

## In the Markets Now

Escalator Up, Elevator Down

We try to avoid clichés, but often a picture really is worth a thousand words. Here, our goal is to distill a timely market topic into just a few words and a chart.

### PWM Equity & Fixed Income Research

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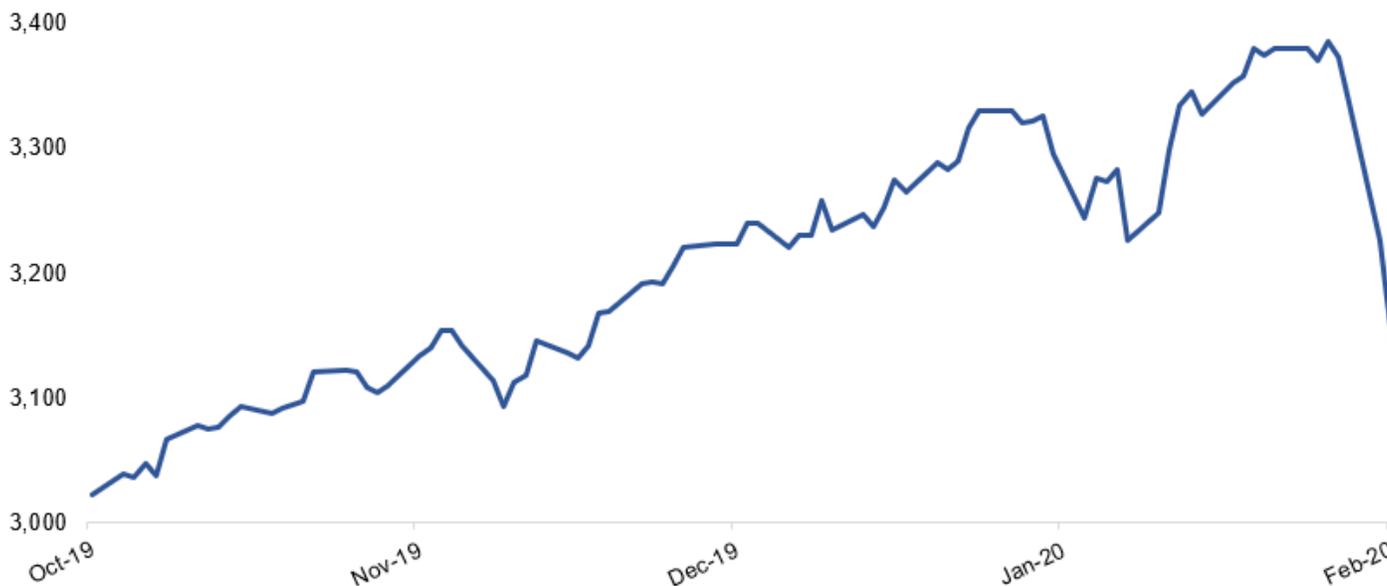
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### REFLECTING ON A VOLATILE TWO DAYS

If they can be avoided, we prefer not to use market clichés. But after one of the biggest two-day drops of the last decade, we believe the old saying, “escalator up, elevator down,” is an appropriate recap of the recent action. The S&P 500 fell 6.2% to start the week, erasing months of gains in just 13 trading hours. Markets often go long stretches without a meaningful move, luring investors into a false sense of security before jolting them with a sudden blast of volatility.

#### S&P 500 Price Return



While these events are painful, they can be useful exercises. **Is your stated risk tolerance appropriate?** This is one of the hardest questions in finance to answer because it is unknowable until put to the test. Everyone wants to believe they'd be a model investor during a 2008-style 40% drawdown, but the reality is that not all of us would be. How did you react these past few days? Consider that October 2008 alone featured *nine separate sessions with a 4%+ move up or down*.

[True risks](#) are the ones that are impossible to see coming. That's why in volatile markets, we strongly recommend you connect with your Baird Financial Advisor. They can help you review your risk tolerance, set an appropriate asset allocation, and construct a financial plan built to withstand even the most unpredictable times. And with those building blocks in hand, our message remains the same as ever: **do not let short-term volatility change your long-term plan.**

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