The stock market has been on a tear since the surprise election of Donald Trump. The Dow Jones Industrial Average has set 14 new records during that time, and is nearing the psychologically significant level of 20,000. Other major indexes have been cruising right along as well.

So the market can only go up from here, right?

Actually, I'm advising clients not to get caught up in the moment. While the market has had a massive run over the past month, I expect volatility ahead.

The stock rally is based on expectations that the economy under Trump and a Republican Congress will grow 3% to 4% a year, versus its 1% to 2% pace of the past several years.

Those expectations are based largely on the fact that Trump plans to ease regulatory pressure on business. With banks and energy companies having fewer hoops to jump through, the thinking is that they'll see their revenue and profits rise. Fewer regulations are especially good news for small companies, which need to be able to take risks, and often don't have the resources to jump through regulatory hoops.

Investors are also excited about Trump's $1-trillion infrastructure spending plan, which would benefit a range of sectors including industrials and materials.

Finally, so-called "animal spirits" are at work in the market. That phenomenon is exactly what the name suggests—an optimism that has helped to push stock prices sharply upward.

Since the election, financials are up nearly 19%; energy is up 10%. Industrials are up 9.41% and materials are up 8.95%.

So why should an investor be cautious right now?

In a word, it's because markets are priced for perfection. Investors are assuming that the Trump administration's plans for regulation, infrastructure spending and tax reform will come off without a hitch. That's not realistic. Presidents' big sweeping proposals are always watered down, often delayed, or outright blocked by the checks and balances in Washington.

Furthermore, they're assuming that there won't be an unforeseen shock of some kind—anything from a brutal winter to a harmful trade war. Even if these things aren't likely, they at least have to be factored in.

Finally, it's important to remember that the market follows a herd mentality. Right now there's nothing but optimism on Wall Street. But once bad news rears its head, the herd will change direction.

The long term continues to look good for the economy and the market. But in the short- and medium term, I'm expecting volatility. That means now is the time for cautious buying, not wholesale buying of everything.

As always, an experienced financial advisor can find ways to help you make money in volatile markets. Please contact us if you'd like to discuss your investments.