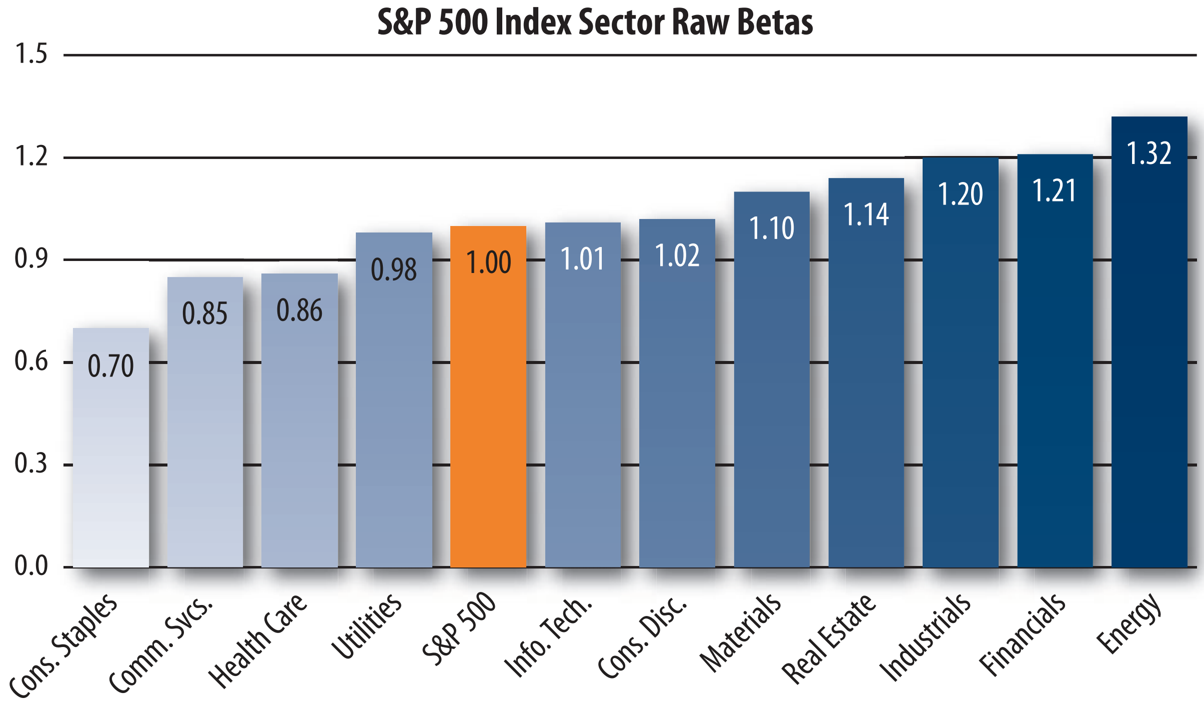
Betas Can Help Match One's Equity Holdings With One's Risk Tolerance



Source: Bloomberg. Two-year betas as of 11/23/20

View from the Observation Deck

1. A beta is just one method used for measuring a stock's, or in this case a sector's, expected level of volatility relative to the broader stock market.
2. Betas offer investors a starting point for assessing whether or not a particular security or basket of securities potentially fits their risk profile.
3. In the chart above, the S&P 500 Index represents the broader market, and is assigned a beta value of 1.00.
4. Those sectors in the chart with a beta of less than 1.00 are considered to be less risky than the S&P 500 Index, while those with a beta above 1.00 are considered riskier than the broader market.
5. Beta values change over time. The S&P 500 Information Technology Index currently has a beta of 1.01, compared to 1.28 at the close of March 2000, the month in which the internet bubble burst, according to Bloomberg.
6. Monitoring key fundamentals of the market such as betas, price-to-earnings ratios and earnings estimates can help an investor adhere to their risk tolerance level as well as potentially exploit opportunities in the market, in our opinion.