

As Markets Gyrate: Don't Panic, But Don't Dismiss The Mayhem, Either

Recent rapid swings could be a wake-up call for investors who might have leaned heavily into stocks in search of higher returns, warn investment experts.

Dec. 28, 2018 / 11:58 AM EST
By Martha C. White



Wall Street continued its wild ride on Friday, erasing more of Monday's Christmas Eve historic plunge. Following nearly a decade of steady gains, the volatility is a shock.

Market experts have advice for investors and retirement savers who feel whipsawed by the roller-coaster.

"If your bear market strategy is to not see your account go down, then you either need a blindfold or you shouldn't be an investor," said Mitchell Goldberg, president of ClientFirst Strategy. "The nature of investing means it's a compromise based on how much risk you desire to take."

"Panic isn't a strategy. It's important to keep perspective when markets get choppy," said George Kiraly, founder and CIO at LodeStar Advisory Group.

Investors need to assess how much risk they are comfortable with — not just when markets are rising and risk is more of a hypothetical, but when those inevitable downturns do occur, Kiraly told NBC News.

"Finding the right balance between risk management and reward is a difficult challenge," he said. "You need to regularly re-evaluate your portfolio and your level of risk exposure and you have to be comfortable with that."

Rather than fearing market gyrations, investors should take a measured approach that takes a certain amount of fluctuation into account. "Market disruptions and volatility bring huge opportunities," Kiraly said.

As such, investors would do well to keep their focus on the big picture. "Bottom line is that for longer-term retirement plans, the impact is minimal," said Ian Harnett, chief investment strategist at Absolute Strategy in London.

It's likely that some investors today had started to take for granted what actually is an unprecedented run of economic growth. "The longer the good times roll on, the more

confident investors become,” Goldberg said, which means any setback can seem jarring by comparison.

Market experts pointed out that even though the major indices are down for the year, U.S. equities still are doing better than many of their international counterparts. And the CBOE’s volatility index, the market’s so-called “fear gauge,” is sitting at just below 30 — roughly the midpoint of its range over the past year.

“Unless you expect a recession [or] total financial crisis, the level of volatility will probably drop down in the next few months,” Harnett said, although he added the caveat that volatility in 2019 will likely be greater than it was in 2018.

While investment pros never advise making big changes to your asset allocation based on day-to-day market movement, recent rapid swings could be a wake-up call for investors who might have leaned heavily into stocks in search of higher returns.

“A good many investors — in particular, boomers and seniors — have come to see dividend-paying stocks as bond equivalents. That’s not the case,” Goldberg said. “Having some cash and fixed income and other stable investments as part of your portfolio is really very important for times like this.”

Martha C. White

Martha C. White is an NBC News contributor who writes about business, finance, and the economy.