Ouch: September’s Market Correction Hurt

Here’s what you need to know.

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In theory, investors understand that stock market corrections are part of the investing process. But experiencing a setback—like the one we’ve witnessed in the past four weeks—can raise a lot of shoulda, woulda, coulda questions.

From its intraday high on September 2 to its intraday low September 23, the Standard & Poor’s 500 Index dropped more than 10%. The Nasdaq Composite dropped as much as 14% as technology stocks bore the brunt of the selling.[1]

Should I have done something differently? Would I do it again? Could I avoid this part of the investing process?

These are natural questions, in hindsight.

During the four-week stretch, it’s important to remember the market grappled with several big-picture issues. Hopes for an additional fiscal stimulus faded as legislators appeared deadlocked. And investors learned that the Federal Reserve plans to keep short-term interest rates low for an extended period of time.

The Fed signaled that interest rates would not be increased “until labor market conditions have reached levels consistent with the committee's assessments of maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time.” Some don’t see this happening until 2023.[2]

Keep in mind that investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

For some investors, stock market corrections can feel like the “start of something bigger.” Or they can feel like “it’s different this time.” If you’re concerned about the recent market volatility, give us a call. We’d like to hear what’s on your mind.

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Citations

1. CNBC.com, September 26, 2020
2. The Wall Street Journal, September 16, 2020