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Should investors still phase into stocks with the S&P 500 above 6,000?

10 June 2025, 14:52 UTC, written by UBS Editorial Team

The S&P 500 has rebounded close to its all-time high, leaving some investors cautious about putting new money to work. Yet, historical analysis of US stocks since 1945 suggests that drawdown risks may not be as severe as many fear. Given the challenges of market timing and the risk of cash losing purchasing power to inflation (especially as interest rates fall), we recommend that investors who are underallocated to equities start putting cash to work, rather than waiting for the "perfect" entry point.

With the S&P 500 hovering just 2% below its all-time high of 6,147 as of 10 June, many investors are understandably cautious about putting new money to work. The sharp rebound in US equities, following a period of tariff, policy, and geopolitical uncertainty in 2025, has left some worried about the risk of suffering large and painful drawdowns. Despite a year-to-date gain of just 2.1% in US dollar terms, the S&P 500's proximity to record levels, recent volatility, and ongoing uncertainty around US trade and policy decisions may have made investors underallocated to US equities wary of buying at what could be perceived as a market peak.

Yet, historical analysis of US large-cap stocks (S&P 500) since 1945 suggests that drawdown risks may not be as severe as many fear. If an investor bought the US stock market at a random time, in 28% of cases they would never have seen their investment (including dividends) trade in the red. Over half of the time, investors would not have experienced a drawdown greater than 5%, and only 19% would have faced a "personal bear market" with losses exceeding 20%. Surprisingly, buying at all-time highs has been even less risky: In 32% of such cases, investments never traded at a loss, and only 15% saw a drawdown greater than 20%.

Balanced portfolios further reduce risk. A 60/40 mix of US equities and intermediate US government bonds would have avoided a drawdown greater than 5% in two-thirds of cases since 1945, and only 5% of the time would losses have exceeded 20%. Cash, by contrast, has underperformed: Stocks have beaten cash in 86% of all 10-year periods and 100% of 20-year periods since 1926, by more than 200 times overall. This underscores the long-term value of staying invested, even when markets are near record highs.

Given the challenges of market timing and the risk of cash losing purchasing power to inflation (especially as interest rates fall), we advise underallocated investors to start putting cash to work rather than waiting for the "perfect" entry point. Dollar-cost-averaging strategies—such as phasing into equities over 12 months—can help manage the risk of poor timing and reduce the influence of emotion, while providing more opportunities to benefit from market dips and rebounds.

To improve effectiveness, we see merit in phasing in only the equity portion of your portfolio, while buying bonds and alternatives straight away. Any sell-off may provide an opportunity to accelerate an equity phase-in, for example if the market sells off by 5% or 10%, using any remaining cash to "buy the dip." For those with robust core portfolios, switching cash into high-quality fixed income can lock in yields and dampen volatility. Balanced portfolios (60/40) have delivered positive returns in 88% of rolling five-year periods in the US, and in 85% and 87% of periods for Europe and Switzerland since 2003, based on CIO analysis. Ultimately, sticking to a disciplined, diversified plan positions investors potentially to benefit from future market recovery and long-term growth, regardless of short-term uncertainty.

Structured investments and options strategies can also help investors manage the opportunity cost of phasing into the market. For example, call buying and put writing can allow investors to benefit from rising markets or commit to buying on a dip. Some structures may have capital preservation features that seek to capture some or all of a market's gains, while curtailing losses so the original capital is returned at maturity. By incorporating structured strategies, investors can tailor their phase-in approach, manage risk, and enhance returns—even when markets are near all-time highs. However, investors should be willing and able to bear the unique risks of investing in structured strategies and options, including but not limited to liquidity and counterparty risks.

With thanks to Justin Waring for his contribution to this article.

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