RESEARCH CAPITAL CORPORATION
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If you have not invested in the global equity markets with me prior to 2012, then likely you have not experienced the ups and downs of a stock market that we are experiencing currently. Yes- there are some things that are a threat to rising stock prices and there are many negative conversations that are had by the media and other talking heads. Here are some facts about market volatility.

1. Volatility – big swings up or down…are all natural occurrences, to be expected and to be tolerated. When markets pull back investors tend to want to sell low after buying high, disregarding the adage of …buy low, sell high.
2. Investors get scared seeing a market in decline and don't invest in it. They see it going down, and instead of buying more great companies that are on "sale", they will wait for the market to go back up and buy great companies **after** the price has gone up. Once again buying high instead of low.
3. In a bear market (one where stock prices decline 20% from their highs) , it is like an ocean tide going out…it takes all boats, including the good and the bad. Quality stocks may not go down as much as speculative stocks. It gives you a chance to cherry pick the best of the best on "sale".
4. Bear Markets last on average 6- 18 months. In that time frame you may consider buying to take advantage of lower prices in the market, if you are a long term investor and are willing to take the risk of investing during a time of such volatility.
5. Recession- What is it? A period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP (Gross Domestic Production) in two successive quarters. The key word here is **temporary**.

Economics teaches us that an economy goes in cycles and when the economy picks up, if you bought great companies on “sale”, then you will likely see those stocks increase in value.

During a bear market I generally recommend:

1. Consider putting cash to work if you are comfortable with investing during a bear market, not when the market is recovering and has gone back up.
2. Bear markets are part of the investing environment and recessions are part of a regular economic cycle. The want to exit the market due to fear is natural but timing the right moment to exit and then re-enter the market cannot be done by even the best in this industry. I recommend staying invested, sticking to why we buy or why we sell any investment and build your wealth. If you do not need dividend income, then consider reinvesting your dividends in more stock of the dividend payer. This is a called a DRIP- Dividend Reinvestment Plan.. This way you use the company’s money to buy you more stock at a reduced price. You may want to consider doing this if you are unable to add more cash to your account at this time

As always, I will do the work to figure out the companies to buy at reduced prices. As always I encourage you to set up a regular deposit to your account so that you can invest regularly and lower your average price during these market conditions. Remember buying low and selling high always looks best during market downturns.

Respectfully,

John

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