Remaining Disciplined During Market Downturns

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INVESTING MARKET VOLATILITY

Investors who remain committed to their financial goals in the face of short-term turbulence may experience advantages in the end.

With changing market dynamics in recent years, including the advent of high-frequency trading, widespread central bank easing, and the widespread rise of passive investing, market drawdowns such as this one can now occur faster than in years past and have become increasingly difficult to avoid as a result.

Avoiding Common Pitfalls During Periods of Stress

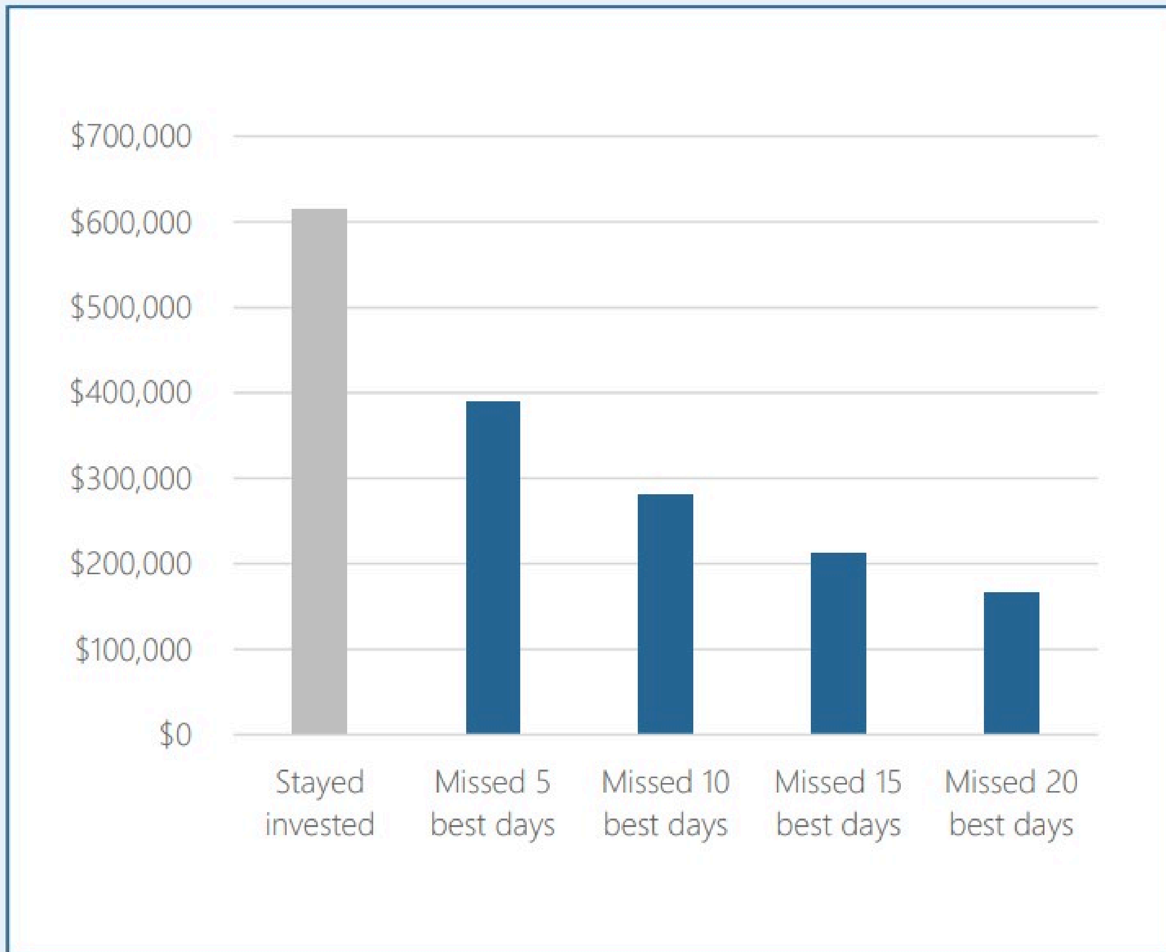
During times of market volatility, it is essential for investors to consider their long-term investment goals, as actions made during periods like this can have drastic impacts on the probability of meeting those objectives.

These goals—whether it be saving for college or retirement, or for charitable giving or estate planning—are of utmost importance to investors and are the reasons why most participate in the market in the first place.

During a market correction, many investors may understandably face the urge to exit the market and sit on the sidelines until conditions improve. While this may sound appealing in theory, it is often unlikely to work in practice for several reasons.

History shows us that over time, market returns can be dramatically influenced by just a handful of trading days. It is difficult if not impossible to predict when these outlier days may occur. As the data in Exhibit A shows, attempting to exit and re-enter the market can have a meaningful impact on long-term results and one's ability to reach their goals.

Exhibit A: Hypothetical 20-Year Investment of $100,000 in the S&P 500 2002-2021



*Janney makes no representation that an account will obtain gains or losses similar to those illustrated. There are distinct differences between hypothetical performance and performance achieved by actual trading platforms. Returns illustrated do not reflect any management fees, transaction costs or expenses Performance data quoted represents past performance and is no guarantee of future results. The S&P 500 is an unmanaged, capitalization-weighted index. Performance figures assume reinvestment of capital gains, dividends, but do not include fees or expenses. It is not possible to invest directly in the S&P 500.

Additionally, exiting the market following a sharp market decline has shown to be an inopportune time to reduce exposure. Exhibit B shows the performance of the S&P 500 Index in the 12-month period following some of the market's largest recent declines. Those sitting on the sideline for any sizable portion of that rebound would have likely seen their long-term performance suffer as a result.

Exhibit B: Annual Returns After Major Market Declines

Date of S & P 'S Biggest Declines	Black Monday 8.25.87 – 12.04.87	Gulf War 7.16.90 – 10.11.90	Asia Monetary Crisis 7.17.98 – 8.31.98	Tech Bubble 3.27.00 – 10.9.02	Financial Crisis 10.09.07 – 3.09.09	Trade War 10.03.18 – 12.24.18	COVID-19 Selloff 2.20.20 – 3.23.20
U.S. Stocks	-33.5%	-19.9%	-19.3%	-49.0%	-56.8%	-19.6%	-33.8%
Next 12 Months	**+21.4%**	**+29.1%**	**+37.9%**	**+33.7%**	**+68.6%**	**+37.1%**	**+77.8%**

Source: Morningstar as of 12/31/21. Returns are principal only not including dividends. U.S. stocks represented by the S&P 500 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cant invest directly in an index.

Some investors may alternatively try to time the market by getting out prior to a market downturn, but effective market timing is exceptionally difficult, even for the world's most skilled investors. A detail that sometimes goes overlooked is the fact that trying to time the market involves a two-part decision: Not only would an investor with this aim have to time when to get out of the market, but they would also be attempting to time when to get back in to partake in the subsequent rebound. By trying to time the market, investors may not only risk getting out of the market too late and failing to avoid most of the downside, but also returning too late and missing most of the subsequent rebound. Attempting this can risk underperformance over the long term and undermine one's ability to reach their strategic investment goals.

Keep Your Long-Term Goals in Focus

Remaining disciplined and maintaining one's exposure to the market during a downturn is no easy task and it can be difficult for all investors to stomach rising volatility and portfolio losses. Nevertheless, we urge investors to remain focused on their strategic investment goals. This discipline is more crucial than every during market downturns given the amplified effect the timing of decisions can have on performance.

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