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WHAT'S GOING ON?

COVID-19, or the coronavirus, is a respiratory illness first identified in Wuhan, China, has now spread to 125 countries and territories around the world. For current numbers by country, click here. The airborne virus has an incubation period of up to 14 days, making policing the spread of the virus challenging. At this stage, treatment options are relatively unknown.

The market is currently experiencing volatility and may continue to do so for some time. Its future direction will likely depend on the progress of disease control and emerging information on the impact of the virus on US and global businesses. Market volatility over the coronavirus is understandable. Travel restrictions, temporarily shuttered factories, and supply chain disruptions appear to be affecting the Chinese economy - and, to a lesser degree, US corporations with business interests in China, as well as global trade more broadly.

WHAT SHOULD YOU DO?

Do not panic.
Keeping your cool can be hard to do when the market is experiencing volatility. It is useful to have strategies in place that prepare you (both financially and psychologically) to handle market volatility. Here are five ways to help keep yourself from making hasty decisions that could have a long-term impact on your ability to achieve your financial goals.

Have a game plan.
Having predetermined guidelines that recognize the potential for turbulent times can help prevent emotion from dictating your decisions. You also can use diversification to try to offset the risks of certain holdings with those of others. Diversification may not ensure a profit or guarantee against a loss, but it can help you understand and balance your risk in advance. And if you're an active investor, a trading discipline can help you stick to a long-term strategy.

Know what you own and why you own it.
When the market goes off the tracks, knowing why you originally made a specific investment can help you evaluate whether your reasons still hold, regardless of what the overall market is doing. Understanding how a specific holding fits in your portfolio also can help you consider whether a lower price might actually represent a buying opportunity.

Tell yourself that this too shall pass.
The financial markets are historically cyclical. Even if you wish you had sold at what turned out to be a market peak, or regret having sat out a buying opportunity, you may well get another chance at some point. Even if you are considering changes, a volatile market can be an inopportune time to turn your portfolio inside out. A well-thought-out asset allocation is still the basis of good investment planning. Asset allocation does not guarantee a profit or protect against losses, but its ability to help with establishing and tracking a plan can be beneficial.

Stay on course by continuing to save.
Even if the value of your holdings fluctuates, regularly adding to an account designed for a long-term goal may cushion the emotional impact of market swings. If losses are offset even in part by new savings, your bottom-line number might not be quite so discouraging. If you're using dollar-cost averaging (investing a specific amount regularly, regardless of fluctuating price levels), you may be getting a bargain by buying when prices are down. However, dollar cost averaging cannot guarantee a profit or protect against a loss. Also consider your ability to continue purchases through market slumps; systematic investing does not work if you stop when prices are down. Finally, remember the return and principal value of your investments will fluctuate with changes in market conditions, and shares may be worth more or less than their original cost when you sell them.

Remember your road map.
Solid asset allocation is the basis of sound investing. One of the reasons a diversified portfolio is so important is that strong performance of some investments may help offset poor performance by others. Even with an appropriate asset allocation, some parts of a portfolio may struggle at any given time. Timing the market can be challenging under the best of circumstances; wildly volatile markets can magnify the impact of making a wrong decision just as the market is about to move in an unexpected direction, either up or down. Make sure your asset allocation is appropriate for your circumstances before making drastic changes.

For more information, click the image to read Fidelity's 7 Principles of Investing in a Volatile Market.

7 Principles of Investing
in a Volatile Market

In volatile markets, it's common to feel uneasy about your investments. This is only natural. But rest assured, market volatility is completely normal and is to be expected. In fact, whether you invest in a single-fund solution, manage your own investments, or choose to have them managed by a professional investment manager, the current market conditions may actually work to your advantage.

1. Clarify your investment strategy.
Living with market volatility is a lot easier when you have a firm investment strategy in place. To create your strategy, you'll need to understand several key factors, including:

- Your time horizon
- Your goals
- Your tolerance for risk

Your time horizon is determined by counting the number of years left until you plan to retire. Your primary goal is to accumulate enough savings to create the income you need in retirement. Your tolerance for risk reflects your broader financial situation—your savings, your income, your debt—and how you feel about it all. Looking at the whole picture will help clarify whether your strategy should be aggressive, conservative, or somewhere in between.

2. Match investments to your comfort level.
As a legendary mutual fund manager once put it, "The key to stock investing isn't the brain. It's the stomach." Never is this statement more true than in a volatile marketplace. Even if your time horizon is long enough to warrant an aggressive growth portfolio, you need to make sure you're comfortable with the short-term ups and downs you'll encounter. If watching your plan balance fluctuate is too nerve-racking for you, think about a portfolio that feels right and set realistic expectations.

Options to consider. Do you want to:
- Develop and maintain a long-term investment strategy, or
- Take a hands-off approach and invest in a single-fund solution, or
- Place your workplace savings plan in a managed account

3. Diversify, diversify, diversify.
One way to help protect yourself from market downturns is to own various types of investments. First, consider spreading your investments across the three asset classes—stocks, bonds, and short-term investments. Then, to help offset risk even more, diversify the investments within each asset class. Keep in mind, however, that diversification doesn't ensure a profit or guarantee against loss.

4. Invest for the long term.
To help calm the jitters caused by short-term fluctuations, it's best to focus on long-term trends and your long-term goals. Volatility isn't necessarily a bad thing. As the chart on the next page shows, dramatic short-term changes in value can be positive or negative. And historically, time has reduced the risk of holding a diversified stock portfolio.

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Diversification does not guarantee a profit nor does it protect against a loss.

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