Remember When the DJIA First Hit 30,000?

It was December 2020 and 18 months later, it is close to crossing 30k again…

The last time the DJIA crossed 30,000 was early December 2020 and investors were worried that the markets were over-sold. Now the DJIA is set to cross 30,000 again in June 2022 but it's headed the other way – and investors are worried of an imminent recession.

Let's examine the environment from December 2020 and draw parallels to where we are today.

The Time is December 2020

Back in December 2020, and after a long stretch of uncertainty throughout 2020, many were smartly worried that the stock market could be headed for trouble.

That year brought investors the end of the longest-bull market in history, two market corrections, an official bear market and as of November, what looked like maybe the beginnings of another bull market.

And while we could healthily debate whether a bull market had begun or not in December 2020, the signs were there, especially with the DJIA reaching heights never seen before.

Want proof that maybe the bull replaced the bear in December 2020? Well, as stock market investors gathered around the virtual Wall Street table to share what they were thankful for over Thanksgiving in 2020, they gave thanks for the following performance in the month of November 2020 (as of the Friday after Thanksgiving):

- the DJIA crossed 30,000 points for the first time in its history on its way to its best monthly gains in over 30 years;
- The S&P 500, DJIA, and NASDAQ were up double-digits; and
- The small-cap Russell 2000 was up 20%.

Should investors have worried that we were due for a correction back in December 2020? Yes. Maybe. It depends.

Stock Market Corrections

Stock market corrections are defined as a loss between 10% and 20% from a peak and they occur about every two years, on average. We had two in 2020, so maybe we were not due for one in December 2020 (it didn't come).

But, according to the Wall Street Journal, the P/E ratio of the DJIA in December 2020 was about 30x corporate earnings, which was way above the P/E ratio from one year ago and the historical market average of about 19x.

In other words, the market appeared over-valued and expensive relative to December 2019 and historical averages. That, by definition, carries a high degree of risk.

There Are Triggers Everywhere

When a market is ready to correct, it will seize on a trigger – and this market has plenty to choose from.

Worries include the lingering effects of COVID, an exploding national debt, a divided government, a divided nation, social unrest, historically high inflation, historically low consumer sentiment, supply-chain issues, a less accommodative Fed and an exceptionally frothy housing market.

Remember the Long Game

Bull markets, bear markets, corrections, overvalued, undervalued, uncertainty...these are all states the markets inhabit over time. Whatever plan you've made should take ups and downs into account. If you find that you are uncomfortable or that things in your life have changed, it might be helpful to adapt your plan. Either way here are five tips to help you survive market turmoil:

- Don't Panic Sell
- Remember to Rebalance
- Remember to Diversify
- Have a Cash Bucket (if possible)
- Utilize your financial counseling program!