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one might expect in an economy that is weakening. Investors are often willing to pay more for companies with strong balance sheets that can generate growth in a slow economy.

One important question is the degree to which the market's rally from the March low will broaden out to include more economically sensitive stocks. Over the past couple months, we've had brief periods in which more cyclical sectors such as manufacturers, financials and energy companies have recovered a bit, but these stocks have yet to show sustained market leadership.

It is tremendously difficult to time these types of market rotations, so it's a good idea to stick to a long-term asset allocation and not try to make big moves in or out of cash or particular types of investments.

Market Outlook

In These Volatile Markets, It's Best to Stick to a Long-term Asset Allocation

By David Royal

In my last column in the Spring issue, I noted that in late 2019 and early 2020, the stock market had experienced one of the longest periods in history without a 2% drop. I cautioned against complacency. No one could have predicted the events of the past couple months, but volatility has certainly returned. We not only saw massive stock declines, but in late March, we also saw the biggest three-day jump in the market ever.

During this volatile period, many investors flocked to the relative safety of money market funds. However, now that the Federal Reserve has cut short-term interest rates, money market

funds' yields have evaporated. Several trillion dollars has been sitting on the sidelines earning next to nothing, but where will that money go?

Since the market bottomed, the strongest performing category of stocks has been large-cap growth stocks. This outperformance is what



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