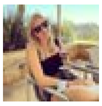
Twitter Thread by Callie Cox



Callie Cox
@callieabost

Worried about the stock market?

Is this really the top?

Pull up a (virtual) chair and let’s chat ■

■

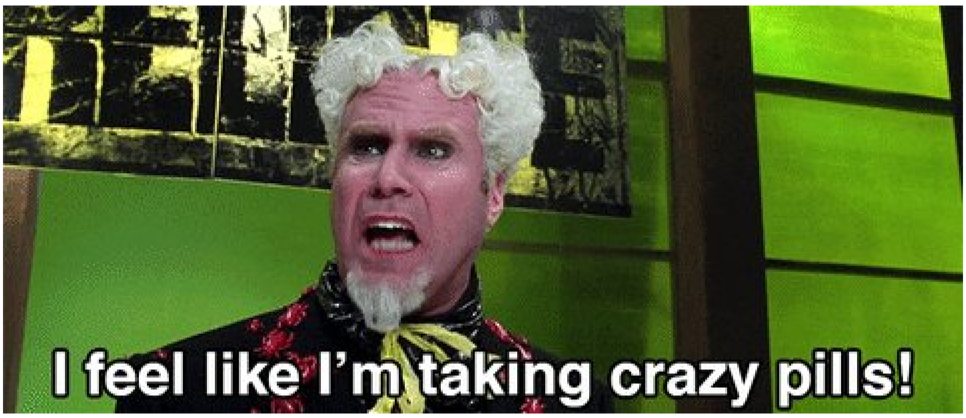
So. Things are getting a little crazy out there.

TikTokers are spewing financial advice.

Carole Baskin is peddling penny stocks.

Everybody’s like “OMG my mom’s-best-friend’s-cousin made so much money in the market, c’mon it’s so easy!”

Makes you feel a little like this, right?



(couldn't resist the Zoolander reference)

Anyways,

Your portfolio is up, but Wall Street is throwing around the b-word (bubble) and you're afraid it's about to pop.

What do you do now?

First, you need to BREATHE. Don't make any rash decisions.

You don't know if this is the top. Nobody does.

Here's a dirty little secret: even the smartest Wall Street investors have a terrible track record with calling the top.

Why? Because 99% of all record highs haven't been the top.

There were 1,150 $SPX record highs from 1950 to mid-December 2019.

Only 13 of those record highs weren't followed by another record high in the next 12 months.

https://t.co/27OBXsX1UF

> Yes, stocks closed at record highs again today.
>
> But if you're waiting for lower prices to buy in, consider this:
>
> If you've invested at any S&P 500 record high since 1950, there's a 99% chance the index hit another record high in the next 12 months.
>
> — Callie Cox (@callieabost) December 17, 2020

OK, so you're not gonna call the top here. Good.

But you don't know what happens next.

You can't control the future, but let's focus on what you CAN control.

Do you need your invested money soon (like in the next five years)?

If you do, then maybe you should take some profits. Don't get greedy.

If you sell, consider putting those profits in more conservative assets, like bonds or cash.

BTW, I like this piece from @dollarsanddata on knowing when to sell in a crazy market:

https://t.co/d1ZzjuY8zm

Are you able to wait a few years? Then it make may sense to be patient and stay invested.

Market drops are painful, but stocks have always bounced back.

Since 1950, bear markets (20% drops) in the S&P 500 have taken an average of 25 months to recover.

FYI: The S&P 500’s tech bubble market recovery took about 5 years.

The financial crisis recovery took 4 years.

That sounds hard, though.

You can’t stomach a big drop in your investments!

Have some perspective.

The S&P 500 has rallied 70% since March, and is now 13% above its pre-pandemic highs.

We've come a long way.

If you’re truly worried you’ll make a rash decision and sell in a market slide, then consider diversifying.

Add some conservative assets (bonds, cash) to your portfolio.

They could help soften the blow if stocks get hammered.

https://t.co/FzX1EBMiX2

> Why owning bonds was the most underrated trade of 2020, in one chart. pic.twitter.com/dju8Ljg7Bc
>
> — Callie Cox (@callieabost) December 22, 2020

Feeling better? I hope so.

Selloffs can be scary, but the best investors know how you react to them is what truly matters.

You’ve got this ■