



What's the problem with volatility?

Colin Moore, Global Chief Investment Officer



Your success. Our priority.

All financial markets have some level of volatility. It's key to determine what level of volatility is normal.

It's just as dangerous, perhaps, to have too little volatility than it is to have too much, in that too little lulls people into a false sense of security. Which isn't normal because there's so many things going on in the world, with individual companies, politics, that you would expect some level of uncertainty, which is what volatility is trying to represent. Now, too much probably means you have huge amounts of uncertainty, the risk of war, the risk of a huge recession. So, there's a balance in between.

But you want some level of volatility to make sure that the market is telling you that it understands the risk that's out there,

The problem for volatility for people is it represents uncertainty, and people, we know, behaviorally do not do well with uncertainty. We do know when there is volatility, particularly on the downside, that people make some very bad decisions.

They spent a long time, perhaps, with their financial advisor building up a plan, but then, they panic and they run away.

But most of what we get today, it's just noise. It's not a material change in economic direction, therefore you shouldn't really be reacting to it.

The views expressed are as of April 2018, 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. Actual investments or investment decisions made by CMIA and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be suitable for all investors. Past performance does not guarantee future results, and no forecast should be considered a guarantee either. 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.

Investment products are not federally or FDIC-insured, deposits or obligations of or guaranteed by any financial institution and involve risks, including possible loss of principal and fluctuation in value.

Securities 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.