

WHO DUNNIT?

You as an investor have witnessed stock market declines of 1,000-points in just the first week or so of February. It's been quite a while since we have seen this kind of volatility in the market. Really, everybody wants to know "Whodunnit?"

If it looks like a correction, feels like a correction and acts like a correction...

You guessed it, it is probably a correction! I will answer the question of "Whodunnit?" at the end of this newsletter. Any down days in the market with big number swings will bring out the experts and now obviously everybody is interested in knowing what caused this drop.

Yes, Mildred, we have been in a long-term 9-year Bull Market, however, after all the Bear Markets I've been through, and the ones I've studied, they were caused by recessions. Think back to years 1973 – 1974 recession, 2000 – 2002 recession, 2008 -2009 recession...

We are not in a recession...

It is almost a paradox because our economy (whether you measure it by GDP, Incomes, Unemployment, Home Sales, or Corporate Profits) is sizzling. So it appears that we're not in a recession-caused Bear Market. I believe we are in a correction.

What is a correction?

Corrections happen more than Bear Markets. A correction consists of a 10 percent draw down from a market high. In the last 50 or 60 years, we have about 10 corrections per decade or about 1 per year. And our last correction was in January of 2016.

If a correction is identified by a 10 percent draw down, as of Friday the 9th of 2018, the Dow and S&P were down approximately 10 percent. At this time, because the economy is doing so well, I don't see a Bear Market draw down caused by a recession.

Most corrections are over in a matter of weeks or months. You can expect more volatility until the market finds a footing. And so now, yes, I will answer the question of "Whodunnit?" And of course, you know, the Butler did it!

Sincerely,

John Romano, CFP®

John Romano, CERTIFIED FINANCIAL PLANNER™ has over 30 years experience in the financial field. John is a Registered Representative with Securities America, Inc. (member of the FINRA and SIPC), and an Investment Advisor Representative with Securities America Advisors. He has prepared hundreds of reports for retirees to assist in their retirement income planning needs. He is dedicated to providing portfolio analysis, dividend and income information, and investment management services to retirees (and those preparing to retire) in The Villages, Florida and surrounding areas.

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