S&T Financial Services

A financial advisory practice of Ameriprise Financial Services, LLC

Should Breaking News Alter Your Investment Strategy?

More than ever before, investors are inundated with news alerts and headlines on market-moving events. The 24/7 news cycle, social media and technology have allowed global headlines to be accessible nearly immediately, which causes many investors to consider the investment implications of the news of the day, such as trade disputes, political uncertainty and global business decisions. If you follow the news, it's important to consider just how much, or how little, trending stories should influence your financial decisions.

Be aware, but don't overreact. Investors who become fearful that a market downturn may be imminent are often tempted to sell some investments and move money into less volatile alternatives. That could include low-risk bonds or cash-equivalent investments. But taking risk "off the table" by selling stock positions has its own perils – what we call "opportunity risk," or missing out on potential future growth of those stock positions. Staying invested for the long-term can help maximize gains while letting temporary volatility work itself out.

If you scan the news, you won't have any trouble finding contradictory predictions about which direction the stock market is going in the months to come. Some might say stocks are going higher while others will warn that a major market downturn is on the horizon. The reality is that nobody knows for certain what's going to happen in the stock market in the short term. Basing your investment decisions on such speculation can be counterproductive. When evaluating whether you need to make changes to your portfolio, look for persistent trends that may affect the broader economy's vitals and work with your financial advisor to identify if these trends justify a change in your investment approach.

The market has overcome challenges before. It's also important to remember that historically markets have rebounded after large business decisions, geopolitical tensions, economic uncertainty and political positions captivate the news cycle. At times, markets have reacted negatively to specific events that dominate headlines. But historically a sense of normalcy returns, allowing investors to once again turn their focus to underlying investment fundamentals.

Assess your risk tolerance and invest accordingly. If you are close to retirement, you may want to reduce your equity exposure. Although, keep in mind you may still want some growth opportunities as a portion of your portfolio to reach future retirement goals or at a minimum, maintain pace with inflation. If you have more time to let your money work, and overcome any negative moves in stock prices, you may be able to handle more risk. Find a portfolio strategy that fits your comfort level, no matter current news trends, and try to stick with it.

Focus on your goals. Regardless of what is happening in the news cycle or markets, one investing principle holds true: focus on your unique financial goals. If you are accumulating wealth to meet a goal that is years or even decades away, market volatility that happens today, next week or next year is likely part of the normal pattern you should expect. If specific headlines or trends are making you reconsider your investment strategy, re-evaluate your risk tolerance and consider meeting with a financial professional for a second opinion. Together you can discuss how to best position your portfolio for the current environment in a way that is consistent with your goals.

It is normal for investors to be concerned about headlines as they pertain to markets and investments. Working with a financial advisor to ensure your portfolio is well-diversified and aligned with your goals and risk tolerance is key to avoiding potential overexposure to unnecessary investment risk.

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