# Understanding market volatility

Whether you're an avid investor or someone who wants to start dabbling in the world of finance, the market has seen and continues to see its fair share of highs and lows and ebbs and flows. The market recently made what some would consider a rather volatile appearance – but that's just par for the course. And here's something to consider: Even though investing can feel like an emotional (and monetary) rollercoaster ride, it's important to keep a few things in mind.

**Don't confuse the broader market with your specific investment portfolio(s)**
You don't necessarily need to adjust your portfolio because the markets were particularly volatile this quarter. In fact, the volatility you saw may have presented an opportunity to invest in stock or other market-based investments at lower prices.

**Expect the unexpected**
Volatility is a normal and healthy part of market cycles. So even if you feel uneasy about keeping your money in certain markets – especially when markets are volatile or if you're approaching retirement – you're wise to maintain some historical perspective when you recognize these trends. Markets generally correct after a big decline. Based on historical data, average downturns of 22 per cent are likely to return to normal – or better – within 16 months.

| Market crisis and subsequent returns | | | | | |
|---|---|---|---|---|---|
| **Crisis** | **Market low** | **Related market decline** | **Months to recover** | **1 year later** | **2 years later** |
| The Korean War | 13-Jul-50 | -14.0% | 2 | 31.7% | 49.7% |
| Cuban Missile Crisis | 23-Oct-62 | -26.4% | 10 | 36.5% | 59.2% |
| JFK assassination | 22-Nov-63 | -2.8% | <1 | 23.9% | 31.6% |
| 1969 to 70 market break | 26-May-70 | -36.1% | 21 | 43.7% | 59.7% |
| 1973 to 74 market break | 6-Dec-74 | -45.9% | 67 | 33.5% | 59.3% |
| 1979 to 80 oil crisis | 27-Mar-80 | -17.1% | 3 | 37.1% | 14.0% |
| 1987 stock market crash | 19-Oct-87 | -33.2% | 21 | 23.2% | 54.4% |
| Desert Storm | 11-Oct-90 | -19.9% | 4 | 29.1% | 36.3% |
| Soviet coup d'état attempt | 19-Aug-91 | -3.6% | <1 | 11.1% | 21.2% |
| Asian Financial Crisis | 2-Apr-97 | -8.1% | 1 | 49.3% | 72.5% |
| Dot-com Bubble crash | 9-Oct-02 | -49.1% | 55 | 33.7% | 44.5% |
| Sept 11th | 21-Sep-01 | -11.6% | 1 | -12.5% | 7.3% |
| Invasion of Iraq | 11-Mar-03 | -14.7% | 2 | 38.2% | 49.9% |
| North Korean Missile Test | 17-Jul-06 | -6.9% | 2 | 25.5% | 2.1% |
| Subprime Mortgage Crisis | 9-Mar-09 | -56.8% | 47 | 68.6% | 95.1% |
| US Debt Rating Downgrade | 3-Oct-11 | -19.4% | 5 | 32.0% | 52.2% |
| China Yuan Downgrade | 11-Feb-16 | -13.0% | 3 | 26.6% | 43.2% |
| 2018 Global Recession Scare | 24-Dec-18 | -19.8% | 4 | 37.1% | - |
| **Average** | | **-22.1%** | **16** | **31.6%** | **44.2%** |

Snapshots in time of significant negative international events from 1950 to December 2019, and the subsequent change in market value from the stock market low in that calendar year to one and two years after. Source: Datastream. Benchmark: S&P 500 Composite, US$ return.

**Have a plan for times like this – and stay focused on the long term**

Use today's experience to check in on how market volatility affects you. Are you cool as a cucumber, or are you having trouble sleeping at night? Knowing what affects you most can help you identify an approach that will remind you of the long-term investment strategies that went into building your investment plan in the first place.

When markets are down and you're feeling the urge to sell, think back to your long-term financial plan and investment strategy, which were likely aligned with your goals and risk tolerance. While corrections can be off-putting, there's probably no reason to deviate from your long-term financial plan. Generally, those who stay invested and contribute regularly are typically rewarded in the long run.