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# Surviving Market Swings

## Investment Strategies for Uncertain Markets

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This material was written and prepared by Broadridge Advisor Solutions.

# Introduction

## Factors That Cause Market Volatility

The financial markets are frequently beset by challenges. Political uncertainty, international conflicts, interest-rate decisions, and economic shifts — both here and abroad — can spur volatility in the financial markets. And often it's a case of *when* and not *if* it happens.

Your plans for the future shouldn't have to depend on daily fluctuations in the stock market. Gains and losses are part of investing. By using deliberate, time-tested approaches, you may be able to pursue your goals without feeling as though you need to constantly adjust your portfolio to react to today's news.

## Historical Perspective on Market Cycles

Keep in mind that the value of stocks fluctuates with market conditions. Shares, when sold, may be worth more or less than their original cost.

Realizing that markets move in cycles might help keep you stay calm in the face of market volatility.



A **pullback** is typically defined as a 5 percent to 10 percent dip in a market index (such as the S&P 500 or the Dow Jones Industrial Average) from a recent high. When the market closes 10 percent to 20 percent below its 52-week high, it is considered to be a **market correction**.

A **bear market** is typically defined as a decline of 20 percent or more from the most recent high, and a **bull market** is an increase of 20 percent or more from a bear market low.

There's no way to know what the defining moments of 2023 will be, but you can count on market swings to challenge your patience as an investor.

# Introduction

As you can see on this table, worries about the spread of COVID-19 sent U.S. stocks into a bear market in early 2020 — but it lasted just 33 days. More recently, the benchmark S&P 500 index began to fall in January 2022 and descended into bear market territory in June 2022.

There have been nine bear markets since 1960. On average, bull markets lasted longer than bear markets over this period, and the average bull market advance (194.9%) was greater than the average bear market decline (–37.2%).

The takeaway is that neither the ups nor the downs last forever, even though they may feel as though they will.

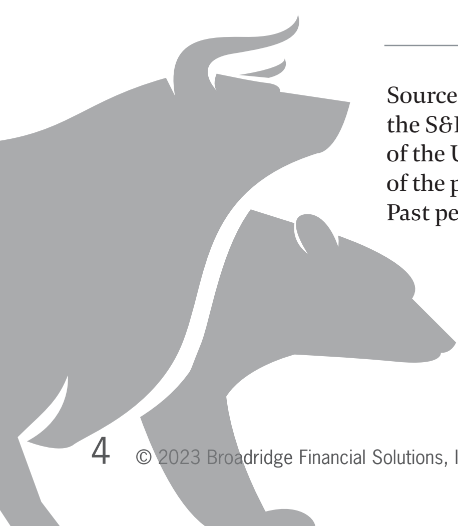
### 11-Year Run

The bull market that began in March 2009 — the longest in U.S. history — ended in 2020 after about 11 years.

| Bear Markets Since 1960 | Calendar Days to Bottom | U.S. Stock Market Decline (S&P 500 index) |
|---|---|---|
| December 1961 to June 1962 | 196 | –28.0% |
| February 1966 to October 1966 | 240 | –22.2% |
| November 1968 to May 1970 | 543 | –36.1% |
| January 1973 to October 1974 | 630 | –48.2% |
| November 1980 to August 1982 | 622 | –27.1% |
| August 1987 to December 1987 | 101 | –33.5% |
| March 2000 to October 2002 | 929 | –49.1% |
| October 2007 to March 2009 | 517 | –56.8% |
| February 2020 to March 2020 | 33 | –33.9% |
| January 2022 to ? | ? | ? |



Source: Yahoo! Finance, 2023, for the period 12/12/1961 to 12/31/2022. Stocks are represented by the S&P 500 index, an unmanaged group of securities that is considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.



# Introduction

## Factors That Influence the Economy and the Financial Markets

When developing your financial strategy, it's important to consider how overall market conditions might affect your portfolio — now and in the future. You want to position yourself financially for a range of possibilities, taking into account the factors that may influence the economy and the financial markets, such as:

- Inflation/Interest rates
- Energy prices
- International trade
- Consumer spending
- Corporate profits
- GDP growth
- Employment conditions
- Home prices

## Outlook for the U.S. Economy in 2023

The FOMC's economic projections called for scant or even negative U.S. GDP growth in 2023, ranging from -0.5% percent to 1.0 percent, with a median of 0.5 percent.

A majority of economists in *The Wall Street Journal's* October 2022 Economic Forecasting Survey believed the United States would enter a recession within the next 12 months. The average expectation was for a relatively mild downturn lasting about eight months.

Even a brief recession would likely cause some job losses and other temporary financial hardship, but it may be the necessary price to tame inflation and put the U.S. economy on a more stable track for future growth. Forecasts are based on current conditions, are subject to change, and may not come to pass. The economy could grow faster or slower than projected.

The Federal Reserve, December 2022; *The Wall Street Journal*, October 16, 2022

"No one knows whether this process will lead to a recession, or if so, how significant that recession would be."
— Jerome Powell, September 21, 2022



## Four Steps to Building a Stronger Portfolio

Are you confident that you have positioned yourself to weather changes in the economy and the financial markets? Many investors are concerned about how recent events may affect their finances. To potentially benefit during good times and bad, consider sound ways to help pursue your goals.

1. **Develop a Sound Financial Strategy**
2. **Assess Your Investment Options**
3. **Focus on the Fundamentals**
4. **Put It All Together**