JRSAINT & ASSOCIATES

Dear clients: **March 2, 2020**

Once again the markets are testing our fortitude with a sharp selloff because of the coronavirus. When something like this happens it is difficult to react because history will tell us that the market will recover the losses in time, sometimes very quickly.

This virus affects the entire global community and with today's technological buying and selling, selloffs are sharper and quicker and so are recoveries.

That is why asset allocation is the biggest determinant in the success of your overall portfolio.

Would I recommend that you do anything now – NO – because the markets have already had a significant drop (they could drop further) but in time the markets will rebound to their previous lofty highs, but by selling and sitting on the sidelines until it does, locks in those losses.

I am reprising an article from Rob Carrick that appeared in the Globe and Mail last week. While I don't always agree with what Mr. Carrick writes, I have been an advisor since the early 1980's and have seen quite a bit…..

Regards,
James R. Saint
President

Rob Carrick
Globe and Mail - February 28, 2020

You learn a few things after witnessing multiple stock market crashes, a global financial crisis and too many corrections to count.

Stock market declines are painful, almost physically so. But in my two decades of covering investing and personal finance, I have never seen a market plunge that didn't offer opportunity to long-term investors who understand things usually get worse before they get better. **The challenge is to think straight and not get emotional**. Let me see if I can help you with that using a few lessons I've picked up:

All the blah-blah about stocks being on sale is actually true

It sounds patronizing to be told that falling markets are a good thing because you can buy at bargain prices. But 10 years from now, you'll marvel at the deals you got on stocks bought during a plunge.

Dividend investors, take a look at how yields are rising as share prices fall. Buying dividend stocks in a market rout lets you lock in yields that were unthinkable just weeks ago. Meantime, the money rushing into the bond market is sending bond yields lower.

Be a gradualist

Dip into falling markets, don't dive. Use a dollar-cost averaging approach, where you make multiple purchases and avoid betting that the markets are their low point. Ideal buying days are the ones where the markets are getting slaughtered.

Do not expect instant validation of your nibbling away at falling markets. It could take a year or years.

Getting out of the market is a lot easier than getting back in

The problem with selling in a panic and sitting in cash is that you have only solved one problem. You've halted your losses, but not positioned yourself to benefit when stocks start rising again.

Oh, wait. You think you'll jump back in near the bottom to ride the next wave higher. The flaw in that thinking is this: If you were stressed enough to bail on the markets, it's unlikely you'll have the fortitude to jump back in at the market nadir.

You might think you're protecting your portfolio by getting out. But you could be doing long-term harm by missing out on gains ahead. Cash in your brokerage account probably earns you nothing, and most of the easily accessible investment account parking spots for cash get you a little more than 2 per cent at best. Inflation, by the way, hit 2.4 per cent in January.

The market pros who you'd expect to lead us in buying low will suddenly get cautious and tell us they don't want to grab a falling knife

Professional money managers live in a different world than individual investors. They're constantly accountable for their work and thus have to be more reactive to market events. If they buy into a falling market that plunges further, they have to wear it. So expect to hear a lot of chatter about how it's not yet time to buy.

By the time the pros are telling you to buy, they will have already snapped up the bargains they were eyeing.

Just buy an ETF

It's cool if you have a list of stocks you're tracking through the market decline to find a good entry point. But there's a much easier, and probably more rewarding, way to exploit a market decline. Just buy an exchange-traded fund or low-cost index mutual fund that offers the returns of major indexes like the S&P 500 or S&P/TSX composite.

Investors holding index investments are getting mauled right now. When the markets snap back, these same investors will have front-row seats to the recovery through their ETFs.

It sucks to see your profits melt away

It was just a few weeks ago we were all feeling pretty great about our portfolios. Seeing those gains recede is hard, but all part of investing's rich pageant. Remember to compare your portfolio's current value to where you started, not to the recent high water marks.

Looking back, my single biggest regret in all the market declines I've seen is not investing more money at those low points. I have never wished I panicked more.