



**NETWORTH**  
*Asset Management Inc.*

## **My View**

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### ***What's Happening in the Markets???***

I thought that it would be timely to write down some of my thoughts on the recent Global market volatility and the resulting pull back in the various market indices. ***Stock Markets come from a place of efficiency, but live in a world that drives them up and down primarily because of two emotions, euphoria and despair, displayed as greed and fear.*** When they get ahead of themselves, a letting off of steam needs to take place – more commonly referred to as a market ‘pull back’ or ‘correction’. Such is what we have been experiencing for the last month.

Most Global markets are now in negative or near negative territory. Our own S&P/TSX index has shrunk from a year-to-date gain of nearly 12% to below zero. The daily volatility has reached a state of dizziness – some days a drop of 300 points at a time, with a resulting close of a 50-60 or more point drop in a day. Those are huge market swings! (keeping in mind of course that 100 points corresponds to a 1% change)

#### **Here are some of my observations about what is happening:**

- The market got way ahead of itself and lacked real sustainability for its numbers (actual earnings and economic factors were less important than the above emotional responses).
- Terrorism concerns and what effects that could have.
- Worry over a slowdown in the American economy, which consumes 45% of the world's consumer goods.
- Greed in the oil sector and amongst the major players.
- The TSX index now has a 47% weighting in the oil and gas sector, whereas the historical average is closer to 9%.
- Also, it's that time of year, when Hedge Fund and Derivative Traders are repositioning their portfolios which normally contributes to market volatility.

Mostly every year around this time, we see a bit of a sell off, but because of some of the above reasons, this time the effect has been magnified.

**There are three ways to look at this turn of events:**

1. ***It presents a buying opportunity*** to purchase the same great asset at a lower price. Prices may continue to slide for a while longer, or they may stall, or start heading back up any day.
2. ***Do nothing and just stay the course.*** Or, if you are making monthly contributions . . . just smile.
3. ***Go to a cash position.*** Although history has shown us over and over that market timing does not work well (ie. choosing when to get out and when to get back in), if it helps you to sleep at night, it's an option worth reviewing.

Crystal Ball gazing has never been a belief that I hold near and dear to my heart. Instead, I believe in a well-designed portfolio, with suitable asset allocation, and letting the world class money managers do the job they get paid to do by taking advantage of such buying opportunities. And if possible . . . buy low!

If you should want to chat about our current state of affairs, or concerns about your own holdings, please give me a call at your convenience.

Cheers,

Victor

