Priorities
Sensible, essential financial wisdom.
APRIL 20, 2020

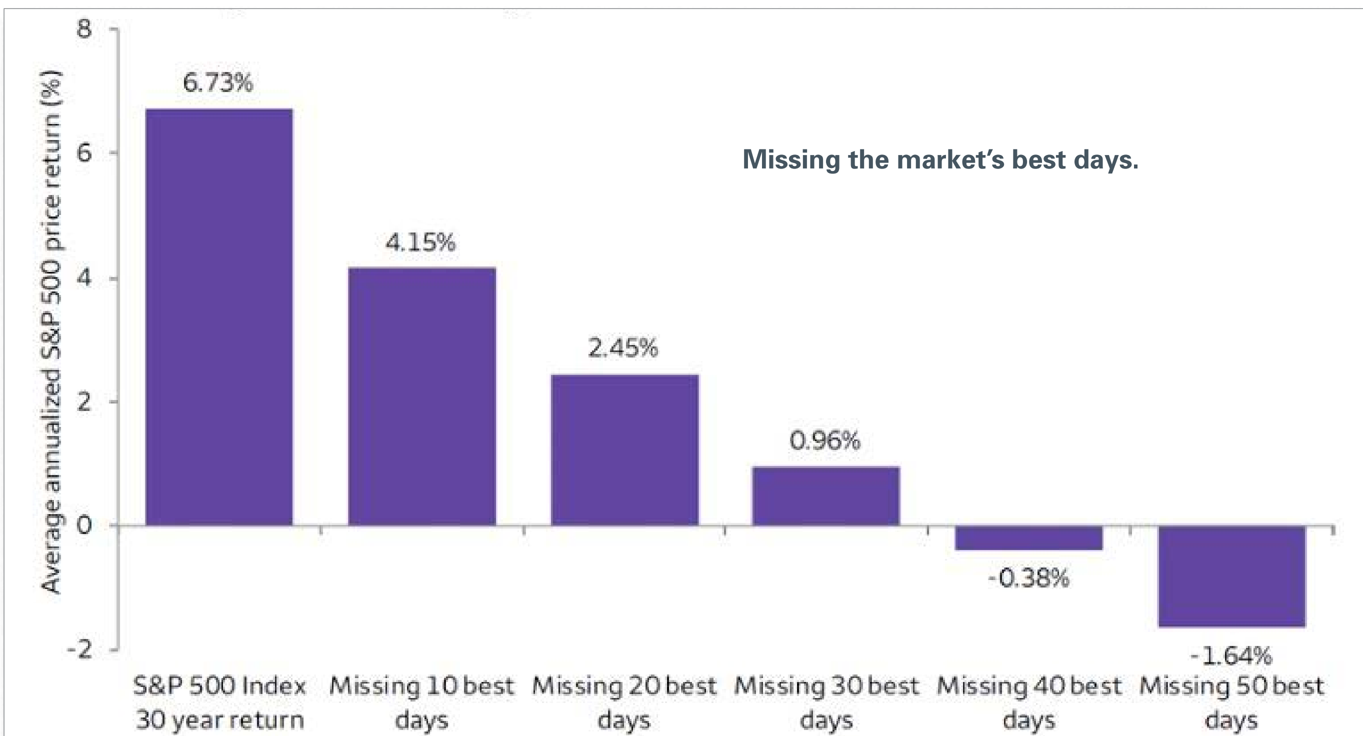
Volatility: Keep Calm and Remain Invested

FACTS AND TRENDS

Did you sell everything and move to cash the week of February 18, 2020? Or, did you buy back into the market on March 23, 2020? Perhaps, you went all-in on the stock market in Q1 of 2009?

The chances are you did not, because no one can perfectly time the markets. If investors possessed this skill, they would apply it consistently. Interestingly enough, whether market timing is possible or not is a matter of opinion. Few investors have been able to predict market shifts with such consistency that they gain any significant advantage over the buy-and-hold investor.

Missing a handful of the best days in the market over long periods of time can drastically reduce the average annual return an investor could gain just by holding on to their equity investments during sell-offs.



Sources: FactSet and Wells Fargo Investment Institute. Data March 20, 1990 through March 19, 2020 for S&P 500 Index. Best days are calculated using daily returns. For illustrative purposes only. An index is unmanaged and not available for direct investment. A price index is not a total return index and does not include the reinvestment of dividends. **Past performance is no guarantee of future results.**

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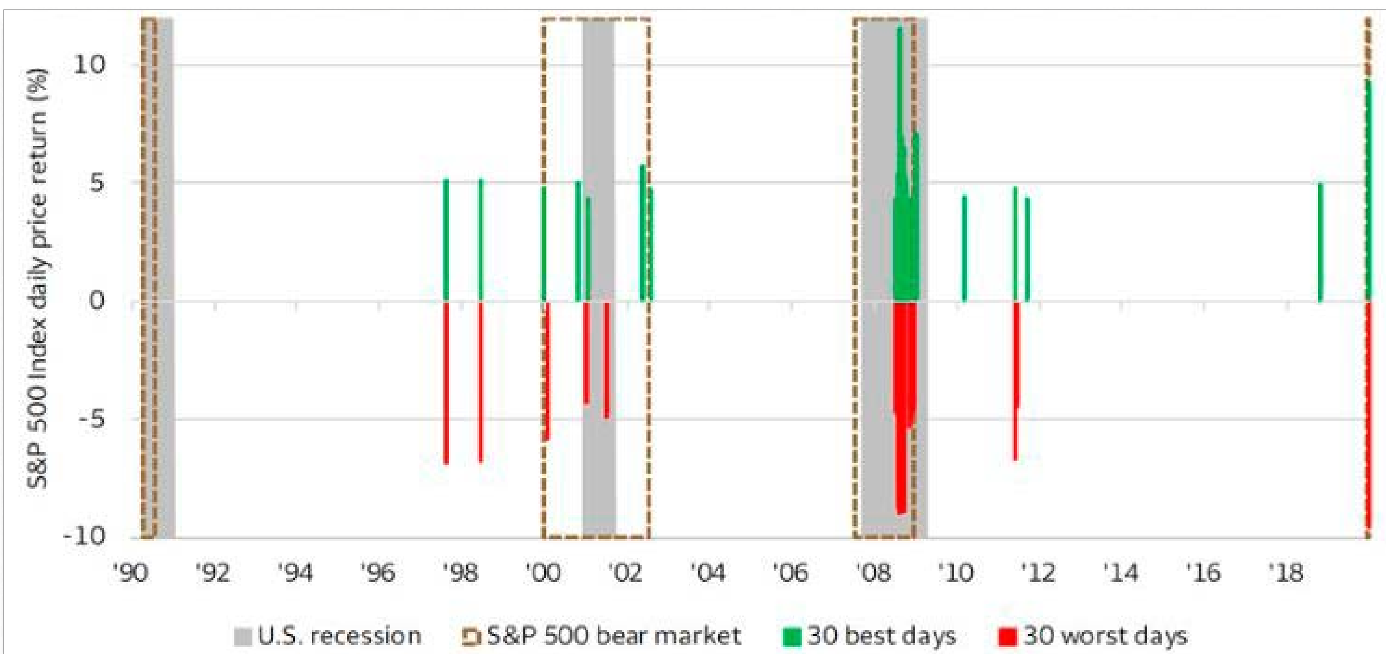
Research reveals that the best market days occurred in the S&P 500 in the midst of a bear market or recession, and some of the worst days occurred during bull markets.

The best market days often occur in tight time frames, even on consecutive trading days. In our view, these findings argue strongly for most investors to remain invested in the equity markets, even in the most volatile markets.

Market performance – the best days and worst days have often occurred close together.



Sources: FactSet and Wells Fargo Investment Institute. Data March 20, 1990 through March 19, 2020 for S&P 500 Index. Best days are calculated using daily returns. Best and worst days are calculated using daily returns. For illustrative purposes only. A price index is not a total return index and does not include the reinvestment of dividends. There are difficulties assessing index performance during certain correction periods, in part, because index results do not represent actual trading and cannot completely account for the impact financial risk has on actual trading. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

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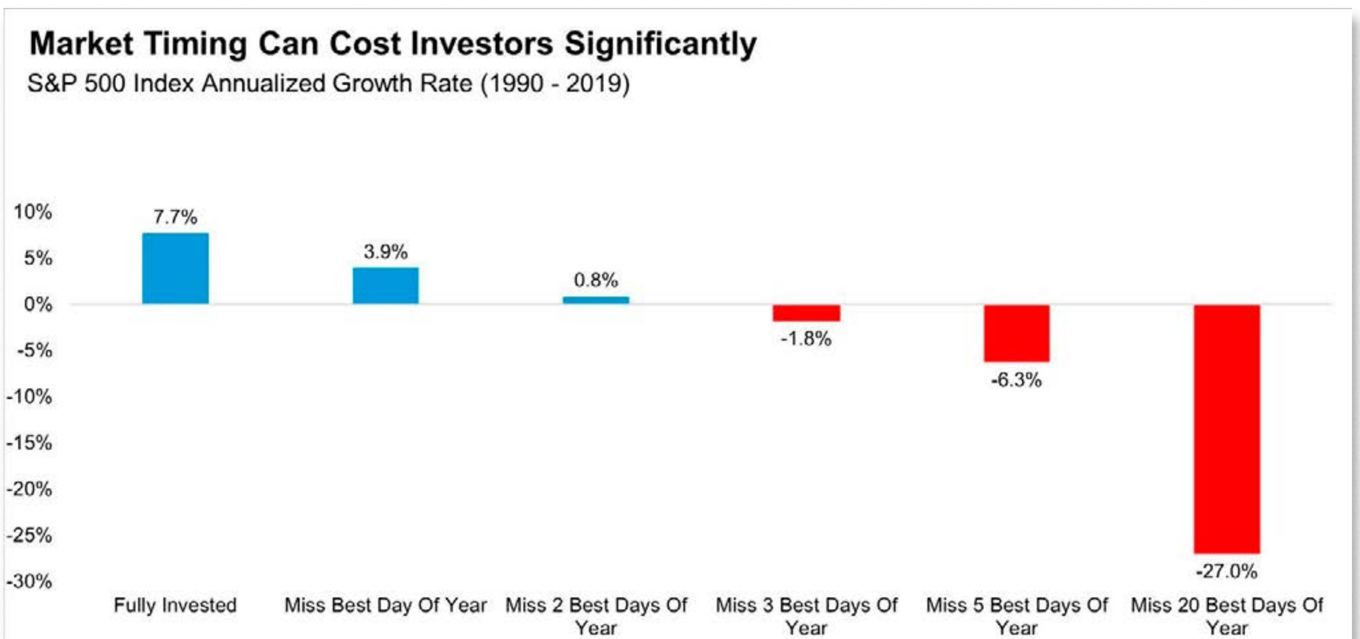
Recent market performance is exactly the type of event where a disciplined approach proves significant value. It is wise to develop a plan with your advisor and agree on expectations. Your strategy should be built around your objectives and risk tolerance. Rest assured: There WILL be tumultuous times, but if you remain steadfast and adhere to your plan, the likelihood is your average rate of return will be protected.

Take for example, a recent excerpt from an article in *Advisor Perspectives* in which an investor asked about remaining active in the market during this time:

"...why not wait until things settle down, when this irrationality has stopped? My response was, would you rather play poker against professional poker players or drunken sailors? "Drunken sailors, of course!" he retorted. When fear rages, time horizons are squeezed to nothing, and portfolios are liquidated because people were over-leveraged to the hilt, the market is awash with drunken sailors. This is when you want to invest. You have to accept that every (buy) decision you make will look "wrong" the very next day, but that is par for the course."



Source: LPL Research, FactSet 3/23/20. All indexes are unmanaged and cannot be invested into directly. **Past performance is no guarantee of future results.**

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Finally, at HJ Sims, we expect markets to continue their volatility until there is a clear path for humanity, economics and capital markets to navigate the current COVDI-19 pandemic. Follow the plan developed along with your advisor; if you have not built a plan, contact your advisor now to create one.

Most importantly, keep calm and carry on.

To speak to a financial professional, please call 1.800.HJS.1935.

ABOUT HJ SIMS: Established in 1935, HJ Sims is an independently run and privately owned wealth management firm with an extensive history managing wealth and generating income for clients. Infused with a pioneering spirit, HJ Sims delivers a diverse range of investment strategies including tax-efficient securities, equities, private placements and other alternative investment products. We are deeply committed to serving our clients with dedication, knowledge, passion and integrity. HJ Sims is headquartered in Fairfield, CT with offices nation-wide, including Puerto Rico. Be sure to follow HJ Sims on Facebook, LinkedIn, Instagram and Twitter.