Brandes observes:

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Brandes Market Update: A Volatile Start to 2016

Given the recent price declines in global markets, we'd like to share with you some of our observations and the knowledge we've gained over our four decades of experience.

We understand share-price declines don't make most investors *feel* good. Watching stock prices fall can create fear and worry. The financial media can make us feel even worse with stories about a crumbling oil industry, slowing economies worldwide and currency turmoil. Combined, these factors may drive some investors out of the markets entirely. We call that *market timing* and we think it's a bad idea. Investors' attempts to time the market have typically *not* worked out well.

Additionally, we believe that some of the perceived risks are overblown. China's economy is indeed slowing down, but the country's growth is still estimated by the International Monetary Fund to outpace global growth this year.[1] This prediction might not be correct, but no matter what happens in China, it should not be dire for a long-term, diversified, fundamental investor, in our view.

With regard to the oil-price drop, many seem to forget that a lower oil price is not necessarily a bad thing. Lower oil prices can benefit individuals and businesses, as they now have more disposable income that they previously had to allocate to gasoline, utilities, materials and other manufacturing costs.

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Today's market conditions somewhat remind us of 1997 and 1998. Oil prices were falling, and Russia and many countries across Asia devalued their currencies. We also saw the collapse of U.S. hedge fund Long-Term Capital Management, which led the Federal Reserve to organize a bailout by various institutions in an effort to prevent a domino effect in the financial markets. It seemed like stocks were destined for a decades-long decline. But of course that didn't happen. In fact, most global indices, including the MSCI World Index and the S&P 500 Index, delivered double-digit returns in 1998 and 1999.[2]

During heightened market swings, it is important to keep in mind our long-term goals—why we are in the market in the first place.

Let us share three important things we've learned from over 40 years of navigating market cycles:

1. We don't know exactly what the future holds.
2. Nobody knows. *Nobody.*
3. Most importantly: We don't have to know.

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[1] http://www.bloomberg.com/news/articles/2016-01-19/china-s-gdp-misses-estimates-as-stimulus-struggles-for-traction

[2] Past performance is not a guarantee of future results. One cannot invest directly in an index.

In our experience, what investors need to be successful is a consistent focus on two simple variables: price and value. Time and again, this focus has helped investors pursue their long-term financial goals.

Even though price movements get most of the attention, we believe focusing on business value relative to security price enables us to use inevitable market downturns to our advantage.

We have seen many market ups and downs since Brandes Investment Partners was founded in 1974. Each downturn was triggered by different factors and each felt very different. But if we look closer, the *pattern* in which many downturns played out was remarkably similar.

Ultimately, fear tends to push prices lower, creating buying opportunities for the patient investor. While we are aware of macroeconomic concerns, we view today's turbulence as a difficult but *typical* part of investing. As selling becomes indiscriminate during heightened volatility, this creates an opportunity to pick up some potentially great bargains.

We understand it is hard to block emotions amid such challenging market conditions, but we believe focusing on the long-term opportunities a downturn can create is the best way to add value. In our view, price levels today, especially outside the United States, provide an environment that bodes well for value investors. We will continue to take advantage of current market conditions to pursue value for the long-term benefit of our clients.

The S&P 500 Index with gross dividends measures equity performance of 500 leading companies in industries of the U.S. economy.

The MSCI World Index with net dividends measures equity market performance of developed markets.

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