Making **Sense**

WHAT'S NEXT?

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Should You Put Cash to Work?

In this month's market update, we discussed the global growth outlook, the ever-looming path of inflation, and the potential impact of holding cash compared to entering the market at a "bad time."

"Bad timing" compared to holding cash.

2023 has proven to be an exceptional year for the US equity market, leaving many investors wondering if they should hold cash and wait for the market to cool off before buying-in. But a "wait-and-see" approach can prove costly over the long term.

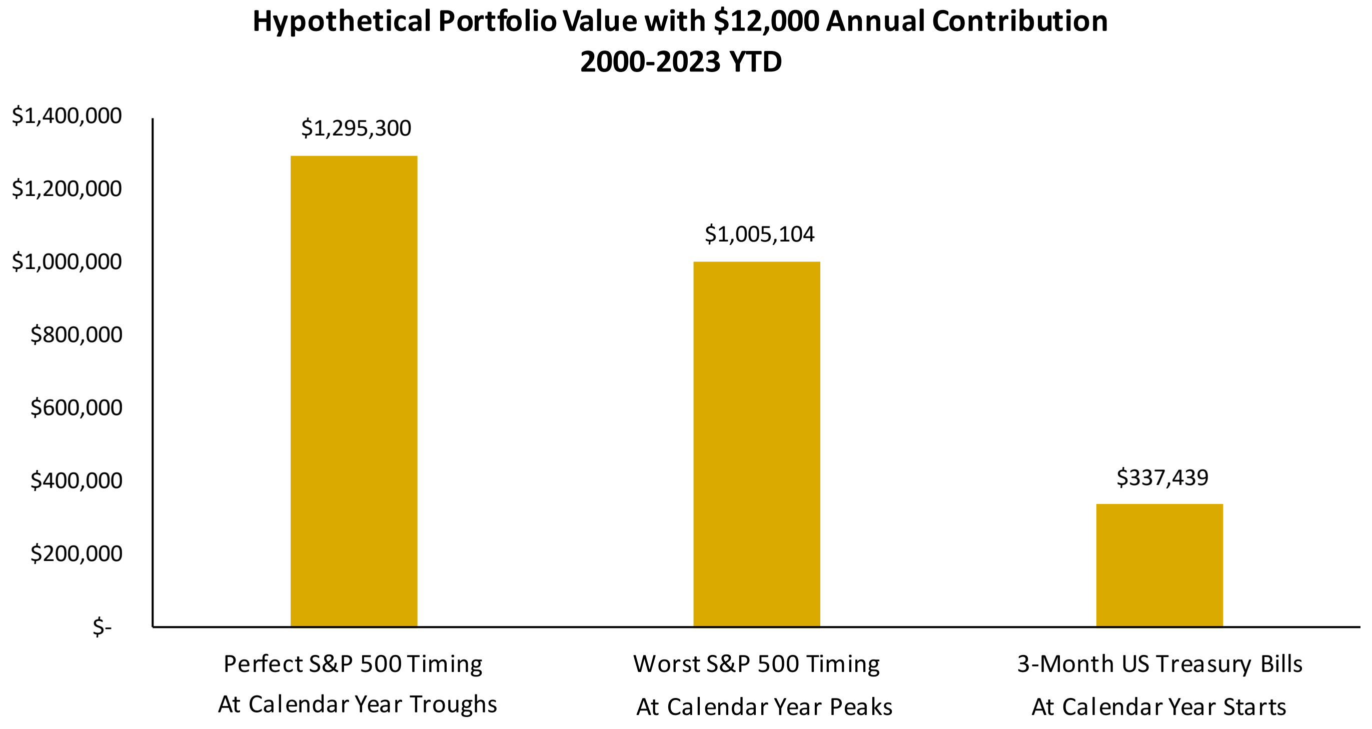
Let's study three scenarios (Figure 1):

For purposes of this exercise, let's say you have $12,000 to invest annually from 2000 to 2023.

1. **"Perfect timing":** You invested in the S&P 500 at its lowest closing value every year.
2. **"Worst timing":** You invested in the S&P 500 at its highest closing value every year.
3. **"Cash":** You invested in three-month US T-bills at the beginning of each year.

As you can see in Figure 1, the difference in the ending value of a portfolio with perfectly timed annual S&P 500 contributions versus a portfolio with the worst-timed annual contributions is around $300,000. Yet, the difference between the worst-timed contribution portfolio and simply holding cash is near $600,000. This notable disparity underscores **the importance of an equity allocation consistent with your financial plan. In essence, *what* you invest in is often more important than *when* you choose to invest.**

Figure 1



Source: Bloomberg and Goldman Sachs Asset Management

Our Bottom Line for Markets

Tighter monetary policy takes time to feed into the economy. We are still absorbing the impact of past hikes, but inflation is clearly moving in the right direction. Although markets have outperformed the first part of this year, we believe the road to 2024 will see increased volatility in equity markets. We continue to believe finding the balance between stocks and bonds will matter in 2023 and beyond. Further, we believe diversification within a balanced portfolio will matter in 2023 and beyond. For more information, watch our latest update.

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