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Securities Commission

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Investor Watch
Dealing with volatile markets

It's been hard to miss news about the latest market downturn, in newspapers, television or the internet. Headlines such as "Stocks off to worst start ever[1]," "Canadian stocks ravaged[2]," and "Major stock market crashes[3]" have been spreading anxiety among investors.

In these volatile markets, the Nova Scotia Securities Commission reminds investors not to lose perspective. Remember your investment goals, and above all, don't panic. Coping with volatility can be tough on the nerves.

Legitimate financial professionals, if serving their client's interests first, generally do not recommend changes to investment portfolios based on short term economic news and market volatility. Beware of scam artists, who play on people's desires, fears and insecurities to keep them interested and pressure them into fraudulent investments.

Investors nearing retirement are particularly at risk of being targeted by phony investment schemes promising high returns to make up for losses in retirement accounts. The NSSC urges investors not to let uncertainty over current market conditions to lead them into fraudulent investment schemes that could weaken or devastate their financial position, potentially wiping out the retirement security they worked so hard to build. A hasty decision often can make a bad situation worse.

Keep the following in mind:

- Stay calm – panic leads to poor decision making. Even legitimate investments can be a poor choice if not properly considered.
- Ignore promises of quick and easy returns. Always remember, if a strategy sounds too good to be true, it probably is.
- Guard against high-pressure sales pitches for unregistered securities and non-traditional investments such as foreign currency, oil and gas investments, exotic financial products, or offers to send their money offshore to so-called 'safe havens.

[1] USAToday.com, January 9, 2008.
[2] GlobeandMail.com, January 21, 2008.
[3] The Globe and Mail, Print Edition, January 22, 2008. Page A10.

- This does not mean you should do nothing. If you have concerns about your investment portfolio, talk to your financial advisor about your options.

Remember the benefits of maintaining a well diversified portfolio. Having a variety of investments can help offset the impact poor performers may have on your portfolio, while taking advantage of the earning potential of the rest. This is called “diversification” but it’s really just putting into practice the old adage of “not putting all your eggs in one basket.”