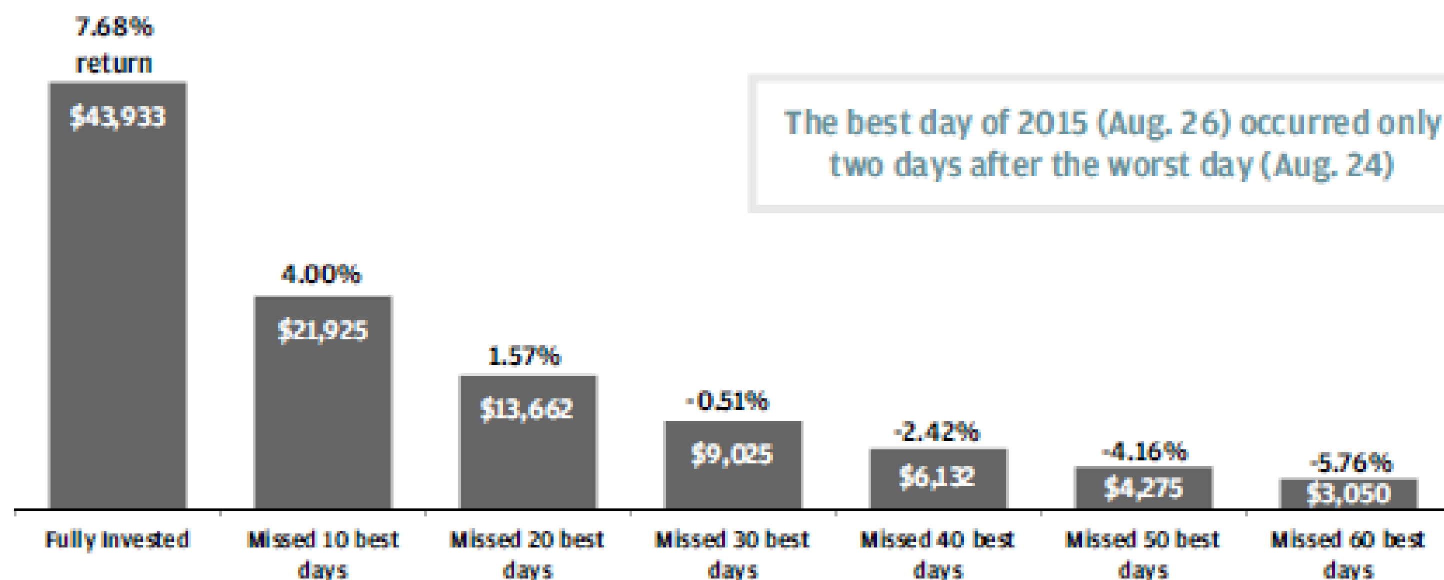
Frequent pullbacks in the market can be unsettling, and can encourage market timing, but investors should not jump ship. Being fully invested is particularly important when there is market volatility, because the best and the worst days in the market tend to be clustered together. If you were lucky enough to miss the worst days, you also were likely to have missed the best days.

Examining your quarterly statement, it is difficult to synthesize the portfolio impact of missing the best days in the market. However, **Exhibit 4** shows that missing these days has a real impact on investment performance. A fully invested portfolio would have returned nearly double one that missed the 10 best days in the market. Additionally, as the majority of the best days occur within two weeks of the 10 worst days in the market, it is likely that investors who sold equity because of seasickness after a bad day often also missed a big rebound.

Six of the 10 best days occurred within two weeks of the 10 worst days

EXHIBIT 4: RETURNS OF S&P 500

PERFORMANCE OF A $10,000 INVESTMENT BETWEEN JANUARY 1, 1997 AND DECEMBER 30, 2016



This chart is for illustrative purposes only and does not represent the performance of any investment or group of investments.
Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2016.