IN 'UNPRECEDENTED' TIMES, AUTOMATION IS A CONSTANT

By: William Studebaker, CIO & President

Whenever investors believe they are swimming in uncharted waters, their risk of taking extreme actions rises —including pulling their assets out of the market. It’s challenging when the word ‘unprecedented’ is being heard so often, referring sometimes to stock valuations and inflation, sometimes to the US political environment and currently the war in Ukraine.

Happily, there is one area where uncertainty is markedly absent: automation. Even in these ‘unprecedented’ times, there is little doubt in our minds that investments and innovations in automation will continue to increase. The reason: the shift toward greater automation has become a business necessity due to its ability to drive productivity and spur economic growth.

We believe now is the time to be invested—and stay invested—in companies driving automation. For those not already invested, we feel the recent market pull-back provides an easy entry point with immense growth potential. And for investors who harbor any doubts about the growth to come, a brief look at history can quickly put them at ease. While current events can certainly feel ‘unprecedented,’ in fact, almost every decade in recent history has included notable conflicts, stresses, and fears that created seemingly unprecedented conditions for the capital markets. Yet, as illustrated in the chart below, the market has proven remarkably resilient in the face of these conditions, providing ample returns to investors from decade to decade.

How Do Stocks Do After Major Events?
S&P 500 Index Performance After Geopolitical And Major Historical Events

		S&P 500 Index Returns			
Market Shock Events	Event Date	1 Month	3 Months	6 Months	12 Months
Cuban Missile Crisis	10/16/1962	5.1%	14.1%	20.7%	27.8%
Kennedy Assassination	11/22/1963	6.8%	11.9%	15.5%	23.2%
Gulf of Tonkin Incident	8/2/1964	(1.6%)	1.9%	5.3%	2.7%
Six-Day War	6/5/1967	3.3%	5.9%	7.5%	13.5%
Tet Offensive	1/30/1968	(3.8%)	5.1%	5.2%	10.2%
Penn Central Bankruptcy	6/21/1970	(0.1%)	7.2%	16.8%	28.6%
Munich Olympics	9/5/1972	(1.0%)	5.7%	2.3%	(5.8%)
Yom Kippur War	10/6/1973	(3.9%)	(10.7%)	(15.3%)	(43.2%)
Oil Embargo	10/16/1973	(7.0%)	(13.2%)	(14.4%)	(35.2%)
Nixon Resigns	8/9/1974	(14.4%)	(7.0%)	(2.8%)	6.4%
Reagan Shooting	3/30/1981	(0.9%)	(1.8%)	(14.0%)	(16.4%)
Continental Illinois Bailout	5/9/1984	(3.1%)	1.0%	6.4%	12.8%
1987 Stock Market Crash	10/19/1987	8.1%	10.9%	14.7%	22.9%
Iraq's Invasion of Kuwait	8/2/1990	(8.2%)	(13.5%)	(2.1%)	10.1%
Soros Breaks Bank of England	9/16/1992	(2.5%)	3.0%	6.8%	9.9%
First World Trade Center Bombin	2/26/1993	1.7%	2.0%	4.0%	4.7%
Asian Financial Crisis	10/8/1997	(3.7%)	(1.8%)	14.1%	(1.5%)
U.S.S. Cole Yemen Bombing	10/12/2000	2.7%	(0.9%)	(11.3%)	(19.6%)
U.S. Terrorist Attacks	9/11/2001	(0.2%)	2.5%	6.7%	(18.4%)
Iraq war started	3/20/2003	1.9%	13.6%	18.7%	26.7%
Madrid Bombing	3/11/2004	3.5%	2.7%	1.5%	8.4%
London Subway Bombing	7/5/2005	3.3%	1.8%	5.3%	5.5%
Bear Stearns Collapses	3/14/2008	3.6%	5.6%	(2.8%)	(41.5%)
Lehman Brothers Collapses	9/15/2008	(16.3%)	(26.2%)	(34.8%)	(11.7%)
Boston Marathon Bombing	4/15/2013	6.3%	8.4%	9.7%	17.9%
Russia annexed Crimea	2/20/2014	1.5%	2.6%	8.0%	14.7%
BREXIT	6/24/2016	6.5%	6.2%	11.0%	19.7%
Bombing of Syria	4/7/2017	1.8%	3.1%	7.6%	12.8%
North Korea Missile Crisis	7/28/2017	(1.1%)	3.6%	14.8%	13.4%
Saudi Aramco Drone Strike	9/14/2019	(1.4%)	5.4%	(8.8%)	12.5%
Iranian General Killed In Airstrike	1/3/2020	1.9%	(23.1%)	(4.2%)	14.4%
U.S. Pulls Out of Afghanistan	8/30/2021	(3.7%)	2.8%	?	?

Source: LPL Research, S&P Dow Jones Indices, CFRA, Strategas 02/22/2022
All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.
The modern design of the S&P 500 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 90.

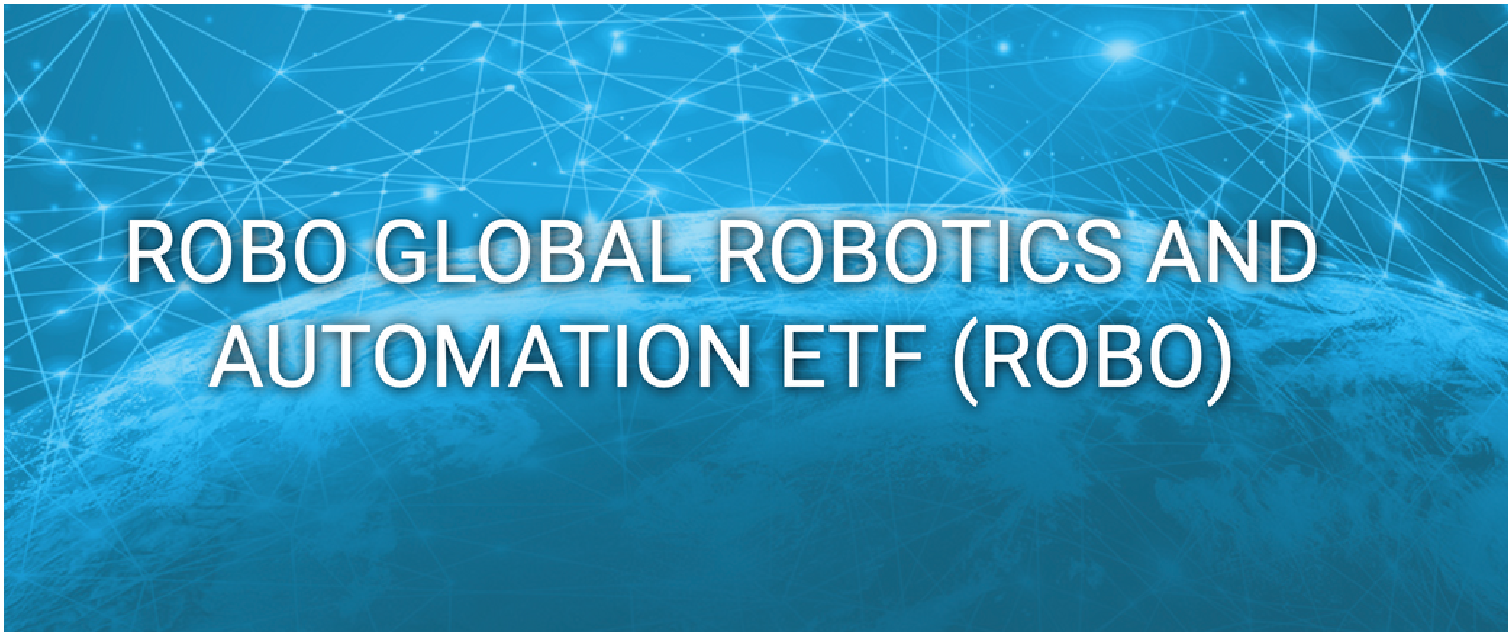
When looking at several decades of asset class returns, it is also clear that stocks have generally outperformed almost all other asset classes. While that is not news to any seasoned investor (there is good reason we choose to invest in stocks!), it is important to note that, when we look at market history, the biggest risk for investors at any point in time is simply not being invested.

For investors who can overcome emotions and stay invested through a down cycle, we firmly believe that there is no better place to reach for growth than owning companies committed to driving automation in their respective industries. Yes, there are 'unprecedented' events occurring around the globe, but we see many predictive trends emerging in 2022 that point to possible decades of future growth for automation.

Over the past few years, we have witnessed continuous and significant developments across the automation industry, as well as wider adoptions, more rapid growth, and consistent and improved efficiencies in nearly every market sector—all thanks to the power of automation. The analysts concur. According to McKinsey, automation is now the #1 trend in technology(2). A Gartner survey recently reported that more than 80% of organizations plan to 'continue or increase' their spending on automation technologies. Enthusiasm around automation is intensifying, and we expect it to grow exponentially in the years and decades ahead. At the same time, the disruption in the supply chain—including the supply of labor—is creating a huge surge in spending on robotics and artificial intelligence. With the law of supply and demand at work, turning to automation to reduce labor costs and increase productivity is an obvious choice.

It is unlikely that the world around us will ever feel calm—at least not for more than what feels like a minute or two. We are living in an endless cycle that seems doomed to repeat. While that may not be a comfort, from an investor perspective, we believe it does offer this upside: an 'unprecedented' opportunity to invest in the future of automation.

Featured ETF: ROBO -- ROBO Global Robotics & Automation ETF



SOURCES
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