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Haighwood Financial Services

Blog

Coming to terms with market turbulence

As a direct consequence of the COVID-19 outbreak, global stock markets are suffering a period of turbulence. When markets move significantly it can prove very challenging to hear through the noise and focus on the bigger picture.

Lessons from history

Over recent years many investors have become used to a variety of political, financial and economic factors impacting markets, from the Brexit Referendum and subsequent prolonged uncertainty, to the global financial crisis and even further back to the dotcom bust in the early noughties. Although markets do not respond well to periods of uncertainty, fluctuations go hand in hand with stock market investment; and while market movements can be concerning, experience has taught us to expect the unexpected.

It is important to remember that some market turbulence is inevitable; markets will always move up and down. As an investor, putting any short-term fluctuations into historical context is useful. Investors with diversified portfolios, who stay in the market, have typically been rewarded over time.

Plan and focus, be strategic

Instead of being too worried by turbulence, the best strategy is to be prepared. It is best to stick to your well-defined plan and diversify your holdings, as well as expecting and accepting market movements. Your plan will be tailored to your objectives, in line with your attitude to risk and will take into account your financial situation, which will stand you in good stead to weather short-term market fluctuations.

In it for the long haul

Even though it can be difficult to ignore daily market movements, it is vital to focus on the long term, and remember that turbulence also presents investment opportunities. Investment requires a disciplined approach and a degree of holding your nerve if markets descend. Investment professionals know that markets can fluctuate and will inevitably go down as well as up from time to time. The worst investment strategy you can adopt is to jump in and out of the stock market, panic when prices fall and sell investments at the bottom of the market.

Keep calm and carry on

On the day of the Budget, the outgoing Chairman of the Bank of England, Mark Carney and the Chancellor, Rishi Sunak, were keen to highlight the temporary nature of the downturn, that is worth bearing in mind. Both the BoE and the Chancellor have taken steps to support the UK economy, which should also help to calm the markets. The BoE has cut interest rates on two occasions and expanded its bond buying programme, known as quantitative easing. Meanwhile, Mr Sunak announced a package of emergency measures for UK businesses worth £350 billion.

As Rudyard Kipling wrote, it is important to *"keep your head when all about you are losing theirs"* – a clear head will certainly stand you in good stead through these challenging times.

Market turbulence is a timely reminder to keep your investments under regular review – that is what we do best. Please rest assured we are working hard to manage the fluctuations, so your money has the best chance of growing for the future.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.