3 Investing Lessons We All Learned in 2015

Description

Last year was a very humbling year for many investors, and it taught us some valuable lessons. We take a look at the top three below in descending order.

3. There are some serious problems with emerging markets

The phrase “emerging markets” sounded sexy to investors just a few years ago. Countries such as Brazil, Russia, India, China, South Africa and Turkey all had fantastic growth prospects and were seen as places rich with investment opportunities.

But growth for these countries has slowed in recent years, and that has uncovered a host of problems. Brazil is dealing with budget shortfalls and corruption scandals. Russia is suffering from a corrupt political system, falling oil prices, and international isolation. India can’t get out of its own way. China’s economy is on shaky footing. South Africa is an absolute mess. And Turkey is falling under increasingly authoritarian rule.

This has led to some big investing losses. The **MSCI Emerging Markets Index** is down by roughly 25% over the past year. **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), which is known for its emerging markets exposure, is the worst performer among the Canadian banks over the same time.

2. You should never buy a stock just for its dividend

This is a lesson we should have already learned. Yet in 2015 we saw numerous companies cut their dividends, sending their share prices down. This primarily happened in the energy sector.

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) is a perfect example. Prior to August the company was the top-yielding stock on the **S&P/TSX 60**, and it had become clear that the dividend was not sustainable. Yet when the company cut its dividend that month, the stock still fell.

Clearly, some of Crescent Point’s shareholders were naively holding the stock just for the dividend. And that was a big mistake.

We must never forget that when we buy a stock, we own a piece of the underlying business. And whenever a company decides to make large payments to shareholders, that doesn't change the underlying business fundamentals.

1. Markets take a long time to balance

There are various commodities that have been trading for less than the marginal cost of production. Oil is the example that pops to mind first, but others include uranium and steel-making coal.

The standard argument is that low prices will force the high-cost producers out of business, thus decreasing supply and increasing prices, at least until markets come back into balance. But in reality that has happened slower than anticipated, if at all. This has hurt companies such as **Teck Resources Ltd.** (TSX:TCK.B)(NYSE:TCK), Canada's largest steel-making coal exporter. In fact, Teck's stock is down 75% over the past year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:TECK (Teck Resources Limited)
3. NYSE:VRN (Veren)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:TECK.B (Teck Resources Limited)
6. TSX:VRN (Veren Inc.)

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