March 24, 2020

Group Retirement Solutions

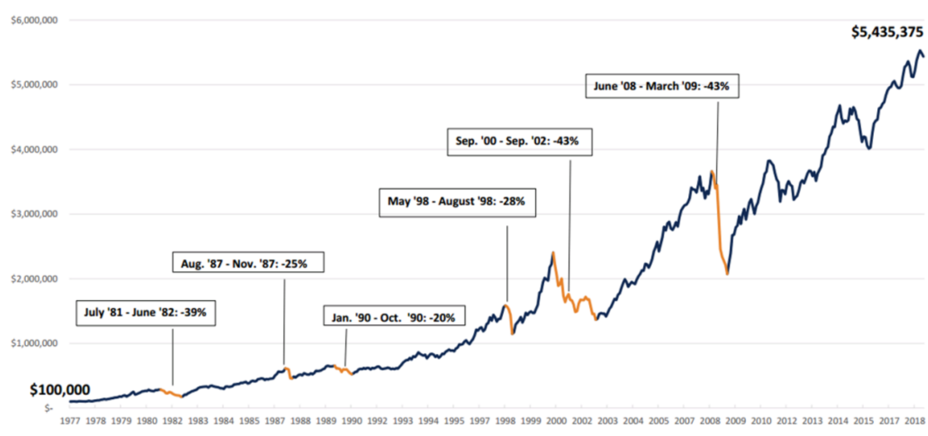
Market Link

Insights into the investment and savings world for People Corporation plan members

In our last Marketing Update, we provided an overview of market events up to March 10th. In the days since, we've seen continued downgrades to the economy and capital markets.

Through late February and early March, the market reacted to the disruption of supply from the industrial shut down in China aimed to reduce the spread of COVID-19. As the virus spreads, economic demand is being affected. Businesses and consumer spending have reduced and the capital markets have absorbed the sudden change to the negative economic conditions. Uncertainty on duration of the economic reversal has led to all-time extremes in stock market volatility. Stock markets are down significantly year to date, with historical one-day declines. We've seen panicked sell offs where investors, both individuals and institutions, are selling assets to raise cash required for reasons other than long-term growth. The expectation is that volatility will continue until the current uncertainty subsides. The prospect of a global recession is now a possibility which is reflected in lower stock values.

On the positive side, over the last few days, governments and central banks have been introducing measures to address the health risks and negative effects of the pandemic. We're all making major changes which are expected to eventually create positive outcomes. Central banks are introducing stimulus measures to mitigate the economic fallout. Governments are introducing fiscal policies to help businesses and individuals financially, as well as measures to slow down the pandemic. These efforts won't change the economy or markets overnight, but will cushion the negative impact. We can expect to see alarming headlines over the next few weeks, but there is a concerted effort to address the threat and along with that, a stock market that will eventually turnaround to reflect a return to relatively normal activity. China is coming back online and many previously shuttered businesses and retailers are up and running again. History tells us two things in these market shocks: markets always recover and no one can predict when that will be.



Source: Morningstar, using monthly returns. S&P/TSX Composite TR as of as of September 30, 2018.

What investors should do

Changing your investments in reaction to drops in the market isn't a sound strategy. Focus on long-term goals and your own risk tolerance.

Being a part of your plan sponsor's group retirement plan has already benefitted you:

- You're gaining from the expertise of professional money managers whose job it is to find future growth opportunities in the sell off
- You're dollar cost averaging - meaning your regular contributions buy into a market that's on sale
- Your plan is made up of diversified investment options, so your risk against volatility is managed
- You're paying lower-than-average fees

Instead of changing your investments in the short term:

- Revisit your risk profile – more information is available in the plan member's section of your provider's website
- Reconsider your investment allocation to ensure you're properly diversified for the long term
- Ever heard of a financial map? Plotting your financial plans will give you a better sense of your investments and your financial future
- Of course, you can always discuss your current situation with your financial advisor