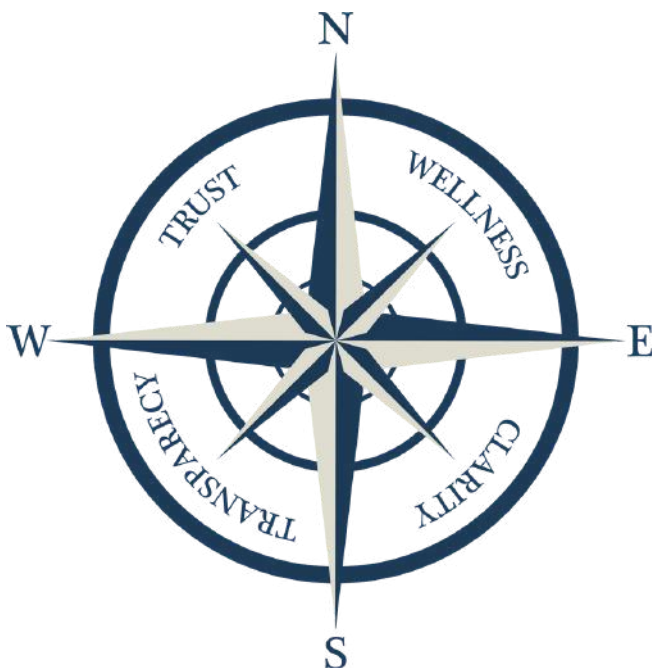


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Introduction

What Is Market Volatility?

Market volatility is one of the **most discussed** elements of investing, yet it is often misunderstood. We all feel volatility the worst during periods of **sharp market swings**, but the reality is that it is a **normal and expected part of market behavior**.

As economic data shifts, earnings reports change, or global events unfold, the markets adjust accordingly.

Understanding volatility helps reduce emotional decision-making. Learning what drives volatility and how to navigate it confidently is a key part of successful investing.

Market volatility measures the rate of price fluctuations within a given period.

- **High volatility** means prices move up and down rapidly.
- **Low volatility** indicates more gradual movement.

Investors often reference the **VIX** index, which tracks expected volatility in the S&P 500. Historically, the VIX **averages around 19**. During severe events, such as March 2020, it spiked above 80. ¹

Volatility is not a predictor of long-term returns. It is simply a reflection of near-term uncertainty.



1. <https://www.barrons.com/articles/vix-trading-subdued-bad-stocks-696e875d> as of 5.22.2024



Why Do The Markets Move?

Simply put, markets move because **investors constantly adjust expectations**. New information we see daily affects how we all believe the future will unfold. As these expectations shift, prices adjust accordingly. Volatility is a **natural feature** of the market, not an anomaly.

Four Factors That Drive Volatility

1) Economic Indicators

Key economic reports influence volatility because they **shape expectations** about growth, inflation, and employment.

For example:

- The Consumer Price Index (CPI) increased **2.7% year-over-year in June 2025**.
 - That data point contributed to renewed inflation concerns and influenced market sentiment. ²
- Meanwhile, reports such as employment-data releases, retail-sales numbers (*which in mid-2025 showed year-over-year growth of around 4–5% in certain months*) and Gross Domestic Product (GDP) (*which grew 3.8% in Q2 2025*) can trigger significant market reactions as investors assess how the economy is evolving. ³

2) Federal Reserve and Interest Rates

Interest rates influence **borrowing costs**, **corporate earnings**, and **investor behavior**, which directly affects volatility.

- Higher rates tend to slow spending and business investment
- Rate changes alter the value of future earnings
- Shifts in Federal Reserve policy expectations can move markets

4) Behavioral Factors

Investor psychology can amplify volatility through common behaviors such as:

- **Reacting emotionally to headlines**
- **Panic selling during declines**
- **Chasing performance during rallies**
- **Overestimating risks in the short-term**

3) Market Cycles

Markets naturally move through cycles of **growth** and **decline**.

- Historically, the market experiences several pullbacks each year, typically:
 - A few declines of about 5%
 - A 10% correction about once a year
 - Drops of more than 15% every few years
 - A 20%-plus decline less frequently
- Bear markets involve declines of 20% or more
- Bull markets tend to last longer than periods of decline ⁴.

2. https://www.bls.gov/news.release/archives/cpi_07152025.htm as of 4.15.2025

3. <https://www.census.gov/retail/sales.html> as of 9.16.2025

4. <https://www.schwab.com/learn/story/market-correction-what-does-it-mean> as of 3.14.2025



The History and Lessons of Volatility

Historical Volatility Example

Markets have experienced many periods of turmoil. While details differ, the outcome has been consistent: long-term recovery. Some general lessons are:

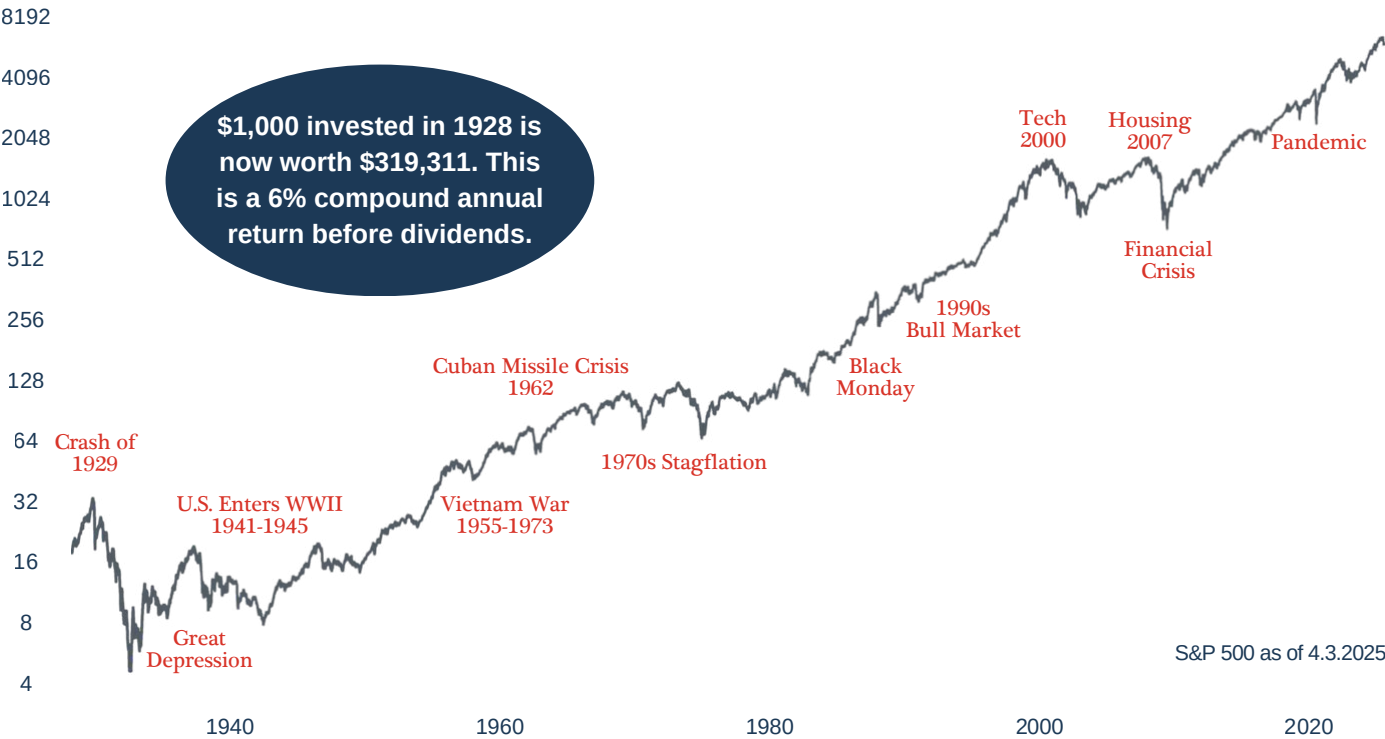
- Markets have recovered from past recessions
- Crises eventually give way to new periods of growth
- *The tortoise and the hare...* Long-term investors historically achieve stronger outcomes than those who attempt to time short-term movement

The exact events may change, but the long-term pattern has remained the same.

For reference, look at the S&P 500 since the Great Depression.

Stocks Since the Great Depression

S&P 500 Index since 1928



What Are Some Strategies for Navigating Volatility?

Diversification

Diversification spreads risk by allocating investments across **different** categories.

This approach helps **reduce** large losses because different asset classes behave differently during various economic conditions.

A well-diversified portfolio may provide a smoother experience during volatile periods.



Dollar Cost Averaging

Dollar cost averaging involves **investing a set amount** of money at **regular intervals**.

This method **reduces** emotional decision-making and allows investors to systematically purchase shares at varying prices.

Over time, this may lower the average cost of investments and improve consistency.

Rebalancing

Rebalancing **adjusts** a portfolio back to its target allocation.

When markets fluctuate, weights shift.

Rebalancing helps **maintain appropriate risk levels** and prevents portfolios from drifting too far from the original strategy.

Staying Focused on the Plan

Investors benefit from a clear financial plan that aligns goals, timelines, and investment strategy.

Speaking with a professional at Asset Strategy about constructing a plan can reduce emotional responses to short-term market changes and keep attention on long-term progress.

Asset Strategy's MyR!sk Tool

What Is MyR!sk?

MyR!sk is an advanced risk analysis tool offered by Asset Strategy that helps investors understand their personal risk tolerance.

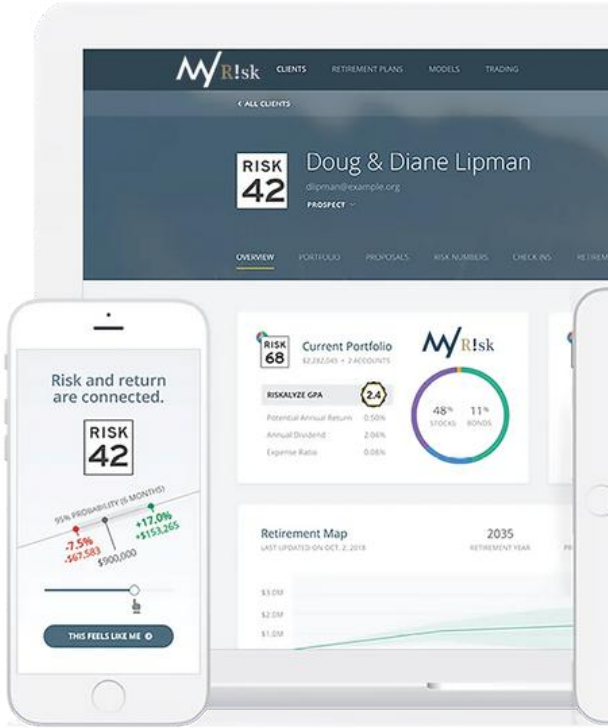
Instead of relying on general assumptions, My R!sk uses analytical methods to assign each individual a Risk Number on a scale from **1 to 99**.

This number reflects how comfortable you are with market fluctuations and how much risk you can realistically take on based on your financial situation.

The goal is to provide clarity so your investment strategy aligns with who you are as an investor.

The Steps?

- 1) Capture Your Risk Number
- 2) Compare Your Portfolio
- 3) Align With Your Goals
- 4) Receive Measurable Insight



www.assetstrategy.com/my-risk



If you have any questions about volatility or investing strategies, feel free to reach out to our team.

Set up a 15-Minute Discovery Call at:

www.assetstrategy.com/contact

www.assetstrategy.com

781-235-4426

info@assetstrategy.com

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Potential cash flows/returns/appreciation are not guaranteed and could be lower than anticipated. Past performance is not indicative of future results.

Investments in securities are not suitable for all investors. Investments in any security may involve a high degree of risk and should only be considered by investors who can withstand the loss of their investment. Prospective investors should perform their own due diligence carefully and review the "Risk Factors" section of any prospectus, private placement memorandum or offering circular before considering any investment.