How to Stay Calm Amid Record-Breaking Stock Market Volatility

Description

Well, it's official: we're in one of the most volatile stock markets in history. On Monday, the **CBOE Volatility Index** (VIX) closed at 82.69, beating its prior high of 80.86 set in 2008. While we still haven't seen a one-day percentage swing as dramatic as that witnessed on 1987's Black Monday, the amount of sustained volatility we're seeing right now is unprecedented.

Daily 5-10% swings have become commonplace as investors scramble to make sense of the latest COVID-19 developments.

In such a market, it's normal to worry. Although stocks tend to rise over the long term, not everybody has a multi-year time frame to wait for a rebound. Particularly for investors who are approaching retirement, stock market volatility can be a terrifying thing.

But no matter what situation you're in, you *need* to resist the urge to panic. Anxiety tends to cloud judgment, causing rational people to make irrational decisions.

Whether you ultimately decide to stay in the markets or steer clear, your decision needs to be based on clear-headed thinking. With that in mind, here are three tips for staying calm amid record stock market volatility.

Don't try to suppress your emotions

It's normal to get worried when markets are tanking. What's unhealthy, says financial psychologist Dr. Brad Klontz, is to panic about the fact that you're panicking, which can lead to panic selling, by prolonging your panic response.

Instead, Dr. Klontz advises that you acknowledge your initial emotional response and wait a while before deciding what to do. If you're having trouble getting your initial panic under control, breathing exercises can help–according to a report from Harvard Medical School, they really are effective in combating "errant" stress responses.

Speak with a professional… or two

If you're really struggling to stay calm amidst the current stock market volatility, speaking with a professional can help. Financial advisors are trained to provide investing solutions custom-made to each client's risk profile.

By speaking with a financial advisor, you may learn about investments that fit your individual level of risk tolerance. They may recommend bond funds, money market funds, or low volatility ETFs.

A word to the wise: try to find a "fee only" financial advisor. Advisors who work on commission may have an incentive to push you into high-fee mutual funds.

Focus on dividends

A final tip for dealing with stock market volatility is to focus on dividend returns rather than stock prices. While almost everyone buys stocks hoping they'll go up, the fact is that they can be treated as income-producing assets.

Utility stocks like **Fortis Inc** (TSX:FTS)(NYSE:FTS) typically pay high dividends, and their earnings are not usually severely affected by economic downturns.

Fortis actually saw its earnings grow in 2008 and 2009, the years of the great recession. In those same two years, most companies were seeing their earnings decline.

It's all thanks to utilities' stable business model, providing essentials like heat, light and water. Consumers won't cut these out even in the worst of times. So if you buy utility stocks, you're likely to continue receiving your dividends even as stock prices decline.

Fortis is one of the most reliable long term dividend stocks on the **TSX** with a whopping 46 consecutive years of dividend increases —which is definitely a solid investment to consider during turbulent times.

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Date
2025/08/26
Date Created
2020/03/19
Author
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