

In the Markets Now

Corrections and the long-term investor

We believe in the old saying: a picture is worth a thousand words. Here, we aim to recap recent market action and provide some perspective to investors.

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HOW TO THINK ABOUT A STOCK MARKET CORRECTION

It's no great secret that the market is off to a rocky start in 2022. Stocks are being weighed down by the prospect of tighter monetary policy, geopolitical turmoil, softening corporate earnings, a potentially contentious mid-term election, and more. When the market is falling, the list of potential headwinds can seem both intimidating and endless.

But while near-term uncertainties have a long history of spooking the market into quick (sometimes violent) selloffs, for just as long the market has rebounded from these episodes – and often strongly. You can see that in our table to the right, which chronicles every (-10%) or worse drop in the S&P 500 over the last fifty years and the subsequent performance off the lows. Among the group are selloffs and crashes spurred on by many of the same issues we face today. And while timing a selloff's bottom perfectly is a nearly impossible task, **the power of long-term investing is made abundantly clear by this exercise.**

Of course, we live in a short-term-focused world (seemingly getting shorter by the day). The ubiquity of market and news coverage is set up to provide a nearly constant distraction from long-term, goals-based thinking. At the same time, humans' natural negativity bias leads us to a focus on the headwinds, roadblocks, and uncertainties over the tailwinds at our back (the historic strength of the US consumer, record high earnings and profit margins, low unemployment, and wage growth at multi-decade highs, to name a few). It can be a brutal combination when the market is experiencing volatility, no matter how common or how normal it may be. And as our table shows, it is quite normal.

In the end, one of the super powers of the individual investor is the ability to focus on the long-term. No quarterly board meetings, no performance mandates, no career risk. Just a financial plan built around long-term life goals and ambitions. As Baird's Market Strategist Michael Antonelli put it in [a phenomenal recent article](#), **"All of the best investing, the kind that builds real wealth, comes down to two things: time horizons and patience."**

Volatility can be scary and occasionally gut-wrenching, but it doesn't have to be. Talk to your Baird Advisor about your financial plan today.

Market selloff ends*	One year later	Three years later	Five years later
10/3/1974	38%	55%	76%
12/6/1974	34%	45%	65%
9/16/1975	27%	27%	53%
3/6/1978	13%	49%	77%
11/14/1978	12%	32%	80%
11/7/1979	29%	41%	69%
3/27/1980	37%	55%	82%
8/12/1982	58%	83%	225%
7/24/1984	30%	109%	126%
12/4/1987	23%	45%	92%
1/30/1990	6%	36%	45%
10/11/1990	29%	56%	95%
10/27/1997	21%	56%	2%
8/31/1998	38%	18%	5%
10/15/1999	10%	-33%	-11%
10/9/2002	34%	54%	100%
3/11/2003	40%	60%	59%
3/9/2009	69%	102%	178%
7/2/2010	31%	58%	103%
10/3/2011	32%	77%	97%
8/25/2015	16%	54%	84%
2/11/2016	27%	48%	114%
2/8/2018	5%	52%	-
12/24/2018	37%	101%	-
3/23/2020	75%	-	-
Average	31%	53%	83%

*S&P 500 down (-10%) or worse.

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