

BEHAVIORAL & FINANCIAL INSIGHTS

Climbing a Wall of Worry

It is often said that the market climbs a wall of worry. In the long-run, the market has continued to rise, yet there always seems to be something we are expected to worry about. This year is no exception. Year-to-date the S&P 500 has had a strong performance, despite concerns about the Delta variant, extreme political partisanship, government debt, and rising inflation.

Investors also tend to worry about volatility. We even worry when there isn't volatility, such as the period from 2012-2017, when investors experienced generally subdued market fluctuation. The absence of volatility may cause us to be concerned about complacency, what we might be missing, or what might be brewing. In other words, there always seems to be a reason for investors to worry.

Worry is an interesting concept. Present worries trump anything in the past since we are living and working through them in real-time. The uncertainty and the anxiety are felt *today*. This may cause us to overweight current concerns, resulting in a narrow, rather than broad, view of where things stand and what the future may hold. For disciplined investors, it is always advantageous to maintain a big-picture, long-term perspective, and ignore the noise of the moment.

Concerns – Past & Future

Our worry seems to be so shortsighted that even the events of just a few years ago escape our recollection. What did investors worry about back in 2019? How about 2018? The stock markets were actually negative in 2018, so we must have worried about a lot. But more than likely, we can't remember. That is because worries are human constructs that tend to work themselves out. We adapt, adjust, and work through our changing circumstances, especially the bad ones.

What will we worry about next month? Or next year? It could be a continuation of present concerns, or it could be something entirely different. But it will be something!

Investors who focus on the “worry of the day” experience greater stress and are more likely to make unwise investment decisions. Although worrying is a part of the markets, it is not worth the psychological or financial toll it may take. More so than ever, we are being bombarded by “noise” disguised as “news”. And one of the greatest values we add is to help our clients know what is worthy of their attention and what should simply be ignored.

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