It's a good lesson to remember, just extremely difficult during pandemonium. Much of the market decline in February-March had very little to do with hard economic numbers and fear was in the driver's seat. As noted below, the market bottomed on March 23 (down 33.9% from January 1). On April 17, less than a month later, the markets recovered 28.5% from the March 23 low. When subjectivity is fueling the market (both irrational exuberance and unparalleled pessimism) buying or selling into the trend may not be your best move. From these numbers, my takeaway is; Once fears over the virus abated, the markets recovered the losses attributed to those fears. While we still have some way to go to get back to January 31 values, we can now make look at our options objectively and, hopefully, make well thought out decisions.
----Chuck

Did not hear from your advisor during the downturn or not sure what decisions you should be making now? Give me a call, or head to https://meetme.so/ChuckVercellone to schedule a call.

A Stock Market Lesson to Remember

Confidence can quickly erode, but it can also quickly emerge.

Provided by Charles D. Vercellone, ChFC

Undeniably, spring 2020 has tried the patience of investors. An 11-year bull market ended. Key economic indicators went haywire. Household confidence was shaken. The Standard & Poor's 500, the equity benchmark often used as shorthand for the broad stock market, settled at 2,237.40 on March 23, down 33.9% from a record close on February 19.[1]

On April 17, the S&P closed at 2,874.56. In less than a month, the index rallied 28.5% from its March 23 settlement. And while past performance does not guarantee future results, there is a lesson in numbers like these.[1]

In the stock market, confidence can quickly erode – but it can also quickly emerge. That should not be forgotten.

There have been many times when economic and business conditions looked bleak for stock investors. The Dow Jones Industrial Average dropped 30% or more in 1929, 1938, 1974, 2002, and 2009. Some of the subsequent recoveries were swift; others, less so. But after each of these downturns, the index managed to recover.[2]

Sometimes the stock market is like the weather in the Midwest. As the old Midwestern cliché goes, if you don't care for the weather right now, just wait a little while until it changes.

The stock market is inherently dynamic. In tough times, it can be important to step back from the "weather" of the moment and realize that despite the short-term volatility, stocks may continue to play a role in your long-term investment portfolio.

When economic and business conditions appear trying, that possibility is too often dismissed or forgotten. In the midst of a bad market, when every other headline points out more trouble, it can be tempting to give up and give in.

Confidence comes and goes on Wall Street. The paper losses an investor suffers need not be actual losses. In a down market, it is perfectly fine to consider, worry about, and react to the moment. Just remember, the moment at hand is not necessarily the future, and the future could turn out to be better than you expect.

Sources:

1. WSJ.com, 2020
2. USAToday.com, March 21, 2020

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