



Our team has been working hard to get our Gilchrist Financial website updated, so visit us at www.gilchristfinancial.com. Pass on this newsletter and website to those you feel may be interested in our services.

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Everything you need to know about market volatility



Important Dates



- August 1 – BC Day
- September 5 – Labour Day
- October 10 - Thanksgiving
- November 11 – Remembrance Day
- December 25 – Christmas Day
- January 1 – New Years Day

Calculators and Planners



Tax Calculator

<http://www.ey.com/ca/en/services/tax/tax-calculators>

TFSA/RRSP Calculator

<https://dynamic.ca/en/tools/calculators-and-planners/calculators-and-planners/tfsa-rrsp-savings.html>

Retirement Calculator

<https://dynamic.ca/en/tools/calculators-and-planners/calculators-and-planners/retirement-planner.html>

What is market volatility?

Stock market volatility measures how much the stock market's overall value moves up and down. This also applies to individual stocks or bonds, whose underlying prices can also fluctuate. The most common way to calculate volatility is by measuring how much an asset's price varies from its average price over a period of time. Standard deviation is the statistical measure most often used to represent volatility.

What causes market volatility?

Stock markets often become volatile when external events create uncertainty. Major stock indexes like the S&P/TSX Composite Index typically don't move more than 1% in a single day. However, such indexes routinely rose and fell by more than 3% each day during the beginning of the COVID-19 pandemic in 2020. A similar phenomenon has occurred recently amid Russia's invasion of Ukraine and the subsequent war. When such external events occur, investors don't know what will happen, and the uncertainty can lead to frantic buying and selling.

Volatile markets are commonly attributed to things such as economic releases, company news, the opinion of well-known stock analysts or unexpected earnings results. Some market watchers also blame volatility on day traders, short-sellers and high-frequency trading firms.

Are market downturns normal?

Yes. Stock market downturns are normal and, as mentioned above, they can be caused by numerous factors. Anyone with an internet connection can look up how long crashes, corrections and bear markets have lasted. (A stock market crash is a fast and usual unexpected drop in stock prices. A "correction" generally refers to the price of an asset falling more than 10% from its most recent peak. This can also apply to the stock market as a whole. A bear market is typically a situation in which stock prices fall

20% or more from recent peaks.) However, nobody knows the timing, nature and magnitude of these market downturns.

When will the stock market turn around?

The short answer is, nobody knows. If you did, you could probably make a lot of money. Of course, there are things investors will watch for that may offer clues about the market's direction. One item that will garner a lot of attention is whether central banks around the world will raise interest rates; hints about such moves could come in economic reports or in comments from officials who work at central banks. Other economic indicators investors watch for include retail sales and activity in the housing sector, such as housing starts and existing home sales.

What is important to remember is that history teaches us that stock markets will not keep falling forever.

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Bridging Today's Reality with Tomorrow's Wealth

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