Posted on: November 9, 2015

Anatomy of a Market Correction

Tags: investment planning [1]

The origin of the recent stock market correction started earlier in the spring of this year. During the month of April, the Canadian, U.S. and many other global stock markets achieved new record highs.

Instead of celebrating such a numerical milestone, many media commentators started wringing their hands in worry and expressing their fears about an impending market crash as a result of the high figures. Interestingly enough, when real estate prices hit new highs in major markets such as Toronto and Vancouver, commentators and the general public cheered and became excited. Conversely, the same level of excitement was not matched when it came to the investment markets.

By the time May rolled around, the message became widespread into the consciousness of clients, resulting in a few calling the office to express their concerns about “market volatility” and the imminent Canadian recession. Case in point, one woman reported her beliefs that the country was in or about to enter a recession. Along with others, her emotions were ignited by the constant barrage of media commentary warning people to watch out for the coming market crash.

It was pointed out that the woman had lived through five or six recessions so far in her life and was likely to live through another three or four more. During those recessions, she had managed to raise a family, buy several increasingly larger and more expensive homes, build a solid business with her husband and build retirement savings and other investment assets.

The media drum beat of impending doom and gloom continued throughout the summer until a market correction between 5 to 10% was applied during the month of August. Understandably, the fear levels amongst clients and potential investors rose continually from the spring to the point where few people were willing to invest new money into the markets until after the “correction” or until the “volatility” came down.

So how bad was it? The correction started in mid-August and continued in fits and starts for several weeks afterwards. The oil and gas sector, materials and the Canadian markets in general fell well over ten per cent from their April highs. However, the application of proper portfolio diversification by using other asset classes such as bonds and income producing assets helped cushion clients from the full impact of the correction. Additionally, investing outside of Canada would have also helped ease the impact of the correction in the Canadian markets.

The correction has largely been attributed to an economic slowdown in China but the hand wringing and worrying began in the media long before any fundamental factors such as China’s economy were in evidence.

The moral of the story here is to remember that your own financial plans, strategies and tactics are the only matters within your control. The external environment is always changing and in a state of flux. The goal and the challenge is to realize your hopes and dreams through a disciplined approach to saving money on a regular basis, paying down debts and living somewhat below your means.

Call us today to review your financial goals and savings plans so that you can take the next market correction in stride and make tactical corrections instead of selling in a panic as many investors did in recent weeks.

Do you have questions about your financial strategies?

Contact our office today ! [2]

Source URL:https://kevinbrewerfinancial.com/e-newsletter/2015/2015-11/article-1.htm

Links
[1] https://kevinbrewerfinancial.com/taxonomy/term/19 [2] https://kevinbrewerfinancial.com/contact-us