

Every Time Stocks Fall...

This past Tuesday the NASDAQ Composite fell 1.6%. Then on Thursday, it fell another 1.4%. A few weeks ago it dropped 1.8% on a single day.

Since stocks bottomed in March of 2009, the NASDAQ has fallen by 1% or more on nearly 280 occasions, or more than 13% of all trading days. Since its inception in 1971, the NASDAQ has dropped by 1% or more on a single trading day roughly three times each month, on average.

The S&P 500 has a similar return profile. Going back to the late-1920s the S&P 500 has fallen by 1% or more on a single day almost 12% of the time. That means in the average year there are roughly 30 days where stocks fall by 1% or more.

These types of days in the markets can play head games with you because it's impossible to know whether a one day drop is a bump in the road or the start of the next bear market.

Every time stocks fall...

...you feel the need to start checking your account balance more.

Every time stocks fall...

...you get flashbacks to the last time you got slaughtered in the markets.

Every time stocks fall...

...you realize very quickly whether or not you have a plan in place.

Every time stocks fall...

...it becomes easier to make short-term decisions with long-term capital.

Every time stocks fall...

...investors begin to conflate their own time horizons with other's time horizons.

Every time stocks fall...

...long-term investors begin to start thinking like short-term traders.

Every time stocks fall...

...investors try to decipher whether the dip is a buying opportunity or harbinger of worse things to come.

Every time stocks fall...

...perma-bears feel vindicated, even if it's short-lived the majority of the time.

Every time stocks fall...

...you tell yourself things will be fine but your inner monologue is screaming at you to panic.

Every time stocks fall...

...people start paying more attention to every move in the markets.

Every time stocks fall...

...the headlines start getting scary.

Every time stocks fall...

...it feels like uncertainty is at an all-time high.

Every time stocks fall...

...it doesn't feel like a "healthy correction" in the moment.

Every time stocks fall...

...investors tend to find comfort in numbers by doing what everyone else is doing.

Every time stocks fall...

...people begin questioning their positioning and allocation.

Every time stocks fall...

...everyone turns into a technical analyst.

Every time stocks fall...

...fundamental investors stop looking at balance sheets and start looking at price charts.

Every time stocks fall...

...[loss aversion](#) kicks in to help you forget about all of your previous gains.

Every time stocks fall...

...there's a voice in the back of your mind asking, "Was that the top?"

Every time stocks fall...

...most of the time it will mean nothing but most of the time doesn't mean all of the time.

Eventually, a large down day in the markets will be followed by more down days and the collection of those down days will be a nasty bear market.

I have no idea what the latest down days mean for the future path of the markets; no one does. But if you're invested in stocks for long enough you have to get used to the feeling of uncertainty brought on by market volatility.

Further Reading:

[The Timeless Nature of the Herd Mentality](#)