Watch the climate, not the weather

The market pyrotechnics of the last few months have as usual unsettled more than a few Wall Street watchers. This is no surprise, though it really does not make any sense.

For one thing, ups and downs in stock prices are a regular happenstance. Prices rise and prices fall, but the long-term path of least resistance is up. What's more, in almost every year, there is an interim period during which the numbers pull back by 10%-15%, on average.

In rare years such as 2017 it seemed as if it was a one-way street upward. And, as we all know, there are difficult periods such as 2001-2 and 2008-9 when for a short time market action suggests that the end of the world is just around the corner.

The reality is that the magnitude of volatility is ever-changing, but it is not indicative of a meaningful change in prospects for what lies ahead. Over the last 50 years, the Dow Jones Industrial Average has increased in value by some 45 times. And over the next decade or so, the probability of seeing that index at 50,000 or so is a near-certainty. Definitely a much better bet than going to zero. Ain't gonna happen.

What we're seeing now is a knee-jerk reaction to concern about rising interest rates, worry about trade relations with China, and dysfunction in the nation's capital. Interest rates have indeed climbed, but the Fed may well slow down, if not pause, its plans to tighten credit if business momentum slows. The tariff squabble with China also looks like some resolution will soon be forthcoming. The Beltway problems, however, will most likely be around until the 2020 elections. Overall, a mixed bag, but not one that will derail the economy.

The new year has begun with a storm, but storms passes and more promising times lie ahead.