Business

Stocks are volatile ... or are they?

"Stocks will be volatile." That's a safe prediction that I often hear on CNBC. Recently, that prediction was right.

At last week's open, the Dow fell 1100 points, though some of those opening low prices (Dow stocks Apple at 92, Verizon at 38, JPMorgan at 50) didn't reflect real trades and quickly rose. It reminded me of the flash crash several years ago.

That Monday's 580-point plunge was the day's top story, one that prompted CNBC to cobble together a one-hour prime-time special to explain it (sort of). There was no such special to explain the following Wednesday's 619-point rally. Okay, so bad news sells. It always has.

David Vomund
Market Pulse

Why the selling? Some blame China, while others fear rising rates. There is one cause I can rule out, though.

Are thousands of individual investors and legions of professionals so worried about top-quality companies that they are selling Verizon, AT&T, and others yielding 5 or 6 percent and many more topping 4 percent? To hold cash that pays nothing? Really?

Consider this: On one hand you can own a ten-year Treasury paying 2 percent -- $20 per $1,000 bond each year for a decade.

Or you could own any number of first-rate companies yielding 3.5 to 5 percent with qualified dividends and dividend growth ahead, in some cases every year. A tough choice? Of course not.

Bull markets don't end with wide swings, panic and despair. They end when investors are unrealistically optimistic, even euphoric, and pay too much for future earnings.

Remember the Internet and technology stock mania in 1999? How about the easy-money house-flipping in 2008? No sign of that euphoria now.

Some say stocks are overly volatile, but this six-year bull market has been anything but. Ten-percent pullbacks typically happen every year, but we've only seen two in the last five years.

Historically these sell-offs often occur during the late summer and fall season, with low points occurring in late September/October. We've seen this movie before.

David Vomund is an Incline Village-based fee-only money manager. Information is found at www.ETFportfolios.net or by calling 775-832-8555. *Clients hold the positions mentioned in this article. Past performance does not guarantee future results. Consult your financial adviser before purchasing any security.*