Insights from Tom Moran,

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In financial markets, a certain degree of unpredictability is to be expected. Even though volatility, on its own, isn't usually cause for long-term concern, it can feel distressing in the moment. Understanding more about what causes it, and the role it plays in a healthy economy, can help.

This past fall and into the winter, a variety of circumstances contributed to market fluctuations. Ongoing domestic and global anxiety and uncertainty around the COVID-19 pandemic generated destabilizing energies. Inflation has been on many minds, even while unemployment is moderate and consumer spending has been relatively strong. Concerns about the United States debt ceiling are satisfied, for now.

In view of these and more external dynamics, there remains robust reason to stay the proverbial course. To start, it's beneficial to observe trends over time. History advises that quickly changing course because of negative volatility may be unfavorable. To put it in other words, reactionary and fear-based investment strategies are often less likely to deliver long-term results. Even following apparently dramatic declines, markets will generally correct and settle at or above prior baselines. As an investor, it is appropriate to think of these vehicles as most effective over years and, in fact, decades. Such awareness is key to strategic investing.

A knowledgeable investment advisor might tell you that upward and downward swings in valuation are not only inevitable, they may be positive. Financial markets are not static. They are highly responsive to an assortment of factors. Most of which, if not all, fall outside the control of any one individual. However, opportunity can be identified within challenge. With an appropriately researched approach, decreases in valuation can present useful indicators.

It is worth bearing in mind that volatility during recent years has actually, at times, been less than what longitudinal trends may predict. In assessing volatility, the standard deviation of monthly returns of the Standard & Poor (S&P) 500 is a commonly used metric. Whereas that figure has historically averaged at 15.6 percent, in 2017 it hit its second-lowest average since 1957 of 6.7 percent, creating some unease the following year when higher volatility resumed. (https://www.acorns.com/money-basics/what-is-market-volatility-/) As we can observe, the stock market taken as a whole has experienced record increases, so it should not be concluded that deviations in monthly returns correlate with poorer overall performance.

The prudent perspective is to take diversified positions that suit your own needs and risk tolerance. A stagnant stock market could potentially be just as worrying as an especially active one. Staying somewhat philosophical about unavoidable shifts, as well as eventual gains, can lessen the apprehension that may accompany any immediate, dramatic losses. Remember, the stock market, on any given day, is a snapshot. Your strategy is to create a coherent photo album; when you need those assets, all the pictures together will tell the story.

Throughout our over 30-year history advising clients, Moran Wealth Management has navigated countless market changes. Our extensive team welcomes your inquiry.

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