

# Don't Let Fears Drive Your Investments

First, the coronavirus rocked the financial markets. Then, oil prices dropped more than 20 percent after a breakdown in OPEC production discussions. Not surprisingly, the markets took another nosedive. Yet, despite these events, this recent market volatility may well be attributed more to fear than the forces that usually drive the markets. Ultimately, in the investment arena, as in all walks of life, facts matter. And right now, if you look beyond the headlines, the facts that matter to investors may be far less gloomy than you might have imagined.

So, here are some things to keep in mind over the next several weeks:

- **This isn't 2008.** If you were an investor in 2008, you well remember the market crash that resulted from the bursting of the housing bubble, which had severe ripple effects throughout the economy. The situation is different now. This is primarily a health crisis, not a loss of confidence in the financial system. While it's quite likely that the Canadian economy will take a meaningful hit in the short term, the overall economic fundamentals were in solid shape before the coronavirus came along. Specifically, banks were well-capitalized, the labor market conditions were the best in decades, housing activity was improving, and interest rates remained near historic lows.
- **We've been here before.** From the time the markets bottomed out in early 2009 until just a few weeks ago, Canadian stock prices climbed about 110 percent. Yet, during that time, we also saw two separate market

drops of more than 20% percent, similar to what we're seeing now. These market corrections always feel unsettling, but it's important to recognize that they are actually a normal part of the long-term investing process.

So, given these factors, how should you respond to the current situation? Instead of simply selling your stocks in an attempt to cut your losses, review your portfolio to see if it is properly balanced between stocks, bonds and other investments in a way that reflects your goals, time horizon and risk tolerance. Those investors with properly balanced portfolios are not seeing the same level of decline as those whose holdings are almost entirely in stocks. And while diversification can't guarantee profits or protect against all losses, it can help reduce the impact of volatility.

Here's another suggestion: Look for good buying opportunities, because they are certainly out there. A well-managed company with a solid business plan that produces quality products and services is going to be that same company after the coronavirus and oil price panics subside – and right now, that company's stock shares may literally be “on sale.”

While it's not easy for you to look at your investment statements today, remember that you're investing for goals that may be decades away. By keeping your eyes on this distant horizon, so to speak, you'll be less likely to over-react to the news of the day – and more likely to follow a long-term strategy that can work for you.



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# Thank You!



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