MARKET MICROSCOPE – S&P 500 Price Index Returns After A Bear Market

Since 1950, how has the S&P 500 Price Index performed after reaching the point of a "bear market"?

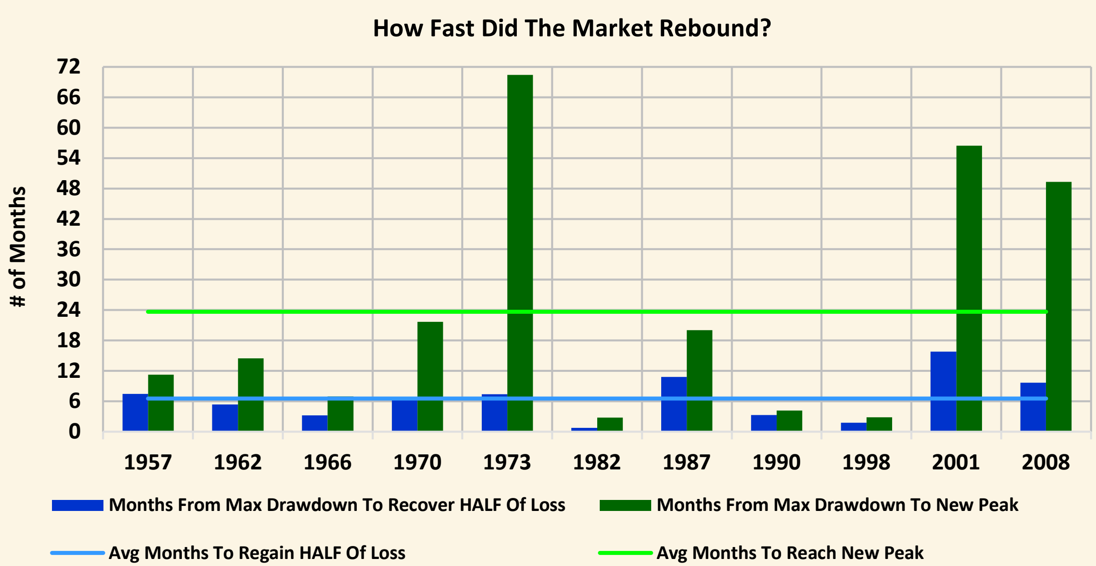
Date	Drawdown At That Date	Maximum Drawdown	1-Year Return	3-Year Return	5-Year Return	10-Year Return
10/21/1957	-21.13%	-21.47%	30.96%	11.12%	7.26%	9.31%
5/28/1962	-23.60%	-27.97%	26.14%	16.79%	10.39%	7.14%
8/29/1966	-20.76%	-22.18%	24.62%	8.62%	6.16%	3.13%
1/29/1970	-20.93%	-36.06%	11.89%	10.63%	-2.05%	2.90%
11/27/1973	-20.41%	-48.20%	-26.92%	2.53%	0.06%	5.74%
2/22/1982	-20.59%	-27.11%	30.37%	17.14%	20.67%	13.94%
10/19/1987	-33.24%	-33.51%	23.19%	11.60%	13.04%	15.43%
10/11/1990	-19.92%	-19.92%	29.10%	15.97%	14.42%	16.53%
8/31/1998	-19.34%	-19.34%	37.93%	5.80%	1.04%	2.97%
3/12/2001	-22.74%	-49.15%	-1.24%	-1.71%	1.66%	1.01%
7/9/2008	-20.47%	-56.78%	-29.08%	2.59%	5.83%	8.38%
		Average After Reaching Bear Market:	***14.27%***	***9.19%***	***7.13%***	***7.86%***
		Average For 70-Year Period 1950-2019:	***8.84%***	***7.83%***	***7.61%***	***7.06%***

S&P 500 Price Index 70-Year Annualized Return, 1950-2019: 7.80%

The table to the left shows the future returns of the S&P 500 Price Index from the date the index was down approximately -20%.

On average, the S&P 500 Price Index returned 9.2% annualized over the ensuing 3-year period, which is better than the average 3-year return over the past 70 years (7.8%). The index averaged a 7.9% annualized return over the next 10 years, which is also better than the average 10-year return (7.1%).

Keep in mind, these are the returns of the ***Price*** index. The returns of the ***Total Return*** index (which includes dividend reinvestment) would be higher.



This chart shows the number of months it took for the S&P 500 Price Index to recover half the total drawdown, and how long it took to reach a new peak.

On average, the index had already recovered half of its losses within just 6.5 months of the bottom. Ten times out of 11, the halfway back point was reached in less than a year. In other words, an investor that "bails out" of the stock market near the bottom could easily miss a large portion of the rebound.

Eight times out of 11, the S&P 500 reached a new high in less than 2 years after hitting the bottom.