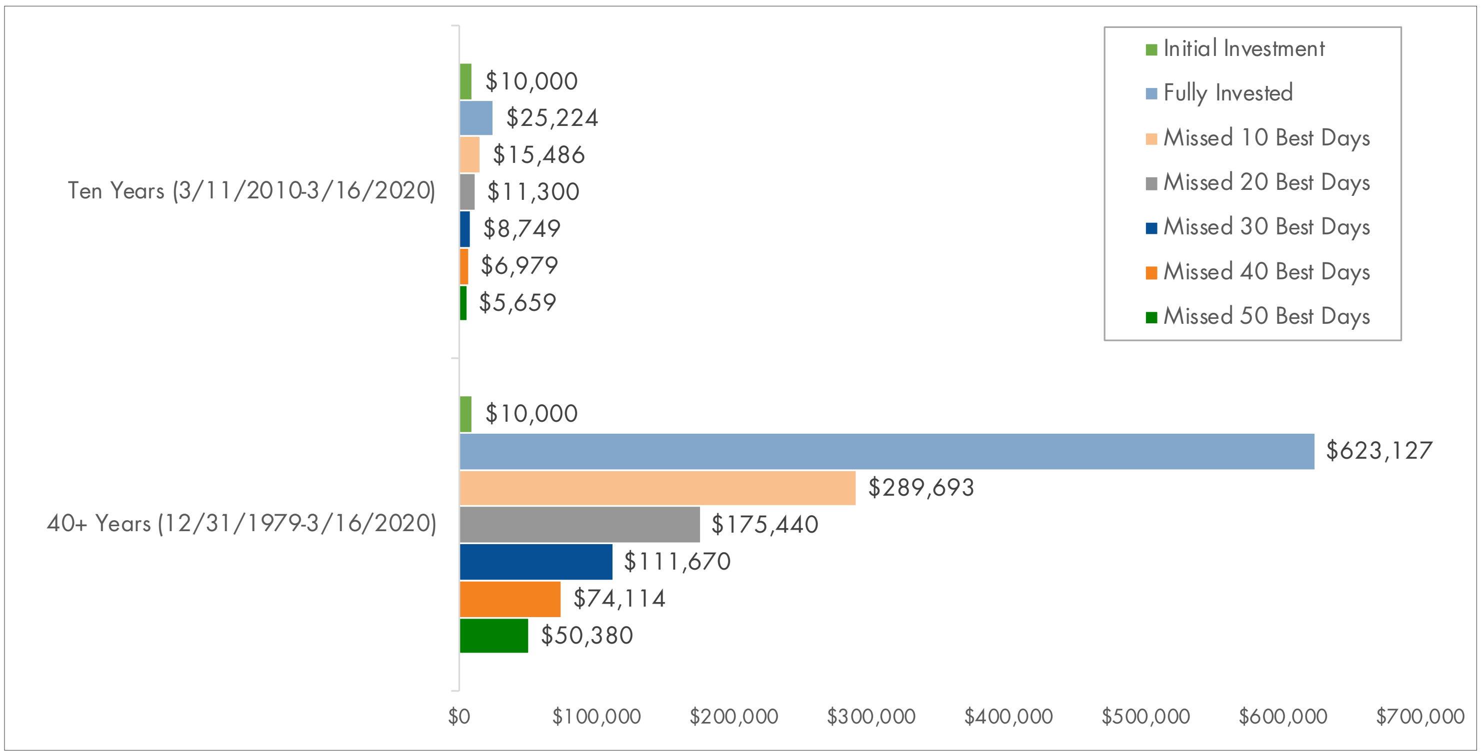
Cost of Missing Best Market Days

Don't Let Fear Sink Your Long-Term Returns

The global pandemic of COVID-19 coupled with a price war in the oil market has driven market volatility to extreme levels. Uncertainty and fear have taken center stage. With emotions running high, many investors tend to sell at or near the lows seeking to avoid additional losses. However, quite often, the best days occur on the heels of the worst (see reverse) and investors may miss the opportunity to participate in any potential market rebound.

The graph below shows the hypothetical growth of a $10,000 investment in the S&P 500 Index for the full time period as well as if the best 10, 20, 30, 40 and 50 days were missed. Missing each of the best days while participating in all of the worst over any period of time is extremely unlikely, however this analysis illustrates how significant the potential negative impact could be should an investor move to the sidelines every time fear and uncertainty increase market volatility.

S&P 500 Index: Hypothetical Growth of $10,000



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Missing the best days can have a significant impact on long-term returns because it's not just the one, ten, or fifty days' worth of gains that are foregone, it's the missed compounding of those gains.

As illustrated in the graph to the left, over the last 10 years (3/11/2010–3/16/2020), the annualized return of the S&P 500 Index drops by more than half from 9.67% to 4.46% simply by missing the 10 best days. Miss the 30 best days and the S&P 500 Index actually declined!

Longer-term (12/31/1979–3/16/2020), the S&P 500 Index's annualized return of 10.82% drops by over 2% *a year* when the 10 best days are missed. Miss the best 40 days and your annualized return has dropped by more than half to 5.10%.

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S&P 500 INDEX
TEN LARGEST DAILY MOVES (1/4/1928 to 3/16/2020)

Date	Close	Point Change	% Change	Date	Close	Point Change	% Change
PERCENTAGE DECLINE				PERCENTAGE INCREASE			
10/19/1987	224.84	-57.86	-20.467	3/15/1933	6.81	0.97	16.610
10/28/1929	22.74	-3.20	-12.336	10/30/1929	22.99	2.56	12.531
3/16/2020	2,386.13	-324.89	-11.984	10/6/1931	9.91	1.09	12.358
10/29/1929	20.43	-2.31	-10.158	9/21/1932	8.52	0.90	11.811
11/6/1929	20.61	-2.27	-9.921	10/13/2008	1,003.35	104.13	11.580
3/12/2020	2,480.64	-260.74	-9.511	10/28/2008	940.51	91.59	10.789
10/18/1937	10.76	-1.10	-9.275	9/5/1939	12.64	1.11	9.627
10/15/2008	907.84	-90.17	-9.035	4/20/1933	7.82	0.68	9.524
12/1/2008	816.21	-80.03	-8.930	3/13/2020	2,711.02	230.38	9.287
7/20/1933	10.57	-1.03	-8.879	10/21/1987	258.38	21.55	9.099

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Many of the best days occur on the heels of the worst and moving to the sidelines every time fear and uncertainty increase market volatility has the potential to sink your long-term returns.

Talk to your financial advisor or visit www.aamlive.com to learn about potential investment opportunities in a volatile environment.

All investments involve risk; principal loss is possible. An investment in common stocks should be made with an understanding of the various risks of owning common stock, such as an economic recession and the possible deterioration of either the financial condition of the issuers of the equity securities or the general condition of the stock market.

S&P 500 Index is an unmanaged market capitalization weighted index used to measure 500 companies chosen for market size, liquidity and industry grouping, among other factors. See reverse for additional important information.

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