The stock market has looked at higher inflation and rising interest rates, and to say that it doesn't like what it sees would be an understatement. Since the beginning of the year, the S&P 500 index is down 18%, while the Nasdaq Composite is off by a stomach-churning 27%. The Dow Jones Industrial Average looks "good" by comparison—it's only given up 14.5%.

After years of the markets flying high, the plunge has been fast and hard. But that's typical of how rising markets transition to falling ones—and vice versa. The change in direction, whether it's a shift upward like we saw in the Spring of 2020, or a shift downward like we're experiencing now, tends to be dramatic.

In the current selloff, less-profitable companies and those built on stories about long-term potential were hit first and hardest. Zillow and Zoom are examples. By comparison, "boring" companies with solid earnings and dividends, while they may have lost ground, have held up comparatively better.

A few of my clients have asked me whether it would be wise to sell all their investments and get back into the market after the selloff is over. And the answer, frankly, is that it's a terrible idea. Selling investments now means turning paper losses into real losses. And almost no one can foresee when the market will bottom and start rising again.

Trying to guess is a fool's game. If you're late you're very likely to miss out on a big part of the gains that a rebounding market delivers. Remember—the market changes directions sharply. When a real rebound occurs—not like the head fakes we've seen throughout the year—those who are exposed to the market could very well see front-loaded gains. The first few months of a market upturn can be as profitable for investors as the next few years. In other words, you want to be sure to be in the market when the turn occurs.

My advice to investors right now is to patiently hold quality companies with good current earnings. Those paying a dividend, and even increasing their dividend, are certainly attractive. Think companies that are very likely to still be around in 10 or 15 years rather than "hot" companies that could prove to be shooting stars.

And in the meantime, watch for factors that could act as catalysts to reverse the market's direction. Signs that inflation is cooling could definitely move the market. Stronger corporate earnings, or reports that CEOs are turning bullish on the economy could also touch off a recovery.

We're telling clients to keep their cash ready and be prepared to put it to work when we see signs that a market turnaround has started. As always, don't hesitate to reach out to us if you'd like to discuss your investment portfolio.