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When Fear Runs High, Time to Buy?

When markets are volatile, staying invested can pay off.

When volatility rears its ugly head, our instinct is to take our money out of the market to safeguard it. However, history shows that rather than giving in to fear, staying invested and even buying stocks during volatile times can be beneficial in the long run.

That analysis comes from examining the Cboe VIX, an index that measures volatility. It's often referred to as the "fear index" because it gauges the market's expectation of 30-day volatility. On average, the VIX measures around 20. But market-moving events, such as the initial outbreak of COVID-19, can quickly jolt it higher.

Fasten Your Seatbelts

If we step back and examine times when the VIX spiked above 40, indicating extremely high fear levels, there's a trend (see page 2). Within three years of volatility-induced declines, the market not only recovered its losses but also produced additional positive returns in each case. Five years later, those gains continued, too.

A takeaway, then, is that while volatility can be difficult to endure, it can present opportunities for long-term investors. When fear is high, it may be time to be contrarian: consider it an opportunity to not only stay invested, but to also buy while prices are depressed.

Why stay invested? Because it's impossible to tell when the market will resume its upward course after a bout of volatility. So sticking around means participating in the recovery as soon as it happens, rather than waiting to see improvement and missing the early days of recovery.

Easier Said Than Done

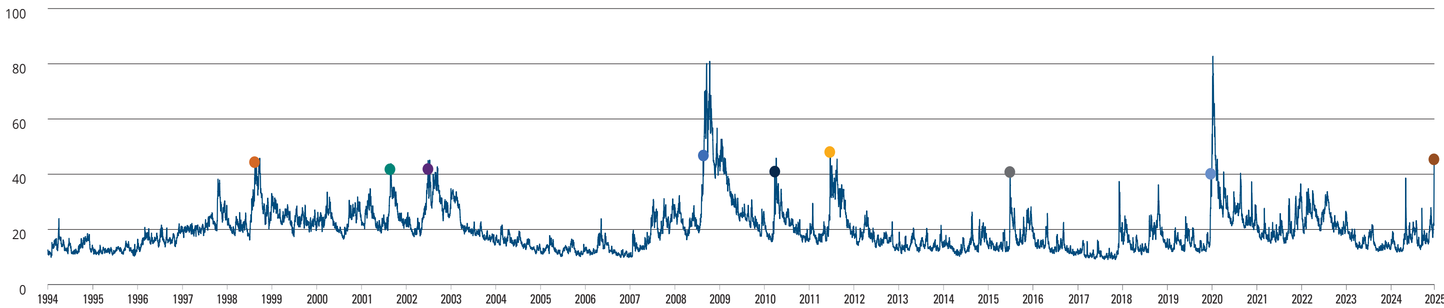
We realize it's easy to say volatility and market dips work themselves out in time, but it's hard to live through. That's why it's critical to work with a financial professional who can tailor your portfolio to your personal risk tolerances. This can help you stay confident and be the contrarian who sees the opportunity in fear.

Key Points

- When volatility and fear strike the stock market, our instinct is to remove our investments from danger.
- While prices are depressed because fear is high, staying invested and even buying additional stocks can lead to long-term gains.
- It can be difficult to weather market swings, but the opportunities for long-term investors are worth considering.

Buying Stocks When Fear Runs High Has Historically Led to Long-Term Gains
Chicago Board Options Exchange (Cboe) Volatility Index (1994-2025)

VIX Levels of 40 or Higher Indicate Extremely High Levels of Fear



S&P 500 Index Returns (%) When VIX >40 Since 1994

Date	1 Year	3 Year	5 Year	S&P 500 Daily Loss*	Event
8/31/1998	39.82	7.14	2.48	-6.80	Russia's economic crisis
9/17/2001	-14.64	4.55	6.76	-4.89	Trading resumes for the first time following the September 11 terrorist attacks
7/22/2002	22.73	16.64	15.43	-3.29	Accounting scandals highlighted by bankruptcies at Enron and WorldCom
9/29/2008	-1.54	3.90	11.32	-8.79	US House of Representatives rejects a proposed $700 billion bank bailout plan
5/7/2010	23.05	15.98	15.88	-1.53	"Flash Crash" causes stocks to decline rapidly with no apparent reason. Dow Jones Industrial Average falls 999 points intraday before recovering.
8/8/2011	28.09	22.59	16.76	-6.65	European debt crisis and S&P downgrades US government debt from AAA to AA+ for the first time in history
8/24/2015	17.48	17.34	14.94	-3.94	China currency devaluation sparks selloff
2/28/2020	31.29	12.15	16.85	-0.81	COVID-19 outbreak induces fear-based selling
4/4/2025	???	???	???	-5.96	New tariffs heighten trade war and raise economic and market concerns

As of 4/4/25. **Past performance does not guarantee future results.** Assumes reinvestment of capital gains and dividends and no taxes. Indices are unmanaged and not available for direct investment. * This column shows the S&P 500 Index's one-day loss on the date shown in column 1. Data Sources: Hartford Funds, Morningstar, and Factset, 4/25.

A financial professional can help you build a diversified portfolio so you can be confident during periods of volatility.

VIX, commonly referred to as the "Fear Index," is the ticker symbol for the Chicago Board Options Exchange (Cboe) Volatility Index and measures the market's expectation of 30-day volatility. VIX levels below 20 reflect complacency, while levels of 40 or higher reflect extremely high levels of volatility.

S&P 500 Index is a market capitalization-weighted price index composed of 500 widely held common stocks.

Dow Jones Industrial Average is an unmanaged, price-weighted index of 30 of the largest, most widely held stocks traded on the NYSE.

Important Risks: Investing involves risk, including the possible loss of principal. Diversification does not ensure a profit or protect against a loss in a declining market.