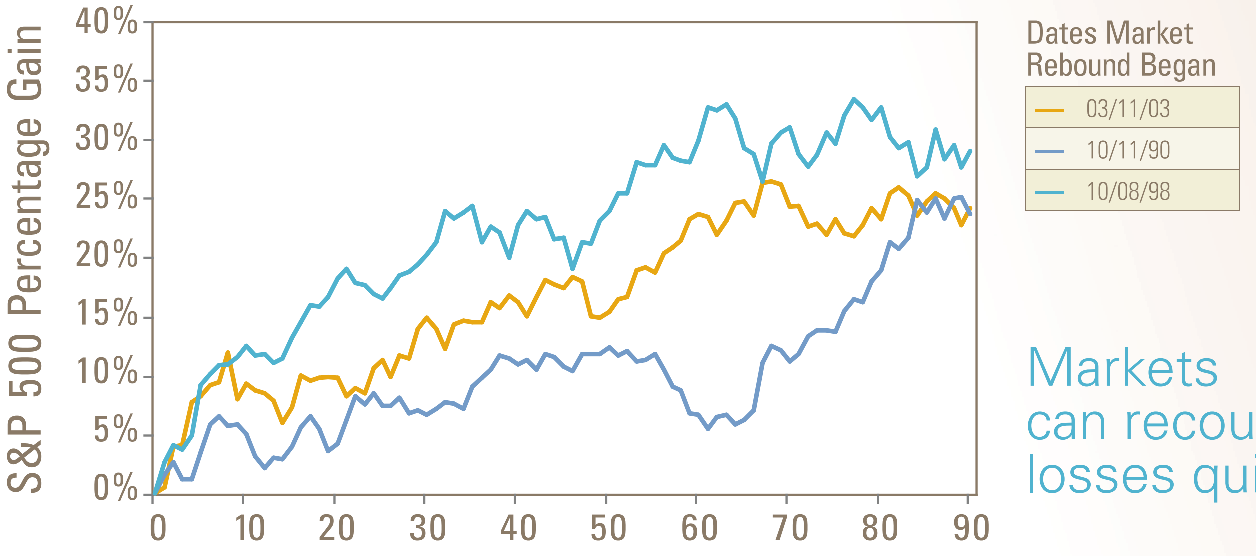
Investing Insights

market resilience

fasten your seatbelt

When markets rebound following a bear market, gains may be captured quickly. In the chart below, we look back at three bear market bottoms and find the S&P 500 gained 25% within about 90 trading days of the end of each. Of this 25%, about 10% is captured in the first 10 days of the rebound. Therefore, pulling out of the market during that time and attempting to go back in once significant rebounds are seen could result in missing a good portion of those positive returns.

MARKET REBOUNDS FOLLOWING A BEAR MARKET



Markets can recoup losses quickly.

Source: Bloomberg, LPL Financial Research
Note: Past performance is no guarantee of future results.

LPL Financial

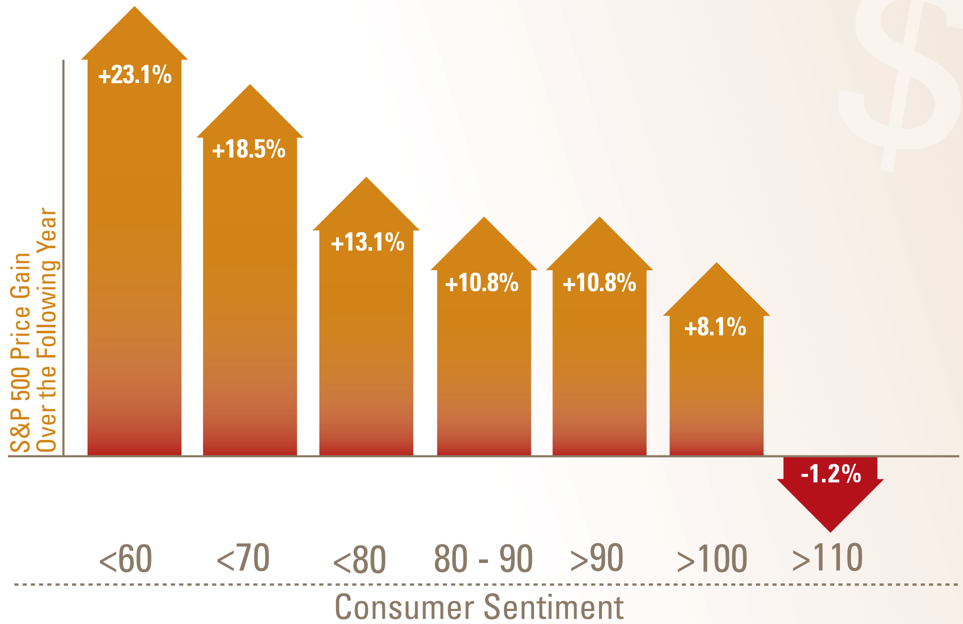
the worse we feel the better the gains

Consumer confidence has consistently been a contrarian indicator for the stock market—the worse consumers feel, the better the potential gains over the coming year. Since 1978, the lower the level of consumer sentiment, the stronger the stock market gains over the 12 months following, and likewise, the more optimistic consumers have been, the weaker the subsequent stock market performance.

Historical evidence shows that the trend in consumer confidence has lagged behind the slowdown in economic growth—usually falling sharply only after the worst of the economic slowdown is over and economic activity is poised to rebound.

Investors may need to go against their emotional instincts and stay invested to be rewarded. A long-term stance in investing is recommended to weather market downturns and benefit from the upswings.

CONSUMER SENTIMENT DECREASES AS STOCK MARKET RETURNS ARE POISED TO INCREASE



Source: University of Michigan, Bloomberg, LPL Financial Research
Stock investing involves risk including loss of principal.
The S&P 500 is an unmanaged index which cannot be invested into directly. Past performance is no guarantee of future results.
Note: In interpreting the consumer sentiment survey, the lower the number, the worse consumer sentiment is.