



What a Market Correction Means for You

Here's a quick refresher: a correction is defined as a decline of 10% or greater from a recent high in the financial markets. Corrections can last anywhere from days to months, but few have lasted longer. Recently, we've seen a bumpy ride, and I wanted to reach out to give you some context on what this might mean for you.

Stock prices have bounced in-and-out of correction territory, as investors attempt to measure the economic impact of the COVID-19 virus. During periods of volatility, it's important to remember that stock market corrections are not unusual and represent a normal part of the investing cycle.

Coordinated Response. There's little doubt the coronavirus presents a challenge to the global economy. Already, we are seeing a coordinated response from healthcare organizations and federal agencies. On March 2, 2020, the Federal Reserve cut short-term interest rates by half a point, and the International Monetary Fund and G7 officials pledged to support economies impacted by the outbreak.

A Reality Check. While significant market downturns can certainly be unsettling, it helps to view corrections from a wider perspective. This is the 7th correction the stock market has seen within the last ten years. You may remember late 2018, when the market benchmarks fell nearly 20% when the Federal Reserve continued to raise shorter-term interest rates as the U.S. economy strengthened.

In fact, if we widen our gaze further, we can see that this is actually the 27th market correction since World War II. Past performance can't predict future market results, but markets have still managed through the process of price corrections.

Corrections remind us of a reality we don't like to think about: stock prices can't always go up. When prices drop, it can be tempting to give in to our emotions and react, but patience and caution may be warranted.

Strategically Strong. Your investment strategy has been created to reflect your time horizon, risk tolerance, and goals. As an investor, getting through a correction means having the poise to ride out short-term volatility. I'll be paying close attention to market developments in the coming days and weeks. In the meantime, feel free to call me or email me if you have any questions or concerns.

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¹ CNBC.com, March 3, 2020

² Acorns.com, February 27, 2020

³ CNBC.com, February 27, 2020