



## How Long Will the Stock Market Correction Last?

### Description

Stocks have been selling off all year, and for some, like tech stocks, the selloff even dates back to late last year. Lately, though, the stock market selloff has accelerated and has now fallen so significantly that it's into correction territory.

Whenever stocks sell off, and especially so quickly, it's understandable that investors want to know what's going on.

And while it's impossible to tell exactly when the stock market correction might end or how bad it could be, if you can understand why markets are selling off, you can have more confidence buying in this environment at such attractive prices.

So, here's what's impacting markets most, why stocks continue to lose value, and how long it might last.

### Why is the stock market in correction territory?

Without a doubt, the most significant reason that stocks are facing severe headwinds in this market is due to all the factors leading to [inflation](#).

First off, we have tonnes of excess capital in the economy, especially after all the stimulus injected into the economy over the last couple of years. In addition, though, there are also significant supply chain issues that have persisted. And on top of everything else, the war in Ukraine has exacerbated many of these problems.

Rapid inflation is extremely worrisome for the economy. Luckily, though, central banks have been watching inflation closely and are reacting swiftly in order to cool the economy. However, to do so, central banks are now rapidly increasing interest rates, which also negatively impacts stocks.

So, the best-case scenario is that inflation will cool off without having to raise interest rates significantly. That would be what's referred to as a soft landing and could allow the economy to

become a lot healthier without going into a significant recession first.

However, while that is the best-case scenario, it will be extremely difficult for central banks to pull that off. And because of the uncertainty about what may happen in the coming months, stocks will continue to sell off until there are clear signs that inflation is subsiding.

That's what caused the significant [selloff](#) again earlier this month. Despite several interest rate hikes already this year, inflation numbers south of the border increased once again.

So, as long as inflation stays high and therefore uncertainty about the economy continues to stay elevated, stocks will have a hard time bottoming and likely continue to get cheaper.

## Why do stocks sell off during uncertainty?

When investors buy stocks, one of the most common methods to decide whether it's worth an investment is to look at the company's potential down the road and compare it to the price and value that the stock offers today.

But when you can't accurately estimate a company's future earnings, though, it naturally makes the investing environment much riskier. And when there is more risk in markets, investors understandably aren't willing to pay such a high multiple to buy the stock.

As inflation, interest rates, and uncertainty have picked up lately, stocks across the board have lost value today. That doesn't mean their long-term potential has been impacted. It only means that the value of investments today has fallen.

If you can find stocks and businesses you believe in and have confidence in over the long haul, using this selloff to invest while they're cheap is an excellent opportunity. For example, right now, a high-quality stock like **Aritzia** is nearly 50% off its high.

## Bottom line

Therefore, it doesn't necessarily matter how long the selloff lasts. As long as you focus on finding the highest-quality businesses to buy while they are on sale, you'll set yourself up for significant long-term success.

And if you want to get an idea about where the market will go over the coming months, I'd watch inflation numbers closely, and, of course, how central banks react with their interest rate decisions.

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