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BLBB Advisors, LLC – Market Update

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There is no question we have entered a period of heightened uncertainties on both the geopolitical and economic fronts. About two weeks ago, the US economy was grappling with rapidly rising inflation, unchecked immigration, pervasive shortages (think empty shelves at the stores and downtime at various automotive plants due to the global semiconductor shortage), a severe labor shortage, and a central bank poised to begin tightening monetary policy. Today, all these issues continue and are exacerbated by the war in Ukraine and the potential for this war to expand beyond Ukraine’s borders or for another leader, such as Xi Jinping of China, to further challenge world order.

As expected, US and global markets are now experiencing more volatility than they have in recent months and investor nerves are frayed. Images and videos coming out of Ukraine expose the horror and brutality of war in real time. Pundits and journalists are reporting around-the-clock on developments overseas and ceaselessly expounding upon the potential for the war to escalate beyond Ukraine.

In other words, this is a scary and unnerving time. It is understandable if your first reaction to recent developments is to sell some or all of your investments, stick the proceeds in a money market or savings account, and breathe a sigh of relief that you are no longer exposed to these uncertainties and the associated market volatility.

Unfortunately, though, this is not the recommended approach – at least not for your investment assets. Yes, if you have a need for cash in the coming 12 – 24 months, this money should be tucked away in a low risk, low volatility investment such as a savings account or a money market account. Ideally, you also have an emergency fund that is invested in a similar low risk, low volatility way. Keep in mind, though, that your emergency fund, and any other short-term money you know you will need, should always be placed in low risk and low volatility investments. This is not advice that only applies now during this tumultuous period.

When it comes to your investment assets, however, the best way to continue building wealth is to avoid the temptation to “time” or jump in and out of markets during periods of great stress and uncertainty. In fact, one of the best ways to destroy wealth (at worst) and to severely limit growth of your investments (at best) is to give in to your emotions and jump out of the market when you start feeling nervous!

It is well-documented that the best performing days in the market often come quickly on the heels of some of the worst performing days. If you jump out on one of those terrible down days in the market, it is highly likely you have no idea when the next tremendous up day will come. It is also highly likely you will not decide to re-enter the market shortly before this major up move occurs. In other words, you end up doing the exact opposite of what smart investors want to do – you have sold low on a terrible day in the market and then you've bought back in at much higher levels after the market recovered and you felt comfortable again.

Ideally, you will be able to tune out the inevitable ups and downs in your portfolio during periods like what we are now experiencing. If you are able to resist the temptation, avoid looking at your account value every day. Instead, try to remember that your invested assets are those you do not need today or tomorrow – these are assets for the future. Financial markets have a very long history of fluctuating, often in dramatic fashion, but over time they eventually recover and trend upwards. US and global financial markets have survived and thrived despite major wars, famines, nuclear meltdowns, atomic bombs, genocides, pandemics, assassinations, natural disasters, etc. While it is hard to believe this in the moment, the events we are experiencing now will eventually ease and pass and we will return to a period of relative calm. This may not happen for weeks, months, or even longer. But, it will happen.

If you are feeling nervous or unsettled and would like to talk about your financial situation or your assets, please call (215-643-9100) or email your BLBB financial advisor. We are here to help guide you through this difficult period and hopefully serve as a voice of reason.