



August 2019

Perspectives

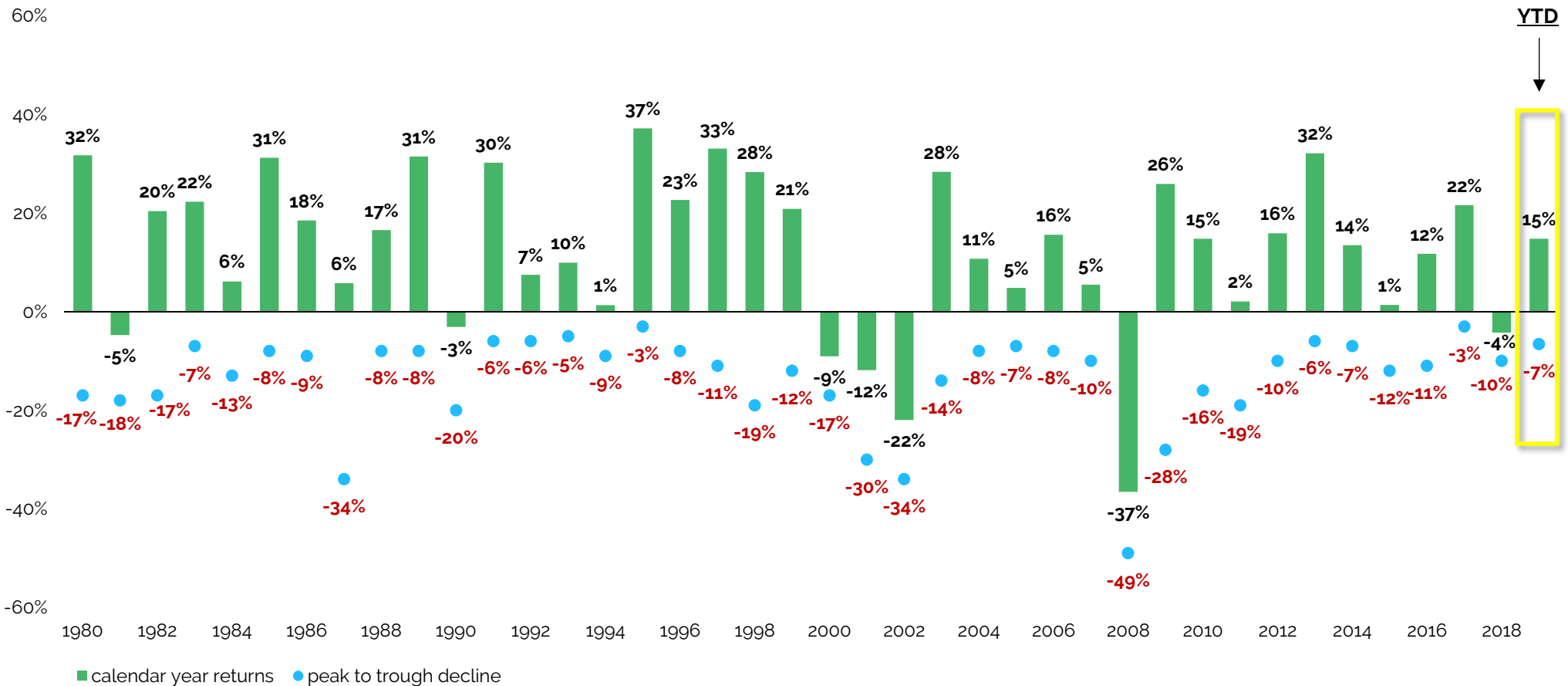
The Price of Admission

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S&P 500 Intra-year Declines vs. Calendar Year Returns

The average S&P 500 intra-year decline is **13.9%** per year since 1980.



Source: FactSet, Standard & Poors, J.P. Morgan Asset Management. Annual returns are based on total returns index and include dividends. Intra-year drops refer to the maximum drawdown from a peak to trough decline during the calendar year and are price only. Returns are for illustrative use only. Past performance is not guarantee of future results. As of August 16, 2019.

The chart above highlights a key insight around how equity returns are earned. Long-term investors should not overreact to short-term volatility. The green bars in the chart show the S&P 500 returns for each calendar year dating back to 1980, while the blue dots show the peak to trough decline in each of those years.

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This month, volatility has reared its head again. The intra-day market swings in August have not been for the faint of heart. Through Friday August 16th, the S&P 500 has seen eight days of intra-day moves over 1% and four days over 2%. Markets are having daily panic attacks about the possibility of the anemic growth in Europe importing itself to the U.S., along with the unknown impacts of the China trade negotiations. Despite the August volatility, the S&P 500 is still up 15.23% for the year.

Negative headlines and volatility will consistently challenge even the most patient of equity investors. It is the price of admission. Investors must remind themselves that uncomfortable market drawdowns are evergreen; they happen almost every year. The reasons for the volatility are all distinct, but the impact is the same; people's confidence in markets is shaken. Time and time again, short-term volatility tempts investors to question their long-term asset allocation.

The most important thing about an investment philosophy is that you have one you can stick with. As the chart illustrates, intra-year selloffs are normal and should be expected. As long-term investors, we need to remember how returns are earned and the importance of keeping perspective in times of volatility.

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