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More than Money

June 2022

LPL Weekly Market Commentary

(Click for article)

What Have we Learned?

I took Algebra 1 and 2 in high school. I also took business calculus in college. I passed them without trouble at the time, but if you made me re-take any of those exams now? It would likely be pretty embarrassing.

Learning is a slippery thing. Many things like math, playing an instrument or even reprogramming a garage door opener can be frustrating when we try to repeat those tasks after a long break. It also doesn't help when the way things are done changes even a little. (Anyone heard of this "new math"?) So, just because we "know" something doesn't mean we're prepared to do it again.

Most all of you have been investors for a while. (For the brand-new folks – pay attention – this will be on the test.) This is not your first correction. This is not the first time you have seen the market fall close to or over 20%. This will also not be the last time it happens.

We know that history never really repeats itself the exact same way. Some say it rhymes. Some say history doesn't repeat itself, but historians do. The truth is we have had many bear markets over the years (see below) and while each one was unique, there are some lessons we can carry with us for the next one(s).

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What Have We Learned?

Lessons learned:

You don't know you are in a bad market until you are well into the decline: 5-10% drops in the market are part of a normal year. Often, when you think the market should drop, it moves up to new highs. If you want to participate in the gains, you must be in the market.

The market rewards investors for *time* not timing: Re-allocating or adjusting your portfolio over time can reduce the risk of bigger losses in a bad market. But getting out of the market altogether risks missing out on the recovery.

Market bottoms are scary places: The free market works because we have events like this where we all test what the companies we invest in are really worth. Prices drop until people are unwilling to sell. That's what bottoms look and feel like.

Investors historically earn a lot more than savers: Why would anyone put up with this volatility? Because over time, investors who stay in the market earn much higher average rates of return than those who put their money in savings accounts. If you want to beat inflation, you are likely going to need to tolerate some volatility.

For some reason, every decent sized correction feels terrible. And the lessons we learned from previous experience seems hollow to address what is happening in front of us. Once they are over (like the 30%+ correction at the beginning of the pandemic in 2020), we can pat ourselves on the back for handling it like pros!

Good portfolio management takes into consideration the amount of downside volatility you can tolerate, the amount of cash you need available to "ride out" down markets without being forced to sell at low prices, and your overall long-term plans. If you need help managing your volatility and/or your fear – let us help!

Bear Markets Last About A Year

S&P 500 Index Bear (And Near Bear) Markets (WWII - Current)

Start Date	End Date	S&P 500 Change	Months
5/29/1946	5/19/1947	(28.5%)	11.7
6/15/1948	6/13/1949	(20.6%)	11.9
8/2/1956	10/22/1957	(21.6%)	14.7
12/12/1961	6/26/1962	(28.0%)	6.4
2/9/1966	10/7/1966	(22.2%)	7.9
11/29/1968	5/26/1970	(36.1%)	17.9
1/11/1973	10/3/1974	(48.2%)	20.7
9/21/1976	3/6/1978	(19.4%)	17.5
11/28/1980	8/12/1982	(27.1%)	20.4
8/25/1987	12/4/1987	(33.5%)	3.3
7/16/1990	10/11/1990	(19.9%)	2.9
7/17/1998	8/31/1998	(19.3%)	1.5
3/24/2000	10/9/2002	(49.1%)	30.5
10/9/2007	3/9/2009	(56.8%)	17.0
4/29/2011	10/3/2011	(19.4%)	5.2
9/20/2018	12/24/2018	(19.8%)	3.1
2/19/2020	3/23/2020	(33.9%)	1.1
Average		(29.6%)	11.4
Median		(27.1%)	11.7

Source: LPL Research, FactSet 05/03/2022
All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.
The modern design of the S&P 500 stock index was first launched in 1957.
Performance back to 1950 incorporates the performance of predecessor index, the S&P 90.

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