

Investor's guide: Market volatility



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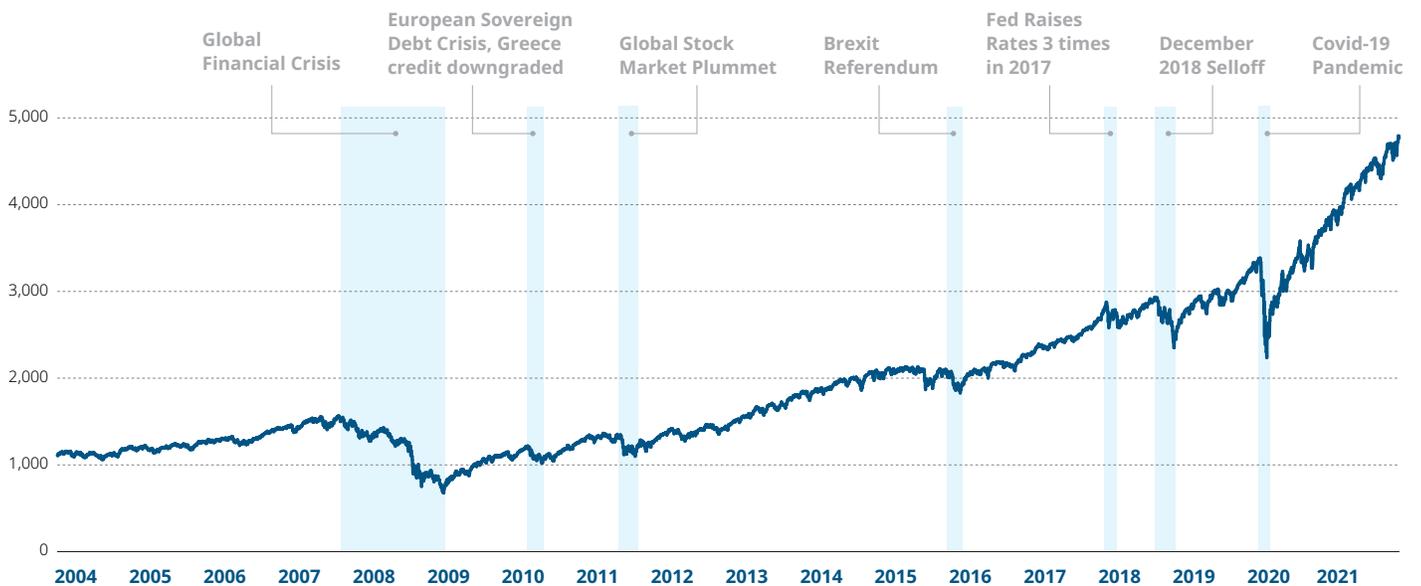
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Perspectives

The market has faced many economic downturns over time

Historically, despite many periods of increased volatility, markets have remained resilient.

S&P 500 Index - Price



Source: Bloomberg

These downturns can create an emotional rollercoaster

It's not easy for investors to manage their emotions. There is a tendency to get excited and buy just as markets are set to decline, and to panic and sell just as markets are set to recover.

S&P 500 Index – Price



Mutual Fund and ETF Net Flows into the U.S. Equity CIFSC Category (\$M)

Source: Morningstar Direct

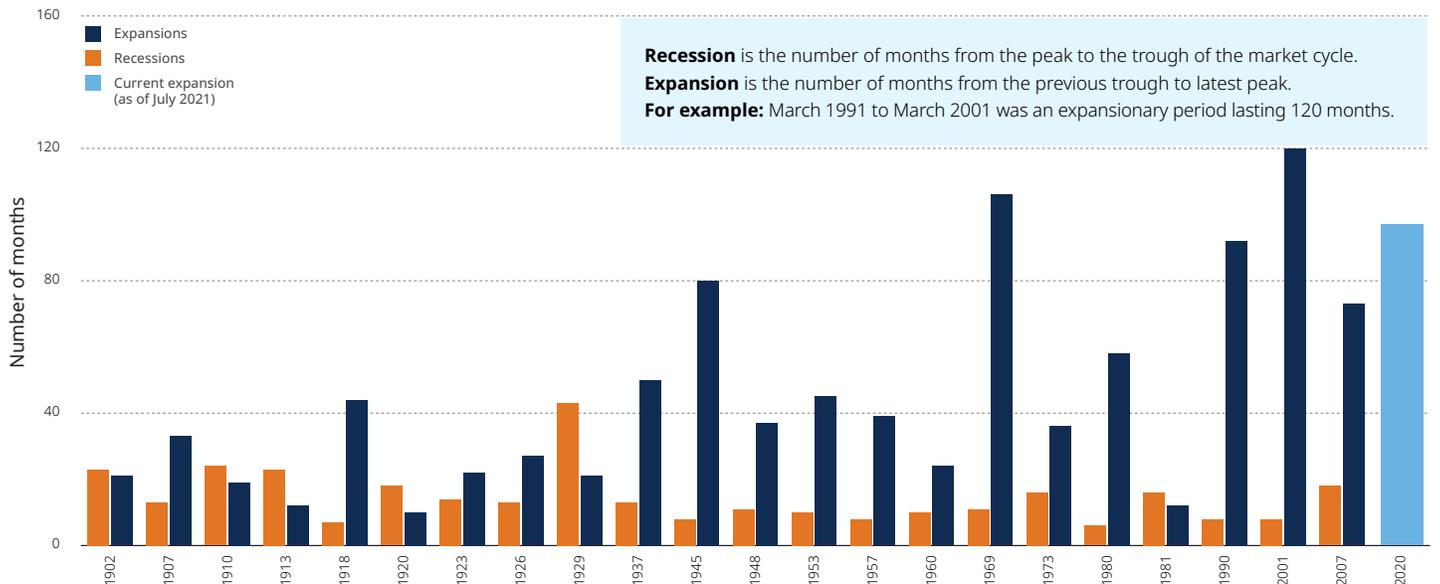
U.S. equity source: The Investment Funds Institute of Canada (IFIC), ISS Market Intelligence Simfund Canada. Data reported in Stand-Alone View.

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Recessions, while unsettling, are usually short-lived

The good times (economic expansion) usually last much longer than the bad times (economic recession).

Length of recessions and expansions – January 1902 to July 2021



Source: National Bureau of Economic Research, July 2021

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Remember that markets tend to stabilize rather quickly

Many of the strongest returns in the markets occur in the period immediately following a sharp decline. Those who exit the markets, even for a short while, risk missing great opportunities when the markets recover.

S&P/TSX Composite Total Return Index

	12-month return	12-month return following negative return	5-year return following negative return	
			(absolute)	(annualized)
December 1957	-21%	31%	72%	11%
May 1970	-24%	23%	49%	8%
September 1974	-31%	23%	168%	22%
June 1982	-39%	87%	227%	27%
August 2001	-33%	-9%	79%	12%
December 2008	-33%	35%	76%	12%
March 2020	-14%	72%	?	?

Source: Mackenzie portfolio analytics

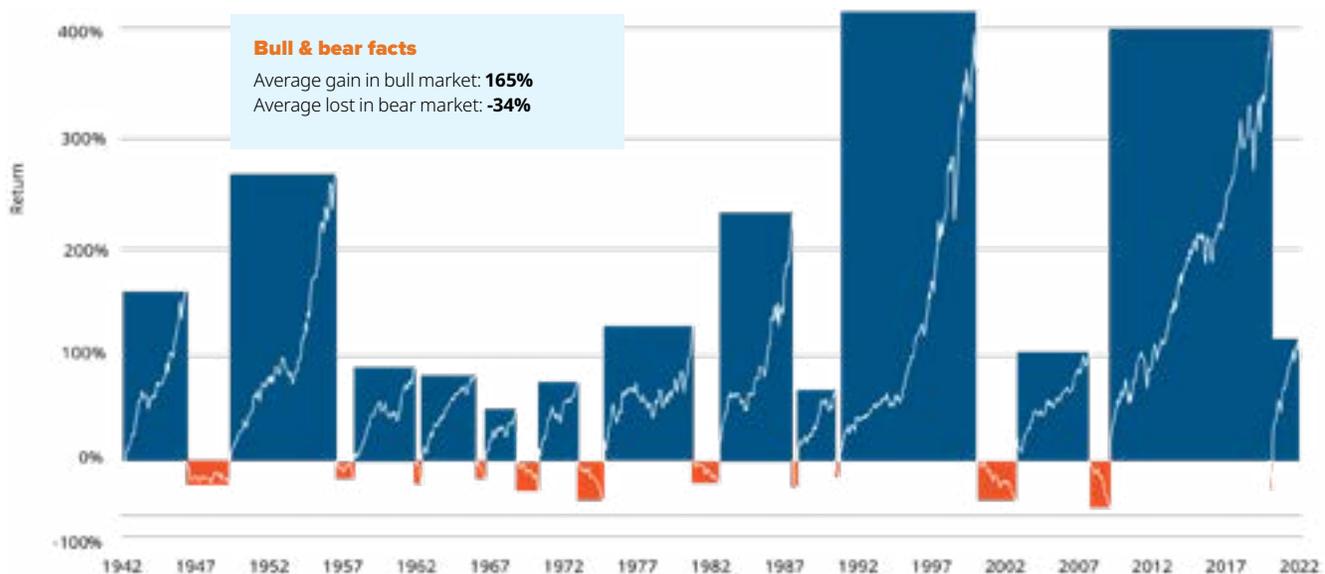
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Ultimately, the ride up is usually bigger than the ride down

Many of the strongest returns in the markets occur in the period immediately following a sharp decline. Those who exit the markets, even for a short while, risk missing great opportunities when the markets recover.

S&P 500 Returns

Bulls Outrun Bears Since 1942 (20%)



Bloomberg February 28 2022. Local currency; price only returns, A bull (bear) market is defined as a positive (negative) move greater than 20%.

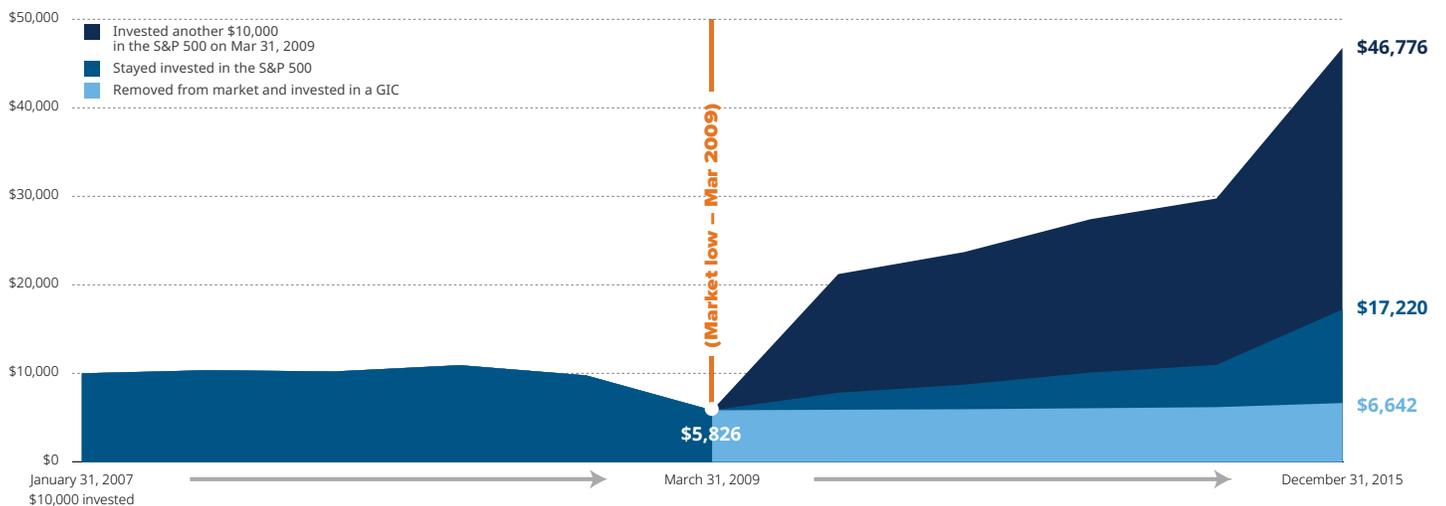
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Strategies

Avoid trying to time the market

It's virtually impossible to know when markets will rebound. Trying to time the market may sometimes look like a smart move, but your long-term investment performance will likely be worse than if you had simply stayed invested through the bad times.

Growth of \$10,000 – S&P 500 Index

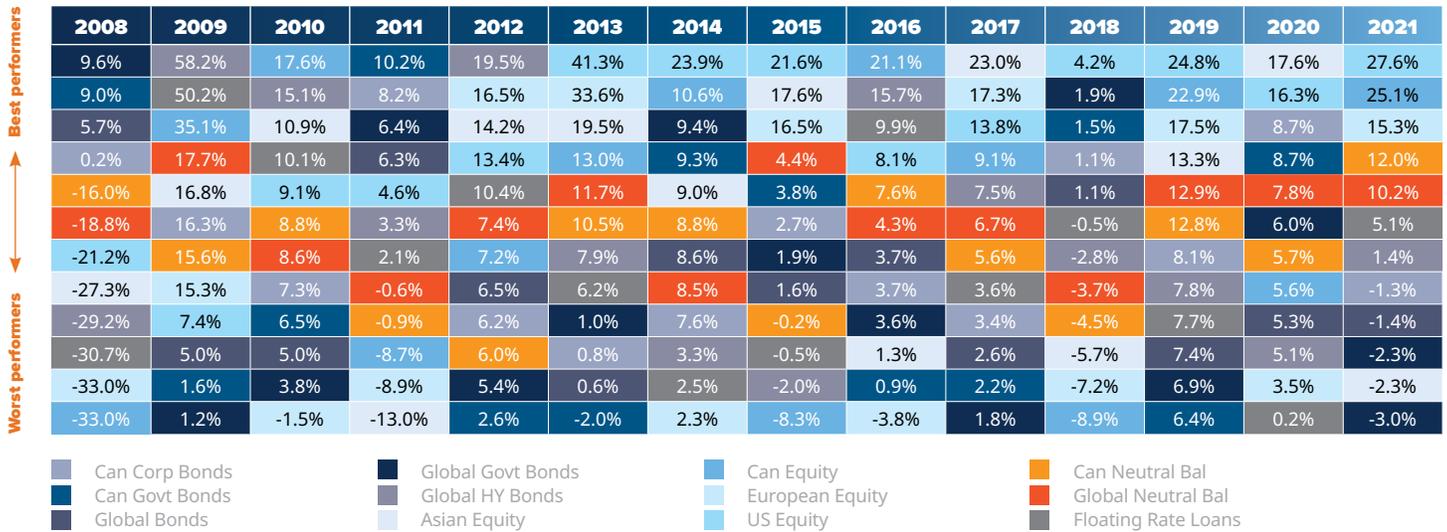


Source: Bloomberg, January 31, 2009 – December 31, 2015.
Unlike mutual funds, the returns and principal of GICs are guaranteed.

Keep a well-diversified portfolio

By diversifying your portfolio across different asset classes, you can achieve greater consistency in returns, and ultimately protect yourself against market volatility.

A diversified portfolio can help reduce volatility



Source: Morningstar Direct, as of December 2021.

Consider a 'Dollar-Cost Averaging' strategy

Rather than investing all your money at once, making a commitment to invest a smaller amount on a regular basis may lower your average cost per unit by purchasing more units at lower prices.

DCA in a fluctuating market



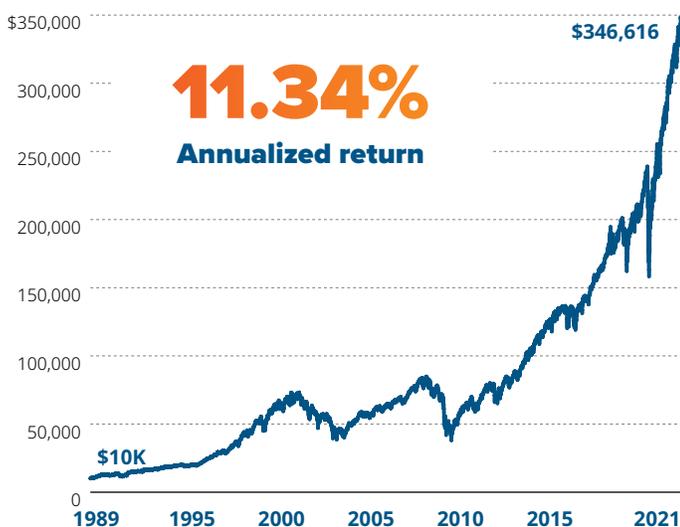
This hypothetical illustration shows how investing \$300 each month in a fluctuating market can potentially help reduce the overall cost of the portfolio by buying more securities when the price is lower and fewer when the price is more expensive. For illustrative purposes only.

Key takeaway

Markets eventually recover despite volatility

Staying the course is of the utmost importance during periods of volatility as it has historically enabled investors to fully recover from these periods and achieve their long-term investment goals.

Growth of a \$10,000 investment, 1989-2021



Crisis	Market low	1 yr later
Korean war	July 13, 1950	28.8%
Cuban missile crisis	September 23, 1962	33.8%
JFK assassination	November 23, 1963	25.0%
1969-70 Market break	May 26, 1970	43.6%
1973-74 Market break	June 12, 1974	42.2%
1979-80 Oil crisis	March 27, 1980	27.9%
1987 Stock market crash	October 19, 1987	22.9%
Desert storm	October 11, 1990	21.1%
Soviet coup d'état attempt	August 19, 1991	11.1%
Asian financial crisis	April 2, 1997	49.3%
Dot-com bubble crash / September 11 / Enron	October 9, 2002	33.7%
Invasion of Iraq	March 11, 2003	38.2%
North Korean missile test	July 17, 2006	25.5%
Subprime mortgage crisis	March 9, 2009	68.6%
US Debt rating downgrade	October 3, 2011	32.0%
Crimea Annexation	February 3, 2014	17.7%
China Yuan devaluation	February 11, 2016	26.6%
2018 Global recession scare	December 24, 2018	37.1%
COVID-19 Pandemic	March 23, 2020	74.8%
Average appreciation		33.0%

Source: Morningstar Direct / Bloomberg. Snapshots in time of significant negative impact international events from 1950 to March 2020, and the subsequent change in market value from the S&P 500.

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