

Market Pullbacks and Achieving Portfolio Balance

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The ongoing conflict in Iran and rising oil prices have been the primary drivers of stock market swings in recent weeks. Brent crude oil has climbed back above \$100 per barrel, raising questions about whether higher energy costs could slow economic growth while also pushing inflation higher. This adds to existing concerns such as the impact of artificial intelligence on existing companies, broad market valuations, private credit, and the path of Federal Reserve policy. For investors, this can naturally create questions about the health of their portfolios.

The author Alfred A. Montapert once wrote “do not confuse motion and progress.” With markets experiencing daily swings due to global headlines, there can be a tendency to believe that portfolios and financial plans should be adjusted frequently. However, a key principle of proper planning is that by the time uncertainty strikes, the hard work has already been done. A well-constructed portfolio is one that holds an appropriate mix of complementary asset classes and is aligned to financial goals. This is designed to weather different types of market environments without the need for constant adjustment.

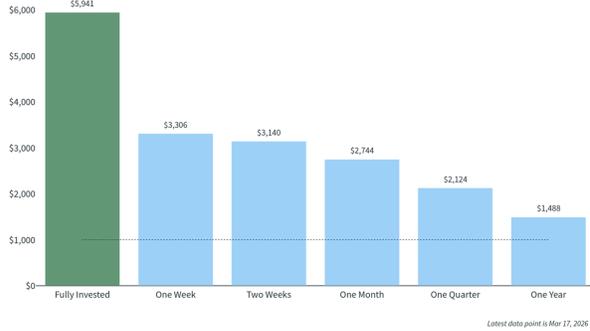
Still, markets that lack a clear direction can feel uncomfortable. In times like these, maintaining a level-headed perspective is critical when there is so much negativity in the news. It’s more important than ever to not lose sight of long-term goals, especially because saving and investing properly are still the best ways to grow wealth over time. What should investors keep in mind as uncertainty continues?

Market pullbacks are an unavoidable part of investing



Staying Invested: Timing the Market

Over the past 25 years, the effect of exiting the market the day after a -2% market move or worse, and staying out for each period of time shown. Based on an initial \$1,000 investment using S&P 500 returns before transaction costs



Sources: Clearnomics, Standard & Poor's
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The stock market has been choppy this year, with the S&P 500 sitting just about 5% below its all-time high reached back in January, as of mid-March. While some investors may feel unsettled by recent market moves, pullbacks around this size are completely normal. In fact, the average year experiences several declines of 5% or more over the course of weeks or months, before rebounding. In 2025, for example, there were six such pullbacks for the S&P 500 driven primarily by tariffs, yet the market still generated a total return of 18% for the year.

This is the foundation of why staying invested has historically been the best approach for long-term investors. Some may be tempted to time the market, but the challenge is not just knowing when to get out, but also when to get back in. The accompanying chart illustrates that even missing a single week after volatile days has historically been negative for investment outcomes. While there are no guarantees, this is historically because the market's best days have occurred shortly after its worst days. Investors who stepped to the sidelines missed the very rebounds they were waiting for.

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This is not to say that pullbacks are insignificant, or that markets always rebound quickly. Rather, it is that they are a recurring feature of investing that should be planned for, not reacted to.

Bond yields are attractive amid recent volatility



Bond Yields and Forward Returns

Monthly U.S. Aggregate Bond Index yields and subsequent returns since 1976



Sources: Clearnomics, Bloomberg
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While the stock market gets most of the headlines, the bond market is just as important. The possibility of inflation is one of the key drivers of bonds, and higher oil prices have raised new questions in recent weeks. Adding to the uncertainty is the upcoming transition to a new Fed chair in May and questions about whether the central bank may adjust its rate path. At the moment, market-based measures expect only one rate cut by the end of this year.

Bonds are a core holding that often provide a counterbalance against stock market volatility. However, the conflict in the Middle East has also affected bonds, with the Bloomberg U.S. Aggregate Bond Index roughly flat year-to-date. The 10-year U.S. Treasury yield has jumped back above 4.2% after falling as low as 3.9% when the conflict in Iran began.

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Perspective is needed since bonds have contributed positively after their historic pullback in 2022, when inflation and interest rates rose swiftly, generating strong returns from 2023 to 2025. Since

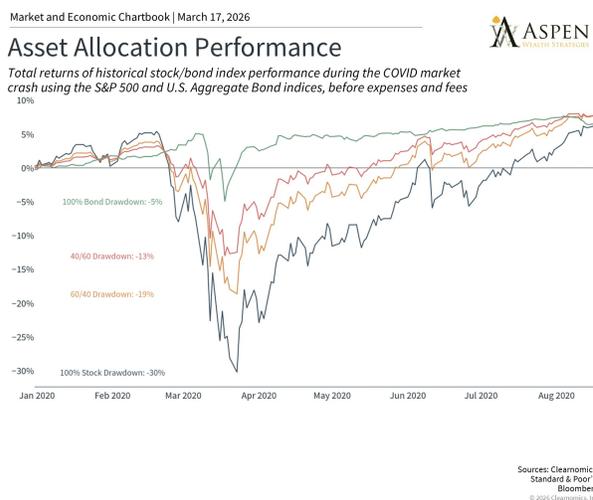
the bottom in October 2022, the broad bond market has generated roughly 20% in total returns, with some individual sectors performing even better.

For long-term investors, bond yields remain attractive compared to the previous decade. Current bond yields offer meaningful income potential that was simply unavailable during much of the past decade. Specifically, the yield on the U.S. Aggregate Bond Index is 4.5%, well above the 2.9% average since 2009. Investing when yields are attractive is also historically correlated with healthy total returns, as shown in the accompanying chart.

This is especially true when compared to cash, where yields are still negative after adjusting for inflation. On average, \$10,000 invested in certificates of deposit yields about \$155 a year, which is still well below inflation of between 2.5% to 3%. For those in or near retirement, the applicable inflation rates may be even higher due to medical expenses and insurance. So, while cash may feel safe, a proper allocation to bonds is still the best way to generate income and support long-run growth.

It is also worth noting that there is growing concern around private credit, with reports of rising redemption requests and some larger funds limiting withdrawals. At its core, private credit is an asset class consisting of non-bank loans to companies. The sector has grown significantly in recent years and is tied to areas of market uncertainty such as technology and energy. Unlike public bonds, private credit is structured to be a long-term investment precisely because of this type of uncertainty. So, just like any other asset class, what matters for investors who hold private credit is whether it is appropriate for their portfolios and how it balances with other assets.

Having a portfolio perspective continues to benefit investors



While there are considerations across each asset class, the past few weeks highlight the power of properly constructed portfolios. Holding different types of investments, whether they are asset classes, specific sectors, or investing across different parts of the world, helps to smooth out portfolio performance during choppy periods, reducing the temptation to make sudden changes that can derail financial plans.

The accompanying chart highlights one of the most volatile periods in history during the pandemic in 2020. Different asset allocations behaved in unique ways, with those that were more balanced across

asset classes experiencing smaller swings. While these portfolios all ended around the same level after this period, the real issue is whether investors would have overreacted when the stock market was down 20% or 30%.

Today, assets like commodities are leading the way due to energy and precious metals. However, this is not about trying to guess which asset class will outperform next and concentrating a portfolio in that area. Instead, it is about benefiting from the full range of market movements. When one part of a portfolio struggles, another may provide balance. Over time, this approach has allowed investors to participate in growth while managing risk, which is ultimately what achieving

long-term financial goals requires.

The bottom line? Market volatility driven by oil prices and geopolitical uncertainty is uncomfortable but not unusual. Staying invested with a diversified portfolio remains the best way to turn short-term swings into long-term progress.

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