

# How to Navigate Market Volatility

## What Is Market Volatility?

Market volatility refers to the rate at which the price of investments—such as stocks, bonds, or commodities—rises or falls over a given period. It is a normal part of investing and occurs due to factors such as economic data, corporate earnings reports, interest rate changes, geopolitical events, and investor sentiment.

Volatility is often measured by the VIX (Volatility Index), sometimes called the "fear gauge," which tracks investor expectations of future market fluctuations.

## Why Does Volatility Happen?

- Markets move based on a combination of economic fundamentals and investor emotions. Some common triggers include:
- Economic Changes — Shifts in inflation, interest rates, and employment reports impact investor confidence.
- Company Earnings Reports — When businesses report profits below or above expectations, stock prices react.
- Geopolitical Events — Wars, trade policies, and global conflicts can create uncertainty.
- Federal Reserve Policy — Adjustments to interest rates or monetary policy influence borrowing and spending.
- Market Psychology — Fear and risk avoidance can drive investor decisions, sometimes amplifying market swings.

## How Has the Market Historically Reacted to Volatility?

- Short-Term Swings Are Normal — The market experiences fluctuations, but over time, it has trended upward.
- Market Declines Have Been Temporary — Historically, markets have recovered from downturns to reach new highs.
- Staying Invested Matters — Missing the best-performing days in the market can significantly reduce long-term returns.
- For example, over the past 50 years, the S&P 500 has experienced corrections (declines of 10% or more) nearly every 1–2 years, but, in the past, it has rebounded and continued to grow.

## What Should Investors Do During Volatility?

- Stick to Your Long-Term Plan — Emotional reactions often lead to poor investment decisions.
- Diversify Your Portfolio — Holding a mix of stocks, bonds, and other assets can reduce risk.
- Consider Market Opportunities — Volatility can create chances to buy strong assets at lower prices.
- Rebalance If Needed — Adjusting allocations can help maintain the right level of risk.
- Avoid Trying to Time the Market — Jumping in and out based on short-term movements rarely works.

## Key Takeaway

Market volatility can be unsettling, but it is also a natural and necessary part of investing. The key is to stay disciplined, focus on long-term goals, and make informed decisions rather than reacting emotionally. If you have concerns about your portfolio, let's review your strategy together.

# Important Disclosures

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