



## Keep Calm, Stay Invested

*Expect more volatility, but avoid letting the headlines alter your plans.*

Provided by, North Shore Capital Group, Inc.

**Recent headlines have disturbed what was an unusually calm stock market.** The political uproar in Washington may continue for weeks or months, and it could mean significant, ongoing turbulence for Wall Street.

As an investor, a retirement saver, how much will this turmoil matter to you in the long run? Perhaps, very little. There are many good reasons to remain in the market.

**The earnings recession has ended, and the economy has strengthened.** This past earnings season was a superb one. The first quarter of 2017 saw the biggest annualized leap in corporate profits in five years – nearly 15%, according to S&P Capital IQ. The good news hardly ends there. We may be at or near full employment – both the headline jobless rate and the U-6 rate measuring underemployment are back to where they were before the Great Recession began. Inflation has, at last, picked up, and the manufacturing and service sectors have been growing. <sup>1,2</sup>

**The market is still having a good year.** At this writing, the S&P 500 is up more than 5% year-to-date; the Nasdaq Composite, about 12% year-to-date. Given the economic trends mentioned in the above paragraph – and the possibility of more dovishness from the Fed – these indices could certainly see further 2017 gains. <sup>3</sup>

**Remember that many investors come to regret emotional decisions.** Emotions drove many people away from equities in the 2007-09 bear market, and they paid a price; after sinking to a bottom on March 9, 2009, the S&P 500 appreciated 100% in just four years. Some of those who sat on the sidelines as the bull market started ended up buying high after selling low. <sup>4</sup>

Here is another dramatic example: the S&P rose 15.2% in a month (in terms of total return) after hitting a low on October 9, 2002. So, just as the market can drop quickly, it can also recover quickly. <sup>4</sup>

**Breaking news should not dissuade you from pursuing your long-term objectives.** Your retirement savings effort is not momentary, but lifelong. The Dow, Nasdaq, and S&P 500 have climbed higher through all kinds of disruptions in their long history. The S&P has advanced in 72% of the years it has been in existence. Look at the big picture of market performance over time. Understand that pronounced, daily volatility is a disruption of the market norm, not the norm itself. <sup>4</sup>

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#### Citations.

- 1 - [cnbc.com/2017/05/12/corporate-profits-just-posted-their-biggest-jump-in-five-years.html](http://cnbc.com/2017/05/12/corporate-profits-just-posted-their-biggest-jump-in-five-years.html) [5/12/17]
- 2 - [nytimes.com/2017/05/05/upshot/were-getting-awfully-close-to-full-employment.html](http://nytimes.com/2017/05/05/upshot/were-getting-awfully-close-to-full-employment.html) [5/5/17]
- 3 - [markets.wsj.com/us](http://markets.wsj.com/us) [5/18/17]
- 4 - [thebalance.com/u-s-stock-bear-markets-and-their-subsequent-recoveries-2388520](http://thebalance.com/u-s-stock-bear-markets-and-their-subsequent-recoveries-2388520) [9/23/16]

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