

VERITAS NEWS AND INSIGHT: HOW TO MANAGE THE MARKET VOLATILITY



MARCH 15, 2020

A special message about the market turmoil from Team Veritas

Our analysts were busy last week helping our clients identify risks, safe havens and opportunities during the market meltdown.

We published this special note today in hopes that it helps some of our followers manage any future volatility and reposition their portfolios for the coming weeks. Below you'll find three interviews with our analysts from this past week about bank stocks, oil & gas stocks and utilities & infrastructure stocks.

We don't know how deep this downturn will be or how long it will last.

But we do know that business will go on, and economic activity will pick back up. Stocks will go back up, and we want to be well-positioned investors when they do.

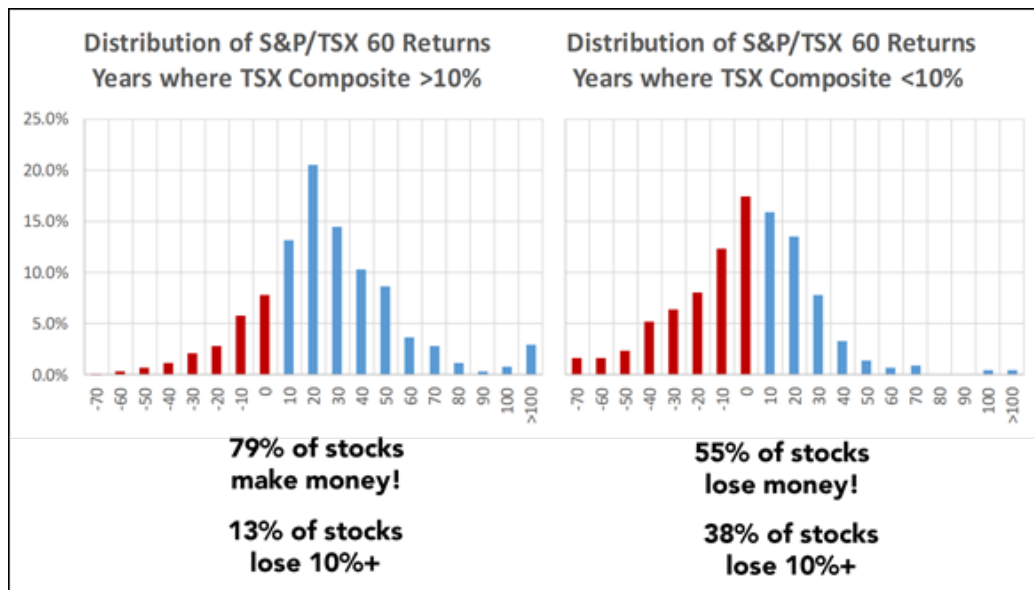
We've looked at the reasons why certain companies emerged stronger from past downturns and are advising our clients to avoid sectors and companies that are relatively over-leveraged and/or exposed to refinancing risks. We want to avoid companies that may have to cut their dividend and ones that have exposure to the oil and gas industry or China.

With the TSX/S&P Composite closing at about 13,700 Friday, that takes us back to levels reached in 2007 (looking at monthly closes).

The market has gone up and down since then. We are still well above the depths of the financial crisis in 2008 – but the overall Canadian market has gone nowhere now for about 13 years.

Stock selection is essential then, especially in down markets.

To develop a framework, we looked at years when the S&P/TSX Composite returned more than 10% and years when it returned less than 10%. As you can see from the chart below, it's a lot easier to make money when markets are going up. It's when the markets are going down that you have to be much more selective



Source: Veritas

Based on our experience, picking the right companies means the ones with stable predictable cash flows, defensible long-term business models, strong corporate stewardship, and especially, transparent and clean accounting practices will ensure that you still come out ahead over the long term.

Should you have any questions, please feel free to reach out to myself or any of our analysts, 416-866-8783. We are fully remotely operational during these trying times.

Most importantly, we hope you and your family stay safe and well,

Veritas President and CEO Anthony Scilipoti and Team Veritas

Veritas interviews about the market downturn from the past week:

[In the News: Energy stocks best-positioned to survive the oil price war](#) – Veritas Analyst Jeffrey Craig appeared on BNN Bloomberg to discuss which Canadian energy stocks are worth investing in during the oil price war

[In the News: The market rout is a gift for income seekers](#) – The Globe and Mail interviewed Veritas Analyst Darryl McCoubrey about opportunities to buy utilities and infrastructure dividend stocks during the market meltdown

[In the News: The bear case against Canadian banks amid oil shock](#) - On BNN Bloomberg, Veritas Analyst Nigel D'Souza discussed why it is still too soon to buy banks and how the oil price crash affects his thesis.

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