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How To Manage Market Volatility

The trader's adage goes, “The stock market takes the stairs up and the elevator down.” The saying helps illustrate the speed at which stock prices can move, especially over the last few days.

Here's how the recent stock market drop happened.

First, we saw disappointing Q2 corporate reports from several high-profile technology names, along with discouraging news from Federal Chair Powell about short-term interest rates. Following this was confusion from the Japanese market and other international issues mixed with uncertainty regarding the upcoming election. And just like that, stock prices pulled back.

However, it may be helpful to remember that volatility is part of the investing process. The following table shows that more than seven times a year, investors should expect pullbacks of 3 percent, and at least once a year (since 1928), investors should be prepared for a 10 percent correction. When viewed from a historical perspective, recent market activity isn't as abnormal as one might think.

Keeping Perspective

Standard & Poor's 500 declines per year since 1928.

Source: Carson Investment Research, 2024

The S&P 500 index was introduced in March 1957, when it was expanded from 90 companies to 500 and renamed the S&P 500 Stock Composite Index.

I know that it’s uncomfortable when stock prices pull back or slip into correction territory. Financial media can make the day’s events seem overwhelming, which can cause some investors to lose focus on their overall strategy.

If you’re starting to feel like “it’s different this time,” please give me a call as soon as possible. I’ll want to learn more about what you are seeing with the goal of moving us to a more comfortable place.

Carson Investment Research, 2024

Stocks are represented by the S&P 500 Composite Index is an unmanaged index that is considered representative of the overall U.S. stock market. Index performance is not indicative of the past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index. The return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost.

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