NEW HIGHS BEGET NEW HIGHS

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The S&P 500 Index recorded another new record high closing price yesterday (for the fifth time in 2020!), yet many investors are sitting in cash waiting for a pullback. According to the Investment Company Institute, money market fund assets have surged over the past year, reaching over $3.6 trillion this month, a level not seen since 2009.

While it's understandable that investors may want to buy at lower prices, this begs the question: is it a good idea to wait for a pullback after the stock market reaches new highs? As counterintuitive as it may seem, the opposite has been true historically.

Since 1970, the S&P 500 Index has hit a new high closing price 794 times (including yesterday). The table below breaks down how frequently the index reached higher levels over subsequent periods of time.

Percentage of time the S&P 500 Index was higher following a new high closing price after:

1 Day	2 Weeks	1 Month	6 Months	1 Year	18 Months
52.6%	59.2%	58.8%	77.7%	74.1%	80.4%

Source: Bloomberg. Data from 1/2/1970 – 12/31/19. **Past performance is no guarantee of future results.**

More often than not, new highs have led to more new highs. That's not to say the equity market won't pullback at some point. It will. But when that happens, there's no guarantee it will reach lower levels than it is today, or that investors will have the fortitude to take advantage of lower prices. Market timing is a fool's errand, and the opportunity cost of waiting for pullbacks is much higher than most investors realize.