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Posthaste: Millions of Canadians are losing confidence in the stock market and plan to cash out

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Good Morning!

It's ugly out there.

Friday, the S&P 500 stock index fell below its mid-June low of 3,666, wiping out the summer rebound. Fuelled by fears of rising inflation and global recession, the rout swept up bonds, energy, metals — pretty much everything except the U.S. dollar.

But if U.S. stocks had it bad, the S&P/TSX composite had it worse. Canada's main stock index posted its biggest drop in more than three months Friday as oil prices fell. For the week, the index lost 4.7 per cent and has fallen about 16 per cent from its record closing high in March.

The dawning of a new week looks little better as the selloff in global risk assets continues today.

“These are uncharted waters,” Sam Stovall, chief investment strategist at CFRA Research, told Reuters. “The market right now is going through a crisis of confidence.”

Crisis indeed. That sentiment was reflected in a new survey by personal finance site Finder which found 24 per cent of Canadians have no confidence in the stock market and plan to cash out this year. Put another way, that’s 7.5 million Canadians ready to cut their losses.

“Based on our data, we see that one in four Canadians are looking to minimize their market losses by cashing out in 2022. This could turn into a really big problem,” Romana King, senior finance editor with Finder, said in the press release.

Almost half of those polled about their investment plans, 41 per cent, are sticking with the market, planning to buy and hold for the long term. But 74 per cent are not convinced that they will make a profit on their investments this year.

Confidence in stocks varies by region, the survey found, with Ontarians the least confident and British Columbians the most. One in three B.C. investors are somewhat or very confident they will meet or exceed their returns in 2022, the highest in Canada. Albertan investors are the most likely to stay the course, with 49 per cent using a buy-and-hold or long-term strategy, even though 45 per cent are unsure about the market.

Pessimism is far from just a Canadian phenomenon. According to the strategists at BofA Global Research, investor sentiment is “unquestionably” the worst since the global financial crisis, with its bull and bear indicator returning to its maximum level of bearishness.

“3rd Great Bond Bear market thus far a doozy,” with losses in government bonds the highest since 1920, the strategists led by Michael Hartnett said in their weekly note The Flow Show.

Inflows to cash hit US$30.3 billion in the week through Sept. 21, while stocks saw outflows of US$7.8 billion. Bonds lost US$6.9 billion and gold, US$400 million.

And we haven’t seen the lows yet, analysts said.

“Inflation/rates/recession shocks are not over, plus bond crash in recent weeks, means highs in credit spreads, lows in stocks are not yet in,” Hartnett’s team said.

Goldman Sachs Group Inc. slashed its year-end S&P 500 target by 700 points to 3,600 last week, and Bank of America Corp. suggests it could go even lower.

“Nibble at 3,600 SPX, bite at 3,300, gorge at 3000,” Hartnett’s team said.

Now there’s a reason for investors to get into the market.