THIS IS WHAT A CORRECTION FEELS LIKE

Casey Snyder and Tom Sedoric

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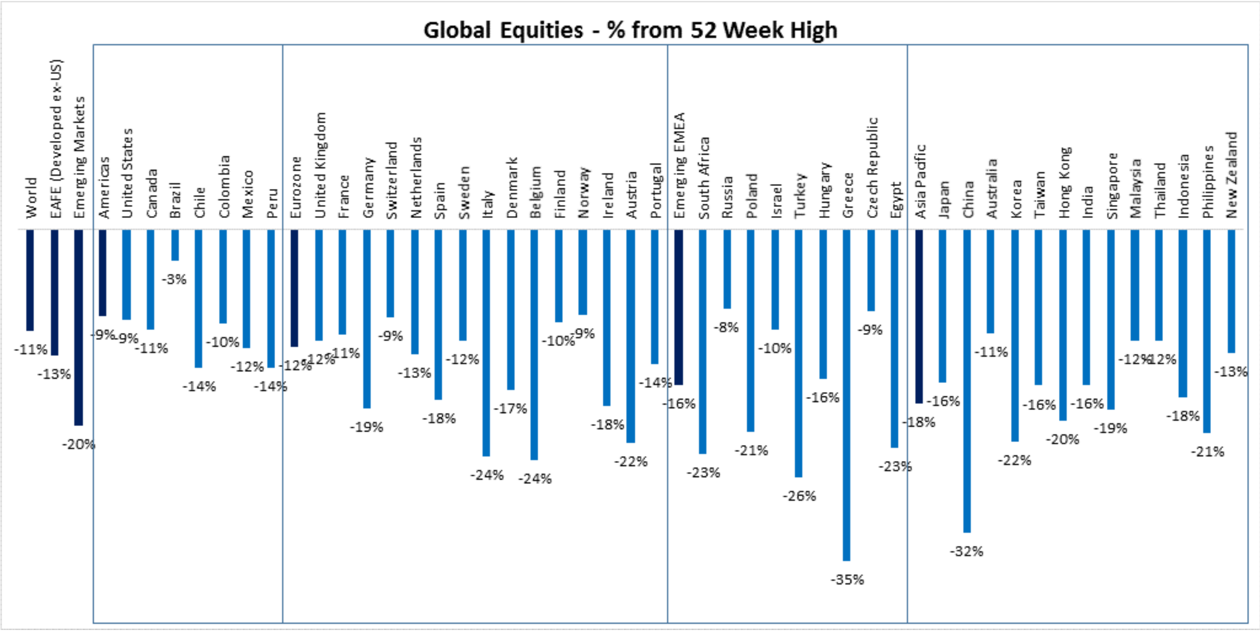
In July of this year, a major investment firm announced that 'global markets were on track to be the most volatile since 2008'[1]. For many, this was hard to imagine at the time. Now, not so much. October 2018 was a healthy reminder of what a correction feels like. As you can see below, most global equities are off from their 52-week high. For some, the question is, now what? And for most, the answer should be, do nothing.



-Raymond James Weekly Market Guide – as of 10/29/2018

As a reminder:

- U.S. equity markets average one 13-14% annual decline per year.

- Daily dips of 2% or more occur roughly 5 times per year.
- Since 1928 the S&P 500 has seen 325 days with losses of 3% or more. This equates to an average of about 3.5 occurrences per year.
- On average, US equity markets rise approximately 3 out of every 4 years.
- Every five years or so markets decline by over 30%.
- Over long periods of time, equity markets have significantly outperformed inflation.
- If you're actively engaged in saving – corrections are opportunities.
- If you're retired and living off your nest egg, you've lived through enough corrections and recessions to know the drill.
- Never make important decisions based on emotion.
- Turn off the T.V. and stop checking your account every day.
- Market timing never works.

Corrections are something we've cautioned investors about each of the past two years. Please see, Corrections Playbook – June 2017, and our Updated Corrections Playbook – March 2018. Recently, we cautioned investors about how even a normal correction may feel like an oncoming freight train due to the length of time since mainstream markets exhibited normal volatility.

The greatest challenge for many investors now that we're nearly 10 years out from the last recession will be the mental hurdle related to larger numbers. A 5% decline in $100,000 household, a $1,000,000 household, or a $10,000,000 household is still a 5% decline. The difference is seeing a $5,000, $50,000, or $500,000 decline. Our brains have a way of making the $500,000 decline appear far larger than the $5,000 decline despite the percentages being the same.

As we've said before, corrections, like recessions, are normal, inevitable, and necessary to recalibrate markets and the economy. They should be expected. We will have multiple market corrections in the future, they are impossible to predict, and not to be feared. Being prepared financially and emotionally is, and always will be, the best advice.

Does anything you've read trigger a question? Send us an email.

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[1]https://www.cnbc.com/2018/07/23/global-markets-on-track-to-have-most-volatile-year-since-2008.html