We are, of course, in an unprecedented time. We've seen recessions, bear markets, corrections, and pullbacks before but people are saying "this time is different". What is different this time is the volatility is not so much related to economics as it is the uncertainty of the current epidemic. We did enter a bear market officially earlier this month and the past few days have seen some dramatic upticks due to expectations of a government bailout. It's my personal opinion we won't see stability in the markets until the infection rate levels off and begins to fall. Just as panic over the uncertainty sent markets reeling, it's important not to get caught up in the early jubilation of a couple of positive market days. Decisions to buy or sell should be based on objective data and not subjective feelings and fears (of loss or missing out on gains). Talk with your financial advisor about your plans and investments to determine what path makes sense for you. Haven't heard from your advisor or would like a second opinion? Give me a call or visit www.wsgllc.net/welcome to access my calendar to schedule a call.
----Chuck

Pullbacks, Corrections, and Bear Markets

What's the difference? What do these terms mean for you?

Provided by Charles D. Vercellone, ChFC

The COVID-19 outbreak has put tremendous pressure on stock prices, prompting some investors to blindly and indiscriminately sell positions at a time when the entire market is trending lower. Worried investors believe "this time it's different." When the market drops, some investors lose perspective that downtrends – and uptrends – are part of the investing cycle. When stock prices break lower, it's a good time to review common terms that are used to describe the market's downward momentum.[1,2]

Pullbacks. A pullback represents the mildest form of a selloff in the markets. You might hear an investor or trader refer to a dip of 5% to 10% after a peak as a "pullback."[1]

Corrections. The next degree in severity is a "correction." If a market or markets retreats 10% to 20% after a peak, you're in correction territory. At this point, you're likely on guard for the next tier.[1]

Bear Market. In a bear market, the decline is 20% or more since the last peak.[1]

All this is normal. Pullbacks, corrections, and bear markets are a part of the investing cycle. When stock prices are trending lower, some investors can second-guess their risk tolerance. But periods of market volatility can be the worst time to consider portfolio decisions.

Pullbacks and corrections are relatively common and represent something that any investor may see in their financial life, from time to time – often, several times over the course of a decade. Bear markets are much rarer. What we are experiencing now represents the start of the ninth bear market since 1926. This bear market follows the longest bull market on record.[1]

How is this bear market going to affect me? That's a good question, but it's something that you won't fully understand in the here and now. The average bear market lasts 146 days for the Standard & Poor's 500.[2]

A retirement strategy, formed with the help of a trusted financial professional, has market volatility factored in. As you continue your relationship with that professional, they will also be at your side to make any adjustments as needed and help you make any necessary decisions along the way. Their goal is to help you pursue your goals.

Citations.

1 - kiplinger.com/slideshow/investing/T018-S001-25-dividend-stocks-analysts-love-the-most-2019/index.html [3/10/2020]
2 - marketwatch.com/story/the-dow-just-tumbled-into-a-bear-market-ending-the-longest-bull-market-run-in-historyheres-how-those-downturns-last-on-average-2020-03-11 [3/14/2020]

Charles D. Vercellone, ChFC
Wealth Strategies Group, LLC
200 E Big Beaver, Troy MI 48083
248-680-4622
chuck@wsgllc.net
www.wsgllc.net/welcome