

## What, me worry?

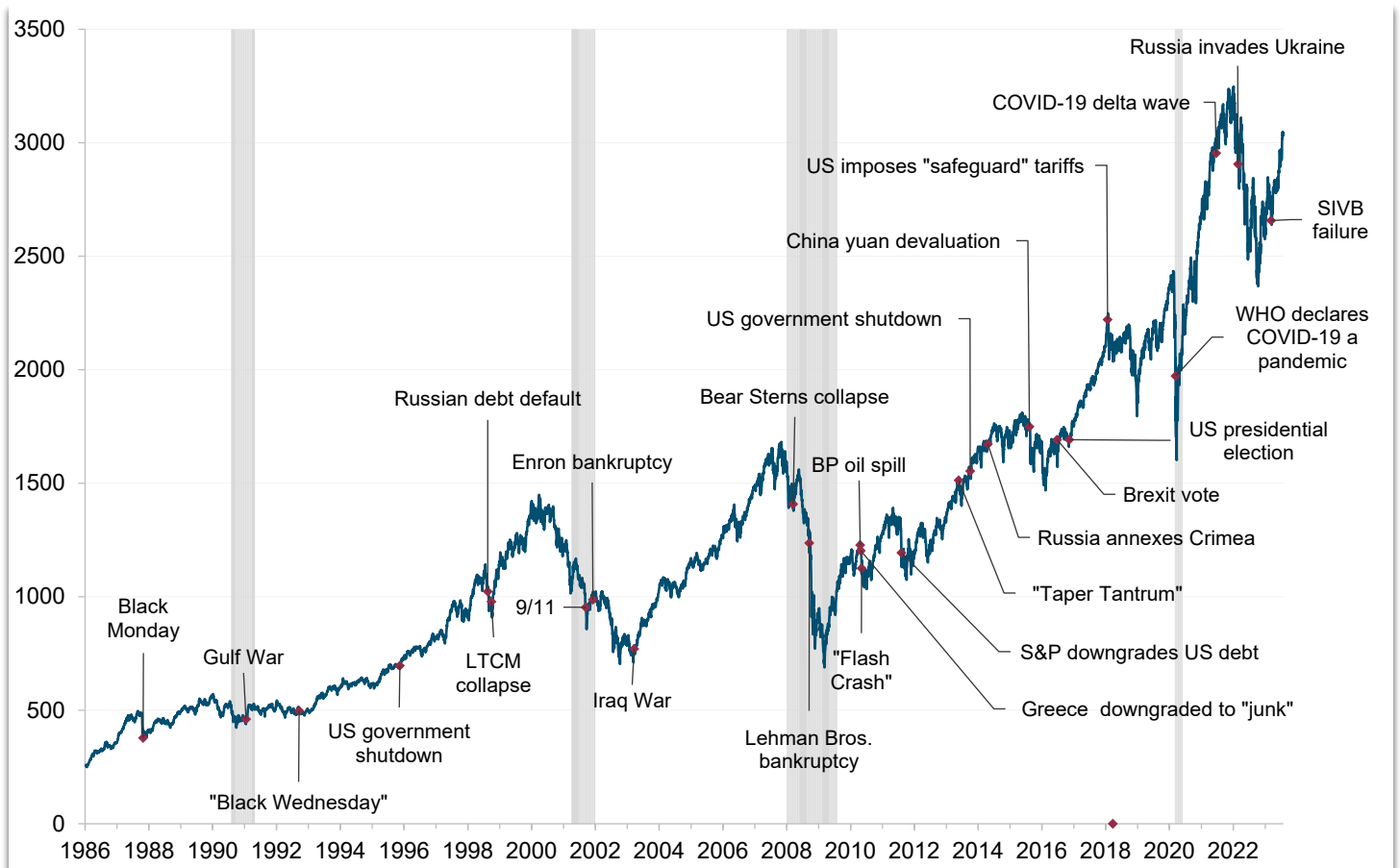
There is an old investing adage that states bull markets climb a wall of worry. That is to say, stock markets tend to sustainably thrive when there is a healthy dose of skepticism among investors, with abundant focus on the numerous potential downside risks that could knock a rally off track.

In these environments, enthusiasm is kept in check and expectations tempered, preventing valuations from becoming untethered from fundamentals. Upward market momentum is then able to be maintained as “worst case” scenarios do not come to fruition and the economy trudges forward.

Financial market history is filled with the “next big crises” — these are the bricks that make up the wall of worry. While these events may cause disruptions and volatility, they more often than not prove temporary, and the outcome is rarely as bad as feared. Markets ultimately resume their climb.

### Climbing the wall of worry

(MSCI World Index; index, December 31, 1969=100)



Shaded regions represent periods of US recession; source: Guardian Capital based on data from Bloomberg to July 25, 2023

To borrow from a pop icon who is currently doing her part to stimulate the economy with her massive global tour, a castle could be built with all the bricks being thrown at the moment.

These persistent concerns for the outlook — including but not limited to the impact of interest rates, high inflation, and simmering geopolitical tensions — are restraining sentiment and helping to prevent the build-up of excesses in the financial system that can lead to wide-spread shocks.

At the same time, the foundations that have underpinned growth since the onset of the pandemic largely remain intact while the headwind of higher cost pressures is ebbing — that stands to ease pressure on policymakers to take interest rates higher — setting up the potential for the global economy to continue to surprise those still waiting intently for things to turn for the worse.

Of course, it is unlikely the path forward will be free and clear, with new developments seemingly coming from nowhere and adding bricks to the pile — and creating even more entries on the ever-present list of reasons investors have to sell.

It is, therefore, once again worthwhile to emphasize that it is “time in,” not “timing” the market that is the key to building wealth in the long-run — markets may lose their footing temporarily, but history shows they do find their traction again and continue to scale the wall of worry, leaving those that opted to jump off with a lot of work to get back up.

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