

What We Are Thinking



January 2016

Happy New Year to all we have the privilege of working for and with! It may be January, but the global stock markets seem to be stuck on Boxing Day as prices drift lower and lower. At this point, if you are still adding to your portfolio, you should be happy that your investing dollar is buying more now than it has for a while. If you are a net seller of equities, then we may be able to provide a few words of comfort.

The villain this time around is popularly cast as some combination of China, Oil or Interest Rates. We do not know to what extent the average Chinese citizen is invested in the market, nor his or her behaviour in past bouts of volatility, but we do know that broad public participation in the Chinese stock market is a relatively recent phenomenon. Could it be that their panic is born of perhaps a little investment inexperience? We do know that the regulatory structure there is not nearly as rigorous (burdensome? prudent?) as those in more mature markets.

The oil price plunge is also interesting. Those of us of a certain age can remember the 'Oil Price Shock' of the 1970s, and how damaging to the economy the sudden price increase was. Ask any European if cheap oil is bad news. Unfortunately, your answer will be different if asked of most North Americans.

As for interest rates, it is only the Americans who are even thinking about raising the cost of borrowing. Anything suggesting this environment was coming to an end is viewed in some quarters as bad news.

In all of this, it is useful to note that this bull market, born of the Global Financial Crisis, is almost 7 years old. Most stock markets have more than doubled from those March 2009 lows. If it ended now, this bull run would be the fourth longest since 1900.

We are in a global economy now, and it is impossible to isolate trouble spots from the overall world picture. The price of a bigger global economic pie is perhaps a little more volatility. Inevitably, it comes to these, our 'Polson Bourbonniere Rules':

- Stay invested in the asset mix appropriate to your circumstances
- Keep your fees and taxes low
- Avoid decisions driven more by emotion than reason
- Know that your Polson Bourbonniere Financial advisor is here to help