PIMCO

The What, Why and How of Investing During Market Volatility

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The What, Why and How of Investing During Market Volatility

Making Sense of Market Volatility

What is it?

Volatility is when the price of a security (such as a share of stock and a bond) goes up and down based on supply and demand pressures from investors. Volatility measures how much a security's price moves.

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Why is it happening?

Market volatility tends to occur when something unexpected happens, In this case, the coronavirus (COVID-19) and its impact is creating uncertainty in the markets, leading to extreme fluctuations. Though it can be nerve-wracking for investors, volatility is actually a normal part of investing and has both positives and negatives. On one hand, extreme volatility, like what we’re currently experiencing, can lead investors to make short-term decisions that are out of sync with their long-term investment goals. On the other hand, volatility can create potential opportunities for seasoned investment managers.

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How should I respond?

Extreme market volatility and market downturns are inevitable – but markets have bounced back from crises in the past. Indeed, market corrections (a decline of 10% or more) have historically occurred about once every year, according to S&P 500 data from 1950 to 2019. And, data indicates investors who stay the course may do better over time (as the chart shows):

Remember you're invested for the long term: Resist the temptation to invest based on how you're feeling *at the moment*, and focus on your long-term goals.

Stay your course: Try to avoid making any immediate investment decisions that aren't already part of your plan.

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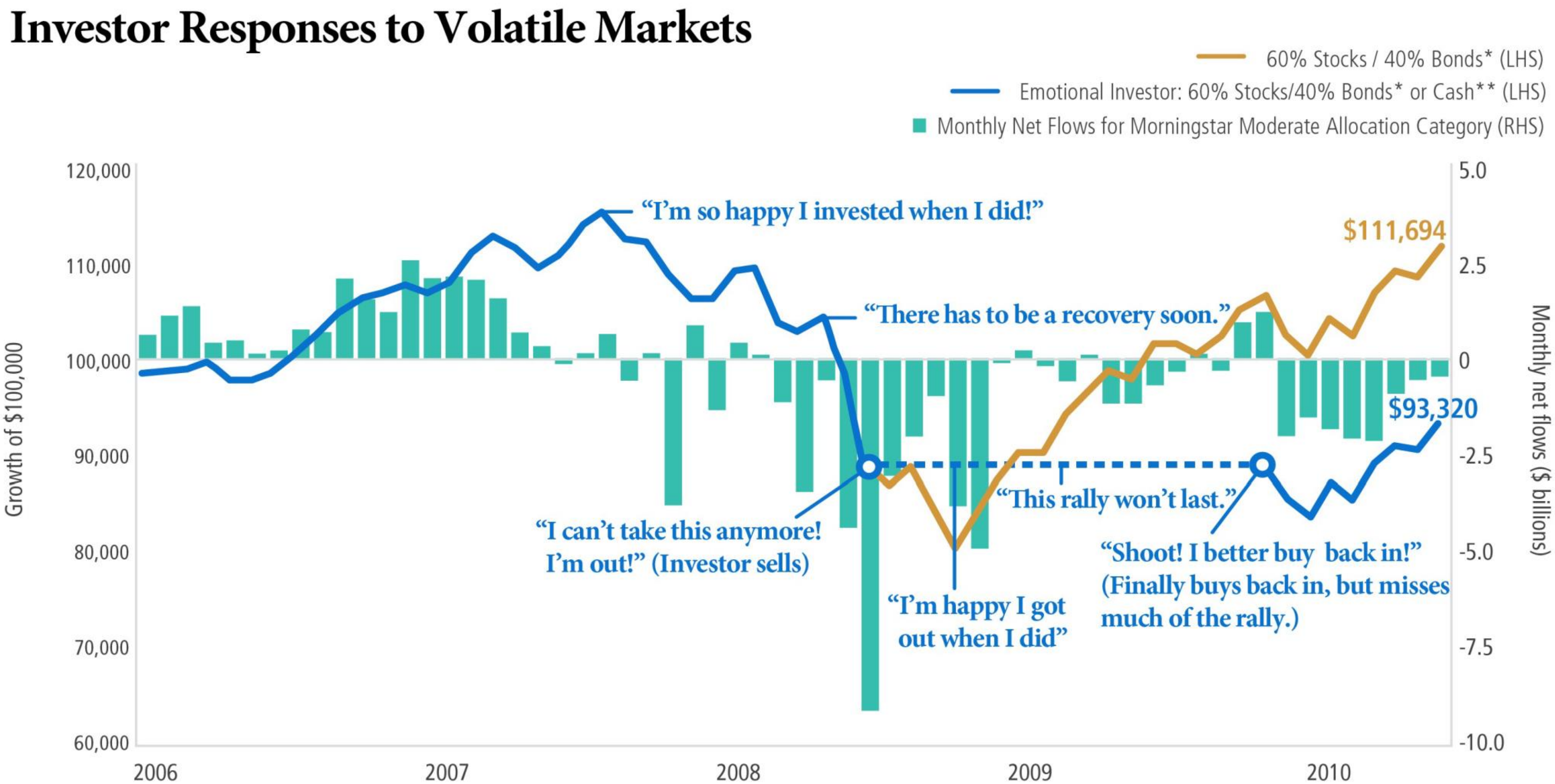


January 2006 to December 2010. Source: Morningstar, Bloomberg, PIMCO

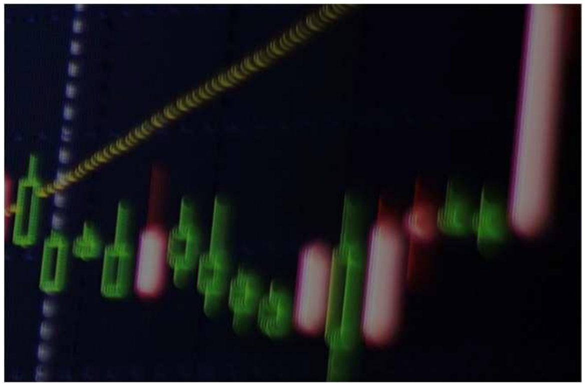
Hypothetical example for illustrative purposes only. Not indicative of the past or future performance of any PIMCO product.

Hypothetical and simulated examples have many inherent limitations and are generally prepared with the benefit of hindsight. There are frequently sharp differences between simulated results and the actual results. There are numerous factors related to the markets in general or the implementation of any specific investment strategy, which cannot be fully accounted for in the preparation of simulated results and all of which can adversely affect actual results. No guarantee is being made that the stated results will be achieved.

* Stocks are represented by S&P 500 Index. Bonds are represented by Bloomberg Barclays U.S. Aggregate Index. It is not possible to invest in an unmanaged index.

** These results are based on hypothetical modeling and are intended for illustrative purposes only. Emotional Investor is assumed to move to cash on 10/31/2008 and back to 60% Stocks /40% Bonds on 04/30/2010.

Learn more



Market Volatility

Helping you and your clients remain current on changing markets

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Factoring in The Human Factor

When it comes to making decisions, we're much less rational than we think

[MORE>]

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