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Buying At Record Highs

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The last time we spoke about the notion of buying equities at all-time highs was in June of 2015. At that time, markets were approaching new highs, causing some to ask if the stock market was at its peak and poised to move lower.

With hindsight being 20/20, we can now say markets were not at a peak, as the S&P 500 Index has gone on to return a cumulative 17% since that time (6/22/15 – 6/22/17), not including the impact of dividends. However, as is common with markets, the path over the last two years has been rocky at times, with two 10% pullbacks (one in August 2015, and another in January of 2016), but markets eventually recovered and are again hovering near record highs.

“Buy low, sell high” is one of the most recognizable stock market adages. Investing when markets are at all-time highs would seem to be in direct opposition, leading many investors to believe that investing at all-time highs is a sure way to lose money. But is this really the case?

Buying at an all-time high, especially several years into a bull market, can be unnerving. However, looking at the odds that any given all-time high is followed by another all-time high within a certain time period can be reassuring. Analysis of the S&P 500 indicates that from the date of any given all-time high, the index has historically hit another all-time high within one month 91% of the time. Extending this time frame to three months increases those odds to over 97%, and extending to one year the odds approach 99%. Based on those odds, you have a very good chance of seeing another record time high in the very near future.

In that light, I have attached a recent research piece from **LPL's Private Client** group that does an excellent job of exploring the advantages and perils of investment at market peaks that I thought you might find interesting.

In conclusion, we expect the now more than eight-year-old bull market to potentially continue, but that does not remove the nervousness investors may feel buying stocks at or near all-time highs. Nonetheless, historical data provides reassurance that investors with time horizons of more than five years stand a very good chance of making money over that time period, even if they have the misfortune of buying ahead of a downturn. This is especially true for investors taking a gradual approach and using dollar cost averaging.

Bottom line, don't let those headlines about all-time highs scare you and keep you from investing to pursue your long-term financial goals. As always if you have any questions, I encourage you to contact me.

Sincerely,



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