It's different, but the same

This year has not been a pleasant one for anybody with exposure to financial markets — and what, perhaps, makes it seem more painful than a "standard" market correction is that there has been nowhere to hide, as both equities and traditional "safe haven" fixed income securities have come under significant and persistent selling pressure.

History has seen investors in similar situations, from lay people to top professionals, capitulate and sell aggressively down or out, waiting for the "dust to settle." Investment managers will adjust portfolios, adding to some securities and taking from others; they may also shift some money between sectors.

Yet, repeatedly letting emotions drive portfolio sell decisions can be detrimental to investors' long-term wealth. An old market adage applies to times like this – "It is important to stay still when getting a haircut."

What goes down, ultimately goes up (and in fairly short order)
(Best single days for S&P 500 Index; percent; US dollar basis)

Rank	Date	One day gain (%)	Preceding three months (%)
1	13-Oct-08	11.6	-19.4
2	28-Oct-08	10.8	-25.8
3	24-Mar-20	9.4	-24.1
4	13-Mar-20	9.3	-14.4
5	21-Oct-87	9.1	-16.5
6	23-Mar-09	7.1	-7.3
7	06-Apr-20	7.0	-17.7
8	13-Nov-08	6.9	-28.7
9	24-Nov-08	6.5	-33.5
10	10-Mar-09	6.4	-20.9
11	21-Nov-08	6.3	-37.1
12	26-Mar-20	6.2	-18.8
13	17-Mar-20	6.0	-20.8
14	24-Jul-02	5.7	-22.7
15	30-Sep-08	5.4	-7.5
16	29-Jul-02	5.4	-16.5
17	20-Oct-87	5.3	-23.1
18	16-Dec-08	5.1	-24.3
19	28-Oct-97	5.1	-3.4
20	08-Sep-98	5.1	-8.0
21	03-Jan-01	5.0	-6.0
22	26-Dec-18	5.0	-15.1
23	10-Mar-20	4.9	-8.1
24	29-Oct-87	4.9	-22.9
25	20-Oct-08	4.8	-23.1

Source: Guardian Capital LP based on daily data provided by Bloomberg from January 1, 1980, to May 26, 2022.

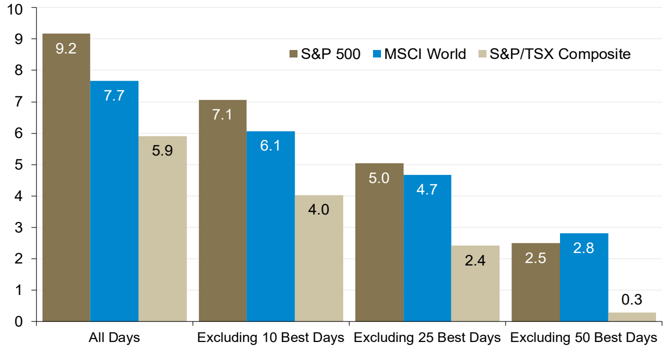
It may feel as though market downswings like the one currently occurring are unending, however, they do not last forever. Ultimately, they do end and a recovery follows. Moreover, these stormy periods for markets have historically proven to create fertile grounds for aggressive rebounds, as the pendulum of sentiment swings back: each of the 25 best single days for U.S. equity markets over the last four decades has come after periods of notable weakness, as reflected in the chart to the left.

Market timing is a double-edged sword — not only does this require determining when to get out of the market, but also when to get back in. It is never obvious when the dust has, in fact, settled and, while being in cash during these downswings may have felt like a great move, it likely also meant missing these positive outlier trading days. Can missing a few of these positive days really be a big deal in the grand scheme of things?

As the charts below shows, missing out on just the 10 best days over the 11,000 trading days spanning the last four decades reduces annualized returns by roughly two percentage points. In other words, strictly if those top 10 days were missed over that time, the return would be worth less than half of what it would be had it been fully invested — and the more of these days missed (which again, come after a period of market turmoil), the worse the relative impact.

It is all about "time in", not "timing"

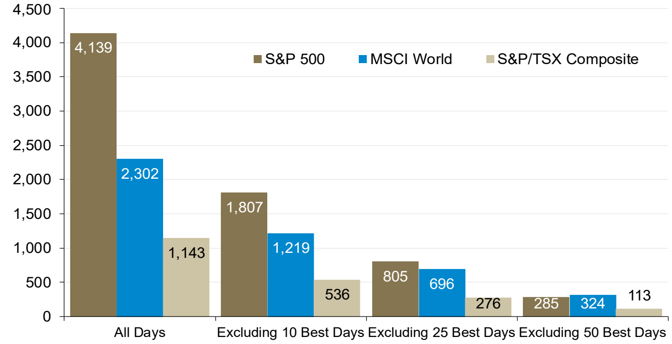
(percent; annualized Canadian dollar basis)



Source: Guardian Capital LP based on daily data provided by Bloomberg from January 1, 1980, to May 26, 2022.

It is all about "time in", not "timing"

(Value of C$100,000 invested on January 1, 1980 at May 31, 2022; thousands of Canadian dollars)



Source: Guardian Capital LP based on daily data provided by Bloomberg from January 1, 1980, to May 26, 2022.

The unfortunate reality of investing is that markets will go through these periods of volatility and negative performance. Investing can be counterintuitive. Over the long term, gradually investing into a declining market can often be more fruitful than doing the same in a rising market. Maintaining a long-term focus, a disciplined approach, and speaking with your advisor, remains the tried and true approach to ensuring your wealth has an opportunity to flourish.