

History of Bear Markets

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Market Crashes

<https://www.youtube.com/watch?v=bluUxKIB4pA>



Catastrophe



Let's Learn from History

1. Anatomy of a Bear Market
2. How many Bear Markets have there been
3. The Worst, The Best, & The Fastest
4. The most recent Bear Market



Anatomy of a Bear Market

1. The term Bear Market is a symbol of a bear swiping its paws downwards, and is defined as a Stock market decline of 20% or more in broad market indexes.
2. Economic decline, including higher unemployment, decreases in GDP, declining corporate profits
3. Negative sentiment, meaning investors are pessimistic about the stock market's prospects, making them more likely to sell assets
4. Duration, bear markets must last at least two months to be “official”



Recent Major Declines

- 2023*
 - Market Peak 07/31/2023
 - Market Trough 10/27/2023
 - Decline of -10.3%
- 2022
 - Market Peak 01/03/2022
 - Market Trough 10/12/2022
 - Decline of -25.4%
- 2020*
 - Market Peak 02/19/2020
 - Market Trough 03/23/2020
 - Decline of -33.9%
- 2018*
 - Market Peak 09/20/2018
 - Market Trough 12/24/2018
 - Decline of -19.8%

*Not considered “official” Bear Market



2022 Comparison

- 2022 is the 12th official Bear Market since WWII
- First Bear we've seen since "Great Recession" (ignoring Covid)
- From a historical and numerical perspective, it's been nothing but an average Bear



The Historical Bears

- Since WWII we witness a Bear market, on average, once every 6-7 years
- From their peaks, Bears typically bottom-out at around 12-13 months after their beginning
- Slightly more than half the time they hit new all-time highs 12 months after they bottom



The Worst, The Best, & The Fastest

- The Worst
 - 2007-2009 Bear Market (Great Recession)
 - Market dropped -56.8% from it's peak in 17 months
- The Best
 - 1956-1957 Bear Market
 - Market dropped -21.5% from it's peak in 14.5 months
- The Fastest
 - 2020 "Covid" Market
 - Market dropped -33.9% from it's peak in 1.1 months

Source: Bear Market Chronicles (Nick Murray Newsletter, December 2019); Yahoo Finance; BigCharts.com Return calculated without dividends.



The Historical Bears Cont.

Market Peak		Market Trough				12 Mos after Trough		
<u>Date</u>	<u>Index</u>	<u>Date</u>	<u>Index</u>	<u>Return</u>	<u>Mos.</u>	<u>Date</u>	<u>Index</u>	<u>Return</u>
5/29/1946	19.3	6/13/1949	13.6	-29.5%	36.5	6/13/1950	19.3	41.5%
8/2/1956	49.7	10/22/1957	39.0	-21.5%	14.5	10/22/1958	51.1	30.9%
12/12/1961	72.6	6/26/1962	52.3	-28.0%	6.5	6/26/1963	69.4	32.7%
2/9/1966	94.1	10/7/1966	73.2	-22.2%	8.0	10/6/1967	97.3	32.9%
11/29/1968	108.4	5/26/1970	69.3	-36.1%	18.0	5/26/1971	99.6	43.7%
1/11/1973	120.2	10/3/1974	62.3	-48.2%	20.5	10/3/1975	86.0	38.0%
11/28/1980	140.5	8/12/1982	102.4	-27.1%	20.5	8/12/1983	162.2	58.4%
8/25/1987	336.8	12/4/1987	223.9	-33.5%	3.5	12/5/1988	274.9	22.8%
3/24/2000	1,527.5	10/9/2002	776.7	-49.2%	30.5	10/9/2003	1,038.7	33.7%
10/9/2007	1,565.1	3/9/2009	676.5	-56.8%	17.0	3/9/2010	1,140.5	68.6%
2/19/2020	3,386.2	3/23/2020	2,237.4	-33.9%	1.1	3/23/2021	3,910.5	74.8%
1/3/2022	4,796.6	10/12/2022	3,577.0	-25.4%	10.3	10/12/2023	4,349.6	21.6%
						3/7/2024	5157.3	44.2%
			Average	-34.3%	15.6		Average	41.6%

Source: Bear Market Chronicles (Nick Murray Newsletter, December 2019); Yahoo Finance; BigCharts.com Return calculated without dividends.



A Re-look at 2022

- The Average Bear Market drawdown is 34.3% taking around 15 months
 - 2022 Bear hit a bottom on 10/12/2022 finishing at a low-point -25.4%
 - This bottom was reached in just over 10 months
- In comparison, the 2022 Bear went down less than average and in a shorter amount of time
- But wasn't it different?
 - Yes, it was, but not how you think

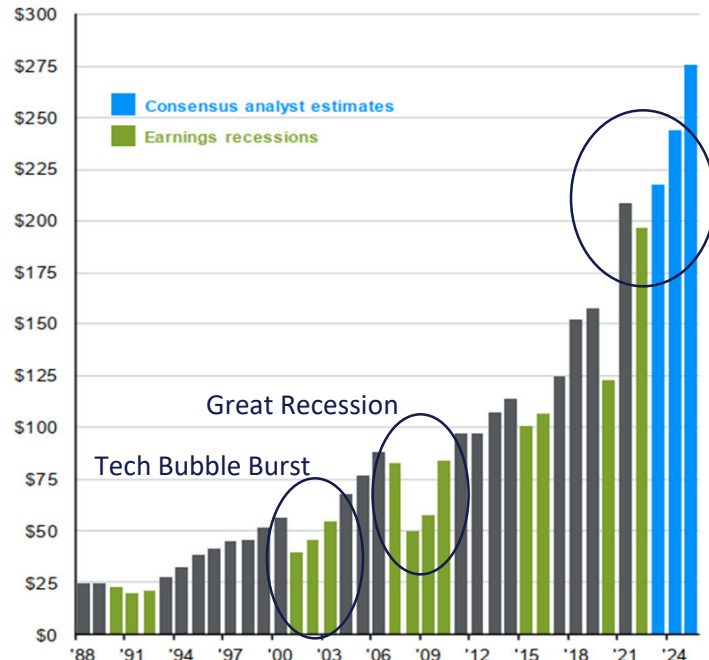
Source: Bear Market Chronicles (Nick Murray Newsletter, December 2019); Yahoo Finance; BigCharts.com Return calculated without dividends.



Corporate Profits Remained Strong

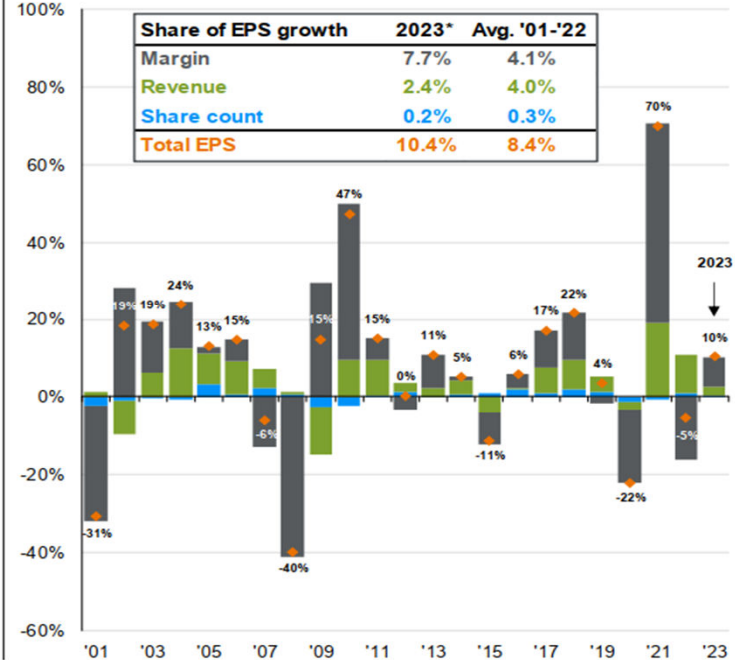
S&P 500 earnings per share

Index annual operating earnings, USD



S&P 500 year-over-year operating EPS growth

Annual growth broken into revenue, changes in profit margin & changes in share count



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Historical EPS levels are based on annual operating earnings per share. *2023 earnings estimates are based on estimates from Standard & Poor's and FactSet Market Aggregates. Percentages may not sum due to rounding. Past performance is not indicative of future returns.

Guide to the Markets – U.S. Data are as of June 29, 2023.



Putting it All Together

“Far More Money Has Been Lost By Investors Trying To Time Corrections Than In All Corrections Combined” – Peter Lynch, Former Manager of the Fidelity Contrafund

- Bear Markets are normal to find in the Stock Market, but are hard to predict when they will show
- Human tendency is to sell things that are going down and buy things that are going up
 - To be successful you should do the opposite



Lessons Learned

- The Average 12-month return after a Bear has bottomed is 42.1%
 1. STAY INVESTED
 2. REBALANCE
- Remember what the Stock Market does when it's not in a Bear Market
 1. More up years than down years
 2. Dividends & Appreciation
 3. The Market has averaged a gain of 9.68% per year since May of 1946



Parting Thoughts

“The time to buy is when there is blood in the streets..” – Baron Rothchild

“I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful.” – Warren Buffett



Questions?



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Please complete the short, anonymous survey
arriving shortly in your email.

Thank you!



Upcoming Seminars

Vegetable Gardening on a Budget

Tuesday, April 9th, 2024

11:00 AM

Bring a Friend to Lunch – Lancaster Country Club

Thursday, April 11th, 2024

12:00 PM

Downsizing Made Easier!

Tuesday, April 23rd, 2024

11:00 AM



Thank You!

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