Putting Market Declines in Perspective

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When stock prices begin falling dramatically, it can appear that your only option is to sell to limit losses. But we disagree – if you are a long-term investor, the difference between success and failure may be determined by your actions during a stock market decline.

In fact, long-term investors will likely experience numerous market declines through the years. Consider the following table:

<table>
<thead>
<tr>
<th>Declines in the Dow Jones Industrial Average</th>
<th>Dip 5% or more</th>
<th>Correction 10% or more</th>
<th>Bear 20% or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of declines</td>
<td>398</td>
<td>127</td>
<td>32</td>
</tr>
<tr>
<td>Declines per year</td>
<td>3.3</td>
<td>About 1</td>
<td>About 1 every 3.5 years</td>
</tr>
</tbody>
</table>

Source: Ned Davis Research, 1/2/1900–12/31/2018.
Past performance is not a guarantee of future results. The Dow Jones Industrial Average is unmanaged and is not meant to depict an actual investment. Copyright © 2019 Ned Davis Research, Inc. All rights reserved. Further distribution prohibited without prior permission.

The next time the market has a hiccup, take a deep breath and remember this advice:

• Market declines are normal, frequent and not a reason to sell quality investments.
• Market declines begin and end without warning.
• Market declines provide an opportunity to buy quality investments at a lower price.*
• Market declines return investments to their rightful owners – those who understand why they own what they own.

Market declines can test the nerves of even the most patient investors. If you own a diversified mix of quality investments, resist the temptation to sell or make changes based on short-term events.

*Investing in stocks involves risk. You may receive more or less than your original investment when you sell your shares.