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Stocks Have Had Their Worst January Since 2008. That's Creating Buying Opportunities.

By Nicholas Jasinski Follow

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The S&P 500 index is down 7% this year. (Friday's late-day rally helped stocks avoid a fourth-straight week of declines.) Losses in the tech-heavy Nasdaq Composite are even greater, while the small-cap Russell 2000 is in a bear market. For many investors, the selloff feels unfamiliar—there hasn't been a 10% correction in the S&P 500 since March 2020, and the index had just one 5% pullback in all of 2021.

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Jack Ablin, CIO at Cresset Capital, calls January's drop a "garden variety technical correction," as opposed to a more pernicious cyclical downturn or systemic problem facing the market. Stocks aren't falling because analysts are lowering profit forecasts en masse, or because economists are predicting a recession on the horizon. Instead, the correction has taken place because of how richly the market is valued.

"Valuations may have gotten out of whack, and now we're experiencing a revaluation of the market because interest rates are going up," says Ablin, whose firm manages about $22 billion. "It's like ripping a Band-Aid off."