Our emotions can be a huge obstacle to our investment success. Emotional investing decisions, like chasing performance or moving into and out of the market, are usually reactions intended to avoid risk. However, they could lead to the biggest risk of all: not reaching your long-term financial goals. Remember, a short-term market decline doesn’t change your long-term goals. It’s important to maintain a long-term perspective and stay invested during the ups and the downs. If appropriate, consider investing more in quality investments when prices are down.
Keep Emotions Out of Investing

Following big market declines, such as the financial crisis of 2008, many investors may be tempted to keep their money in short-term investments and out of the stock market because they believe it’s easier. And while you may think that the average consumer isn’t confident in the economy because market returns are low, consider the following:

» Historically, when consumer confidence was low, stock prices were also low, and future returns ultimately tended to be higher.

» On average, stocks returned 14.7% per year following a consumer confidence reading of 66 or below.

» When consumer confidence was higher, stock prices were higher, and future returns tended to be low, averaging 2.8% per year following consumer confidence readings of 113 and above.


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The Dow Jones Industrial Average (Dow) is an unmanaged index and is not meant to depict an actual investment. Figures do not include fees, commissions or expenses, which would have a negative impact on investment results.

Consumer confidence – A survey by the Conference Board that measures how optimistic or pessimistic consumers are with respect to the economy in the near future.

Conference Board – A not-for-profit research organization for businesses that distributes information about management and the marketplace. It is a widely quoted private source of business intelligence.