INVESTMENT PERSPECTIVES

The cost of missing a market rebound

It is natural for investors to be concerned with investment portfolio performance during declining markets. This piece aims to provide insights into how the stock market has behaved around previous bear markets.

BEAR MARKETS DEFINED

A bear market is a prolonged period in which investment prices fall, usually by 20% or more, accompanied by widespread pessimism. Bear markets usually occur when the economy is in a recession and unemployment is high, or when inflation is rising quickly.

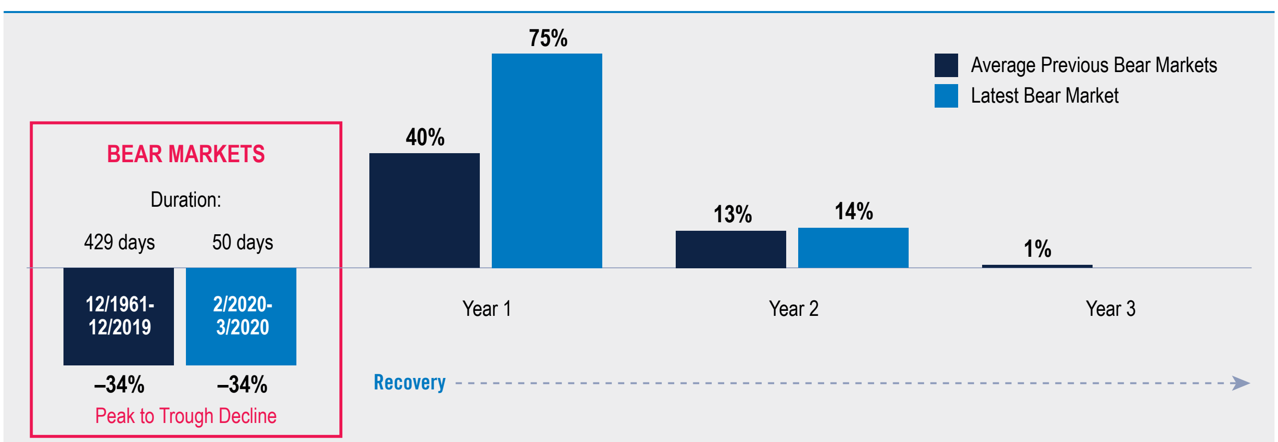
INVESTOR BEHAVIOR

Fears of further declines and market volatility often lead investors to making the wrong decision, at the wrong time, for the wrong reason. This can result in many investors pulling money out of the stock market after absorbing much of the decline. But then they risk missing the subsequent rebound after a bear market, which historically has been very robust.

PERFORMANCE TRENDS

During previous bear markets, on average, the market declined substantially as the economy contracted. But, as the market discounts economic recovery, stock market returns have historically been quite substantial in the following year, followed by lesser returns in the following two years. Thus, it's important to be in the market and experience those returns when the market does rebound.

AVERAGE S&P 500 RETURN DURING BEAR MARKETS AND SUBSEQUENT RECOVERIES



Source: Morningstar as of 3/31/2022. The S&P 500 Index is a weighted, unmanaged index composed of 500 large-cap stocks. It provides a broad indicator of stock price movements. Investors cannot invest directly in an index. Past performance is no guarantee of future returns.

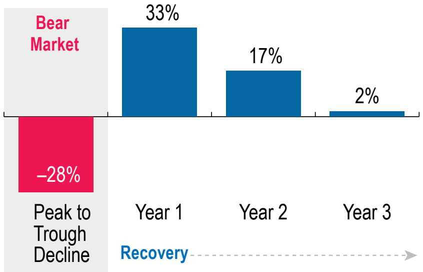
KENDRICK WEALTH MANAGEMENT

As shown in the charts below, performance has varied throughout various bear markets. However, what each has in common is that the recovery in the first year was quite robust. While it can be difficult at the time, historically the most pessimistic period has made for good long-term buying opportunities. Keep in mind, however, past performance is no guarantee of future results.

BEAR MARKET DECLINES AND RECOVERIES OVER PAST 60 YEARS

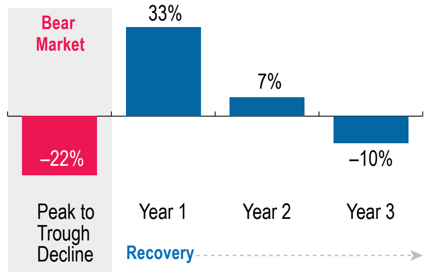
DEC. '61–JUN. '62
Duration: 196 days

- Cuban Missile Crisis
- Decrease in foreign dependence on U.S. goods
- High unemployment



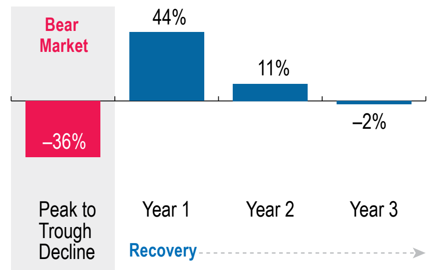
FEB. '66–OCT. '66
Duration: 240 days

- Six-Day War in Middle East
- Medicare begins
- Unemployment at 4.5%



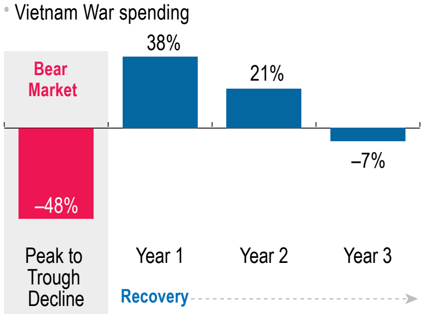
NOV. '68–MAY '70
Duration: 543 days

- High inflation
- Decline in government spending
- Oppressive interest rates and scarcity of credit



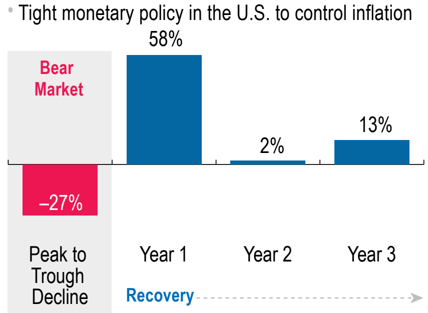
JAN. '73–OCT. '74
Duration: 630 days

- Oil crisis. A quadrupling of oil prices by OPEC
- Watergate scandal—Nixon resigns
- Vietnam War spending



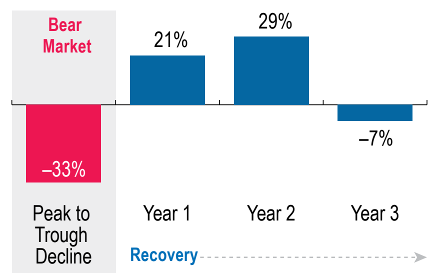
NOV. '80–AUG. '82
Duration: 622 days

- 1979 energy crisis
- Massive failure of savings and loan associations
- Tight monetary policy in the U.S. to control inflation



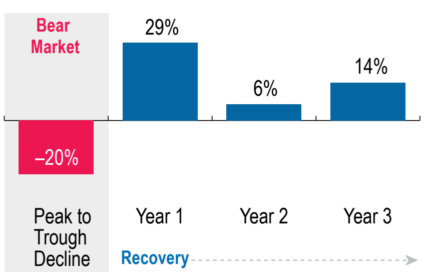
AUG. '87–DEC. '87
Duration: 101 days

- Black Monday—Markets crash
- Iran-Contra scandal
- High unemployment



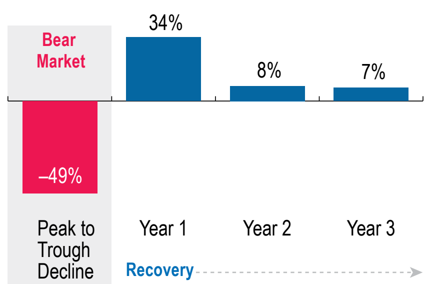
JUL. '90–OCT. '90
Duration: 87 days

- Industrial production and manufacturing trade sales decreased
- Savings and loan scandals



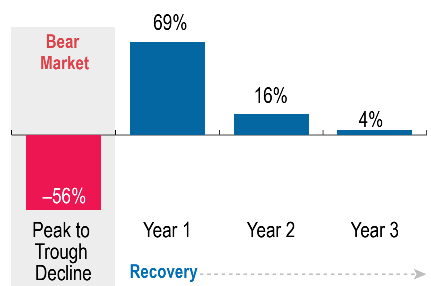
MAR. '00–OCT. '02
Duration: 929 days

- The collapse of the dot.com bubble
- September 11th attacks
- Corporate accounting scandals



OCT. '07–MAR. '09
Duration: 517 days

- Financial crisis
- Housing bubble bursts



Source: Morningstar. Returns are calculated using the S&P 500 Index. Peak to Trough declines indicate the return from the market high to the market low for each respective bear market period. Year 1, Year 2, and Year 3 represent the return of the S&P 500 Index one, two, and three years after the market low point. Investing involves risk. The value of your investment will fluctuate and, when sold, may be worth more or less than its original cost. Past performance is no guarantee of future returns.

For more information, contact your financial professional at (480)-887-8888 or visit our website at pgiminvestments.com.

All investments involve risk including the possible loss of capital. Past performance is not a guarantee of future results.

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