MARKET VOLATILITY

Managing the ups and downs

After hitting record highs in September, stocks have traded lower during the month of October, erasing much of the year's gains (about 10%) for the S&P 500 Index. Many domestic stocks indices are now on the cusp of correction territory (defined as a 10% decline).

Some of the investor worries underlying the recent stock market pullback center around the impact of rising interest rates on equity market valuations, the sustainability of corporate revenue growth rates amid rising global trade tensions, and the possibility that economic slowdowns in China and Europe may spill over into the U.S. Fast-growing internet firms have been among the worst performers during this recent turmoil, leading analysts to question whether companies that previously seemed immune to global growth fears can continue their momentum.

The recent stock market declines may be unnerving to investors after a nine-year equity bull market, particularly since the bull market has been marked by historically low volatility. The S&P 500 Index has been on a 9-year bull run, the longest such streak in its history. Thus, it has not experienced a decline of more than 20% during that time. While it is hard to predict where equity markets will go from here, it is important to keep in mind that stocks are a risky investment and these type of events are expected from time to time. In other words, market drawdowns are not uncommon and are viewed as part of a healthily functioning financial market.

As always, we continue to urge investors to take a long-term perspective when these type of events occur and to not overreact in response to short-term market swings. Investors should review their objectives, goals, risk profiles and their investment time horizons before making any significant portfolio changes. SageView will continue to monitor this market volatility and provide updates as necessary. If you have questions or need additional information, please do not hesitate to contact us.

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