



## The TSX Is Plummeting: Is it Time to Sell or Buy More?

### Description

Stock markets from all around the world were hitting all-time highs in January, as after years of trepidation, investors finally found themselves willing to “jump in” on the latest rally.

That was until last week, when markets suddenly started to sell off following declines in the bond market.

#### **All good things must come to an end**

While nobody expected the stock market to go up forever, the party certainly came to a crashing halt with the TSX Composite — Canada’s largest index — down 7% in the last two weeks’ trading.

However, it isn’t just Canadian investors suffering losses as of late. The S&P 500, Dow Jones, and Nasdaq have all suffered similar fates as well.

#### **It’s not all that bad**

But while market participants have been known to come and go with the weather, even died-in-the-wool economists have become [more optimistic about the direction of the global economy](#) of late.

A lot of the optimism stems from the 2017 Republican tax bill that will see individual tax payers in the U.S. get a larger refund in the mail this spring in addition to a very significant cut in the corporate tax break.

The result is that Americans as a whole will have more money in their pockets to spend and invest with, while corporations too will have more capital at their disposal to either direct to shareholders through dividends and buybacks or reinvest in new, exciting growth initiatives.

The general consensus is that what’s good for the United States is good for the rest of the world’s economies, as wealth created within America’s borders will eventually trickle down to international markets, as the U.S. imports more international goods and services.

## The big question is, do you sell or buy?

The stock market is notoriously fickle, and the biggest mistake investors often make is taking the direction of the market as a cue as to whether they should be buyers or sellers.

It's easy to see why — earlier in the month, you could do no wrong plunging your money into a market making new all-time highs on a seemingly daily basis, and now that the market is showing signs of vulnerability, it's easy to understand how someone would want to pull the trigger and get out.

## Conclusion

It's important to remember that the stock market is just a representative index of publicly traded companies that attempts to capture the performance of the underlying economy.

Markets regularly experience the type of pullbacks that we saw last week, and pullbacks like this are actually good for markets in that they help to prevent bubbles from forming — take a look at Bitcoin's recent collapse as a good example of the dangers that can form when this type of behaviour doesn't take place.

Canadian investors ought to be aware of the heightened levels of consumer indebtedness the country is currently facing and the knock-on effects this could have on lenders like **Home Capital Group Inc.** ([TSX:HCG](#)); otherwise, the latest pullback could be the [best opportunity investors have seen in years](#).

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

## TICKERS GLOBAL

1. TSX:HCG (Home Capital Group)

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