What to do during market volatility? Perhaps nothing.

Vanguard | 25 August 2015

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If you're watching the market correction and wondering how to advise investors on the best response (or what action to take for your own investments), consider explaining how to cope with volatility instead of changing your financial plan.

Often, the wisest thing to do during periods of extreme market volatility is to stick with the investment plan you've already devised, notes Bill McNabb, Vanguard's chairman and CEO.

"Equity markets have reaped sizable gains over the past six years. Such setbacks, while unnerving, are inevitable," he says.

A "do nothing" prescription might be tough to swallow if you've been caught off guard by recent volatility. But Mr. McNabb points out that taking no action *is* an active decision, and is often the right decision for reaching long-term financial goals.

Here are a few simple rules to help investors through the current feverish reaction.

Rule 1: Recognize that volatility and periodic corrections are common in equity markets.

The key to getting through unexpected turbulence is to understand that swings in the financial markets are normal - and relatively insignificant over the long haul. The best approach to protect your portfolio is to diversify among a broad mix of global stocks and high-quality bonds so that you are better poised to buffer the declines in the equity market.

In the United States, year-to-date, the S&P 500 Index is down about three percentage points and down slightly on a year-over-year basis*. Since the bottom of the global financial crisis in 2009, the index had enjoyed the second-largest bull market in U.S. history, an extraordinary run that may help put current concerns in perspective.

Australian equities have experienced a similar sharp correction. The S&P/ASX 300 Index is down 11.6% month-to-date and down 4.1% year-to-date.**

"We're coming off an extremely placid period in markets. So the recent spike in volatility is going to feel a lot worse," says Mr. McNabb.

Rule 2: Tune out the noise and remove emotion from investing.

Seeing the same story at the top of every news website you visit, as well as seeing related portfolio fluctuations, may worry you more than it should.

Long-term investors, we believe, should resist the urge to make drastic changes to their investment plans in reaction to market moves. We may find what's driving the overreaction in markets is nothing more than speculation.

Making shifts to your portfolio in hopes of avoiding a loss or finding a gain rarely works long-term. Investors who panicked and dumped stock holdings in 2008 and 2009, believing they could get back in when "the coast was clear," likely suffered equity losses without the benefit of fully participating in the recovery.

Also, we advise against looking at your accounts every day. It's unnecessary and may do more harm than good. Remember that portfolio changes, aside from routine rebalancing, can result in significant capital gains. And don't forget that it's essential to know exactly when to jump out of the market and then get back in - decisions few investors can or should tackle.

Rule 3: Make volatility work for you.

Save more and continue to invest regularly. Boosting your savings is important to reaching your long-term financial goals. We believe market returns will be muted over the next few years; therefore, stick to sound investing principles and avoid getting caught up in the market.

If you invest regularly, you're putting the market's natural volatility to work for you. Continue making contributions to take advantage of cost averaging. Buying a fixed amount on a regular schedule offers opportunities to buy low during market dips. Over time, regular contributions can help reduce the average price you pay for your shares.

The inaction plan

For a portfolio that's already broadly diversified and has the appropriate balance for your financial goals, time horizon and risk comfort level, we believe sticking with it is a wise move.

"Because no one knows what the future holds, a globally diversified strategy can be more advantageous than shifting too much in any direction," says Mr. McNabb. "You can resist the temptation and save yourself the stress by tuning out the noise. It's okay to ignore volatility - that's part of the plan."

* Performance calculation is based on S&P 500 values (2058.90 on 31/12/2014; 1970.89 on 21/8/2015; 1992.37 on 21/8/2014; 676.53 on 9/3/2009).
**Australian calculation is total returns in AUD.