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# Financial advisers scramble for footing amid stock market's wild ride



Advisers are hoping the worst is over and trying to keep clients focused on the long term.

May 6, 2022 By [Jeff Benjamin](#)



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The raft of [headwinds facing the U.S. economy](#) are increasingly [reflected in the financial markets](#), which are displaying the kind of volatility that's [difficult for financial advisers to ignore](#) even if their standard move is to keep clients focused on the long term.

“Investors are getting concerned, and I’m getting calls from people I don’t normally get calls from,” said Vance Barse, founder of Your Dedicated Fiduciary.

“For many investors this is the first inflationary environment they have experienced,” Barse added. “The Fed is trying to solve a supply-side-driven inflationary issue and hoping for a soft landing.”

With inflation now hovering around a 40-year high and the [Federal Reserve](#) undertaking its most [aggressive rate hiking cycle](#) in more than a decade to try and curb inflation without triggering a recession, investor portfolios are being taken for a wild ride.

The Nasdaq Composite Index is already in correction territory, down more than 22% this year. Meanwhile, the broader S&P 500 Index, down more than 13% this year, has experienced moves of at least 1%, either up or down, in 56% of the trading days since the start of March.

“There is a significant amount of uncertainty in the market these days and it’s hard for many to see a positive path forward,” said Lindsey Bell, chief markets and money strategist at Ally Invest.

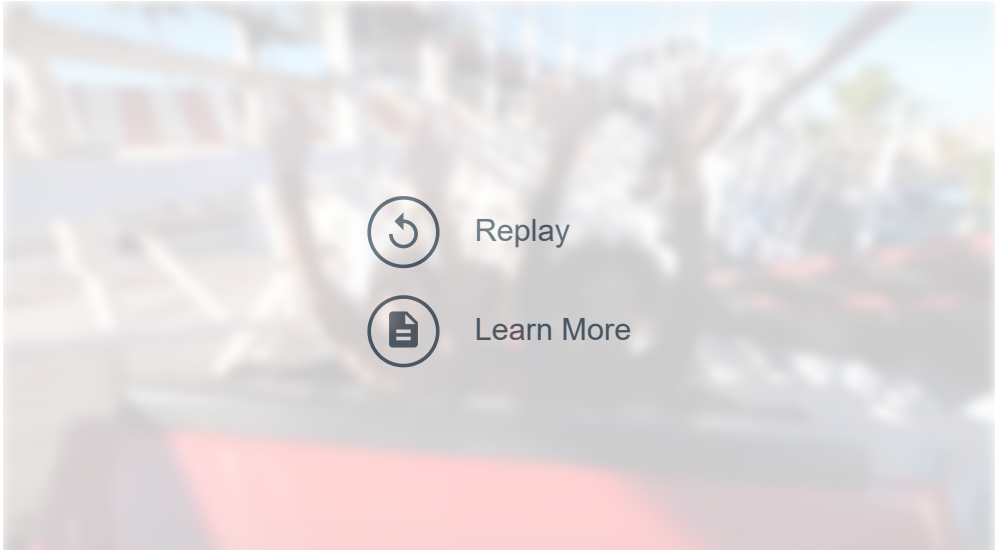
While Bell acknowledged that “investors are confused and the market has become more volatile,” she points to history as a potential guide and source of calm.

“A key question for many investors is how big of a hurdle a quickly rising interest-rate environment is going to be for stocks to overcome,” she said. “Historically, the S&P 500 has declined about 3% in the 12 months following the start of an aggressive rate tightening cycle. Based on that, it could be possible that the market has overshot to the downside on interest-rate expectations.”

Bell also referenced the fact that through Thursday, “78% of S&P 500 firms topped analyst profit expectations, and an indicator of economic expansion, the Conference Board’s set of Leading Economic Indicators, continued to increase in March. There are bright spots in the grey skies.”

The “oversold” argument is also being employed by Tim Holsworth, president of AHP Financial.





“This looks like market capitulation: overdone and oversold,” he said. “According to Raymond James’ data, the market has priced in rate increases of 2.75%, which seems much higher than we will actually realize. Positive earnings expectations and moderating CPI numbers all suggest this market is way oversold.”

Tim Clift, chief investment strategist at Envestnet PMC, is also leaning on history for a silver lining to a stock market that rallied when the Fed announced a 50-basis-point rate hike on Wednesday, then gave it all back on Thursday, with the major indexes falling between 2.5% and 4%.



Clift is pointing to the upcoming midterm elections, which have generated a short history of driving markets lower during the first 10 months of the year.

“During the last three midterm election cycles, we’ve seen market corrections of about 19%,” he said. “It’s become a relatively reliable indicator.”

The flip side of the midterm malaise, Clift said, is that the S&P has averaged a gain of 32% during the 12 months following the election.

“The faster and steeper the decline, the faster and steeper the recovery has been,” he said.

Another promising note from the Clift files is that the S&P hasn’t declined in the 12 months following the midterms since 1946.

In essence, historically speaking, if advisers can keep clients focused on 2023 and beyond, life is good.

“We have seen this movie before,” said Kashif Ahmed, president of American Private Wealth.

“Markets go up, and they go down, and sometimes it’s more pronounced than other times,” he added. “As long as you invest within the context of a financial plan, and have a long-term outlook, are properly allocated and diligently rebalance, then you have nothing to worry about.”

Scott Bishop, executive director of wealth solutions at Avidian Wealth Solutions, said even if an adviser was inclined to try and navigate this market by becoming more active, it might already be too late.

“Right before the recent sell-off, we were looking to make some portfolio adjustments to reduce risk and portfolio beta,” he said. “However, now that the market has retested the March lows, I feel that it is not a great time to reduce beta unless a client feels that the market will go much further down. My base case at this point is that this lower level may hold and bounce up some in the coming weeks.”

Likewise, Paul Schatz, president of Heritage Capital, is expecting the markets to bottom out sooner rather than later.

“It took a while, but bearish sentiment is finally pervasive,” he said. “It’s all bad, but now it’s not only bad in the here and now, but big-name pundits also say this is going to take years. One of my best tried-and-true indicators of a bottom is super close to triggering.”

The metaphorical blood in the streets is what Schatz has been waiting for.

“The macro landscape stinks,” he said. “It’s ugly and it’s scary. That’s what happens around bottoms. Markets don’t bottom on good news.”

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