



The What, Why and How of Investing During Market Volatility

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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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Investor Responses to Volatile Markets



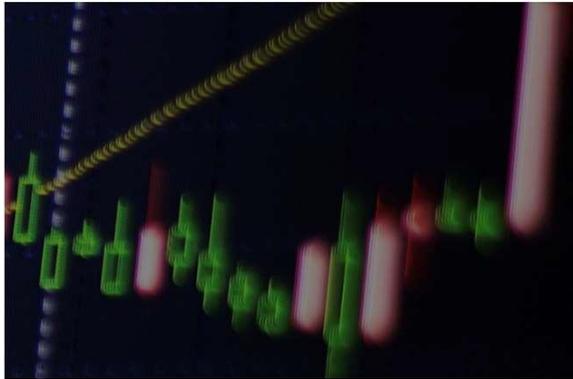
January 2006 to December 2010. Source: Morningstar, Bloomberg, PIMCO

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* 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.



Market Volatility

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Factoring in The Human Factor

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

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