Is Now the Time to Step Away From the Stock Market?

Description

There have been many negative developments that have taken place during the past year that might make it a dangerous time to invest — in anything. Tariffs, the threat of trade war, and NAFTA uncertainty are just examples of some of the issues that have come up within the past 12 months.

Most recently, Saudi Arabia is now also looking to sell off its Canadian assets in retaliation to remarks made by our foreign affairs minister. The problems have only gotten worse for the economic landscape not only in Canada, but around the world as well.

Throw into the mix the uncertainty surrounding U.S. politics and what impact that could have on the markets, and that will only make it that much more difficult to predict how socks will perform.

What we know is that investors don't like uncertainty, and right now, we have lots of it. And we're seeing it in the results, as the TSX is flat from where it started the year; even a very stable stock like **BCE** (TSX:BCE)(NYSE:BCE) has declined 10% in 2018.

You can't even find refuge in one of Canada's top banks, as **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) has had a mediocre performance as well, with its share price up only 4% after the first seven months of trading.

What's most concerning is that even amid rising interest rates when we're seeing news of economic growth, jobs being added, and overall bullishness in the Canadian economy, we're still not seeing the results on the markets. If the economy is doing this well and we're seeing such poor returns, it's a bit unnerving to think of what might happen if one of the factors mentioned earlier could turn worse.

The problem is that even though stocks like TD and BCE may be performing well, that might not be enough for their stocks to do well. We've seen in the oil and gas industry how well-performing companies can't generate any momentum in their stock prices because the industry conditions and outlook are so poor.

When you invest in a Canadian stock, you're also investing in the Canadian economy, which can be impacted by many different things that an individual company has no control over, and that always brings in some level of risk.

Are we overdue for a big correction?

We saw a big market crash in the early 2000s, and it's been about 10 years since we saw the fallout from the financial crisis. Valuations have reached astronomical levels for many stocks, and the bullish wave may be due for a break.

With real estate markets still being hot, interest rates putting debtors at increased risk of default, and several geopolitical issues causing concerns around the world, a perfect storm could be waiting to hit the TSX, and other markets as well.

While this doesn't mean you should sell every holding you have, at the very least, you should consider re-balancing your portfolio to ensure that you minimize your exposure to high-risk stocks and invest more of your dollars into bonds and other more stable investments.

CATEGORY

1. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BCE (BCE Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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