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Successful Investing = History + Discipline

As I write this, the masthead on the *Wall Street Journal* homepage switched. It features a topic other than Ukraine for the first time in weeks:

Fed Set to Raise Interest Rates for First Time Since 2018

Investors to look for clues about the likely path of rate increases in the months to follow

LIVE UPDATES

Analysis of Fed's policy meeting

20m Fed Rate Hike Looms Large Over Tech Stocks

43m Fed's 2022 Inflation Forecast Set for a Big Revision Higher, Economists Say

1h While A Unanimous Vote Is Likely, Hawkish Dissents Still Possible At Fed Meeting

1h Solid Retail Spending in February Shows Consumers' Strength

1h What Fed Officials Said Ahead of the March Meeting

2h Dow Industrials Climb About 400 Points

Treasury Yields Waver Ahead of Fed Decision

U.S. government bond yields bounced between small gains and losses as investors await the outcome of the Federal Reserve meeting.

2 · 2 min read

Source: FactSet

Nasdaq Leads Broad Rally in Stocks

U.S. stock indexes gained, and technology stocks led a blistering rebound in Chinese markets after supportive comments from policy makers.

- What an Interest-Rate Increase Will Mean for You

In my experience, the best time to revisit the facts of market history is when financial pundits start to share their opinions. And so I write to you, dear clients, with a quick update:

The S&P 500 closed today at 4357, a 8.58% decrease from the beginning of the year. We are still in correction territory as we were 3 weeks ago, **and as we always knew we would be eventually.**

Market corrections are completely normal events. The equities market drops 10-15% each year on average. We expect these drops to happen and in fact, we welcome them because they allow us to purchase shares at marked-down prices. Put another way: The best companies in the United States and the world are on sale right now.

We never know when corrections will happen, or where the bottom will be. These factors cannot be predicted no matter what the pundits shout from the studios of CNBC. And they will shout.

There is a medley of fear for media outlets to choose from to get investors doom scrolling through their websites: Ukraine, inflation, rising interest rates, Covid, and China looming in the background of it all. It is my job as your financial advisor to remind you that while extraordinary events are happening in the world today, **the events of this market are not extraordinary in the slightest.**

10% drops every year … 20% drops every five years … This is what markets do.

It's easy to accept the concept of normal dips and drops in the market when times are good. How you respond when they happen, however, is what separates successful and failed investors. In my experience, successful investors act continuously on a plan. Failed ones react to current events.

As long-term investors we are given a choice: to be guided by the totality of the historical record, or today's catastrophist headlines. I choose history. Enclosed with this update is a graph of all the U.S. bull and bear markets since 1926. The drops are infamous but have you seen the recoveries?

• Crash of 1929	83% drop	**91% recovery**
• Post WWII Crash 1946	21% drop	**908% recovery**
• Cuban Missile Crisis/Cold War jitters 1961	21% drop	**143% recovery**
• Tech Crash of 1970/ Civil unrest	29% drop	**75% recovery**
• Stagflation and OPEC oil embargo 1973	37% drop	**762% recovery**
• 1987 crash	29% drop	**814% recovery**
• 2000 tech bubble bust	44% drop	**108% recovery**
• 2008 financial crisis	50% drop	**451% recovery**

In every example, the comeback was far greater than the setback. That's not financial punditry—that is historical record. Back to today…

On March 16, 2022, the Dow Jones Industrial Average closed at 34,063. Sure it's down from the all-time high of 36,799. Could it get worse? Maybe. Could it reach 40,000 by year's end? Absolutely.

We don't know when it will happen. But as principled investors, we must believe that Dow 40,000 **will happen eventually.** We are faced with a choice: believe 100 years of historical data, or believe those on TV who insist "this time it's different."

This is what you pay me for. My job as your financial planner is to help you separate emotion from the calculus of being a focused, plan-driven, long-term investor. I am here to remind you all to take a break from the news, go outside, and don't quit before the miracle recovery happens.

I am here to coach you through short-term volatility to protect you from long-term regret. The best way I can do that is to urge you to stay the course.

Stay the course. As always, I'm here to help. Now go outside!

John Bodnar, CFP®, CIMA®

These are the opinions of Bodnar Financial and not necessarily those of Cambridge, are for informational purposes only, and should not be construed or acted upon as individualized investment advice. Indices mentioned are unmanaged and cannot be invested into directly. Oh yeah, and past performance is not indicative of future results. My lawyer wanted me to tell you that.

History of U.S. Bear & Bull Markets

1926 – 2019

First Trust

This chart shows historical performance of the S&P 500 Index throughout the U.S. Bull and Bear Markets from 1926 through 2019. Although past performance is no guarantee of future results, we believe looking at the history of the market's expansions and recessions helps to gain a fresh perspective on the benefits of investing for the long-term.

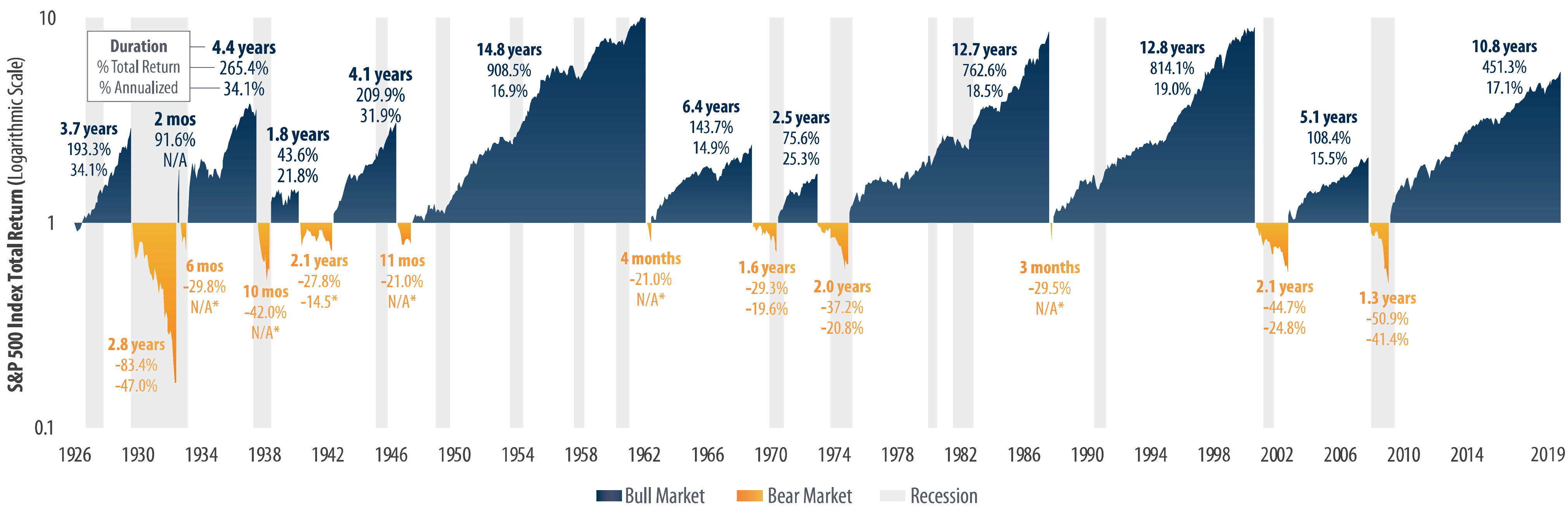
- The average **Bull Market** period lasted 6.6 years with an average cumulative total return of 339%.
- The average **Bear Market** period lasted 1.3 years with an average cumulative loss of -38%.

BULL

From the lowest close reached after the market has fallen 20% or more, to the next market high.

BEAR

From when the index closes at least 20% down from its previous high close, through the lowest close reached after it has fallen 20% or more.



Source: First Trust Advisors L.P., Bloomberg. Returns from 1926 - 2019. *Not applicable since duration is less than one year.

These results are based on monthly returns–returns using different periods would produce different results. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results.