

## press release

21 September 2011

### Volatility – Friend or Foe?

**As the markets remain uncertain after August's turmoil Nick Raynor, investment adviser at The Share Centre, looks at the current level of volatility and what it means for investors.**

“When the market fell on the infamous Black Monday in 1987 investors saw over 100 point movements in the FTSE 100 in a single trading day for the first time. What was then seen as a disaster, has now become par for the course and no longer comes as much of a surprise.

“In volatility such as this many investors panic, however those willing to accept a higher degree of risk may look for the buying opportunities. Although these conditions can be seen as a traders’ market, investors should also look for the long term and drip feed into stocks as the market can continue to fall.

“It is important to assess what is causing the volatility and the impact it has on certain sectors or regions. Although in the current market volatility has been finance related, political pressures, war and conflict can also be a factor and have all caused investors to ride an unpredictable road over the years.

“The Gulf War in 1991, the September 11 attacks in 2001, the London bombings in 2005 and most recently the political unrest in Libya have all triggered a fall in the market. The issues in Libya had a detrimental impact on telecoms, oil and leisure companies with exposure to these regions.

“During volatile markets it is crucial for investors to identify their own stop losses, to know their limitations and target prices. Willingness to accept risk will impact an investor’s attitude to a volatile market, as well as the point in which they sell out or take a chance and ‘buy’. Investors with an appetite and appreciation for risk may wish to take advantage of the cheap valuations during major market weakness. However, we recommend investors buy into what they know as stocks may

appear cheap but investors can be caught out. Thomas Cook for example continued to fall and investors that bought into the stock as a short term recovery play would have lost capital.

“Mining companies producing gold, such as Fresnillo and Randgold Resources have seen a great upturn in this volatile market and have provided impressive returns. Should the market stabilise and investors be brave enough to move away from gold and look to buy back into the equity market, this could lead to the price of gold falling as quick as it rose.

“We recommend higher risk investors take the opportunity to lock in higher yields. Falls in valuations have given way to impressive yields that many quality FTSE 100 companies are now sitting on. Investors should look at what they are able to buy today that they weren’t able to buy a couple of months ago. For example, Aviva is offering near 8% and Vodafone has over 5% on the table at current prices. Investors can now look to get a much better yield with the potential of some added excitement in the form of improving share price.

“However, the inexperienced investor could be severely burnt in these trading conditions. We highly recommend those willing to accept the risk to go in with their eyes wide open and be prepared for a bumpy ride.”

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### **About The Share Centre:**

The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPPs are also available.

The Share Centre's Advice team provides comment on market sectors, individual shares and funds on [www.share.com](http://www.share.com). Access is available to customers and registered users of the site. Registration is free. To understand how our Advice team arrive at their views please read our [Investment Research Policy](#). The Share Centre blog is also available at <http://blog.share.com>.

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