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First Quarter 2026 It's Down! Buy Now!!

On March 20th of this year, *The Wall Street Journal* ran an article titled "Don't Grab That Plunging Stock".

In the article, there was a quote from an old Wall Street axiom: never try to catch a falling knife.

All stocks, ETFs, mutual funds that we own, we acquired because of some rational thought process. Good track record by management, solid dividend performance, strong upside capture history, etc. Then comes the inevitable downturn. It can be caused by geopolitical factors (see Ukraine and Iran) or a dramatic change in the industry itself such as a projected negative impact of AI. Those issues can create an incentive to buy more since it is now "cheap".

Alexander Hubbert at Stockholm University reviewed 4174 British stocks from 2000 through 2026 that had dropped from their all-time highs by 5, 10, 15 and 20%. He then compared their performance over the next 12 months to that of the overall market.

Those which had dropped 5% tended to underperform the market by 6%, those that fell 10% underperformed by 8.5% and those that were off by 15% lagged by 12%. Clearly, there are exceptions. Some rallied strongly but overall short-term woes seemed to hang on for at least another year.

What's another name for the "Buy the Dips" approach? Market timing. We have reviewed tons of literature over the decades we have been in business. We have found no indication that any system, any person or any management team has ever successfully timed the market. Oh, we found those who did it for a month, a quarter or even a year. Then the truth showed up in the reversion to the mean.

So, what to do when the markets go south for a while? Not much. Was the mutual fund, ETF or stock acquired by a sound thought process? Have the criteria used changed? If the answers are "yes" and "no" respectively, sit tight If the answers have changed, let's discuss it and decide whether a change would be to your benefit.

Remember, Perry Como sang "Catch a Falling Star", not a falling knife.

Thanks as always. Comments and questions are always invited.