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# Panic at the stock market? Not so fast

**BY BRIAN O'CONNOR (excerpt)**

After dropping more than 6 percent last week, U.S. stocks started Monday with a third straight trading day of frantic selling on investors fears of just about … everything.

Financial advisers offered this advice to panicking investors: Don't panic.

"People who are cashing out of stocks today could very well regret that in a week or two," said David Kudla, CEO and chief investment strategist of Mainstay Capital Management in Grand Blanc. "This is not the time to do something about the correction."

It's a Wall Street cliche that, "The stock market climbs a wall of worry," and there have been plenty of anxieties for investors in the six-and-a-half years of this historic bull market, which has the Dow up 142 percent, even after this correction. But stocks have swooned since 2009 on fears about Europe, Greece, the government shutdown, Europe, Greece, China, the Federal Reserve, Europe, corporate earnings, Greece (again), Europe (again), Greece (again), the Fed (again), corporate earnings, oil and a computer glitch at the New York Stock Exchange. …

…The main concern for investors comes from China, where the world's largest economy has been inflated for years by its government managers. A slowdown has been expected for years, but an explosive bubble on the Chinese stock market has now burst, raising fears about just how far China's demand for products and commodities from the U.S. and other countries will fall. …

…But there have been plenty of other issues building since U.S. stocks last peak in May. Europe's economic recovery is still weak, though Greece no longer seems a threat after years of crying wolf that it would exit the Euro partnership if it didn't get better terms on an economic bailout. The U.S. recovery itself remains less than stellar, with employment weak even if the jobless rate is down to nearly 5 percent.

When it comes to whether the Federal Reserve will and should hike its main interest rate, forecasters are deeply divided. Some, for theoretical reasons, believe the Fed has played with fire by keeping rates too low for too long, while more practically minded economists point out that inflation is low, hiring remains weak and wages show little if any improvement. …

…A more immediate influence on stocks is the continued drop in oil prices, which has plummeted from more than $100 a barrel last summer to the lowest price since 2009 on Monday, down to less than $40 a barrel. That's savaged the stocks of energy producers and related industries, notes Kudla of Mainstay Capital.

"If you look at S&P 500 for the first or second quarter, and you just take out the energy sector, the earnings look quite robust," Kudla said. "Energy has dragged down the earnings of the index so much. It's been a boat anchor on earnings."

For individual investors, the recommendation is to sit tight and realize that we've become spoiled. The S&P 500 makes a 10 percent correction every 20 months on average, but until now we've haven't had such a correction in more than four years. …

…And don't worry too much. Even though the Dow is off 11 percent from its close last year, market forecasters all expect U.S. stocks to end the year up. But to get those gains, you'll have to hang on for the rest of the ride.