



3 Factors That Have Led to an Uptick in Market Volatility During August

Description

Granted, the **TSX Index** is virtually unchanged since the beginning of the third quarter but you'd have to be living under a rock if you didn't think the market has gotten decidedly more "choppy" over the past few weeks trading sessions.

Three factors that have led to increased risk and uncertainty among investors:

- Lower interest rates, followed by an inverted yield curve
- Extended trade talk fatigue and ongoing geopolitical tensions
- A vulnerable, extended market during the slowest period of the calendar

Late last month, U.S. Federal Reserve chair Jerome Powell announced the Fed's first rate cut going all the way back to 2008.

But while [lower interest rates](#) are generally viewed as providing a stimulus to the economy, investors came away from last month's Fed announcement still unclear as to how far the world's leading central bank would go to insulate investors.

That uncertainty has led to a lot of debate and discussion among investors since as to what the future interest rate policy of the Fed might look like, and with a lot still left to be determined, investors have been active in recent weeks re-positioning their portfolios in preparation for what could be coming next.

Last week markets even briefly witnessed a brief inversion of the yield curve, an occurrence that's preceded seven of the last seven recessionary periods.

Then of course, there are the ongoing trade talks between China and the U.S. that have also led to a lot of uncertainty among business leaders and in many cases interfered with businesses ability to plan and invest for the future.

Meanwhile, the back-and-forth tariffs that have arisen from those trade talks have acted as a tax on

consumers, essentially removing money from the system that could have been directed towards more productive purposes.

More recently, of course, we've seen protests in Hong Kong garner a lot of mainstream media attention while the inevitable exit of the United Kingdom from the European Union is yet another major geopolitical event that markets will need to digest later this year in October.

There's really no telling as to how these developments could or will impact things but its also not hard to imagine how their looming effect would have the potential of contributing to more uncertainty for investors and the markets

Of course what doesn't help in any of this is that its taking place at what is historically one of the slowest periods for the markets, August, outside of the winter holiday season.

Many investors take time off during the summer months – meaning that there's less liquidity out there to take up the slack, so to speak.

Unfortunately, less liquidity leads to more volatility.

[Long-term minded investors](#) may want to use this as a good opportunity to buy stock in high quality, dividend-paying companies for as long as markets continue to stay depressed.

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Date

2025/07/23

Date Created

2019/08/19

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