

Gottesman Wealth Advisory BMO Nesbitt Burns



Let's connect

Gottesman Wealth Advisory
BMO Nesbitt Burns

Abe Gottesman, CFA, MBA
Investment Advisor, Portfolio Manager

Victoria Karkar
Administrative Assistant

1 First Canadian Place
38th Floor

MSX 1H3
Tel: 416-359-7721
Toll Free: 1-800-263-2286

www.GottesmanWealthAdvisory.com

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Gottesman Wealth Advisory Team newsletter

What a difference a quarter makes! After Q4/2018, when the stock markets dropped, as measured by the S&P500 by 15%, there were many doomsday predictions and investors were cashing out. However, at the end of Q1/2019, the markets, as measured by the S&P 500, rebounded to the tune of 13.7%. This brings to mind a great quote I heard in the name of Dennis Gartman, “be selling when everyone is yelling and be buying when everyone is crying.” In other words, buy low and sell high. To the best of my ability, any cash that was sitting on the sidelines in December was deployed throughout the month. While I cannot claim to have timed the bottom perfectly – no one can – I tried my best to buy at an opportune time when all the so called “experts” were advising everyone to sell. I thought I would take this opportunity to speak about market volatility in general. What follows is a short synopsis.

THE HIGH COST OF CASHING OUT

When the markets take a dip, moving to cash is tempting for some skittish investors seeking a short-term respite from volatility. But cashing out of a declining market comes at a price. While you may avoid an immediate loss, you also potentially miss out on future gains because you don't know when the market will rebound. Ultimately, jumping into and out of the stock market could hurt your chances of achieving your long-term financial goals.

Short-term pain, long-term gain

Remember, you are only realizing a loss on your investments if you cash them out. So, keeping a long-term perspective is important when markets are volatile. If the money you invested was never intended for short-term use, don't be short-sighted about your strategy now. Staying patient can prove to be beneficial over time. It's hard to watch our account balance fluctuate when that hard-earned money is tied to your future plans and dreams. While past performance cannot guarantee future results, the past has shown us that markets are resilient.

Don't let volatility change your plan

Market volatility is a given. Short-term downturns can be disconcerting, and they may prey upon investors' emotions. However, the market's long-term trend has been positive. If you stay patient, and can absorb some volatility, that trend can work in your favour.