Market Update

April 2022

An Important Note: The Urge to do Something

Long ago, Sir Isaac Newton gave us three laws of motion, which were the work of genius. But Sir Isaac's talents didn't extend to investing: He lost a bundle in the South Sea Bubble, explaining later, "I can calculate the movement of the stars, but not the madness of men." If he had not been traumatized by this loss, Sir Isaac might well have gone on to discover the Fourth Law of Motion: *For investors as a whole, returns decrease as motion increases.* – Warren Buffet, 2005 letter

Apparently Sir Isaac Newton had a pretty good track record as a diversified, buy-and-hold investor. But then he got crushed speculating on short term swings in the markets.

The South Sea Bubble was one of a long line of list of occasions when the price of a specific investment run upwards based on hope, excitement and speculation (think Nortel and the 2000 tech market). Sir Isaac avoided for it several years before capitulating and buying in. He too felt the powerful pull of the 'fear of missing out'.

When markets move sharply, up or down for whatever reason, it becomes very tempting to stray from one's long-term plan and turn to short-term trading to duck falling markets and jump on rising markets.

There may be a very high risk that you mistime the market and do significant irreversible damage to the long-term returns. There are two very difficult decisions – when to buy and when to sell – and both have the potential to do harm.

Remembering that the long-term returns of the markets – buy and hold – are attractive, straying from such a plan is questionable. Chasing trends, believing the short-term future is obvious, and making changes due to the urge to do something can all be costly.

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April was a very disappointing month. The markets once again reached their lows of the year.

It is important to note that the bond markets have done very poorly at the same time as the equity markets. There was nowhere to hide, as bonds have historically been a buffer in stock market drawdowns.

It is not unusual for markets to 'retest' (revisit) recent lows. Historically there are many times when markets bounce off of a recent low only to fall back and retest it, even retest it several times. Such movement usually reflets a time of great concern and fears. The gloom drives prices down as emotional investors sell. Positive forces then reassert themselves only to be driven down again.

Knowing that such volatility and 'bouncing along the bottom' is not unusual, will not likely make anyone feel better. But it should. We have been here before and such movements do not signal further losses.

Importantly the market has fallen on 'light volume'. In other words, the numbers of shares traded (the volume of shares) is below average. This points to a few sellers and very few buyers. Large investment houses are not selling large positions, but they are only selectively buying. Without significant buyers a group of sellers will drive the price down. They will drive the price down until a significant number of buyers consider the price attractive even given world events. For now, the last three months, we seem to have hit that point a few times then seeing buyers drive the markets higher, only to see sellers reappearing with their small lots.

As we all learnt in Economics 101 the price of all things is determined by supply and demand. As long as the volume is light I am not overly concerned.

And so, as always, the focus remains, and must remain, on the long term. One should invest in strong companies that can weather the inevitable storms and prove profitable. One should invest for the long term and ignore short term fluctuations. One should focus on one's own life, plan, and goals. At the end of the day that is all that truly matters.

Looking forward we are concerned but neutral in the short term, and positive in the medium and long term. We continue to invest new funds and monitor our positions closely.

Have a great month and let us know if there is anything we can do for you,

- Meir

Index	Month	Year to Date
Bonds FTSE Canada Universe Bond Index - CAD	-5.00%	-10.40%
Canadian Equity - S&P/TSX 60 Index - CAD	-5.00%	-1.60%
US Equity – S&P 500 - USD	-9.00%	-13.30%
International – MSCI EAFE Index - USD	-6.70%	-12.80%
Emerging Markets - MSCI Emerging Markets Index - CAD	-3.30%	-11.70%
Real Estate - Dow Jones® Global Real Estate Index - USD	-5.20%	-9.10%
S&P/TSX Preferred Share Index - CAD	-7.50%	-10.00%

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[1] Bonds FTSE Canada Universe Bond Index - CAD
Canadian Equity - S&P/TSX 60 Index - CAD
US Equity – S&P 500 - USD
International – MSCI EAFE Index - USD
Emerging Markets - MSCI Emerging Markets Index - CAD
Real Estate - Dow Jones® Global Real Estate Index - USD
S&P/TSX Preferred Share Index - CAD