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Emerging Opportunities

Tags: financial planning [1]

When pondering the financial impacts of the Covid-19 quarantine and the resulting global economic shutdown, it helps to visualize dropping a pebble in a pool of water. As any child knows, the ripples start moving away from the point of impact until they disappear across the pond and finally dissipate, and the waters return to their calm state.

As various provinces take steps to fully restart their economies (while monitoring the Covid-19 virus outbreak and a possible second wave), questions remain about how many ripples have occurred and how these ripples impact consumer cash flow and long term planning.

It is also important to examine how the investment markets have behaved since February, as opposed to how the real economy is performing. By late July, North American stock indexes had recovered most of their declines from the lows of late March with a resulting recovery in Canadian household investment accounts – RRSPs, TFSAs, and unregistered investments.

The real economy (where most people live and work) has just begun the process of healing and recovery, which suggests we are only a few ripples into the economy returning to a state of full recovery or "business as usual" from the shock that occurred last spring.

While there is work to be done, opportunities for profiting from the recovery are starting to appear. One of my roles as an Advisor is to monitor what mutual fund investment managers are doing and saying in response to recent market volatility. Some opportunities are starting to surface that favour investors with longer-term asset and wealth building strategies.

At this moment in time, momentum trading and investing seems to be leading to a state of euphoria among new investors. Many media outlets are reporting about how easy it is to invest and make quick money. One wealthy (but not from investing) day-trader went so far as to tell Warren Buffet that his methods are obsolete - all based on a month or two of early and quick success. Professional financial advisors tend to be in Buffet's corner as this day-trading upstart will most likely flame-out during the next market correction.

After many years of under-performance, the **value-investing approach has many money managers excited about the terrific valuations** presenting themselves in various sectors and economies globally. These managers have not seen these types situations since the market crash of October 2008.

While we still do not know if the markets have bottomed yet, or if the March 2020 lows will be retested, **investors with a time horizon of two or more years** can position themselves now to profit from the recovery that is expected to follow the pandemic. The key to success will be keeping a focus on the long run and remaining disciplined enough to stick to a long-term financial strategy.

Please call our office for an appointment to review [2] the opportunities presenting themselves and how they may fit with your long-term asset accumulation and planning needs.

Enjoy the rest of your summer.

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