



INCOME INVESTING

Amid market volatility, should retail investors buy the dips or take their profits and run?

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The recent market action may have some investors wondering if they should take their profits and run, or look to buy into any weakness.

Stocks recovered some ground on Friday after a rocky morning. The [Nasdaq Composite](#) snapped a three-day losing streak, ending 0.13% higher. The [S&P 500](#) closed near the flatline and the [Dow Jones Industrial Average](#) shed 0.65%. The moves followed a sell-off on Thursday that saw all three indexes post their worst one-day performance since Oct. 10.

Retail investors on Friday appeared to be split, said Mitchell Goldberg, president of ClientFirst Strategy.

“The dip buyers, the ones who’ve been conditioned for years to buy the dip, ... see this as an opportunity, because many of the leaders finally took a spill,” he said. “A big chunk of investors are doing the exact opposite. They’re taking profits after a strong run.”

To be sure, the markets have been hitting record highs this year. Tech names tied to artificial intelligence have been leading the way, although they have been under pressure recently thanks to concerns about valuations and the path of Federal Reserve interest rate cuts. On Friday, they regained some ground.

“Maybe it’s time for people to sharpen their pencils and stop trading based on the headlines and focusing back on investment,” said Mark Malek, chief investment officer at Siebert Financial. “In markets like this, these are wake up calls for all of us to make sure that we are sticking to our plans.”

Different opportunities

That’s exactly what Goldberg says investors should be doing, particularly those who may invest every pay period into a retirement plan or investment account.

“Keep investing, keep dollar cost averaging, because if they’re dollar cost averaging, they buy less shares on the way up and more shares on the way down,” he said.

“Eventually, these prices will average out and that helps to tame the volatility in their account.”

However, for those who are near the point in their life when they may be ready to shift their allocations from 80% stocks and 20% bonds to a 60/40, this could be a good time to consider such a move, he said.

“No one has a reason to complain about this year so far, people have done pretty well,” he said.

Buy in increments

Kevin Simpson, founder and chief investment officer of Capital Wealth Planning, believes pullbacks are a good time for investors that have a time horizon of at least three to five years to add to their good positions. However, he would layer in and understand that the market isn't going to move higher every day.

“It's very prudent when you have an opportunity to buy things cheaper, to do so in increments,” he said.

In fact, Simpson used the opportunity to buy more shares of [IBM](#). The market still treats IBM like it's an old-school mainframe company, but that's outdated thinking, he said.

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“At roughly 25 times forward earnings, you’re getting a high-yielding, cash-rich, AI-levered enterprise name at a discount — and that’s not something you can say about most of mega-cap tech right now,” said Simpson.

Yet there is a difference between grabbing an opportunity and trying to time the market, which investors should never do, said Matthew Smart, director of financial planning and portfolio analysis at WWM Investments.

“If you have cash on the sidelines and you want to be opportunistic, we think a dip in the market in today’s environment is something that you can take advantage of,” he said.

Those that are nervous can rebalance their portfolio and move into sectors that aren’t as highly valued as tech stocks, like consumer staples, health care and real estate, he said.

Diversification matters

Retail investors who own single stocks should have been taking some profits when the megacap AI stocks were moving higher and used that opportunity to reinvest in other areas of the market that represent better value, Goldberg said.

That could be in other sectors like consumer staples, health care and utilities or could mean looking at real estate, fixed income and preferred stocks, he said.

The bottom line is that investors should be diversified.

“It doesn’t necessarily protect your portfolio from going down in a generally down market, but it could help it go down less, and it could help your portfolio recover quicker,” Goldberg said.

Year-end rally

Jay Woods, chief market strategist at Freedom Capital Markets, believes stocks are likely going higher from here.

Whether Friday’s bounce back was actually a key reversal day will only be confirmed on Monday, he said. However, the market has been up 10 Mondays in a row, he noted.

“Traders know this. Traders saw an opportunity to buy a dip, and then retail followed along,” Woods said.

“This is very positive price action,” he added. “[Friday’s S&P] opening should be the new floor and we’ll focus on what’s important next: Fed policy and Nvidia earnings.”

The chipmaker is set to report its third-quarter results on Wednesday.

Meanwhile, the sell off brought some of the frothier names in quantum, crypto and nuclear down, he noted.

“The euphoric rally in some of these pockets is kind of stopped for now,” Woods said. “I suspect we’ll get another pocket of euphoria in 2026. That’s what happens in strong bull markets.”

He anticipates the S&P 500 will make a run at 7,000 but he doesn’t know if it will close the year at that level.

“We’re setting ourselves up for a good year-end rally, because that’s what things tend to do in the last 10 months, we tend to finish strong,” he said.

“I suspect we will make a new run at new highs if Nvidia gives us that something to look forward to.”

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