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Four Cornerstones for Staying Invested

In an unpredictable financial landscape, market swings can be overwhelming and lead investors to question their long-term investment allocation. But history shows that staying invested despite market volatility is essential.

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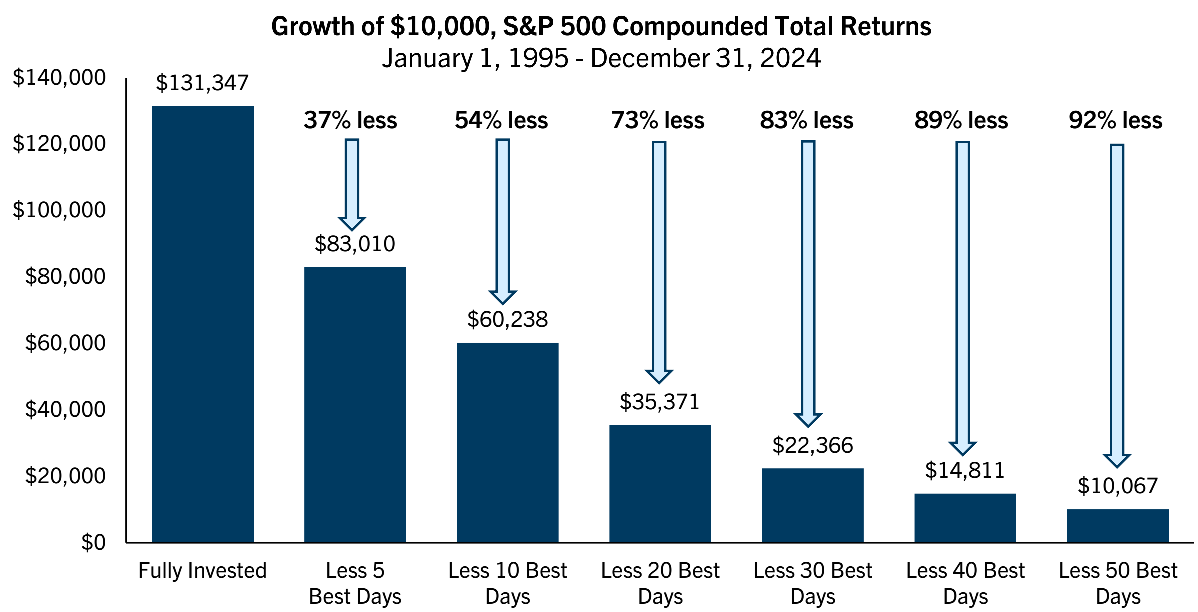
1. Market Timing is a Dangerous Game.

We're often asked, "Should I move to cash until the market rebounds?" To make gains through market timing, investors must "get it right" twice—first to sell before the market downturn, and then re-invest before the market begins to recover. The latter may be the most detrimental, especially during times of extreme volatility. Missing even just five of the S&P 500's best days proves costly (Figure 1). **While attempting to avoid sharp declines during volatility, unfortunately, it is all too common for investors miss the early days of the subsequent rally.**

For some concrete data points, consider that nearly half (48%) of the S&P 500 Index's strongest days occurred during a bear market. **Another 28% of the market's best days took place in the first two months of a bull market… before it was clear that a bull market had begun. A combined 76% of the S&P 500's best days occurred when investors would likely not have wanted to be in the market.** April 9th is a recent example. The market rallied 9.5% in the midst of tariff turmoil, representing the 10th largest gain in the S&P 500 since at least 1928.

Figure 1: Missing Even a Few of the Best Market Days Is Very Costly[i]



2. The S&P 500 Has Recovered Fairly Quickly After Most Drawdowns.

When reviewing market drawdowns of 10% or greater since World War II, in both recessionary and non-recessionary circumstances, the average duration of a drawdown lasted less than ten months. On average, investors regained over 100% of losses one year after the bottom of the drawdown.

Let's put the current market volatility into recent historical perspective. As of the time of this writing, the S&P 500's peak drawdown since the February 19th all-time high was 18.9%. (Markets have recently recovered from those lows.) We do not yet know if the market has achieved its cycle low, but that is the point—it is very difficult to time short-term equity market moves. **History shows that while it may take some time, the stock market eventually recovers to its previous highs.**

Figure 2: Time to Full Recovery for >10% Drawdowns, Recessionary and Non-Recessionary[ii]

Major S&P 500 Declines - 1950 to Present						
Start Date	End Date	Months Peak-to-Trough	% Decline	1-year Post Low	1-year % Recovery of Previous High	Months Peak-to-Full Recovery
2/19/2025	3/13/2025	1	-10.1%	18.9%	N/A	N/A
1/3/2022	10/12/2022	9	-24.5%	23.6%	93.3%	23
2/19/2020	3/23/2020	1	-33.8%	79.1%	118.6%	6
9/20/2018	12/24/2018	3	-19.4%	39.9%	112.8%	7
1/26/2018	2/8/2018	0	-10.1%	7.0%	96.2%	6
5/20/2015	2/11/2016	9	-12.6%	28.3%	112.2%	11
5/2/2011	10/4/2011	5	-16.7%	32.0%	110.0%	9
4/23/2010	7/2/2010	2	-15.6%	33.6%	112.8%	6
10/9/2007	3/9/2009	17	-55.2%	72.0%	77.0%	54
11/27/2002	3/11/2003	3	-14.2%	40.7%	120.7%	5
3/24/2000	10/9/2002	30	-47.4%	35.5%	71.3%	79
7/16/1999	10/15/1999	3	-11.8%	11.5%	98.3%	4
7/17/1998	8/31/1998	1	-19.1%	39.8%	113.1%	4
10/7/1997	10/27/1997	1	-10.8%	23.4%	110.1%	2
7/16/1990	10/11/1990	3	-19.2%	33.2%	107.6%	7
1/2/1990	1/30/1990	1	-10.0%	9.4%	98.5%	5
8/25/1987	10/20/1987	2	-29.4%	21.4%	85.8%	21
10/10/1983	7/24/1984	9	-11.4%	35.5%	120.1%	10
11/30/1981	8/12/1982	8	-15.6%	65.5%	139.6%	9
2/13/1980	3/27/1980	1	-16.7%	46.1%	121.7%	4
9/12/1978	11/14/1978	2	-12.8%	18.1%	103.0%	10
9/21/1976	3/6/1978	17	-13.5%	19.0%	102.9%	20
7/15/1975	9/16/1975	2	-13.5%	32.1%	114.2%	6
11/7/1974	12/6/1974	1	-13.2%	39.5%	121.1%	3
1/11/1973	10/3/1974	20	-44.8%	44.4%	79.7%	42
11/29/1968	5/26/1970	18	-32.6%	48.8%	100.3%	28
2/9/1966	10/7/1966	8	-15.6%	27.0%	107.3%	13
12/12/1961	6/26/1962	6	-26.9%	38.7%	101.4%	16
8/3/1959	10/25/1960	14	-10.1%	34.1%	120.5%	17
7/15/1957	10/22/1957	3	-19.8%	36.8%	109.7%	13
8/2/1956	2/12/1957	6	-13.2%	0.6%	87.3%	11
1/5/1953	9/14/1953	8	-12.4%	44.8%	126.9%	12
	Average	***7.0***	***-20.1%***	***34.2%***	***106.3%***	***14.6***
	Median	***3.4***	***-15.6%***	***34.1%***	***109.7%***	***9.3***

3. Returns During & After a Recession

We are not calling for an imminent recession in our base case; however, many investors are concerned that the probability has risen since earlier this year. It's important to keep in mind that recessions are a strong indicator of forward returns in the months and years following. On average, 1-, 3-, 5-, and 10-years post-recession, the S&P 500 has posted positive cumulative returns 92%, 100%, 100%, and 100% of the time, respectively. Even during a recession, market returns are a coin flip between positive and negative returns. So, while a market recession is certainly hard-going, returns are historically greener on the other side.

Figure 3: Performance 1-, 3-, 5-, and 10-Years Post-Recessions[iii]

S&P 500 Performance During Recessions (Post-WWII)								
	Recession Start	Recession End	Recession Length (Mos.)	During Recession	Post Recession End (Cumulative Returns) 1-year	3-years	5-years	10-years
1)	11/30/1948	10/31/1949	11	19.0%	35.1%	92.8%	177.8%	510.4%
2)	7/31/1953	5/31/1954	10	22.9%	36.1%	83.7%	145.2%	295.5%
3)	8/31/1957	4/30/1958	8	-0.9%	37.2%	66.4%	89.9%	211.2%
4)	4/30/1960	2/28/1961	10	19.7%	13.6%	35.2%	68.4%	112.2%
5)	12/31/1969	11/30/1970	11	-1.9%	11.3%	20.6%	25.1%	146.6%
6)	11/30/1973	3/31/1975	16	-7.8%	28.3%	22.1%	55.6%	253.5%
7)	1/31/1980	7/31/1980	6	9.6%	13.0%	56.1%	100.5%	344.6%
8)	7/31/1981	11/30/1982	16	14.2%	25.6%	66.8%	103.0%	350.2%
9)	7/31/1990	3/31/1991	8	7.9%	11.0%	29.8%	98.1%	284.2%
10)	3/31/2001	11/30/2001	8	-0.9%	-16.5%	8.4%	34.3%	33.2%
11)	12/31/2007	6/30/2009	18	-35.0%	14.4%	57.7%	136.9%	293.8%
12)	2/29/2020	4/30/2020	2	-1.1%	46.0%	50.1%	N/A	N/A
		Average	**10**	**3.8%**	***21.3%***	***49.1%***	***94.1%***	***257.8%***
		Median	**10**	**8.8%**	***19.6%***	***45.6%***	***94.0%***	***268.8%***
	Percent Positive			**50.0%**	**91.7%**	**100.0%**	**100.0%**	**100.0%**

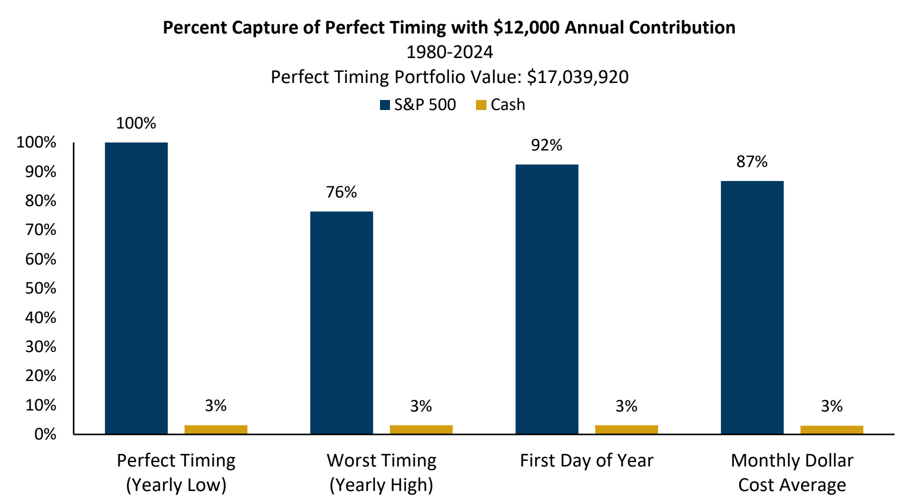
4. Best of Timing vs. Worst of Timing[iv]

Despite the temptation to wait for an opportunity to enter markets, putting cash to work increases the likelihood of investor success. Inversely, remaining on the sidelines leaves investors behind.

Whether you have the best timing, worst timing, or something in between, Figure 4 shows the importance of simply time *in* the markets. If a market participant invested $12,000 each year from 1980 through 2024 and somehow had perfect timing (bought every year at the yearly low) they would have generated over $17 million thanks to compounded returns. Most investors fear the worst timing or buying at the market high every year. Even if that were the case, investors still capture 76% of perfect timing. If an investor simply bought on the first day of the year or monthly dollar-cost averaged ($1,000 per month), they would have captured 92% and 87% of perfect timing, respectively.

In times of uncertainty and volatility, the importance of a long-term, balanced approach to investing and the essential nature of a financial plan remain paramount.

Figure 4: The Price of the Sidelines



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