Handling volatility

What are the biggest dangers facing financial markets now and how can these dangers be alleviated? What can businesses and individual investors do to protect themselves?

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Fallacious asset inflation as a result of enhanced liquidity in Asia in recent years is a looming danger brought about by the Federal Reserve's aggressive easing strategies. With the Fed considering tapering off the QE programme if the economy progressed as forecast showing signs of substantial labour market improvement, we may face massive liquidity outflow should market over-react.

Economists are showing confidence of the US achieving sustainable economic growth in the coming quarters, which are positive signs of recovery and long overdue market corrections. The peril lies with the abnormality of recent years' market turbulence which are out of tandem with economic growth but erroneously in response to interim growth stimulus.

With the scaling back of asset purchases, it is important for investors to stay collected and not over-react which may otherwise exaggerate the situation. As normalisation kicks in with time, we will see market sentiments align with economic growth and thereby instil gradual stability allowing fundamentals to drive the market movements.

Financial prudence is key in counteracting the effects of volatility. Our business is strongly dictated by retail growth and I am conservatively bullish given that consumerism is gaining strength in both US and China as the latter undergoes structural changes to reflect true and qualitative growth which enhances stability. From both business and personal viewpoint, I will focus on fundamentals and advocate financial health by not over-gearing with short-sighted gains.