Tips for keeping a cool head and a long view right now.

When stock market volatility shakes your confidence, don’t abandon your strategy.

Volatility. If it seems like it’s coming at you from all sides, we understand how you feel. As the coronavirus outbreak expands, global markets are experiencing unnerving losses. On top of that, there are the social and healthcare ramifications of the pandemic, turmoil in the oil sector and the upcoming elections. It’s a recipe for a lot of uncertainty.

For the markets, what started as concerns over disruptions in manufacturing and supply has shifted to deep worry over a protracted economic shutdown. “There will be a serious hit to U.S. growth,” reports Anwiti Bahuguna, Senior Portfolio Manager and Head of Multi-Asset Strategy at Columbia Threadneedle Investments. “If the outbreak disrupts demand for a prolonged period,” she continues, “the impact will be significant.”

But while you can be sure our investment teams are keeping one eye on these fast-moving trends, the other is fixed firmly on the long term. “The current outbreak is novel,” says Gene Tannuzzo, Columbia Threadneedle’s Deputy Global Head of Fixed Income, “but our playbook for spikes in volatility like this remains pretty much the same.”

Just how temporary is temporary?

Amid this flood of sometimes conflicting information, you’re getting another constant message: that you should stay the course. That the markets will eventually recover, as they have many times before. And we think that’s great advice. But essentially, you’re being asked to do
nothing. To sit it out. For a lot of us, that can be hard to do, especially when we see account balances dropping and imagine retirement dreams slipping away.

We're going to give you some good reasons to be patient and stay the course. But also, we're going to recommend something you can do. And that's to take this opportunity to check in on your long-term goals and deepen your relationship with your financial advisor.

“Some industries will suffer a greater impact than others from the fallout, but in aggregate, the long-term damage may now be overestimated. But this is still as dynamic a situation as we have ever faced.”

Colin Moore
Global Chief Investment Officer
Columbia Threadneedle Investments

Been there, done that.

Let's take a step back. Chances are, the first time you met and set out a plan with your financial advisor, the markets weren’t in crisis. And if you started investing within the last ten years, you’ve never had to deal with volatility and losses as dramatic as those we’re seeing now. But your advisor probably has. And if you're investing for the long term, you may go through one or more of these full market cycles — from the top to the bottom and back again — before you retire.

We encourage you to talk to your advisor about the effects of market cycles, how they factor into the long-term strategies he or she recommends and what it means for your particular portfolio. It might need a nip or tuck, but if your strategy was truly built for the long term, it’s probably in good shape to see you through short-term setbacks like this one.
Cycles come and go, but the market marches on.

The bad news is that major market corrections are painful and costly. The good news is that, historically, the recoveries afterward have typically been strong and sustained.
Your advisor is your best sounding board and guide.

When you’re tempted to make significant investment moves during volatile periods, having the outside perspective of an experienced financial advisor is critical. Someone who can give you reasoned answers when you question your long-term strategy, explain how your portfolio is positioned for difficult markets and help you stay on track to meet your long-term goals. Especially if you’ve never experienced the kind of deep market swings we’re seeing now.

Keep a healthy perspective.

In the midst of the longest bull market in history, it was easy to feel confident about your investment strategy. Seismic drops like we’re going through now not only test that confidence, they can lead investors like you to make decisions based on fear and uncertainty. It’s a natural impulse to seek safety when it feels like the bottom is dropping out. But decisions based on panic around short-term disruptions have the potential to undo the benefits of years of long-term, committed investing.

To have captured the best days, you had to be in it for the worst.

Volatility can tempt you into trying to time the markets. Getting out is easy. Getting back in at the right time is nearly impossible. If you missed the best performing days you would have given up a significant portion of the market’s long-term total return.

S&P 500 Index returns 12/29/89-12/31/19. Past performance does not guarantee future results. Sources: Columbia Management Investment Advisers, LLC and Bloomberg as of 12/31/19. The Standard & Poor’s (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization U.S. stocks. It is not possible to invest in an index.
Don’t miss a beat.

We expect the markets will continue to be volatile for the near term, and that short-term risks and fluctuations may continue throughout the year. Visit our latest insights for up-to-date news and articles that can help you put market volatility in context.

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