

Keep Calm and Ignore the Market's Volatility

☒ Lately, friends and acquaintances have been bringing up the stock market's volatility in conversation. While it's always possible for me to be an outlier, I suspect in this case that I'm not.

The magnitude of the moves is one reason market volatility is a topic of conversation. I suspect many people still view a 200-point move in the Dow Jones industrial average as significant. It's not; 200 points represents less than 1% of the Dow's value. Another reason is that the stock market is on pace to experience its most volatile year since at least 2011.

Through today's close, the S&P 500 index has incurred a daily gain or loss of greater than 2% seven times year to date (six losses less than 2% and one gain in excess of 2%). This number already exceeds the total number of such days for 2012 (six), 2013 (four) and 2017 (zero). With nearly eight months still to go, 2018 is likely—but is not guaranteed—to have more days with a gain or loss in excess of 2% than 2014 (seven), 2015 (10) and 2016 (nine). If the S&P 500 does experience more such days over the next approximate seven and a half months, 2018 will be the most volatile year since at least 2011, when there were 35 days with gains or losses greater than 2% (21 up days and 14 down).

VOLATILITY

<u>NEGATIVES</u>	<u>POSITIVES</u>
• UNCERTAINTY	• ROTH IRA CONVERSIONS
• MORE TURNOVER	• OPPORTUNITIES to Buy

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Highlights from this month’s *AAII Journal*

- **Revisiting the Lakonishok Approach to Patient Value Investing** - This value-oriented strategy uses price momentum to find bargain stocks with resurgent share prices.
 - **Model Shadow Stock Portfolio: Insights and a New Stock** - AAI president John Bajkowski explains how small-cap stock investors are rewarded for enduring periods of short-term underperformance.
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AII Sentiment Survey

Pessimism about the short-term direction of stock prices rose to its highest level in more than seven months. [More about this week's results.](#)

This week's results:

- Bullish: 31.9%, no change
- Neutral: 31.5%, down 1.3 points
- Bearish: 36.6%, up 1.3 points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

View the [Sentiment Survey](#).

AII Asset Allocation Survey

Allocations to equities declined to a five-month low, but are just 2.3 percentage points below their short-term high. [More about the latest results.](#)

March AII Asset Allocation Survey results:

- Stocks Total: 69.7%, down 0.4 percentage points
- Bonds Total: 15.6%, up 0.6 percentage points
- Cash: 14.7%, down 0.3 percentage points

March AII Asset Allocation Details:

- Stocks: 32.3%, up 1.8 percentage points
- Stock Funds: 37.4%, down 2.2 percentage points
- Bonds: 2.5%, down 0.1 percentage points
- Bond Funds: 13.1%, up 0.7 percentage points

View the [Asset Allocation Survey](#).

What's Trending on AAI

1. [Model Shadow Stock Portfolio: Insights and a New Stock](#)
 2. [Rebalancing Update: 4.5% Withdrawal Rate and Rolling Periods](#)
 3. [Are You Spending Too Little in Retirement?](#)
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The Week Ahead

I will speak to our [Boston chapter](#) about investing at the intersect of value, momentum and quality on Tuesday, April 10.

First-quarter earnings season will officially start next week with some of the largest financial companies reporting: BlackRock Inc. (**BLK**) on Thursday and Citigroup Inc. (**C**), Dow component JPMorgan Chase & Co. (**JPM**), PNC Financial Services Group Inc. (**PNC**) and Wells Fargo & Co. (**WFC**) on Friday. Joining them will be fellow S&P 500 members Delta Air Lines Inc. (**DAL**) and Fastenal Co. (**FAST**), both of which will report on Wednesday.

The week's first economic report will be the March Producer Price Index (PPI), released on Tuesday. Wednesday will feature the March Consumer Price Index (CPI) and the minutes from the March Federal Open Market Committee (FOMC) meeting. March import and export prices will be released on Thursday. The University of Michigan's preliminary April consumer sentiment survey and February JOLTS report will be released on Friday.

Only one Federal Reserve official will make a public appearance: St. Louis president James Bullard on Friday.

The Treasury Department will auction \$30 billion of three-year notes on Tuesday, \$21 billion of 10-year notes on Wednesday and \$13 billion of 30-year bonds on Thursday.

Local Chapter Meetings

AII Local Chapter Meetings offer you a variety of presentations from expert speakers who will give you their view on the world of investing. A bonus of attending a Chapter Meeting near you is the opportunity to meet other AII members who share your interest and enthusiasm for investing. You can even share the Chapter experience with your family and friends by inviting them to attend Chapter Meetings with you!

[Upcoming Meetings »](#)