Yes, the Stock Market Might Look Scary in 2022: Here's Why You Should Invest in Stocks Anyway

Description

It's hard not to watch the stock market these days. From a January's market downturn to a mild rebound in February, the market is taking Canadian investors for another wild ride: even the least hands-on investor is suddenly feeling the urge to check their portfolio, as numbers could swing wildly in a single day.

Now, I don't have a crystal ball, but here's my prediction for 2022: as the pandemic releases its grip on society and travel, we'll see more volatility. January was a harbinger: as the Bank of Canada raises interest rates to combat inflation, as borrowing rates go up, we'll see drastic price movements that we didn't see last year.

And, yes, the headlines will get scary — so scary, in fact, they can easily turn off even the most avid of investors.

But hang in there, Canada. Even if the market appears weak, here's why I think you should keep investing.

Stocks will be on sale

Legendary investor Warren Buffett said it best:

> "The true investor welcomes volatility. A wildly fluctuating market means that irrationally low prices will periodically be attached to solid businesses. It is impossible to see how the availability of such prices can be thought of as increasing the hazards for an investor who is totally free to either ignore the market or exploit its folly."
> *Warren Buffett*

Yes, 2022 will be prime time to buy discounted stocks. Great companies with good prices are worth buying (conversely, bad companies with good prices are worth ignoring). Even if stocks continue to tumble, I'd say this year might offer a great opportunity to buy quality stocks on sale.

For an example of a deeply discounted stock, look no further than **Shopify**. This is a great company whose stock is up more than 3,000% its IPO. In November 2021, Shopify hit an all-time high of $2,141 per share. Then it took a tumble: as of writing this, February 6, Shopify is down 42%.

I'll admit: Shopify hit red-hot overvaluation levels during the pandemic, so the recent price tumble is somewhat justifiable. But the company has matured immensely since its IPO, and, with the way things look, its customer base and revenues could grow substantively over the coming decades. Now might be a good time to buy Shopify, even if the stock continues to tumble this year.

Invest in the broad market

If picking stocks in volatile times makes you nervous, that doesn't mean you have to exit the stock market. You can invest your money in index funds or ETFs, both of which track a broader market.

Index funds and ETFs can help prevent you from choosing a stock that *really* tanks. Because volatility affects companies differently, you might pick a stock that gets hit harder than most, sinking your portfolio with it. Index funds and ETFs are made of numerous companies: they have diversification built in. While the value of the fund might fall, it's likely not going to tank as fast as an individual stock.

Short-term volatility flattens with long-term investing

Finally, let's not forget: as an investor, you shouldn't concern yourself with short-term volatility. You're investing for the long run. What happens this year might feel scary, but when contextualized — when considered with the next, I don't know, *30* years of your life — it should start to feel small.

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Date
2025/06/27
Date Created
2022/02/13
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