THE PRIVATE CLIENT GROUP
BALANCING LIFE & WEALTH

BEHAVIORAL & FINANCIAL INSIGHTS

Keeping the Current Market Volatility in Perspective

Investing in the stock market has been relatively easy for the past year and a half. Stock price fluctuations (volatility) have been mild. While we always welcome these "calmer" times, the stock market historically produces significant swings in stock prices throughout the year – sometimes for good reason, other times not.

When the stock market is good for an extended period of time, we can become desensitized to volatility. This could result in becoming overly concerned and anxious when the more regular volatility returns to the market – as it has in the past few days.

Historically, even in good years, the market experiences significant sell-offs. Since 1980, the average yearly sell-off is 14%. This is only an average. In some years they've been small, in others they were quite large. The largest intra-year sell-off while still producing a positive annual return was a drop of 34%. Through July of this year we had experienced a sell-off of only 5%.[2] In other words, we could experience a much greater sell-off, and it would be completely normal.

One thing to be aware of with sell-offs – the media will use it to stoke fear and anxiety among investors. Expect it. Their job is *not* to help you make wise decisions (that is my job); the media's goal is just to get you to tune in.

Sell-offs are normal and natural functions of healthy capital markets. Stocks going down does not mean we need to change strategies, no matter what the media says. The best advice during turbulent times is to stop looking/watching the market, trust your well-constructed diversified portfolio, and maintain your adherence to your long-term plan.

If you have any concerns or questions you would like to discuss, please don't hesitate to reach out. That is what I am here for!

1. The market is defined as the S&P 500. All figures through July 30, 2024. S&P 500 Index was down 2% in one day on 7/24/2024 and the next time was 02/21/2023. The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. All indices are unmanaged and may not be invested into directly.

2. FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2023, over which time period the average annual return was 10.3%. *Guide to the Markets – U.S. Data are as of June 30, 2024.*