# Why Is the Market Selling Off?

## Description

The U.S. Federal Reserve announced earlier this week plans to cut its official policy interest rate by one-quarter of a percent, marking the first time that the world's largest economy has slashed rates since 2008 amid the depths of the last financial crisis.



But while rate cuts are typically designed to stimulate growth and asset prices, the market's reaction to Wednesday's news was, well, let's just say a little unconventional.

Rather than responding favourably to the news that essentially, the cost of borrowing money just got a little cheaper and made it easier to purchase big-ticket items, like real estate, autos, and household appliances, markets sold off sharply and have continued to do so on Thursday and Friday.

Why is this all happening?

It's difficult, next to impossible, to understand exactly why the market does what it does, when it does it, but one can surmise that this week's sell-off is probably more a symptom of a weak and fatigued demand for the equities of publicly traded companies than anything else.

Keep in mind that the current bull market we're in right now has persisted for over 10 years — one of the longest in recorded history.

Meanwhile, all along there have been critics, skeptics, and naysayers who have told us time and again that we've yet to fully recover from the last crash, and that "the next one will be worse."

Some have gone as far as to call the current bull market the "most hated bull market in history," despite that, ironically, not only has it been the most enduring, but also one that's seen the TSX Index climb more than 118% since 2009.

Sometimes self-perpetuating beliefs become self-fulfilling prophecies, and maybe that's what we're dealing with here.

Because the "bears" have been so persistent about warning us of the inevitability and danger of some calamitous disaster destined to befall us all, perhaps some will be quicker than they otherwise would be to pull the trigger and sell in a hurry without thinking, when push eventually comes to shove.

Mind you, it probably doesn't help matters either that we're now in August — traditionally one of the slowest periods of the year for markets.

People go away on vacation during the summer including traders, portfolio managers, advisors, as well as their respective clients, so if there is a little extra selling in the market, chances are that there won't be as much liquidity out there to step in and pick up the slack.

Well, at least until everybody realizes we're still dealing with an economy near full employment, inflation is still being kept in check at reasonable levels, and collectively, the economy has done an outstanding job to get us this far coming out of last decade's global financial meltdown.

But while we don't really know what exactly is going to happen next, probably the best thing investors can do for themselves is to continue to keep their heads down, putting away their savings for a rainy day, and ultimately investing those savings in the shares of high-quality businesses, which hopefully pay a dividend to boot, run by experienced leadership teams.

Investing unquestionably is a long game, and odds are the latest bout of market "noise" will prove to be just that.



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jphillips