctly.

First, they must decide **when to reduce risk or stay out of the market**.

Then they must decide **how far the market needs to fall before buying**.

Finally, they must actually invest when sentiment is at its weakest and uncertainty is highest.

That is psychologically demanding.

It explains why investors can spend years expecting a crash but still fail to buy when one finally happens.

A sharp fall may validate the original concern while simultaneously making the investor too uncomfortable to act.

The lesson is not that market corrections should be ignored. It is that relying on perfect entry and exit timing is a much more demanding strategy than it initially appears.



What can the turkey problem teach investors about induction?

The **turkey problem** is a classic illustration of **inductive reasoning**: drawing conclusions about the future from patterns observed in the past.

Imagine a turkey that is fed by a farmer every day. At first, the turkey is cautious. After 100 days of food, water and shelter, its confidence grows. After 300 days, the evidence seems overwhelming: every past observation suggests that the farmer is trustworthy and that tomorrow will look much like today.

Then Thanksgiving arrives.

This is known as the **problem of induction**. A long history of stable outcomes can increase our confidence, but it cannot prove that the same pattern will continue indefinitely.

The same mistake can appear in **investor psychology**. An investor may assume markets will keep rising because recent conditions have been favourable. Another may conclude that markets must fall because risks have been building for a long time. In both cases, the investor is extrapolating past observations too confidently into the future.

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The lesson is not to ignore historical data. It is to recognise its limits. In **behavioural finance**, the turkey problem reminds investors that past stability does not guarantee future stability and that a robust portfolio should not depend on a single forecast being correct.

Can your portfolio survive both a crash and a rally?

A useful approach is to conduct a personal stress test.
Ask yourself two questions.

What happens if markets fall 25% to 30% tomorrow?

Would you need to sell? Would you need the money for a property purchase, retirement spending or another financial commitment? Could you tolerate the loss without abandoning your strategy?
Then ask the opposite question.

What happens if markets rise another 25%?

Are you invested enough to participate? Or would fear of missing out tempt you to abandon your plan and chase the market after prices have already moved higher?
Both scenarios matter.

A portfolio can be too risky for a market decline, but it can also be too defensive for the investor's long-term goals.
The objective is not to predict which scenario comes next. It is to build an allocation that you can live with in either direction.

How much risk do you actually need?

This may be more useful than asking whether markets are expensive.
Three different dimensions of risk matter:

Risk dimension	Question to ask
Risk capacity	How much financial loss can I absorb without jeopardising my goals?
Risk tolerance	How much volatility can I emotionally tolerate without abandoning my strategy?
Risk requirement	How much investment risk do I actually need to take to reach my financial objectives?

The third question is particularly important.
Investors often ask how much risk they **can** tolerate. They ask less often how much risk they **need**.
Someone with a long investment horizon, stable income and no need to access the capital for 20 years may be able to tolerate significant fluctuations.
Someone who depends on their portfolio for regular spending may need a very different allocation, even if both investors are looking at exactly the same market.
The level of the Nasdaq, S&P 500 or any other index is the same for everyone. The appropriate portfolio is not.

Do you really need to maximise returns?

Investing can easily turn into a competition.
An investor earns 9%, but the market gains 15%, so the result feels disappointing. Another

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investor targets 10%, then becomes dissatisfied when a neighbour or an index performs better.

But a portfolio does not exist to win a competition.

The relevant question is whether the return is sufficient to achieve the investor's personal objectives at an acceptable level of risk.

If a 7% return would be enough to reach a long-term goal, taking substantially more risk simply to target 10% deserves careful consideration.

More expected return does not come free. It normally comes with greater volatility and the possibility of larger losses.

A slightly lower expected return can sometimes be the price of a strategy an investor is actually capable of maintaining through difficult periods.

Does investing gradually help at market highs?

Investors do not necessarily have to make an all-or-nothing decision.

Someone uncomfortable investing a large sum when markets are near record highs could consider entering gradually rather than making the entire allocation at once.

That does not eliminate market risk and it does not guarantee a better result. It can, however, reduce the psychological pressure associated with choosing one single entry point.

The larger principle is more important: the investment plan should be determined in advance rather than improvised in response to each headline.

Asset allocation, diversification, liquidity needs and investment horizon should form part of one coherent strategy.

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Risk is not a market forecast

The existence of geopolitical, economic or valuation risks does not by itself tell you when markets will fall.

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Not investing is also a position

Holding cash may reduce short-term market volatility, but it is still an investment decision with its own opportunity costs and trade-offs.

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Build for both directions

A resilient portfolio should be able to withstand a meaningful decline without forcing you to sell, while still allowing you to participate if markets continue to rise.

What should investors take away?

The uncomfortable reality is that nobody knows when the next major correction will happen.

A crash can arrive after markets have already risen substantially. A rally can continue much longer than cautious investors expect. Short-term reactions around interest-rate decisions, geopolitical events or economic data can also tell a very different story from medium-term market performance.

This leads to several practical conclusions.

Risk itself is not a forecast.

Waiting in cash is still an active decision.

Being right about a future correction is not enough if the timing of the exit and re-entry is wrong.

And the objective does not need to be maximum possible return.

For most investors, the more useful question is whether their portfolio matches their financial capacity, emotional tolerance and actual return requirement.

A good investor does not need to predict the future perfectly. The aim is to choose a level of risk that prevents a wrong forecast from dominating their financial future.

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Frequently asked questions

Should you wait for a market crash before investing?

Waiting for a crash requires correctly judging both when to stay out of the market and when to enter again. Markets can rise significantly before a correction occurs, so a future decline does not necessarily produce a lower entry point.

Why can stocks rise when the news is negative?

Markets react to expectations as well as to current events. Negative news may already be reflected in prices, while investors may focus on whether the outlook is better or worse than previously expected.

What is negativity bias in investing?

Negativity bias is the tendency to give greater weight to negative information than to positive information. In markets, it can make risks and bearish forecasts feel more convincing than gradual improvements in earnings, productivity or economic growth.

What is confirmation bias in investing?

Confirmation bias occurs when investors favour information that supports an existing belief. Someone expecting a crash may increasingly consume bearish analysis while ignoring evidence that challenges that view.

How can investors assess their risk level?

Investors can consider three dimensions: their financial capacity to absorb losses, their emotional tolerance for volatility and the amount of risk actually required to achieve their long-term goals.

Is investing gradually a way to reduce market-timing risk?

Investing gradually can reduce the pressure of choosing one single entry point, although it does not remove investment risk or guarantee a better outcome. It can be one way to implement a predetermined long-term allocation.

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