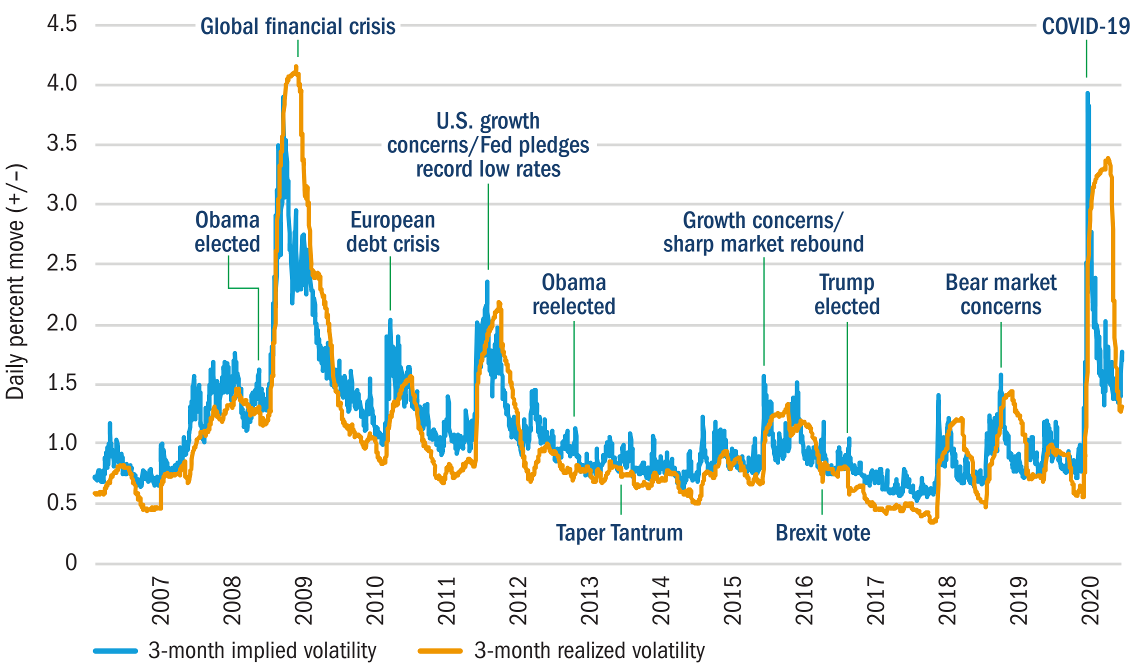
Chart on the Go

Latest Insights | Equity

Expectations for election volatility are elevated, but not extreme

S&P 500 volatility measures over time



Source: Columbia Threadneedle Investments as of 08/31/20. Implied volatility is a measure of the market's forecast of the annual move in the underlying securities price. Realized volatility is a historical measure of the actual volatility using a 3-month rolling data set. The S&P 500 Index tracks the performance of 500 widely held, large-capitalization U.S. stocks. Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

By tracking measures of volatility, we can understand whether the equity market expects to see a high level of market action in response to the election.

Expectations for volatility are elevated relative to the last 15 years — but they aren't extreme. For investors, the smart move is to stay focused on long-term goals because decisions made in the heat of the moment can hurt future portfolio performance.

A diversified portfolio can help dampen the impact of equity volatility by introducing stabilizing investments such as shorter term bonds or U.S. Treasuries. Active management can also help limit portfolio volatility because portfolio managers make research-backed decisions about what companies to hold or avoid in a volatile market.

Investment products offered through Columbia Management Investment Distributors, Inc., member FINRA. Advisory services provided by Columbia Management Investment Advisers, LLC. Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies. © 2020 Columbia Management Investment Advisers, LLC. All rights reserved. The views expressed are as of the date given, may change as market or other conditions change and may differ from views expressed by other Columbia Management Investment Advisers, LLC (CMIA) associates or affiliates. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Since economic and market conditions change frequently, there can be no assurance that the trends described here will continue or that any forecasts are accurate. Investing involves risk including the risk of loss of principal.

CTBPNUW5 (09/20) 3240538