

ASK THE ADVISOR

Q. ■ When will the market settle down?

A. ■ A recent article from the New York Times that was reprinted by CNBC, likened the late-2000s recession to an earthquake, and recent volatility to aftershocks. The article said: "Like earthquakes, financial crises seem to be accompanied by aftershocks, like the one we've been living through this week. They can feel every bit as bad as the crisis itself. But economic history and academic research suggest they can set the stage for a sustainable recovery - and eventual sharp stock market gains."⁽¹⁾ We found this to be a particularly fitting illustration, and a valid point.

It's no secret that dizzying stock market moves in recent weeks have been difficult to stomach. Think of all the events we've had to face leading up to this - controversy in Washington over the debt ceiling, Standard & Poor's downgrade of America's prized credit rating, renewed fears about European debt, and a gut-wrenching plunge in the stock market. The uncertainty of everything culminated in the wild ride we've taken these last weeks.

Do we expect a measure of volatility to continue? There is a good possibility that it will, at least for a time. As long as confidence in the global economy and government policymakers remains shaky, markets are likely to be volatile. Even so, we still believe that fundamentals are strong, and we know that successful investing is a long term project undertaken with risk and uncertainty. Equity markets do not move in a straight line, and neither do economic recoveries. Despite being painful, volatile periods like this historically run their course and then come to an end. To quote an ancient proverb, "this too shall pass."

(1) www.cnbc.com/id/44130283

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