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MARKET SIGHT*LINES*

Long-term Investor?
Time in Instead of Timing the Market

By Michael O'Keeffe, *Chief Investment Officer*

Some investors get nervous in periods of heightened volatility. When this happens, our Financial Advisors are often actively engaged with clients to help them understand and manage through such volatility. My team and I provide our advisors with a set of *Volatility Resources*, some being brief descriptions of lessons from history.

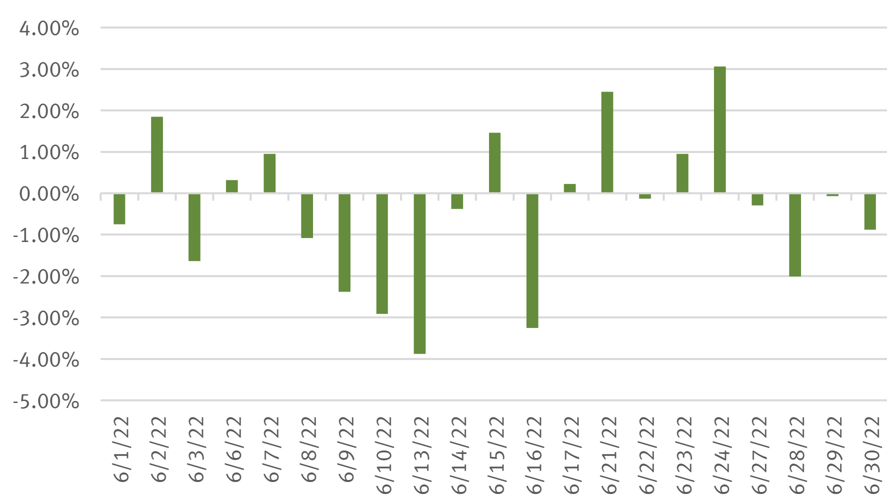
In this week's Sight|Lines, we summarize one such lesson from history, the importance of time in rather than timing the market.

DAILY RETURNS IN JUNE

Let's start with a look at daily returns in June, a month that happened to be quite volatile. In Figure 1, you can see the performance of each day in the month. Importantly, the first half of the month included six weak days, with the S&P 500 experiencing a negative return below -1% each of those days. It is on or just after such a streak that a nervous client may ask, "Should I sell and get out of the market, maybe just go to the sidelines and wait out this heightened volatility?" But looking at Figure 1, we see what happens next – the market tends to rebound. In the second half of the month, the S&P 500 posted two positive days, up about 2.5% to 3%, making up a good portion of the losses experienced earlier.

When we study the patterns of historical performance, quite often we see this pattern repeated. Severely negative days are sometimes followed by very positive days. We know that investors who jump out when nervous will often sit on the sidelines for much and sometimes all of the market's recovery.

Figure 1. S&P 500 Returns



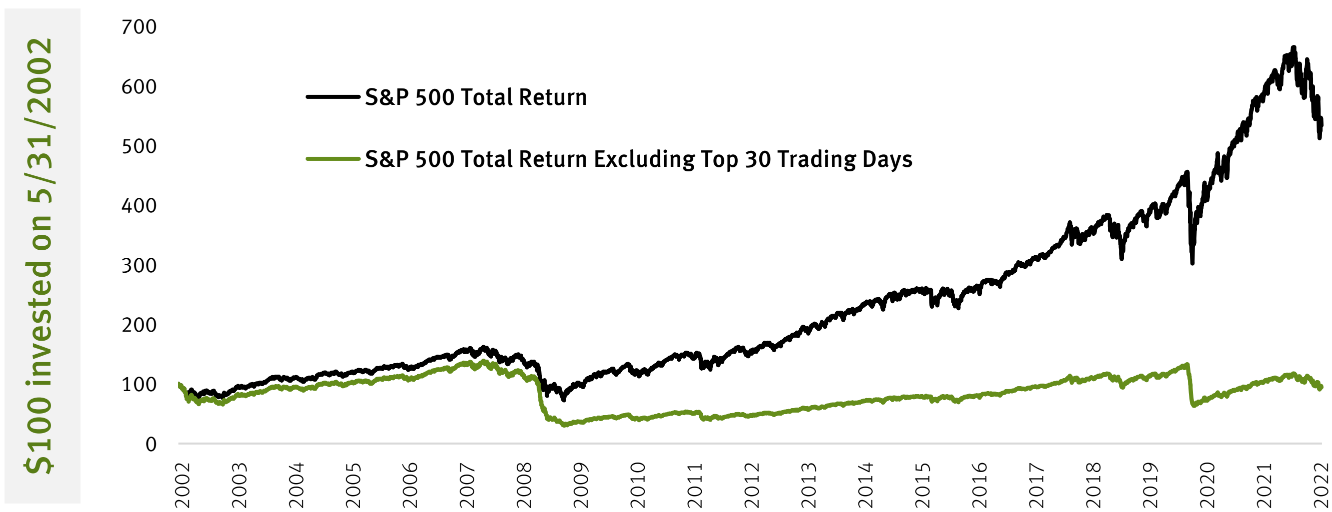
Source: Stifel Investment Strategy via Bloomberg, as of June 30, 2022.

THE LAST TWENTY YEARS

It's important to remember your long-term investment goals, especially during periods of increased market volatility. As mentioned above, some of the worst days in the equity markets have been followed by some of the best days. Figure 2 shares this lesson while looking back over the last couple of decades.

The graph shows that a long-term investment in the S&P 500 would have grown a $100 investment to about $510, including this 2022 bear market. However, if you missed the S&P 500's best 30 trading days over that period, your cumulative return would be close to 0%.

Figure 2. Market Volatility



Source: Stifel Investment Strategy via Bloomberg, as of June 30, 2022.

CONCLUSION

We've experienced amplified volatility in 2022, and it is natural for investors to get nervous when this happens. Attempting to time the market is difficult and often costly for a long-term investor. If you are invested and have a longer-term time horizon, it's better to stay invested. If you make regular contributions to your account, you may be tempted to wait for a better "entry point," especially during a volatile period. However, history has shown that there is a cost to waiting. If you are uneasy about investing a large sum all at once, consider dollar-cost averaging, or investing smaller amounts at regular intervals.

This year many of our Financial Advisors have been actively engaged with clients to help them understand and manage through this volatility. Drawing from the *Volatility Resources* my team and I make available, we're reminded of one lesson from history, the idea that an investor is much more likely to be better off over the long term when being focused on time in rather than timing the market.

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