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Let's take a few minutes to discuss the 1%. Wait, before you turn the page and after you groan and roll your eyes, let me explain it is a different 1%. I am discussing volatility in the equity markets. Whew! Still with me? Good. The volatility of the global stock markets is often blamed on uncertainty. We seem to have had our share in the past year. When the markets move by 1% or more, often there has been a major change in perspective or some event that moves the markets.

But haven't all the recent uncertainties been addressed? Take Grexit, can kicked down the road; or Chinese currency devaluations, likely not done yet; U.S. economy continues to grow, sort of if 1% average annualized is your idea of growth; Brexit behind us, has not even started yet; Federal Reserve to normalize interest rates, well, no, but then maybe, but not as soon or as much as thought. I think you get the picture. This list does not include the rebound in the price of crude oil and a more recent retreat, the U.S. presidential election, and Italian constitutional referendum, $13 trillion of global sovereign debt with negative yields, or U.S. 10 year treasury yields near record lows.

For our purposes, consider a 1% move in the S&P 500 as a useful measure of volatility. Since 1958 the annual average of days with a 1% move is 54. As you might expect, the record number goes to 2008 with 134 times of such a move. The lowest annual number goes to 2014 with just 38 days of a 1% move. Ah, the good old days!

In 2015, we experienced 72 such days, almost double of 2014. Through July, we had 39 days compared to 33 for the same period in 2015, largely due to 26 such days in the first quarter, double the average. The second quarter fared a little calmer, with 12 such days compared to an average of 13.3 days. However, that pattern is similar to 2015 and typically our measure of volatility increases in the third and fourth quarters of the year.

What does the rest of the year hold? If we assume a reversion to the average, we can expect a lot of volatility. Through the end of July, we had 1 day of a 1% move in the S&P 500, while the average for the third quarter is 13. That would indicate that about a quarter of the remaining trading days in August and September would experience a move of at least 1%. Based on averages, the fourth quarter would be similar to the third quarter, with an average of 14.3 such days.

A major difference with last year is the presidential election. Going back to 1958, November in presidential election years have, on average been less volatile than non-election years, 4 days versus 4.8 days. But that has changed since 2000, averaging 8.3 days. Some of that change is due to the dot-com bubble in 2000 and the financial crisis in 2008. In addition but small comfort, October has historically been the most volatile month and December the least.

Where do you allocate your investment assets in light of the above information? I read a piece written by whom I assume is a confirmed optimist, that uncertainty is not a negative but only increases the number of potential opportunities. With that attitude, maybe that is how you move into the 1%, yes the other one.