

Myles Zyblock - Market Commentary

January 24, 2022

Market Volatility: Rough waters

Equity markets have been rocked in recent weeks. Investors are concerned about monetary policy tightening across the developed world at a time when Omicron has left some economic air pockets and geopolitical tension has escalated due to Russia's military buildup on Ukraine's border. The S&P 500 is now in "correction" territory, down by about 12% from its prior peak and taking us back to index levels seen last summer.

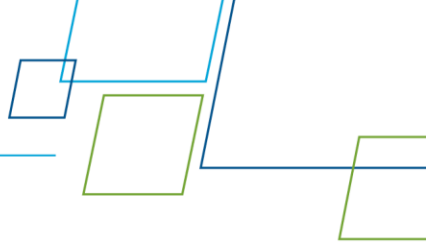
Corrections are never easy to stomach. This one might even feel a little harder to endure given the privileged situation we found ourselves in during the prior 15 months of strong returns accompanied by very little price volatility. But, that was far from a normal operating environment.

Long-term equity investors carry the scars of time. Since the major low set in March of 2009, the S&P 500 has experienced 26 corrections of at least 5%. This marks the 27th. During those prior episodes of price weakness, 8 exceeded 10% (this is the 9th) with three of those eight taking share prices down by more than 20%. Here's the important point. The equity market's annualized return over this entire period has been 17.7%, something that was probably not achieved by any mere mortal trying to time the turbulence. It's near impossible to anticipate the market's next move consistently or accurately without the aid of a well-functioning crystal ball.

S&P 500 Corrections > 5% Since March 2009				
	Intraday Peak to Trough (Year/Dates)	# of Days	% Decline	Concerns
2022	Jan 4 - Jan 24	17	-12.4	Fed policy tightening, Russia/Ukraine tension, Covid Omicron
2021	Nov 22 - Dec 3	11	-5.2	COVID Omicron, Fed Tapering
	Sep 2 - Oct 4	32	-5.9	China Contagion, Fed Tapering, COVID Delta
2020	Feb 16 - Mar 4	16	-5.7	Inflation, Rising Rates
	Sep 2 - Sep 24	22	-10.6	COVID, No new stimulus, Election uncertainty
2019	Feb 19 - Mar 23	33	-35.4	COVID, Global depression
	Jul 26 - Aug 5	10	-6.8	Trade war, Tariffs, Yuan devaluation, Recession fears
2018	May 1 - Jun 3	33	-7.6	Trade war, Tariffs, Inverted YC, global slowdown/recession fears
	Sep 21 - Dec 26	96	-20.2	Rising rates, China slowdown, Trade war/tariffs, Housing slowdown
2016	Jan 26 - Feb 9	14	-11.8	Inflation, Rising rates
	Aug 15 - Nov 4	81	-5.0	Election fears
2015	May 20 - Feb 11, 2016	267	-15.2	Greece default, China stock crash, EM currencies, Falling oil, N. Korea
2014	Dec 29 - Feb 2, 2015	35	-5.4	Falling oil, Strong USD, Weak earnings
	Dec 5 - Dec 16	11	-5.1	Falling oil, Strong USD
	Sep 19 - Oct 15	26	-9.8	Ebola, Global growth fears, Falling oil
2013	Jan 15 - Feb 5	21	-6.1	Fed taper, European deflation fears, EM currency turmoil
	May 22 - Jun 24	33	-7.5	Fed taper fears
2012	Sep 14 - Nov 16	63	-8.9	Fiscal cliff concerns, Obama's re-election
	Apr 2 - Jun 4	63	-10.9	Europe's debt crisis
2011	May 2 - Oct 4	155	-21.6	Europe's debt crisis, double-dip recession fears, US debt downgrade
	Feb 18 - Mar 16	26	-7.1	Libyan civil war, Japan's earthquake/nuclear disaster
2010	Apr 26 - Jul 1	66	-17.1	Europe's debt crisis, Flash crash, Growth concerns
	Jan 19 - Feb 5	17	-9.2	China's lending curbs, Obama bank regulation plan
2009	Oct 21 - Nov 2	12	-6.5	Worries about recovery
	Sep 23 - Oct 2	9	-5.6	Worries about recovery
	Jun 11 - Jul 7	26	-8.0	World Bank's negative growth forecast, Fears market was ahead of recovery
	May 8 - May 15	7	-5.5	Worries that market was ahead of itself
Median		26	-7.6	

Source: 1832 Asset Mgmt, Charlie Bilello

Appreciating that equity investing carries risk, and that the price path for this asset class is volatile, might help one stay the course when the waters get rough. Perhaps there is some comfort in knowing that price corrections absent economic recession tend to be shallower and shorter in duration than those accompanied by recession. We remain of the view that



the odds of economic recession remain relatively low: The yield curve is positively sloped, credit markets are well-behaved, while leading economic data remain comfortably above their “boom-bust” thresholds.

Myles Zyblock BA (Hons.), MA, CFA
Chief Investment Strategist

dynamic.ca

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Views expressed regarding a particular company, security, industry or market sector are the views of the writer and should not be considered an indication of trading intent of any investment funds managed by 1832 Asset Management L.P. These views should not be considered investment advice nor should they be considered a recommendation to buy or sell. These views are subject to change at any time based upon markets and other conditions, and we disclaim any responsibility to update such views. © Copyright 2022 1832 Asset Management L.P. All rights reserved. Dynamic Funds® is a registered trademark of its owner, used under license, and a division of 1832 Asset Management L.P.