Hold on to your hats! The stock market is fluctuating again!

Constantly changing political winds seem to be breeding marketplace uncertainty, and uncertainty is the traditional bane of many an investor. Run for proverbial shelter seemed to be the recent mantra.

Don’t.
Acting in a panic will not do anyone any good in the long run, as panicking people typically make decisions rooted in fear, rather than fact.

In turbulent markets like this, investors need to keep their long-term financial goals in mind. Of course, some portfolio modifications may be needed to maintain a personally preferred balance. But that type of modification is regularly necessary in market upswings, downturns and even periods of little volatility.

Has that solid blue chip growth stock sitting in your portfolio suddenly slipped in market value? It may be time to take advantage of a buying opportunity, particularly if that company’s underlying fundamentals and long term prospects have remained essentially the same as a few weeks ago.

As one analyst put it, there nearly always is a reason to face a “brick wall of worry.” However, it is important to consider the overall economy, as well as corporate earnings reported in the year’s first quarter when making investment decisions.

True, there is considerable political uncertainty in America and around the globe. As well, growth in the Gross Domestic Product in the first quarter was a meager 0.7 percent. Nevertheless, of the major companies reporting so far, the first quarter is proving to be the fastest period of sales and earnings growth in five years — across industries.

Equity markets, over time, are driven by earnings, sometimes, in the near term, even moving in the opposite direction of economic growth. That’s because earnings are driven by mergers and cost containment, product mix and innovation — factors that typically have little to do with the overall economy.

In addition, despite the recent small increase in interest rates dictated by the Federal Reserve, rates overall remain extremely modest. True, the next one or two rates hikes expected in the months ahead could put a damper on continued economic recovery, or perhaps oil prices will pose a risk, but earnings growth has been improving for more than a year. The result: some analysts suggest six to nine more months of earnings growth as viewed though the Standard & Poor’s index of 500 companies.
More good news: The federal government just reported that initial jobless claims declined by 4,000 in the latest reporting week, while continuing claims dropped to the lowest level since as far back as 1988. In addition, a manufacturing index increased sharply to 38.8 in early May from 22 in April. These and similar indicators continue to show a healthy economy.

What does this all mean for investors?

While some may jump on the volatility bandwagon and plunge into — or out of — investments that mirror headlines, many more will, hopefully remain calm ... and invested.

Don’t get spooked by daily gyrations of the market. Whatever is happening on Capitol Hill this week should not affect the investments previously made with a careful, well-thought-out plan in mind.

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