

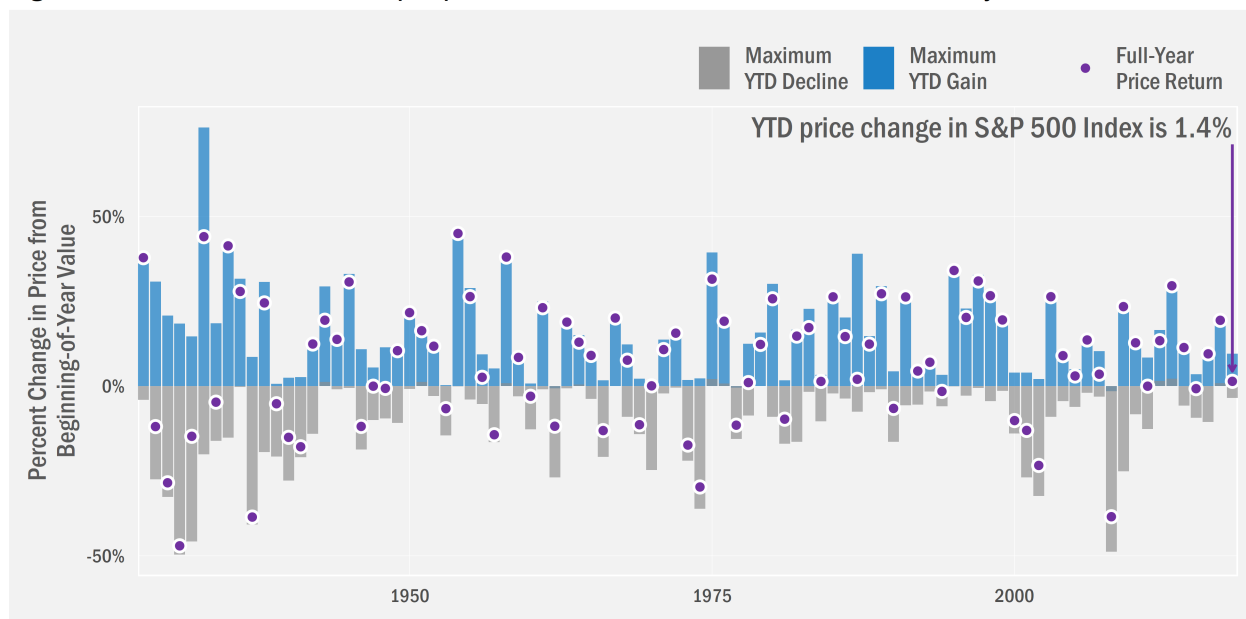
## SO MUCH SIDWAYS

For the second time this year, the S&P 500 Index has experienced a near 10% dive from its short-term peak. As those short-term peaks were also all-time peaks, the plunges have generated an extra amount of drama in regard to their meanings. A range of obvious pressures remain: healthy-at-the-present but unknown future macroeconomic performance against a backdrop of growing global trade burdens, local- and geo-political angst and historically stretched domestic stock valuations. And we can point to those troubles as rationale for recent market throes. But, we believe still generally healthy global macroeconomic growth, steady-handed global central bank policy efforts and reasonably good corporate fundamentals should prove more informative in regard to medium-term market movements.

## Not Necessarily Notable

Highlighted in Figure 1 are the annual maximum price-based gains and declines (excluding the effects of dividends) from the start of the year for the S&P 500 Index. We also show the price-based return in the index for each year on the whole. Though we know the index has jumped and plunged a few times this year already, in comparison to years past the maximum year-to-date price-based gain and loss in the index for 2018 both are on the tamer side of the spectrum. In other words, from its level at the beginning of the year, maximum gains and losses in the index do not seem out of the ordinary.

Figure 1: Maximum Year-to-Date (YTD) Gain and Decline in Price of S&P 500 Index by Year

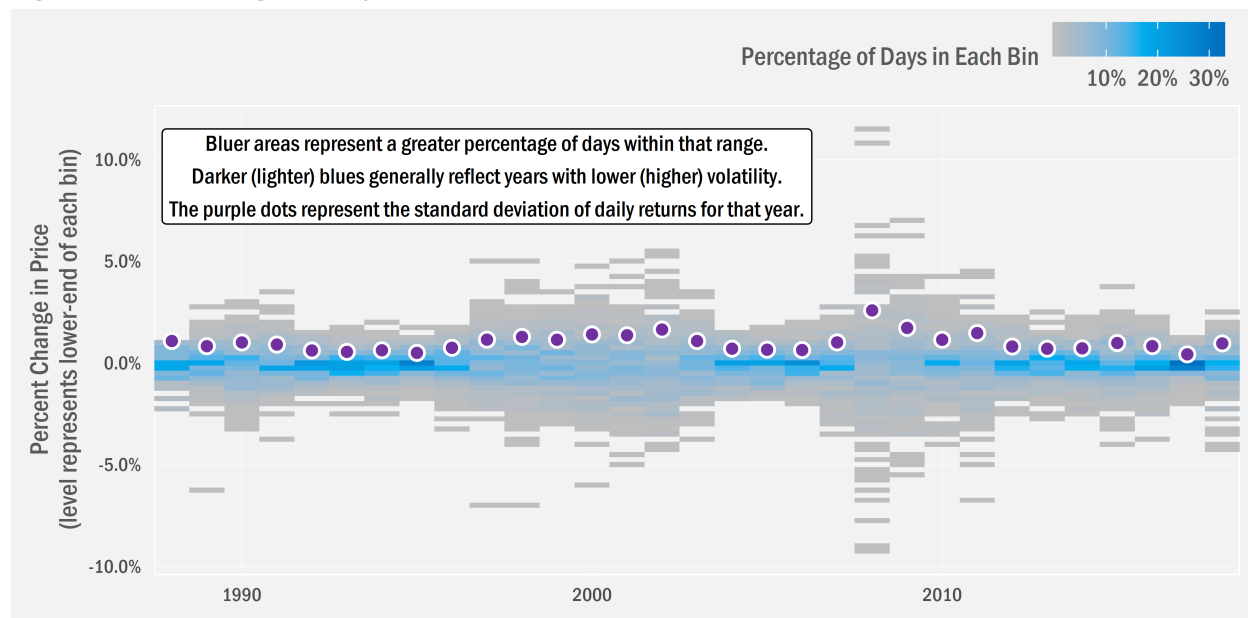


From 12.30.27 to 10.31.18. Price returns, excluding the effects of dividends. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from Bloomberg

**Noise for Nothing**

Probably doesn't feel like it to many readers, though, as the market year-to-date has managed to go just about nowhere, despite all the fuss. And since the S&P 500 was up 9% on a price basis through the end of September, we can understand the worry over having experienced the index's drop near 7.5% since the peak in September. We also can point to the fact that daily price changes have been a bit more variable in 2018 than in recent years. In Figure 2 we show the range of daily returns for each year, placing into bins, or buckets, of 1% increments (e.g., between 0% and up 1%, between 1% and up 2%, etc.). Each square shows how many days fell into that range, with the "blueness" of the square reflecting what percentage of all days in the year saw that range of change. In most years, the majority of daily changes fall between down 1% and up 1%. That fact is reflected in the central areas of those years being a darker blue. Further, most years do not have many days that fall outside of the up or down 3% bucket (grey boxes above or below those 3% levels).

**Figure 2: Annual Range of Daily Price Returns of the S&P 500 Index**



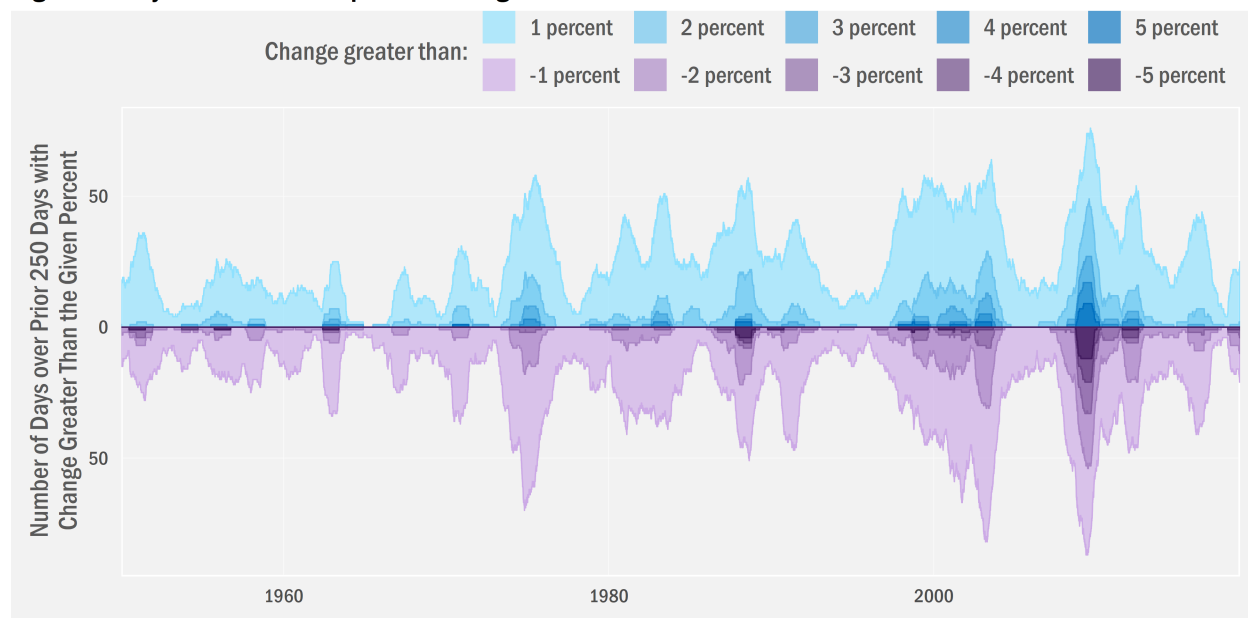
From 1988 to 2018. Price returns, excluding the effects of dividends. Standard deviation is a statistical metric that describes the variation of a set of data about its average. A higher number reflects more variation (or volatility). Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from Bloomberg

We consolidate those lines of thinking into one additional value for each year. The purple dots for each year represent the standard deviation of the daily price changes for all the days in each year. The higher the standard deviation, the more variation we saw among the daily returns for the S&P 500 index that year. The upshot—reflected in a purple dot for 2018 that's a bit higher than last year's, but that is not too far off many of the years prior—is that 2018 doesn't yet register as an extraordinary year from a volatility standpoint.

**Potential Good with Bad**

To fortify one additional insight provided by Figure 2, we can turn to the data in Figure 3. In that chart, we show the trailing number of days of the prior 250 (just about a year) that saw gains or declines between 1% and 5% or more. Here, we see that large down days seem to be clustered with large up days. This tendency strains support for the idea that one easily might avoid market tumult yet partake in market gains.

Figure 3: Days Greater than Specific Change in the S&P 500 Index



From 01.03.50 to 10.31.18. Price returns, excluding the effects of dividends. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. SOURCE: SRCM using data from Bloomberg

### All Investing Carries Risk

We understand that readers digest market volatility differently. Some mind it, some don't. Some may feel pressures to reduce market exposure where others may see opportunities to bolster longer-term growth in their investments. We normally are of the opinion that "now" generally is a good time to be invested in equities, so long as we couple that idea with the qualification that the level of equity exposure one maintains should come in proportion to the ease with which one mentally weathers more volatile markets. Regardless the scenario, we hope that the data and discussion we provide in commentaries such as this help readers establish and adhere to an investment approach expected to fortify their abilities to meet long-term financial goals.

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One cannot invest directly in an index. Index performance does not reflect the expenses associated with the management of an actual portfolio.

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