your Update

VISION FINANCIAL ADVISORY CORP
DELIVERING FINANCIAL CLARITY

Staying Away from Predictions

With the current bull market approaching its 6th birthday, the predictive noise around the markets is becoming shrill, with polarized and emphatically-delivered analysis. Here are some facts to consider (BTN Research):

- While the S&P 500 has averaged 9.9% for the past 50 years, the split percentage between "up" and "down" days over the same time period is a surprisingly close 53 (up) to 47 (down).
  - The split during 2013 (a banner year) was 58/42.
  - The split during 2014 (another good year) was 57/43.
- The S&P 500 set 45 record closes in 2013, and 53 record closes in 2014.
- Despite the S&P 500 gaining 13.7% in 2014, there were still 4 months in 2014 where the index lost value.
- If you missed the five best percentage gain days of 2014, the 13.7% gain falls to 3.2%.
- Oil has fallen more than 50% in the last 7 months, from $107.26 to less than $50 in early January.

So what does all of this mean?

First, expect a market correction. We've gone more than three years without a correction (10% drop) in the S&P 500. But, since the low of 3/9/09, we've had nine pullbacks from more than 6 percent to almost 22 percent. And the market has already pulled back 4% since setting an all-time high on 12/29/14. Pullbacks and corrections are normal parts of the market cycle. If market dips are normal, why do we fear them? Shouldn't we simply accept them as inevitable? Instead of fearing a correction, make preparations now, so that when the inevitable comes, you can execute your plan, void of emotion.

Second, do not attempt to forecast. Even the experts are terrible at making predictions. They, and we, draw conclusions from too few data points. The U.S. and global economies are too complex to predict, and forecasting stock markets is even more difficult. Attempting to time the market is a perfect way to lose money. Winning long-term is about time in the market, not timing of the market.

Third, guard against selective perception. This affects both bulls and bears. Bulls see busy shopping centers (bears see shoppers without packages), full restaurants (especially the cheaper ones, note the pessimists), and of course, the market keeps reaching new highs (but on increasingly lower volume).

Anyone with a longer-term time horizon should look at a correction as an opportunity. Stick with your long-term mindset and accept the ups and downs of the market as normal functions of a lengthy game-plan.

Sincerely,

John D. VanDyke

2014 year end

John D. VanDyke
Phone: (616) 855-6244
(269) 978-7071
Toll-free (888) 655-9561