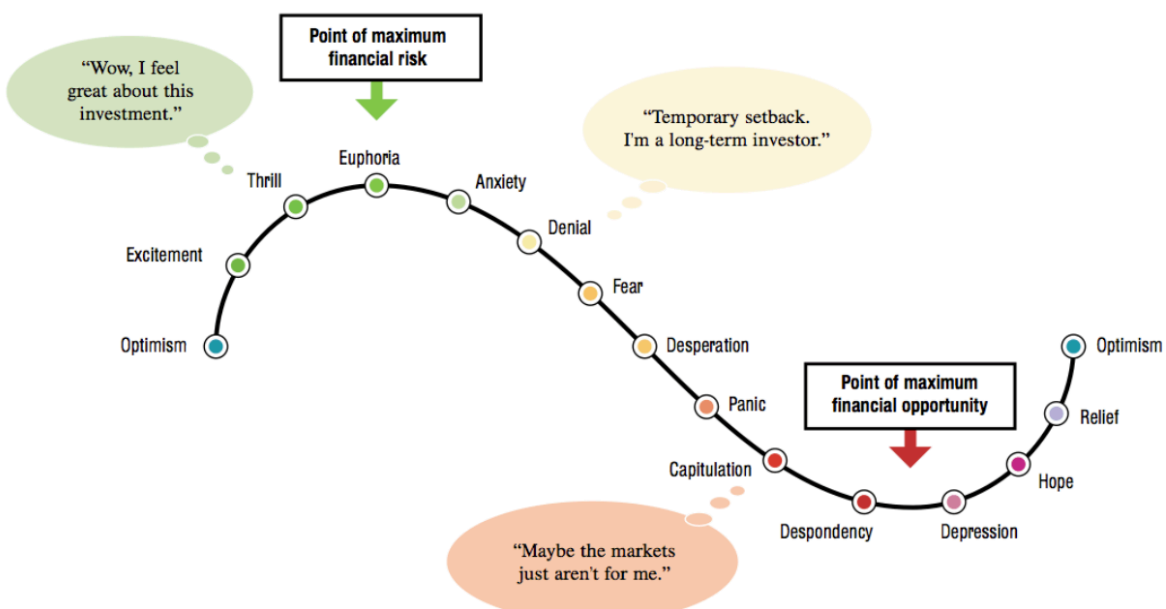
Reflections on Markets and Investor Emotions: March 16, 2020

Recently I have been asked "What should we do? Should we get out of the market?" I want to provide some helpful reminders to individual retail investors as we go through these turbulent markets. I don't like calling the downward direction of the equity market "a correction" because that means that it is supposed to go that way. Turbulent markets happen periodically, they just don't often happen as violently as we have seen these last few weeks. As a result of the more than 11 year run in the equity market since the financial crisis of 2008, however, many investors have forgotten what turbulent markets are like.

Complicating the changes in equity markets are investor emotions. At times investors can get wrapped up in the markets, excited at the prospects of early returns in recent investments, similarly fearful of negative price movements. Emotions change quickly and markets change just as fast. An investment that made you look very smart can sometimes lead to anxiety when markets don't go as expected. As markets continue to drop, our emotional state weakens as well. This leads to denial of that weakness and fear of the ramifications of that previous investment decision that once made you feel so smart. When does it end? Our emotional roller coaster never does. What's interesting is that at the point of maximum negative emotions may be the best time to invest. What's that famous adage…Buy Low and Sell high!

Our job as investors is to control our emotions so we stay invested and remember to review our returns, our asset allocation, and risk weightings so that our portfolios allow us to sleep at night.

Investor Emotional Roller Coaster



Source: Forbes.com

Portfolio Strategy:

If you don't need your investment capital within the next twelve months, now may not be the time to liquidate your portfolio. Should you review the composition of the portfolio ensuring acceptable diversification-yes! However, stay invested through all markets. The key to a rewarding investment in your portfolio during times of above average volatility is to trust your pre-determined investment process and stay focused and disciplined. Concern over the oil shock and COVID-19 is valid. Capital markets around the world have become increasingly anxious, however, effects are likely to be temporary. Stay invested, look for opportunities, make decisions based on your risk tolerance and return expectations. The current period of above average volatility will be followed by a period of outsized recovery as countries re-open and the population returns back to more normal consumption patterns . **As Warren Buffet famously stated**; "only buy something you would be perfectly happy to hold if the market shut down for 10 years!"

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If markets are keeping you up at night and you would like a fresh approach, give us a call at 1-800-831-0304 or 416-364-8989.

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