

On The Mark

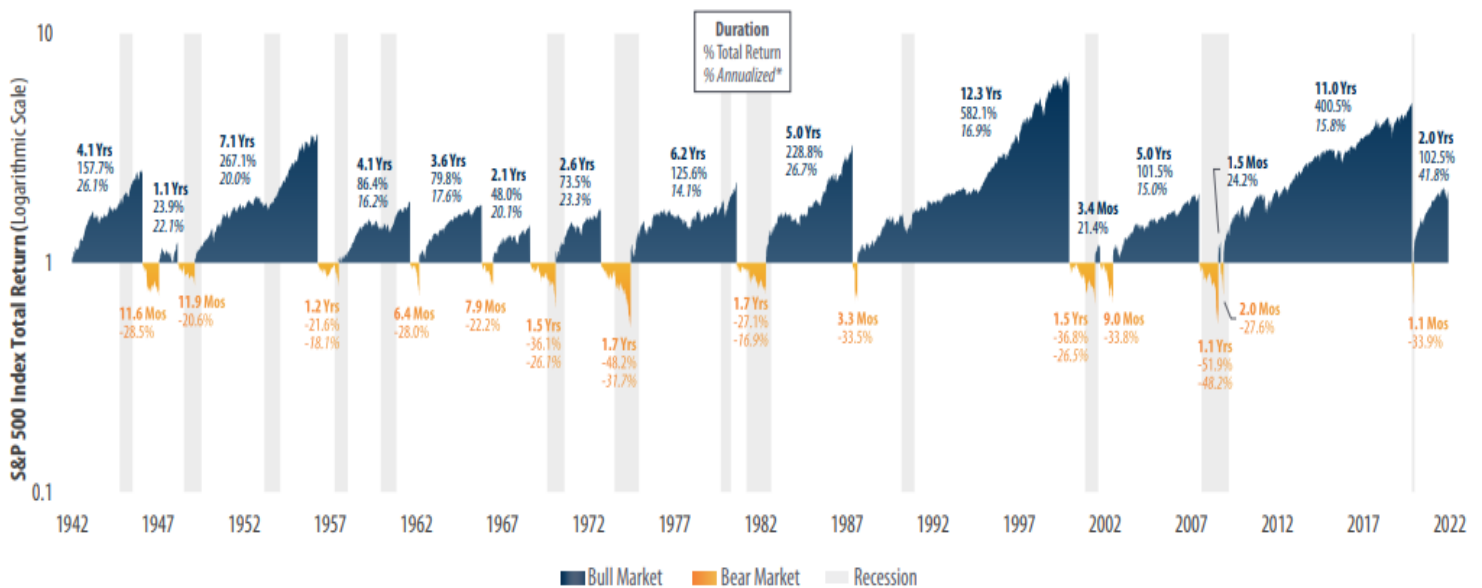
History of Bull & Bear Markets

Special Edition

Behavioral science tells us current events have a greater impact on our perception and decisions than the past. In 2022, investors are faced with extreme uncertainty given record inflation and recession fears. The stock market is pricing in that uncertainty causing investors to wonder if this is the start of a long-term trend. Although stocks rise and fall in the short term, they've tended to reward investors over longer periods of time.

Looking at the history of S&P 500 since 1942, the average bull market lasted 4.4 years with an average cumulative total return of 154.9% while the average bear market (drop of 20% from peak) lasted 11.3 months with an average cumulative loss of -32.1%ⁱ.

History of U.S. Bull and Bear Markets



Source: First Trust. Data from 4/29/1942-3/31/2022. History of U.S. Bear & Bull Markets

While today's challenges certainly warrant caution, they don't have to be a reason to panic, especially when you are focused on long-term investing. Since 1942, markets have experienced numerous challenges including multiple wars, an oil embargo, asset bubbles, the Great Recession, and a global pandemic. In each of these challenges, companies and people have adapted and responded to get back on track. Investing will always be uncertain. Creating and sticking to a thoughtfully constructed investment plan is critical to avoid making short-sighted decisions. As Warren Buffet said, "the market is the most efficient mechanism anywhere in the world for transferring wealth from impatient people to patient people".

¹ <https://www.ftportfolios.com/Common/ContentFileLoader.aspx?ContentGUID=4ecfa978-0bb-4924-92c8-628ff9bfe12d>

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