

INSIGHTS

# STAYING THE COURSE:

HANDLING MARKET DECLINES

*No bull market can run forever. Market volatility, including corrections and bear markets, are not uncommon and can be expected to occur throughout an investor's lifetime. They can be healthy, restoring a level of value and opportunity to previously lofty markets.*

Most define a market correction as a decline of 10% or more from a major stock index's peak, while a bear market generally involves a drawdown of 20% or more. Negative returns are never fun, but history shows us that they do not last forever. From 1952 to 2021, the S&P 500 Composite Index averaged one 10% dip per year and dropped 20% or more once every six years.<sup>1</sup> Each of these downturns have been followed by a recovery, rewarding those who stayed invested.<sup>2</sup>

*How you react to market declines is your true test as an investor. Substantial drops in a single day or over multiple days can create panic, and many people feel the need to act when the headlines turn worrisome. Fleeing the market when it starts to plummet is a natural instinct, but it can do more harm than good. No one can accurately predict short-term market movements, making market timing an exercise in futility. Over the last twenty years, six of the best ten days in the market occurred within two weeks of the ten worst days.<sup>3</sup> Being out of the market on the best few days means missing much of the most profitable periods, so it is important to stay the course and be positioned to capitalize when things eventually turn around.*

To avoid any impulsive decisions the best thing is to review your investment policy which takes into consideration several factors including your specific goals and risk tolerances. We maintain a long-term diversified investment strategy as the basis for our investment decisions, with your investment policy as our guide to navigate choppy waters. Please reach out to us if the recent market volatility has been a cause for concern. We are always willing to discuss how different market events affect your portfolio. Absent a change in your personal situation, it is important to stay the course, hit mute on the headline noise, and stick to your long-term investment plan.

### Disclosures & Other Information

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1. Capital Group. (2022, February 11) How to handle market declines. Capital Group. <https://www.capitalgroup.com/advisor/insights/articles/handle-market-declines.html>

2. McMillan, B. C. (2022, May 13). What Can Investors Do in a Down Market? Commonwealth. <https://blog.commonwealth.com/independent-market-observer/what-can-investors-do-in-a-down-market>

3. Azarello, S., & Roy, K. (2020, June 5). Impact of being out of the market. JP Morgan. <https://am.jpmorgan.com/br/en/asset-management/adv/insights/impact-of-being-out-of-the-market/>