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Stock market declines are the last thing most investors want to experience but they are an inevitable part of investing. During periods of volatility in the stock market, you may have doubts about your long-term investment strategy. History has shown that stock market declines are a natural part of investing. While declines have varied in intensity and frequency, they have been somewhat regular events. Perhaps a little historical background can help you put stock market declines in perspective. A look back at stock market history since 1900 shows that declines have varied in intensity, length and frequency. In the midst of a decline, it has been difficult to tell the difference between a slight dip and a more prolonged correction. The table below shows that declines in the Dow Jones Industrial Average have been somewhat regular events.

A History of Market Declines
Dow Jones Industrial Average, 1900-2017

Size of Decline	Average Frequency[1]	Average Length[2]	Last Occurrence
-5% or more	About three times per year	47 days	June 2016
-10% or more	About once per year	115 days	February 2016
-15% or more	About once every two years	216 days	October 2011
-20% or more	About once every 3¾ years	338 days	March 2009

It is easy to look back today and say with hindsight that the stock market was overvalued at a particular time and due for a decline. But no one has been able to accurately predict market declines on a consistent basis. In January 1973, a New York Times poll of 8 market authorities predicted that the market would "move somewhat higher" in the future. The Dow industrials proceeded to decline 45% over the next 23 months. Then, although almost no one predicted it, the Dow rose 38% in 1975.

The table below shows the percentage of time that the US stock market has positive returns. If one was to monitor the market on a daily basis, essentially half the time the market would be up and half the time the market would be down. As you take a longer term view, one can see the percentage of time the market is up increases.

S&P 500: 1926-2015

Time Frame	Positive	Negative
Daily	54%	46%
Quarterly	68%	32%
One Year	74%	26%
5 Years	86%	14%
10 Years	94%	6%
20 Years	100%	0%

Source: Returns 2.0

This is why it is important to have an investment methodology that allows you to observe the market in an objective fashion, leaving subjectivity and emotion at the door.

P.S. If you think this type of information would be of benefit to anyone you know, please share this

YOU DO THE MATH - The 4.1% unemployment rate for January 2018 that was reported by the government on 2/02/18 is based upon a survey of just 60,000 households that was completed during the week of 1/08/18. The employment status of the individuals in those 60,000 households is then extrapolated to project national figures for our country's actual 120.2 million households (source: Department of Labor).

BIG CITY PEOPLE - 50% of the US population lives in just 143 counties in the USA, i.e., just 4.6% of the 3,142 counties throughout the nation are home to half our citizens (source: Census Bureau).

COST TO BORROW - The average interest rate on a 30-year fixed rate mortgage rose to 4.32% last week, the highest level seen in the United States since December 2016 (source: Freddie Mac).

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