

Crazy stock market

by CHRISTINE IBBOTSON

Dear Money Lady, The stock market is so crazy right now and I am afraid to keep investing in it. What do you think?

James

Dear James,

I understand your apprehension James however you must remember that we have seen the markets do this many times in the past. It is important to remember that what goes down, always comes right back up when you are looking at the stock market throughout history. This truly is an unprecedented event that we are witnessing worldwide and although we currently see epic spikes in market volatility and a global stock market crash, I can guarantee this will indeed change.

When we find a cure for the Coronavirus (which we will) and things slowly get back to normal, there will be an enormous amount of pent up demand worldwide that will catapult our economy, business and commerce to higher highs than we saw before this crisis. Looking at the last hundred years, there are some facts that are just undeniable. The stock market is very 'aggressive-reacting' and 'regressive-reacting' which means it swings excessively to one side or the other, in like what seems like, break-neck speed. Knowing this, we have observed in the past that the market has endured countless wars, epidemics, major shocks, always managing to reach significantly new highs over time, than before a crisis, often with highs that we never thought possible. To put it bluntly, there may be a lot of money to be made here if you continue to invest when the market is down.

While we can't say that we are out of the continued downward trend of equity markets, the sharp sell offs will soon dissipate and as we have always witnessed in the past, markets will begin to rebuild. Talk to your advisor and see if this new market landscape is something you can take advantage of. This is the time to be buying good stock picks that are at record low prices and a great value. We don't want to be short sighted when investing for the future. Consider the long-term advantages of buying into the market at low price points to capitalize on future profit when the market turns again.

Here is a Trader's Tip: When you are looking to get into a very volatile, downward swinging market environment it is hard to know when it has bottomed out. Resist the urge to try and time the market. This is virtually impossible and extremely difficult even for the most experienced traders. If you do decide to buy in, and your portfolio goes down further 'just leave it. It will come back up. Do not be too greedy here and be going in and out. Often times, this causes a lot more stress, mental anguish and actual true losses. If you want to know when to really get in, it is said that a 'Trader's Tip' is to buy in when the stock market has three full consecutive increasing days. This will mark a shift in the sell-off momentum and although it may go down a little later, it is usually viewed as sure sign of improvement and recovery.

Good Luck and Best Wishes,

Money Lady

Written by Christine Ibbotson, Author of two new books, 'Don't Panic ? How to Manage your Finances and Financial Anxieties During and After the Coronavirus' and 'How to Retire Debt Free & Wealthy' available at all bookstores across Canada. If you have a money question, please email on website: www.askthemoneylady.ca