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Voya Global Perspectives

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Douglas Coté, CFA
Chief Market Strategist

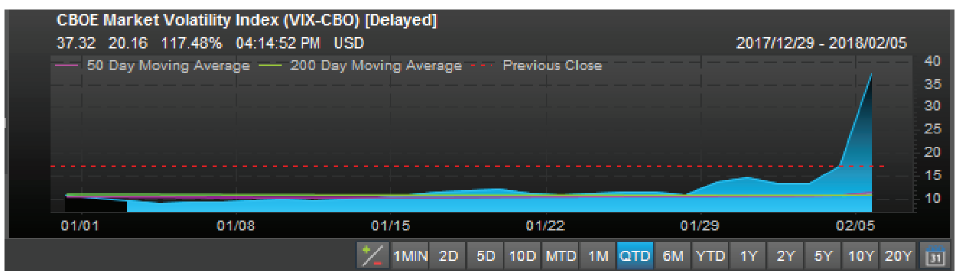
Karyn Cavanaugh, CFA
Senior Market Strategist

Stick to The Plan When Markets Correct – It's Normal

It has been good – maybe too good – with a shift to an economy that has unleashed growth. Unabashed growth has been missing in action and has come back with a vengeance. That is a double edged sword, which is great for businesses and consumers but not so great when it precipitates interest rates storming back – to well...normal. In the last week ending with yesterday's selloff, the broad market gauge of the S&P 500 was off by over seven percent as the 10-year U.S. Treasury yields suddenly surged with enthusiasm catching the market "off guard." There will be confusion, but even though there are two sides to a story there is only one side to the facts:

- Liquid equity markets sold off the most, that is, U.S. Large Cap and EAFE International equity were hit the hardest. Worse than even Emerging Markets.
- High quality fixed income had positive returns – we call fixed income the sailboat's "keel" or ballast in a well-diversified portfolio – long U.S. treasury bonds were up nearly one percent for the day verses negative four percent for equities.
- Markets were priced for the status quo: volatility and bond yields staying low. The volatility index (VIX) surged over 115% to 37.3 yesterday.
- Semiconductors, banks, and biotech have been especially hard hit but were not alone.
- New Federal Reserve Chairman Jerome Powell was sworn in on Monday replacing former Fed Chair Janet Yellen. Don't expect any help for the market from this Fed.

Volatility Jumps in February



Source: FactSet 02/05/18

Here are some things to keep in mind amid the uncertainty:

- Economic fundamentals are solid across the board including strong corporate earnings, a strong consumer, and double digit capital equipment expenditures.
- Monday's exceptionally strong ISM non-manufacturing services report might have been the spark that led to concern of an overheated economy, but strong economic growth is unequivocally good news.
- The pro-growth tax cut package passed in December by the U.S. Administration is having the intended impact of spurring economic growth.
- 2017 was the best year since 2009 for international markets, further illustrating that a globally diversified portfolio is a prudent investment plan.
- It is normal for markets to correct 2-3 times per year. In times like these, it is our advice to "Stick to The Plan When Markets Correct – It's Normal."

While times like these put investor fortitude to the test, trying to time markets is pure folly (see our many discussions about the "Folly of Gaming Diversification.") Instead of losing patience and selling at what may be near the bottom of a downturn, investors are advised to stick with long-term investment plans created during less-fearful times.

Voya Global Perspectives™ Investment Philosophy

Investors are inundated with confusing information on investment markets. Voya Global Perspectives cuts through this information overload with clear, thematic, and actionable insights. To help investors avoid getting caught in the “Folly of Gaming Diversification”, we offer an investment strategy that implements “Effective Diversification”.

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