PART 3 OF 4

MARKETS, VOLATILITY AND INVESTOR BEHAVIOUR

STAY CALM.
STAY DISCIPLINED.
STAY INVESTED.

Why Successful Investing Is Often More About Behaviour Than Investments

- UNDERSTAND THE MARKETS
- MANAGE YOUR EMOTIONS
- STICK TO YOUR STRATEGY
- BUILD WEALTH OVER TIME

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Published: June 2026
Category: Investments
Reading Time: 6 minutes

Markets, Volatility and Investor Behaviour

Why Successful Investing Is Often More About Behaviour Than Investments

One of the greatest challenges investors face is not choosing the right investment fund, but managing their emotions when markets become volatile.

When markets are rising, investing feels easy. Confidence is high, news headlines are positive, and investors are generally comfortable.

When markets fall, however, fear often takes over. Investors begin questioning their decisions, worrying about losses, and considering changes to their portfolios.

Ironically, the decisions investors make during difficult market periods often have a greater impact on their long-term success than the investments they choose.

What Should I Do When Markets Fall? 

The short answer is:

Usually, nothing.

Market declines are a normal part of investing.

Every investor will experience periods where markets fall due to:

- Economic recessions
- Political uncertainty
- Wars and geopolitical events
- Interest rate changes
- Global financial crises
- Unexpected world events

While these events can feel alarming at the time, market declines have occurred throughout history and are part of the normal investment cycle.

Successful investors understand that temporary declines do not necessarily mean permanent losses. The worst thing an investor can do is make long-term decisions based on short-term emotions.

Should You Stop Investing During a Market Crash?

Many investors believe they should stop investing when markets fall.

In reality, the opposite is often true.

When markets decline, the prices of many quality investments become cheaper.

Imagine your favourite store announces a 20% sale.

Most people would be excited.

Yet when the stock market goes on sale, investors often panic.

By continuing to invest during market downturns, investors are purchasing more units, shares, or assets at lower prices.

When markets eventually recover, these lower-priced purchases can significantly enhance long-term returns.

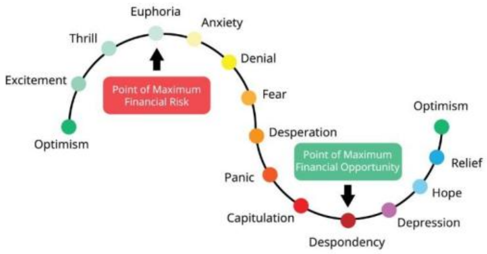
History shows that some of the best investment opportunities have occurred during periods of extreme pessimism.

The Cost of Emotional Investing

Fear and greed are two of the most powerful emotions affecting investors.

A typical cycle often looks like this:

1. Markets rise.
2. Investors become excited.
3. Investors increase investments after strong performance.
4. Markets decline.
5. Investors panic.
6. Investments are sold.
7. Markets recover.
8. Investors re-enter after the recovery.



The Cycle of Market Emotions

This behaviour often results in investors buying high and selling low, the exact opposite of what creates wealth.

Emotional decisions can be far more damaging than market volatility itself.

A disciplined investment strategy is usually more valuable than trying to predict market movements.

How Market Volatility Creates Opportunity

Volatility is often viewed as a threat.

Long-term investors should view it differently.

Market volatility creates opportunities to purchase investments at lower prices.

For example:

If a fund is worth R100 per unit and falls to R80 per unit, a monthly contribution of R1,000 will purchase:

- 10 units at R100
- 12.5 units at R80

The investor who continues contributing during difficult times accumulates more units for the same amount of money.

When markets eventually recover, these additional units contribute significantly to future growth.

This principle is one of the reasons why regular monthly investing can be so effective over long periods.

History Shows Markets Recover

Every major market decline in history has eventually been followed by recovery.

Investors have endured:

- The Great Depression
- World Wars
- Oil Crises
- The Dot-Com Crash
- The Global Financial Crisis
- COVID-19
- Numerous geopolitical conflicts

At the time, each event felt unprecedented and many believed markets would never recover.

Yet markets have consistently recovered and continued to reach new highs over the long term.

This does not mean every investment will recover, but broadly diversified portfolios have historically rewarded patient investors.

The lesson is simple: **Temporary market declines are normal. Permanent losses often result from panic-driven decisions.**

The Danger of Chasing Last Year's Best Fund

One of the most common mistakes investors make is selecting investments based solely on recent performance.

Investors often ask:

"Which fund performed best last year?"

The problem is that yesterday's winner is not necessarily tomorrow's winner.

Investment performance tends to move in cycles.

The top-performing fund one year may underperform the next.

Chasing recent performance often results in:

- Buying after strong growth
- Paying higher prices
- Selling investments that are temporarily out of favour
- Missing future recoveries

Successful investing is about selecting suitable investments and allowing them sufficient time to achieve their objectives.

Should You Change Your Investments Every Year?

Not necessarily.

Many investors mistakenly believe they should make changes simply because a year has passed.

A portfolio should generally only be adjusted when:

- Your financial goals change
- Your investment time horizon changes
- Your risk tolerance changes
- Your personal circumstances change
- The original investment strategy is no longer appropriate

Making frequent changes based on short-term market movements often reduces returns rather than improving them.

The most successful investors are typically those who remain committed to a well-constructed investment strategy through both good markets and bad.

Sometimes the best investment decision is to stay the course.

Final Thoughts

Market volatility is not something investors should fear—it is something they should expect.

The key principles to remember are:

✓ Market declines are normal.

✓ Do not panic when markets fall.

✓ Continue investing during difficult periods.

✓ Volatility often creates opportunities.

✓ Avoid emotional decisions.

✓ Do not chase last year's best-performing fund.

✓ Review your strategy regularly but avoid unnecessary changes.

Successful investing is often less about predicting markets and more about maintaining discipline when others are losing theirs.

As legendary investor Warren Buffett famously said:

"The stock market is a device for transferring money from the impatient to the patient."

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