

History of Market Corrections

Key Takeaways

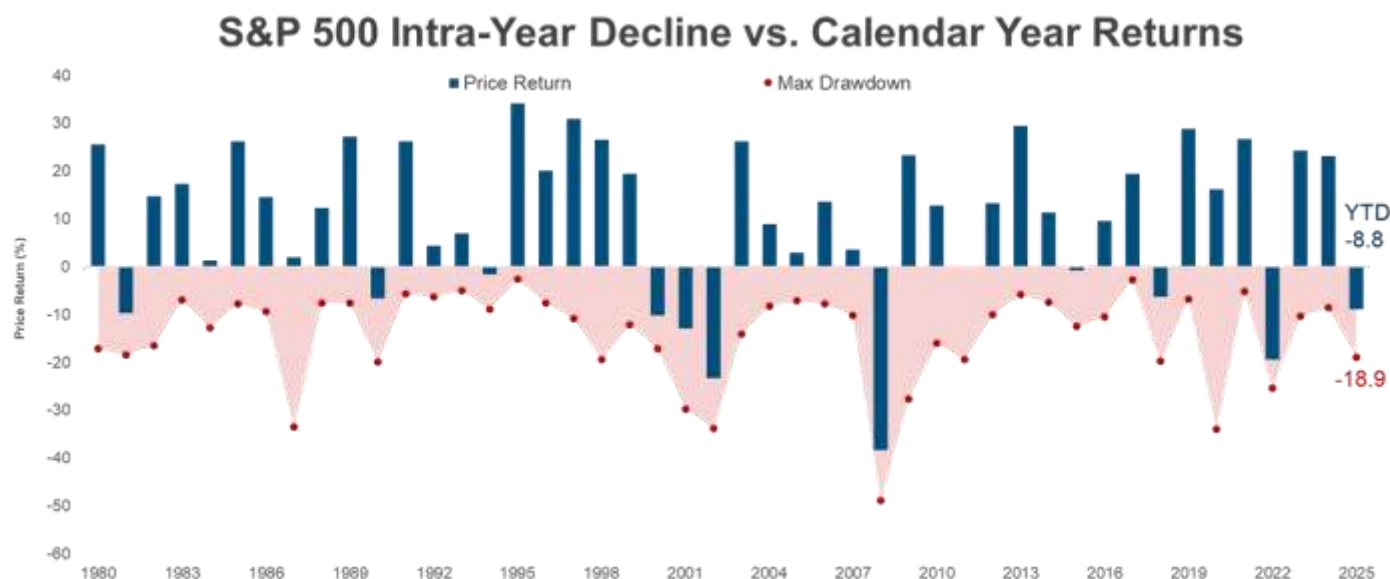
- Market corrections are **common** and considered to be a **healthy part of investing**.
- Corrections are also essential for a well-functioning market as they **prevent asset bubbles and excessive speculation**.
- By staying informed and sticking to one's plan, investors can **avoid common mistakes and turn corrections into opportunities**.

This year, investors experienced a market correction, a decline of at least 10% from a recent peak. Market corrections are typically common and also a healthy part of long-term investing.

The chart below shows that intra-year S&P 500 declines (red dot) have occurred in every year since 1980. On average, the market experienced a 14% decline. Despite average double-digit intra-year declines, the market ended the year with a positive return in 34 of 45 years, 76% of the time.

Corrections are also essential for a well-functioning market as they prevent asset bubbles and excessive speculation. They can also provide opportunities for new investors to buy at cheaper prices. The stock market is perhaps the only market where buyers get nervous when there is a sale.

Recent market volatility is an important reminder that markets don't always go up in a straight line. Just as seasons change, so too does the stock market. By staying informed and sticking to one's plan, investors can avoid common mistakes and turn corrections into opportunities.



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