

Investing
Insights

good news about bear markets

look
to the
past
for
answers

From 1950 through March 2008 the S&P 500 dropped by at least 15% only 18 times.

The median decline lasted 7 months; In every case, the market was up 12 months later with a median gain of 33%.

The good news is that historically stocks have recovered from bear markets to resume an overall upward trend.

Stock investing involves risk including loss of principal.

Many, although not all, of the market declines listed below occurred during recessions in the United States. Per the U.S. Department of Commerce, over the past 50 years after stocks have made their lows during recessions the economy continued to slow for 4-6 months while stocks rose on average 25% (as measured by the S&P 500). New home prices slid for 2 or more months according to the U.S. Department of Census as stocks climbed 24% (no data prior to 1970), and the U.S. Department of Labor reports that unemployment continued to rise for at least four months as stocks gained close to 30% on average. Thus, using history as a guide, those investors that await an improvement in economic output, home prices, or employment are likely to miss out on powerful gains in stocks.

POST WAR PERIOD

Peak	Trough	Duration (Months)	S&P 500 Price Decline	Price Gain 12 Months Later
05/29/1946	05/19/1947	12	-28%	19%
02/02/1953	09/14/1953	7	-14%	38%
07/15/1957	10/22/1957	3	-21%	31%
12/12/1961	06/26/1962	6	-28%	33%
02/09/1966	10/07/1966	8	-22%	33%
11/29/1968	05/26/1970	18	-36%	44%
01/11/1973	10/03/1974	21	-48%	38%
06/30/1975	09/16/1975	3	-14%	28%
12/31/1976	03/06/1978	14	-19%	13%
09/11/1978	11/14/1978	2	-14%	12%
02/13/1980	03/27/1980	1	-17%	37%
11/28/1980	08/12/1982	21	-27%	58%
10/10/1983	07/24/1984	9	-14%	30%
08/25/1987	12/04/1987	4	-34%	26%
07/16/1990	10/11/1990	3	-20%	34%
07/17/1998	08/31/1998	3	-19%	40%
03/24/2000	10/09/2002	30	-47%	36%
Median		7	-21%	33%
10/09/2007	10/31/2008	13	-36%	

Source: Zephyr

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