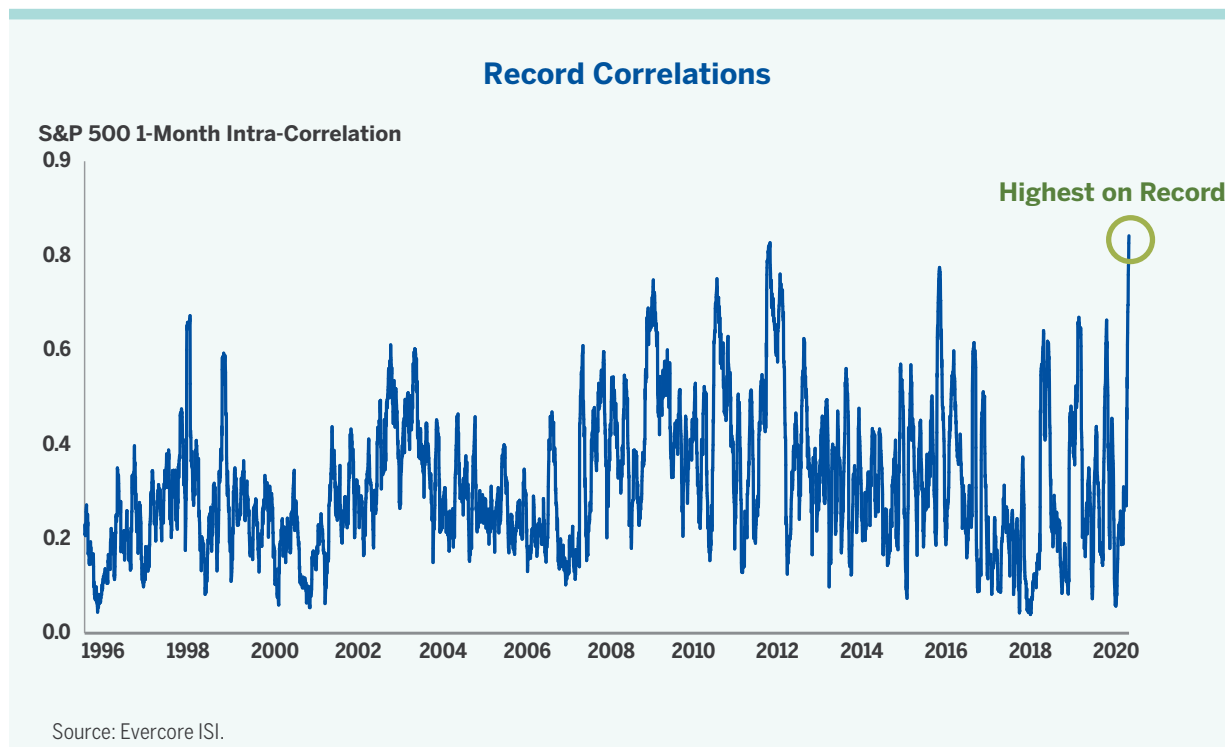


The Opportunity in Correlations

When investors are anxious and fearful, they often make wholesale decisions to raise cash or reduce risk. These types of actions often cause correlations among securities to increase, potentially creating opportunities for investors.



- When investors indiscriminately sell (or buy) equities, correlations among stocks rise. The chart above shows that during the recent pandemic-related panic, correlations soared to the highest level that we have seen in at least a quarter of a century.
- When stocks are moving in sync with each other, some may be mispriced. Attractive stocks may go down with lower quality stocks as investors eliminate the good with the bad.
- Investors may want to consider this a good opportunity to “trade up” in quality and buy the companies with the best management, strongest competitive advantages and most innovative products or consider allocating to active managers who may be able to pick winners from the carnage.

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The S&P 500 Index is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States.

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