

Is Last Week's Volatility Anything to Worry About?

By Bob Deitrick

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The answer is No. Sporadically, there will be some dark days in the market, like last week, but the worst thing one can do is sell. ***Panic selling never works out.*** Remember Warren Buffet's discerning words:

When others are greedy, I am fearful, and when others are fearful, I am greedy.

When we see big pull-downs in the market and panic selling as we experienced last week, this almost always creates a buying opportunity. We believe the market is setting itself up for a post-mid-term election rally. We suspect this stock plunge is an opportunity setting up prior to the November mid-terms. There is serious concern about the Chinese tariffs and the renewed inflation they may cause, and we believe that there has been some complacency in the market which has been wrung out of the market now as well. When stocks fell sharply last week, it made for great headlines, but the two-day stock plunge was no more than a mini-correction to the ongoing bull cycle, in our view.

U.S. stocks fell in volatile trading last week after the major indexes suffered steep losses sparked by concerns about higher interest rates, potential inflation and the trade wars. The Dow plunged 832 points last Wednesday - its worst one-day decline in 8 months. We see this as an aberration and a time to consider loading up in the areas we have been focused on all year including domestic equities sectors of: ***health care, biotech, tech, consumer discretionary and industrials.*** We cautioned in January that 2018 would be a more volatile year than 2017 and that has indeed been the case. The market historically experiences two corrections each year, and it appears we are returning to that old norm.

The market needs to adjust to these higher rates now that the 10-year yield is above 3.15%. However, we believe this bull cycle can move forward once this adjustment to the norm of higher rates takes hold. Bear in mind, the market sustained a huge rally through the Clinton decade of the '90's when rates hovered between 5.5 to 9%. This bull cycle will continue until the next recession which may not happen until 2020 or '21. The market has been volatile; however, if the economy remains sound, despite these unsettling clouds on the horizon, we see little to fret about presently.

Feel free to call us any time. We have two holiday parties coming up in December! Enjoy your week!

We are buying out Eddie Merlot's for two Holiday Events in December:

December 8th - Saturday Holiday Brunch at Eddie Merlot's from 11:00 a.m. until 3:30 p.m.

December 16th - Sunday Evening Holiday Dinner at Eddie Merlot's from 4:00 p.m. until close.

Feel free to attend one or both events at Eddie's. RSVP to Hunter or Steven at 614.901.3400.

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