MARKET OBSERVATIONS
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Timing

Timing can be everything, certainly in investing. Market timing as a general investment principle generally is viewed unfavorably. Nevertheless, some elements of timing enter into most investment processes, e.g., when to rebalance portfolio allocations. In addition, the timing of many investment-related activities is important, e.g., when to begin investing; when to retire; when to take Social Security. A review of some timing considerations can provide perspective for investing yet ahead.

PERSPECTIVE

Inflation is high, and its level has the attention of the Federal Reserve as it is well above its long-term target of 2%. Chart I shows annualized six-month rates of the Consumer Price Index over the life of the Fed. This rate reached 8.99% in July 2021, a level not seen in over 40 years. While patterns of change in inflation have varied widely over time, some timing perspectives can be drawn. Of interest are how long does it take for inflation to rise and how long for it to decline. The average rate has been 3.28% over the whole period. There have been 8 occasions when inflation rose from average to 8.99% or higher. The median time was 5 months. The median period for returning to the average was 25 months. The 2021 rise took 5 months and 18 more months of above average inflation are indicated.

Shifting national policies, the pandemic and sanctions arising from the war in the Ukraine have raised questions about the long-held belief in the benefits of globalization generally and trade specifically. Chart II tentatively suggests that globalization, as measured by total U.S. trade as a percent of GDP, may have peaked. If this is not just a U.S. experience, questions arise as to both portfolio asset allocations and the timing of any changes. Certainly, emerging markets have been seen to benefit from globalization and trade. The absolute growth of China's economy provides clear evidence. The impact on the U.S. is less clear. In fact, the growth rate of the U.S. economy has been higher when trade was relatively lower and vice versa.

So, what about market timing as an investment principle? Table I shows return frequencies for different horizons over the long history of the Dow Jones Industrial Average. On any given day, change in market direction is mostly a coin toss with little to be gained. As investment horizons are lengthened, however, the odds shift dramatically in favor of being invested. However, even with a horizon as long as ten years, profit is not a certainty. Nevertheless, time in the market outweighs attempts to time market entries and exits.

CHART I

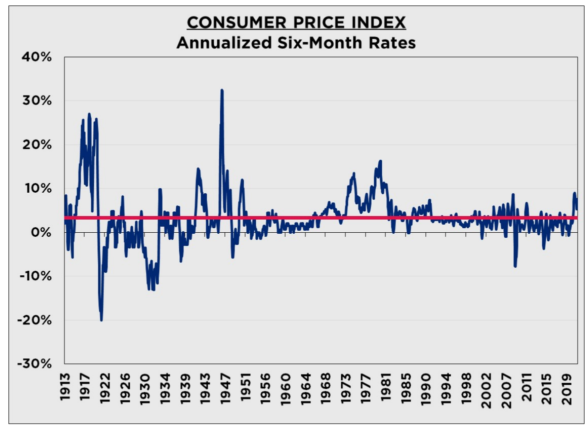

CHART II

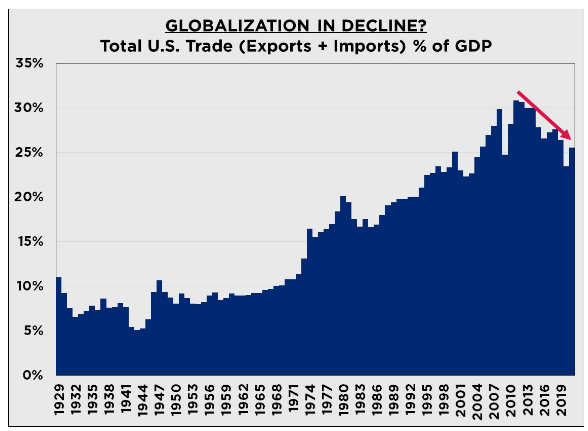

TABLE I

DOW JONES INDUSTRIAL AVERAGE
Return Frequencies
1896 - 2022

HORIZON	% UP	% DOWN	AVERAGE
ONE DAY	53%	47%	+0.0%
ONE WEEK	55%	45%	+0.1%
ONE MONTH	61%	39%	+0.8%
ONE YEAR	69%	31%	+9.0%
FIVE YEARS	87%	13%	+9.0%
TEN YEARS	94%	6%	+8.8%

INVESTMENT IMPLICATIONS

Timing certainly can impact investment decisions and outcomes in many ways. While past experience only can provide perspective, it can be important perspective nonetheless. Decisions made without such perspective could be quite ill-timed. Preceding any investment decisions are the important steps of identifying specific goals, determining desired time horizons, and understanding acceptable levels of risk relative to return expectations. Time spent here is time well-spent.