

Clarity Group Midwest

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Bear Markets Come and Go



If you are losing sleep over volatility driven by a cascade of disheartening news, it may help to remember that the stock market is historically cyclical.

The longest bull market in history lasted almost 11 years before coronavirus fears and the realities of a seriously disrupted U.S. economy brought it to an end.

If you are losing sleep over volatility driven by a cascade of disheartening news, it may help to remember that the stock market is historically cyclical. There have been 10 bear markets (prior to this one) since 1950, and the market has recovered eventually every time.

Bear markets are typically defined as declines of 20% or more from the most recent high, and bull markets are increases of 20% or more from the bear market low. But there is no official declaration, so in some cases there are different interpretations regarding when these cycles begin and end.

On average, bull markets lasted longer (1,955 days) than bear markets (431 days) over this period, and the average bull market advance (172.0%) was greater than the average bear market decline (-34.2%).

Bear Markets Since 1950	Calendar Days to Bottom	U.S. Stock Market Decline (S&P 500 Index)
August 1956 to October 1957	446	-21.5%
December 1961 to June 1962	196	-28.0%
February 1966 to October 1966	240	-22.2%
November 1968 to May 1970	543	-36.1%
January 1973 to October 1974	630	-48.2%
November 1980 to August 1982	622	-27.1%
August 1987 to December 1987	101	-33.5%
July 1990 to October 1990	87	-19.9%*
March 2000 to October 2002	929	-49.1%
October 2007 to March 2009	517	-56.8%

*The intraday low marked a decline of -20.2%, so this cycle is often considered a bear market.

The bottom line is that neither the ups nor the downs last forever, even if they feel as though they will. During the worst downturns, there were short-term rallies and buying opportunities. And in some cases, people have profited over time by investing carefully just when things seemed bleakest.

If you're reconsidering your current investment strategy, a volatile market is probably the worst time to turn your portfolio inside out. Dramatic price swings can magnify the impact of a wholesale restructuring if the timing of that move is a little off. A well-thought-out asset allocation and diversification strategy is still the fundamental basis of good investment planning. Changes in your portfolio don't necessarily need to happen all at once. Try not to let fear derail your long-term goals.

The return and principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss.



The S&P 500 is an unmanaged group of securities that is considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.

Source: Yahoo! Finance, 2020 (data for the period 6/13/1949 to 3/12/2020)

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