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The Market is Falling – Run?



The past couple weeks in the markets have been pretty attention grabbing. A lot of us have lived through volatility before though some of the facts were different. We've had the COVID pandemic, financial crisis, internet bubble, terrorist attacks, and multiple other causes and triggers for extreme volatility in the markets. This time we have the combination of higher inflation, a Fed that may raise rates sooner rather than later, the largest potential issue with Russia since the end of the Cold War, a Congress that doesn't seem to be able to get much done, and the continuing health and economic impacts of COVID. And yet a few short weeks ago, when, by the way, many of these issues were already in our vision, we were ending 2021 with an S&P 500 that had made 70 new highs over the course of the year.

I agree it's a tough situation to endure volatility and see your account value drop. It's not good, but if we put it in perspective, it's okay. As you likely recall, just about two years ago when COVID began, the market experienced incredible volatility. On March 9, 2020, the Dow dropped 2,014 points, or 7.79%. On March 12, it dropped 9.99%, or 2,352 points, and on March 16, it dropped almost 3,000 points or 12.9%. The NYSE suspended trading several times during those days, and between February 12 and March 23, the Dow lost 37% of its value. 20 million jobs were lost, we went into lockdown mode, businesses closed, and many investors saw their retirement savings lose 30% in just two weeks. Then April came. Unemployment numbers continued to worsen, the economy was largely shut down, and there was no vaccine in sight at the time. Then, as monetary support began to be discussed and stock prices dropped too low given balance sheet fundamentals, a recovery began.

Going back to 1980, in any given year, the average intra-year stock market decline is about 14%. Meaning, however the market finishes for the year, at some point during the year, there is typically a significant decline to overcome. Ask yourself, have your goals changed? Understand that while things might get worse over the next few days, weeks, or even months as the market works through many of the challenges we are facing, the fact is no one knows where the bottom is but we can feel confident that better days are ahead. History has shown that time and time again the market recovers and makes new highs – sometimes quickly, and sometimes it takes more time. My favorite saying holds true, "it's about time in the market, not timing the market that builds wealth."

—Rob Swarts, AWMA®