ClearBridge Investments

A Market Full of Sound and Fury

March 31, 2016

Assessing the Significance of Recent Equity Volatility

In late December, we wrote with a high degree of conviction that we expected difficult and erratic markets to until oil prices stabilized. We also felt that the minor rise in interest rates by the Fed, along with their misplaced confidence in the strength of the economic recovery in the U.S., was scaring the markets.

By mid-February, things had changed. Oil prices began to stabilize and then rally. Remarks from Fed officials became much more benign. As oil rose in price, so did hope that the recession in manufacturing was bottoming. Fears about banks and their energy industry loans subsided. Many stocks recovered from their lows.

Where does that leave us? In the past, we have referred to our three determinants of stock market direction: earnings, interest rates and psychology. The best or worst markets occur when the three are in sync, either positively or negatively.

About the Author

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- 48 years of investment industry experience
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- PhD in Psychology from Tufts University
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Past performance is no guarantee of future results.

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