# Stock Prices Slide as Market Volatility Returns

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- The extended period of market calm that investors have enjoyed in recent years has come to an end.
- While market declines can be disconcerting, they are normal; endlessly-rising markets are not.
- The volatility serves as a reminder of the value of focusing on achieving goals rather than on daily stock-price movements.

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Stock-market declines in recent days have put many investors on edge. While economists and professional money managers debate whether this is a short pause in the market's long upward trajectory or the beginning of an extended downturn, most investors are worried about losses in their portfolios.

We have said for some time that a market pullback would not be unexpected given the notable gains in stock prices in recent years. We do not think the pullback means that the U.S. economy is heading into recession.

**What Moved the Market?**

The coronavirus (COVID-19) outbreak has accelerated in recent weeks, amplifying the anxiety of already-concerned investors about its impact on global growth and corporate earnings. As a result, global equity-market volatility has increased and share prices have declined. These events have understandably brought back some of the investor fear felt during the 2008 market meltdown.

Additionally, Russia launched an all-out oil-price war in early March when it tossed aside a proposal from the Organization of the Petroleum Exporting Countries (OPEC) to cut production in an effort to maintain stable market prices in the face of declining oil demand.

We expect volatility to continue for the short-term—as long as the extent of the impact on global economic activity remains unknown, which will likely be until the virus runs its course. But once it does, we have every reason to believe that business activity will return to normal.

**Our View**

After a long period of relative calm in financial markets, the return of volatility has been an unwelcome interruption for many investors.

Although it can be unsettling, we've seen it before. Market movements of 2% or more occur quite often, and declines of 10% or more have occurred about every two years, on average. Corrections in the U.S. stock market generally last for about three months. Despite the regularity of these downturns, the average annual return for the S&P 500 Index over the last 50 years has been 11.95% (as of 12/31/2019).

Whether or not the current decline will turn into a correction is anyone's guess. Predicting the direction of short-term market movements is, at best, more art than science. In our view, developing and maintaining an investment plan designed to help you achieve your goals within your chosen timeframe and level of risk tolerance is a more prudent approach. Doing so is the foundation of SEI's goals-based investment strategy, and our objective is to create diversified portfolios designed to provide more consistent returns over time.

The current market environment reminds us of the importance of taking a disciplined investment approach. Daily stock-price movements are normal and volatility that persists over a month—or even a quarter—is often just a temporary setback for a portfolio whose time horizon is measured in years or decades.

**Important Information**

*There are risks involved with investing, including loss of principal.*

*Index returns are for illustrative purposes only and do not represent actual investment performance. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.*

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