



Just How Bad Was the TSX's Recent Slide?

Description

On Tuesday, the TSX posted a very minor 29-point gain after six straight days of losses. Although the losses were significant, with the TSX down more than 904 points during that time, I'll take a closer look to see how this latest decline compares to those in recent years and determine if investors should be concerned.

Worst decline in more than a year

The TSX's losing streak is the worst consecutive point loss the market has gone on since early 2016, when, over a period of nine straight days in the red, the TSX lost 990 points. However, back then oil prices fell below US\$30 amid concerns that a bottom was nowhere in sight.

Oil prices would end up recovering and, since the latter half of 2017, have actually been [soaring](#). That makes this year's decline all that more mysterious. I would blame the highly valued pot stocks as a reason behind why investors might be second guessing their portfolios, especially in light of **Aphria Inc.** (TSX:APH) paying a [hefty amount for a relatively unknown company](#).

The problem with that theory is that pot stocks have started to mount recoveries in the past couple days, and big losses south of the border suggest this sell-off is bigger than just the Canadian market.

Dow Jones down big in recent days

The Dow was down 1,175 points on Monday — its largest decline ever. However, in terms of percentage, the 4.6% decline was nowhere near its worst performance. The last time the Dow saw such a big drop in price was back in 2011 when the U.S. credit rating was downgraded from AAA status.

Valuations are likely weighing heavily on investors, with Bitcoin trading under US\$7,500 on Tuesday, a far cry from the nearly US\$20,000 it was at in mid-December. Speculative buying has certainly slowed significantly, but the markets as a whole are still highly priced, and we could still be due for a bigger drop. In the meantime, the Dow Jones was able to post a strong recovery on Tuesday, gaining more than 560 points back.

Is the TSX more volatile?

It's been rare for the Dow Jones to see such significant drops over the years. Besides 2011, the last time it saw such a big drop was towards the end of the Financial Crisis.

The TSX, however, has seen more modest drops happen with much more frequency. In February, the Canadian exchange has seen +250-point drops happen multiple times already, and since 2015 that has happened a whopping 17 times.

In the past year, the TSX has failed to stay in the black while the Dow Jones has risen more than 24%. While both markets have been able to stop the bleeding, I'm skeptical about the future for the Canadian economy this year, as there are many factors working against it.

Bottom line

Investors would be well advised to avoid high-risk investments or stocks that are trading at high multiples, as they may have just been warning signs. While a stock like **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) might not be the most exciting to add to your portfolio, it might be one of the safest.

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Author

djagielski

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