Sankala Group

Reasons To (Not) Sell

Peter Burns

If you look at a long-term chart of the S&P 500, it can seem like it is simply a slow march upward. It is easy to forget that through all that growth was a cacophony of reasons to panic. Market crashes, recessions, trade wars, geopolitical conflicts, inflation scares—there is always a reason to sell and brace for hard times. The financial media amplifies every downturn, often making it feel like the worst is yet to come.

Right now, the headlines are filled with concerns about tariffs, economic decoupling from Europe over the Ukraine war, economic decoupling from China over trade, and broader macroeconomic uncertainty. And after a nearly 20% drop in markets, this feels like one of those times. The fear is real, and the instinct to retreat to safety is understandable. In times like this, it can feel like the right move is to wait things out on the sidelines.

But history tells us a different story. If you had sold every time there was a compelling reason to, you would have missed out on the long-term upward trend of the market. The market climbs a wall of worry because businesses adapt, economies adjust, and innovation persists. Short-term panic is a feature, not a bug, of investing. For every crisis that felt like a game-changer at the time—whether it was the Dot-Com crash, the Great Financial Crisis, or the COVID-19 pandemic—markets have not only recovered but reached new highs. Selling in the face of uncertainty has been one of the most consistent ways to destroy long-term wealth.

Volatility is the price of admission for long-term returns. We endure the ups and downs because history has shown that patient investors are ultimately compensated for bearing risk. Successful investing isn't about avoiding volatility, it's about understanding that volatility is what creates opportunity in the first place.

It's easy to accept volatility when markets are rising. It's much harder when the headlines are bleak and your portfolio is flashing red. But this is where discipline earns its keep. The pain investors feel today is the cost of future gains. Selling into that pain often locks in losses. Staying disciplined—and being willing to lean in when others lean out—is how long-term returns are captured.

That doesn't mean sitting on your hands, though. Not panicking is different from doing nothing. Market volatility and economic uncertainty create opportunities for investors who stay disciplined and look beyond the fear. Even when the macro outlook is cloudy, there are always smart places to invest capital.

Uncertainty is precisely why we start with a balanced portfolio in the first place. We don't build investment strategies assuming everything will go smoothly. We build them knowing that turbulence is inevitable. A diversified approach ensures that we have exposure to assets that can weather different economic environments while maintaining the flexibility to take advantage of mispriced opportunities as they arise.

One lens through which we can evaluate these opportunities is by comparing the total market capitalization of a country's stock market to its gross domestic product (GDP). This ratio, sometimes called the "Buffett Indicator," has been referenced by Warren Buffett as a broad measure of market valuation. While it's not a timing tool, it can highlight where markets may be priced for perfection and where there may be more reasonable entry points. When we look at this ratio across countries, we find that several European markets trade at significantly lower market cap-to-GDP ratios than the United States. That relative undervaluation can signal potential for outsized returns, especially when paired with strong fundamentals and improving sentiment.

Right now, one of those areas is Europe. A glance at European stock market capitalizations relative to GDP paints an interesting picture. Unlike the U.S., where market capitalization has far outpaced economic growth, many European stock markets remain undervalued relative to their economies. This discrepancy suggests opportunities for long-term investors who can separate the signal from the noise. Despite economic slowdowns and political challenges, many European companies remain global leaders in their industries. When sentiment turns overly negative, mispricing can occur, creating entry points for patient investors.

Country	**Market Cap/GDP**	**Long Term Average of Market Cap/GDP**
China	66%	131%
Australia	94%	126%
Netherlands	128%	149%
UK	98%	115%
Brazil	42%	49%
Mexico	28%	29%

Japan	144%	134%
South Korea	88%	75%
Germany	61%	45%
France	110%	93%
Canada	148%	127%
Sweden	149%	127%
Switzerland	224%	196%
India	113%	87%
USA	170%	87%

While the prevailing narrative emphasizes the risks—an aging population, slowing growth, political instability, and trade realignments—we are focused on the reasons to buy. Select European markets offer attractive valuations, strong business fundamentals, and a chance to capitalize on the pessimism that has weighed down asset prices. This has been the case for a while in Europe, but now there is a catalyst in the form of the US reviewing NATO funding which is leading to additional investment in Europe by Europe. Investors are waking up to this new reality and sure enough, Germany has outperformed the US +5% vs. -14% so far this year.

Every sell-off, every moment of uncertainty, presents a choice: succumb to fear or seek out opportunity. Investors who can remain patient and allocate capital intelligently during times of uncertainty are usually rewarded. History favors those who stay invested with a disciplined, forward-looking approach. That's how wealth is built over time, and that's the approach we continue to take. The reasons to sell will always be there, but the best investors focus on the reasons to buy in the face of other investors' fears.

Best,

Peter S. Burns
Sankala Group LLC
T: (406) 201-7040

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