RBC Global Asset Management

INVESTOR INSIGHTS

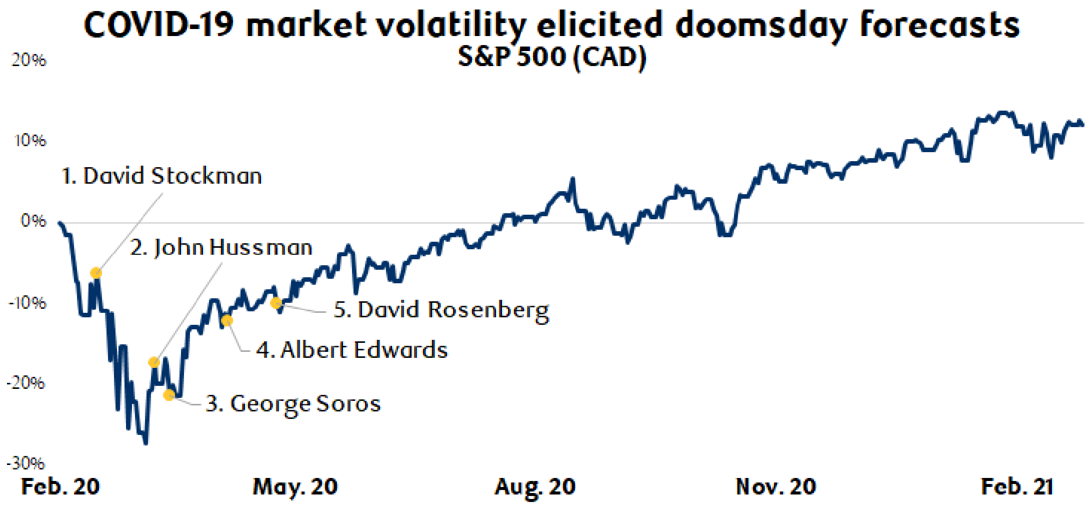
It’s not all doom and gloom

In 2014, a Russian news site conducted a bold experiment. Instead of posting its usual smorgasbord of negative news stories, it reported only good news. The result? Nobody was interested. The site lost two-thirds of its normal readership that day. Evidently, there is something to the old newsroom adage, “If it bleeds, it leads.” Humans are wired to crave bad news and the media delivers.

In this regard, financial media is no different. It’s become readily apparent in the time since the global financial crisis. Market doomsayers – pundits with negative forecasts whose comments often spread like wild fire – have been thrown into the spotlight.

COVID has only added fuel to the fire

Entering 2020, you would have been hard-pressed to find a market pundit that had a global pandemic on their radar. Nevertheless, the volatility we saw last March added credence to their words and fuel to the fire. As a result, market doomsayers have been out in full force. Below is a collection of notable predictions, along with the market’s response in the time since.



Market Doomsayer	Date	Prediction	Market return since
1. David Stockman	March 4, 2020	The market is headed for a 50% correction and a long L-shaped bottom.	25%
2. John Hussman	March 26, 2020	The S&P 500 will lose about two-thirds of its value in the coming years.	41%
3. George Soros	April 1, 2020	We’re going to have the worst bear market in my lifetime.	36%
4. Albert Edwards	April 23, 2020	The collapse in corporate profits will prevent equities from looking through the valley.	26%
5. David Rosenberg	May 12, 2020	While the stock market is telling you this is all figured out, long-term risks are to the downside.	22%

Source: RBC GAM, Morningstar. S&P 500 TR CAD, data as of March 16, 2021. An investment cannot be made directly into an index. The graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results.

We cannot predict, we can only prepare

Volatility is a normal part of investing. It's something doomsayers exploit, knowing there's a chance their outlandish predictions might actually come to life. However, there is no telling when sustained periods of volatility will emerge – making it fruitless for investors to heed their advice by taking an overly defensive position with their savings. What's more, last year's equity market selloff reversed so quickly that it would have taken an almost immediate reaction – amidst peak uncertainty – for market timers to benefit.

We often talk about the importance of surviving periods of market volatility. It's critical for investors in the pursuit of their long-term financial goals. A less-discussed, yet equally important aspect of successful investing is pulling through prosperous periods by not reacting when markets encounter a new high, or doomsayers share their latest thesis. After all, while pundits may be good at making the news, they often miss the full story.

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