## GuideStone urges long-term focus during market volatility

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DALLAS (BP)—Market moves and minute-by-minute headlines on cable news and social media can be alarming, but David Spika, chief strategic investment officer of GuideStone, indicated volatility in the market at this point of the economic cycle would be expected.

"Stocks rallied in 2019 based on several factors, with Federal Reserve rate cuts being most prominent," Spika said. "Corporate earnings growth and an improved global economy are the most important factors that would be necessary to continue this long-running market rally. While not impossible, the likelihood for that is diminished for several reasons. The age of the economic cycle, 11 years, is several years longer than the historical average.

"Additionally, the fears of coronavirus further slowing economic growth, and putting additional pressure on corporate earnings, means stock volatility will likely increase, and we may see more days with significant swings in the market.

"Finally, note that on average the market suffers a 10 percent decline during presidential election years, and this election cycle is likely to be more disruptive than most. As a result, investors should be cautious as they face many uncertainties during 2020."

#### Coronavirus creates market

### uncertainty

In the United States, the Dow Jones industrial average dropped more than 1,000 points Feb. 24, wiping out all the gains the market had made so far in 2020. The S&P 500 Index, a broader measure of the market, fell more than 100 points, or a little over 3.35 percent.

On Feb. 25, markets continued the sell-off. The lower markets were largely prompted by fears that the coronavirus will slow economic output, especially in Asia.

Fears surrounding the coronavirus, known officially as COVID-19, helped drive stocks lower. South Korean officials are racing to contain the largest outbreak outside of China, and a Spanish resort was locked down after an Italian doctor in the Canary Islands tested positive for the virus. Worldwide, the World Health Organization reported Feb. 24 about 80,000 confirmed cases of the virus with more than 2,600 deaths. Almost all of the deaths thus far have occurred in China.



David Spika

Spika noted that GuideStone's managers have taken some gains in the mutual funds following these powerful market advances, which is prudent to do given the age of the cycle.

"Retirement plan investors, especially, need to stay focused on their longterm plan and asset allocation for their retirement needs," Spika said. "Market fluctuations always occur, but a long-term focus and a diversified investment approach have historically been rewarded by the markets."

Retirement plan investors concerned by the market's moves should look at their portfolios and ensure they are not overweight in certain categories and underweight in others, which could exacerbate the effects of a market decline.

GuideStone participants can receive help with their long-term investment allocations by accessing the resources on the <u>Retirement Planning and</u> <u>Guidance</u> page, which include GuideStone's Investment Recommendation tool.

"We never encourage anyone to try to time the market," GuideStone President O.S. Hawkins said. "If you are prompted to make allocation changes, only do so after considering your diversification, time horizon and risk tolerance. Once those are reviewed, then you can consider making strategic, focused changes, if needed. It's important, though, that changes be driven by a careful consideration of the facts and not the emotions of the moment."

# Basic principles for retirement planning

GuideStone experts recommend four basic principles for retirement plan investors:

- Always focus on long-term objectives, not emotions. Specifically regarding retirement participants, these assets are to serve needs for a long period of time. Make sure objectives and actions are consistent with the time horizon.
- Avoid making impulsive decisions. Making changes based on short-

term market moves is almost a guarantee for failure, as it promotes buying high and selling low. The performance of an account moving forward will be determined based on results of the financial markets in the future, not the past. Investors cannot sell yesterday's losses or buy yesterday's gains.

- Don't count losses—or gains. Consistent contributions to a retirement plan afford investors a systematic way of taking advantage of investment opportunities as markets ebb and flow.
- Maintain realistic expectations about market behavior. Financial markets in the short term tend to fluctuate in response to social, political and economic events. However, historically, the markets stabilize and return to profitability over the long term, focusing on the underlying fundamentals.