

Chris & Ryan's Timely Market Dispatch

Bargain Days Are Here – March 12, 2020

At the time of writing this missive (early morning, Thursday, March 12, 2020) Canada's TSX is down more than 10% on the day and it appears to me that investors have lost their minds. For example, one of our well known holdings, 3M Company is being bought and sold at ~\$131 USD per share. At that price, the buyer gets a dividend yield of ~4.5% and that rent cheque has increased every year for the last 61 years. The seller is moving to cash and/or more likely, 10-year government bonds which will yield 0.7% per annum for the next 10 years. In others words, the seller is giving up an income stream more than 6X greater for the perceived safety of the government bond. Which side of the trade would you rather be on? I will take 3M all day long. While the stock price may be anything but stable, the income stream has been stable and growing for decades and ultimately, it is the income we are going to spend.

Client behaviour can often give us insights of capitulation, aka: potential bottom. Today, we had our first and hopefully the last, "get me out, and I don't want to talk to Chris" call. Anecdotally, this is a good sign in that we usually get one such call per bear market, and the last one was December 27, 2018 - the client missed the market bottom by two trading days. Yesterday, we had another client write "I want to protect my investment now and be in a position to buy back in when things turn around." To me, that plan is fighting emotional odds that are overwhelmingly against you. Here's why: I am highly suspect of both my ability and yours to get back in before the turnaround. By the time things turn around, the market will be far higher. I have seen it over and over throughout my career – you sell, and the market goes down another 10% and you feel good about how smart you are... and you then become convinced it will drop another 10%...but instead it rallies 20%...and then you can't bring yourself to buy back...and there you are, stuck with highly-taxed GIC rates for the rest of your life – sad but true. In the opposite direction, we had one our clients send a significant chunk of cash this week, which is behaviour that we champion. It is not lost on me, that the client with the highest rate of return in the program is the client that sent us cash in November of 2008, even though he saw those investments shrink further before we found the bottom in March of 2009. At the end of the day, it is investor behaviour that counts the most when it comes to lifetime returns. Please understand, I am not mocking the sellers – frankly, I want to lose my cookies when I have to wholesale sell companies like, 3M, Johnson & Johnson, Microsoft, TJX and CN out the door at fire sale prices. It says to me that I have failed them as an advisor, and it is deeply unsettling.

To close, please do not assume the market will get worse until the coronavirus peaks – the market continues to be a forward looking animal. It is not lost on me that the Chinese market had already started to recover some three weeks before we had the peak in known cases. Perhaps we will look back at this closure of flights between Europe and the US as the first nail in the coronavirus coffin.

The Chinese Market is ~ 10% Higher from Corona Bottom In Local Currency Terms

The market bottomed on Feb 4

The number of corona cases peaked on Feb 26



Chart courtesy of [StockCharts.com](https://www.stockcharts.com)

P.S. For our clients who are in withdrawal mode, please know that we are now drawing money from your “side” accounts – safe money that was set aside for times like this. For those who are in accumulation mode, as per the title - bargain days are here. Please send money.

Questions? We are here to help – do not hesitate to forward this missive to anyone you think might benefit from it. Clients and those interested in our services can book time with Chris at <https://go.oncehub.com/ChrisRaper> and/or reach out to our team at 250-405-2445, or toll-free at 1-877-655-5580.

Yours truly,

Chris Raper
Senior Vice-President | Senior Wealth Advisor

Ryan Cramp
Portfolio Manager

Chris Raper & Associates - the most proactive wealth advisory team on planet Earth



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