

communiqué

THE MARKET'S WILD SWINGS

Volatility continues. What's next as earnings season gets underway?

During this past trading week, volatility ruled Wall Street. In fact, stocks either fell or rose 1.5% or more on three consecutive trading days. That had happened only 54 times since 1928.¹

What prompted these ups & downs? Several factors. The international Monetary Fund just cut its global and Asia growth forecasts for 2015 and stated that the Eurozone could soon slide into another recession. European Central Bank president Mario Draghi wants easing to stimulate the Eurozone economy, yet German finance minister Wolfgang Schauble doesn't. The DAX and CAC 40 (the benchmark indices of Germany and France) have both corrected since spring.²

So has the Russell 2000, which wrapped up last week down 13% from its peak in early March. Oil entered a bear market territory. Finally, the end of the month will presumably see the end of the Federal Reserve's quantitative easing effort - which has played a big role in the market's bull run. The S&P 500 ended Friday down more than 5% from its September 18 record close, and Friday actually saw a rare 100-point drop for the Nasdaq Composite (102.10, to be precise).^{2,3}

Where might things go from here? Stocks could fall further - keep in mind that the S&P has gone more than two years without a correction, definitely an abnormality. On the other hand, fall earnings seasons have tended to give stocks a lift throughout history, so let's hope history repeats. Bespoke Investments cites some encouraging data: in instances where the market sees 1.5% or greater swings on three straight trading days, the S&P has averaged a gain of 0.55% on the next trading day and 1.13% during the following trading week.¹

How big a drag will Europe continue to exert on the market? Agreement between EU finance Ministers would give domestic and foreign stocks a lift. If that isn't there, perhaps earnings -the "mother's milk" of stocks -will help guide the market back to equilibrium and gains.²

Perhaps the wisest words came from Cornerstone Wealth Management CIO Alan Skrainka, who told *USA TODAY*: "The market was overdue for a correction. Not every correction develops into a bear market. Every economic slowdown is not a recession. Look for opportunities and maintain a long-term perspective."³

Citations.

1-tinyurt.com/k9nfbxc (10/10/14)

2-bloombeq.com/news/2014-10-09/index-futures-slip-as-stocks-slump-while-oil-extends-drop.html (10/10/14)

3-usatoday.com/story/money/markets/2014/10/10/stocks-Friday/17022819/ (10/10/14)

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