

Market Volatility

As the volatility returns to the stock market, the news media begins to mention pullbacks, corrections, and bear markets on a more frequent basis. These stock market terms define the type of downturn and its severity. A pullback is any negative response by the market and is temporary. A correction is ten percent down from the recent stock market high, while a bear market is defined as twenty percent down from the peak. While negative news tends to slide off in markets without much volatility like 2017, the current stock market does not shake off the bad news as easily. Market pullbacks and corrections are normal and can occur even in a positive year. Bear Markets are less common and typically happen before an economic recession; the current data does not support one.

Now seems like a good time to review our best practices for handling market fluctuations:

- **Media Over-Exposure:** Reduce your exposure to the media sensationalism. Remember that the 24/7 news cycle has to find something to fill the time and tends to repeat negative news making it seem potentially larger than the reality.
- **Statistics:** Keep in mind that the point drop is not the same as the percentage drop. With the Dow now around 24,500, a 400 point drop sounds large but is actually 1.6%. Ten years ago when the market was around 12,500 the same 400 point drop would have been 3.2%.
- **Quarterly Statements:** Re-evaluate the frequency of your online access especially if you are looking at your accounts on a daily basis. Continue to review your statements on a quarterly basis.
- **Diversification:** The diversification that we have built into your portfolio is designed to help in the long-term. Ask yourself, "What is the likelihood that all of the companies that I am invested in would go bankrupt at the same time?"
- **Long-term Investor:** Remember that you are a long-term investor even in retirement.
- **Bear Market Plan:** If you are already retired, we have reviewed the importance of emergency savings while creating your Financial Plan. The emergency savings is to be used for the unexpected including Bear Markets.
- **Rely On Me:** You are never alone. Don't hesitate to call me whenever you become uncomfortable with the markets.

While the volatility is expected to continue, the markets can still end positively since economic news remains optimistic with strong corporate profits, low unemployment, and continued economic growth in the United States and globally.

Kind regards,
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