

## Market Timing Tips For Value & Dividend Investors – “The 5 W’s”

You don’t normally hear the phrase “market timing” associated with value investing, since these type of investors usually employ a “buy and hold” strategy. However, when we dig a little deeper, we see that timing often plays a critical role in determining the success of a given stock investment. Since we don’t know the future, we have to make our best estimates as to when it will be the right time to buy a stock. Keep in mind, these “5 W’s” are not a replacement for fundamental stock analysis, they’re just a frame of reference for relative timing of a stock purchase or sale, **after** you’ve fully analyzed the stock.

1. **What?** – What is the market trend and sentiment? If there has been a big run-up in market prices, now may not be the time to jump in. Alternatively, one of the toughest things for investors to do is go against the crowd when markets are trending heavily downward. However, looking back at the October and November 2008 lows, this was an excellent time for buying severely undervalued stocks, due to all of the panic selling that was occurring then.
2. **Where?** – Where is the stock now, in relation to its 52-week price range? Find out what range the stock has traded in over the last year, and even the past 3 years, if possible. Is it near its lows, or making new ones? Conversely, is it making new highs?
3. **Why?** – Why is this stock so cheap? Even though we value investors are always looking for undervalued “deals” on stocks, you need to ask some important questions: Are there any big changes that will negatively affect the company’s ability to earn and compete over the long haul? Conversely, why is the stock so expensive? Is there a positive new development in its business that has caused investors to push its price up, possibly to the point of being overvalued?
4. **Who?** – Who is downgrading or upgrading the company? Do you agree? Even more important, who else is buying or selling this stock – are any major investors, such as Warren Buffett, and/or successful institutional investors buying or selling it? This type of news is usually listed on the Yahoo online finance pages, among others, and can have a big impact on a stock’s price.
5. **When?** – When are earnings announcements due, and when is the next ex-dividend date? Stock prices can often run up prior to these two events, and then decrease thereafter, particularly near ex-dividend dates, since market

makers try to discourage short term traders from playing the “dividend recapture” game, wherein the trader buys the stock shortly before the ex-date and immediately dumps it thereafter.

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Robert Hauver publishes the [The Double Dividend Stock Alert](#), a monthly newsletter with high yield, low risk strategies for income and value investors.

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