Market Downturns and Recoveries 1926–2018

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Downturn	% Loss	Downturn period	Recovery period	Recovery
34 months	–83.4	Sep 1929–June 1932	July 1932–Jan 1945	151 months
6 months	–21.8	June 1946–Nov 1946	Dec 1946–Oct 1949	35 months
7 months	–10.2	Aug 1956–Feb 1957	March 1957–July 1957	5 months
5 months	–15.0	Aug 1957–Dec 1957	Jan 1958–July 1958	7 months
6 months	–22.3	Jan 1962–June 1962	July 1962–April 1963	10 months
8 months	–15.6	Feb 1966–Sep 1966	Oct 1966–March 1967	6 months
19 months	–29.3	Dec 1968–June 1970	July 1970–March 1971	9 months
21 months	–42.6	Jan 1973–Sep 1974	Oct 1974–June 1976	21 months
14 months	–14.3	Jan 1977–Feb 1978	March 1978–July 1978	5 months
20 months	–16.5	Dec 1980–July 1982	Aug 1982–Oct 1982	3 months
3 months	–29.6	Sep 1987–Nov 1987	Dec 1987–May 1989	18 months
5 months	–14.7	June 1990–Oct 1990	Nov 1990–Feb 1991	4 months
2 months	–15.4	July 1998–Aug 1998	Sep 1998–Nov 1998	3 months
25 months	–44.7	Sep 2000–Sep 2002	Oct 2002–Oct 2006	49 months
16 months	–50.9	Nov 2007–Feb 2009	March 2009–March 2012	37 months

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Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Downturns are defined by a time period when the stock market value declined by 10% or more from its peak.

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Market Downturns and Recoveries

A historical account of past downturns and recoveries can present a better picture of potential market performance.

There have been many U.S. equity market downturns over time, with varying levels of severity and differing lengths of recovery. The most severe downturn marked the start of the Great Depression, when stocks lost over 80% of their value. In this case, the recovery period was over 12 years. More recently, stocks lost 44.7% of their value during the early-2000s bear market. This recovery period, lasting four years, was the second-longest in history. Stocks lost 50.9% during the recent 2007–09 bear market; this downturn lasted for 16 months, and the stock market recovered after 37 months, in March 2012.

It is evident that stocks are prone to sudden declines in value. These declines seem to happen at random, and there are many different reasons for stock market crashes and bear markets. Sometimes stocks recover their value quickly, while other times the decline lasts for a while. The recovery period may be painfully long. Often, the decline is preceded by a period of high returns, which lulls investors into a false sense of security. Because no one can predict market declines with certainty, a diversified portfolio may be the best solution for a long–term investor who is concerned about both return and risk.

Returns and principal invested in stocks are not guaranteed. Diversification does not eliminate the risk of investment losses.

About the data

Large stocks are represented by the Ibbotson® Large Company Stock Index. Downturns in this example are defined by a time period when the stock market declined by 10% or more from its peak, while the recovery period indicates the number of months from the trough of the downturn to the market's previous peak. An investment cannot be made directly in an index. The data assumes reinvestment of all income and does not account for taxes or transaction costs.

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