AFG

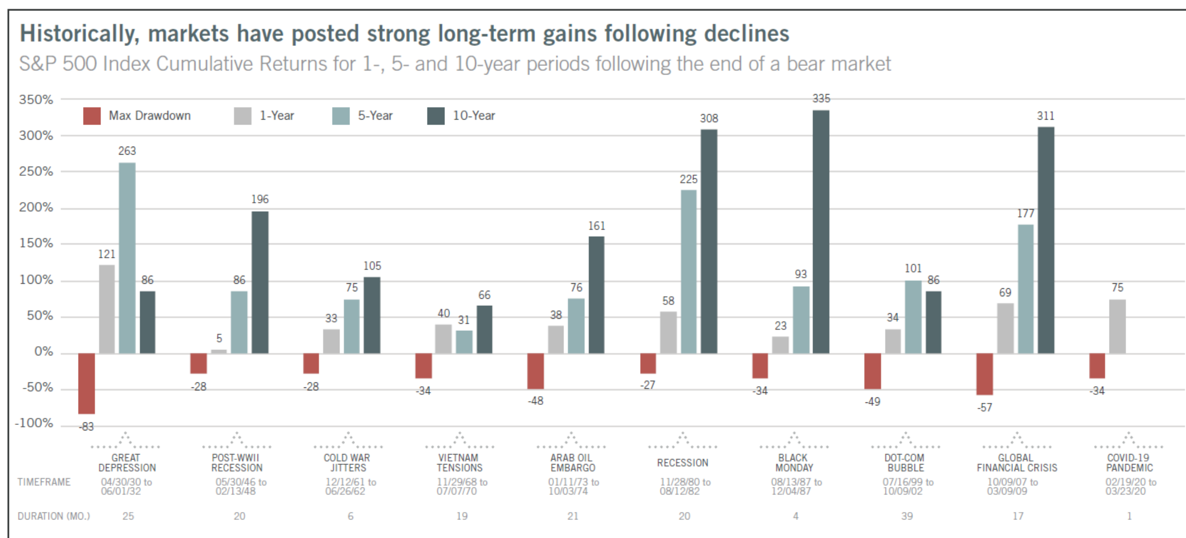
Atlas Financial Group

# How to Navigate Turbulent Markets

Investors may suffer panic, worry, and/or dread during periods of market turmoil like the one we have been experiencing over the past few months, which could cause them to make hasty investing decisions.

## RECOVERING FROM DOWNTURNS

In times like this, it's critical to keep in mind that the stock market has gone through similar situations in the past and has a lengthy history of recovering from knocks like the one it's currently experiencing.




Investors that sell out during downturn markets rather than holding onto their money cause their losses to become permanent. Thus, if at all feasible, attempt to hold onto your investments while you wait for the market to turn around.

Stock market movements are beyond the control of any single investor. Therefore, when economic conditions change and markets become volatile, focus only on what you can manage and refrain from making rash decisions. To stay in line with your investment objectives, try to concentrate on important investing ideas like diversifying your portfolio and portfolio rebalancing.

Even during times of market instability and/or rising inflation, a dollar-cost averaging strategy can assist you in maintaining your future-focused perspective and disconnecting emotions from investment decisions.

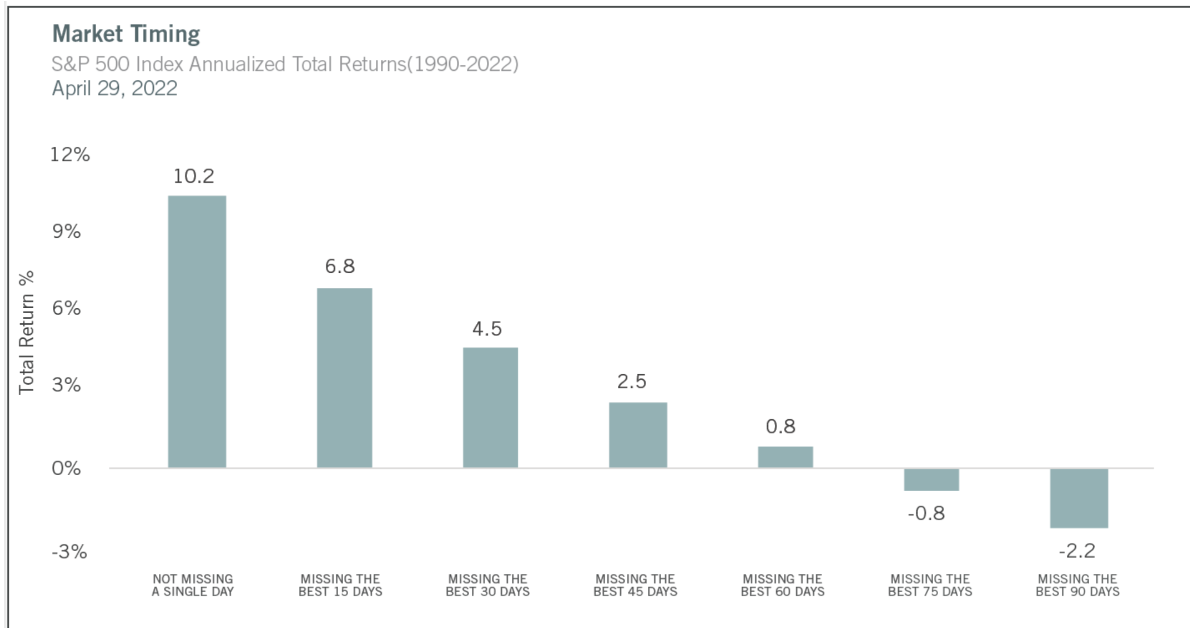
## MARKET TIMING

Some investors opt to sell their assets and then attempt to repurchase them at a lower cost. Successful market timing is much more challenging than being fully invested for the same length of time.

Numerous studies reveal that waiting for the ideal time to invest frequently costs more than the advantages of doing so. Furthermore, because correctly timing the market is almost impossible, for most people the best plan is to avoid trying to time the market at all.

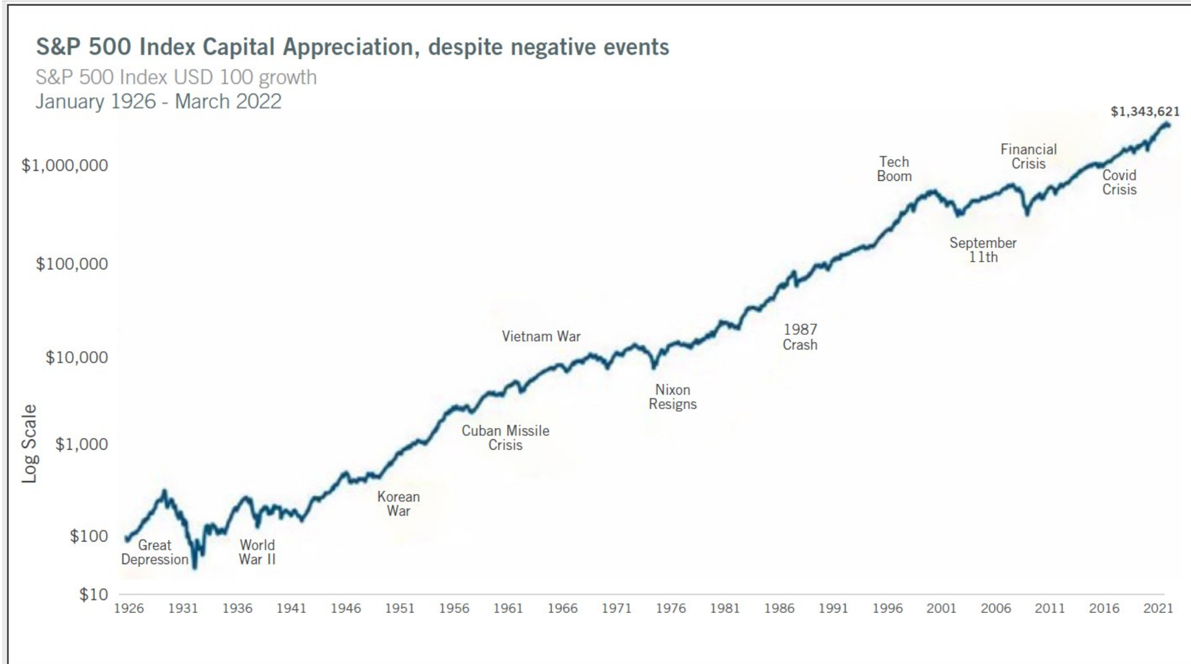
Investors could also pay a large price for not investing. Missing out on the market's peak days will have a significant influence on the overall return on your investments in the long term.

Depicted in the following chart are the S&P 500 Index's annualized total returns in various scenarios:




According to a different study, the S&P 500's annualized return over the previous 20 years was 8.8%. The annual return of the S&P 500 falls to 4.6 percent if the best 10 trading days are excluded from the computation. For not investing in the greatest 10 days over a 20-year period, that is a reduction of 48%. In addition, if the best 30 days are not taken into account, the S&P 500's annualized return would be -0.2%.

## FOCUS ON THE LONG TERM




Warren Buffet once recounted that uncertainty is the friend of the buyer of long-term values.

A long-term investor shouldn't be overly concerned about the current market; rather, he or she should see it as an opportunity to purchase undervalued assets. In the process of dollar-cost averaging, purchasing during a bear market has the tendency to lower the average cost or entry price of an investment.

Sources: Investors Trust, FINRA, MFS Investment Management, Morgan Stanley and Charles Schwab.