

Stock Market Volatility in 2017

One of the surprises for 2017 was the relative calm experienced by capital markets. This past year marked significant decreases in volatility – a change for both Canada and the United States.

Looking at the Canadian S&P TSX Composite Index, November 2017 recorded the lowest volatility in a decade. If we tally up the number of days that we saw either a positive or negative move of 2% in the Canadian equity market, the total amount of days would be zero. Comparing this to a year like 2008 where we saw a remarkable 69 days recording a 2% movement in our index, one can see how docile our market has been in 2017 (see Graph 1¹ on next page).

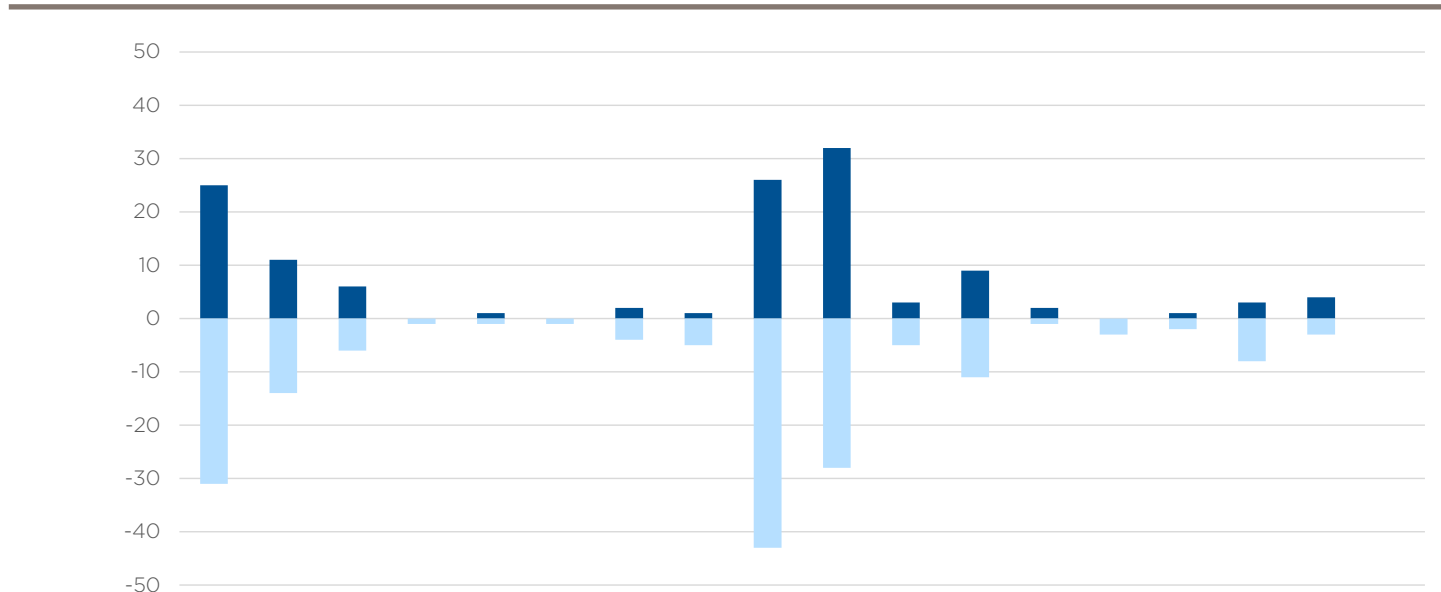
In a similar fashion, the S&P500 index in the U.S., recorded its lowest volatility since the 1960s². Not only did this index not post a negative return in any of the months in 2017, this same benchmark did not record any days with returns higher or lower than 2% in any one trading day.

While positive returns and low market swings put smiles on faces, it is important that investors recognize this is not the historical norm. Table 1 provides historical context to how often on average the U.S. market experienced downswings prior to 2017. Ups and downs are a normal and healthy part of capital markets and we should expect and prepare for them to return.

Table 1: Frequency of Historical Losses for the S&P 500³

Frequency of Losses S&P 500 1928-2016	Per Year
5% Losses	3
10% Losses	1
15% Losses	1 every 2 years
20% Losses	1 every 3 to 4 years

Graph 1: Number of Days With Greater than 2% Swing in Return¹



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
TSX Days > 2%	25	11	6	0	1	0	2	1	26	32	3	9	2	0	1	3	4	0
TSX Days < 2%	31	14	6	1	1	1	4	5	43	28	5	11	1	3	2	8	3	0
Total	56	25	12	1	2	1	6	6	69	60	8	20	3	3	3	11	7	0

■ TSX Days > 2% ■ TSX Days < 2%



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References

1. Chart 1: via Bloomberg
2. <https://www.ft.com/content/fe4c064c-c50e-11e7-a1d2-6786f39ef675>
3. Table 1: <http://awealthofcommonsense.com/2017/01/how-market-crashes-happen/>

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