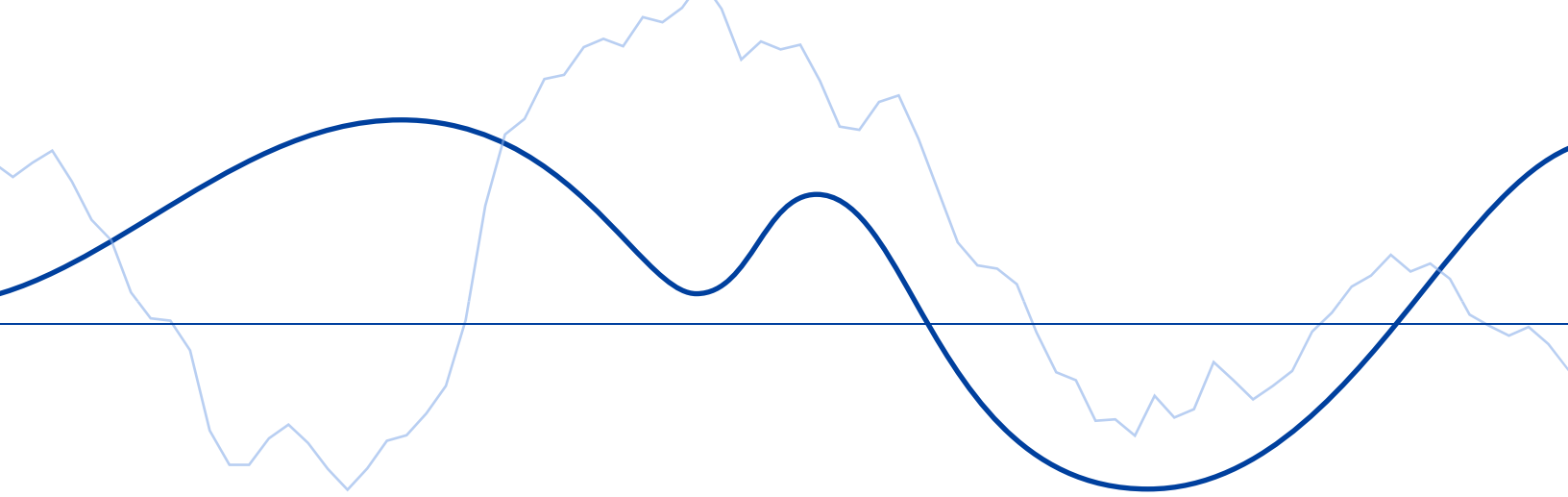


A dark blue background featuring a faint, light blue grid. Overlaid on the grid is a complex financial chart. The chart includes a candlestick pattern with vertical bars representing price movements, and a line graph with several peaks and troughs, suggesting market volatility. The overall aesthetic is professional and data-driven.

DON'T PANIC

Cotton Wealth Management
Associates



In your investing lifetime, you will live through several periods of market volatility. These periods may cause you to second guess your investment strategy or even consider a different approach to managing your money. But regardless of how the market is currently performing, it's important to stay focused on your overall approach based on your goals, time horizon, and risk tolerance.

While downturns can be unsettling, it helps to view market activity from a wider perspective. Since 1928, the U.S. economy has undergone 25 bear markets. It also helps to remember that bear markets last, on average, only 9.5 months. The economy regularly moves through business cycles of recovery and recession. During recovery, understanding whether the economy is at an early or late stage of the cycle may influence certain investment decisions. Conversely, during a recession, deciphering whether the economy is passing through a shallow or deep cycle may be critical.¹

Remember, past performance can't predict future market results, but having a better understanding of the business cycle can help you stay focused during periods of economic transition.



Despite the current market volatility, the best guidance may be the simplest: step back, look at the big picture, and avoid any hasty decisions.

PROFESSIONAL PERSPECTIVE

Despite the current market volatility, the best guidance may be the simplest: step back, look at the big picture, and avoid any hasty decisions.

The initial reaction to market spikes and sharp drops may be to make a quick exit, but that can be the wrong move. However, we understand that it's natural to question your investment strategy when the market gets rocky. Here are some insights from the perspective of a financial professional; these steps may help you stay calm and focused.

TURN IT OFF

Everyone has an opinion, but, in the world of modern media, "everyone" is often wrong, or, at best, contradictory. Cable network business news, investment websites, newspaper financial pages, and even social media—the cacophony of opinions and lack of consensus can be overwhelming.

Luckily, you have a financial professional who can conduct in-depth analysis and market monitoring on your behalf. It's our job to keep you informed of any relevant changes and shifts in the market, so you can tune out all the noise.

RESIST THE TEMPTATION

Volatility can play rough with your emotions. The temptation to jump ship during a downturn is strong, but timing the market's trendline is nearly impossible. It rarely maintains a steady upward trajectory but is rather more like a dance: two steps forward, one step back, over and over again. What may appear to be a peak before a precipice may simply be a brief correction on the way to new highs. When things are bumpy, resist the temptation to react in an emotional way, and remember that turbulence is part of the ride.

LOOK AT THE BIG PICTURE

Short-term market fluctuations can stir all sorts of emotions and may even lead you to make unwise investment decisions. Whenever possible, step back and take the long view. Are you investing for 10, 20, or 30 years? Longer? Viable investment strategies generally outlast volatility, which typically lasts days, weeks, or months.

Numbers from the past can provide insight as well. Although past market performance cannot serve as an indicator or predict future trends, the Standard & Poor's 500 (S&P 500) has generated an average 10.15 percent annual return through 2022 since adopting 500 stocks into the index in 1957. The S&P 500 is an unmanaged index that is generally considered representative of the U.S. stock market. (Remember, individuals cannot invest directly in an index.)²

TAKE A DEEP BREATH

In a nutshell, stock markets go up and down. That's simply their nature. So, what to do when they're down? Stay calm and take a deep breath. Watching the market too closely—especially when it nosedives or blasts off into the blue skies—can produce unwarranted stress or false exuberance. Attempting to find the exit door or entrance ramp onto a jittery market is ill-advised, even for the most studious investor. For the sake of your mental well-being, try to find some ways to de-stress, take a break, and relax as much as possible.

DO THINK TWICE

At the same time, a volatile market is no reason to stick your head in the sand and ignore your financial picture altogether. Prudence is key to finding investment success. A flexible investment strategy can allow you to take advantage of appropriate opportunities that may arise, providing they are suited to your risk tolerance, time horizon, and personal goals. Connecting with your financial professional can help to ensure your money is working for you in the long term, regardless of what the markets are doing this week or next.





Case Study: The Market Volatility in the Fourth Quarter of 2018

When stock prices pull back, the process reminds us of a reality we don't like to think about: stock prices can't always go up.

Let's take a closer look at what happened in 2018 as a recent example. The passage of President Trump's Tax Cuts and Jobs Act in late 2017 helped bolster optimism and was widely credited for the market surges, as corporate executives expressed renewed interest in investing in their companies and workforces.

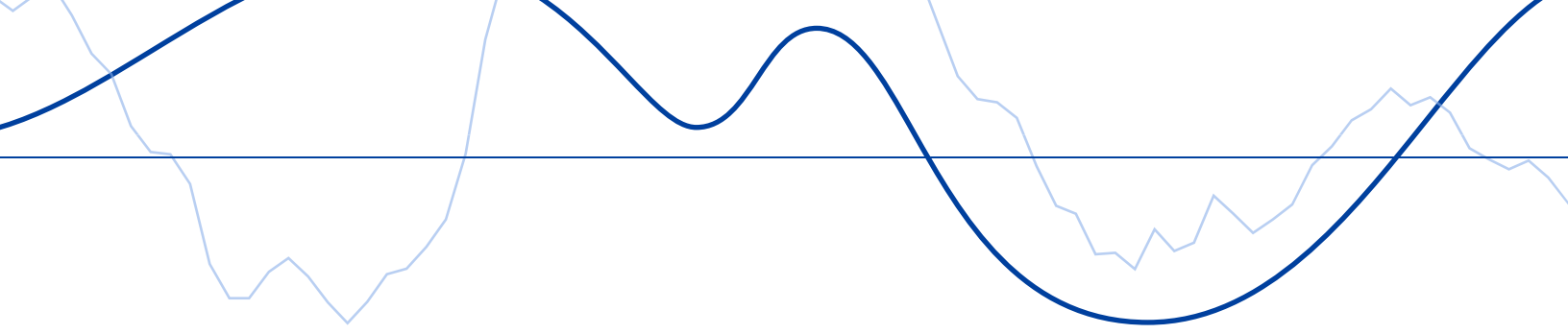
Most indicators painted a picture of a very vibrant economy and relatively robust growth. On the labor side, the unemployment rate was improving. Growth in wages and jobs also added to the rosy economic outlook.³

Market volatility picked up in September 2018. With the month coming to an end, the Fed announced a 0.25 percent hike in the federal funds rate and signaled the potential for an additional hike before the end of the year. Though the hike was telegraphed to investors, markets trended lower following the news.⁴

Stocks dropped further in mid-December once policymakers raised short-term rates again. The markets struggled to manage expectations when the Fed said that it was staying the course with two more potential hikes for short-term interest rates for 2019.^{4,5}

Holiday market action led to a breathtaking rollercoaster ride, as the Dow lost over 600 points on Christmas Eve, then rose 1,000 points the day after Christmas, and the S&P 500 ended the year lower. By January 2019, worries about the ongoing trade dispute with China and a global economic slowdown added to negative investor sentiment.⁵

However, stocks quickly found firmer footing on news that the China trade talks would restart. Investor spirits were further buoyed when the Fed said that it would be flexible with its policies.



WHAT'S NEXT?

The most interesting part of being an investor, some might say, is that no one knows the future. Regardless of what's in store, keep in mind that bouncing trendlines are not necessarily indicators of impending doom or golden opportunities. Rather, they're simply a typical part of the investing lifecycle. With a sound strategy in place, movement in the market can be anticipated, not feared.



If we believe a change to your investment strategy is needed, we will reach out to you. Meanwhile, if you've undergone any recent life changes or if you're considering shifting your financial goals and wish to discuss your portfolio, we are here to help.

If you have questions about current events or recent market news that may affect your strategies, please reach out to us.

Sincerely,

Steve J. Cotton

Footnotes, disclosures, and sources:

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* Award based on 10 objective criteria associated with providing quality services to clients such as credentials, experience, and assets under management among other factors. Wealth managers do not pay a fee to be considered or placed on the final list of 2012-2023 Five Star Wealth Managers.

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Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

All indexes are unmanaged and cannot be invested into directly.

Opinions expressed are not intended as investment advice or to predict future performance. Past performance does not guarantee future results.

Consult your financial professional before making any investment decision.

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of interest. Please click on the links below to leave and proceed to the selected site.

1 Investopedia.com, September 23, 2022. The Standard & Poor's 500 is an unmanaged index that is generally considered representative of the U.S. stock market. Index performance is not indicative of the past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index. The return and principal value of stock prices will fluctuate as market conditions change, and shares, when sold, may be worth more or less than their original cost

2 Investopedia.com, February 15, 2023

3 CNR.com, 2023

4 FederalReserve.gov, 2023

5 Finance.Yahoo.com, 2023



Cotton Wealth Management
Associates
15301 Spectrum Drive, Suite 390
Addison, Texas, 75001
www.cottonwealthmanagementassociates.com